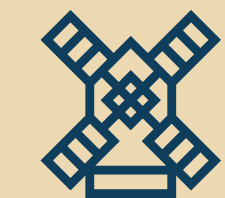




INNOVATIONS FOR SUSTAINABLE DEVELOPMENT

NON-FINANCIAL REPORT 2017



MHP
AGRO & INDUSTRIAL
HOLDING

MHP HISTORY





A detailed history of the Company can be found on our website at <https://www.mhp.com.ua/en/about>

history or in the last Eurobond issue prospectus in the “Business” section at <https://www.mhp.com.ua/en/home>

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STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

MHP CONTINUES TO STRIVE TOWARDS WORLD BEST PRACTICES IN SUSTAINABLE DEVELOPMENT AND FOCUS ON ALL ISSUES RELATED TO IMPROVING ITS POLICIES AND ACTIONS RELATED TO ITS EMPLOYEES, PARTNERSHIP WITH COMMUNITIES AND SUPPLIERS, ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY, REGULATIONS IN RELATION TO ANIMAL WELFARE. THESE PRINCIPALS ARE KEY PRIORITIES IN THE COMPANY'S ACTIVITIES.

During 2017, the Company continued on its programme of strengthening corporate governance. Two new Non-Executive Directors have been selected and are to be appointed in 2018. A programme of Non-Executive Directors' training and up to date training that was approved in 2017 is being further strengthened for 2018, including a robust assessment procedure following the London Institute of Directors' guidelines. In addition, at the beginning of 2018, the Company

completed a new Corporate Governance and Share Dealing Code, which were approved recently at AGM by MHP's shareholders.

The Company continues to invest in sustainable energy through its second biogas projects construction and has a long term goal of being carbon neutral in poultry production, something that can only be achieved through the Company's unique integration model.



*Dr John Rich,
Chairman of the Board*



IN 2017, MHP CONTINUED ITS INNOVATIVE STANCE AND ADDED FOUR UN SUSTAINABLE DEVELOPMENT GOALS 2030 TO ITS CHARTER

CEO STATEMENT

DEAR COLLEAGUES, PARTNERS, AND OUR STAKEHOLDERS!

You have before you the MHP's non-financial report, which is prepared under the internationally recognized standards of the Global Reporting Initiative. In this report we present our commitment to openness and holding a transparent dialogue by honestly describing achievements and challenges MHP faced in 2017.

The last year was incredibly interesting and passed under the slogan of innovations and application of cutting-edge technologies in business process management to strengthen our leadership in Ukraine and globally. Innovations were introduced into enterprise and personnel management systems, customer and consumer relationship management systems, environmental protection systems and land bank management. We have started construction of the second biogas plant and showed new opportunities of the agricultural sector regarding renewable energy, introduced a geoinformation system at all MHP's enterprises.

We understand that innovations require entrepreneurial and innovative ecosystem accelerating development of companies and of Ukraine. That is why MHP launched MHP Accelerator – a program for search and integration of agricultural innovations. This

program will be instrumental in assisting young entrepreneurs to implement their ideas, and it will help us to find true talents in Ukraine, to become an even more innovative and technological company. This example is already followed by other companies, and this convinces us that we have chosen the right way.

As for our stakeholders, we understand that our priority is, above all, the employees with whom we continue implementing our most ambitious projects. We are developing, we launch new training services and work together with youth. Yet we face a lot of tasks in the area of occupational health and safety, which we should analyze and make better through the improvement of OHSAS 18001 health and safety management system. The said is included into our plans for 2018.

Our second priority is communities. In 2017, we increased investments in the development of our communities, infrastructure improvement projects, extended the program of new business establishment, "Village: Steps to Development", assisted in development of medicine and supported cultural projects.



WE STRIVE TO BECOME THE MOST PROGRESSIVE COMPANY IN THE INDUSTRY BY DEVELOPING NEW SERVICES FOR OUR CUSTOMERS AND SUPPLIERS, BY IMPLEMENTING AMBITIOUS PROJECTS FOR EMPLOYEES, PARTNERS AND OUR COMMUNITIES. WE ARE TOTALLY OPEN TO COOPERATION TO BECOME BETTER BY PROVING TO THE WHOLE WORLD THAT UKRAINIAN PRODUCTS ARE OF THE HIGHEST QUALITY

*Yuriy Kosiuk,
CEO of MHP*



ABOUT THE COMPANY

- 12 Key CSR Indicators in 2017
- 14 CSR and Sustainable Development Goals
- 21 MHP Innovations
- 32 MHP Supply Chain



MHP IS A VERTICALLY- INTEGRATED COMPANY

MHP SE (LSE: MHPC) IS A PARENT COMPANY OF THE LEADING INTERNATIONAL AGROINDUSTRIAL GROUP WITH ITS HEAD OFFICE IN UKRAINE (KYIV). THE GROUP SPECIALIZES IN CHICKEN PRODUCTION AND GRAIN GROWING, AS WELL AS OTHER AGRICULTURAL ACTIVITIES (PRODUCTION OF MEAT AND SAUSAGE PRODUCTS AND READY-TO-EAT MEAT PRODUCTS).

MHP consists of more than 30 enterprises registered in nine regions and operating in 14 regions of Ukraine. In 2017, the total number of personnel at MHP constituted about 28 thousand of employees.

MHP's main business areas are:

- poultry and related operations (production of chilled and frozen poultry meat, production of soybean and sunflower oils);
- grain growing operations (such as corn, sunflower, wheat and rape, other agricultural crops), and
- other agricultural operations (production of meat and sausage products, convenience foods, cattle and milk).

Data regarding MHP's legal entities, financial and operational results for 2017 are included in the Company's financial statements and can be obtained from the 2017 Annual report, available at https://www.mhp.com.ua/library/file/mhp-se-fs-consolidated-2017-with-pr-signed_1.pdf.

MHP'S MAIN BRANDS**Nasha Riaba:**

Chilled chicken meat under TM Nasha Riaba is produced at three MHP poultry complexes/farms: Vinnytsia Poultry Complex, Myronivka Poultry Complex, and Oril Leader

**Bashchinskiy:**

A trademark, under which 208 types of top-grade sausage products and meat delicacies are produced (cooked sausages, delicacies from selected pork, a wide range of smoked and cooked poultry products, and original pastes). These products are manufactured at the Ukrainian Bacon enterprise. About 60 products are ready-to-eat meat products (cutlets, chicken parts, etc.). These products are manufactured at the Meat Processing Plant Lehko

**Qualiko:**

A range of packaged brand products is represented by frozen and chilled poultry meat: whole carcasses and broiler chicken parts that are exported. Established in 2011, TM Qualiko is represented in countries of the CIS, EU, Middle East, Asia, and Africa, and is exported to more than 60 countries around the world



**Ukrainian
Chicken**

Ukrainian Chicken:

A brand with a product portfolio that consists of frozen poultry meat (broiler chicken carcasses and their parts). Products under TM Ukrainian Chicken are exported to MENA, CIS and Africa (except for EU countries and Asia)

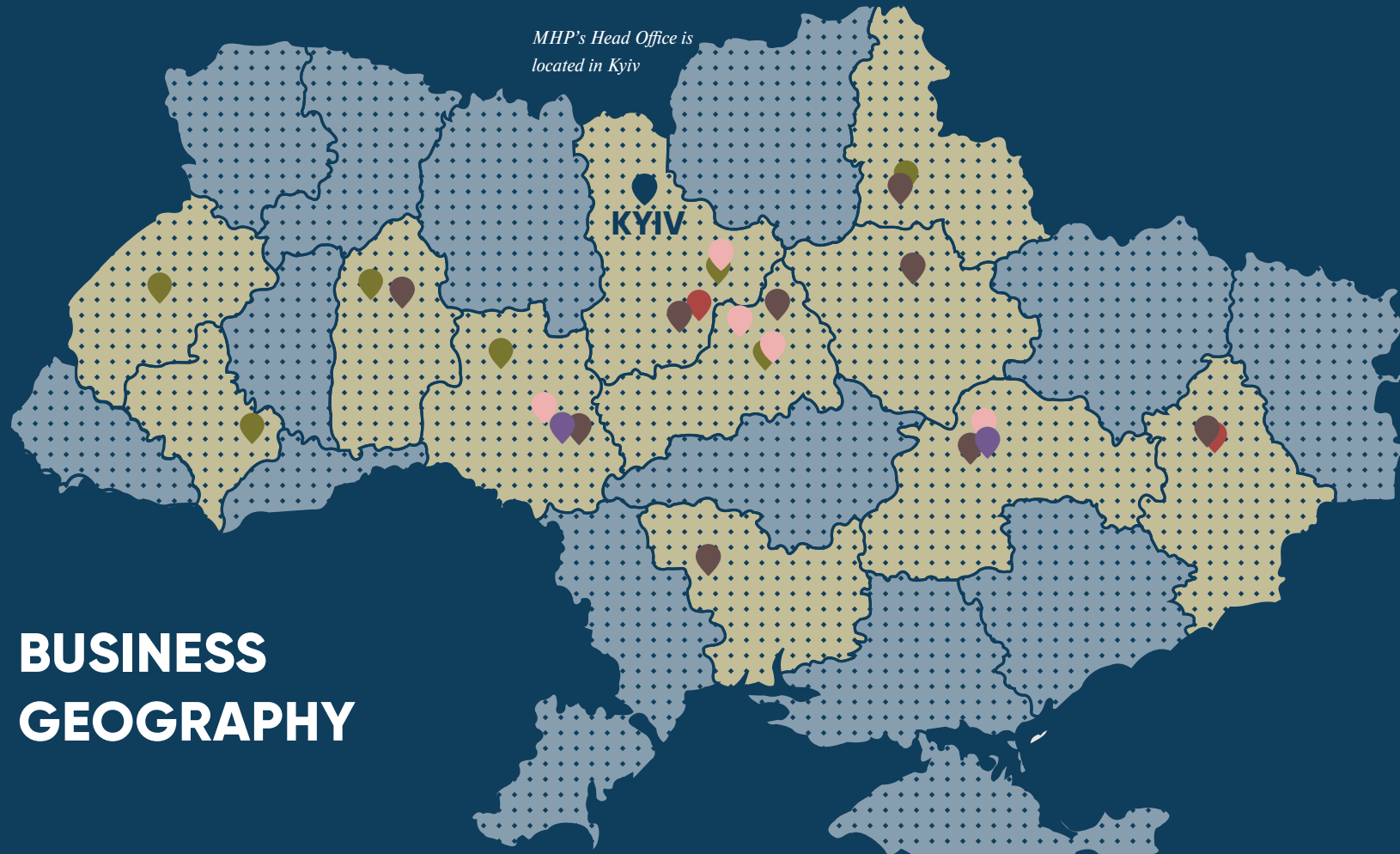
Several trademarks of MHP were exclusively developed for exports. These are the following: Assilah, Sultanah, Al Hassanat for the MENA region, and Bibilo for Georgia.

MHP'S POULTRY BRANDS

Table 1

Brand Name	Geography	Chilled / Frozen	Product
Nasha Riaba	Ukraine	Chilled	Whole, parts
Ukrainian Chicken	Ukraine	Frozen	Whole, parts
Qualiko	Export	Chilled / Frozen	Whole, parts
Ukrainian Chicken	Export (except the EU and Asia)	Frozen	Whole, parts
Assilah	Export (MENA)	Frozen	Whole
Sultanah	Export (MENA)	Frozen	Whole
Al Hassanat	Export (Iraq)	Frozen	Whole, parts
Bibilo	Export (Georgia)	Frozen	Whole





BUSINESS GEOGRAPHY

RAISING AND PRODUCTION OF POULTRY MEAT

- Parent poultry farms
- Starynska Breeding Farm
 - Peremoga Nova Breeding Farm

Poultry raising and processing

- Vinnytsia Poultry Complex
- Myronivka Poultry Complex
- Oril Leader Broiler Complex

CROP GROWING

- Zernoproduct MHP
- Urozhay
- Zakhid-Agro MHP
- Urozhayna Kraina
- Ridny Kray
- Perspective
- Agro-S
- Agrokrayazh
- Agrofort

- Agrofirma Veselynivka
- Buffalo
- Yelyzavetivka

FEED PRODUCTION

- Myronivka Fodder Complex
- Vinnytsia Fodder Complex
- Katerynopil Fodder Complex
- 11 elevators

MEAT PROCESSING PLANTS

- Myronivsky Meat Processing Plant Lehko (MMPP)
- Ukrainian Bacon

BIOGAS COMPLEX

- Biogas Complex at Oril Leader
- Biogas Complex at Vinnytsia Poultry Complex

MHP'S KEY DEVELOPMENTS IN 2017



IMPLEMENTATION OF
innovation
IN ALL BUSINESS UNITS



OPENING OF A NEW
PROCESSING PLANT IN
Slovakia



DEVELOPMENT
PROGRAMMES FOR
employees

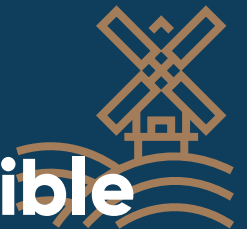


START OF CONSTRUCTION
OF SECOND BIOGAS
COMPLEX WITH
12 MW

capacity at Vinnytsia Poultry Farm



START OF COOPERATION WITH
STAKEHOLDERS TO
**fight
corruption**



Responsible
CULTIVATION OF LAND ON
370,000 HA

POLICIES OF MHP

MHP'S ACTIVITY IN UKRAINE IS GOVERNED BY THE UKRAINIAN LEGISLATION AS WELL AS BY ITS STANDARDS AND REGULATIONS

All enterprises/companies of the Group also comply with the legislation of countries in which MHP operates (Slovakia, the Netherlands, the UAE, Cyprus, Germany, Egypt, and Luxembourg), as well as international standards and regulations towards operations. In particular, the Company operates within the standards on environmental and social sustainability of the International Finance Corporation (IFC) and the environmental and social policy of the European Bank for Reconstruction and Development (EBRD).

In addition to generally accepted standards, regulations and laws, MHP has developed and complies with its own internal policies and regulations. All developed documents are published on the Company's website in

three languages (Ukrainian, Russian, and English) and are publicly available in the corresponding sections of the Company's official website, www.mhp.ua.

Liability for compliance with MHP's policies and regulations at the level of the Group is undertaken by the Chief Executive Officer, Yuriy Kosyuk. At the level of MHP enterprises/companies, directors of such enterprises/companies are held liable for compliance with the adopted policies and regulations.

MHP publishes reports and informs all stakeholders about its activities through the channels of communication available to them – news, magazines and reports – on a regular basis.



CSR AND SUSTAINABLE DEVELOPMENT GOALS

CORPORATE SOCIAL RESPONSIBILITY IS AN INTEGRAL PART OF MHP. WE STRIVE TO ADHERE TO THE BEST PRINCIPLES AND PRACTICES OF SOCIAL RESPONSIBILITY IN OUR OPERATIONS.

In 2017, in order to improve cooperation with stakeholders, the Corporate Social Responsibility Policy was revised and updated. It now covers different stakeholders' engagement issues for long-term, stable, and fruitful cooperation. Detailed information is available at <https://www.mhp.com.ua/library/file/kso-fin-eng-2017.pdf>.

The Company cooperates with seven groups of stakeholders (Table 1) that are effectively engaged through approved communication channels. In 2017, the Company compiled all of its reports on corporate social activities of enterprises into a single document, which is annually published on the Company's website (Stakeholder Engagement Plan, available at <https://www.mhp.com.ua/library/file/mkh-eng-small.pdf>).



Striving to become a global Company, we understand that we should respond to global challenges and contribute to their resolutions. This is why we support

the Sustainable Development Goals 2030 (known as UN Global Goals) and have focused on four Global Goals important to our daily activities, namely:



END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION, AND PROMOTE GOAL 2: SUSTAINABLE AGRICULTURE

During the last ten years, the Company has been increasing its poultry and grain growing production capacities so that it is able to contribute more protein to more than 60 countries across the world. During the next three to four years, MHP's poultry production capacity will grow by around 45% and will continue to assist in satisfying the growing international demand for the most accessible kinds of meat. MHP also invests in innovation with continuous improvement in quality and safety of its products.





MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT, AND ENVIRONMENTALLY SUSTAINABLE
GOAL 11:

Our ongoing work with regions through the development of their social, cultural, and economic activities and the promotion of self-employment through the ‘Village: Steps to Development’ programme is aimed at ensuring effective development of the regions in which we operate. MHP’s responsible attitude to issues of environmental sustainability, including environmental impact assessment, helps regions in which we operate grow and develop according to the international standards.



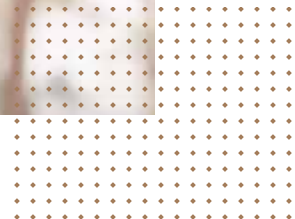
TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS
GOAL 13:

The Company’s practices regarding sustainable agriculture, the Company’s Environmental Policy, construction of the biogas plant, control over CO₂ emissions, and effective management of water resources and waste are our daily contributions to achieve this goal.



PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT
GOAL 17:

We understand that we can develop and implement important projects, and contribute to the achievement of the Sustainable Development Goals only alongside partners (such as local communities and NGOs). Therefore, partnership is one of our key principles when developing and implementing projects and programmes in the regions where the Company operates.



MHP WORKS WITH SEVEN GROUPS OF STAKEHOLDERS

The Company has distinguished its stakeholders by understanding their areas of interest and opening channels of communication with them. Among our

main stakeholders are our employees and local communities, as we impact them through:



Creating jobs and comfortable/safe working environment



Being mindful of their development and welfare



Developing infrastructure and entrepreneurship



Taking care of the environment



EMPLOYEES

AREAS OF INTEREST:

operational activity of enterprises

COMMUNICATION CHANNELS:

Boxes for applications, website, intranet for employees, hot line, ethical control services, meetings, calls



LOCAL COMMUNITIES

AREAS OF INTEREST:

informing communities about the activities of enterprises; social cooperation, including the impact of MHP on social, cultural, ecological and other issues in the regions of operation

COMMUNICATION CHANNELS:

Boxes for applications, website, pages in social networks, calls, one-on-one meetings, community meetings, correspondence: e-mail, mail, grievance form



GOVERNMENT / PUBLIC AUTHORITIES

(PUBLIC AUTHORITIES OF ALL LEVELS AND INSTITUTIONS IN THE REGIONS IN WHICH MHP ENTERPRISES OPERATE)

AREAS OF INTEREST:

social and economic cooperation

COMMUNICATION CHANNELS:

reporting, certification, documentation according to requirements of legislation and state institutions, official correspondence (mail)

MEDIA, MASS MEDIA

(REGIONAL, DISTRICT, MASS MEDIA ACROSS UKRAINE)

AREAS OF INTEREST:

distribution of information about activities of the Company, notification of up-to-date and reliable information through mass media to all groups of stakeholders

COMMUNICATION CHANNELS:

the Company's website and PR service

BUSINESS PARTNERS

(COMMERCIAL ORGANIZATIONS, CONSUMERS, CLIENTS, OTHER ORGANIZATIONS THAT MHP COOPERATES WITH IN ITS BUSINESS ACTIVITIES)

AREAS OF INTEREST:

organization and conduct of commercial activities of enterprises, mutually beneficial partnership

COMMUNICATION CHANNELS:

website, correspondence: e-mail, mail, one-on-one meetings, calls, TM hot lines for consumers

NON-GOVERNMENTAL ORGANIZATIONS (NGOS), INTERNATIONAL ORGANIZATIONS

(GD ANIMAL HEALTH, FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS, GLOBALGAP)

AREAS OF INTEREST:

implementation of common programmes and campaigns to improve product quality, production control

COMMUNICATION CHANNELS:

site, social networks, correspondence: e-mail, mail, one-on-one meetings, calls

INVESTORS

(IFC, EBRD, OTHERS, SHAREHOLDERS AND BONDHOLDERS OF THE COMPANY)

AREAS OF INTEREST:

the Company's financial and operational activities, key events of MHP

COMMUNICATION CHANNELS:

website, reporting, correspondence: e-mail, mail, one-on-one meetings, calls

MECHANISM OF STAKEHOLDER ENGAGEMENT

MHP uses different mechanisms to engage with its stakeholders (Table 2)

*Table 2.
Stakeholder engagement
mechanism*

Regular informing	Press releases, reports, websites, intranet, publications, social networks, notice boards, mass media, handouts (POS materials)
Exchange of opinions	Direct communication, negotiations, consultations, public hearings, roundtable discussions, conferences, seminars
Identification of opinions and interests	Opinion polls, questionnaires, personal communication
Participation in activities organized by stakeholders	Meetings, exhibitions, thematic forums, conferences
Joint activities	Programmes, projects, events, campaigns, contests

PRINCIPLES OF STEAKHOLDERS ENGAGEMENT

The Company adheres to key principles of stakeholder engagement, namely:

- Provision of clear information in a format and language that meets the needs of stakeholders.
- Provision of preliminary information on plans and activities of enterprises of the Group.
- Provision of information in accessible ways and through accessible channels, as well as in locations convenient for stakeholders.
- Respect for local traditions, language, time indicators, and decision-making processes.
- A dialogue allowing both parties to exchange information, opinions, to listen to and to raise issues, and to adopt appropriate decisions.
- Participation in the creation of a representative point of view of people of all ages, women and men, and vulnerable and disadvantaged groups and/or national minorities.
- Transparent mechanism for answering questions and handling suggestions or complaints from stakeholders.
- Projects or programmes implemented by the Group include feedback and channels for informing stakeholders if these are sustainable or possible.
- Such principles exclude intimidation, coercion, or the pursuit of the Company's own material interests.

The principles listed above are reviewed and adapted by MHP depending on the scale of projects and programmes being developed and implemented.

MHP STAKEHOLDER ENGAGEMENT PLAN

In 2017, MHP decided to prepare a single consolidated document on the results of activities and on plans of all MHP enterprises in a consolidated Stakeholder Engagement Plan. This decision was followed by the introduction of a unified, centralized management system with control over corporate social responsibility in the Group.

The preceding steps included:

- Implementation of a centralized control over CSR projects at enterprises of the Group.
- Adaptation of internal regulations and procedures and job descriptions of MHP specialists in the CSR area, namely:
 - Implementation of a unified CSR planning, budgeting, and reporting system for all enterprises of the Group.
 - Implementation of the procedure for applications and complaints registration.
 - Maintenance of registers in three directions: 1) accounting of stakeholders; 2) accounting of contacts with stakeholders; 3) accounting of applications.
 - Systematic training of CSR specialists of enterprises of the Group in the CSR area.

*2017 Stakeholder Engagement
Plan is available at <https://www.mhp.com.ua/library/file/mkh-eng-small.pdf>*

MHP'S INNOVATIONS

MHP IMPLEMENTS MODERNISATION BASED ON RECENT INNOVATIONS

In 2017, MHP continuously implemented innovations at the levels of both the IT Department to improve data protection and security systems and in the Project Office, which was established in 2016 and which is dedicated to implementing project management through innovation management. Also, at the national level, the Company assisted in the creation of an environment to promote innovations, create new start-ups, and to develop entrepreneurship.

It manages individual projects within the framework of the general strategy approved by the Company.

Next pages (pp.22-30) describe the projects of the Company's innovative development, which were implemented in 2017.

A separate department (the Project Office) has been operating in the Company since 2017. The objective of the Project Office is to organize cooperation between customers and the project team, defining goals and expected results, terms and budget management, resource allocation, and risk and quality management. The Project Office is the starting point for the vector of the entire project development.



THROUGHOUT 2017, MHP IMPROVED DATA PROTECTION AND SECURITY

In 2017, the virus Petya disabled offices of the Ukrainian and international companies in Ukraine for some time. In general, it caused losses to the country totaling US\$ 373 million .

The Company's IT-specialists were ready to such attacks, so that the data protection system introduced at MHP proved its effectiveness and the Company continued operations as usual. MHP is constantly improving its data protection and security capabilities. To this effect, MHP has implemented the following solutions:



- **PARTIAL TRANSFER TO LINUX OPERATING SYSTEM:** to increase the level of protection against unauthorized access and vulnerability to malware;
- **FORTIGATE INTRUSION PREVENTION SYSTEM:** the intrusion prevention system is activated in critical areas and runs on the basis of updating databases of network threats. UTM (Universal Threat Management) mechanisms are implemented;
- **BLOCKING SYSTEM:** FSSO Fortinet Single Sign-On functionality has been introduced, which assisted in minimizing the number of authorizations when using internal and external web resources;

- **ACCESS RULES FOR APPLICATION PROFILES:** a function to provide access to individual users from limited network segments to the Internet through strictly limited list of applications (for example, Telegram, Viber). Application profiles are automatically updated on a basis of subscription data, which are later used to distinguish traffic of a specific application among other queries;
- **ACCESS RULES FOR PUBLIC SERVICES PROFILES:** rules for shared access to publicly-trusted services are configured on a basis of description of these services in the subscription database – it is not necessary to manually monitor compliance of public services to their addresses;
- **RULES FOR BANDWIDTH ALLOCATION BY TYPE OF SERVICES:** rules to optimize the use of external communication channels based on a lower priority assignment for noncritical traffic. External resource profiles and traffic types are based on subscription data, which allow the creation of flexible and more customized rules;
- **PREVENTING ACCESS TO PHISHING, BOTNET, AND SIMILAR RESOURCES:** URL filtering is being implemented for users to prevent workstations from being compromised;
- **INTRUSION PREVENTION SYSTEM ON THE OUTER PERIMETER:** the whole traffic up to DMZ internal zone passes firewall checks by UTM mechanisms for its belonging to widespread intrusion threats;
- **ANTIVIRUS CHECK OF MAIL TRAFFIC:** before entering mail servers, external e-mails and attachments undergo additional firewall checks for viruses and other security threats.



MHP CREATES COMFORTABLE WORKPLACES

We understand that comfortable working conditions guarantee employees' efficiency and drive them to grow together with the Company. Therefore, in 2017, to increase mobility and to improve the comfort of workplaces, the following solutions were implemented at MHP:

- **EMPLOYEES WERE TRANSFERRED TO VDI** (virtual desktop infrastructure) and **RASPBERRY PI** was implemented to reduce costs, enhance security levels, and improve mobility in offices. When employees authorize this infrastructure, their virtual desktop is downloaded as well as their extension number, allowing users to move freely between locations in open space.
- **PERSONAL ASSISTANT** at Telegram and Viber has been introduced to solve various routine tasks: reservation of meeting rooms and transport, registering guests, employees' contact information search, information on exchange rates, weather forecast, lunch menu and queues monitoring in the dining room, shuttle bus schedules, crops price at elevators. This system also allows to leave comments and suggestions. The service continues its development and will be expanded with new functions. In 2017, the audience of this service was over 2,000 people.
- **ACCOUNTING SYSTEM** (the only such system throughout CIS countries) covering two countries (primary-secondary) and using the 1C:Enterprise platform version 8.3. was upgraded. The system is unique because of its ability to simultaneously processes data in many directions: operating accounting conduct; budgeting system; supply and payment management; sales management; construction management; stocks of feeds; wages and personnel management; warehouse management; electronic document management system; mobile applications; and web applications.
- **ITSM SYSTEM** is a system for managing requests, incidents, changes, and IT problems. The system allows users to set specific terms for each request and track their execution. It also provides the ability to create various flexible, customizable opinion polls, as well as to collect data for further analysis. The system is built based on ITIL.
- **SLA SYSTEM** (by service, part of ITIL) is an assessment of service at each enterprise (working 24/7), including assessment of time and quality. The system provides users with the ability to analyse the execution of requests, with the possibility to identify "challenging areas."
- **ARIYA** project is a telephone-based self-service for users and emergency, which operates 24/7.



DIGITIZATION

For several years in a row, the Company has continued to digitize its business processes. It is vital to improve working conditions for our employees and facilitate ordinary business processes, and, for example, such programmes as Edocs (the electronic document management system) can help us with this task.

Since September 2017, the Edocs electronic document management system has been implemented to optimize the Company's business processes and documents and to make them transparent. It provides quick access to information from any place in the world. Electronic document management can be used not only on a computer, but also through a mobile application. At the first stage of the project implementation, procurement agreements, day-off management, business trips, complaints, general document management, and other possibilities are to be introduced.

MOCO – A SYSTEM FOR REMOTE TRAINING AND PERSONNEL ASSESSMENT

The Company always supports its employees in their decision to learn and develop. Therefore, with the aim of introducing a single platform for the training and assessment of personnel at MHP enterprises, as well as for automation of HR processes, the innovative project MOCO was implemented.

The project was implemented in several stages:

- Stage 1. Launch of a remote training center: (03/09/2015 – 24/05/2016).
- Stage 2. Task assessment. Competency assessment. Efficiency assessment. Self-development plan. Professional and career development. Annual assessment sheet. Rating: (01/02/2016 – 16/03/2017).
- Stage 3. Feedback "360": monthly, quarterly and annually. Analytical reporting for managers, employees, HR: (18/01/2017 – 29/12/2017).

The estimated number of employees undergoing the assessment as at 01 January 2017 was about 5,000 persons.

The results of MOCO system implementation are positive because:

- personnel assessment is performed automatically and simultaneously at all enterprises;
- HR specialists time is optimized;
- tools for remote training are introduced;
- assessment and remote training tools are in web format and can be reached on any mobile and stationary device both from the corporate network and outside (using AD authentication);
- increased in the loyalty of MHP employees to assessment.



QLIK SENSE

Qlik Sense, the introduction of BI (Business Intelligence), is the single analytical tool for all areas of MHP activities to obtain a single platform to analyse key indicators, conduct data analysis and reduce labor costs for analytical services (data preparation, data consolidation, data visualization) and which is an integral part of the Company's development today for the future.

As a result of BI implementation in 2017, the analytical tool on the QlikSense platform was developed. This tool helps to analyse sales channels data.

Therefore, currently, Company employees have the opportunity to analyze data for the period (a week) from more than 900 branded chicken meat sales outlets of TM Nasha Riaba (it was impossible to do this prior to the project implementation because of the restrictions from Microsoft Excel programme). This project also allowed the Company to decrease its labor costs for collection and consolidation of data.



In general, this project allowed us to analyze big data and make decisions faster, which also optimized time of MHP's employees.

MHP INVESTS IN AGROINNOVATIONS

GEOINFORMATION SYSTEM

The project was initiated and launched in 2016 by the Department of Grain Growing and Cattle Production. The main goals are defined as:

- land bank preservation and management;
- optimisation of agricultural production costs;
- land bank audits and approval of unified standards at all MHP enterprises.

In 2017, the Geoinformation System project was implemented at eight MHP's enterprises. A single platform for the consolidation, storage, and further processing of land bank data with clear geopositioning was created.

The main stages of the project implementation at the enterprises were:

- creation of cartographic base of outlines of land plots and fields;
- development of data exchange with accounting system;
- analysis and optimisation of business processes, audit conduct;
- creation of a convenient reporting system and personnel training.

The Geoinformation System has become a solid foundation for the development and implementation of integrated automation solutions for agricultural production. Current outlines of fields and crops are used to improve accuracy and control over the performance of technological works and their compliance with optimal cultivation technology, which, in its turn, affects keys indicators and labor productivity in related projects..



FUEL CONSUMPTION CONTROL PROJECT

At the beginning of 2017, MHP initiated a project “Integrated automation of fuel accounting control processes,” which includes a full cycle of stationary gas station automation, mobile fuel servicing units, GPS monitoring of vehicles, equipment of vehicles with fuel consumption sensors, introduction of identification cards, document flow simplification, and optimisation of accounting processes.

The economic and environmental effect of such systems is indisputable. When completed at pilot MHP enterprises, control of fuel consumption is going to be carried out to various degrees, and one of the project’s goals is to unify the processes and to share positive experience with other MHP enterprises. Reduction of fuel consumption by 10% is determined as a target when all stages of the project complete. We understand that launching this project, MHP’s enterprises will positively impact the environment not only in the regions, where we operate, but also in Ukraine.

In 2017, “Automation of gas stations,” one of the phases of the project, was implemented at pilot MHP enterprises (LLC Urozhayna Kraina and Branch “Perspective” of PrJSC Zernoproduct MHP).

Currently, the project’s results are expected to be as follow:

- update of equipment, upgrade of capacities, and the installation and adjustment of control devices.
- optimisation of business processes for collecting and analyzing data on fuel consumption and the refueling of vehicles and immovable equipment. An increase in accuracy and simplicity of the data and, as a consequence, in efficiency of working time of employees.
- development of user-friendly web interface for data at gas stations with identification of drivers and vehicles.
- development of a tool to control balances at gas stations warehouses by volume and by type of fuels for procurement planning and deliveries on time.

**TARGETED SAVING ON
FUEL COSTS IS UP TO**

10 %



When completed, the equipment will be upgraded, transparency of planning processes and control over warehouse balances of gas stations will be ensured, inefficient technologies regarding fuel control will be identified, and unified standards of hardware and software complexes of gas stations for the Group's enterprises will be determined. In 2018, according to the technical equipment standards specified in the project and on the basis of the developed system, it is planned to implement the same project of automation of gas stations at other MHP enterprises, not only in grain growig division.

In the future, the software developed will become a basis for implementation of integrated automation of fuel accounting control processes, minimise the costs and reduce the cases of inefficient use, as well as optimise fuel consumption per unit of equipment.



'AGROPORTAL' PROJECT

In 2018, it is planned to launch the 'Agroportal' project, a web platform and mobile application for general exchange of information between MHP agro-business units and external suppliers of raw materials and services regarding actual purchase and sale prices, reporting of current balances at warehouses of agricultural products, formation of an offer or an order, implementation of partner programmes, and a function of automated feedback.

This project is aimed at the increase of operational efficiency and accuracy of information on potential agreements, effectiveness of procurement planning, increase of loyalty of existing customers, and the attraction of new customers by improving quality of partnership between two parties.

MHP PROMOTES CREATION OF AN ENVIRONMENT FOR INNOVATION AND ENTREPRENEURSHIP IN UKRAINE

In 2017, MHP Radar Tech and Agrohub announced the official launch of MHP Accelerator, a start-up development programme. The project focuses on technological solutions that can be used in the Company's activities.

The opportunities for startups are the following: access to resources and production base of the Company, mentor support from MHP key experts, 250+ hours of theory and practice, networking during a dynamic curriculum with participation of more than 30 Ukrainian and international lecturers. Most importantly, startups will have the opportunity to compete for a reward of UAH 300,000, which MHP will provide to the winning project for further start-up development.

Receipt of applications was launched on the day of the press conference and lasted until 26 February 2018.

The MHP Accelerator programme is aimed at finding, developing, and integrating start-ups in the agro-business sector. Of all the applications submitted to the contest, the project jury, consisting of representatives of the three organizing companies, selected ten participants who are given a three-month course of training from experts in the agriculture, business, and start-up industries. The strongest teams with interesting ideas and developed solutions may implement pilot projects

and test their ideas at MHP enterprises. They will have access to resources, corporate expertise, and mentor support from MHP leading experts. Moreover, the finalists of the MHP Accelerator programme will be able to commercially launch their projects in partnership with MHP.

Throughout the programme, the consulting company interviewed MHP leading experts to work on each of the seven priorities:

1. Agrobiotechnologies.
2. Digitisation.
3. Innovations in automation of industrial production and processes.
4. Trading platforms.
5. Energy efficiency, green energy, and waste management.
6. Innovations in corporate governance.
7. Innovations related to the final product.

First of all, the project is aimed at the development of the country, entrepreneurship, MHP, and its employees. MHP promotes the creation of conditions for the growth of promising youth in Ukraine that should have the incentive to stay in the country and to implement ambitious, large-scale projects and programmes, effectively using the opportunities of globalisation.



PLANS FOR 2018

1. Implementation of EDMS (Edocs) – we continue implementing EDMS in procurement, sales, personnel record keeping, office management, etc. The project goal is to exclude paper document management and to use digital signatures in documents. All these will also diminish our impact on the environment.
2. Qlik Sense implementation – distribution of BI-system in analytical reporting for finance, production, and sales. The project's goal is to reduce time for decision making and to exclude manual operations during the preparation of reports.
3. Development of mobile applications to obtain the latest information for agronomists and sales agents.
4. Development and introduction of Agroportal to build communications and interaction with farmers being one of our big stakeholders.
5. Development and implementation of an electronic queue planning system for suppliers to reduce their waiting time during the unload at production sites, to increase discharge capabilities of warehouses at production sites.
6. Development and implementation of the customer portal (e-commerce to ensure customer service and to provide customers with necessary information about marketing activities, product balances, orders, analytical reporting, product delivery time, etc.
7. Implementation of solutions for automated fuel control and transportation of crops to exclude theft and fraud as well as to diminish our impact on the environment.



MHP SUPPLY CHAIN

MHP VALUES ITS SUPPLIERS, AND THEREFORE, TRIES TO MAINTAIN A LONG-LASTING AND MUTUALLY BENEFICIAL RELATIONSHIP WITH THEM.

The Company's units provide incentives for further development of suppliers' businesses by introducing modern requirements and assistance in their implementation, for example, the requirement of conformity of goods to the EU Declarations on polymeric packaging and wrapping materials. Despite the risks and difficulties in 2017, the Company with its suppliers, made every effort to ensure that the quality of products remained at the highest level.



The Company works with its suppliers of goods and services via two departments:— the Procurement Department, which deals with the purchase of all goods and services, except for the purchase of grain; and the Agrarian Department, responsible for the purchase of grain.

MHP UPDATED ITS PROCUREMENT POLICY

In 2017, MHP had revised and updated its Procurement Policy, which can be found at <https://www.mhp.com.ua:8443/library/file/ukr-politika-zakupok-mkhp.pdf>. The purpose of the document is to establish unified rules and principles for procurement activities, ensuring an efficient procurement process for all enterprises of the Group.

The policy defines the rules for procurement, criteria for selecting suppliers, and other aspects of procurement activities adopted by the Group. In addition, the Rules of Conduct were developed for the partners to conduct activities within the framework of the current legislation of Ukraine, adopt the best world business practices, and strive to improve the level of services and goods.

QUALITY AND PRODUCT SAFETY ARE STRATEGIC PRIORITIES OF MHP

The Company has introduced measures to verify quality of goods (within the framework of the Procurement Policy) such as:

- checks for certificates for compliance with international quality standards;
- receipt of conformity certificates for raw materials or products for each delivery;
- checks the customs declarations confirming the origin of raw materials;
- on-site quality audits of partners' operations conducted by MHP specialists to verify compliance with sanitary norms.



TRANSPARENT SELECTION OF SUPPLIERS

Selection of the Company's suppliers is transparent owing to the introduction of Electronic Trading Systems (ETS) at all MHP's enterprises in 2017. ETS is an example of a continuous improvement of the Company's approaches to the procurement management, and 99% of all purchases of the Procurement Department are done through the ETS.

Since 2017, the Agrarian Department has implemented a pilot project for auctioning agro-products using an electronic platform. Having obtained positive results, the Company decided to expand the system to all MHP enterprises in 2017.

It is important to emphasize that the purchase of grain for the Company's enterprises is exclusively done on a single bidder basis—directly from farmers from all over Ukraine.

ETS has the following benefits:

- time optimization;
- bidding efficiency increase;
- ability to expand supplier database regardless of geographic location.

ETS has helped expand the Company's supplier database to 6,000 companies.

For the best results and transparent bidding for all parties, it is allocated from two to 15 calendar days for the tender; therefore, all participants have the opportunity to review and analyze the specifications, prepare, and take part in the bidding process. The access to the tender platform may be blocked for some time (e.g., for three months) for suppliers who constantly violate the bidding rules and do not fulfill obligations.

CHANGING APPROACHES TO GAS PROCUREMENTS

MHP is constantly looking for best solutions to maintain its leadership. For example, at the beginning of 2017, MHP decided to change approaches to the purchase of natural gas, having monthly (earlier quarterly) tenders among the largest importers

and mining companies of natural gas in Ukraine. Therefore, in 2017 the Company received the most favorable commercial offers on the gas market while cooperating with the largest mining companies and major importers.



**99%
OF ALL PURCHASES
OF THE PROCUREMENT
DEPARTMENT ARE DONE
THROUGH THE ETS**

MHP RESPECTS HUMAN RIGHTS

MHP requires its suppliers to respect human rights and act in accordance with the Ukrainian legislation and The UN Guiding Principles on Business and Human Rights.

The principles of transparency and equality are applied when choosing suppliers. The only factor that influences the decision is the legality of the supplier's activities in Ukraine. Before cooperation, the supplier

is a subject to verifications. It is crucial that our future partner does not have problems with fiscal authorities and law enforcement agencies.

MHP provides information and support to existing and potential business partners via meetings, calls and the Procurement Policy guidelines.



Information for suppliers is available here: <https://www.mhp.com.ua/library/file/eng-politika-zakupok-mkhp.pdf>

MHP DEVELOPS LOCAL SUPPLIERS

MHP is a dynamic company, which increases its production capacities, therefore the proximity of the production sites or warehouses of suppliers to MHP's production facilities is one of the main criteria for

choosing business partners. The majority of goods in 2017 was provided by local suppliers (Table 3). Additional crops, required by the Company, are usually purchased locally.

Table 3
Suppliers of goods

List of goods	Types of suppliers		Total financial payments, according to the Procurement Department in 2017, %
	Residents	Non-Residents	
Fertilizers	100 %		20.82 %
Crop protection agents	100 %		16.02 %
IT technique	100 %		0.16 %
Fuels and lubricants	100 %		21.04 %
Gas	100 %		16.60 %
Laboratory kits	99 %	1 %	0.51 %
Laboratory equipment	100 %		0.26 %
Veterinary preparations	90 %	10 %	6.41 %
Disinfectants and detergents	100 %		1.28 %
Bioaditives and spices	100 %		0.70 %
Packaging and wrapping materials	93%	7 %	11.44 %
Purchase of day-old chicks		100%	4,77 %

Among the suppliers of the Agrarian Department are about 1,700 agricultural enterprises from all regions of Ukraine, engaged in cultivation of different crops.

The total payment to these enterprises was about US\$ 400,000,000 in 2017.



1,700

**AGRICULTURAL ENTERPRISES
OF ALL FORMS OF OWNERSHIP
FROM ALL REGIONS OF UKRAINE**

TRADE PAYABLES

Procurements are in accordance with concluded contracts at the prices specified on the website or at individual prices approved in separate orders. The terms of payments are executed unconditionally, as improper implementation of this condition may negatively affect the supply chain. Payment policy and procedures are determined according to market conditions and are similar to the policies of competitors.

To maintain its partners' trust in MHP as a reliable partner guaranteeing and ensuring prompt settlements, the Company has introduced an automated mechanism to control and fulfill payments based on the electronic accounting system 1C.

CASE: DEVELOPMENT OF SUPPLIERS - CAPACITY GROWTH, (CITY VINNYTSIA).

“Torgtekhnik plus” provides MHP with corrugated packaging. In 2017, the supplier became a strategic partner of MHP. The volume of the company increased from 42,000 m² to 126,000 m² of corrugated products per week. Owing to the growth in order volumes and the prospect of a strategic partnership with MHP, our partner set up a new powerful corrugated board making machine, increasing the company production capacities to 6 million m² corrugated sheets per month. Consequently, there is now a wider range of finished products and opportunities for entry into new markets.



Our company has been cooperating with MHP since 2014. During this time, MHP has proved itself as a reliable partner. Cooperation with MHP gave the impetus our company to develop. In order to meet the constantly growing production needs, we introduce new technologies for improving product quality, and introduce innovative products and new technological solutions.

For example, in 2016, it was decided to re-equip the main production facilities for the production of corrugated sheets. In January 2018, we succeeded in realizing this task, and in February 2018, our company launched a new corrugated sheets making machine. Due to the new machine, we increased the production capacity of corrugated sheets up to 6 million m².

Due to increase of payroll and payments to budget the development of our enterprise positively influenced the development of the Vinnytsia region. The expansion of the range of finished products in turn has enabled us to enter new markets.



**DUE TO INCREASE
OF PAYROLL AND
ASSIGNMENTS TO BUDGET
THE DEVELOPMENT
OF OUR ENTERPRISE
POSITIVELY INFLUENCED
THE DEVELOPMENT OF THE
VINNYTSIA REGION**

Shevchenko A. A.,

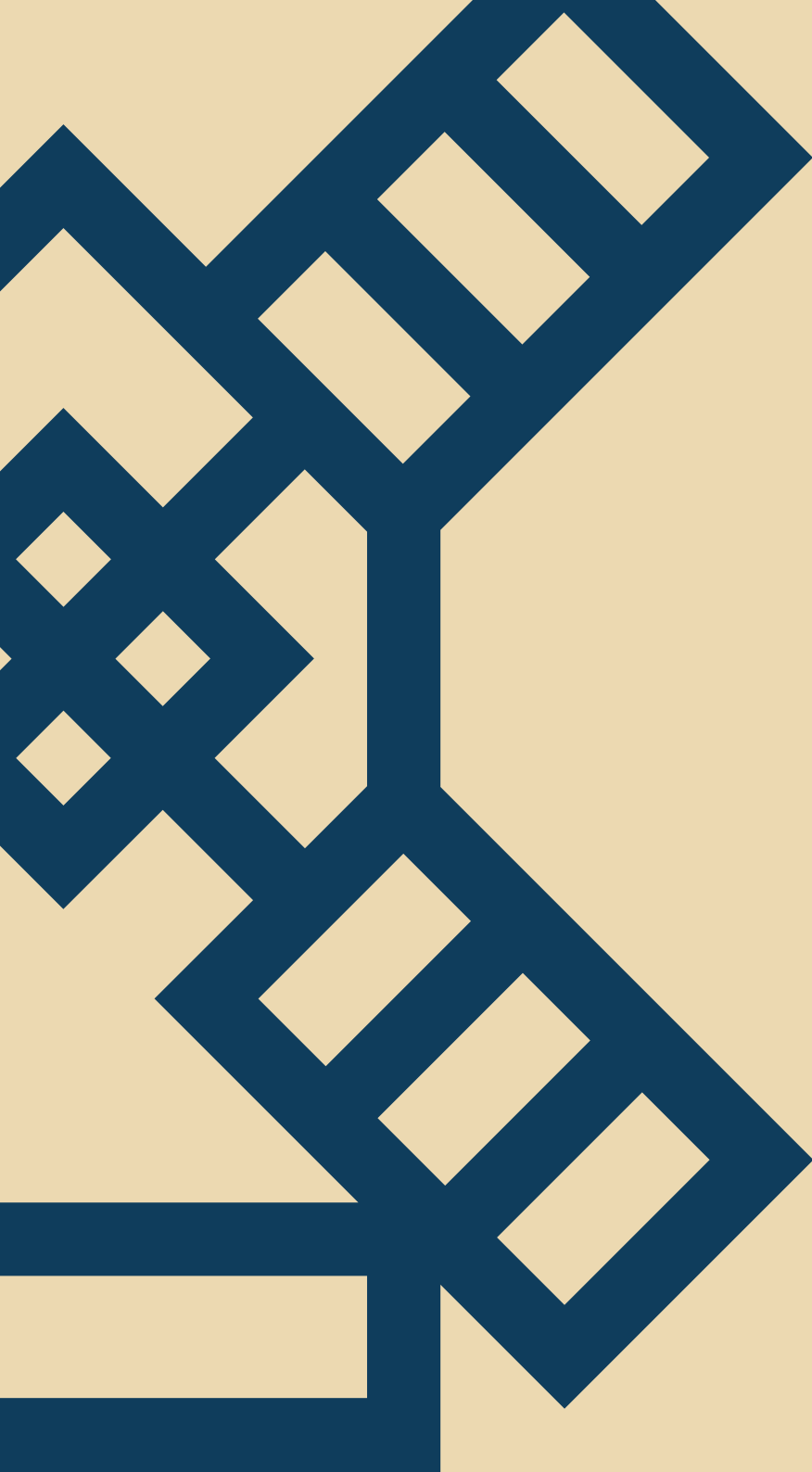
Director General

Group of companies «TORGTEKHNIKA»

PLANS FOR 2018:

1. Implementation of EDMS.
2. Increase of supplier database, crops supply locations.
3. Simplification of procedure for contracts.
4. Implementation of System for Supplier Ranking, which will help to build long-term partnerships accompanied by innovative solutions, risk reduction, continuous product and service improvements, optimization of delivery time, etc.





CORPORATE GOVERNANCE

- 42 Board of Directors
- 46 Policies of MHP
- 48 Anti-corruption activities

MHP SE IS A PARENT COMPANY OF THE LEADING INTERNATIONAL AGRIBUSINESS GROUP MHP, WHICH HAS ITS HEAD OFFICE IN UKRAINE (KYIV). IT WAS FOUNDED ON 30 MAY 2006.

To simplify the corporate structure of the holding company and according to the Extract from the Register of Commerce and Companies of Luxembourg, the Company converted from Public Limited Liability Company (Societe Anonyme) to a European Company (Societas Europaea) on 08 August 2017.

On 27 December 2017, the registered office and central administration of the Company were transferred to Cyprus and the Company was registered under the

number SE 27 in the Cyprus Register of Companies. The Company office is registered at 16-18 Zinas Kanther Street, Agia Triada, 3035 Limassol, Cyprus.

The Company signed a new Memorandum and Company Statute to comply with the requirements of Cyprus Law, which can be found at <http://landing.mhp.webt.com.ua/wp-content/uploads/2017/10/mhp-se-articles-of-association-apostilled.pdf>.



On 10 October 2017, the Board of Directors also approved the Sanctions Compliance Policy, which can be found at <http://landing.mhp.webt.com.ua/wp-content/uploads/2017/10/compliance-policy-sanctions-s.pdf>.

BOARD OF DIRECTORS



DR. JOHN C RICH,

Non-Executive Chairman of the Board, Chairman of the Nominations and Remunerations Committee, member of the Audit Committee



JOHN GRANT,

Senior Non-Executive Director, Chairman of the Audit Committee, Member of the Nominations and Remunerations Committee



WILLIAM RICHARDS,

Non-Executive Director



YURIY KOSYUK,

Chief Executive Officer



YURIY MELNYK,

Chief Operating Officer



VIKTORIA KAPELYUSHNA,

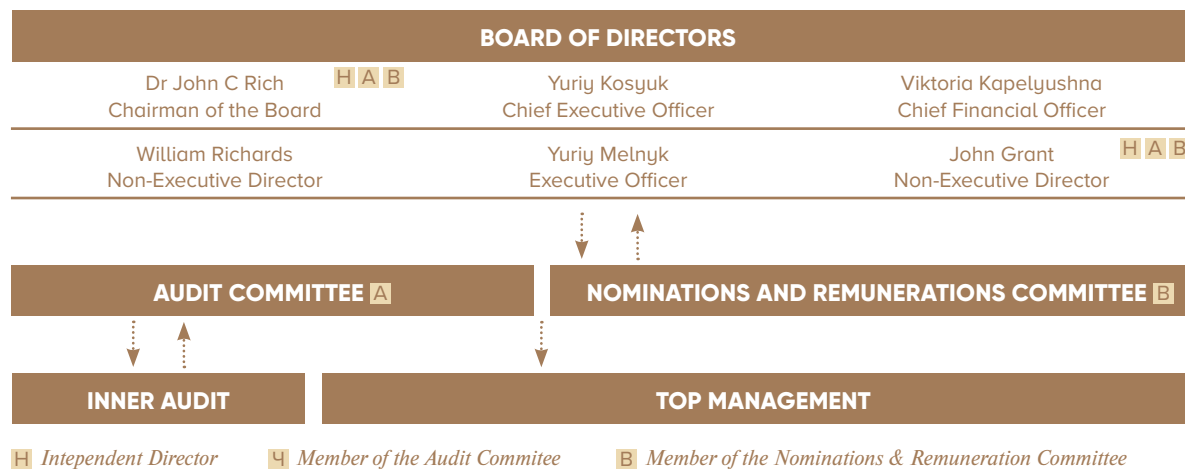
Chief Financial Officer

CHANGES IN THE BOARD OF DIRECTORS

On 13 October 2017, Philippe Lamarche left the Company for personal reasons after being on the Board of Directors of MHP SE (Non-Executive Director) for seven years. On 24 October 2017, William Richards

was appointed as Non-Executive Director of MHP SE for the period ending with the Annual Meeting of Shareholders of the Company in 2021.

MANAGEMENT STRUCTURE



Detailed information on the work of the Committees, Chairman of the Board, Chief Non-Executive Officer, assessment of the independence of directors, internal audit, and other information can be found on page

62 of the Company's financial report for 2017: https://www.mhp.com.ua/library/file/mhp-se-fs-consolidated-2017-with-pr-signed_1.pdf.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the reporting year, the Company followed the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange, as a benchmark approach to corporate governance, since MHP was a resident of Luxembourg until 27 December 2017 and voluntarily complied with the UK Corporate Governance Code as the GDR (Global Depositary Receipts) of the Company was posted on the London Stock Exchange. Detailed information about compliance in 2017 can be found in the 2017 Annual report online: <https://www.mhp.com.ua/library/file/ar-2017-as-210318-final2.pdf>.

In May 2018, a revision of the Corporate Governance Code of MHP SE was announced and the approval of the MHP SE Share Dealing Code, which can be found at <https://mhp.com.cy/wp-content/uploads/2018/05/Share-Dealing-Codes-and-Policies-MHP-SE.pdf> and <https://www.mhp.com.ua/library/file/corporate-governance.pdf>.

CHANGES IN CORPORATE GOVERNANCE UNDER UKRAINIAN LEGISLATION - IMPACT ON THE ENTERPRISES OF THE MHP AGRO-INDUSTRIAL GROUP

During 2017, many key provisions of the Law of Ukraine "On Joint Stock Companies" were substantially amended in parts concerning the legal status of public (PJSC) and private joint-stock companies (PrJSC), which will have an impact on the enterprises of the MHP Group in Ukraine.

On the one hand, the requirements for Private Joint-Stock Companies were simplified by eliminating restrictions to the number of shareholders of the PrJSC (previously the maximum number of shareholders could not exceed 100 persons). On the other hand,

operating the PJSC becomes complicated, since hereafter, the Law requires mandatory placement of Public Joint Stock company shares in the stock register and imposes requirements of sales income for the reporting year (must not be less than UAH 400 million) and average market capitalization (must not be less than UAH 100 million).

To place PJSC shares in the stock register, such companies need to undergo the listing procedure and ensure free quotation of shares on the public stock exchange.

In 2018 MHP is planning to finalise its Code of Ethics in compliance to the best international standards.



For more details about our values, please refer to the previous non-financial report of the Company at: <https://www.mhp.com.ua/library/file/gri-2016-final-engl-final.pdf>.

POLICIES OF MHP

ANTI-CORRUPTION POLICY:

Zero-tolerance to any violations of the Law and internal regulatory documents of the Company.

<https://www.mhp.com.ua/library/file/2-politika-protivodejstvija-korruptsii-en.pdf>

COMMUNICATION POLICY:

The rules of information exchange and work with information both within the Company and with external groups of stakeholders to establish transparent relations at all levels with the most effective methods and practices for sharing information about the Company and its activities.

<https://www.mhp.com.ua/library/file/com-policy-2017-eng.pdf>

ENVIRONMENTAL POLICY:

Certain environmental goals and principles that are guided by MHP and which will serve as the basis for developing reliable internal tools for assessing and minimizing the impact of economic activities of the MHP Group enterprises on the environment.

<https://www.mhp.com.ua/library/file/poltika-z-ons-eng.pdf>

ANIMAL WELFARE POLICY:

The basic principles and tasks in the field of humane treatment of animals during the production activities of the Company.

<https://www.mhp.com.ua/library/file/zhivotnie-eng.PDF>

PERSONNEL POLICY:

Ensuring high quality of personnel selection by identifying candidates both within the Company and in the external labor market; creating conditions for an objective assessment and recognition of merits of every employee.

<https://www.mhp.com.ua/library/file/kadrovaja-eng.PDF>

PROCUREMENT POLICY:

Unified rules and principles for procuring activities aimed at ensuring an efficient procurement process at all enterprises of the MHP Group.

<https://www.mhp.com.ua/library/file/eng-politika-zakupok-mkhp.pdf>

OCCUPATION, HEALTH AND SAFETY POLICY:

Ensuring continuity and effectiveness of the labor protection management system and implementation of the constitutional right of workers to protect their life and health in the process of labour activities at MHP's enterprises.

<https://www.mhp.com.ua/library/file/okhorona-pratsi-eng.pdf>

SANCTIONS COMPLIANCE POLICY:

the Company's principles on risk assessment and relations with business partners.

<http://landing.mhp.webt.com.ua/wp-content/uploads/2017/10/compliance-policy-sanctions-s.pdf>

CORPORATE SOCIAL RESPONSIBILITY POLICY:

Strategy for interacting with different stakeholders for a long, stable, and fruitful cooperation.

<https://www.mhp.com.ua/library/file/kso-fin-eng-2017.pdf>

FOOD QUALITY AND SAFETY POLICY:

The basic principles and objectives in quality and safety of food products during the production activities of the Company.

<https://www.mhp.com.ua/library/file/kachestvo-eng.PDF>



ANTI-CORRUPTION ACTIVITIES

ZERO-TOLERANCE TO CORRUPTION

MHP adheres to the policy of zero-tolerance to any violations of the Law and internal regulatory documents of the Company. In addition, the presence of Non-Executive Directors in the MHP Board of Directors ensures transparency and impartiality of decisions and minimizes the risks of corruption.

All documents of the Company regulating counteraction to corruption were drawn up in accordance with the current anti-corruption legislation of Ukraine and take into account the best international practices. This is how the Company promotes transparency of business in Ukraine, protects the interests of shareholders, business partners and employees from corruption and associated threats; prevents fraud and corruption offenses by its employees. Anti-corruption documents and initiatives are discussed at the level of the Board of Directors.

The multi-level anti-corruption system of the Company aims primarily at preventing the risks that could lead to corruption but not the punishment of the perpetrators. Therefore, MHP adopted an anti-corruption policy, established an ethical control service, and began operating a hot line. Employees of the head office and enterprises of the Company carry out monthly assessment of risks in all areas, according to the following criteria: materiality of risks, subject status, and number of people involved in a situation.

In 2017, MHP improved the process of detecting subjects of economic sanctions and introduced additional control procedures in risk management for conflicts of interest and anti-corruption. In addition, during the implementation of social projects, the Company checks financial costs and community needs.

205-1

IN 2017, THE COMPANY ADOPTED A NEW ANTI-CORRUPTION POLICY

In 2017, the Company adopted a new Anti-Corruption Policy. It is a set of rules, principles, and standards of the MHP Group on counteracting and preventing corruption with zero-tolerance for any corruption offenses. The adopted policy establishes principles and rules in accordance with the Constitution of Ukraine, the Law of Ukraine “On Prevention of Corruption,” a typical Anti-Corruption Programme, approved by the decision of the National Agency on Corruption Prevention, the UK Bribery Act 2010, and the Federal Law of the United States “The Foreign Corrupt Practices Act” (FCPA).

The Director of the Security Department (Authorized Person) supervises and continuously monitors adherence to the Anti-Corruption Policy by employees and the top management of the MHP Group.

The Anti-Corruption Policy has separate sections for the receiving and giving of gifts, and managing conflicts of interest. Gifts are further regulated by a separate internal regulatory document of the Company. The Internal Investigation Regulation has also been developed in the event of Anti-Corruption Policy violation.

The adopted Anti-Corruption Policy is released to the public and brought to the attention of all members of the governing bodies, managers of divisions, all employees, and partners. Seminars on selected areas of MHP business were held for the heads of enterprises where the primary negative factors and cases influencing the anti-corruption situation in the Company were discussed. Seminars and anti-corruption training for security personnel are held each month. In future, regional employees (corporate lawyers) will bring information to the heads of subordinate enterprises and other employees.

205-1,
205-2

MHP Anti-Corruption Policy can be found at <https://www.mhp.com.ua/library/file/2-politika-protivodejstvija-korrupsii-en.pdf>

MHP CONDUCTS ANTI-CORRUPTION PROCEDURES

The anti-corruption procedures of the Company include:

- norms of professional ethics, duties, and prohibition for employees;
- informing new employees of the current Policy, conducting educational events on prevention of and counteraction to corruption;
- anti-corruption checks of job candidates;
- anti-corruption inspection of business partners of MHP: almost 100% of the partner companies are inspected, including almost 20% that are checked directly at the place of registration and business; the electronic trading system includes references to information on corruption facts;
- restrictions on the support of political parties and charitable activities;
- corporate support and approval of proactive actions of individuals who report or contribute to the disclosure of corruption violations;
- a mechanism for reporting on corruption or corruption-related offenses ensuring the confidentiality of such communications and protecting the denunciators;
- mechanism for preventing and managing conflicts of interest;
- restrictions regarding gifts;
- internal investigations of cases with signs of

corruption;

- applying disciplinary and material liability measures to those involved in violations;
- appeal to law enforcement authorities regarding the facts revealed in the results of internal investigation with signs of an administrative offense or a criminal offense.

205-2



MANAGING CONFLICT OF INTEREST

The MHP Anti-Corruption Policy has a separate section, “Managing Conflict of Interest.” In addition, the Company adopted a Conflict of Interest Provision to distinguish between real and potential conflicts of interest. Annually, the Company receives Declaration on Absence of Conflict of Interest from key employees.

In the event of a conflict of interest or its suspicion, employees must notify (in written or by e-mail) their immediate supervisor and Director of the Security Department (Authorized Person) of the MHP Group. The Supervisor and Authorized Person of the MHP Group decide on managing such conflict of interest and inform the employee. The management methods can be as follows:

- suspending an employee from performing his/her tasks or actions, decision-making or participation;
- establishing additional control over performance by the employee of corresponding tasks, commission of certain actions or decision-making;
- restriction of employee access to certain information;
- review of functional duties of the employee;
- transferring an employee to another position.

In addition, an employee can independently take measures to manage the conflict of interest and



provide supporting documents. In addition, the Company is not against a potential conflict of interest under two conditions:

1. if employees have informed on a conflict of interest in advance;
2. if the purchase of goods, where potential conflict of interest exists, was conducted according to the tender procedure (market).

ETHICAL CONTROL SERVICE ESTABLISHED IN MHP

The Ethical Control Service is organized to obtain information about fraud, corruption, and other offenses that harm the interests of the Company, its current or potential partners.

THE ETHICAL CONTROL SERVICE IS

- a system for collecting and processing information about signs of violations of the Company's policies requirements and corruption offenses;
- modern channels of communication for anonymous contacts and feedback from corruption denunciators and other violations of business ethics;
- a system (software) for quick response to statements of anonymous denunciators and for documenting internal inspections and investigations.

Accordingly, any physical entity or representative of a legal entity may notify MHP and its affiliated and subsidiary entities of the following violations:

- unfair competition in tenders;
- theft or misuse of the Company's property;
- disclosure of confidential, insider information, and information constituting commercial secrets;

- violation of requirements of internal regulatory documents of the Company and/or current legislation of Ukraine, violation of requirements of industrial and production safety, environmental and labor safety;
- failure (improper performance) of managers to perform employment duties, excessive powers, violation of the rights of subordinate workers.

A person can report violation using one of three options:

1. leave a message on the portal <https://mhp.ethicontrol.com/web/en>
2. call +(380) 80 021 07 45. Calls are free for all operators and can be answered on business days from 06:00 am to 10:00 pm (or leave a message in the voicemail)
3. send a letter to e-mail: hotline@mhp.com.ua

Anonymity, confidentiality, and impartiality of the messages registration are guaranteed by an external independent agency, "Ethicontrol", with which the agreement was concluded. The objective of "Ethicontrol" is to organize independent registration of calls and messages through an anonymous web-portal and to protect the anonymity of informants.

PRINCIPLES OF THE SERVICE

- The Company guarantees the confidentiality of persons who report fraud and corruption.
- Messages are registered by an independent third party.
- All messages are subject to registration, provided they contain the required minimum information for further steps.
- Verification of received information for each received message.
- Received information is considered exclusively by persons who are not participants in this process, which allows them to objectively and independently organize the process of verification and make conclusions about the established facts.
- If the received information is confirmed, the materials will be sent to the top management of the Company for urgent measures.
- Specific action always depends on the nature and severity of the violation.
- To preserve confidentiality and anonymity of all interested parties, a denunciator may not be aware of the investigation or its results.
- Any terms used above shall be treated in the same way as defined in the legislation of Ukraine.



More information about the work of Ethical Control Service can be found at <https://www.mhp.com.ua/en/responsibility/ethical-control-service/ethical-control-service>

MHP PROTECTS EMPLOYEES WHO REPORT ON CORRUPT OFFENSES OR HELP REVEAL IT

The Company guarantees confidentiality for employee messages. The Director of the Security Department (Authorized Person) provides conditions for protection of persons assisting in preventing, detecting, and fighting corruption in the Group, within the limits of his/her authority. The Company management fully supports and approves the proactive actions of individuals who reported or contributed to the disclosure of violations or corruption, and the requirements of the current policy.

Information about employees who reported on corruption offenses cannot be disclosed except in

cases established by law. A denunciator cannot be dismissed or compelled to be dismissed, disciplined or subject to other negative influence measures (transfer, attestation, change of working conditions, refusal to appoint a senior position, reduction of wages, etc.) or threat of such measures of influence.

In the event of leakage of confidential information about a denunciator, the Director of the Security Department of the MHP Group (Authorized Person) immediately takes all measures to avoid negative consequences for the disclosure upon application by such employee, or on his/her own initiative.

MHP COOPERATES WITH STAKEHOLDERS TO FIGHT CORRUPTION

In 2017, MHP began cooperating with other agrarian companies in creating a blacklist of clients. The partners agreed to exchange information about employees who were dismissed due to corruption violations.

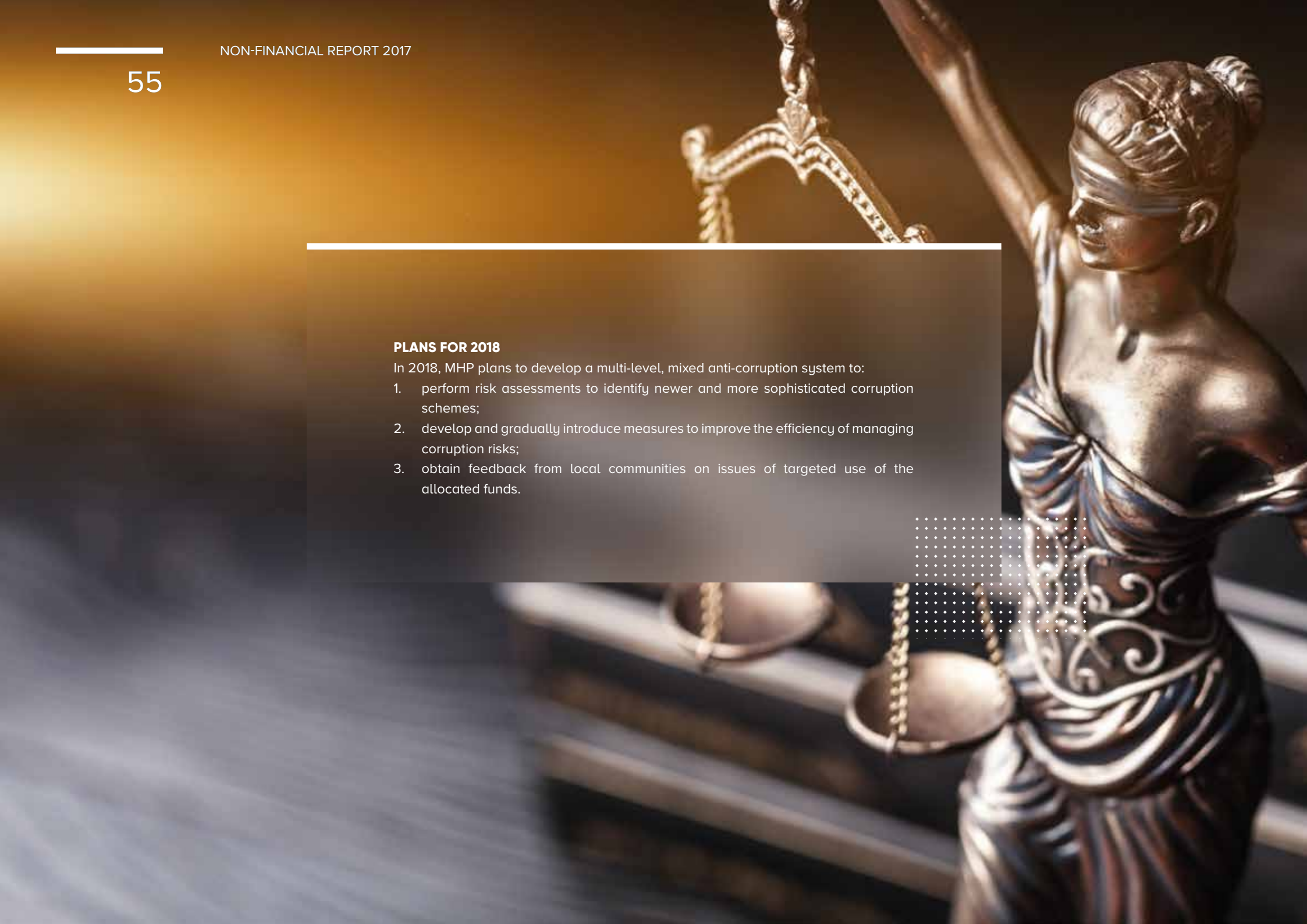
In 2017, the Company joined the UNIC - the All-Ukrainian Network of Integrity and Compliance, a new business initiative that aims to work transparently.

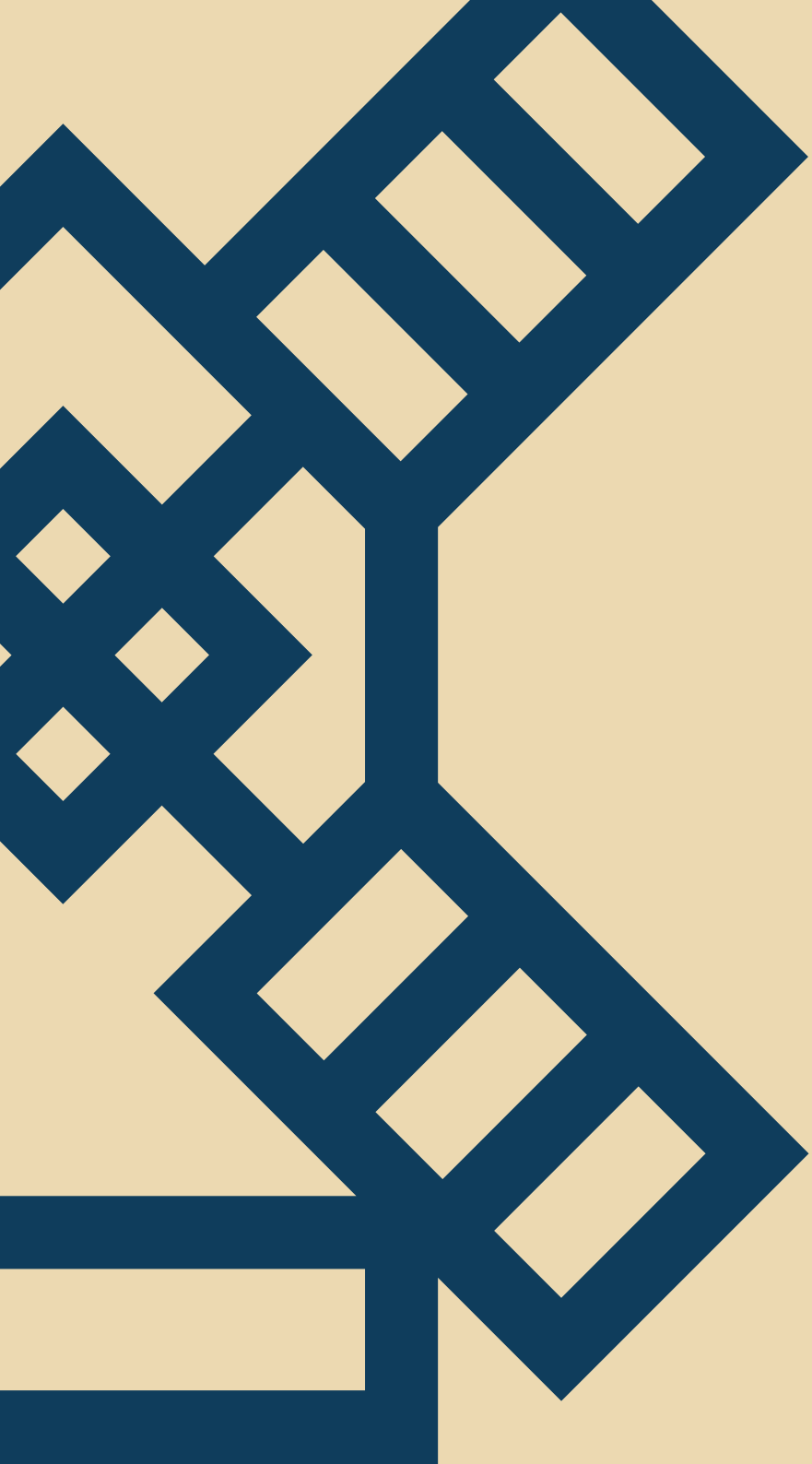
MHP STARTED TO IMPLEMENT AN INTELLECTUAL SYSTEM OF TECHNICAL PROTECTION OF ENTERPRISES, WHICH PROVIDES EFFECTIVE MEASURES FOR PRESERVATION OF GOODS AND MATERIALS WITH MINIMAL HUMAN INTERVENTION

PLANS FOR 2018

In 2018, MHP plans to develop a multi-level, mixed anti-corruption system to:

1. perform risk assessments to identify newer and more sophisticated corruption schemes;
2. develop and gradually introduce measures to improve the efficiency of managing corruption risks;
3. obtain feedback from local communities on issues of targeted use of the allocated funds.





OUR EMPLOYEES

MHP IS ONE OF THE LARGEST AND MOST REPUTABLE EMPLOYERS IN UKRAINE

As of 31 December 2017, MHP has 27,589 employees all over Ukraine (Table 4). The Company creates jobs, increasing employment in various regions of Ukraine and offering opportunities for financial well-being and personal development.











We are constantly developing and improving the working environment for employees, supporting their working conditions and self-development. Communication with our employees, support for their responsible and committed attitude to their work, and motivation for new achievements and implementation of interesting ideas all form a very important aspect of our activities.

102-7,
102-8

 Female

 Male

Table 4.
Number of employees
by type of employment
at MHP, 2015-2017

Year	Total number of employees	Regular employees		Permanent employment agreement		Temporary employment agreement		Full-time employment		Part-time employment	
											
2017	27,589	10,893	16,696	10,202	16,835	313	239	10,195	16,736	351	307
2016	27,234	10,368	16,866	9,671	16,304	652	607	10,274	16,815	94	51
2015	27,081	10,358	16,723	9,722	16,141	636	582	10,246	16,663	112	60

As can be seen in Table 4, there were no significant changes in the number of employees in 2017. The

average age of the Company's employees was 30-50 years (55 % of employees) (Table 5).

Table 5.
Number of MHP's
employees by age, 2017

Total number of employees aged under 30	Total number of employees aged 30-50	Total number of employees aged over 50
6,109	15,057	6,423

The total number of employees in 2017 included 2,401 managers, 5,039 specialists, and 20,149 workers, the overwhelming majority of whom were local residents.

The number of employees (male and female) by gender is shown in Table 6.

Table 6.
Total number of employees
by gender, 2017

Percentage of female employees	41 %
Percentage of male employees	59 %

MHP VALUES EMPLOYEES WHO STRIVE TO DEVELOP THE COMPANY

We believe it is important not only to find specialists with the required work experience but also to be able to determine whether they possess the required key competencies and whether they are able to develop them, and, most importantly, whether they want to implement changes in order to ensure more efficient performance of the unit or enterprise.

In 2017, MHP's enterprises hired 12,706 employees, which is mostly due to the opening of the Company's new production facilities and business expansion. The largest number of employees, 4,659 people, was hired in the Vinnytsia region. This increase was because of the new production facilities that are planned to be put into operation, with an additional 260,000 tonnes of chicken meat per annum (Phase 2, 2018-2021) of the Vinnytsia Poultry Complex, as well as a new biogas complex at the Vinnytsia Poultry Complex.

The ratio of personnel turnover in MHP for 2017 in general was 20.17%. Such level of turnover is

acceptable, since seasonal jobs are typical for the agricultural sector.

12,706

TOTAL NUMBER OF NEW
EMPLOYEES IN THE REGIONS,
2017

401-1

Table 7.
Total number of new
employees by region, 2017

Region	Vinnytsia	Kyiv	Cherkasy	Donetsk	Dnipropetrovsk	Lviv	Sumy	Ivano-Frankivsk	Volyn
Number	4,659	3,725	2,368	708	630	410	304	388	144

MHP ADHERES TO GENDER EQUALITY PRINCIPLES

MHP promotes the dissemination of gender equality policies at its enterprises. The Company has no differentiated initial and minimum payroll levels between male and female employees. The minimum

payroll is equal to the official minimum payroll that is fixed in Ukraine. Assessing employees based on gender and age is not acceptable in the Company.

405-1

MHP OFFERS COMFORTABLE WORKING CONDITIONS

We offer our employees support in the form of additional privileges and services; specifically, these are in the form of subsidised meals, accommodation in remote regions, a free gym, transportation to/from work, study leave for students of higher education institutions, a three-year parental leave, and much more.

The vast majority of employees receive an annual bonus based on yearly performance results, depending on KPIs (Key Performance Indicators) and results in the Company's business divisions. All benefits granted to full-time employees are also provided to part-time employees.

401-2

The Company has adopted collective agreements that regulate the relations between management and personnel. According to internal information of the MHP HR Department, 88 % (82 % of employees in 2016) had entered into collective agreements. MHP strictly adheres to the legislation of Ukraine

regarding the requirements to inform the employees about significant changes in the Company's business – employees are informed of any changes within two months, which is also specified in the collective agreement.

**402-1,
102-41**

MHP ENSURES DEVELOPMENT OF ITS EMPLOYEES:

THROUGH REMOTE TRAINING

Last year, the Company opened access to remote training in the corporate network: advanced electronic courses for its employees through the introduction of remote training and the creation of an electronic library. MHP facilitates the acquisition of knowledge at any convenient time, in a convenient place and on a convenient device.

The electronic library is an extremely handy and useful tool, with the following advantages:

- the ability to train a large number of people at the same time, wherein all employees receive the same information, forming a single conceptual field;
- a reduction in the number of work errors because answers to practical questions can be easily found during the course; and
- permanent access to knowledge, since the course can be taken at any time that is convenient for the employee.

In 2017 MHP employees obtained access to 125 books, 26 electronic courses, 105 inspirational TEDx videos, and 11 video meetings with the Company's top managers.

THROUGH DEVELOPMENT CENTRE

The Development Centre began to operate within MHP at the beginning of 2018. This centre is part of a new direction for the Company - it is an innovative training platform accessible to every employee. If employees are striving for personal growth, development, and change, they can use the Development Centre services.

The Development Centre's experts will help employees to realise their potential and are available to consult employees on all issues related to their professional and personal growth, identify competence level, and formulate an Individual Development Plan.

The most efficient (individual) development methods can be selected for employees: trainings, workshops, master classes, business simulations, and individual coaching.

404-1

In total, 9,658 employees received hard skills training and 4,828 employees received soft skills training in 2017. The average duration of a training per employee was 0.38 hours (a total of 5,600 hours). The training was passed by 57.4% of managers, 44.6% of specialists, and 54.6% of workers.





404-1

MHP EMPLOYS A PERSONNEL ASSESSMENT SYSTEM

A personnel assessment system was introduced in the Company in 2013. MHP introduced an additional system for remote training, development,

and feedback from the MOCO in 2016 in order to monitor employee training and assess employees' competency level.

*Table 8.
Results of annual
assessment by employee
category and gender*

Year	Managers		Specialists	
				
2017	70,4 %	29,4 %	54,5 %	45,2 %

The Company's employees annually pass the procedure for assessing their efficiency (Table 8). According to annual assessment results at MHP, each year, about 15% of personnel fall within the 'green zone' (high efficiency) and about 20% of personnel fall within the 'red zone' (low efficiency). This means that 20% of employees have to leave the Company because of low performance. However, about 20% of the red zone employees have an opportunity to restart. After the probation period ends, the manager makes a final decision on whether the employee will continue working at the Company or not.

Moreover, a Personnel Reserve Programme has been operating in the Company for several years, which enabled MHP to train specialists using own resources at the Company's enterprises. Therefore, up to 90 % of management vacancies in 2017 were filled in owing to the Personnel Reserve Programme.

UP TO
90%
OF MANAGEMENT VACANCIES
WERE FILLED IN OWING TO
THE PROGRAMME

EMPLOYEES' SATISFACTION MEASUREMENT

Success of an enterprise is reached, first of all, through its employees. Our goal is to have employees who are professional, responsible, and capable of development and improvement. MHP totally supports this approach. Thus, in order to motivate people and promote their comfort, we constantly study their opinions and needs. Since 2016 and through 2017, a quarterly survey of working condition satisfaction has been administered at all MHP's enterprises. It is done through a questionnaire. The questionnaire contains questions related to work schedule and mode, meals, transportation, safety, payroll, distribution of bonuses, relationships within the team, with senior management, and director, and other.

For example, a survey was conducted at Vinnytsia Poultry Complex in autumn 2017, the recommendations of which were immediately implemented:

- bus routes have been optimised and a number of bus stops expanded for a more efficient transportation of employees;
- meals for employees have been diversified and new dishes have been added to the menu;
- lighting has been replaced in the cafeteria to improve employees' working conditions;
- in order to accelerate the special clothing provision process, a system of clothing identification using chevrons has been introduced. The Complex purchased new dryers, which will allow better clean special clothing and generally reduce the washing cycle duration.

In December 2017, a reputable international organisation was commissioned for a large-scale corporate study. This study included:

- measuring of the level of involvement of the employees in the Company's activities;
- measuring the level of employees' satisfaction and loyalty; and
- defining development zones in order to improve indicators.

A total of 67 % of respondents (more than 15,000 employees) participated in this study. The study's results are high:

- employees' involvement – 73 %,
- satisfaction – 75 %;
- loyalty – 79 %.

The study allowed us to create 'portraits' of the employees, to understand what they feel and how they act. According to study results, our employees are efficiency-oriented, persistent, and motivated, and they make additional efforts to achieve their goals and invest their time in their colleagues; they are ready to be the Company's ambassadors.

Analysis of the study results shows that there are two issues, which the Company has to improve in the nearest future, it requires special attention, namely:

- to increase the efficiency of all Company's internal processes;
- to improve internal communications and interaction among the Company's divisions.

As we can see, the Company undertakes steps to support employees' involvement conducting numerous internal programmes and surveys, and monitoring for a regular feedback. Every employee has many opportunities to develop their own abilities, develop the Company, influence decisions, and engage in effective dialogue, being an active member of a big team



MHP VALUES FEEDBACK FROM EMPLOYEES

When it comes to relations between management and employees, the Company tries to adhere to the 'golden mean' policy. MHP has a consistent and efficient mechanism for filing, reviewing, and resolving

complaints, appeals, and proposals. All complaints from employees are settled through dialogue and joint resolution of an issue, not only at the level of a specific enterprise but also at the level of the holding.



During 2017, MHP HR Department registered 11 complaints from employees. Each complaint was promptly and carefully considered with the involvement of all stakeholders and responsible people, and then settled.

MHP ACTIVELY ENGAGES YOUNG PEOPLE

Focusing on active youth, in 2013 the Company launched the 'Start Your Career with MHP' programme, which in 2017 changed its name to 'MHP START' and significantly expanded its activities – twice as many students were able to participate in the programme as before (Table 9).

As part of the programme, MHP offers students the opportunity to visit the Company's production facilities, as well as take part in internships or traineeships using the most up-to-date equipment and become a part of a team of professionals with MHP.

During the MHP START programme, participants are given the opportunity to:

- attend lectures and master classes conducted by MHP experts at schools and higher education institutions;
- participate in professional tours at MHP's enterprises;
- undertake an internship at MHP's production facilities;
- obtain a paid three-month traineeship at MHP's enterprises with the possibility of subsequent employment.

All young employees are provided with free corporate housing and full meals at the enterprises, which start at just UAH 1, as well as free transportation to work and home.



**STUDENTS WERE ABLE TO
BECOME PARTICIPANTS
OF 'MHP START'
PROGRAMME**

Table 9.
*Number of participants
in MHP START*

	2017	2016	2015
Number of programme participants, young specialists	309	164	126
Number of programme participants, interns	344	167	145
Total	653	331	271
Number of employed/those still employed at the end of the year	230	194/164	134/126
Number of tours to enterprises	33	19	20

Candidates are provided with a three-month probationary period so that they can decide if their jobs/externships offer them maximum opportunities and meet their expectations. In addition to a high salary, MHP as an employer offers its employees, even those with no experience, the opportunity to develop professional skills pursuant to their adopted individual plan.

Moreover, we provide employees with the chance to get to know the latest agrotechnologies in practice, and further promote the education and professional training for students.



30%

**PARTICIPANTS OF 'MHP
START' PROGRAMME
WERE EMPLOYED BY THE
COMPANY IN 2017**



In 2017, 653 trainee students participated in 'MHP START'; 230 of them became MHP's full-time employees. As a part of the programme, tours to enterprises were organised not only for the programme participants but also for teachers of higher education institutions.



'I was fortunate to do an internship at MHP while being a fourth-year university student. I was surprised by the working conditions and the European standards of the equipment. It is quite natural that I had a strong desire to get a full-time job here. After graduation, I came to MHP for a traineeship. I have been working for three years now, and during this time I became a specialist of the division. I have been given a real opportunity to develop as a young specialist. Unfortunately, this is not a common practice in Ukraine today.'

Dmytro Syzonenko,
*a specialist of the broiler chickens
processing complex section
at Myronivka Poultry Complex*



**I WAS SURPRISED
BY THE WORKING
CONDITIONS AND THE
EUROPEAN STANDARDS
OF THE EQUIPMENT**



'I was novice when I started working here, while still doing my university internship. I liked it here very much and decided to come back after graduation. Now my goal is to develop professionally. I have been working at the enterprise for about two years, and since 2017 I have been working as a technologist at the slaughter house. There are few companies in Ukraine that are ready to hire a person with no experience. The Company has the 'MHP START' traineeship programme, during which future specialists are taught and trained practically from scratch. I was pleasantly surprised by the fact that the enterprise provides employees with housing. I like the team, which is always supportive and ready to help new employees learn. It opens the prospects up for my career growth. I feel stability. Everyone here has his/her niche; the main thing is to be willing to work hard and perform.'

Mariia Posokhova,
*a livestock production and processing
technologist of a slaughter house
(Myronivka Poultry Complex)*



**THERE ARE FEW
COMPANIES IN THE
COUNTRY THAT ARE
READY TO HIRE
A PERSON WITH
NO EXPERIENCE**

2018 HR PLANS:

1. Establishment of MHP's corporate personnel administration centre.
2. Digitization of HR-processes: assessment, recruiting, training, adaptation, and compensation.
3. Introduction of VR 360 in a personnel adaptation process.
4. Introduction of analytical technologies for personnel management.



OCCUPATION, HEALTH AND SAFETY

MHP IMPLEMENTS OHSAS 18001

At MHP, we understand that health and safety of our employees are crucial issues. Therefore, we strive to improve working conditions for employees and decrease any negative impact on their health.

In 2017, MHP's enterprises actively implemented an occupational health and safety management system in accordance with requirements of the international standard, OHSAS 18001. Implementation of this system enabled us to:

- identify threats that occur during the work process and assess the risks associated therewith;
- check the efficiency of existing occupational safety measures and take corrective measures, if necessary;
- raise personnel awareness levels on occupational safety;
- work on the prevention of possible accidents, profession-related injuries, and profession-related diseases, as well as minimise the impact of harmful and dangerous production factors on employees to the maximum extent possible; and
- motivate personnel to provide safer working conditions by incorporating them into the process of identifying hazards and risk assessment.

To ensure the effective operation of this management system, MHP's enterprises continually update their regulatory framework. In 2017, several new procedures were developed and implemented:

1. Identification of hazards and assessment of occupational safety and health risks to personnel, which takes into account a large number of factors, namely, the number of positions and structural divisions, the performance of extra dangerous work, the performance of work by contracting organisations, production environmental factors, and the presence of high-risk equipment. It enables employees to more effectively plan and implement preventive measures to ensure safe working conditions not only for enterprise personnel, but also for visitors, contractors, and subcontractors.
2. Procedure for behavioural safety audits, which enables employees to assess the safety of personnel behaviour during their work and to adjust it as necessary, including through raising awareness and qualifications of personnel, conducting conversations, and providing explanations regarding safety issues.

The main regulatory document defining the procedure for the notification, conduction of interviews, investigation, and record keeping of accidents that occurred with employees at the enterprise is named under 'Procedure for investigation and record keeping of accidents, profession-related diseases, and accidents at work'. It was approved by regulation of the Cabinet of Ministers of Ukraine No. 1232, dated 30 November 2011. Based on this document, the 'Accident Response Procedure at the Group's Enterprises' was developed and implemented in 2016. As can be

seen in Table 10, the number of accidents increased because of accidents that were mildly severe, which accordingly impacted the total amount of time lost.

Following the results of an investigation into an accident, its circumstances are communicated to all employees, special briefings and trainings on occupational safety issues are held, and all necessary technical and organisational measures are taken to help prevent similar accidents in the future.

403-2

Table 10.
Number of accidents
in the Company,
2015-2017

	2017	2016	2015
Total time lost due to profession-related injuries (hours)	12830	6585	126
Total lost business days due to profession-related injuries (days)	1060	836	271
Number of fatalities at work	1	1	1
Number of severe accidents at work	7	8	14
Number of mildly severe accidents at work	27	18	18
Total number of accidents	35	27	33
Frequency rate of accidents with working time loss, person/hour	1.02	0.76	0.97
Frequency rate of fatal accidents	0.007	0.02	0.03

In order to improve the occupational health and safety system, as well as to prevent accidents in the future, MHP's enterprises have been implementing an occupational health and safety management system

pursuant to the requirements of the international standard, OHSAS 18001. Because of these steps, we believe we will see continual improvement.

MHP INVESTS IN OCCUPATIONAL HEALTH AND SAFETY

In 2017, MHP invested about UAH 60 million in the occupational health and safety of its employees (Table 11), which is double that of the previous year. Such an increase is due to the introduction of an occupational health and safety management system pursuant to the requirements of the international standard, OHSAS 18001.

The increased investments were due to the purchase of modern certified personal protective equipment. It should be noted that the Company has developed and implemented technical regulations for Personal Protective Equipment (PPE), which made it possible to significantly improve the PPE quality.

Table 11.
Investments in occupational health and safety (in UAH)

	2015	2016	2017
Total amount of money spent, including the legislated budget and that for targeted corporate programmes (in UAH)	28,658,403	33,668,816	59,993,635
Scope of the financing of occupational health and safety measures as a percentage of the payroll fund	0.5-4.23 %	0.5-8.7 %	0.5-5.27 %
Purchase of modern certified personal protective equipment (in UAH)	6,413,881	7,194,581	10,062,354
Training for the employees in the Occupational Health and Safety Department (in UAH)	591,917	703,391	1,507,181

UAH
60
million

MHP INVESTED IN THE PROTECTION OF ITS EMPLOYEES





As can be seen in Table 11, the cost of training increased by more than double, partly due to the fact that the number of people trained at the specialised training centres doubled as well. Thus, the awareness level of both employees and security officials has improved. In 2017, 2,539 people completed training at the centres, and 7,862 people did so at enterprises.

In 2017, eight inspections of the Occupation, Health and Safety Departments were carried out by authorities of the State Labour Service of Ukraine; subsequently, three employees were held liable. The shortcomings that were detected by these inspections at the enterprises were fully eliminated.

10,401 employees

WERE TRAINED OHS IN 2017

*Table 12.
Inspections of the Occupation,
Health and Safety
Departments by the State
Labour Service of Ukraine*

	2015	2016	2017
Number of inspections of the Occupational Health and Safety Departments by the State Labour Service of Ukraine	6	18	8
Results of inspections: number of employees that were held liable		12	3

INTERNAL AUDITS

In order to monitor compliance with occupational health and safety requirements at MHP's enterprises, internal audits on occupational health and safety issues are regularly

conducted. Conducting these internal audits enables us to promptly detect violations and take corrective measures to ensure the safety of employees at the enterprises.

*Table 13.
Internal audits
on occupational health
and safety issues, 2015-2017*

	2015	2016	2017
Number of internal audits conducted	26	27	35



EMPLOYEES' PROFESSION-RELATED DISEASES

403-3

Over the past several years, there were no documented cases of employees' profession-related diseases at the enterprises. This has been achieved through the use of modern and high-quality personal protective equipment and constant monitoring of the conditions of the production environment, including working conditions (certification of workplaces).

According to 2017 results, there are 318 job categories at MHP's enterprises, with 3,999 employees, that are subjected to a noise level exceeding the allowable level in Ukraine (over 80 dBA), in addition to 122 jobs, with 1,779 employees, that experience a dust MAC excess.

For such jobs, additional payments, additional annual leave, medicinal and prophylactic food (milk) are introduced according to certification of workplaces results.

Table 14.
Jobs at MHP's enterprises are
subject to noise and
dust excesses, 2015-2017

	2015	2016	2017
Job categories with exceeded noise level/noise level exceeding the IFC allowable noise level (85dBA).	137/54	278/36	318/124
Number of people working at jobs with exceeded noise level/noise level exceeding the IFC allowable noise level (85dBA).	1,515/474	3,591/1 119	3,999/2 174
Job categories with exceeded dust MAC (maximum allowable concentration)/according to the IFC allowable concentration.	57/40	75/24	122/68
Number of people working at jobs with exceeded dust MAC (maximum allowable concentration)/according to the IFC allowable concentration.	674/340	1,481/356	1,779/609

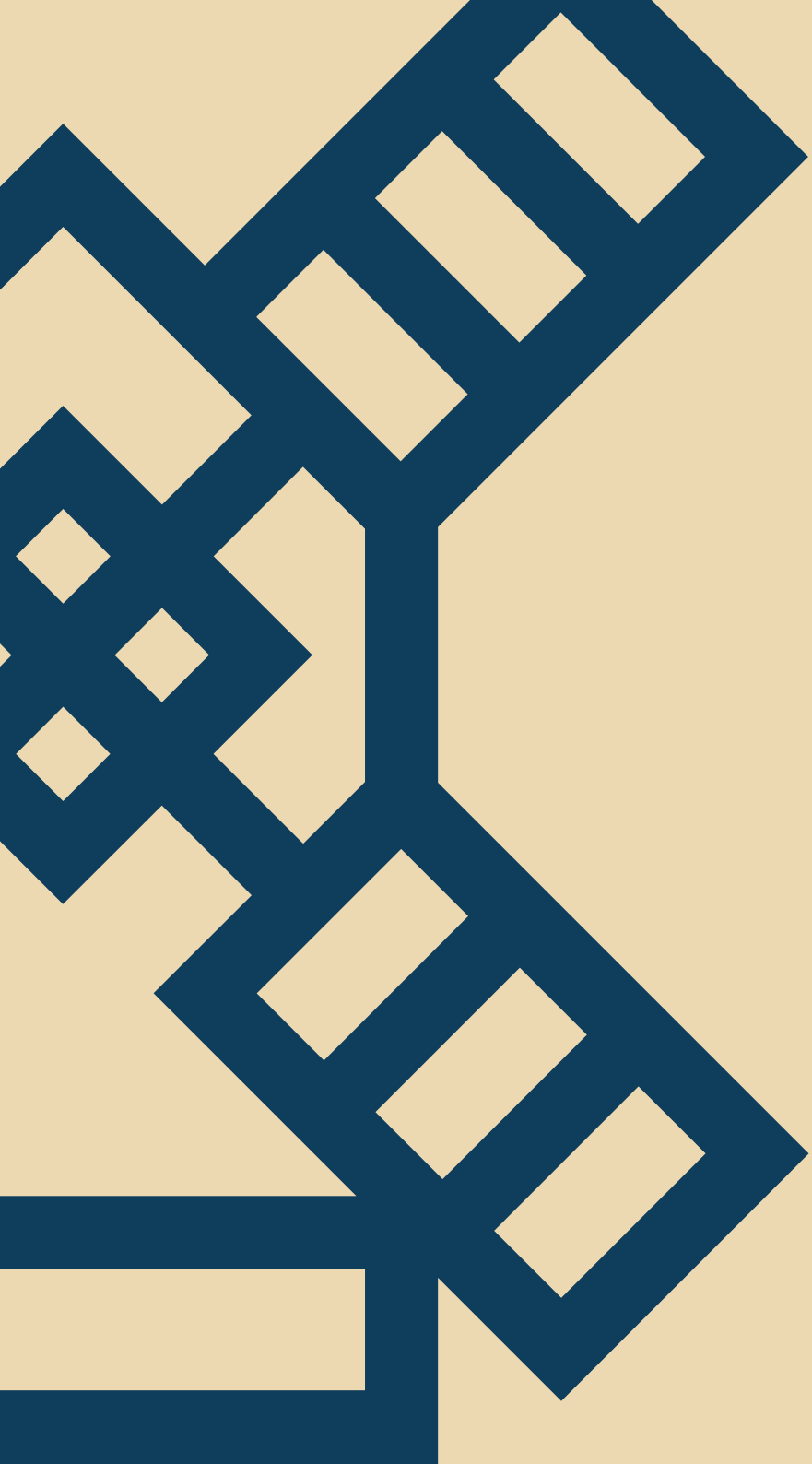
Key achievement in 2017:

1. Personal protective equipment is purchased and used according to requirements of the Technical Regulation for Personal Protective Equipment (PPE) implemented in the Company. It enabled us to significantly improve PPE quality.
2. The level of awareness of both employees and OHS officers has been increased. Number of people who passed training in OHS specialized centres has doubled.
3. Not a single profession-related disease has been registered at the Group's enterprises which is due to application of modern and high-quality PPE and constant control over the working conditions and environment.

PLANS FOR 2018:

1. Further improvement of the occupational health and safety management system.
2. Introduction of a hygiene and safety management system at MHP' enterprises according to the international standard (OHSAS 18001) as well as other international standards.





CONSUMER RELATIONS

CONSUMER HEALTH AND SAFETY

The Company has clear quality and food safety principles and objectives. Observing the requirements set by the Ukrainian legislation and taking into account the experience of best practices around the world, we undertake significant efforts to ensure the proper level of product quality and safety.

Indicators of quality and product safety are broad and depend not only on the production process, but also on the raw materials used. Therefore, control of quality and safety at MHP begins at the stage of grain growing, since a healthy chicken is the first step to quality and safe food products.

We carry out laboratory controls throughout all stages of production, because this is an additional guarantee of quality and food safety. Monitoring the growing conditions and health of chickens, the incoming raw materials, the quality of sanitisation and disinfection of the working environment, and the quality and safety of the finished product are all aspects of quality and safety control of both internal laboratories at MHP and independent laboratories that have been accredited in compliance with ISO/IEC 17025.

MHP's product quality and safety experts continually upgrade their qualifications. For example, in November

2017, they completed a training on 'Food defence. Food fraud prevention'.

The activities of MHP's enterprises for controlling the quality of products are also regulated by internal policies. You can find our Food Quality and Safety Policy on-line at <https://www.mhp.com.ua/library/file/kachestvo-eng.PDF>.



416-1

The Company strictly adheres to all regulatory requirements. Because of this, there were no inconsistencies within products relating to their impact on consumer health and safety during 2017.

MHP CONTINUOUSLY IMPROVES THE FOOD QUALITY AND SAFETY MANAGEMENT SYSTEM

At MHP's food production enterprises we have modern production, processing, and packaging technologies. The quality and food safety management system at these enterprises was developed and implemented on the basis of Hazard Analysis and Critical Control Points (System HACCP) and Good Manufacturing Practice (GMP), certified for compliance with key standards of management: ISO 9001 quality management System; ISO 22000 management systems of food safety; FSSC 22000 certification scheme of food safety (including the requirements of ISO 22000, ISO/TS 22002 and the additional requirements of FSSC); and BRC Food Safety – International Standard for food safety. The efficiency of the management systems introduced is annually confirmed by the independent international certification authority, SGS. Please refer to Table 15 for more information on all available certificates at MHP's enterprises, as well as information on implementation.



The efficiency of the management systems introduced is annually confirmed by the independent international certification authority,

SGS

MANAGEMENT SYSTEM CERTIFICATION¹ (BY REGISTERED NAMES OF ENTERPRISES):

Table 15

Division/Enterprise	Standards*
POULTRY GROWING	
PrJSC Myronivska Ptahofabryka	GlobalG.A.P. (implementation)
LLC Vinnytska Ptahofabryka	GlobalG.A.P. (implementation)
PrJSC Oril Leader	GlobalG.A.P. (possible improvement)
SE Ptahofabryka Peremoga Nova	GlobalG.A.P. (implementation)
ALLC Starynska Ptahofabryka	GlobalG.A.P. (implementation, certification is expected in 2018)
POULTRY PROCESSING (SLAUGHTER HOUSES)	
PrJSC Myronivska Ptahofabryka (slaughter house)	BRC Food Safety
LLC Vinnytska Ptahofabryka, Branch Processing Complex	BRC Food Safety
PrJSC Oril Leader	DSTU ISO 22000
MEAT PROCESSING	
PrJSC Ukrainian Bacon	FSSC 22000, ISO 9001
Myronivsky Meat Processing Plant Lehko	BRC Food Safety
FODDER PRODUCTION	
PJSC Myronivsky Zavod po Vygotovlennyy Krup i Kombikormiv	FSSC 22000 (implementation, certification is expected in 2018)
LLC Katerynopilsky Elevator	FSSC 22000 (implementation)
LLC Vinnytska Ptahofabryka, Branch Farm Complex for Manufacturing Feeds	FSSC 22000 (implementation)
VEGETABLE OIL PRODUCTION	
PJSC Myronivsky Zavod po Vygotovlennyy Krup i Kombikormiv	ISO 22000, ISO 9001
LLC Katerynopilsky Elevator	ISO 22000, ISO 9001
LLC Vinnytska Ptahofabryka, Branch Farm Complex for Manufacturing Feeds	ISO 22000, ISO 9001

¹References:

- *ISO 9001 Quality Management Systems*
- *BRC Food Safety – Food Safety International Standard*
- *FSSC 22000 Food/Feed Safety System Certification*
- *ISO 22000 (DSTU ISO 22000) Food Safety Management System*
- *GlobalG.A.P. Agricultural Production Integrated Management Control System*

THE COMPANY HAS ALSO INTRODUCED SYSTEMS TO REDUCE THE RISK OF MALICIOUS CRIMINAL ACTS TOWARDS FOOD PRODUCTS, NAMELY:

ACCESS CONTROL

Territory of the enterprise: access is only given to those people connected with production, parking of vehicles outside the territory of production facility, video surveillance and alarm systems, perimeter inspection for suspicious activity to prevent unauthorised actions, visible fences, control over its state, access points, and access roads.

Vehicle access: the Company utilises check-in/check-out points, verification of documents and vehicle

inspection before entering/leaving, checking in/out points, secure traffic organisation, and the collecting of applications for vehicle access.

Employee access: employees are required to hold personal passes and change from personal clothing into special clothing, and personnel are allocated at each production facility pursuant to official duties.

Visitor access: visitors are subject to preliminary

registration, providing proof of identification, record keeping of personal data, and being accompanied by appointed responsible employees.

Other aspects: the Company engages in safe e-mail handling and places restrictions on access for personnel with regard to personal belongings, food, and drinks, and there is a prohibition on photo and video recording.

PERSONNEL SAFETY

Prior to hiring: the Company engages in verification of identity and qualifications, inspection of contractors, and briefings.

For permanent personnel safety: the Company engages in motivation techniques, the monitoring of employees occupying key positions, control of temporary personnel, focus on people who do not work in groups, and facilitating a favourable safety culture.

When discharging: the Company closes access to accounts, terminates passwords, collects keys and passes, and delivers final communication to evaluate safety results.

DETECTION OF COUNTERFEIT GOODS

The Company engages in warehouse management, uses seals, and only allows certain employees to access warehouses.

Moreover, specialised multi-purpose teams (TACCP) will be formed at MHP's enterprises in 2018 consisting of security, personnel management, production organisation personnel, and other professionals. These teams will analyse business threats to protect consumers from food fraud and minimise the vulnerability of enterprises to economically motivated deliberate criminal acts. Team tasks: the team will engage in reducing the likelihood of malicious acts; assessing the probability of

attack by considering and analysing potential attacker motivations, vulnerability of their processes, and their ability and capability to attack; assessing the potential effects using the example of a successful attack; reducing negative consequences of such an attack; protecting the company's reputation; reassuring clients and informing the public through the media about taking appropriate measures to protect food products; decision-making on proportional control required for early notification of an attack or preventing a potential attack; and supporting the intelligence gathering system to ensure the reconsideration of priorities.

INNOVATIONS

THE KEY TO MHP'S SUCCESS DEPENDS ON ITS READINESS TO INVEST IN ADVANCED TECHNOLOGIES, INNOVATIONS, AND MODERNISATION, ON FAITHFUL ADHERENCE TO THE HIGHEST QUALITY STANDARDS, AND ON ITS DESIRE TO SYSTEMATICALLY OPTIMISE ALL BUSINESS PROCESSES THROUGH MANAGEMENT SYSTEMS.

LABELLING OF PRODUCTS

The Company considers labelling of products during the production process an important aspect of responsibility it carries to its stakeholders: consumers, customers, and partners. Therefore, the company has developed an internal management system that allows for the controlling of information provided to consumers and the completeness of labelling and its compliance with effective legislation in Ukraine as well as the requirements of the country of the products' customers/consumers. Labelling of food products provides the consumer with necessary, accessible, reliable, and timely information on food products.

When labelling, registering, and promoting food products, the company does not use any information that misleads the consumer or contains false information about the properties of a food product.

The Company's food product labels contain 12 elements of mandatory information, which can be found in the 2016 Non-Financial Report. Additional information may be added to export products according to the legislative requirements of the country of consumption.

As of today, domestic legislation on typical physiological needs of the Ukrainian population based

In order to provide consumers with more complete information on product properties, during 2017-2018 the Company sets its goal to indicate detailed nutrition facts on food products ready for consumption. In 2017, the Company's specialists carried out preparatory work on product assortment, so that it is 30 % completed.

on main nutrients and calories (Order of the Ministry of Health of Ukraine No. 272 of 18 November 1999) is different from the European Union recommended average daily dose for an adult (Regulation (EU) No. 1169/2008). An upcoming Law of Ukraine, 'On Food Information to Consumers', which will set the recommended average daily dose for an adult to coincide with the provisions of Regulation (EU) No. 1169/2008, has not been adopted yet; therefore, the Company plans to extend the performance of its obligations until 2019.

We are trying to introduce best practices not only in the production process but at all stages of the lifecycle of products. Because of this, in 2017 the Company has received no complaints from consumers about inconsistency of information and labelling related to the impact of products on consumer health and safety.

Environmental labelling is not obligatory in accordance with Ukrainian legislation. The goods we produce are food products and are not hazardous/harmful according to their properties and do not contain potentially hazardous substances in their composition or containers/packaging.

407-1

DIALOGUE

We consider all comments and observations about our products, process each request, and respond to each request or comment, determining further actions aimed at improving our work.

In 2017, the percentage of complaints about the quality and safety of the main category of products (poultry meat and by-products) was 0.002 % (out of total poultry meat and by-products), but none of the complaints had any effect on consumers' health and safety.

416-2

All questions raised about quality and product safety can be clarified via our telephone hotline or by sending an email (from the TM's website) or by directly sending a letter to the enterprise or central office that can be found on the Company's official website at: <https://www.mhp.com.ua/library/file/form-901bis.pdf>.



COMMUNICATION CAMPAIGN

TM Nasha Riaba (trademark for chilled chicken meat sold in Ukraine) has been interacting with consumers on care and family values for more than 15 years. At the end of 2017, we decided to add a national colour/shade and rely more heavily on Ukrainian traditions. “Nasha Riaba” is a brand based on family values, home comfort, and time spent with family. By supporting family values and gathering for the holidays, TM Nasha Riaba reminded that your friends and your family are waiting for you with warmth at all times, not just during holidays. When communicating with consumers during the ‘Holiday with Family’ event, we turned to Ukrainian traditions and used the ‘didukh’, which symbolises unity, future crops, wealth, and welfare, and is also a family amulet.

At the beginning of 2017, MHP decided to offer its customers a product intended for a relaxing holiday; the idea was that they would not have to waste time preparing for a picnic. So we prepared delicious meat (chicken in different marinades to fit different taste) for our product line, ‘Apetytna’, TM Nasha Riaba sub-brand. Along with the new products, we offered the slogan, ‘And who is marinating the meat?’ We developed and successfully managed to implement this campaign. Its success was built upon the fact that a picnic can be created anytime and anywhere: on the street or at home, in summer or winter, and the main criterion is to be able to quickly cook delicious chicken, prepared for consumers to the highest quality standards, appetisingly and with love by ‘Apetytna’.

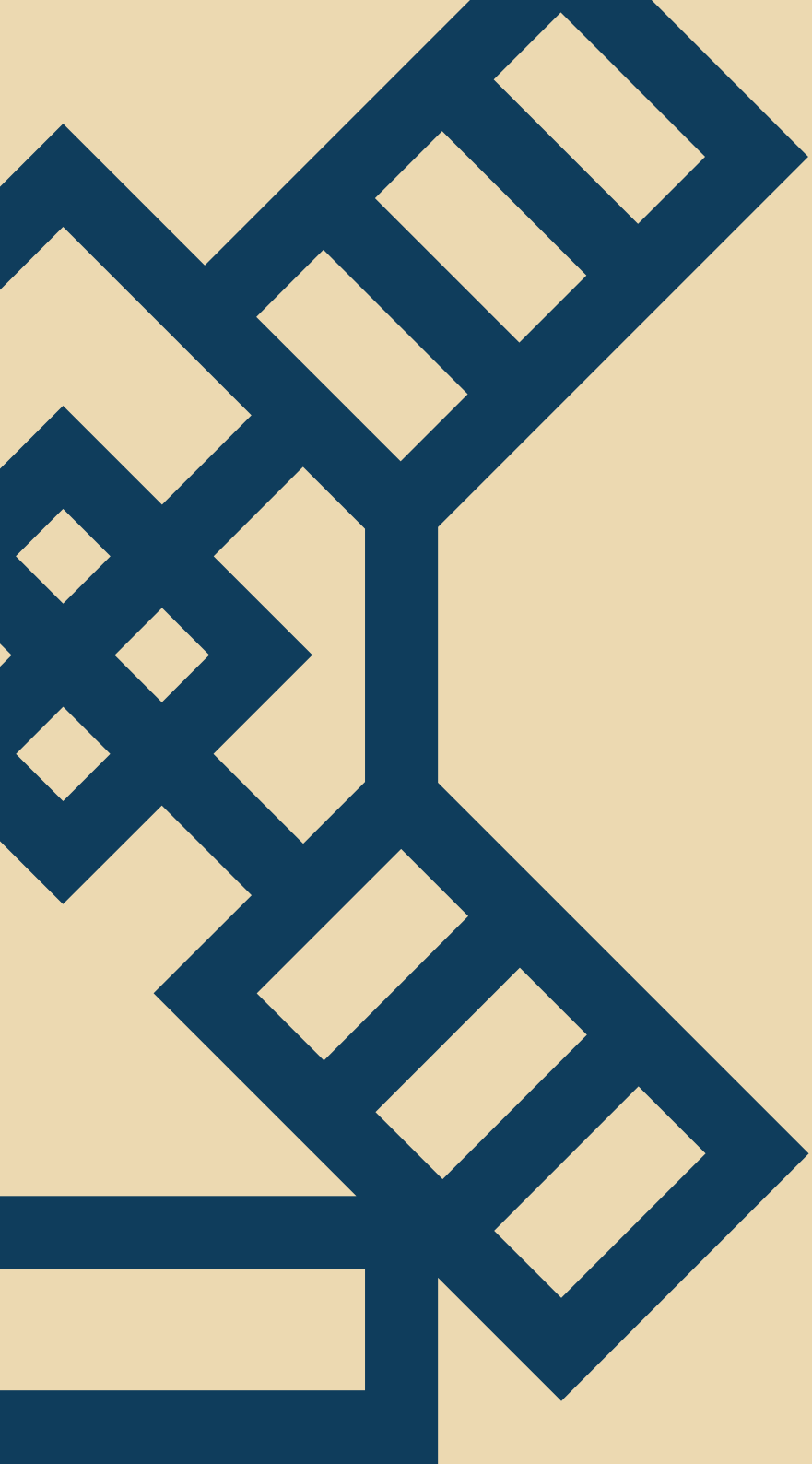


TM Nasha Riaba is a brand based on family values, home comfort, and time spent with family.

PLANS FOR 2018

The Company plans to complete the introduction of new standards:

1. GlobalG.A.P. Poultry – an integrated agricultural production management system at four parent stock and broiler chicken breeding enterprises: PrJSC Myronivska Ptahofabryka, LLC Vinnytska Ptahofabryka, ALLC Starynska Ptahofabryka, and SE Ptahofabryka Peremoga Nova. GlobalG.A.P. This poultry standard covers certification of the agricultural poultry raising process from the receipt of hatching eggs to the transporting of poultry for slaughter. Standard requirements are based on Good Agricultural Practices (GAP), the Hazard Analysis and Critical Control Point (HACCP) system, animal welfare, food safety, environmental protection, and the health and well-being of employees.
2. FSSC 22000 Feed is an animal feed safety certification plan at three mixed feed production enterprises: PJSC Myronivsky Zavod po Vygotovlennyy Krup i Kombikormiv, LLC, Katerynopilsky Elevator, LLC, and Vinnytska Ptahofabryka, Branch Farm Complex for Manufacturing Feeds.



DEVELOPMENT OF COMMUNITIES

Various citizens' support and development projects have been implemented at the MHP's enterprises, including infrastructure projects (road rehabilitation, borehole repair, park reconstruction), educational

projects (purchase of computers, renovation of preschool education institutions), cultural projects (support for creative groups), sports support projects (contests, local football championships), etc.

¹ PJSC MHP's Vinnytsia Broiler Ptahofabryka, LLC Urozhayna Kraina, PrJSC Myronivska Ptahofabryka, LLC Zakhid-Agro MHP, PrJSC Agrofort, PrJSC Zernoproduct MHP, LLC Zakhid-Agro MHP, Agrokryazh, LLC Vinnytska Ptahofabryka, ALLC Starynska Ptahofabryka, PrJSC Zernoproduct MHP, Oril Leader, Agrofort, Agrokryazh.



INFRASTRUCTURE PROJECTS

Examples of community development projects (projects costing more than UAH 100,000)

MHP:

repair of borehole in Kanivskyi District villages (UAH 1,500,000), overhaul repair of railway crossing at Uladivka-Kholonivska section of Ivanivska Village Council, Kalynivskyi District

UAH 2,000,000

VINNYTSIA POULTRY COMPLEX:

water source rehabilitation project, Manivka Village (UAH 600,000), new water supply system for residents of Vasylivka Village, Tulchynskyi District (UAH 1,207,000), reconstruction of park for residents of Zaorzerne Village

UAH 342,000

UROZHAYNA KRAINA:

road rehabilitation, Railiv, Stryiskyi District, Lviv Region

UAH 2,500,000

ORIL LEADER AND AGRO-S:

overhaul repairs at Kurilivka school

UAH 150,000

AGROKRYAZH:

road rehabilitation at Krupskoi Street, Stanislavchyk Village, Zhmerynskyi District

UAH 110,000



EDUCATIONAL PROJECTS

MHP:

purchase of computers for Sumy National Agrarian University

UAH 120,000

ZERNOPRODUCT MHP:

renovation of Dzvinochok Preschool Education Institution, Bilhorodka Village

UAH 100,000

MHP:

support for football team, Stepantsi Village, Kanivskyi district

UAH 100,000

KATERYNOPILSKY

FODDER COMPLEX:

opening of a football pitch with artificial turf in the school territory, Yerky, Cherkassy region

UAH 400,000

gym at Community Centre of Katerynopilsk district

UAH 200,000



SPORTS DEVELOPMENT PROJECTS

MHP HAS DEVELOPED THE PRINCIPLES AND PRIORITIES OF PARTNERSHIP WITH COMMUNITIES

203-1,
203-2

MHP has selected certain main priorities for its activity and cooperation in the regions, where MHP has its production facilities:

1. Improving infrastructure (water supply, roads, equipment, municipal enterprises)
2. Reducing unemployment levels and attracting young people to villages
3. Improving the quality and accessibility of medicine and education

These priorities are the basis of our Corporate Social Responsibility policy, and our partnership with 14 regions requires a high demand for quality changes in people's lives. MHP's Corporate Social Responsibility Policy can be found at <https://www.mhp.com.ua/library/file/kso-fin-eng-2017.pdf>

The fundamental principles of partnership with communities include:

1. the joint setting of priorities for villages;
2. open discussions and resolutions about challenges;
3. participation of local communities in project implementation through co-financing, volunteering, and the involvement of active citizens.

The amount of corporate investment in community development was increased in 2017 and amounted to UAH 66,126,000 in the following areas:

- infrastructure projects – 39%;
- support for educational projects – 28%;
- support for sports and cultural projects –16%;
- charity –12%;
- medical support – 3%;
- ATO – 2%.

Table 16.
Amount of corporate investments in communities, 2015-2017

2015	2016	2017
UAH 29,733,852	UAH 55,599,000	UAH 66,126,000



MHP IS IN CONSTANT DIALOGUE WITH COMMUNITIES

Since 2017, MHP updated Stakeholder Engagement Report and Annual Activity Plans. Details of the 2017 Stakeholder Engagement Plan can be found at <https://www.mhp.com.ua/library/file/mkh-eng-small.pdf>

As we are open for dialogue, residents of communities can always apply to enterprises with their proposals and complaints. The mechanism for handling such proposals and complaints at MHP's enterprises is regulated by the Law of Ukraine, 'On Appeals of Citizens'. In 2017, MHP's enterprises introduced the 'Regulation on Registering Appeals and Complaints of Citizens' in order to set a unified sequence of actions for MHP's employees on accepting, registering proposals and complaints from applicants, and responding to and providing feedback on such appeals.

According to the Ukrainian legislation and international human rights bills, information obtained from appeals about citizens' personal life or information constituting a state or other secret protected by law, as well as information infringing upon the rights and legitimate interests of citizens, is not allowed to be disclosed without consent.

An appeal can be received:

- in person: appeals received in a free or special format that has been addressed to a director of the group's enterprise;
- by mail: appeals in the form of letters received in a free or special format at the address of MHP's enterprise;
- by phone: appeals/complaints received orally by phone;
- by e-mail, via the website: appeals/complaints received in a free or special format electronically using a form posted on MHP's corporate website and on the websites of the group's enterprises, or to an e-mail of a person responsible for appeals record keeping and registration; or
- using a complaint mailbox: appeals/complaints received in a free or special format using a complaint mailbox in the places where the Group's enterprises are located.

Proposals, applications and complaints are considered by responsible people within at least five business days and are resolved within no more than one month after the date they are received. Details on the procedure for registering the appeals can be found at <https://www.mhp.com.ua/library/file/mkh-eng-small.pdf>



In general, 19 of MHP's largest enterprises received 1,120 appeals from stakeholders (Table 17) in 2017. In 2016, only appeals to enterprises accountable to IFC and EBRD (the Company's 13 largest enterprises) were

taken into account; therefore, the number of complaints could not be compared with that of the previous year. The majority of appeals came in writing (Figure 1.)

Table 17.
Statistics of appeals
to accountable enterprises,
2016-2017.

	2017
Proposal	122
Petition	984
Complaint	14



All appeals submitted to the group's enterprises are categorised as follows: social issues, ecology, lease relations, construction, land issues, media, business, and charity. The vast majority of petitions were requests for financial assistance to individuals or for charity support of organisations. Issues of proposals submitted were concerned with lease relations, social, environmental, and business topics. Complaints were

filed mostly regarding environmental and social issues (Figure 2).

All incidents have been settled and completed. As of the end of 2017, there were no unresolved complaints. Details of the nature of complaints can be found at <https://www.mhp.com.ua/library/file/mkh-eng-small.pdf>

FIGURE 1. SOURCES OF APPEALS TO ACCOUNTABLE ENTERPRISES

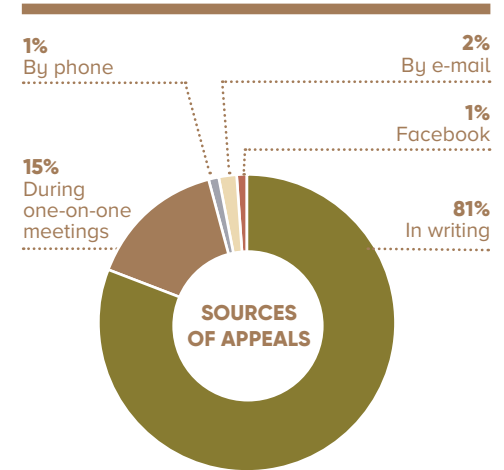
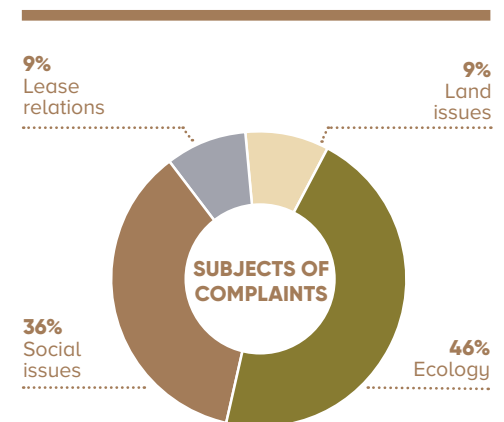


FIGURE 2. SUBJECTS OF COMPLAINTS FILED IN 2017 (THE STATISTICS COVER 19 MHP'S LARGEST ENTERPRISES)



MHP PROMOTES SELF-EMPLOYMENT AND ENTREPRENEURSHIP IN VILLAGES

Villages in Ukraine are always lack of jobs, stable sources of livelihood, and self-sufficiency and comfortable living conditions. The number of citizens forced to leave their homes in villages and search for a better life in cities or abroad is increasing. Therefore, MHP decided to develop and implement the 'Village: Steps to Development' Programme.

The 'Village: Steps to Development' Programme is a contest for local residents with business ideas transformed into business projects. Winners receive consulting by business coaches and UAH 40,000 for project implementation. In 2016, a pilot phase of the programme was conducted, in which 10 grantees received irrevocable financial assistance. In 2017, MHP's contest expanded into two regions – Cherkasy (Resource Centre ANGO, NGO) and Vinnytsia (Vinnytsia Regional Organisation 'Union of Entrepreneurs 'The Wall', NGO). Valerii Korovii, the Head of the Vinnytsia Regional State Administration, curated the contest at the Vinnytsia State Administration. In total, 11 districts participated in the programme in 2017.

The priority areas of microgrant projects covered the creation of conditions for self-employment of rural populations (family farms, agricultural cooperatives, green tourism, etc.); the development of socio-economic, cultural, and tourism potentials of the region; using renewable and energy saving solutions; and the introduction of innovative technologies.

As a part of the programme, training seminars on business planning in each of 11 districts were held, assistance was provided with advisory support for finalising participants' business plans, competitive selection of projects was organised and conducted, and a training seminar with grantees and meetings for experiential exchange were held.

More than 300 stakeholder residents of the regions attended training seminars. A total of 45 winners of the competition received certificates from MHP for financing their projects for an amount up to UAH 40,000. Most projects provided jobs for village residents. In total, MHP invested around UAH 1,950,000 in various business projects.

As a result of the project implementation, we felt that the rural population became more confident about the possibility of establishing microenterprises. In the long term, the project will result in the dissemination of best practices for integrated rural development, effective social technology use for rural development, rural green tourism, environmentally friendly construction, and activities of agricultural service cooperatives. In addition, we are pleased that this project received the 2017 CSR Case Contest Award as the best contribution to sustainable development of communities, Sustainable Development Goal No. 11.

MHP HELPS LADYZHYN TOWN TO IMPLEMENT MEDICAL REFORM

Since 2017, the Medical reform has started in Ukraine. There have been already some positive changes in certain towns/cities, but in most regions, for many medical representatives it is still not clear how the reform is going to be implemented.

MHP has always supported the regions where it operates in improving the medical care of citizens, but when health care professionals faced new issues and tasks, we met the challenge to provide them with necessary knowledge, methodological materials, and tools for implementing the reform.

We decided to suggest including Ladyzhyn town under the auspices of the Ministry of Health in a pilot project that included 15 Ukrainian cities. Representatives of the towns/cities' health care industries attended trainings and seminars on budgeting and management and will study long-term planning and management. The first training of the pilot project took place in 2018, and the Vinnytsia Region was represented by a medical expert from Ladyzhyn town.



Furthermore, MHP invited a team of experts with successful experience in implementing Medical reform to Ladyzhyn town to work with healthcare professionals, the local population, and the local self-government bodies on site in order to analyse the current state of the healthcare industry and develop its optimal structure. As a result, a roadmap for the Medical reform will be created in Ladyzhyn town.

MHP'S REGION DEVELOPMENT PROGRAMMES RECEIVED AWARDS



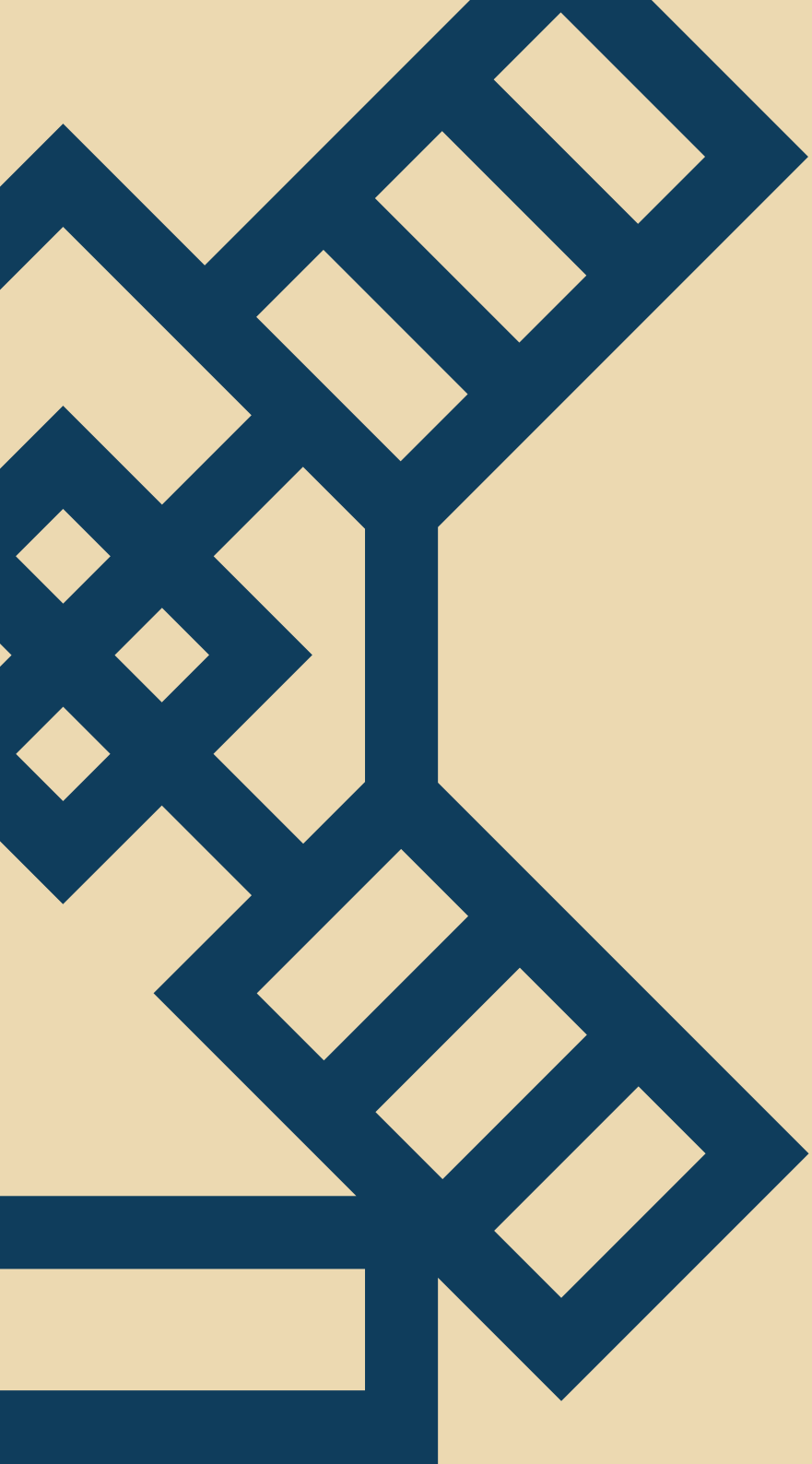
In 2017, MHP's enterprise, Vinnytsia Poultry Complex, was ranked third in the category of 'Big Business Charity' at the national level. In 2018 (for 2017 projects), national contest received 1,054 applications, the largest number ever. Applications from all over Ukraine were examined and winners were determined by the National Expert Council, along with 37 external experts. We are pleased that the Company was nominated from among such a large number of participants. In 2017, the enterprise's contribution to the development of social infrastructure and the charity needs of local communities reached more than UAH 23 million. We helped schools, kindergartens, feldsher-midwife stations, clubs, built water pipelines, roads, and parks, and supported grant projects of rural communities.

The Company's project 'Village: Steps to Development' received the 2017 national CSR Case Contest Award as the best contribution to sustainable development of communities, Sustainable Development Goal No. 11. Nearly 30 cases were submitted to the contest, programmes and projects were evaluated by international experts on corporate social responsibility from Bulgaria, Ireland, Latvia, and the Netherlands.

PLANS FOR 2018:

1. Further development and implementation of the project 'Village: Steps to Development' in the regions where the Company operates.
2. Continuous dialogue with all stakeholders in the regions where the Company operates.





**SUSTAINABLE
AGRICULTURE**



By sustainable agriculture MHP means production of food using technologies that cause no harm to communities, animal welfare, or environment. The Company's efforts towards sustainable agriculture have three directions:

- careful and caring treatment of soil;
- care for environment and improvement of environmental KPIs; and
- animal welfare.

SOIL RESOURCES

CAREFUL AND CARING TREATMENT OF SOIL

MHP's approach to soil preservation and soil fertility protection is based on several principles, namely:

- ensuring accurate soil inventory and soil qualitative characteristics;
- introduction of rational and environmentally safe soil use;
- rehabilitation and preservation of soil status, quality, and fertility; and
- protection of soils from negative natural and human impacts, or minimization of such exposure.

The main task and conscious choice of MHP agronomic division is to protect soil fertility by introducing and implementing a set of scientifically substantiated technological measures that ensure sustainable maintenance and improvement of characteristic soil fertility indicators.

Specialists of agronomic division at MHP enterprises visit thematic exhibitions and take part in various seminars in Ukraine and abroad. Training of specialists of agronomic and engineering services is conducted partially by the Agrocentre (created by MHP agronomists and specialists); foreign specialists are also invited to lecture. Training plans are drawn at the

enterprise and approved by the Agrocentre and the Department of Crop and Livestock Production, while the trainings themselves are usually conducted in January-February each year. Trainings may also be conducted after the spring sowing (end of May through beginning of June) and before the autumn sowing campaigns.



AGRICULTURAL LAND STATUS

In 2016, the Department of Crop and Livestock Production developed and implemented the 'Methodology for agrochemical inspection of agricultural lands' OP-01.03-1 aimed at creating a unified algorithm for assessing the status and natural potential of each field. In 2017, about 220,000 tonnes of cattle manure and 410,000 tonnes of chicken manure, as well as an organic mixture obtained from chicken growing facilities, were added to fields to achieve a deficit-free balance of soil organic matter. Organic animal waste is processed into decomposed organic fertilizer or manure through hot-cold processing during heaped storage, through composting, or through processing in biogas reactors. Green manure was used after the harvest on an area of 8,000 hectares in order to stabilize the manure content in the soil and mulch the soil surface with plant remains from commercial crops.

In 2017, an area of 8,000 hectares was planted using the ultralocal application of mineral fertilizers (microgranulated fertilizers). This technology replaces the application of starter fertilizers to rows (for example, ANP fertilizer at 70-90 kg/ha), but does not replace the main fertilizer application. MHP enterprises employees have taken a course on re-equipping the sowing machinery to add fertilizers while sowing. As of 2017, MHP enterprises owned 44 sowing machines for broad-range sowing and 62



machines for close sowing. To improve land resource characteristics for subsequent successful use and to counteract soil acidification, soil deoxidation was performed via application of chemical ameliorants (Table 18)

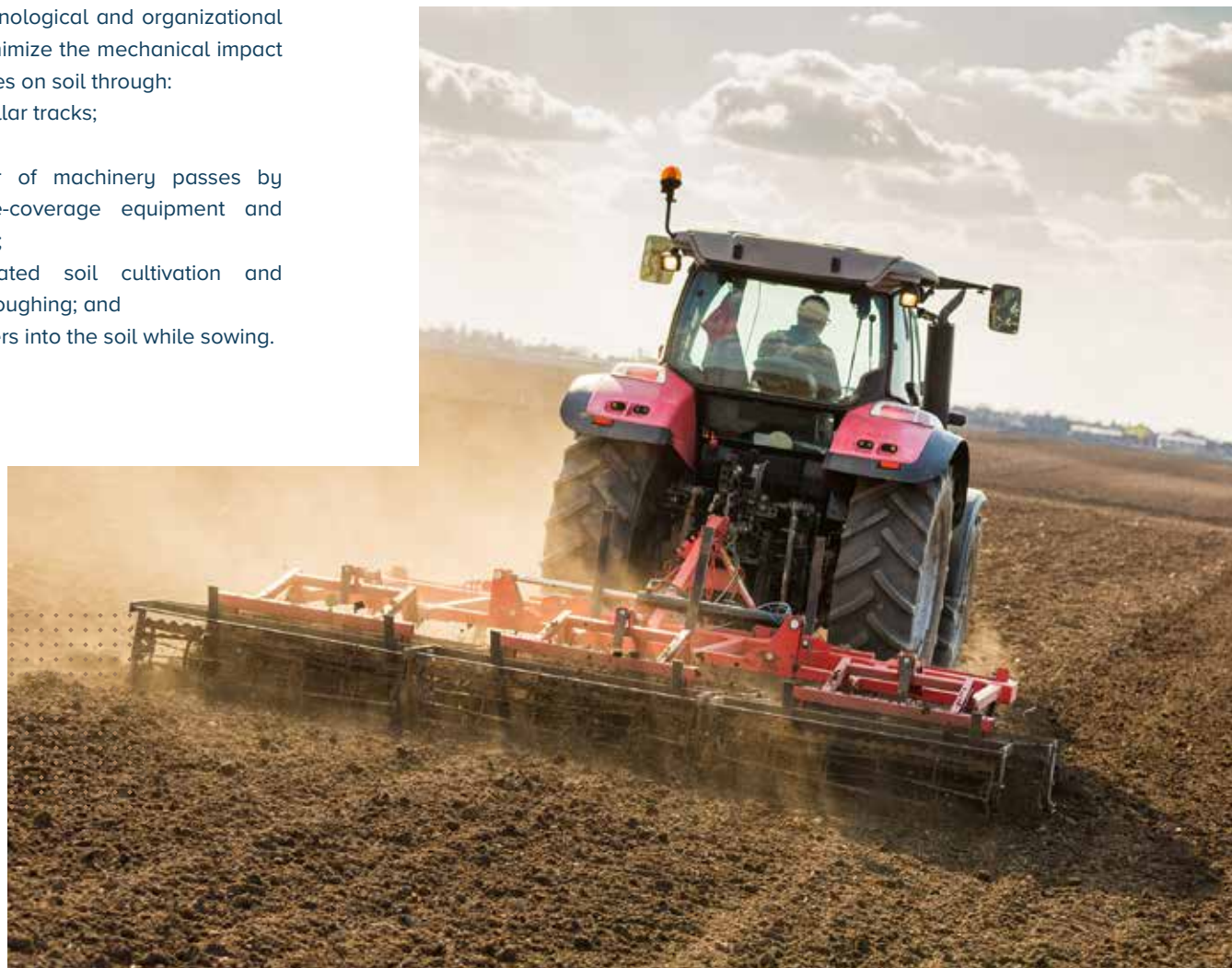
	2016	2017
Area of chemical ameliorants application, ha	17,200	24,000
Amount of chemical ameliorants application, t	55,000	67,000

*Table 18
Chemical
ameliorants
application*

MINIMIZATION OF MECHANICAL IMPACT ON SOIL

Throughout 2017, agrotechnological and organizational work was performed to minimize the mechanical impact of equipment undercarriages on soil through:

- transitioning to caterpillar tracks;
- doubling tires;
- reducing the number of machinery passes by transitioning to wide-coverage equipment and agricultural machinery;
- introducing differentiated soil cultivation and abandoning annual ploughing; and
- adding mineral fertilizers into the soil while sowing.




GROWING CROPS

All crops are grown in field crop rotations. Crops in a crop rotation are planted under recommended optimal forecrops. The structure of MHP crop areas ensures the stabilization of manure content in soil, improvements in fertility, proper phytosanitary state, and disease and pest control and is effective in terms of soil protection and economics.

Hybrids were updated and a variety of crop seeds and crop areas structures were introduced annually. Trials have been performed on unusual crop rotations, such as winter peas, beans, lentils, and chick-peas. Crops that are less demanding in terms of soil fertility (triticale, rye, barley) were planted on non-productive soils, and the selected specific assortment of such crops varied.

In 2017, niche crops, specifically winter peas, beans, sugar beets, and pumpkins, were grown to provide biodiversity in the crop area structure and potentially increase profits. On highly productive slopes, perennial grasses or other closely-sowed crops were grown.

MHP switched to wide-coverage rotary cultivators in order to test a new principle, interlinear knifing, for corn, sunflower and soybeans at 45 cm. This technique is projected to increase basic soil cultivation by 60 % through deep knifing (more than 40 cm) and reduce ploughing to 23 % by 2020. As of 2017, ploughing was at 53 % and deep knifing was at 28 %.



In 2017, 'Strip-till' ground protection technology was introduced on an area of about 3,100 hectares at the Vanzhulivskiy unit of the Ridny Kray, in a region where negative natural degradation phenomena have been observed. This technology is still being analysed, as is the feasibility of scaling the technology.*

** STRIP-TILL is a particular soil cultivation technology in which the surface of the field array is cultivated only in rowed strips for seeding.*

INTEGRATED PLANT PROTECTION

Crop growth flow process charts at MHP's enterprises account for integrated plant protection. Under this concept, in addition to application of pesticides and agrochemicals to combat harmful organisms, the Company prevents the emergence of pests, diseases, and weeds in crops by adhering to recommended crop diversification practices that involve: crop rotation; the selection of stable, zoned varieties and hybrids; sowing during optimal periods; seed disinfection plus treatment with stimulant fertilizer (a healthy and strong plant is less susceptible to diseases); and using measures aimed at pest control and at enhancing the destruction and mineralization of plant remains.

The borders of each field are protected by lines of trees to combat wind erosion, etc. Area-specific crop and sowing techniques account for the soil and climatic conditions in each department within MHP enterprises. Chemical persistence is considered during chemical selection. Crop treatment is performed in the morning or evening in windless or low-wind weather at temperatures of 16-24 °C. The agents used to spray the crops affect exclusively disease excitants and pests and cause no harm to pollinating insects, that is, bees. Fields with protective treatments feature signs along the perimeter with information on the given treatment.

WHO classified First Hazard Class agents are not used by MHP enterprises. MHP enterprises complies

with current legal regulations (for example, 'The list of pesticides and agrochemicals authorized for use in Ukraine' and Annexes thereto, the Ukraine Law 'On pesticides and agrochemicals', etc.). Sowing of genetically-modified organisms is strictly prohibited.



PLANS FOR 2018

1. To increase area and amount of soil deoxidation by applying chemical ameliorants to improve land resource characteristics and counteract soil acidification.
2. Establish 6,600 hectares of perennial and annual grasses and 1,900 hectares of natural hay meadows and pasture fields to ensure biological diversity in MHP crop areas.



ENVIRONMENT

MHP OPERATES IN ACCORDANCE WITH THE LAW

Public involvement in the environmental impact assessment process is an obligatory and important aspect of MHP's enterprises activities. The Ukrainian Law 'On Environmental Impact Assessment' entered into force on 18 December 2017, wherein all stages in which public involvement is obligatory are legislated. This constitutes a significant step forward, as, prior to the date mentioned above, public involvement was regulated by the relevant Regulations from the Ukraine Cabinet of Ministers. MHP operates in accordance with the law and involves communities at all stages of environmental impact assessment.

In 1998, Ukraine signed the Aarhus Convention on access to information, public participation in decision-making, and access to justice in environmental issues, which was ratified by Law No. 832-XIV dated 6 July 1999. According to Article 50 of the Ukrainian Constitution, everyone is guaranteed the right of free access to information about the environmental situation and the quality of food products and household items, as well as the right to disseminate such information.



Therefore, each enterprise of the Group is ready to provide, upon request, environmental impact assessment materials and the results of laboratory tests related to Company environmental activities.

MHP ASSESSES AND MINIMIZES ITS ENVIRONMENTAL IMPACT

The Company has adopted an Environmental Policy that establishes environmental objectives and principles, which guide MHP enterprises in their daily activities to develop reliable internal tools to assess and minimize the impact of Company activities on the environment. More information about the Environmental Policy is available on the website at: <https://www.mhp.com.ua/library/file/politika-z-ons-eng.pdf>.

Compliance with the Environmental Policy is controlled at each MHP enterprise by a full-time environmental expert or a person appointed responsible for environmental protection. The responsibilities of full-time environmental experts or responsible persons include the following activities:

- fulfilment of environmental legislative requirements;
- systematic reduction of production and operating costs;
- reduction of costs related to enterprise impact on the natural environment, as well as to the loss of energy and resources;
- prevention of emergency ecological situations and accidents which may result in significant environmental pollution, financial losses, and, possibly bankruptcy;
- receiving additional income related to environmental aspects of the enterprise activities; and
- increasing Company competitiveness in both domestic and foreign markets.

The Company's management pays special attention to the advanced training of environmental experts and persons responsible for environmental protection. Thus, according to Article 7 of the Ukrainian Law 'On Environmental Protection', 28 employees of the Company have completed advanced training courses at the State Ecological Academy of Postgraduate Education and Management under the Ministry of Environmental Protection over the past four years; all of these employees successfully passed the examinations and received standard-issue certificates. Throughout the year, each MHP enterprise created a 'Register of the most urgent environmental issues (as planned in 2016 for 2017)'; this allows the Group to better manage and effectively respond to problems and potentially problematic issues. Enterprises may use information available in these Registers when planning various activities and budgets for subsequent years.

During 2017, the Company did not pay any significant fines and did not fall under sanctions due to violation of or non-compliance with the environmental legislation of Ukraine.

GRI 307-1

MHP INCREASES ITS RESOURCE EFFICIENCY

MHP pays great attention to reducing the amount of materials used in the production and packaging of its core products.

Company efforts regarding resource efficiency during the construction of the biogas complex in Ladyzhyn should be noted separately.



We believe that the biogas complex is an integral part of our product manufacturing, especially given the large-scale construction of the biogas complex in Ladyzhyn (as part of Vinnytsia Poultry Complex). The materials we use in biogas production are just as important as the corn used for the production of feed or packaging used for the final product



GRI 301-1

BIOGAS COMPLEX IS AN INTEGRAL PART OF OUR PRODUCTION

Oleksandr Semenets,
Chief Ecologist of MHP

Table 19
Amounts of materials used in
2016 and 2017

	2016* (t)	2017 (t)
Total materials used	4 059 988,197	4 059 599,397
Non-renewable materials	834,042.698	971,383.8
Renewable materials	3,225,945.499	3,088,215.597

* The above-mentioned indicators have been derived from accounting records from MHP Head Office. Data for 2016 were updated as the calculation methods changed.



CASE: BIOGAS COMPLEX – HEADING TOWARD COUNTRY-WIDE CHANGE



The first biogas production complex opened in 2012 as part of the Oril Leader poultry farm in the Dnipropetrovsk region and had a capacity of 5 MW. This biogas complex helped to dispose of chicken manure, generating 40,000 MW of electricity and 8,000 Gcal of heat annually. Moreover, the facility, developed using modern technologies from our own design institute, does not pollute the environment, instead actually reducing greenhouse gas emissions via methane disposal.

Prior to the construction of the complex, MHP wastes were distributed on fields as fertilizer. However, processed raw material is a more balanced organic fertilizer and minimises the use of mineral fertilizers. Thus, a closed production cycle was installed in one complex. MHP already produces more than 70 % of the total biogas in the country (produced from organic wastes) and holds 45 % of the Ukrainian market in electricity generated from biogas.



We showed new opportunities for the Ukrainian agrocomplexes which no one has seen or implemented before... Moreover, we see no competition in this area and hold no secrets. Because of this, we have changed the country.

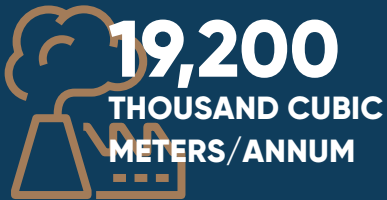
Yuriy Kosyuk,
CEO of MHP



**NEW OPPORTUNITIES
FOR THE UKRAINIAN
AGROCOMPLEXES**

PRODUCTION INDICATORS FROM THE BIOGAS COMPLEX IN 2017

BIOGAS PRODUCED



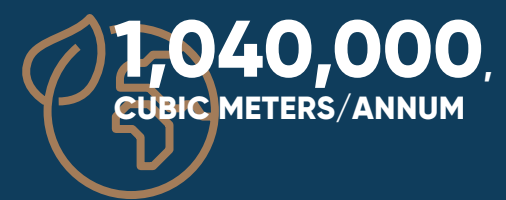
GREEN ENERGY PRODUCED



GREEN HEAT USED IN HEAT NETWORKS



NATURAL GAS REPLACED DUE TO 'GREEN' HEAT PRODUCTION



MAIN COMPONENTS PROCESSED INTO BIOGAS

CHICKEN MANURE

180 T/DAY
(66,000 T/ANNUM)

FLOTATION SLUDGE (LIQUID)

40 T/DAY
(14,600 T/ANNUM)

SLAUGHTER FLOOR WASTE

35 T/DAY
(13,000 T/ANNUM)

SORGO SILAGE

50 T/DAY
(18,000 T/ANNUM)

WATER FROM TREATMENT FACILITIES

350 T/DAY
(128,000 T/ANNUM)

In March 2017, the construction of a new biogas complex at Vinnytsia Poultry Complex was announced; construction will be completed in 2020. The design capacity is 24 MW in total, with two phases of 12 MW each. The cost of the first phase of construction is US\$ 27 million.

Construction and installation work is currently underway, and the first phase, which has a capacity of 12 MW, will be in operation between the end of 2018 and beginning of 2019. Preparation and design for the second 12 MW phase have commenced; this stage will be operational in 2020.



It is absolutely unique technology. Actually, nobody works exclusively using chicken manure anywhere in the world. It is considered to be a complex substance for biogas production and, therefore, it is mixed with silage at a ratio of 70 % silo to 30 % manure

Heorhii Heletukha,

Head of the Bioenergy Association



**THIS IS A COMPLETELY
UNIQUE TECHNOLOGY**



I am an upholder of renewable energy sources, as well as of bioenergy and biogas [...] The complex takes dirty raw materials, wastes that cause messes, and transforms these into energy. This technology will return its investments in about five years

Serhii Savchuk,

*Head of the State Agency on Energy
Efficiency and Energy Saving of Ukraine*



**THIS TECHNOLOGY
SAVES ITSELF**

This facility will be the largest not only in Ukraine, but also in the world. The complex will have three powerful aspects and advantages: environmental friendliness

(poultry waste disposal), green energy production, and significant capital investment.

According to the overall development strategy framework in general and goals declared in the Environmental Policy in particular, MHP plans to gradually reduce consumption of energy from non-renewable sources through increases in energy from renewable sources. On the one hand, total fuel consumption in 2017 increased due to production growth, amounting to 8,011.999 terajoules (TJ) (as compared to 7,908.236 in 2016); however, of this, 6,871.387 TJ were consumed from non-renewable sources in 2017, which is significantly lower than the 7,384.744 TJ consumed in 2016. Consumption of energy from renewable fuels in 2017 increased to 1,140.612 TJ as compared to 523.492 in 2016.

Reductions in annual natural gas consumption have been emphasized. Both the use of the most energy-efficient production technologies and the increasing fulfilment of energy needs through electricity consumption (for example, the replacement of some gas water-heating boilers with electric boilers) have contributed to reduced natural gas use. In addition, a higher share of energy was derived from burning pressed sunflower husk instead of natural gas.

GRI 302-1

*Table 20
Total consumption of fuels
from non-renewable sources in
2016 and 2017*

Fuel from non-renewable sources	2016 (TJ)	2017 (TJ)
Natural gas	3,852.355	2,895.499
Diesel fuel	2,172.848	2,274.069
Gasoline	239.954	207.263
Liquefied gas		23.91
Electricity	1,119.587	1,470.646

*Table 21
Total consumption of fuels
from renewable sources in
2016 and 2017*

Fuel from renewable sources	2016 (TJ)	2017 (TJ)
Biogas	34,472	479,286
Sunflower husk	489,020	661,326

** Total consumption of fuels from renewable sources was increased due to increased use of heat energy produced during biogas combustion and electricity generation for poultry farms.*

Table 22
Total energy use (in reference
units and terajoules) in 2016
and 2017

Energy use	2016	2017
Electricity use	310,996,272.719 kWh = 1,119.587 TJ	408,512,824.437 kWh = 1,470.646 TJ
Steam use	288,883 T = 651.720 TJ	319,369 T = 720.496 TJ

Table 23
Total energy sales (in reference
units and terajoules) in 2016
and 2017

	2016	2017
Total energy sales	39,798,134 kWh = 143.273 TJ	36,524,320 kWh = 131.488 TJ

Table 24
Total energy consumption in
2016 and 2017

	2016 (TJ)	2017 (TJ)
Total:	8,070.936	7,587.607
Natural gas	3,852.355	2,895.499
Liquefied gas		23.91
Electricity	1,119.587	1,470.646
Diesel fuel	2,172.848	2,274.069
Gasoline	239.954	207.263
Steam (obtained through burning sunflower husk)	651.720	661.326
Thermal energy (obtained as a result of biogas complex operations)	34.472	54.894

* Increased use of electricity can be explained by the replacement of some gas water-heating boilers with electric boilers.

** Savings due to lower natural gas consumption. Part of the energy needs were satisfied via increased electricity consumption (for example, replacement of some gas water-heating boilers by electric boilers) and an increased share of energy obtained from burning pressed sunflower husks instead of natural gas.

*** Conversions of calories into joules (producing maximum smoothed results) assumed that 1 thermochemical calorie = 4.184 J*.

1 kWh = 3.6 MJ

1 t (steam) = 2,256 MJ

1 t (liquefied gas) = 45,980 MJ

*Data sources for conversion ratios:
WORLD CO2 EMISSIONS FROM
FUEL COMBUSTION: DATABASE
DOCUMENTATION (2015 edition)
VOLUME 1 'Compilation of Air Pollutant
Emission Factors (carbon intensity) by
different industries' (Donetsk, 2004)

MHP CONTINUOUSLY MONITORS WATER USE

The Company attempts to reduce water consumption at Group enterprises. Thus, it is important for MHP to constantly monitor water consumption. Water consumption measurement instruments have been installed at water supply sources and are timely checked and/or replaced/repared.

In 2017, an environmental expert or a person responsible for environmental protection at each MHP's enterprise updated the 'Register of water wells and shaft wells', which documents the following characteristics: underground water supply source physical location, physical condition, need for repair, actual water intake, etc. These data allow effective monitoring of ground water use.

303-1

Table 25
Total amount of water
extracted in 2016 and 2017

	2016 (m ³)	2017 (m ³)
Total amount of water extraction	9,909,428	9,924,081.294
• surface water	3,871,826	3,738,812.532
• ground water	5,928,760	6,040,220.762
• wastewater from another organization	0	33,923
• municipal and other water supply systems	108,842	111,125

No MHP enterprise influences the regional water balance via water extraction, and all enterprises strictly adhere to the coastal shelter belt land plots leased by MHP. In 2017, the special 'Register of land

plots located within the limits of coastal shelter belts of surface water bodies', which was drawn in 2016, was updated.

In 2017, MHP started collecting information on the amount of water consumed or used repeatedly, which

totalled 63,300 m³, or about 0.7% of the total annual water consumption.

Throughout 2016, the existing sewage treatment facilities in Katerynopil, where the company facilities are located, were reconstructed. This rebuild was long overdue, but there were not enough funds in the regional budget. Periodic bursts occurred along the entire length of the pipeline throughout the year.

evident in 2017; treatment facilities, including the gravity flow sewer and pipeline, were successfully reconstructed.

The reconstruction of the sewage treatment facilities in Katerynopil cost UAH 3.9 million. To comprehensively solve the ecological problem, management of Katerynopilsk Fodder Complex, which is part of the Group, provided UAH 1.0 million. The results were

The pipeline is currently robust and prevents local enterprises wastewater from entering the soil and ground water; therefore, there is no need to transport wastewater by road directly to the treatment facilities. In 2017, the total wastewater discharged was 4,132,889.051 m³ (2016: 4,114,658.107 m³); this amount includes all wastewater that was treated or transferred for treatment.

303-2

303-3

306-1

Table 26
Total wastewater discharged
in 2016 and 2017, m³

	2016 (m ³)	2017 (m ³)
Total wastewater discharged*, including that:	4,114,658.107	4,132,889.051
• transferred through pipes to municipal treatment facilities	280,871.000	481,668.000
• transferred to cesspools followed by transportation to municipal treatment facilities	140,468.107	18,579.400
• discharged into a water body after treatment at in-house treatment facilities	3,563,919.000	3,492,595.551
• transferred to sewage disposal fields	129,400.000	140,046.100

* Current records were used in these calculations

The best European companies were involved in the development of the sewage treatment technology used in Myronivka Poultry Complex and Vinnytsia Poultry Complex. At Vinnytsia Poultry Complex the second phase of biological treatment facility

construction continued in 2017, and the quality of the treated wastewater, which was transferred to surface water bodies, fully complied with the approved maximum allowable discharge standards throughout the year.



MHP MEASURES THE AMOUNT OF GREENHOUSE GAS EMISSIONS

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1)

The total amount of direct greenhouse gas emissions from burning operations (Scope 1) in metric tonnes of CO₂ equivalent, excluding any greenhouse gas operations, totalled 343,766.205 tonnes (2016:

405,150.011 tonnes). The decrease is due to lower consumption of natural gas after replacing some gas water-heating boilers to electric boilers and increasing the share of energy derived from burning pressed sunflower husks instead of natural gas.

Table 27
Total amount of direct greenhouse gas emission from burning operations, in metric tonnes of CO₂ equivalent, in 2016 and 2017

	2016	2017
Burning of natural gas	226,964.069	161,930.112
Use of diesel fuel	161,770.905	167,306.72
Use of gasoline	16,415.037	14,529.373

GHG emissions from biomass burning in metric tonnes of CO₂ equivalent, excluding the total amount of direct greenhouse gas emission (Scope 1), totalled 91,845.150

tonnes in 2017 (2016: 77,781.801 tonnes). This increase is related to increases in the use of energy from biogas and pressed sunflower husk combustion.

Table 28
. Emissions from burning biomass, in metric tonnes of CO₂ equivalent, in 2016 and 2017

	2016	2017
Burning of biogas	33,530.408	36,067.455
Burning of sunflower husks	44, 251.393	55,777.695

305-1

*The following gases were considered during calculations: CO₂, CH₄, N₂O.

*In these calculations, the Company used emission ratio data and Global Warming Potential (GWP) indicators from the IEA – CO₂ EMISSIONS FROM FUEL COMBUSTION Highlights (2013 Edition) and IPCC (Intergovernmental Panel on Climate Change) Fifth Assessment Report. The financial control method was used in consolidating the emissions data.

MHP IMPLEMENTS RESPONSIBLE WASTE MANAGEMENT

The Company complies with all waste management legislative requirements. All MHP enterprises have efficient current accounting systems and separate the collected waste, including wastes in hazard classes I-III; waste is transferred exclusively to organizations with relevant licenses from the Ministry of Environmental Protection.

Under the Ukrainian Law 'On by-products of animal origin, not intended for human consumption', manure, litter, animal/poultry carcasses, evisceration remains, and incubation waste are not considered waste; therefore, these materials are not subject to the

Ukrainian Law 'On Waste'. Thus, the information provided on waste management does not account for by-products of animal origin not intended for human consumption.

Moreover, the MHP waste management model is changing, focusing on re-using increasing amounts of materials and products. Each enterprise has its own particular features, but all strive for the most effective waste management considering existing legislative requirements and the requirements of international investors.

GRI 306-2

Table 29
Total weight* of waste sorted
by processing method in 2016
and 2017

	2016 (t)	2017 (t)
Total weight* of waste by processing method:	131,535.5855	112,283.064
- re-use	4,441.968	60,408.347
- repeated use	6.346	0
- composting	7,642	3,479.45
- extraction of valuable components, including energy release	51,799.401	1,279.38
- total mass burning	109.18	99.192
- pumping into deep underground horizons	0	0
- placement in landfill	5,968.146	17,087.663
- storage at Enterprise sites	482.5963	1,343.002
- transfer to a contractor under an agreement	61,085.9482	28,586.03

* Current records were used in these calculations. Information does not include by-products of animal origin not intended for human consumption.

Each enterprise within the Group operates in compliance with the Environmental Policy, but the Policy does not prevent individual enterprise from having their own approaches to waste management; this diversity enables exploration of optimal waste management solutions. Above all, MHP requires that all waste management activities take place within the legislative framework and do not cause environmental damage. For example, specific IV Hazard Class wastes, which can be sold for a profit, are stored at enterprises for up to but not longer than two years and sold when the price is most favourable for the Group enterprises.

Regarding handling of hazardous wastes in hazard classes I-III, each MHP enterprise, prior to signing a waste transfer agreement, not only demands of the contractor a certified copy of the relevant license from the Ministry of Environmental Protection, but also regularly monitors the contractor's status on the Ministry's official website during the entire cooperation period and immediately prior to each waste transfer. This prevents cooperation with any licensee deprived, following a state inspection, of the right to conduct hazardous waste management in general or of certain types, including collection, storage, transportation, recovery, disposal, and/or destruction.



Also, increasing amounts of previously used materials and products are re-used by MHP or used as starting materials in other processes, which reduces the amount of waste generated.

MHP IS OPEN TO PARTNERSHIP

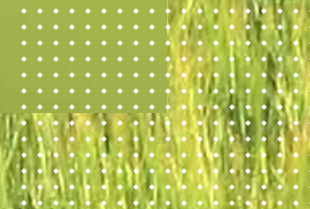
Throughout 2017, MHP effectively cooperated with the Dniprodzerzhinsk Public Environmental Organization 'Golos Pryrody' (Kamianske), NGO 'Narodnyi tsentr ekolohichnoho kontroliu' (Ladyzhyn), and NGO 'Ladyzhyn Hromadska Rada' (Ladyzhyn). Several official meetings were held with CEE Bankwatch representatives and management and the most active members of the NGO 'National Ecological Centre of Ukraine' to establish a dialog, find compromises, and discuss plans for future cooperation.

In 2017, Chief Ecologist of MHP became a member of the Committee on Environmental Livestock Safety of the All-Ukrainian Public Organization 'Association of Agricultural and Environmental Experts of Ukraine'.



PLANS FOR 2018

Plans include creation of a working model for primary and continuous waste accounting that features simultaneous vertical data consolidation on a chain of at least three levels of subordination (based on the three largest enterprises in the plant cultivation sector).



ANIMAL WELFARE

MHP ADHERES TO THE HIGHEST INTERNATIONAL STANDARDS FOR HUMANE ANIMAL TREATMENT

THE COMPANY REMAINS THE LARGEST PRODUCER AND EXPORTER OF CHICKEN IN UKRAINE. THIS STATUS OBLIGES THE COMPANY TO 1) ADHERE TO THE BEST INTERNATIONAL PRACTICES AND STANDARDS FOR THE HUMANE TREATMENT OF ANIMALS DURING THE PRODUCTION AND TRANSPORTATION PROCESSES, AND 2) ESTABLISH A SYSTEM FOR CONTINUOUS IMPROVEMENT.

[G4 FP10]

In 2017, the Company and its employees followed the Animal Welfare Policy, developed in accordance with international laws and regulations on the humane treatment of animals (including rules, norms, regulations, provisions, standards, instructions, directives, etc.).

Under the Policy, MHP is guided by five animal freedoms, which include:

1. Freedom from hunger and thirst – ensured by providing access to fresh water and food that maintains good poultry health and activity.
2. Freedom from discomfort – ensured by providing a suitable environment for retention and sufficient space for free movement.
3. Freedom from pain, injury, and disease – ensured by providing preventive measures and early diagnosis and treatment.
4. Freedom to express normal behaviour – ensured by providing sufficient space, appropriate and favourable conditions and accessories, and groups of other animals of the same kind.
5. Freedom from fear and distress – ensured by providing appropriate conditions and interactions that exclude suffering.

Favourable housing conditions, high biosecurity standards, balanced feeding and fresh drinking water, constant veterinary supervision, early treatment, clean litter, and protection from pain are key aspects of the humane treatment of poultry during breeding and transportation. More information about the Company Animal Welfare Policy is available on the corporate website in the Animal Welfare section at: <https://www.mhp.com.ua/library/file/zhivotnie-eng.PDF>

MHP GUARANTEES HUMANE TREATMENT WHILE CATCHING AND TRANSPORTING POULTRY

Safe poultry catching and transportation are key components of animal welfare. No manifestations of violence or mistreatment of poultry is allowed during catching and transportation to slaughter shops. During transportation, the condition of the animals is carefully monitored so that the poultry are not subject to additional stress or suffering.

Poultry care during slaughter involves aspects such as correct wire-hanging for live poultry, using specific lighting and equipment, and pre-slaughter poultry stunning. Consistent control over these aspects ensures that all processes take place according to humane treatment directives and minimize the risk of abusive treatment. More information about these measures is available in the 2016 MHP Non-Financial Report at: <https://www.mhp.com.ua/library/file/gri-2016-final-engl-final.pdf>

We constantly work to improve all production processes and apply the best international practices for careful animal treatment during production activities. Following the signing of the Memorandum of Cooperation on 17 March 2016 in Kyiv and throughout 2017, our Company and Gezondheid Dienst voor Dieren B.V. (GD) have been cooperating in the following areas:

- Monitoring the health and welfare of animals (over the course of 2 years, Dutch experts will visit the customer Enterprises at least once a month and provide round-the-clock expert support in emergencies);
- Conducting certified trainings for customer veterinary specialists in accordance with the quality standards of the EU/Netherlands;
- Supporting internal laboratory processes via qualification tests and training under ISO 17025 standards, and sharing data on interpreting research results and their clinical significance.

G4 FP13

This signed Memorandum will enable us to 1) enhance control over all production processes together with the best European specialists in the industry and 2) implement the best European standards at production sites to assure consumers that our products are high quality, safe, and in compliance with the highest European standards.

MHP ADHERES TO THE PRINCIPLE THAT 'PREVENTING THE DISEASE IS MORE EFFECTIVE THAN TREATING IT'

'Veterinary Service Plan' regulations have been developed at our enterprises. These regulations define: the key focuses and principles of enterprise veterinary operations; the responsibilities of the veterinary service specialists; strategies for the implementation of preventive, treatment, and monitoring measures to protect poultry health; key welfare monitoring parameters; the balanced monitoring of veterinary drugs; and the training of personnel conducting veterinary treatment or other activities related to poultry health or welfare.

For preventive purposes, all livestock are compulsorily vaccinated against disease pathogens such as infectious bronchitis, Newcastle disease, and Gumboro disease. Poultry production enterprises' employees do not keep domestic poultry, and the 'all in/all out' principle is also respected to ensure epidemiological welfare.

During treatment of ill animals, the Company's enterprises ensure strict control over the use of antibiotics: antibiotics are used only upon permission of the State Doctor of Veterinary Medicine, MHP Doctor of Veterinary Medicine, and enterprise Doctor of Veterinary Medicine after agreeing on the diagnosis and determining the susceptibility of the pathogen to a given antibiotic through laboratory tests. The use of antibiotics to prevent disease is prohibited at all enterprises.

Strict control over the Salmonella bacterium is not limited to the state veterinary program and sanitary control over Salmonellosis in poultry farms broilers in Ukraine. MHP's enterprises take additional regulated measures to prevent the emergence of the Salmonella bacterium;



G4 FP12

More information about these measures is available in the 2016 MHP Non-Financial Report at: <https://www.mhp.com.ua/library/file/gri-2016-final-engl-final.pdf>

The main breeds of broilers in the Company poultry farms are COBB 500, which number 234,991,015 heads (71.7 %), and ROSS 308, which number 92,750,986 heads (28.3 %). Anaesthetics are not used

in maintaining the parent stock or growing chicken broilers. Chicken broilers and parent stock are kept on the floor.

G4 FP9, 11

Table 30

MHP broiler poultry farms	Growing		Slaughter	
	Density (heads)	Mortality (heads)	Slaughter (heads)	Live weight (kg)
Total, 2017	342,284,702	14,542,701	327,742,001	764,566,091
Total, 2016	339,776,384	17,251,908	322,524,476	774,972,210
Total, 2015	315,681,587	19,205,816	296,475,771	696,487,211



PLANS FOR 2018

As part of GLOBALG.A.P standard implementation, we plan to certify one of the Company enterprises to grow and maintain the parent stock at Starynska poultry farm.



ABOUT THE REPORT

The third MHP Non-Financial Report for 2017 (main version) was prepared under the international GRI Standards.

The structure of the Company report presents issues identified by our stakeholders as significant, that is, issues that are important for the development of the Company and other stakeholders.

Select changes took place in 2017: MHP changed its form of government and country of registration, and changes were also made to the Board of Directors (for more information see Section 'Corporate Governance'). For the indicators presented herein, the methodology for calculating the amounts of materials used was changed ('Environment' Section). The 2016 indicators were re-calculated as appropriate. The number of Company's enterprises collecting applications and the number of complaints received in the operation regions increased ('Community Development' Section). Thus, the 2016 report included the number of applications and complaints for the 13 largest Company enterprises, while the 2017 report includes these data from 19 enterprises. All 19 MHP's enterprises comply with regulations on the registration of applications and complaints; thus, records of applications, complaints, and proposals are kept at the proper level.

The data provided in the report are as of 31 December 2017. 2015 and 2016 indicators have been included to

increase representativeness and promote comparison. This report does not contain information about enterprises abroad, i.e. in the Netherlands, Slovakia, and the UAE.

The report will be available electronically in Ukrainian and English on the MHP website: www.mhp.ua. Moreover, the report will be sent to the stakeholders and will also be available upon request. The Company plans to prepare non-financial reports annually.

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CORE ISSUES OF THE REPORT

The 2017 Non-Financial Report was prepared through personal interviews and a series of meetings held with Company employees (department representatives) to define core issues. These active discussions allowed the identification of key stakeholders and core issues (material aspects) in 2017 (pp. 17-18, 125). MHP investors were interviewed using an online form; more responses were received in 2017 than in 2016. Also, Company suppliers

were interviewed for the first time using the online form.

In order to avoid repetition, all MHP risks are disclosed in the 2017 Annual report and can be found online at: <https://www.mhp.com.ua/library/file/ar-2017-as-210318-final2.pdf>. In addition,

The 2017 Non-Financial Report addresses more core issues than did the 2016 Report due to the fact that the Company took a more careful and balanced approach to the criteria for Report compilation during the preparation stage.

The 2017 list of core issues covers the following issues not addressed in the previous year:

- transparency and compliance;
- anti-corruption policy;
- human rights and equal opportunities;
- ethics;
- pricing;
- data security and confidentiality;
- feedback;
- assessment of impact on communities and environment;
- sustainable farming and biodiversity (restored land);
- joint project implementation;
- amount of taxes paid, including those in communities;
- antibiotic use practices.



	Important for Stakeholders	Important for Company	Page in this Report
Corporate Governance Issues			
Anti-Corruption Policy	Important	Important	46, 59-53
Transparency and Compliance			19, 87
Human Rights			35
Ethics			59-63
Innovations			21-30, 81-82
Reputation			41-44, 82
Equal Opportunities			59
Fines	Less important	Not important	103
Labour and Relations with Employees			
Bonus, health care	Not important	Important	59
Employees development			57-68
Environmental Issues			
Biodiversity	Important	Important	96-100
Sustainable farming			96-100
Environmental impact assessment			102
Waste management			114-115
Trainings on sustainable farming			Less important

	Important for Stakeholders	Important for Company	Page in this Report
Consumers / Partners			
Confidentiality and data protection	Important	Important	21-22
Feedbacks			77, 82-83, 89
Price			Not disclosed
Quality and safety of product			33-34, 77-80
Community Development			
Taxes paid, including to communities	Important	Important	-
Community impact assessment			88
Mutual projects with communities			86-92
Development of regions (infrastructure, new jobs, social projects)			86-92
Supply Management			
Suppliers' development	Less important	Important	37-38
Tender offers			34
Animal Welfare			
Antibiotics use	Important	Important	46, 120
Compliance with EU Directives (growing, transportation, slaughtery)	Not important		119

GLOBAL REPORTING INITIATIVE

THIS REPORT IS ALIGNED WITH THE GRI STANDARDS AT THE CORE LEVEL.

THE SUSTAINABLE DEVELOPMENT GOALS (SDGS) ARE ALSO REFERENCED BELOW.

GRI Standard	GRI Disclosure	SDG	Location
General disclosures (2016)			
	102-1 Name of the Organization		8
	102-2 Activities, brands, products, and services	Global Goal #2	8-10
	102-3 Location of headquarters		8
	102-4 Location of operations		11
	102-5 Ownership and legal form		8
	102-6 Markets served		11
GRI 102:	102-7 Scale of the Organizations		8, 11
Organizational Profile	102-8 Information on employees, and other workers		8, 57
	102-9 Supply chain		36
	102-10 Significant changes to the Organization and its supply chain		123
	102-11 Precautionary Principle or approach		14-20, 46, 95, 102
	102-12 External initiatives		54, 116
	102-13 Membership of associations		The Company is a member of the Union of Poultry Farmers of Ukraine, the Ukrainian Agribusiness Club, the Commercial Chamber of Ukraine
Strategy	102-14 Statement from senior decision-maker		5-6
Ethics and Integrity	102-16 Values, principles, standards, and norms of behavior		45
Governance	102-18 Governance structure		42-43
Stakeholder Engagement	102-40 List of stakeholder groups		17-18
	102-41 Collective bargaining agreements		59

GRI Standard	GRI Disclosure	SDG	Location
	102-42 Identifying and selecting stakeholders		20
	102-43 Approach to stakeholder engagement		17-19
	102-44 Key topics and concerns raised		17-18, 89
Reporting Practices	102-45 Entities included in the consolidated financial statements		https://www.mhp.com.ua/library/file/ar-2017-as-210318-final2.pdf
	102-46 Defining report content and topic Boundaries		123-124
	102-47 List of material topics		124
	102-48 Restatements of information		123
	102-49 Changes in reporting		123
	102-50 Reporting period		123
	102-51 Date of most recent report		September, 2017
	102-52 Reporting cycle		Annual
	102-53 Contact point for questions regarding the report		123
	102-54 Claims of reporting in accordance with the GRI Standards		123
	102-55 GRI content index		125-128
	102-56 External assurance		The Company was not externally audited
GRI TOPIC SPECIFIC STANDARDS (2016)			
Economic performance			
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries		124, 2016 Non-Financial Report (p. 80)
	103-2 The management approach and its components		6, 13-14, 32-33, 41, 46-47, 48, 57-58, 69-70, 77-78, 88-89, 95, 2016 Non-Financial Report (pp. 77 – 79)
	103-3 Evaluation of the management approach		17-18, 89, 52-54, 2016 Non-Financial Report (p. 81)
Indirect economic impacts			
GRI 203: Indirect economic impacts	203-1 Infrastructure investments and services supported	Global	87
	203-2 Significant indirect economic impacts, including the extent of impacts	Goal #11, 17	86, 90-92
Procurement practices			
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	Global Goal #2, 17	36
Anti-corruption			

GRI Standard	GRI Disclosure	SDG	Location
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption		49
	205-2 Communication and training about anti-corruption policies and procedures		49-50
	205-3 Confirmed incidents of corruption and actions taken		Not disclosed
ENVIRONMENTAL			
Materials			
GRI 301: Materials	301-1 Materials used by weight or volume	Global Goal#13	104
Energy			
GRI 302: Energy	302-1 Energy consumption within the organization	Global Goal#13	108-109
Water use			
GRI 303: Water	303-1: Water withdrawal by source		110
	303-2 Water sources significantly affected by withdrawal of water	Global Goal#13	111
	303-3 Water recycled and reused		111
Emissions			
GRI 305: GNG Emissions	305-1 Direct (Scope 1) GHG emissions	Global Goal#13	113
Effluents and waste			
GRI 306: Effluents and waste	306-1 Effluents and waste (by quality and direction)	Global Goal#13	111
	306-2 Waste by type and disposal method		114-115
Environmental compliance			
GRI 307: Environmental compliance	307-1 Non-compliance with environmental laws and regulations	Global Goal#13	103
SOCIAL			
Employment			
GRI 401: Employment	401-1 New employee hires and employee turnover		58
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		59
Labour management relations			

GRI Standard	GRI Disclosure	SDG	Location
GRI 402: Labour management relations	402-1 Minimum notice periods regarding operational changes		Two months
Occupational health and safety			
GRI 403: Occupational health and safety	403 -1 Workers representation in formal joint management-worker health and safety committees		2016 Non-Financial Report, p. 44
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		70
	403-3 Workers with high incidence or high risk of diseases related to their occupation		74
	403-4 Health and safety topics covered in formal agreements with trade unions		2016 Non-Financial Report, p. 47
Training and education			
GRI 404: Training and education	404-1 Average hours of training per year per employee		60
	404-2 Programmes for upgrading employee skills training of employees and transition assistance programmes		60
	404-3 Percentage of employees receiving regular performance and career development reviews		61
Diversity and equal opportunity			
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees		59, the Company is planning to start assessment since 2018
Non-discrimination			
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken		No such instances during reporting period
Local communities			
GRI 413: Local communities, 2016	413-1 Activities on involvement of communities, impact assessment, development programmes	Global Goal #11, 17	86-92
Customer Health and Safety			
GRI 416: Health and safety of consumers, 2016	416 -1 Assessment of the health and safety impacts of product and service category	Global Goal #2	77-79
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		77
Food processing sector disclosures. Animal welfare			

GRI Standard	GRI Disclosure	SDG	Location
N/a	FP9 Percentage and total of animals raised and/or processed, by species and breed type		121
	FP10 Policies and practices by species and breed type, related to physical alterations and the use anaesthetic		118
	FP11 Percentage and total of animals raised and/or processed, by species and breed type, per housing type	Global	121
	FP12 Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	Goal #2	120
	FP13 Total number of incidents of significant non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals		119
Innovations			
N/a	Innovations in the organization		21-30

GLOSSARY

Ameliorants are fertilizers that allow improving the soil fertility for a long period of time.

Fatal Accident Frequency (FAF) rate is the ratio of the number of fatal (F) accidents per year to total work hours (WH) per year man/hours and standardized per 1 million man/hours, i.e. $FAF = F \cdot 1,000,000 \text{ man/hours/WH}$.

Geoinformation system is a basis for developing automated agricultural production, in particular: mobile solutions for agronomic services, use of information in the system obtained from meteorological stations, systems of precision farming and GPScontrol systems for vehicles.

Green manure crops are plants temporarily grown on free land plots in order to improve soil structure, enrich it with nitrogen, and inhibit the growth of weeds. Commonly, green manure crops are grown in a certain period of time and then plowed and mixed with soil when unripe, or immediately in post-blossom period. Green manure crops are associated with organic agriculture and seemed to be required for the systems with annual crops to make them more enduring. Traditionally, the practice of using green manure crops may be referred to the cycle of land resting in the course of rotation of crops.

GRI Standards are new GRI Standards published on 19 October 2016. Thus, the previous GRI G4 Guidance was replaced by three general standards and 33 specialized standards for disclosing a significant impact of the Company on varied social, environmental, and economic aspects. Reporting requirements, reporting principles, main part of the

information disclosed, and levels of Standards application – in particular, 1) preparation of reporting in accordance with basic principles (core option) and 2) preparation of reporting under extended principles (comprehensive option) – have remained unchanged.

Gumboro disease, an infectious bursal disease, is a highly contagious disease of young chickens (3–15 weeks old) that proceeds very acutely without any seasonality identified. Adult chickens do not display any symptoms.

Integrated agricultural production management system GLOBALG.A.P. is a single integrated standard for primary products with a possibility to apply its certain modules in respect of different groups of goods – from plant to animal growing. Both safety of the products grown and safety of the whole manufacturing cycle are assessed, from fodder and sowing materials to finished goods.

Intergovernmental Panel on Climate Change is a group established jointly by the World Meteorological Organization and the United Nations Environment Program in 1988 to assess scientific information on climate change and formulate realistic strategies for responding to these changes.

International Energy Agency is an autonomous international body within the Organization for Economic Cooperation and Development (OECD). It includes 29 participating countries. The main goal of the organization is to promote international cooperation in improving the global structure of demand and supply of energy resources and energy services.

Lost Time Injury Frequency (LTIF) rate is the ratio of the number of lost time injury (LTI) incidents to total work hours in the unit or entity (Work Hours – WH) per year man/hours and standardized per 1 million man/hours, i.e. $LTIF = LTI \cdot 1,000,000 \text{ man/hours/WH}$.

Newcastle disease is a contagious viral bird disease affecting many domestic and wild avian species that is characterized by viremia, hemorrhagic diathesis features, affection of alimentary tract, respiratory organs, and central nervous system.

Precision farming is represented by implemented technologies in plant growing based on cartographic units. A precision farming concept is based on observing, measuring, and responding to inter and intra-field variability in crops.

Stakeholders (interested parties) are individuals and legal entities that have a legitimate interest in the Company's activities, i.e., in a certain way, are dependent on it or may affect its operations.

Significant issues are issues that are important for development of the Company and its stakeholders.

Strip-tilling technology is the band technology for soil processing and growing agricultural crops, including clean cultivated crops.