



NON-FINANCIAL REPORT 2022

PERUTNINA PTUJ GROUP



Perutnina Ptuj



Perutnina Ptuj

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1 WHO WE ARE

Perutnina Ptuj is an international group of **14** COMPANIES

with more than **4,200** EMPLOYEES

in **7** COUNTRIES

with **14** PRODUCTION PLANTS

3 TRADING COMPANIES

We work with over **500** FARMERS who breed broilers in their natural environment.



Perutnina Ptuj

We sell our products in more than **30** COUNTRIES worldwide where every day

2 million CONSUMERS enjoy them.

Our **MISSION** is to prepare natural, healthy, and delicious food. As responsible individuals and as a company, we set the highest standards for quality, traceability, safety, and ecology. We are united by our commitment to perfection and our vision of being the No. 1 branded poultry producer with an FMCG business model in Southeast Europe.



We operate within the **MHP Group**, who is our sole owner, and is one of the leading international groups in the food processing industry as well one of the most successful poultry meat producers in Europe.

This is the non-financial report 2022 for the Perutnina Ptuj Group. It is linked to the non-financial report of the MHP Group, which can be found on the MHP website.

Programme and geographical structure by countries

In 2022, there were no changes to the geographical and area structure of the Perutnina Ptuj Group.

The integrated business area of the Perutnina Ptuj Group is divided into six areas, which are interconnected not only in ownership but also and above all in content.

The headquarters and parent company Perutnina Ptuj d. o. o. is located at 10 Potrčeva Street in Ptuj, Slovenia.

1 PARENT COMPANY
Slovenia

2 SERVICES
1 in Slovenia (veterinary)
1 in Serbia (veterinary)

4 FEED PRODUCTION
2 in Slovenia
1 in Croatia
1 in Serbia

6 MEAT INDUSTRY
2 in Slovenia (chicken and turkey meat, sausages, frankfurters, ready-made products)
1 in Croatia (chicken meat, sausages)
2 in Bosnia and Herzegovina (chicken meat, sausages)
1 in Serbia (chicken meat, sausages)

1 AGRICULTURE
Slovenia

3 SALES NETWORK
Austria
North Macedonia
Romania

5 LIVE PRODUCTION
1 in Slovenia
2 in Croatia
1 in Bosnia and Herzegovina
2 in Serbia



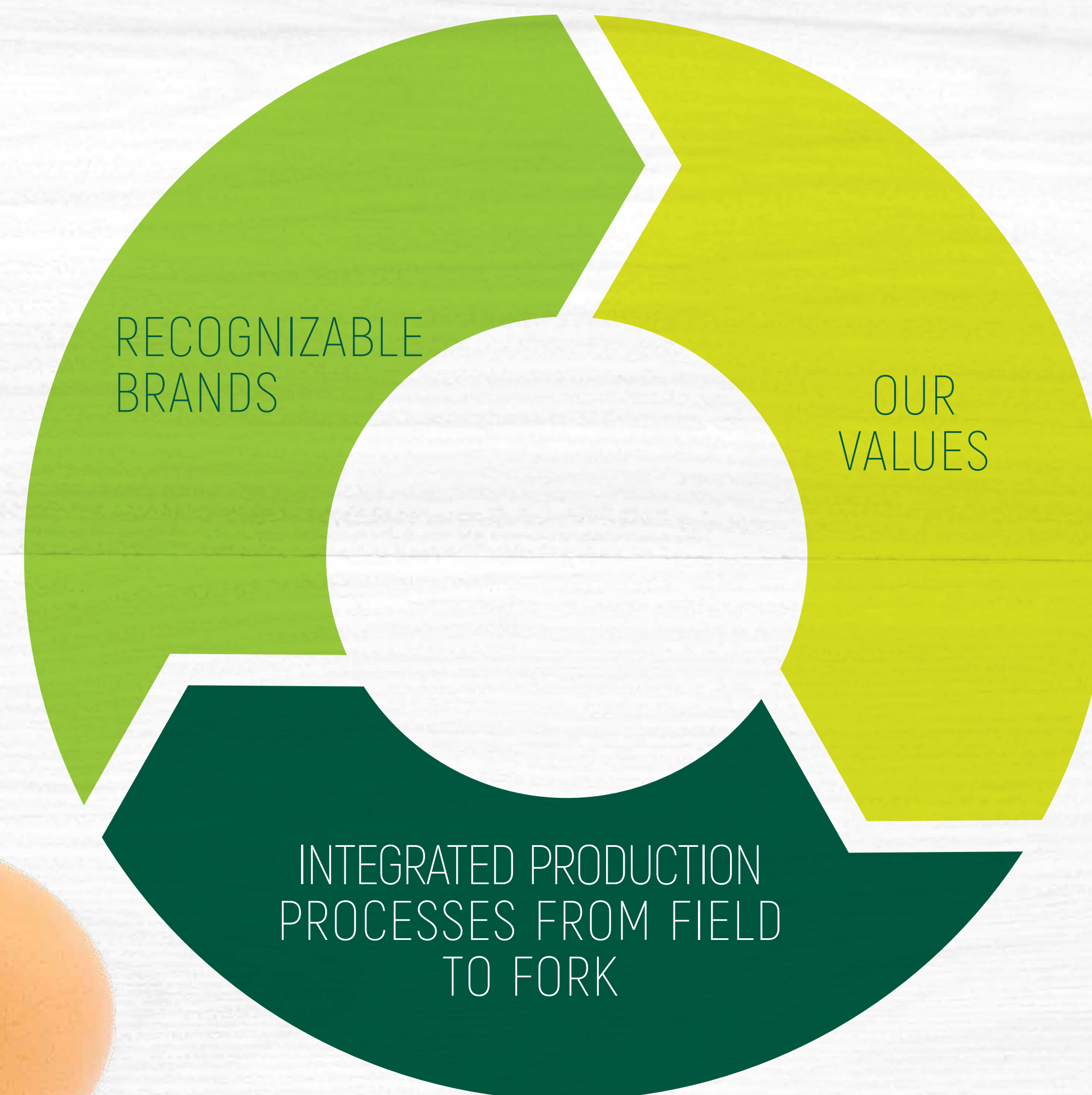
Ownership as of 31. 12. 2022

The sole owner of the parent company Perutnina Ptuj d. o. o. is the Company MHP SE, with headquarters at 16-18 Zinas Kanther, Agia Triada, Limassol, Cyprus.

The parent company Perutnina Ptuj d. o. o. with headquarters at 10 Potrčeva Street, Ptuj, Slovenia is the sole owner of all affiliated companies except Perutnina Ptuj – Pipo d.o.o. Čakovec, Croatia. Perutnina Ptuj d.o.o. holds 99.7822%.

Legal form

The parent company Perutnina Ptuj is a limited liability company.



The values we uphold:

Responsibility - We are responsible to our employees, customers, business partners, local communities and other shareholders, the environment, natural resources, and relationships.

Quality - We guarantee quality by traceability and control of all processes and components from field to fork and raw material quality.

Creativity - We constantly create new products of quality, healthy, safe and naturally prepared food. We create new dietary habits for everyday and special occasions.

Cooperation - We are constantly connected with our customers, suppliers, and the latest findings.

Quality, safety, and traceability in an integrated production process

We have set our own **QST System** (quality, safety, traceability) which is a comprehensive system for monitoring and implementing different policies and international standards of quality, safety, and attitude towards the environment that we daily adhere to.

The Perutnina Ptuj Group is a poultry company with vertically integrated production. From the field to the table, the cycle is complete. All phases, including the cultivation of the land, feeding, fattening, transport, processing, and product flow, are closely monitored.



We grow with recognisable brands

Regional brands:



Perutnina Ptuj

The **Perutnina Ptuj brand** draws its inspiration from tradition and reflects its values (nature, health, and family) and its character (vital, flexible, and imaginative). The variety of product lines within the PP brand can meet all the needs of our consumers that spring up in daily life and according to the season. PP brand products range from meat, sausages, and snacks to quickly prepared warm and healthy meals.



From its birth in 1974 until today, the **Poli brand** has maintained its primacy as the first chicken sausage on the market, known for its innovation, products, and quality. Today it is the No. 1 chicken sausage in Europe. Among the products of chicken meat are sausages, cold meats, pate, and snacks. By means of advertising, Poli communicates its values (freedom, humour, individuality) and its character (young, fun, ambitious).

Local brands:



Jata is our brand for sausages and frankfurters in Slovenia.



Topiko is a brand of our subsidiary in Serbia and is a locally recognised brand for sausages, frankfurters, and pates for true gourmets.



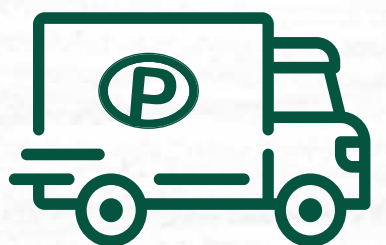
Agronatur is a brand for compound feeding products that are produced by our subsidiary PP Agro in Slovenia.

Key operating highlights of the Perutnina Ptuj Group in 2022



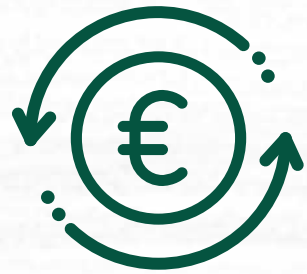
441 MIO EUR
NET SALES
REVENUES

EUR +98.9 million from
2021



326 MIO EUR
EXPORTS

OR 74% OF SALES
EUR +84.2 million from
2021



56 MIO EUR
INVESTMENTS

+133,8% from 2021



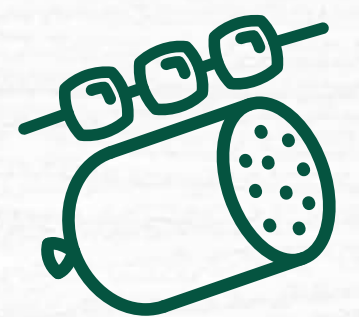
121,644 T
CORE PROGRAMME
SALES

+8% from 2021



78,152 T
POULTRY MEAT

+7% from 2021



43,492 T
POULTRY
PRODUCTS

+8% from 2021

Memberships and associations

Slovenia

Chamber of Commerce and Industry of Slovenia

- General membership
- Biogas Section
- Section of Feed Manufacturers

Chamber of Agriculture and Forestry of Slovenia

Chamber of Craft and Small Business

The Slovenian Chamber of Engineers

Economic Interest Association of the Meat Industry of Slovenia

AVEC

Austria-Slovenian Chamber of Commerce

Slovenia's Association of Employers

Chamber of Safety and Health at Work

Slovenian Association for Quality and Excellence

Economic Law Institute

Slovenian Chamber of Advertising

EFRA

Croatia

Croatian Employers' Association

Croatian Chamber of Commerce

The Association of Livestock and Associated Industry

Bosnia and Herzegovina

Chamber of Economy of Zenica – Dobož Canton, part of the Chamber of Economy of the Federation of Bosnia and Herzegovina

Chamber of Commerce and Industry of Republic of Srpska

Community of Poultry Producers of Republic of Srpska

Serbia

Association of Poultry Producers of Serbia

Chamber of Commerce of Serbia

Slovenian Business Club

NALED - National Alliance for Local Economic Development

2 OUR APPROACH



The Perutnina Ptuj Group has an integrated management system in which the quality management systems, the food safety management system, and the environmental management system are complemented and implemented. We have described and defined this management system, which is based on the recommendations of international ISO standards 9001:2015 and 14001:2015, in the document **THE RULES OF QUALITY AND ENVIRONMENTAL MANAGEMENT (RQEM)**. The document is available for an internal audience on the company's intranet site.

The RQEM applies to all products and activities of the Perutnina Ptuj Group in order to achieve the required quality and control of environmental aspects, by strictly adhering to the law, thus protecting the environment and preventing pollution and hazards to humans. With the quality and environmental management system, which is defined by RQEM as a basic document, system procedures and instructions enable all employees to use and fulfil the requirements of the stated documentation and participate in complementing and developing them.

The RQEM also defines:

- understanding the needs and expectations of stakeholders;
- governance, engagement, and responsibilities;
- risk and opportunities management measures;
- planning and managing operations;
- provision of all the necessary resources;
- monitoring, measurement, analysis, and evaluation;
- constant improvement.

The Policy of Quality, Safe Food Provision and Environmental Protection is a summary of RQEM in which we have defined our goals and commitments to the continuous improvement of food quality, environmental management, and customer satisfaction. The Policy is **implemented in all the affiliate companies in the Perutnina Ptuj Group** and communicated to all employees in order to achieve their involvement. We also raise awareness of the importance of environmental management through various forms of internal communication and employee training.

Our goals

We operate in accordance with applicable laws, regulations, and standards in the field of food safety and quality and environmental management.

We guarantee food safety and quality: we guarantee the safety and quality of raw materials, accessories, and packaging.

- We reduce environmental impacts and strive for rational energy use: we design and introduce new technologies and products in accordance with the principles of environmental protection; we responsibly manage all important environmental aspects and strive for the rational use of all energy sources.
- We confirm consumer choice: we deliver the best quality of products as expected by the consumers of our brands.
- We meet the demands and expectations of consumers and other stakeholders: we provide the best services according to the expectations of consumers and other stakeholders.
- We choose reliable suppliers: we guarantee the reliability of suppliers, subcontractors, and deliveries.
- We guarantee quality for the best price: we improve quality and profitability and manage variations.

Our commitments

Commitment: The management is committed to implementing the Policy of Quality, Safe Food Provision and Environmental Protection in the company and in all our markets.

Implementation: The management commits annually to the company achieving and measuring its goals in accordance with the Policy of Quality, Safe Food Provision and Environmental Protection.

The involvement of all: Each employee has a defined security impact in the context of their work and tasks and product quality and environmental management.

Security: We manage the security of products and processes and successfully make changes.

Innovation in line with sustainability

All innovations and new technologies we implement in our work processes we define also from a sustainability point of view with the goal of decreasing our impact on the environment. Additional information can be found below in the CEO's statement and also in Chapter 8.

We daily adhere to international and national standards:

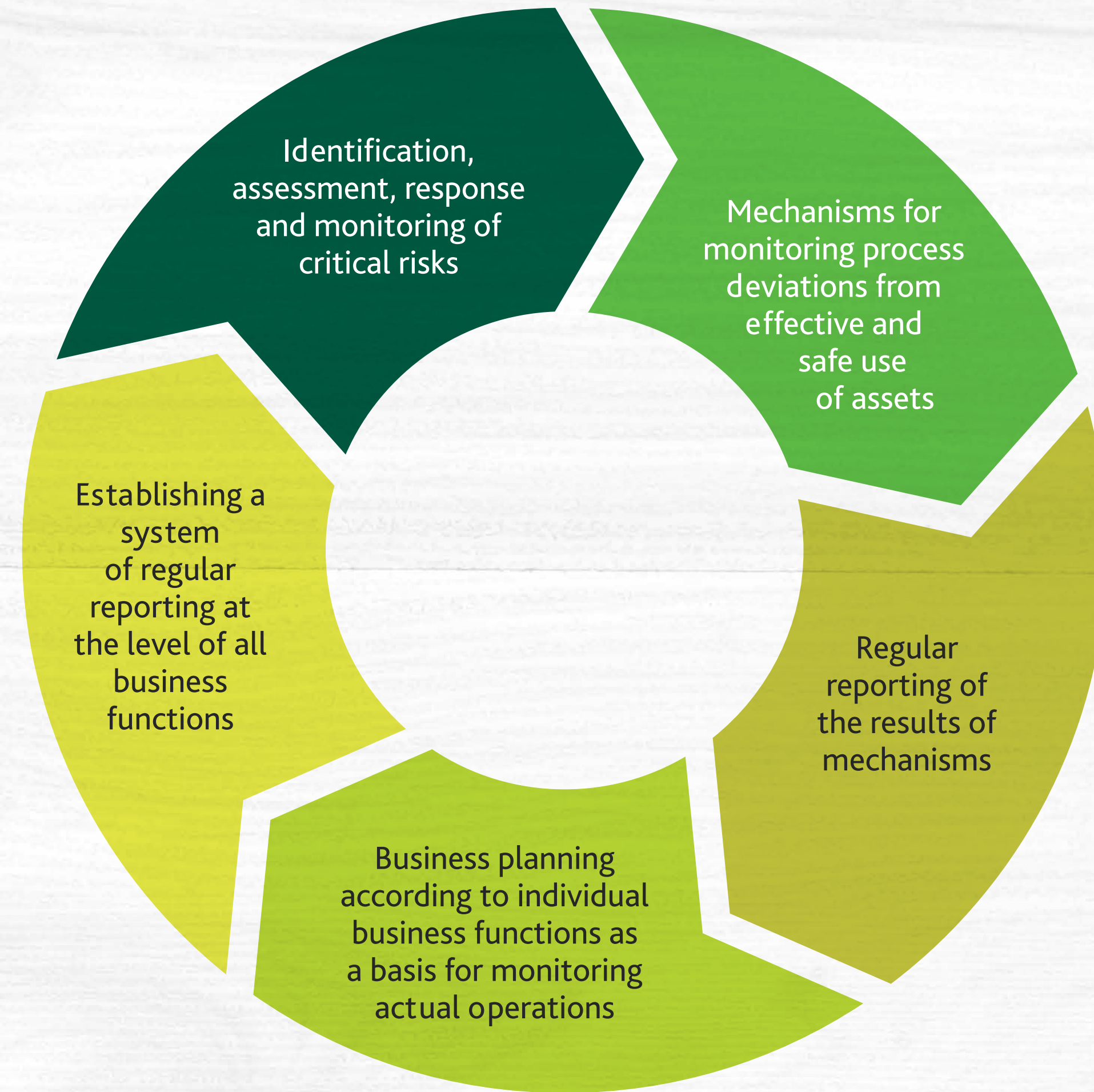
| Standard | Description | Companies of Perutnina Ptuj Group | | | | | | | The area to which the standard applies: | | | | | |
|--------------------------|---|-----------------------------------|-------------|----------|---------|-----------|------------------------|------------------------|---|---|-----------------|--------------------|------------|-------|
| | | PP LLC | PP MI Zalog | PP Agro | PP Pipo | PP Topiko | PP BH | PP S | Life production | Meat processing, production of products | Feed production | Storage of cereals | Veterinary | Sales |
| | Country | Slovenia | Slovenia | Slovenia | Croatia | Serbia | Bosnia and Herzegovina | Bosnia and Herzegovina | | | | | | |
| ISO 9001:2015 | Quality Management System | | | | | | | | | | | | | |
| ISO 14001:2015 | Environmental Management System | | | | | | | | | | | | | |
| ISO 22000 | Food Safety Management | | | | | | | | | | | | | |
| HACCP | Food Safety Management | | | | | | | | | | | | | |
| IFS Food | Food safety and the quality of processes and products | | | | | | | | | | | | | |
| BRC | Global Standard for Food Safety | | | | | | | | | | | | | |
| HALAL | | | | | | | | | | | | | | |
| Premium Poultry Breeding | Specifically animal friendly farming | | | | | | | | | | | | | |
| McDonald's Standard | Chicken slaughter & deboning and animal welfare | | | | | | | | | | | | | |
| McDonalds's SQMS | Quality Management System | | | | | | | | | | | | | |
| McDonald's SWA | Workplace accountability | | | | | | | | | | | | | |
| GLOBAL G.A.P. | Good Agricultural Practices on farm | | | | | | | | | | | | | |
| Chosen Quality Slovenia | Slovenian national quality scheme | | | | | | | | | | | | | |
| GMO-free Production | | | | | | | | | | | | | | |
| Antibiotic free | | | | | | | | | | | | | | |

Precautionary principle

In the Perutnina Ptuj Group, we have established a **system of risk management and measures for the systematic management of opportunities and risks** carried out at the level of the Group.

Our risk management covers all risks that could affect the operations of the Perutnina Ptuj Group and its individual companies, customers and suppliers, and the wider and narrower local communities, as well as the achievement of planned results and the development of individual companies in the Perutnina Ptuj Group and the Group as a whole. In particular, we carefully monitor risks that could jeopardise our mission and the underlying values that we have committed to: Quality – Security – Traceability.

The main objectives are to ensure sustainable development, strengthen our market position, develop production capacities, and successfully implement new capabilities in the existing system of successful operation of the Group and its companies.



RISK MANAGEMENT



■ GLOBAL RISKS

CHANGES IN GLOBAL MARKETS

Description of risk

Risk of changes in the exchange prices of cereals which significantly affect the profitability of operations.

Method of management

The Perutnina Ptuj Group manages this risk by planning upfront purchases of strategic raw materials and optimising their use.

Exposure rating 2023

MODERATE.

We estimate that the risk will remain the same.

Description of risk

Changes in the prices of poultry which can jeopardise the achievement of planned results.

Method of management

The constant presence on the market, active work with customers, and the development of new products reduce the exposure due to changes in meat prices.

Exposure rating 2023

LOW.

We estimate that the risk will remain the same.

THE SPREAD OF AVIAN INFLUENZA AND OTHER DISEASES IN LIVE PRODUCTION

Description of risk

The spread of disease can seriously threaten the required volume of production and cause market loss, export restrictions, and financial loss.

Method of management

The Perutnina Ptuj Group protects the flock population from the introduction and spread of pathogens by the implementation of high biosecurity standards relating to the established system of preventive health, veterinary, and hygiene measures.

Exposure rating 2023

MODERATE.

We estimate that the risk will remain the same.

THE SPREAD OF THE COVID-19 PANDEMIC

Description of risk

The spread of disease can limit the volume of business or cause labour shortages and lead to an oversupply of products on the market.

Method of management

The Perutnina Ptuj Group monitored the risks of reduced supply in some sectors and reacted accordingly by shifting sales from the hospitality segment to the segment of shops and ready-to-use products at home. In order to avoid labour shortages, the Group encourages teleworking and taking into account safety distances..

Exposure rating 2023

LOW.

We estimate that the risk will not increase and that the epidemic will not escalate further.

CRISIS SITUATION IN UKRAINE

Description of risk

Risk of changes in the exchange prices of cereals which significantly affect the profitability of operations.

Method of management

The Perutnina Ptuj Group manages this risk by planning upfront local purchases of strategic raw materials and optimising their use. The Perutnina Ptuj Group has no direct business links in purchasing from and selling to companies in Ukraine.

Exposure rating 2023

MODERATE.

We estimate that the risk will remain the same.

MARKET RISKS

PURCHASE RISKS

| Description of risk | Method of management | Exposure rating 2023 |
|---|---|---|
| The time delay between purchasing raw materials and selling products. The risk to adequate volumes of inventories in relation to the changes in market prices. | Carefully planning the supply chain, negotiations with and search for suitable suppliers, and creating a stock of raw materials for feed during harvest when prices are lowest. | MODERATE. We estimate that the risk will remain the same. |

SALES RISKS

| Description of risk | Method of management | Exposure rating 2023 |
|---|--|---|
| Decreased amount of orders and loss of customers due to the adverse economic situation and weaker purchasing power. Untimely delivery. New competition on the market. | Daily responses to changes, searching for new markets and developing new products, increasing sales and marketing activities, and innovative marketing approaches. Adapting the sales programme to consumers' changing eating habits. We take advantage of the power of our brands and the quality and traceability of our products. | MODERATE. We estimate that the risk will remain the same. |

QUALITY ASSURANCE

| Description of risk | Method of management | Exposure rating 2023 |
|---|--|---|
| Inadequate quality of input raw materials. Inadequate implementation of the production process. Inappropriate quality of finished products. | The established quality, safety, and traceability monitoring system upgraded with regular maintenance and the provision of various certificates. Additional insurance of the proper quality of products through product liability insurance policies. | MODERATE. We estimate that the risk will remain the same. |

FINANCIAL RISKS

FOREIGN EXCHANGE RISK

| Description of risk | Method of management | Exposure rating 2023 |
|---|---|--|
| Possibility of loss due to unfavourable changes in foreign currency exchange rates. | Coordination of purchases and sales in foreign currencies and the retention of financial assets in stable currencies. | LOW. We estimate that the risk will remain the same. |

INTEREST RATE RISK

| Description of risk | Method of management | Exposure rating 2023 |
|--|--|--|
| Risk of loss due to changes in interest rates. | Monitoring of financial markets and changes in interest rates, negotiations with banks, and the search for more affordable alternative sources. The interest rate for long-term loans is linked to EURIBOR + margin, while the Perutnina Ptuj Group achieves the lowest possible interest rates on the basis of an "A credit rating" at commercial banks. All commercial bank interest rates are comparable to competition. | LOW. We estimate that the risk will remain the same. |

CREDIT RISK

| Description of risk | Method of management | Exposure rating 2023 |
|--|---|---|
| Risk of non-payment of the contractual obligations of business partners. | Daily monitoring and management of receivables. Monitoring partner credit ratings. Insuring of receivables via insurance companies, bank guarantees, and letters of credit. | MODERATE. We estimate that the risk will remain the same. |

LIQUIDITY RISK

| Description of risk | Method of management | Exposure rating 2023 |
|---|---|--|
| Lack of funds for repayments of financial and business liabilities. | Daily monitoring of cash-flow introduced. Daily, short-term, and long-term planning of the need for liquid assets. Agreed credit lines. | MODERATE. We estimate that the risk will decrease. |

The management is aware that risk management and the timely triggering of the necessary actions for preventing any operational damage is of great importance so it will devote additional attention to the development of a methodology for the monitoring of risks in the future.

RESEARCH AND DEVELOPMENT

RESEARCH AND DEVELOPMENT

| Description of risk | Method of management | Exposure rating 2023 |
|---|--|--|
| Risks related to the realisation of our development strategy. | Careful planning of development projects. | MODERATE. We estimate that the risk will remain the same. |
| Risks associated with the introduction of new products. | Quality reporting. Appropriate control. Customising products to customer requirements. | |

INVESTMENT RISKS

| Description of risk | Method of management | Exposure rating 2023 |
|--|--|--|
| The risk of incorrect decisions to invest in manufacturing and other facilities. | Investments are undertaken by the Department for Technological Development and Investments. | MODERATE. We estimate that the risk will remain the same. |
| Risk of incorrect investment procedure. | Systematic planning of the implementation of investments. Careful selection and choice of potential providers. Continuous control of implementation, quality, costs, and time coordination with schedules. | |

OTHER RISKS

ENVIRONMENTAL RISK

| Description of risk | Method of management | Exposure rating 2023 |
|--|--|--|
| Risk of extraordinary events with damaging effects on the environment. | In the Perutnina Ptuj Group, we have implemented an environmental management system that complies with the ISO 14001 standard. | MODERATE. We estimate that the risk will remain the same. |
| Risk of pollution as a result of the Group's activity. | We plan for and introduce new technologies and products in accordance with the principles of environmental protection, and we are responsible for managing all critical environmental aspects. We plan for and make rational use of energy sources. | |

IT RISKS

| Description of risk | Method of management | Exposure rating 2023 |
|---|--|--|
| Risk of interference due to faults in IT. | In 2022, we focused on: • further hardware renovation, • software updates to SAP, and • the development of new applications to support users. | MODERATE. We estimate that the risk will remain the same. |
| The digitalisation of business processes in production means production and revenue loss in the event of disruptions in the operation of IT technology. | Regular maintenance and updating of the information system. Regular training of IT associates. | |

HUMAN RESOURCES RISK

| Description of risk | Method of management | Exposure rating 2023 |
|---|---|--|
| Risk to provision of personnel for work in production. | Obtaining workers from other regions. Motivation of employees. | MODERATE. We estimate that the risk will remain the same. |
| Risk associated with the provision of highly professional management staff. | Development of new training programmes. Development of the competencies of future key personnel. | |
| Risk associated with the provision of healthy staff. | Implementation of preventive measures at workplaces (ensuring safety distances, teleworking, consistent and accurate use of safety equipment, etc.) | |

LEGAL RISKS

| Description of risk | Method of management | Exposure rating 2023 |
|--|--|---|
| Risk associated with changes in legislation or the interpretation thereof. | Monitoring legislation and case law and preparing measures. | LOW. We estimate that the risk will remain the same. |
| Risks associated with the conclusion of commercial agreements and contracts. | Review of all contracts and agreements concluded with suppliers and customers. | |
| Risks associated with acquisitions of companies and the restructuring of operations. | Participation in all stages of the preparation and implementation of projects and processes. | |



CEO's statement

Dear colleagues, business partners and owners, in 2022, the current management of the Perutnina Ptuj Group was coming to the end of its first four-year mandate, which expired at the beginning of 2023. Looking back, not a single financial year of our mandate has been without extreme and dynamic changes. From the launch of the company's largest investment drive in 2019, to the global pandemic in 2020 and 2021, to the historic volatility of energy and certain key raw material prices in 2022. All of these factors have a significant impact on our business, and it is fair to say that our business model has been put through its biggest test since the company's beginnings. Today, we can proudly show that we have more than successfully overcome all the challenges and have been one of the few companies that, even during the most turbulent years, hired additional staff and increased employee salaries, and by the end of 2022 our employees numbered over 4,200.

In addition, by effectively managing and controlling all our business processes, by streamlining all levels of our operations, by strengthening the leading market positions of our strong and recognisable brands, and by focusing on driving sales in foreign markets, we have delivered outstanding business results, the best in the company's history, both in terms of sales revenue and production and sales, as well as EBITDA.

We produced and sold over 121,000 tonnes of meat and meat products, which represents 8% growth. The increase was mainly driven by higher sales volumes in Serbia, Austria and Montenegro. Sales of poultry meat products (sausages, prepared products) increased by just over 7% to over 43,000 tonnes. In 2022, we continued our intensive investment programme, with EUR 56 million earmarked for capital investments in the group.

SIGNIFICANT COST INCREASES

The cost side of the business was materially affected in 2022 by significant increases in the price of energy and key raw materials (wheat, corn, soybeans, oil),

auxiliary materials and services, and salaries. In 2022 we increased the latter by EUR 5 million, the largest annual increase in the company's history. The same increase is planned for 2023. The increase in costs was partly buffered by an increase in sales prices, internal optimisations and increased productivity, automation of certain processes, investments to cut production costs, and increased energy efficiency.

STRATEGIC INVESTMENTS TO STRENGTHEN THE BUSINESS MODEL AND TO GROW OUR PRODUCTION AND SALES

Our ambition and goal to be the market leader in all traditional markets in South-eastern Europe remains unchanged, and we will continue to invest in increasing competitiveness and productivity, as well as improving employee satisfaction, for which well-planned strategic investments are key.

In Serbia in 2021, we built the first complex of new state-of-the-art farms with capacity to breed two million chickens a year. A second such complex of new farms opened in 2022, and two more are planned for 2023. In 2022, we built, among other things, additional silo capacity to ensure that we can buy the maximum possible quantity of cereals, our key strategic raw material, at the time of harvesting. One of our biggest challenges has been market consolidation, which remains a work in progress, yet we can boast that we managed to take the leading market share in 2022, and we intend to extend it further in future.

In Bosnia and Herzegovina, investment in increasing slaughterhouse capacity and automation within them is nearing completion, and we have started rolling out an investment in a new hatching facility and an expansion of the sausage meat processing plant. In Croatia, we started a particularly important investment in the expansion of our silo capacity and drying facility, which will allow us to buy strategic raw materials directly from local producers, creating a direct impact on cost optimisation. In



Today, we can proudly show that we have more than successfully overcome all the challenges and have been one of the few companies that, even during the most turbulent years, hired additional staff and increased employee salaries, and by the end of 2022 our employees numbered over 4,200.

Croatia, we have also invested in expanding our primary production base, increasing slaughterhouse capacity and upgrading production, as well as in solar power capability. In sales, we have invested primarily in the HoReCa market, as we believe that the hospitality and tourism sector in Croatia has massive potential.

IN SLOVENIA, PREPARATIONS FOR MAJOR INVESTMENTS TO UPGRADE THE SLAUGHTERHOUSE AND MODERNISE THE FEED FACTORY

The main investment in the upgrade of the slaughterhouse in Ptuj is in the design phase. This is a multi-million euro investment, which is set to not only modernise production lines and equipment, but also includes a complete overhaul of technological equipment and a series of structural enhancements. The necessary funds have already been secured for the investment, while there are also plans to modernise the feed factory at the same time.

Since the strategic owner came in in 2019, the Perutnina Ptuj Group has launched a comprehensive investment cycle, an important part of which is investment in sustainability. In addition to reducing the environmental burden, we build a new state-of-the-art waste water treatment plant for water from the slaughterhouse and processing plant, thereby reducing the load on the municipal waste water treatment plant.

WE SPELL SUSTAINABILITY WITH A CAPITAL S

Sustainability is of paramount importance to our company and we take it very seriously. We firmly believe that the only society of the future is a sustainable society. In 2022 we therefore actively started to work on a certified calculation of our carbon footprint at Group level, which will serve as a basis for our tailor-made Sustainability Strategy. Therefore, in 2022, alongside investments in environmental projects, we also focused on projects to increase the proportion of our own renewable energy sources. Alongside the biogas plant, which has been operating successfully since 2012, in 2022 we prepared a strategic plan for investment in solar power generation. We are therefore planning to invest in

a solar power generation system of at least 10 MWp over the next three years, which will significantly reduce our exposure to electricity price volatility, while significantly increasing the share of renewables in our overall energy consumption.

FINAL THOUGHTS

Few producers are able to continuously guarantee the highest quality meat and meat products. This is enabled by a very robust business model with vertically integrated production, and a commitment to the highest quality, safety and traceability every step of the way from field to fork.

All our employees and business partners, from suppliers to customers, are key to the success of our business model. At this point, I would like to take this opportunity to mention our collaborators and the Ptuj Poultry Producers' Cooperative, which in 2022 celebrated 30 years in business. On this anniversary, we would like to congratulate and thank them for their superb cooperation, which started from the day they opened for business and continues to this day, and we are sure it will continue long into the future.

Target-oriented and carefully planned investments, focus on efficient work in accordance with the highest standards, care for customers and employees, and sustainable development are the key priorities that have enabled us to move into a new, historic chapter in the development of the Perutnina Ptuj Group. We can only do this together, and I am firmly convinced that with the commitment and engagement of all our colleagues we will succeed in leading the company into a new period of growth and development, justifying the trust and support of all Perutnina Ptuj Group stakeholders and delivering on the key objective of the new management, which is to exceed the magical number of 200,000 tonnes of annual production and sales of meat and meat products by the end of the mandate in 2027.

Enver Šišić, CEO

Key indicators

People

In 2022 we had 1,43% staff turnover and in 2021 1,46 %.

In 2022 we recruited 383 workers more than in 2021.

The total number of new staff recruited was 1.288.

In 2022, we had one high-severity incidents, which is one less than in 2021.

We continue with the project Workplace improvement initiative in Slovenia to improve environment, equipment, safety, and protection of our workers initiative divided to several investment stages

Animal welfare

In 2022, PP Pipo Čakovec remain the first and only Croatian manufacturer with certified "antibiotic-free" farming.

In 2022, we became certified for antibiotic-free production also in Slovenia, and we increased breeding capacity for certified high welfare chicken production.

In Serbia, we finished four of seven modern chicken farms in this part of Europe was completed. New farm complexes are built with the aim of integrating management of the production chain "farm to fork", ensuring uninterrupted supply to the market, and strengthening market leadership. Farms are built according to strict environmental standards and are equipped with advanced technology that enables the effective, safe, and humane farming of chickens. The capacity of the first farm complex is 2 million chickens per year.

Environment

In 2022, the share of renewable sources and all the materials used in soil management life production and product production in the Perutnina Ptuj Group increased by 1% compared to 2021.

We used 92% renewable and 8% non-renewable materials in 2021.

In 2022, we decreased the share of fuel consumption from renewable sources by 5% (15% in 2022, 20% in 2021).

Our greenhouse emissions of CO₂ were 106 tonnes lower in 2022, compared to 2021.

In 2022 we used 86% of organic fertilisers, that is 4% less than in 2021 and in 2020 (90% in 2021 and 90 % in 2020).

We are investing in new wastewater treatment plants from the processing industry at the group level. In BIH, a new treatment plant was launched in 2021, while in Slovenia and Serbia have been launched in 2022. We implement the best available technologies (BAT) for wastewater from slaughterhouses and processing plants at all treatment plants.

Supply Chain

Compared to 2010 we decreased The share of domestic suppliers decreased by two percentage points in 2022 (84% in 2021, 86% in 2021). Domestic or local supplier means that the supplier company has legal entity in the same country as the company of Perutnina Ptuj Group that uses them.

Procurement dpt Active contributed in SAP S4 implementation in Croatia. In order to reduce the supply chain and develop partnerships with grain producers, we have realised the investment in new grain silos in Serbia with a storage capacity of 15,000 tonnes

Product quality and safety

In 2022, we received no significant complaints about product quality and information from consumers.

At the 60th International Expert Assessment AGRA 2021, the Perutnina Ptuj Company once again proved the highest quality of its meat and products and was awarded the following awards: the title of Quality Champion 2022; Quality Champion (8x), Gold Medal (21x), Silver Medal (19x), Bronze Medal (1x) and Special Awards for protective meat products.

3 GOVERNANCE

The parent company Perutnina Ptuj is a limited liability company with a one-tier management system and has following bodies of governance:

- Sole shareholder
- Management.

The business performance of the Company and the work of the management is supervised by the Investor's committee, which was introduced in March 2020.

It consists of three members from MHP (Ukraine):

- Maxym Pysariev (chairman),
- Viktoria Kapelyushnaya,
- Iaroslav Mykhailovskyi.

The PP Group continues to focus on its main business activity. ar.

At the end of 2022, the Perutnina Ptuj Group comprised 14 companies in 7 countries and was managed by the parent company Perutnina Ptuj d. o. o.



Each associated company is managed by a Company Director who reports to the management of the parent company.

The management of the parent company Perutnina Ptuj LLC is composed of three directors:

- Chief Executive Officer (CEO) and President of the Committee of Directors,
- Chief Financial Officer (CFO),
- Chief Commercial Officer (CCO).

Management as a collegial body (Committee of Directors) supervises the conduct of the company's operations and manages the company and the Group. It is the decision making body of the Perutnina Ptuj Group.

Governance structure



Committee of Directors:



Enver Šišić

Chief Executive Officer (CEO) and President
of the Committee of Directors

Mr Šišić is an experienced senior business executive with production management, investment projects and company management background at the international level.

Nationality
Slovenian



Yevheniy Dranov

Chief Financial Officer (CFO)

Mr Dranov is highly experienced in financial reporting and financial control, mergers, and acquisitions.

Nationality
Ukrainian



David Visenjak

Chief Commercial Officer (CCO)

Mr Visenjak is a senior business manager with rich experience in sales, marketing, and logistics.

Nationality
Slovenian

Detailed biographies are provided on the Perutnina Ptuj corporate website perutninaptujgroup.com/en/management

Corporate responsibility governance

Presentation of management of corporate responsibility matters in the Perutnina Ptuj Group:

| Committee of Directors | Management system | Evaluation of management approach |
|---|---|--|
| <ul style="list-style-type: none">• Sets strategy and authorises the plans for all key areas of corporate responsibility.• Has the responsibility for the efficiency of the entire quality management, environmental management, and food safety systems. Sets management systems and the Policy of Quality, Safe Food Provision and Environmental Protection at the Group level.• Appoints management representatives. | <p>All companies in the Perutnina Ptuj Group have specialists or employees responsible for the maintenance of the company's standards and compliance with the relevant laws and regulations. If not employed or appointed, the responsibility for this lies with company director.</p> <p>Some companies in the Perutnina Ptuj Group have also appointed management representatives, committees, and teams dedicated to special CR areas.</p> | <ul style="list-style-type: none">• Interaction with stakeholders, research.• Internal and external audits.• Internal mechanism for evaluation of key performance indicators.• Setting and monitoring the execution of annual plans at all levels: Perutnina Ptuj Group → companies → PCs → departments.• Annual reports and internal reporting mechanism. |

4 PEOPLE

HUMAN RESOURCES MANAGEMENT

The HR Director for the Perutnina Ptuj Group centrally leads all our HR departments in the companies of the Perutnina Ptuj Group. The HR strategy is set centrally and follows the business strategy of the Perutnina Ptuj Group, and is then adjusted accordingly to each country. Our HR process is also defined by the international standard ISO 9001:2015.

Our human resources management rests on four basic streams:

- Strategic workforce planning;
- Efficient human resources management (including designing optimal organisation of the operation, raising the level of leadership at all levels in the organisation, building performance management culture, predicting and mitigating human resources risks, and building a productive corporate culture based on basic company values);
- Modern talent acquisition management;
- Dedication to personal development and growth.

We have developed a new employer value proposition (EVP) model to clearly communicate our unique selling points to internal and external talent audiences. The EVP model is implemented in talent acquisition and protocols and employer branding initiatives. We have redefined the five core corporate competencies that are now the basis for the development of learning and development programmes, talent assessments, and succession planning. We have developed a learning catalogue, digitised learning planning and monitoring, set new targets for realization increase post-COVID restrictions. We have optimized the OKR methodology to be agile and pragmatic and have introduced

a new model of objectives and key result evaluation (traffic light system). We have redefined protocols, communication channels, and tools for internal communication improvement to ensure transparency, timely information, and corporate culture development (distribution lists, communication templates, calendarisation of information sharing, renewal of the internal magazine, digital screens, etc.). We are currently in the process of developing concepts for an intranet and are hiring dedicated resources to manage internal communication on the group level. We have centralised and professionalised our recruitment stream by developing recruitment dashboards, increasing clarity in acquisition channels, developing relationships with external partners, creating protocols for approvals and are continuing to expand the talent acquisition team on the group level. We have updated the compensation structure and tariff scales and ensured the linear increase of salaries and benefits to all employees in the tariff systems.

Benefits

We offer equal opportunities and equal remuneration, irrespective of gender, nationality, religion, sexual orientation, or type of employment to all our employees. Standard benefits that we offer to our employees are predominantly those that are covered by collective labour agreements (summer bonus) and end-of-the-year bonus, which is based on company performance during the year. Beside basic benefits, we also pay attention to health and wellbeing, and in this respect, we provide healthcare treatment.

The second pillar of benefits we provide to our employees is training and development. We have updated the 1tariff scale implemented in Slovenia and Croatia.



Key projects and their realisation

The HR Department and Payroll Department were the first to implement SAP S/4 Hana modules in Croatia (cross-border collaboration between Croatia and Slovenia) in July 2022, getting one step closer to digital transformation and the standardisation of relevant protocols and processes that will lead to higher HR efficiency and better control. We continued supporting summer vacation sponsorship for socio-economically challenged colleagues and most senior colleagues and their families. We also continued sponsoring health programmes for employees.

The OKR system was piloted and implemented fully in Slovenia and Serbia. Other countries will follow suit. A Head of L&D centre of excellence was hired, starting in January 2023. Internal communication channels and tools were set up and tested (newsletter, internal magazine, new templates, communication matrix). A chatbot was tested – project under IT transformation. An HR talent acquisition dashboard was developed and implemented. Over 250,000 EUR was invested in workplace condition improvements (equipment, supporting tools, ergonomic solutions, health and safety solutions, office renovation, etc.).

Collective labour agreements

We have collective labour agreement in Slovenia and Austria, while in Serbia, Bosnia & Herzegovina and Macedonia we arrange our business with internal rulebooks. In Slovenia we have own and branch collective labour agreement.

Percentage of total employees covered by collective bargaining agreements by country - 2022

| | |
|-----------|------|
| Slovenia | 100% |
| Croatia | 0% |
| BiH | 0% |
| Serbia | 0% |
| Macedonia | 0% |
| Romania | 0% |
| Austria | 100% |
| Group | 49% |

In 2022 no significant changes have been recorded in collective agreements other than minor amounts related to travel costs or fine-tuning existing parameters.

The information below records employment data by type of employment, gender, job category, and age.

TYPE OF EMPLOYMENT, GENDER

| Year | Total number of employees | | | | Permanent employment | | Full employment | | Part-time employment | | |
|------|---------------------------|------|----------|------|----------------------|--------|-----------------|--------|----------------------|--------|----|
| | total | male | % female | % | male | female | male | female | male | female | |
| 2022 | 4271 | 1922 | 45,0 | 2349 | 55,0 | 1545 | 2005 | 1774 | 2268 | 12 | 63 |
| 2021 | 3965 | 1752 | 44,2 | 2213 | 55,8 | 1488 | 1935 | 1646 | 2107 | 11 | 78 |
| 2020 | 3883 | 1726 | 44,4 | 2157 | 55,5 | 1403 | 1828 | 1708 | 2085 | 18 | 72 |
| 2019 | 3692 | 1618 | 43,8 | 2074 | 56,2 | 1469 | 1672 | 1624 | 1996 | 36 | 36 |
| 2018 | 3677 | 1597 | 43,4 | 2080 | 56,6 | 1432 | 1663 | 1651 | 1956 | 36 | 34 |

JOB CATEGORY

| Year | Managers | | Professionals | | Workers | |
|------|----------|-----|---------------|------|---------|------|
| | number | % | number | % | number | % |
| 2022 | 81 | 1,9 | 667 | 15,6 | 3523 | 82,5 |
| 2021 | 75 | 1,9 | 658 | 16,7 | 3218 | 81,4 |
| 2020 | 70 | 1,8 | 570 | 14,7 | 3237 | 83,5 |
| 2019 | 80 | 2,0 | 500 | 14,0 | 3112 | 84,0 |
| 2018 | 74 | 2,0 | 437 | 13,0 | 3130 | 85,0 |

AGE DISTRIBUTION

| Employees | aged under 30 | | aged between 30 and 50 | | aged over 50 | |
|-----------|---------------|----|------------------------|----|--------------|----|
| | number | % | number | % | number | % |
| 2022 | 568 | 13 | 2258 | 53 | 1445 | 34 |
| 2021 | 505 | 13 | 2031 | 51 | 1429 | 36 |
| 2020 | 459 | 12 | 2040 | 52 | 1384 | 36 |
| 2019 | 458 | 12 | 1939 | 53 | 1295 | 35 |
| 2018 | 457 | 12 | 1970 | 54 | 1250 | 34 |

Recruitment of new staff by country:

In 2022, we had 1.43% staff turnover, in 2021 we had 1.46% and in 2020 we had 1.41%.

| | Slovenia | Croatia | BIH | Serbia | N. Macedonia | Romania | Austria | Total |
|------|----------|---------|-----|--------|--------------|---------|---------|-------|
| 2022 | 346 | 189 | 203 | 548 | 2 | 0 | 0 | 1288 |
| 2021 | 334 | 189 | 132 | 241 | 2 | 0 | 1 | 899 |
| 2020 | 569 | 135 | 80 | 201 | 3 | 1 | 0 | 989 |
| 2019 | 367 | 117 | 102 | 126 | 0 | 1 | 1 | 714 |
| 2018 | 406 | 130 | 123 | 142 | 1 | 2 | 4 | 808 |

Training and education

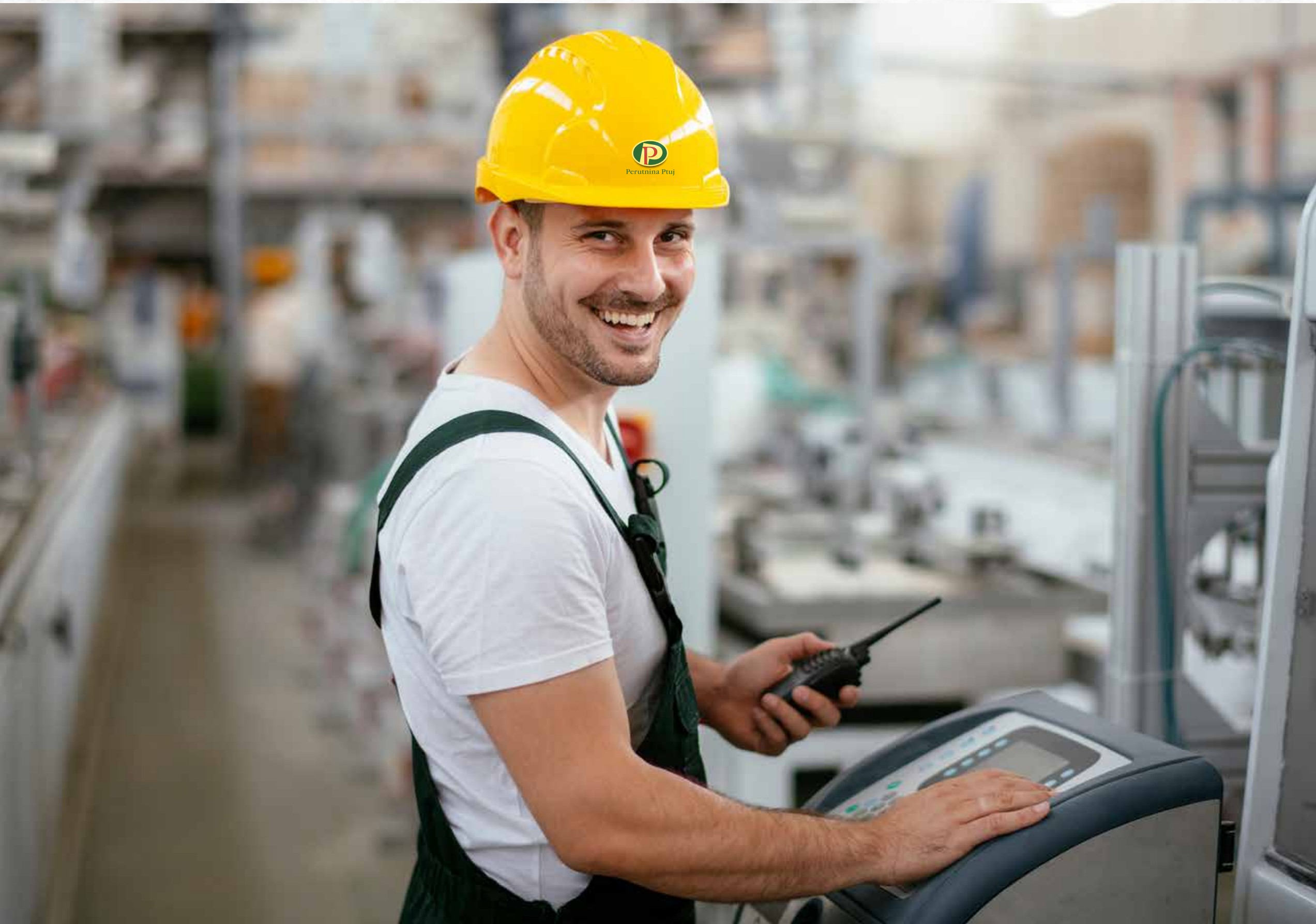
Average hours of training per employee:

| | average hours | by job category | | |
|------|---------------|-----------------|---------------|---------|
| | | managers | professionals | workers |
| 2022 | 0,90 | 5% | 28% | 25% |
| 2021 | 1,37 | 5% | 27% | 26% |
| 2020 | 0,73 | 8% | 47% | 45% |
| 2019 | 2,16 | 8% | 55% | 37% |
| 2018 | 1,96 | 7% | 54% | 39% |

Plans for 2023 – key goals

1. Expand and implement the five core corporate competencies for the entire group.
2. Continue implementing internal communication strategy and protocols and hire an IC resource.
3. Develop new compensation philosophy, bonus policy, and benchmarking across the group.
4. Introduce assessment platforms (for OKRs, KPIs and overall performance management).
5. Organisational audit and redesign – alignment of org charts, appropriate allocation of positions and roles – new departments are being created.
6. Develop absenteeism reduction programmes.
7. Initiate succession planning mapping.
8. Continue HR transformation projects with focus on learning, performance, and digital evolution (create protocols, tools, and technological enablers).
9. Expand talent acquisition reach and create systems to hire a global labour force.
10. Create HR Controlling and Analytics subfunction.
11. Continue the Workplace Improvement initiative.

PERSONAL HEALTH AND SAFETY AT WORK



Health at work and safety management

Awareness of the importance of occupational safety and health and fire prevention is our priority. Our constant task is creating a safe and healthy working environment in all areas and for all employees. At the Perutnina Ptuj Group level, we have informal committees on occupational safety and fire safety. In each country, there is a professional with the appropriate competencies and education. If the plant is small, an external professional service is hired.

We ensure a high level of safety in the field of production by introducing advanced technology and modern equipment, by taking into account the latest achievements in science and technology, as well as by introducing safe mechanisation and automation of the work process. We strive to create a safe environment for all individuals who work with our company in any way, such as our consumers, suppliers, investors, and contractual partners.

Our goal is to protect our employees and property as much as possible. We have professional staff and organised internal or external services for this purpose in all companies in the Perutnina Ptuj Group. We act in accordance with the applicable state law of each individual country. The management system depends on the level of risk, the number of employees, and the activity. We do not have a standard for managing occupational safety and health, but we follow the implemented consumer standards.

Incidents data

| | 2022 | 2021 | 2020 |
|--|---------------|---------------|---------------|
| Lost time due to health and safety incidents (hours) | 30,299 (6720) | 32,871 (7360) | 26,823 (6240) |
| Lost time due to health and safety incidents (days) | 3,787 (840) | 4,108 (920) | 3,347 (780) |
| Fatalities | 0 | 0 | 0 |
| High-severity incidents | 2 | 2 | 1 |
| Low-severity incidents | 8 | 9 | 8 |
| Total number of accidents | 10 | 11 | 9 |
| Lost working time frequency ratio (person/hour) | 1.22 | 1.38 | 1,06 |
| Fatal accident ratio | 0 | 0 | 0 |

¹ Scheduled working hours, converted into working days

² Low severity incidents include first aid level incidents

³ LOST TIME INJURY FREQUENCY ("LTIF") RATE – the ratio of the number of lost time injury ("LTI") incidents to total work hours in the unit or entity (Work Hours – WH)

High-severity incidents and Low-severity incidents at work include data in which an accident at work resulted in up to 90 days or more than 180 days of absence - sick leave. In previous periods (2019 and 2020), statistics included all events (accidents on the way to and from work, physical exertion, rapid changes).

We had 2 high-severity incidents in 2022 as in previous year 2021. In our sales companies in Austria, North Macedonia, and Romania, we have no recorded incidents also in 2021.

Expenditure, training and inspection data

| | Group | | |
|---|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 |
| Total expenditure for health and safety improvements | 108.705 € | 108.705 € | 125.642 € |
| Expenditure on personal protection equipment | 1.067.819 € | 1.067.819 € | 1.141.423 € |
| Safety training (hours) | 1633 | 1633 | 1449 |
| Number of employees participating in training | 1201 | 1201 | 1108 |
| Number of safety inspections by the State officials | 10 | 10 | 15 |
| Number of employee citations following the safety inspections | 30 | 30 | 44 |
| Number of occupational safety internal audits | 168 | 168 | 162 |

Key projects in 2022

In 2022, occupational health and safety and fire safety activities at all sites continued to be carried out in accordance with applicable national legislation. As OH&S staff, we worked in the areas of consultancy, risk assessments and audits, training, inspections of work equipment and measurements of microclimatic working conditions, monitoring of construction sites, active cooperation with occupational health practitioners and authorised medical practitioners, representation of the employer and employees in disability proceedings, employer representation in audits and inspections by the inspection services.

Occupational health at work data

| | Group | | |
|--|-------|------|------|
| | 2020 | 2021 | 2022 |
| Workplaces with noise in excess of local law/level established by IFC (85 dBA) | 35 | 44 | 44 |
| Number of people at workplaces with noise in excess of local law/level established by IFC (85 dBA) | 355 | 328 | 310 |
| Workplaces with dust concentration in excess of local law/level established by IFC | 16 | 16 | 19 |
| Number of people at workplaces with dust concentration in excess of local law/level established by IFC | 84 | 84 | 84 |

Ongoing activities for promoting health

| Activities of health promotion | | 2019 | 2020 | 2021 |
|--------------------------------|--|------|------|------|
| Slovenia | Odvija se MPAO (medicinsko programirani aktivni odih), za 20 zaposlenih / letno, promocija zdravlja za vse zaposlene (kopaње terme, bowling, odbojka, zdrav življenjski slog, zdrava prehrana,...), druženje, pohodi, udeležba Poli maratona - | 24% | 18% | 10% |
| Croatia | Mogućnost uzimanja toplog obroka i osvježavajućih i toplih napitaka. Sudjelovanje u izboru osobnih zaštitnih sredstava. Dodatne edukacije prema zahtjevima i prijedlozima radnika. Dijeljenje promotivnog materijala i letaka vezanih uz zdravlje. | 43% | 35% | 15% |
| BIH | Revizija Pravilnika ZNR u dijelu vremena trajanja ličnih zaštitnih sredstava. Upoštivanje realnih zahtjeva pojedinih radnih mjesta za zaštitnom opremom. | 30% | 20% | 20% |
| Serbia | Dodatna osposobljavanja, mogućnost odabira ličnih zaštitnih sredstava po izboru zaposlenih, konsultacija sa zaposlenima i odborom za BZNR | 40% | 35% | 20% |

Plans for 2023 - key goals:

- To complete the risk assessment audit for all workplaces;
- To implement the occupational health and safety policy for the PP Group;
- To carry out regular and ongoing training;
- To harmonise external systems of professional OH&S and fire safety functions; to keep OH&S committees and occupational health and safety and fire safety officers up to date;
- To carry out an evacuation drill.

5 ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

In the Perutnina Ptuj Group, we manage and reduce our environmental impacts with an **integrated management system in which the quality management systems, the food safety management system, and the environmental management system are complemented and implemented** (please see Chapter 2 for a detailed description). Our environmental management system complies with the requirements of ISO 14001 (affiliated companies in Slovenia, Croatia, and Bosnia and Herzegovina), and in all our companies we follow the Policy of Quality, Safe Food Provision and Environmental Protection at the Group level.

We have **identified environmental aspects and risks** that we **regularly monitor and act upon** when necessary.

We yearly **set goals to reduce our environmental impact** which are confirmed by top management. We report on the achievement of the goals set both internally to management and externally to the relevant national authorities.

Environmental management responsible bodies and persons:

| Slovenia | Croatia | Bosnia and Herzegovina | Serbia, Austria, North Macedonia, Romania |
|---|---|---|---|
| Committee on Quality and Environmental Management | Committee on Quality and Environmental Management | Environmental Management Representative | Management of the company is responsible for implementing and working daily in accordance with the Perutnina Ptuj Group's Policy of Quality, Safe Food Provision and Environmental Protection |
| Environmental Team | Environmental Team | Ecologist | |
| Environmental Management Representative | Environmental Management Representative | | |
| Quality and environmental management service | Quality and environmental management service | | |
| Ecologist | | | |

Fines and penalties

During 2022, we did not receive any penalties for non-compliance.

Management of Soil Resources

In the Perutnina Ptuj Group, we have agricultural activities only in Slovenia and in small amounts in Serbia, where we cultivate the land with the goal of reducing our impact on the environment.

Our guiding principle: **maintenance of permanent fertility of agricultural land, sustainable soil cultivation, and protection of drinking water resources.**

We use modern tillage technologies with the best quality seed selection and varieties of agricultural crops. When using plant protection products, we use those that minimise the pollution of soil and drinking water, prevent harm to beneficial microorganisms and insects, and do not have harmful consequences for the environment.

By investing in newer farm machinery in 2022, we are reducing fuel consumption and emissions.

Use of fertilisers and plant protection products

Agricultural activities in Slovenia represent 85% of all agricultural activities in the Perutnina Ptuj Group therefore the figures presented below are only for Slovenia:

In 2022 we used 86% of organic fertilisers, that is 4% less than in 2021 and in 2020 (90% in 2021 and 90 % in 2020).

We used 16,175 tonnes and of organic fertilisers in 22,701 tonnes in 2021 (23,485 tonnes in 2020).

We also used 4,419 tonnes of mineral fertilisers and plant and protection products in 2022 and 4,276 tonnes in 2021 (4,789 in 2020).

Green manure crops were sown on 207 hectares in 2022 (on 211 hectares in 2020 and on 255 hectares in 2019).

Minimising mechanical impact

To minimise the mechanical impact on the environment we use:

- conservation tillage
- multiple tillage operations in one pass
- cover crop plants with the effect of loosening soil and improving soil structure.

Maintaining biodiversity

To maintain the biodiversity of the soil we cultivate we use:

- wide crop rotation
- greening of arable land
- intermediate cover crops for honey bee pasture
- leguminous plants
- areas of ecological significance.

Crop yields

In 2022 we increased the crop yields for oilseed rape. The results show our positive and sustainable approach to soil management, feed systems, plant protection, seeds selection, and use of equipment.

| Netto | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------|------------|-----------|------------|------------|-----------|
| wheat | 5.31 t/ha | 6.75 t/ha | 6.90 t/ha | 7.38 t/ha | 6,11 t/ha |
| corn grain | 12.46 t/ha | 9.36 t/ha | 12.93 t/ha | 10.88 t/ha | 8,46 t/ha |
| barley | 6.64 t/ha | 7.95 t/ha | 7.31 t/ha | 8.63 t/ha | 6,64 t/ha |
| soybean | 2.94 t/ha | 3.10 t/ha | 3.45 t/ha | 3.17 t/ha | 3,01 t/ha |
| oilseed rape | 3.88 t/ha | 2.79* t/h | 4.36 t/ha | 3.01 t/ha | 4,05 t/ha |

AMOUNT OF MATERIALS USED

| Tonnes | 2022 | 2021 | 2020 |
|---------------|---------|---------|---------|
| Non-renewable | 19,747 | 24,524 | 19,986 |
| Renewable | 245,574 | 259,037 | 248,774 |
| Total | 265,321 | 283,561 | 268,660 |

PP Groups strategy is to lower the quantity of used material and therefore we pay considerable attention to reducing the quantity of materials used in the production process and packaging of products. In 2022, we achieved a reduction in amount of 18,240 tonnes.

Energy Management



Biogas plant

Perutnina Ptuj Energy (PP Energy) is a green energy company and an affiliated company in the Perutnina Ptuj Group located in Slovenia. The biodegradable waste of the food processing industry is processed into useful energy and organic fertiliser in a biogas plant that started operating in 2012. The installed biogas capacity is 999 kW and the thermal power is 1.1 MW.

We follow the principle of zero waste, and we produce products from waste without creating waste streams.

Biogas production performance:

| | in TJ | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------|-------|-------|-------|-------|-------|-------|
| Biogas produced | | 56.52 | 63.40 | 79.03 | 82.77 | 80,40 |
| Electricity produced | | 25.69 | 27.12 | 25.31 | 26.98 | 27,00 |
| Heat produced | | 24.22 | 25.51 | 20.27 | 18.66 | 18,27 |

| | in kWh | 2022 | 2021 | 2020 | 2019 |
|----------------------|--------|------------|------------|------------|------------|
| Biogas produced | | 22,332,478 | 22,992,417 | 21,952,000 | 17,611,440 |
| Electricity produced | | 7,499,836 | 7,493,893 | 7,029,966 | 7,532,000 |
| Heat produced | | 5,074,247 | 5,184,600 | 7,733,000 | 7,085,365 |

The volume of electricity produced is almost equal as in year 2021, while steam production is 1.8% below last year's output. This is due to some small technical problems with the equipment last year.

Sales of energy (TJ)

| | 2019 | 2020 | 2021 | 2022 |
|-------------------------|------|------|------|------|
| Total energy sold in TJ | 27 | 25 | 27 | 27 |

PP Objectives for 2023

To upgrade the production process in the biogas plant with additional capacity for waste grease hygienisation. To increase the waste grease intake from MI Ptuj from 8 m3/day in 2022 to 13 m3/day in 2023.

Due to better electricity price negotiated in august 2022 (for the whole year 2023), we plan to achieve much better revenue.

Fuel consumption

Under the environmental management system with the aim of increasing energy efficiency and reducing non-renewable energy consumption, we define annual energy consumption targets that also include goals for fuel consumption. Spending is measured and recorded weekly, reported on a monthly basis, and evaluated annually with reference to the achievement of the set goals. Any deviation from the defined goals is analysed and acted upon with corrective measures.

In 2022, we reduced the share of fuel consumption from renewable sources by 5% (15% in 2022, 20% in 2021, 17% in 2020,)

Energy consumption (TJ)

We manage our energy materials in the Procurement Department. We use hedging as a tool. In 2020, the Procurement Department took over management of commercial conditions for energy materials (natural gas and electricity) at the Perutnina Ptuj Group level with the aim of increasing our business efficiency and transparency and to follow and actively participate in managing energy materials consumption.

Conversion rates applied:

4.184 joules = 1kWh = 3.6 megajoules ("MJ")

1 tonne (steam) = 2.256 MJ

1 tonne (liquefied gas) =45.980 MJ

| in TJ | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------------|------------|------|------|------|
| Fuel consumption from non-renewable sources | 436 | 432 | 397 | 495 | 499 |
| Natural gas | 253 | 243 | 220 | 294 | 323 |
| Diesel | 82 | 82 | 82 | 88 | 91 |
| Gasoline | 3 | 3 | 3 | 4 | 4 |
| Liquefied natural gas | 34 | 32 | 24 | 38 | 30 |
| Coal | 25 | 25 | 21 | 23 | 28 |
| Fuel oil | 39 | 47 | 46 | 47 | 23 |
| Fuel consumption from renewable sources | 94 | 106 | 84 | 121 | 86 |
| Biogas | 86 | 89 | 83 | 87 | 85 |
| Wood | 8 | 16 | 0 | 33 | 1 |
| Total fuel consumption | 530 | 537 | 481 | 616 | 585 |
| % of renewable sources | 18 | 20 | 17% | 20% | 15% |

| in TJ | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------------|------------|------------|------------|------------|
| Electricity | 212 | 212 | 216 | 229 | 212 |
| Thermal energy (generated by biogas plant) | 22 | 23 | 20 | 19 | 22 |
| Total energy consumption | 234 | 235 | 236 | 248 | 234 |
| % of renewable sources (thermal energy) | 9 | 10 | 9% | 8% | 9% |

In year 2023, we plan to install photovoltaic panels on some of our buildings in Croatia (already in progress) and Slovenia (already got permission and applied for subsidies), which will lower the electricity consumption bought from retailers and increase consumption from renewable sources.

Greenhouse emissions

Greenhouse emissions from combustion amounted to 31,251 tonnes of CO₂ in 2022 and were 106 tonnes lower than in 2021. The main reason for less CO₂ emissions is lower fuel oil combustion, due to poorer corn harvest last year and, as a result, less drying.

For calculation, we used the conversion rates determined by the Slovenian Environment Agency for 2022.

SCOPE 1 Direct Greenhouse Gas Emissions – European Operating Segment

| Metric tonnes of CO ₂ | 2022 | 2021 | 2020 |
|----------------------------------|---------------|---------------|---------------|
| Combustion of natural gas | 17,839 | 16,281 | 12,178 |
| Diesel fuel use | 6,752 | 6,556 | 6,083 |
| Gasoline fuel use | 303 | 288 | 241 |
| Liquified natural gas combustion | 1,878 | 2,390 | 1,537 |
| Coal combustion | 2,726 | 2,242 | 1,991 |
| Fuel oil combustion | 1,754 | 3,600 | 3,799 |
| Total | 31,251 | 31,357 | 25,829 |

Greenhouse emissions from combustion amounted to 31,251 tonnes of CO₂ in 2022 and were 106 tonnes lower than in 2021. The main reason for less CO₂ emissions is lower fuel oil combustion, due to poorer corn harvest last year and, as a result, less drying.

For calculation, we used the conversion rates determined by the Slovenian Environment Agency for 2022

Water management

Under the environmental management system with the aim of reducing the use of drinking water, we define annual water consumption targets. In our companies, we use water consumption meters (inlet and inland) which are regularly maintained and controlled. Consumption is recorded on a weekly basis, a monthly report is made, and the performance of the set goals is evaluated annually. Any deviation from the defined goals is analysed and acted upon with corrective measures. However, due to our extensive investment cycle in 2022, we used more water than in 2021. We expect that the results of our water management system will be seen, when the main investments will be finished.

| Total water use | 2019 | | 2020 | | 2021 | | 2022 | |
|--|------------------|------------|------------------|------------|------------------|------------|------------------|------------|
| | m ³ | % | m ³ | % | m ³ | % | m ³ | % |
| Subterranean water | 1,233,708 | 69 | 1,295,666 | 69 | 1,258,150 | 66 | 1,295,666 | 69 |
| Municipal and other wastewater systems | 550,927 | 31 | 574,484 | 31 | 662,458 | 34 | 574,484 | 31 |
| Total | 1,784,635 | 100 | 1,870,150 | 100 | 1,920,608 | 100 | 1,870,150 | 100 |

Wastewater management



| Discharges to water | 2019 | | 2020 | | 2021 | | 2022 | |
|---|------------------|------------|------------------|------------|------------------|------------|------------------|------------|
| | m ³ | % | m ³ | % | m ³ | % | m ³ | % |
| Discharged from pipes to own wastewater plants* | 1,027,624 | 69 | 1,001,226 | 63 | 1,033,250 | 66 | 1,143,383 | 69 |
| Discharged to public sewage systems | 140,052 | 9 | 157,230 | 10 | 109,214 | 7 | 126,275 | 0 |
| Discharged to a non-flow-through septic tank | 645 | 0 | 14,766 | 1 | 16,132 | 1 | 17,027 | 1 |
| Discharged into lagoons | 117,101 | 8 | 152,582 | 10 | 172,574 | 11 | 167,170 | 10 |
| Discharged to subterranean waters | 212,268 | 14 | 259,643 | 16 | 244,697 | 16 | 213,993 | 13 |
| Total | 1,497,690 | 100 | 1,585,447 | 100 | 1,575,867 | 100 | 1,667,848 | 100 |

*After treatment in our own wastewater plants, the water is discharged to public sewage systems in Slovenia and Croatia and to subterranean waters in Bosnia and Herzegovina and Serbia. Perutnina Ptuj Group has started an extensive investment cycle in 2019, an important part of which is so-called environmental investments. We are investing in new wastewater treatment plants from the processing industry at the group level. In BIH, a new treatment plant was launched in 2021, while in Slovenia and Serbia they were launched in 2022.

We implement the best available technologies (BAT) for wastewater from slaughterhouses and processing plants at all treatment plants.

A new wastewater treatment plant in the Meat Industry in Ptuj will reduce the load on the city's wastewater treatment plant while reducing the load on wastewater.

Waste management

The Perutnina Ptuj Group has a waste management plan in place which complies with the applicable legislation and determines the manner of waste management. The principle of waste prevention is respected, and the generated waste is separately collected and sorted, recycled, or the energy recovered. We monitor the amount of separately collected and mixed waste and the costs associated with waste disposal. At the Committee on Quality and Environmental Management, we discuss monthly, biannual, and annual reports and take action as needed regarding separation, waste disposal, costs, etc. We also set annual targets at each business unit and company in the group.

In Slovenia, we use our biogas plant to produce biogas and to convert organic waste materials (mainly chicken manure and waste fat) into organic fertiliser. We use organic waste as a raw material for anaerobic digestion to produce energy and then recycle it into fertiliser. This helps to reduce the amount of waste and the cost of its disposal.

In Slovenia, we also have a protein concentrate plant where we process animal by-products not intended for human consumption. We thereby close the material circle and reduce our influence on the environment.



“With strategic investment projects towards more efficient environmental management”

SLOVENIA

In 2023, we plan to modernise feather processing in the Protein Concentrate Factory and introduce blood processing (we currently pay for collection). We are modernising production in order to make better use of animal by-products and improve energy efficiency, and we will also introduce additional air purification. Once the modernisation is complete, we will also take feathers and blood from Zalog and PIPO Čakovec and thereby integrate them into the circular economy within the PP group.

In 2023, we are commencing the modernisation of the almost 40-year-old Feed Factory in Slovenia. The objectives of the technological modernisation of the factory are improving the quality of manufactured feeds, minimising the risks of microbiological contamination of feed, and increasing energy efficiency, among other things.

Perutnina Ptuj d.o.o. undertook to implement the following measures within the framework of the preparation of the Municipal Program for Environmental Protection of the Municipality of Ptuj for the period 2022-2027 in the field of emission of unpleasant odours:

- Modernisation of the Protein Concentrate Factory (Phase 2), including arrangements for additional dry cleaning of exhaust air
- Planting a green (plant) barrier around the Breg farm
- Arrangement of an online contact point for communication in the field of environmental protection.

In 2023, we plan to launch a new wastewater treatment plant in the hatchery plant in Markovci.

In the near future we will expand the convenience food factory and modernize wastewater treatment at this location.

We are constantly updating the fleet in PC Logistika with environmentally friendly EURO 6 engines.

SERBIA

In 2022, the wastewater treatment plant in the Meat processing and production facility was completed. In 2023, we plan to provide a user license for the facility. In 2023, we plan to construct a new SBR wastewater treatment plant in the hatchery plant in Bačka Topola. The equipment has already been delivered and work is underway.

The reconstruction of the municipal waste disposal section and the procurement of a new paper container in the Meat processing and production facility is planned for 2023.

Obtaining an IPPC permit for broilers farm Bajša 1 is planned for 2023. All the necessary documentation was submitted during 2022. We are planning to submit all the documentation for an IPPC permit for the broiler farm Bajša 2 during 2023. We are in the process of obtaining a decision on the Environmental Impact Study for the construction of a new farm, a hatchery plant, and a new processing plant in the Meat processing and production facility.

We are constantly updating the fleet in PC Logistika with environmentally friendly EURO 6 engines. During 2022, seven vehicles were purchased, and we are planning to purchase 18 more in 2023.

In Croatia and Bosnia and Herzegovina we also set ourselves new and more ambitious goals every year regarding the reduction of water and energy use.

BOSNIA AND HERZEGOVINA

In the summer of 2022, Perutnina Ptuj BH completed the construction of installations and equipment for changing heating fuel in the boiler room. From the end of April, the boiler room for the production of saturated steam and hot sanitary water can simultaneously use extra light fuel oil and compressed natural gas (CNG).

The advantage of using natural gas is the approx. 25% reduction of CO₂ emissions into the air. On the other hand, financial savings of around EUR 100,000 were made by the end of 2022.

Plans for 2023:

Given that the energy market has stabilised, the financial implications of using compressed natural gas (CNG) as against fuel oil are set to produce savings of EUR 50,000.

Every year, the Logistics Department plans to replace old freight vehicles with new ones equipped with Euro 6 engines, thereby reducing emissions of harmful particles into the air.

Since October 2022, we have been transporting Category 3 by-products to the company Agroproteinka HR, generating financial savings of EUR 60,000/year.

CROATIA

The documents for the completion of the environmental permit for PC IM have been sent to the Ministry for approval. The Environmental permits were obtained for Farms Štefanec and for the construction of two new farms (V. Pažut and Komarnica Ludbreška). A decision was also obtained from the Ministry of the Environment regarding the grain dryer (Hercegovac), and it is necessary to start the procedure for issuing location permits within two years of “of obtaining a decision”. The investment in the construction of two solar power plants is nearing completion (it is planned for end of April 2023), after which the power plants must be put into trial operation. We are also in the process of collecting offers for the reconstruction of the wastewater treatment plant, which must be completed in one year.

| Total waste by treatment method (in tonnes) | 2022 | 2021 | 2020 |
|---|-----------|-----------|-----------|
| Reuse | 1.736,07 | 1.409,90 | 1.406,82 |
| Composting | 13.967,01 | 10.348,27 | 10.145,97 |
| Isolation of valuable components | 25.753,71 | 27.505,30 | 19.478,83 |
| Combustion | 0 | 0 | 0 |
| Disposal to landfill | 0 | 0 | 0 |
| Storage at PP enterprises | 11.000 | 11.000 | 11.000 |
| Transferred to contracted third parties | 2643,52 | 2175,14 | 1823,60 |
| Total | | | |

6 ANIMAL WELFARE



Animal welfare management

Our integrated management system (see Chapter 2 for a detailed description) also applies to the field of animal welfare. In all breeding facilities of the Perutnina Ptuj Group and at the facilities of our breeders, we follow the Policy of Quality, Safe Food Provision and Environmental Protection when managing animal welfare.

The basic principles of animal welfare management are in compliance with the applicable legislation and all international and national standards that we have implemented. Based on this, while respecting the demands of customers and consumers, the main activities are the continuous education of employees to raise awareness about animal welfare and adopting such a view on all production processes. Another significant activity is technological advancement in all processes and areas where feasible in order to facilitate, simplify, and complete animal life expectancy and welfare.

We recognise our ethical commitment to the health and humane treatment of our poultry during breeding, catching, transporting, and processing. Our policy has zero tolerance for the deliberate abuse or mistreatment of broilers.

Our business model of poultry rearing combines rearing with contracted farmers and at our own breeding facilities.

Rearing with contracted farmers represented 95% of the total quantity of Perutnina Ptuj Group rearing in 2022.

We have not had non-compliance with the laws, regulations, and implemented standards that we abide by.

Slovenia

In 2022, we became certified for antibiotic-free production, and we increased breeding capacity for certified high welfare chicken production as well as for conventional poultry rearing. We have also continuously invested in training our breeders to deliver results (cost management, adapting to the demands of genetic potential, etc.).

In 2022, we organised a seminar for chicken farmers, covering certain current issues: antibiotic-free production, the importance of obtaining good production results, the importance of vaccinations and their impact on animal health, new capture techniques for slaughter, the concept of cleaning and disinfecting, and the handling of hazardous chemicals.

Bosnia and Herzegovina

In 2022, we increased production by over 20% compared to 2021. We started producing broilers for slaughter under the antibiotic free programme. In 2022, we exported a certain quantity of meat to the European Union (Slovenia, Croatia).

We got the opportunity to manage hatching egg stock lists based on imports of the same, where we achieved significant positive results in the hatchery.

The goals in 2023 concern increasing quantities for export to the EU.

In 2022, in addition to the standard breeding of broilers for fattening, we will also breed antibiotic-free broilers for slaughter. About 40% of co-

operatives are part of the antibiotic free programme. The antibiotic free broiler fattening program means broiler fattening exclusively without the use of antibiotics from the first week of the broiler's life until slaughter. Cooperatives are pre-selected for this program.

Serbia - The first complex of seven new modern chicken breeding farms

Management

In 2022, two state-of-the-art, highly automated broiler farms, Bajsa 2 and Bajsa 3, were put into operation, while respecting animal welfare and environmental protection. The breeder farm was upgraded with new equipment



for collecting eggs, feeding and watering systems. All production units are constantly improving their quality while monitoring and complying with all regulations and record-keeping requirements.

PP Topiko is constantly improving its production processes both on the farms and at the slaughterhouse, while complying with all laws and regulations, with minimal consumption of antibiotics (therapeutic). State-of-the-art equipment is to be installed in all work units. All in order to obtain top quality meat. Commissioning of new broiler farms. Reducing farm mortality. Better technological results.

Poultry rearing data

| | | 2021 | 2020 | 2022 |
|--|--------|------------|------------|------------|
| | unit | chicken | chicken | chicken |
| total of housed | number | 55,428,684 | 63.378.283 | 55,428,684 |
| loss (% from housed) | % | 4.4 | 4,5% | 4.4 |
| total processed | number | 53,578,378 | 64.639.289 | 53,578,378 |
| live weight - classical breeding | tonnes | 112,356 | 135.641 | 112,356 |
| live weight - premium poultry breeding | tonnes | 10.860 | 12.036 | 10,860 |

| | Chicken | |
|------|---------|------|
| Year | COBB | ROSS |
| 2022 | 0% | 100% |
| 2021 | 0% | 100% |
| 2020 | 16% | 84% |
| 2019 | 21% | 79% |
| 2018 | 26% | 74 |

Also in 2022, all broiler chickens were Ross breed, which is the world's most popular broiler.

Flock density is specified by state legislation and the international and national standards we adhere to.

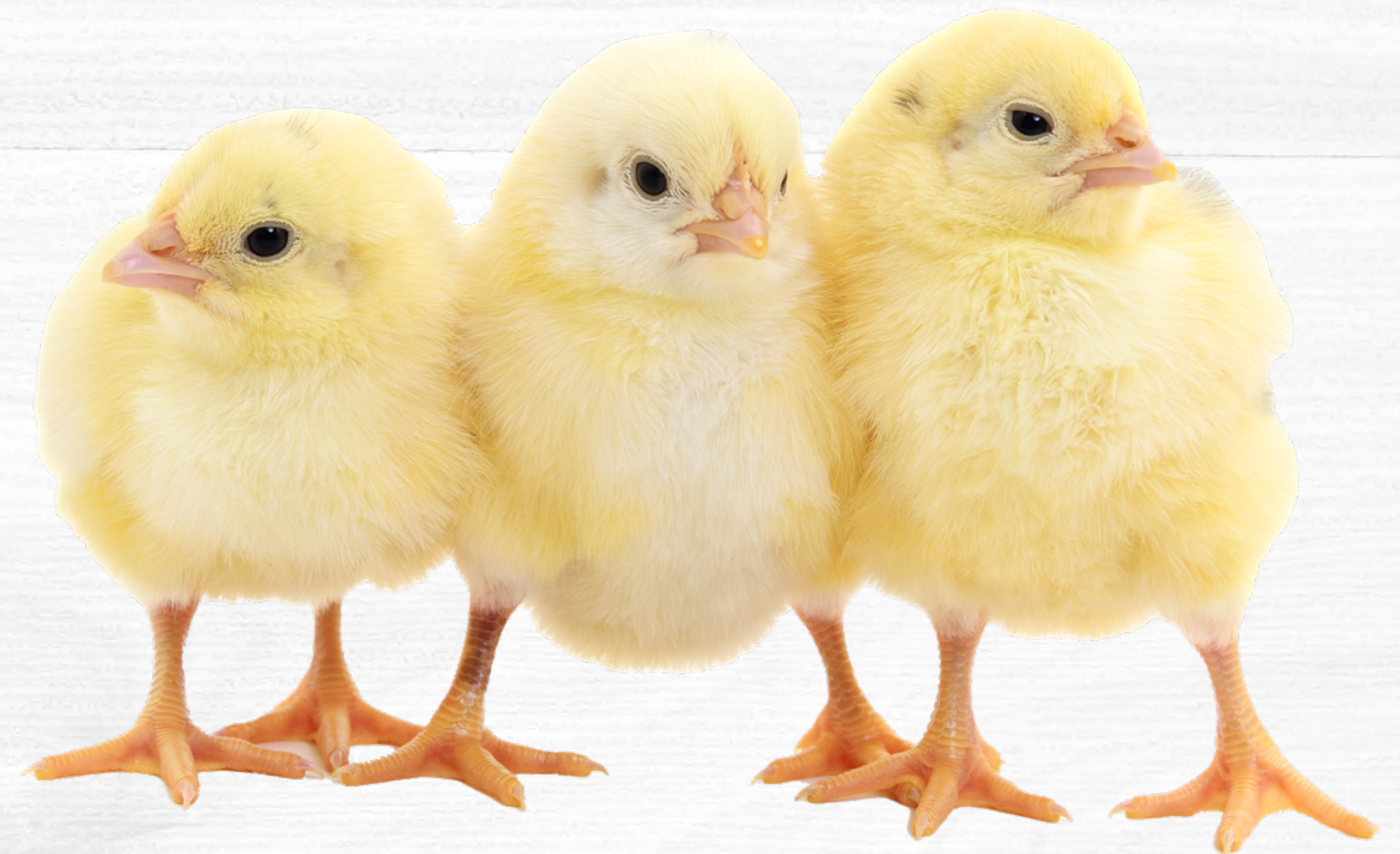
Training and education: Employees attend periodic training in legislation, technologies, and changes and innovations in breeding. We also transfer knowledge and share good practice within the Perutnina Ptuj Group companies. All breeders who cooperate with Perutnina Ptuj have the complete support of our technologists and veterinarians, who visit the farms on regular basis. We educate our breeders about the procedures and conditions of breeding, housing technology, and animal welfare and introduce them to new technologies and regulations.

Biosecurity, hygiene, antibiotic use, and vaccination

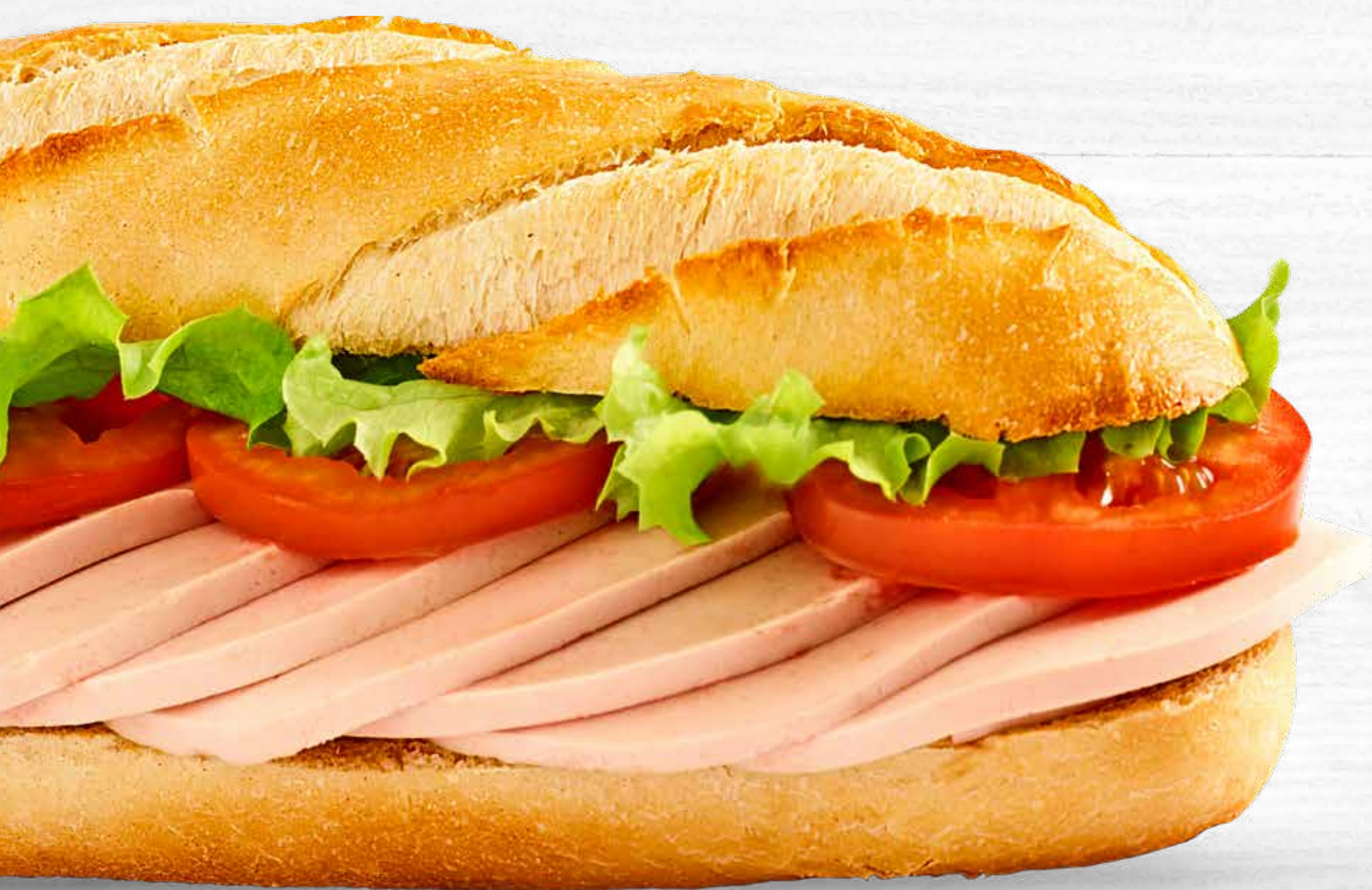
- We have a prescribed vaccination program for chickens. Other preventive vaccinations are performed according to the requirements of the epizootiological situation. We have veterinary sanitary regulations in place to ensure biosecurity. We do not use antimicrobial agents for pre-emptive purposes, only for curative purposes after careful prior-consideration. The use of antimicrobial agents is concomitant with improvements in technological measures.
- Biosafety and hygiene maintenance in the farm facility, ancillary-rooms, and environment during and between rearing periods is carried out according to internal procedures that prescribe farm biosecurity measures.
- In 2022, we continued with implementation of the lactic acid and probiotics dosing program in Slovenia, further reducing consumption of antimicrobials, emphasising the importance of good technological conditions, and educating breeders on how to improve them.

Key activities for 2023

- Continue to acquire new breeders and additional breeding capacities with an emphasis on premium poultry breeding in Slovenia, as well as educate breeders and introduce good practices;
- Certification of antibiotic-free production in other countries of PP Group; - certification of antibiotic-free production in more farms
- Implementation of preventive program for health of parent stock in Slovenia;
- Educate breeders and introduce good practices to raise their professional knowledge and achieve plans;
- Adhere to the goal of breeding all broilers in accordance with animal welfare law.



7 PRODUCT QUALITY AND SAFETY



In the Perutnina Ptuj Group, we manage product quality and safety with an integrated management system in which the quality management systems, the food safety management system and the environmental management system are complemented and implemented. In all our companies, we follow the Policy of Quality, Safe Food Provision and Environmental Protection when managing the quality and safety of products.

Our main goal and commitment is to continually improve the quality of food and the satisfaction of our stakeholders. We have several professional services organised in the company which independently of one another and in a coordinated way ensure the satisfaction of all the legal obligations that we have as a food concern and enrich them with high quality requirements. By obtaining numerous certificates, we have certified compliance with the requirements of the highest international and national standards and the requirements of the applicable legislation. Standards are a basic testament to an organisation's ability to meet stakeholder expectations. We regularly monitor the requirements of the standards throughout the food chain with internal controls and validate them using external independent organisations.

Our system for ensuring the safety, quality, and traceability of meat and meat products is strictly controlled and can be trusted. The certificates for international and national quality standards that we have obtained are a

formalised endorsement of our own quality philosophy. Given the number of certificates obtained, unannounced and announced external audits by independent audit firms and customers are a constant in our management system.

We develop and increase employee awareness of the importance of product quality and safety by internal and external training.

Product labelling

Foods are labelled in accordance with the applicable legislation on the provision of food information to consumers. Information is indicated by the name of the food and displayed directly on the packaging/declaration. Traceability is also clearly communicated to consumers by information on the product declaration.

Access control

With system documentation and operating instructions that comply with the requirements of all implemented standards, we have prescribed and implemented requirements for ensuring safety and quality in all our opera-

tions. Controls are performed in accordance with the applicable legislation and implemented international and national standards.

In all production plants in the Perutnina Ptuj Group, access is restricted to those staff members that are authorised to conduct production activities.

Access control includes:

- Video surveillance and alarm systems;
- Regular checking and maintenance of site perimeters and fencing;
- Staffing of entry and access points with a verification process to prevent unauthorised entry;
- Restrictions on visitors' access;
- Prohibition of unauthorised photography and filming.

Communication with the consumers

Consumer can find contact details on our company and brand websites. Direct communication with our consumers is ongoing through our profiles on different social media.

On all our products produced in Slovenia, we communicate a toll-free phone number for consumers to get in contact with us if needed. On products we produce in Bosnia and Herzegovina, the contact phone number of the company is displayed on product packaging. In Serbia, the contact e-mail address is displayed on products produced there.

In 2022, we have received no significant complaints about product quality and information from consumers (2022 0,08%, 2021 0,09%, 2020 0.07% qty of goods complained / total produced).

We take all feedback from our consumers seriously. We record and provide a response to all communication we receive. Consumer information serves us as useful feedback from the market and as a guide for future work.

Awards:

At the 60th International Expert Assessment AGRA 2022, the Perutnina Ptuj Company once again proved the highest quality of its meat and products and was awarded the following awards: the title of Quality Champion 2022; Quality Champion (8x), Gold Medal (21x), Silver Medal (19x), Bronze Medal (1x) and Special Awards for protective meat products.

Major activities in 2022 and plans for 2023

SLOVENIA

In 2022, we had 100% compliance with all announced and unannounced external and internal audits. We have retained all our existing certificates and have also obtained a new "Antibiotic Free" certificate.

The plan for 2023 is to recertify all the implemented standards in their entirety.

CROATIA- MAJOR ACTIVITIES IN 2022

100% compliance with all announced and unannounced external and internal audits. We retained all existing certifications and ensured the continual improvement of implemented safety and quality systems. We also consistently implement the requirements of applicable legislation into our processes.

Plans for 2023:

Certification with new standard "Proven quality of poultry meat"

PP BH – MAJOR ACTIVITIES IN 2022

Successful harmonisation of the production plant with the EU regulation and successful acquisition of EU export number. During 2022, Perutnina Ptuj

BH received two EU export licences (processed products and category 3 by-products). IFS Food ver.7 standard requirements have been implemented and certification has been moved to April 2023. All scheduled audits were carried out as per the annual internal audits plan, and external supervisory audits were successfully carried out and certificates renewed. Instructors from the TÜV SÜD certification company delivered HACCP (REV.2020), ISO 9001 and ISO 1400 training to internal auditors.

Plans for 2023:

- IFS standard certification
- Implementation of planned internal and external audits for HALAL, HACCP (rev. 2020), ISO 9001 and ISO 14001
- Continuous monitoring and application of valid legislation in the production process
- Continuous monitoring and application of valid legislation in the production process.

PP SRBAC – Major activities in 2022

- Medical examination for all production process employees carried out twice a year.
- Planned HACCP and HALAL audits conducted once a year.
- Antibiotic free standard certification

SERBIA

Plans for 2023:

- product quality and safety assurance (internal and external monitoring), successful audits, continuous renewal of IFS FOOD, ISO 22000, HACCP, HALAL certificates.
- Customer satisfaction survey once a year.

8 SUPPLY CHAIN



The PP Group follows the quality, safety, traceability requirements of company quality and environmental policy and selects its suppliers objectively and transparently by taking into account quality, reliability, and the best and most efficient commercial terms, which include price and payment terms and environmental matters.

Perutnina Ptuj Group strategic purchasing is committed to act in accordance with legislation, rules, and principles of implemented international and national standards - ISO 9001, ISO 14001, HACCP, BRC, IFS, HALAL, PPR, McDonalds, IK, Antibiotic free breeding and others.

The PP Group also requires its suppliers to comply with its corporate responsibility approach in relation to matters such as the environment, climate change, people, local communities, health and safety, business conduct, and human rights. We evaluate our suppliers on a yearly basis with surveys and questionnaires. One of the criteria is the environmental management segment, and in this way, we try to influence their responsible environmental management.

The Perutnina Ptuj Group is committed to its system of quality, which prior to procurement imposes higher quality requirements for the material purchased, which must comply with the requirements of ISO and HACCP standards, BRC and IFS standards. All materials supplied must also ensure compliance with halal requirements.

Suppliers - definition

Large: More than EUR 100,000 of value from annual turnover

Medium: EUR 20,000–100,000 of value from annual turnover

Small: Up to EUR 20,000 of value from annual turnover

Location – definition:

Domestic: Suppliers of services and materials have local legal entity in the same country as the company from the Perutnina Ptuj Group that uses them. Supplier is local.

Non-domestic: Suppliers of services and materials have a different legal entity country than the company from the Perutnina Ptuj Group that uses them. Supplier is not local.

The share of domestic suppliers decreased by two percentage points in 2022 (84% in 2021, 86% in 2021, 89% in 2020).

SUPPLY CHAIN DATA

| Supplier type in % | Large supplier | | Medium supplier | | Small supplier | |
|---|----------------|--------------|-----------------|--------------|----------------|--------------|
| | Domestic | Non-domestic | Domestic | Non-domestic | Domestic | Non-domestic |
| Goods type | | | | | | |
| Fertilisers | 38 | - | 13 | - | 50 | - |
| Seeds | 29 | - | 14 | - | 57 | - |
| Fuels & lubricants | 27 | - | 20 | - | 53 | - |
| Gas | 50 | - | 20 | - | 30 | - |
| Laboratory materials | - | - | - | 8 | 80 | 12 |
| Veterinary products (medicine and vaccines) | 24 | - | 31 | - | 41 | 3 |
| Disinfections & detergents | 3 | - | 8 | - | 84 | 5 |
| Spices and additives | 7 | 7 | 28 | 16 | 33 | 9 |
| Packaging materials | 18 | 14 | 19 | 10 | 24 | 14 |
| Day old poultry | - | 27 | 13 | 40 | 7 | 13 |
| Work protection | 5 | - | 11 | - | 80 | 5 |
| Corn | 10 | 5 | 36 | 2 | 46 | 1 |
| Wheat | 10 | 5 | 16 | 1 | 67 | 1 |
| Soya (meal, bean, cake) | 21 | 47 | 15 | - | 18 | - |
| DDGS | 25 | 75 | - | - | - | - |
| Soya oil | 13 | 38 | 25 | 13 | 13 | - |
| Corn oil | 75 | - | 25 | - | - | - |
| Premixes | 33 | 17 | - | - | 33 | 17 |
| Amino acids | 25 | 42 | 17 | 17 | - | - |



Key activities in 2022

PP Group Strategic purchasing managed the risks of highly volatile prices and price increases together with delivery delays and the limited availability of different articles in 2022 due to the ongoing war in Ukraine and the disappearance of suppliers and materials from Ukraine and Russia from EU markets. The main activities were focused on commercial negotiations with suppliers, searching for and implementing substitutes, and assuring the coverage for all needed raw materials and services for the PP Group.

Procurement dpt Active contributed in SAP S4 implementation in Croatia.

In order to reduce the supply chain and develop partnerships with grain producers, we have realised the investment in new grain silos in Serbia with a storage capacity of 15,000 tonnes.

Plans in 2023

In order to reduce the supply chain and develop partnerships with grain producers, we have intention to realise two projects:

- Carry out the investment in new grain silos in Croatia with a planned storage capacity of 30,000 tonnes.
- Replace a dryer machine in Slovenia in order to raise the acceptance of grain over the harvest season.

We are also planning to modernise our feed production facility in order to increase capacity and improve the quality of the feed produced.

In order to improve the security of the supply chain, an investment is planned to renovate the railway at the Zagrebška location. The implementation of this project will allow us to expand the purchase area and reduce the logistics costs for the delivery of grain over long distances.

INVESTMENTS AND MAINTENANCE

The investments carried out in 2021 were aimed at building production capacity, replacement investments, optimisations in capacity building, and the renovation of production premises. In total, EUR 60 million in cash assets were allocated for investments in the Perutnina Ptuj Group in 2022.

In 2022, key investments were finalised:

We completed investments in an IQF facility in Ptuj, increased capacity for sliced sausages in Zalog, and expanded the Markovci hatchery. In Serbia, the broiler farms investments at Bajša 1 and 2 delivered above-average results in total output and rearing savings. In Croatia we continued investments in the slaughterhouse and especially in the processing segment (sausage packing machine, clipping machine, and vacuum portion filler). After evaluating the effects of the thigh deboning machine in Bosnia, we ordered another one that will be delivered in 2023.

The new IQF premises and filleting line upgrade at the Ptuj slaughterhouse will boost efficiency. Numerous investments in the slaughterhouse line have been made to optimise the production process and increase worker productivity. In 2022 we ordered an additional thigh deboning module to meet sales demand and a new mechanical knife from which we expect an increase in production efficiency.

Aside from investment in increasing sliced sausage capacity, the slaughterhouse in Zalog completed investments in cooling chambers for frankfurters, a new meat grinder, and a meat deboner machine.

In the live production segment, we completed investments in production facilities at the Sela farm and two production facilities at Kidričevo. We expect the new Markovci hatchery to increase output and deliver above-average production efficiency.

We were active in the M&A field with investments that will increase our portfolio of value-added products and the range of potential customers.

The implementation of SAP for Croatia has been completed, and we will continue to implement lead IT solutions in Serbia and Bosnia in years to come.

Maintenance investments such as the replacement of 2ths lamps in meat industry Ptuj also had an impact on energy savings, and we will continue to monitor opportunities that occur in green industry.

In Serbia, we invested across the whole industry vertical. During 2022 we made EUR 25 million of investments in broiler farms and in increased capacity for hatchery and feed production.

In Croatia, investments in the slaughterhouse were followed by investments in the solar power plant. In addition, we started pre-investment activities in purchases of land and obtaining permits for new farms.

In Bosnia, aside from the thigh deboning machine, we completed investments in the filleting line, frankfurter packaging line, and a chiller for cooling offal.

9 STAKEHOLDER ENGAGEMENT



Respecting stakeholders' interests

The Perutnina Ptuj Group respects the interests of all stakeholders and conducts a constructive dialogue with them with the aim of addressing social, economic, and environmental issues that are relevant to both the Perutnina Ptuj Group and the local environment, the region, and the individual countries in which the Group is located.

We want to contribute to a better life for the individual, the local environment, and society as a whole through mutually profitable partnerships with stakeholders, implementation of selected projects of wider reach and successful business.

We conduct our activities transparently and are open to dialogue with all our stakeholders. In our operations, we respect the international norms of behaviour and the rule of law. We are committed to fair, equitable, and comprehensive action, which means that we care for people, animals, and the environment. We are also committed to addressing the consequences of our decisions and activities. We conduct all our operations with awareness that stakeholders have a significant impact on and shape the Group's reputation.

In 2022 we updated the rules of Crisis Communication at the Perutnina Ptuj Group level.

Six major stakeholder groups

Employees

Cooperation objectives: operational activity of Perutnina Ptuj Group Companies by ensuring a decent and safe working environment and respecting international and national labour and human rights standards.

Key expectation: stability of employment and adequate wages; employee development: education and promotion opportunities; respect for human rights; job stability, wage growth.

Communication channels: meetings, calls, e-mails, internal magazine, intranet for employees, bulletin boards.

Society and local communities

Cooperation objectives: engaging with the principles of transparency and honesty, building partnerships to achieve mutually beneficial goals, and providing reliable and timely information to the public.

Key expectation: compliance of business with applicable legislation; local community development and social responsibility: investments in the development of local society and the environment, joint projects.

Communication channels: website, social media, meetings, calls, e-mails, visits.

Government and state authorities

Cooperation objectives: mutually profitable partnership, both socially and economically, implementation of joint programmes and projects to improve the quality of life of the population and address current local issues.

Key expectation: compliance of business operations with applicable legislation (on quality, safety, environment, human resources, law, finance, accounting, informatics, fire protection, safety at work)

Communication channels: reporting, certification, documentation according to the requirements of legislation and state institutions, official correspondence (one-on-one meetings, calls, e-mails, visits).

Business partners

(Including suppliers, customers, and consumers)

Cooperation objectives: fair and transparent business relationships in good faith and mutually profitable partnership.

Key expectation: partnership; close cooperation, timely exchange of information; compliance with the requirements of standards, laws, and customer requirements; safe, high-quality, tasty, and affordable products.

Communication channels: meetings, calls, e-mails, website, social media, hotline and e-mail address for consumers.

Media

Cooperation objectives: distribution of reliable and truthful information on the activities of the Perutnina Ptuj Group; answer to media questions, comment on site.

Key expectation: accuracy, transparency, and timeliness of information provided.

Communication channels: company PR service and websites, correspondence (meetings, calls, e-mails).

Non-governmental organisations (NGOs) and civic associations

Cooperation objectives: effective cooperation to improve the quality of life of citizens; preparation and implementation of environmental, social, and cultural programmes.

Key expectation: animal welfare, environmentally friendly business operations, sustainable farming.

Communication channels: website, social media, correspondence (one-on-one meetings, calls, e-mails).

Cooperation with the local environment

In all the markets in which the Perutnina Ptuj Group conducts production processes, we are involved in local communities with sponsorships and donations or work on projects which benefit the development of local communities.

In 2022, we mainly supported local cultural, environmental, educational, and sports activities. With the aim of promoting a healthy lifestyle, we have been supporting the local cycling club for 30 years (where the focus is on working with young people). Global basketball star Luka Dončić, the ambassador of the POLI brand, has been joined by a new sports ace through a sponsorship partnership with Perutnina Ptuj. By signing the contract, Perutnina Ptuj has shown its support for athlete Kristjan Čeh, who is already achieving outstanding results in discus throw. In 2022, Kristjan Čeh became an ambassador for the PP brand.

Perutnina Ptuj traditionally supports the Kurentovanje/Carnival in Ptuj. This was the case even in 2020 and 2021, when the largest organised carnival event named after Kurent, the most recognizable carnival masks in the national, international carnival, and ethnological space, was marked by numerous restrictions due to COVID-19.

In 2022, we organised 20th Poli marathon. We are pleased that external circumstances allow us to organise one of the most popular recreational cycling events in Slovenia live after two years. The event, which aims to promote a healthy lifestyle, popular brands of Perutnina Ptuj is also a great opportunity to promote Ptuj as a popular tourist destination. Many participants return to Ptuj as tourists. Traditionally, the Poli Marathon, organized by Perutnina Ptuj and the PP Cycling Club, is attended by thousands of cycling enthusiasts.



Plan for 2023

- Proceed with involvement with support of local communities;
- Implement CSR policy including sponsorship and donation policy.

10 BUSINESS CONDUCT

Fight against corruption and bribery

All companies in the Perutnina Ptuj Group are subject to national legislation on detecting and preventing corruption, while respecting the anti-corruption guidelines of international organisations. Regardless of the fact that our companies do not have internal rules for the fight against corruption, they follow high standards of business ethics in their work and build an organisational culture that promotes legal, transparent, and ethical behaviour and decision-making of all employees.

Our anti-corruption practices include:

- system of rules, standards of conduct and expected conduct within the framework of the adopted Code of Ethics;
- the validity of the Code not only for employees of the Perutnina Ptuj Group, but also for business partners who must also do business without any form of corruption or fraud.

We have worked intensively on a new KYC (Know-Your-Customer) procedure and integrated the same. The new procedure is part of the SAP Ariba process used, when on-boarding vendors. We regularly monitor conflict of interest status of our existing key colleagues and provide Conflict of Interest (COI) statement to all newly on-boarded.

Transparency and openness

In the Perutnina Ptuj Group, we conduct our activities transparently and are open to dialogue with all our stakeholders. In our operations, we respect the international norms of behaviour and the rule of law.

Business ethics

We are committed to fair, equitable, and comprehensive action, which means that we care for people, animals, and the environment. We are also committed to addressing the consequences of our decisions and activities.

Code of conduct

In 2022, we introduced regular trainings for our colleagues on conflict of interest and most common labour law problems. We have established a customer acceptance process within the SAP Ariba system, which enables minimum expenditure of resources (personnel and financial). An important part of the acceptance procedure is the assessment customer risk, and it is very important that they comply with sanction laws.

Panned activities for 2023

- To introduce the same acceptance system and introduce rules on the sales side;
- Raising awareness of our employees when it comes to conflict of interest in terms of individual role of employees (additional training);
- Digital transformation in terms of contract automation.



11 ABOUT THIS REPORT

Scope and content

In preparing this report, the Perutnina Ptuj Group aims to provide a transparent and informative account of the Company's management systems and performance in the key focus areas highlighted within it, as follows:

- Corporate responsibility governance
- Environment
- Product safety and quality
- Animal welfare
- People
- Stakeholder engagement
- Supply chain
- Business conduct

We have based the content of this report on the stakeholders of the Perutnina Ptuj Group and their expectations. We have defined and follow the stakeholders' expectations based on our Rules of quality and environmental management.

Importance of individual stakeholders to the Perutnina Ptuj Group according to the assessment:

| Stakeholder Groups | Stakeholders | Importance to the Group |
|--------------------|--|-------------------------|
| State authorities | Government bodies (ministries, agencies, funds, courts, inspections) | Very important |
| Employees | Employees | |
| Business partners | Consumers and customers | |
| Business partners | Suppliers, business partners | |
| Business partners | Certification bodies | very important |
| Employees | Trade unions and the works council | |
| Society | Local community and society | |
| Media | Media | |
| Business partners | Employment agencies | |
| Business partners | Employment institutions | |
| State authorities | Institute for Pension and Disability Insurance | important |
| Business partners | Banks | |
| Business partners | Educational, research institutions | |
| Society | Non-governmental organisations | |
| Business partners | Chamber of Commerce | |

Assessment of stakeholders' expectations according to the importance of stakeholder groups for the Perutnina Ptuj Group:

| | Importance | Chapter in this Report |
|--|----------------|------------------------|
| Corporate governance issues | | |
| Anti-corruption policy | very important | 10 |
| Transparency and compliance | very important | 2, 10 |
| Human rights | very important | 4 |
| Ethics | very important | 2,10 |
| Reputation | very important | 9 |
| Equal opportunities | very important | 4,8 |
| Fines | very important | 5 |
| Labour and relations with employees | | |
| Bonus, healthcare | very important | 4 |
| Employee development | very important | 4 |
| Appropriate work environment | very important | 4 |
| Employment stability | very important | 4 |
| Knowledge transfer within the group | very important | 4 |
| Environmental issues | | |
| Sustainable operation and biodiversity | very important | 2, 5 |

| | Importance | Chapter in this Report |
|--|----------------|------------------------|
| Consumers / Partners | | |
| Partnership | very important | 2 |
| Feedback | very important | 7,9 |
| Innovations | very important | 2 |
| Quality and safety of product | very important | 1, 2, 7 |
| Confidentiality and data protection | very important | 10 |
| Long term cooperation | important | 2 |
| Proactive cooperation | less important | 2 |
| Community | | |
| Local community development | important | 9 |
| Community impact assessment | important | 9 |
| Smooth operation | important | 2 |
| Animal welfare | | |
| Animal welfare | important | 2,6 |
| Antibiotics use | important | 6 |
| Compliance with EU Directives (growing, transportation, slaughter) | important | 6 |

Reporting period and scope

This is the Company's first annual Non-Financial Report, and also the first report that has been aligned with the reporting requirements of the Global Reporting Initiative G4. It is designed to disclose information that the Company's stakeholders view as being a material aspect of the Company's activities.

The Perutnina Ptuj Group reports regularly on its sustainability development in its consolidated Annual Reports but to a narrower extent.

We plan to continue to publish information contained within this report annually. In the future, we will apply GRI Standards as the reporting framework for this report.

The data within this report is performance information for the 2022 calendar year. Comparative data for 2021, 2020, 2019 and 2018 is also included with a supporting narrative to assist readers of the report in understanding performance.

The information provided relates to the Company's operations in Slovenia, Croatia, Bosnia and Herzegovina, and Serbia (see Chapter 1 and 3). It does not contain information about the Perutnina Ptuj Group's sales enterprises in Austria, North Macedonia, and Romania, except for number of employees (Chapter 7: People). It is designed to disclose information that the Company's stakeholders view as being a material aspect of the Company's activities.

For 2022, the data monitoring methodology related to occupational health and safety (see Chapter 4) has been revised for Standard 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.

Report audience

This Report is provided for a broad range of audiences. These include:

- Customers, suppliers and consumers;
- Government and regulators;
- The media, opinion formers, and food industry commentators;
- Current and potential employees and their representatives;
- Local communities and their representatives;
- Non-governmental organisations (NGOs).

Availability

This report will be sent to stakeholders on request (see contact details later in this section).

Independent assurance and advisory support

The Perutnina Ptuj Group has chosen not to have the information within this Report independently assured, although it has been reviewed for consistency with the Company's other published information and, for completeness, by the owner's professional advisors.

Feedback and contact

We welcome feedback from interested stakeholders in relation to the information contained within this report and the approach to key focus areas highlighted within it.

Contact:

PUBLIC RELATIONS

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