

The Mizo logo is written in a bold, blue, sans-serif font. It is positioned in the upper left corner of the page, set against a white background that is part of a larger graphic design featuring overlapping, wavy, light blue shapes.

Mizo

The background of the entire page is a vibrant landscape photograph. It shows a lush green field in the foreground, rolling hills in the middle ground, and a clear blue sky with scattered white clouds in the upper half. The overall tone is bright and natural.

OUR MILK. OUR FUTURE.

Sustainability Report Summary • 2021 - 2022

Sole-Mizo Inc.



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1. INTRODUCTION

Sole-Mizo Inc. considers it an important and fundamental responsibility to conduct its activities in sustainable interaction with the environment. We aim to operate in such a way that everything we borrow from nature we give back and preserve for our children.

As Hungary's leading dairy company, sustainable operation is important to us, and we want to play a leading role in this. We are continuously improving our business model and operations to achieve our economic goals in a sustainable way, in harmony with society and the environment. To achieve this in a structured framework, we decided to develop a sustainability strategy in 2020, which is now an integral part of our operations, and to report on the sustainability aspects of our operations on a 2-yearly cycle. Our sustainability reporting is based on the principles of GRI, the Global Reporting Initiative Universal Standards.

You are now reading a summary of our Sustainability Report, highlighting our key messages. If you would like to know more about our sustainability efforts, please visit our website (<https://mizo.hu>) and read our full report.

"In 2020, we launched the structured organization and monitoring of our sustainability activities and created our first sustainability strategy, setting targets for 2025. We are continuously working to achieve these targets and to communicate our operations in a transparent and credible way. To this end, we publish our sustainability report every two years, based on the internationally accepted GRI Standards guidelines. In 2021, we won the **Green Frog Award for 'Best First Report' in Hungary**. This recognition, awarded to us by an external jury of objective experts, is a clear positive confirmation that we are on the right track. We intend to continue this in the future."

- said by István Béres, Production manager.



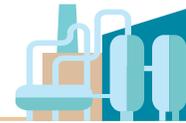
Our mission is to provide our consumers with delicious, quality and nutritious dairy products. We do this in harmony with our environment, strengthening our local farms and in the company of proud and satisfied colleagues.



2. SOLE-MIZO INC.

Sole-Mizo Inc., the producer of the much-loved Mizo dairy products, is a member of the **Bonafarm Group**, a group of 100% Hungarian-owned agri-food companies, which plays a key role in the region's food economy. Over the past 15 years, our company has grown to become the largest dairy company in Hungary. As a result of significant developments and large-scale capacity expansions, in 2021 we processed 369 million kg of raw milk, and 238 million kg of quality dairy products were produced for our domestic and foreign customers. In 2022, due to the more difficult economic and animal feed situation, some dairy farmers were forced to cease their activities, and our production slightly declined: 362 million kg of raw milk were processed, of which 256 million kg of products were produced.

4 sites in HUNGARY



From 1955 in the dairy industry



1 foreign subsidiary: SERBIA



2 logistic centres: ROMANIA



LOCATIONS IN HUNGARY:

(Data refer to years 2021 and 2022))

1,204 (2021) **employees in Hungary***
1,202 (2022)



100% (2021) **>99.9%**** (2022) **Hungarian raw milk**



279 (2021) **suppliers**
203 (2022)



369 (2021) **million kg of processed raw milk**
362 (2022)



164 (2021) **Hungarian raw milk farmers**
124 (2022)



31 (2021) **export countries**
32 (2022)



640 (2021) **products**
603 (2022)



4 brands in Hungary

Mizo **FARMER**
GAZDA **Hazai**

89 (2021) **billion (HUF) turnover**
121 (2022)



* Figures are as at 31st December of the year under review, based on the statistical number of employees of the company.

** 99.98% due to the planning of our production according to commercial demand. As a result, the right quality and quality controlled milk has to be bought from the spot market, which may be foreign if Hungarian milk is not available.

Our sites

We manufacture 603 products in 17 product categories at our 4 sites. Decades of experience, the expertise and training of over 1,200 colleagues, as well as the modern technologies used in our plants ensure that we produce a wide range of high-quality products that meet the taste preferences of our consumers.

Raw milk processed at our plants almost exclusively comes from Hungarian farms (over 99.9% in 2022). In 2021-2022, Sole-Mizo Inc. processed about 20-25% of all domestic raw milk, and 18% (2021) and 19.5% (2022) of the milk we purchased came from dairy farms belonging to the Bonafarm Group.



Csorna



Szeged



Bácsbokod



Marcali



3. OUR MILK. OUR FUTURE.

The values of Sole-Mizo Inc. have always been based on environmental protection and social responsibility. Moreover in 2020, we reached an important milestone: creating a **strategic framework for our sustainability efforts and goals**.

Our strategy is built on our core corporate values of **ethical business** conduct and **sustainable procurement practices** (which we intend to further develop with our new sustainability audit system). We have defined our commitments and objectives by mapping and analyzing **our own impacts and those of our value chain** in order to protect our environment, our employees and the society (our report follows this structure in the following chapters).

ONLY TOGETHER CAN WE SUCCEED

Social and global environmental problems can only be tackled successfully by working together. It is important that we address the potential negative impacts of **our own sites** through best technology and efficiency measures, but we cannot sit back and relax.

We are also committed to minimizing the potential negative impacts of our value chain as much as we can, so we believe it is important to maintain and strengthen existing **partner-**

ships and collaborations with our suppliers, customers and other stakeholders, as well as to build new ones to **mutually reinforce each other** on the path to sustainability through concerted action and alignment.

CREDIBILITY

In the process of developing our strategy, it was important to set **credible, realistic, accountable and monitorable commitments**. We have therefore defined **medium-term targets** for each of the key themes **up to 2025**. In order to reach these targets, we have developed an **action plan**, and put in place the **organizational framework** to ensure that the objectives set out in the strategy can be successfully achieved.

DINAMIKA

We are aware that the field of sustainability is constantly and dynamically evolving, bringing several **changes**. For this reason, our strategy cannot be static, and we are constantly developing and reviewing it. We have already done this in the last two years since our last report, and we have continued to refine the targets and indicators we have set. We intend to maintain this continuous process of review and improvement in the future.

ETHICAL OPERATION RESPONSIBLE SOURCING

THE MAIN PILLARS AND THEMES OF OUR SUSTAINABILITY STRATEGY

OUR SOCIETY



Nutritious, quality food



Strengthening domestic economies

OUR EMPLOYEES



Supportive and rewarding working environment

Health and safety of our employees



OUR ENVIRONMENT



Climate action



Protecting our waters



Strengthening the circular economy



Animal welfare

4. RESPONSIBILITY IN THE VALUE CHAIN



OUR PROCUREMENT PRACTICES

As the impacts of Sole-Mizo Inc. are much more significant in some areas of the value chain compared to its own impacts (e.g., greenhouse gas emissions are significant in the production of raw milk, while waste impacts are more significant for our customers and consumers), therefore we placed a strong emphasis on working more closely with our partners to develop and implement sustainability goals in the future during the development of our sustainability strategy in 2020-2021.

RAW MILK SUPPLIER SURVEY SYSTEM

In addition to hygiene and quality parameters, we will also assess the sustainability performance of our dairy suppliers in the future in order to evaluate their current status and plans and to educate them. To this end, a draft questionnaire was developed in 2022 and finalized based on the experience gained in the sites identified for testing (8 sites participated). We plan to implement the system on a 3-year cycle from 2023 onwards, continuously expanding the number of sites surveyed.

SUSTAINABILITY CERTIFICATIONS

Just like our customers, we believe it is important to use quality additives and packaging materials that have been produced with sustainability in mind.



2021 2022 2023 2024 2025



Raw milk suppliers assessed

for environmental and animal welfare aspects / total raw milk suppliers (%)
2021-2022 facts • 2023-2025: plan

OUR GOALS:

100%



BY 2025, 100% OF OUR RAW MILK SUPPLIER WILL BE SURVEYED AND AN AUDIT SYSTEM WILL BE DEVELOPED.

The target set in the previous report has been rescheduled based on the resource availability and we will gradually assess our raw milk suppliers and develop our audit system.



WE CONTINUE TO SOURCE OUR CRITICAL MATERIALS RESPONSIBLY



cocoa and coating materials: FRA
Palmoil: RSPO
Paper: FSC



2021: 100% • 2022: 100%

Our sustainability-certified auxiliary and packaging materials

CERTIFICATE	RFA	RSPO	FSC	Bonsucro
Ratio (2020)	100%	100%	100%	36%*
Ratio (2021)	100%	100%	100%	40%
Ratio (2022)	100%	100%	100%	41%
SUBSTANCES CONCERNED	All cocoa and coating aids	All palm fat excipients	Total paper packaging	All Tetra Pak packaging

*Rate reached by the end of 2020.

5. OUR ENVIRONMENT

5.1. Climate action

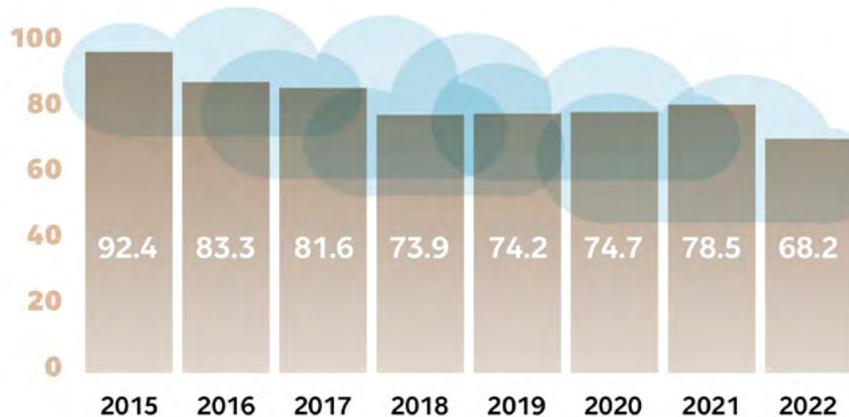


The food industry, including dairy production, faces major challenges in terms of climate protection, as it is a major contributor to greenhouse gas emissions. In the European Union, 31% of all greenhouse gas emissions come from the agri-food system¹. From 2021, Sole-Mizo Inc. ad-

resses climate change issues at strategic level through the operation of a Climate and Water Task Force.

In 2021, our absolute Scope 1&2 emissions², increased slightly due to the re-charging of refrigerants, while production volumes slightly decreased. In 2022, we

achieved significant energy savings resulting in a major reduction in both absolute and specific GHG emissions (greenhouse gas emissions), back to near 2015 base year levels. The latter, per ton of raw milk processed, was reduced by 26% in 2022 compared to the 2015 base year, reaching the 25% reduction target for 2025.



CO₂e: Carbon dioxide equivalent, i.e. one tonne of carbon dioxide or its equivalent, the amount of greenhouse gas corresponding to the global warming potential (GWP) over a 100-year time horizon. For the latest GWP data, see the IPCC Fifth Assessment Report: https://www.ipcc.ch/pdf/assessmentreport/ar5/wg1/WG1AR5_Chapter08_FINAL.pdf (pp. 73-79)

Specific greenhouse gas emissions

(Scope 1&2) [t CO₂e / kt of raw milk processed]

¹ Source: <https://epthinktank.eu/2023/02/07/climate-impact-of-the-eu-agrifood-system/> [2023.06.20].

² The calculations are based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. The calculations cover GHG emissions from energy use, refrigerants and our own or leased vehicles and forklift trucks at our 4 Hungarian sites and our warehouse in Szeged. The Scope 2 calculation is based on the location-based method. The GHGs considered are CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃. Emission factors used: electricity: International Energy Agency (IEA); natural gas: National Inventory Report (<https://unfccc.int/ghg-inventories-annex-i-parties/2020>); petrol, diesel, climate gases: Defra (<https://environment.data.gov>).

OUR GOALS:



TO WORK MORE CLOSELY WITH FARMERS ON SUSTAINABILITY AND TO ASSESS 100% OF OUR RAW MILK SUPPLIERS FROM A SUSTAINABILITY (INCLUDING CLIMATE) PERSPECTIVE BY 2025 AND DEVELOP OUR AUDIT SYSTEM.

[Raw milk suppliers assessed for environmental and animal welfare aspects / total raw milk suppliers (%)]
2021: 0% • 2022: 6%



-25%

WE WILL REDUCE OUR SPECIFIC CO₂E EMISSION* BY 25% BY 2025

[t CO₂e / kt of raw milk processed]
Base year: 2015 • 2021: -15% • 2022: -26%
*Scope 1&2 emissions

5.2. Strengthening circular economy



LESS CHEMICAL USE

Proper cleaning of machinery is essential for food safety and for meeting quality criteria at our sites. This requires large amounts of water and chemicals but significant savings can be reached by optimizing their use. Our target is to reduce our chemical consumption per ton of raw milk processed by 5% by 2025 compared to the 2020 base year (2020: 8.39 kg of chemicals per ton of raw milk processed).

Measures introduced in 2021-2022:

- ✓ **We optimized the CIP washing system for the cheese vats at our Bácsbokod plant.**
- ✓ **At our Szeged site, we reviewed the use of wastewater treatment chemicals**
- ✓ **We introduced close (monthly) monitoring of the related KPI indicator.**
- ✓ **We have started to reduce and standardize the number of chemicals used across all 4 sites. This action is still ongoing.**

As a result of the measures introduced, **up to 240,000 liters of chemical use is expected to be avoided** in the future.

Despite the measures introduced over the years, our chemical use increased slightly in 2021, and then started to decrease again in 2022, but has not yet reached the base year level. The reasons for these changes are the new hygiene procedures introduced to ensure quality and the higher demand for chemicals during the trial run of the drinking water treatment system at the Bácsbokod site, which started in 2021. As a result of the process optimization, the amount of chemicals used for the treatment of drinking water was reduced by 2022.

OUR GOAL:

-5%



WE REDUCE OUR SPECIFIC CONSUMPTION OF CHEMICALS BY 5% BY 2025

[kg chemicals / t of raw milk processed]

Base year: 2020

2021: +20% • 2022: +11%



FUTURE-FRIENDLY PACKAGING – NATURALLY

Our company also places great emphasis on using the most environmentally friendly packaging materials available for our products at all times, without compromising quality, food safety and shelf-life criteria. The following sustainability aspects are taken into consideration when choosing appropriate packaging: **using less packaging material; using recyclable packaging materials and using recycled and renewable raw materials.**

From 2021, we have added environmental aspects to our product design processes.

In 2022, our Packaging and Procurement working group launched the Sustainable Packaging Action Plan, which identified development opportunities and their potential for sustainable packaging along 5 action areas. We continuously expand the idea pool and monitor the projects implemented.

5 AKCIÓTERÜLET A FENNTARTHATÓBB CSOMAGOLÁSÉRT



REduce
Reduction of polluting substances (primary, secondary and tertiary packaging)



REdesign
Redesigning with a greener optimization



REcycle
An optimal (circular) system: collect, sort, recycle



REmove
Removal of environmentally harmful and unnecessary materials



REsearch
Exploring new and optimal options

OUR GOALS:

100%



25%



WE WILL USE 100% RECYCLABLE PACKAGING MATERIALS BY 2025.

[Number of products packed in recyclable packaging materials / total number of products]
Base year: • 2021: 93.5% • 2022: 94.8%

25% OF OUR PACKAGING WILL BE REPLACED BY RPET BY 2025*

*also legally required
[kg rPET / kg total PET]
Base year: 2020 • 2021: 0% • 2022: 0%

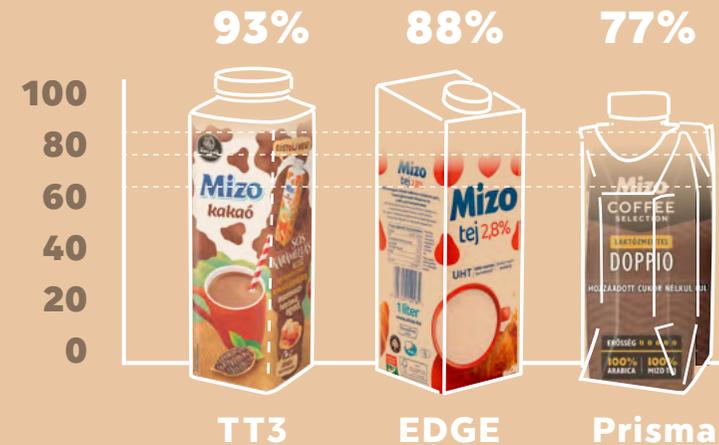
By the end of 2022

42% of our



Tetra Pak packaging was Bonsucro certified, meaning that the sugar cane used in the plant-based parts was from sustainable sources.

Some of our packaging contains more than **75%** plant-based ingredients.



Plant-based raw material content of our packaging by product categories

In 2022, we removed the bucket handle from some of our bucket sour cream products, in agreement with our distribution partners, and thus we are able to reduce our plastic use by

41 tons per year.

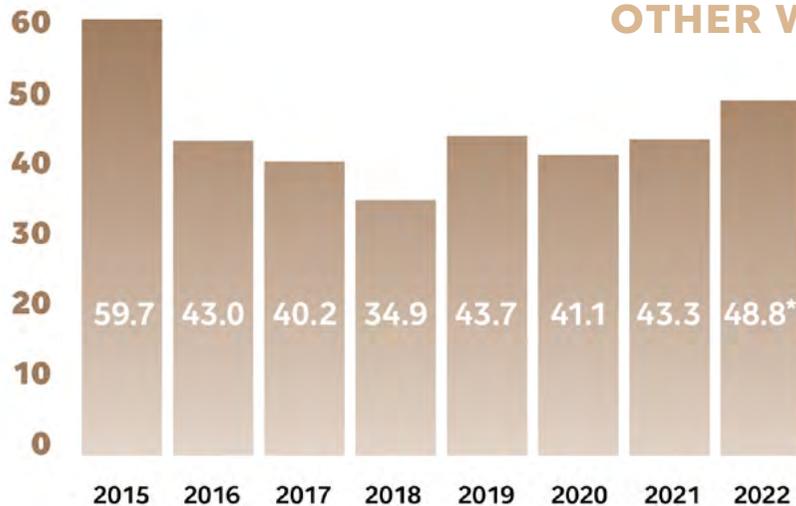
In 2022 we switched full sleeves to wrap-around labels for some of our PET bottle products, saving

790 kg of plastic.

WASTE

Our primary concern in our production is to prevent waste and, where waste is generated, to reuse and recycle it. As a result, the amount of food waste, municipal waste and other waste has been reduced by 71% compared to 2020.³

Our aim is to reduce the amount of waste from our production and the amount of waste that our consumers can associate with our products, and to reuse or recycle it as much as possible.



Specific volume of our waste generated

[kg / t of raw milk processed]

³ Our specific waste per 1 t of raw milk processed increased by 18.7% due to a significant increase in the volume of sewage sludge. The sludge pressing in Szeged has been stopped at the request of the waterworks and we are now transferring a more dilute and larger volume of sludge to the waterworks that can now use it more efficiently in its digester.

+106%



SEWAGE SLUDGE**

**at the request of the water utility company, following an agreement with the water utility company

-71%



FOOD WASTE MUNICIPAL WASTE OTHER WASTE

OUR GOALS:

-50%



BY 2025 WE WILL REDUCE THE AMOUNT OF WASTE FROM FINISHED PRODUCTS BY 50%

[ton waste of finished products / ton finished products (%)]
Base year: 2021: 0.10% • 2022: +100%

100%



BY 2025, ALL OUR POTENTIAL BY-PRODUCTS WILL BE RECOVERED

[ton recovered or handed over for recovery by-products / ton total potential by-products (%)]
2021: 87% • 2022: 89%



BY 2025, NO PRODUCTION WASTE FROM OUR PLANTS WILL BE LANDFILLED*

[ton waste landfilled / ton total waste without sewage sludge (%)]**
2021: 64% • 2022: 33%

*Aim: To reach less than 5%

**For more accurate tracking, our indicator has been adjusted from our previous report.



WE WILL SHARE WASTE MANAGEMENT INFORMATION WITH CONSUMERS ON OUR PRODUCT SIDEBARS AND BUILD PARTNERSHIPS TO REDUCE FOOD WASTE.

5.3. Protecting our waters



Due to strict hygiene requirements, we use a significant amount of water in our production. Acknowledging the value of our natural waters, we consider it important to minimize the water demand of our operations and the amount of wastewater generated by our production, and to discharge it into receiving water bodies at the highest possible quality. To this end, we carry out continuous self-monitoring. In 2021-2022, no pollutant exceeded the limit values during self-monitoring.

Looking at the whole value chain, the largest water demand for dairy production is related to feed production and raw milk production. With this in mind, we have set our targets for our own wastewater discharge and for our collaboration with raw milk farmers.

We will continue to identify and implement possible efficiency measures in the future. As early as the third quarter of 2023, new water recycling projects are planned to be implemented, which are expected to save an additional 5,000 m³ of water.



Specific wastewater discharge between 2019-2022*

[m³ wastewater / ton of raw milk processed]

OUR GOALS:

-20%



OUR SPECIFIC WASTEWATER DISCHARGE WILL BE REDUCED BY 20% BY 2025

[m³ wastewater / ton of raw milk processed]
Base year: 2019 • 2021: -7% • 2022: -9%

TO WORK MORE CLOSELY WITH FARMERS ON SUSTAINABILITY AND TO ASSESS 100% OF OUR RAW MILK SUPPLIERS FROM A SUSTAINABILITY (INCLUDING WATER) PERSPECTIVE BY 2025 AND DEVELOP OUR AUDIT SYSTEM.

[Raw milk suppliers assessed for environmental and animal welfare aspects / total raw milk suppliers (%)]
2021: 0% • 2022: 6%



5.4. Animal Welfare

As a dairy company, our most important raw material, milk, is of animal origin. In 2022, the amount of raw milk arriving at our plants decreased slightly due to the economic and geopolitical situation, which forced several producers to close down their activities, besides difficulties with animal feed raised as well. Thus, while in 2021 we received approximately 1.1 million kg of raw milk per day from approximately 35,000 cows of our 149 raw milk supply partners, in 2022 we received approximately 1 million kg of raw milk per day from approximately 34,000 cows of our 124 raw milk supply partners. 18%-20% of this milk (2021-2022 values) came from the Bonafarm Group, of which 48-50% originated from the group's own milk production site / farm at „Csípőtelek”.

In 2021-2022 Sole-Mizo Inc.'s contracted raw milk supplier partners performed as contracted. We are not aware of any animal welfare infringements, so no action was initiated and no contract was terminated. We hope for the same in the future.

BY 2025, WE WILL HAVE ASSESSED 100% OF OUR RAW MILK SUPPLIERS FROM A SUSTAINABILITY (INCLUDING ANIMAL WELFARE) PERSPECTIVE AND SET UP AN AUDIT SYSTEM.

[Raw milk suppliers assessed for environmental and animal welfare aspects / total raw milk suppliers (%)]
2021: 0% • 2022: 6%



ENCOURAGE OUR RAW MILK FARMERS TO IMPLEMENT MORE ANIMAL WELFARE MEASURES AND GOOD PRACTICES ON THEIR FARMS.

*Wastewater discharged to our own wastewater treatment plant (Bácsbokod) or to a third-party wastewater treatment plant.

6. OUR EMPLOYEES

VALUED WORKFORCE

People are our most important asset.

We believe it is important that our employees feel valued and receive the moral and financial recognition they deserve for their work. The processes we have put in place in recent years are designed to reinforce this and will continue to guide our actions.

✓ **Competitive salaries, extra benefits, cafeteria, bonuses, awards allowances**



✓ **OTP Caring Employer Program**



✓ **Bonafarm discount program**



✓ **Bonafarm health insurance**



✓ **Health screening bus**



✓ **Health and recreation services**



✓ **Inspiring, supportive working environment**



6.1. Supportive and rewarding working environment



ORIENTATION AND INFORMATION

In 2022, we renewed our intranet to use it as a group-wide employee portal. To do this, an **app** (Bonafarm mobile app) will be gradually introduced: we made it available to our white collar employees in 2022 and we will extend the user base to our physical employees in 2023, ensuring efficient information transfer.

Feedback from our employees is particularly important to us. To measure employee satisfaction, we organized an annual series of roadshows and motivational forums between 2019 and 2021 (with some breaks due to the Covid situation). In 2022, we conducted an employee opinion survey, which was completed by 72% of our active workforce. According to our system, we develop **action plans** based on the results of the survey and monitor their implementation and impact. We also inform employees about the progress of the opinion surveys, the action plan, and the impact of the measures.

PROVIDING OPPORTUNITIES FOR DEVELOPMENT AND SUCCESSION

We believe that developing the knowledge and skills of our employees in addition to their own development, contributes to the success of Sole-Mizo Inc. To this end, training our employees is a central focus of our company.

- ✓ **Mandatory trainings**
- ✓ **Voluntary trainings**
- ✓ **Individual trainings**
- ✓ **Performance evaluation**
- ✓ **Bonus scheme**
- ✓ **Mentor programme**
- ✓ **Internship programmes (eg.: Dr. Huszka Tibor Food Industry Professional Club)**



OUR GOAL:

100%

FULFILLMENT OF 100% RELEVANT EMPLOYEE NEEDS

Needs included in the action plan, which is prepared based on the roadshows, motivation forums and employee survey

As a member of the Bonafarm Group, we are launching the **Bonafarm Talent Program**, which aims to support conscious succession planning, to ensure the supply of new talent for managerial positions (shift and team leaders) for the physical workers leaders and for senior and middle management positions.

EMPLOYEE TURNOVER

The turnover rate has slightly changed in recent years. Despite the pandemic and the difficult economic situation, we managed to meet our 2020 target of reducing the number of physical workers who voluntarily left the company by 20% by 2021 compared to the 2019 base year.

OUR GOAL:

< 20%

WE WILL KEEP THE RATE OF VOLUNTARY RESIGNATION OF PHYSICAL EMPLOYEES BELOW 20%

[statistical number of physical employees who voluntarily leave the company / average statistical closing number of physical employees]
2021: 19% • 2022: 18%

Employee turnover

	2020	2021	2022
Total exits	20%	23%	24%
Voluntary resignations (intellectual and physical workers)	14%	16%	16%
Voluntary resignations (manual workers)	16%	19%	18%

6.2. The health and safety of our employees



Our most important asset is our people, and their most important asset is their health. It is both our duty and our responsibility to look after this value. This is why, as a manufacturing company, we have decided to prioritize the health and working environment of our colleagues as part of our sustainability strategy, to ensure the safest possible working conditions for them, both physically and mentally.

SAFE WORKING CONDITIONS

We believe that all accidents are preventable. To this end, we conduct our activities in accordance with the principles of prevention as laid down in the Occupational Safety and Health Act.

Occupational health and safety was a priority area for our company in 2021-2022, with a number of measures planned, most of which have been introduced and implemented over the past 2 years, maintaining the successful preventive activities already in place.



Our motto:
“I am responsible for my subordinates, I am responsible for my colleagues.”



ACTIONS IN 2021-2022:

- ✓ a group-wide health and safety policy;
- ✓ safety wall;
- ✓ provision of personal protective equipment;
- ✓ regulation and tightening of the chemical treatment process;
- ✓ mentoring program;
- ✓ improving OSH education;
- ✓ use of awareness-raising posters;
- ✓ investigate all accidents at work, including those not causing lost days;
- ✓ categorization of the main types of accidents;
- ✓ weekly safety check;
- ✓ monthly online and quarterly face-to-face EHS management consultation within the Bonafarm Committee;
- ✓ the preparation of a medium-term development program.

Thanks to the health and safety measures we have put in place, the number of **accidents at work** has **decreased significantly** over the past two years at our company. While in 2020 the total number of reportable accidents at our 4 Hungarian sites was 65, it fell to 47 in 2021 and 27 in 2022⁴. There were no fatalities or serious injuries⁵.

An audit is carried out in all cases (reportable and non-reportable) to investigate the cause of the accident. Based on the results, we define the necessary corrective measures and monitor their implementation, taking into account the principle of prevention.

THE HEALTH OF OUR EMPLOYEES

In addition to health and safety measures, we also pay particular attention to the health of our employees, from the design of the workplace, through the organization of work processes, to our other general health programs.

OUR GOAL:

ENCOURAGING A HEALTHY LIFESTYLE AT WORK AND AT HOME

[number of employees using insurance services / number of employees]
2021: 19% • 2022: 25%

OUR GOAL:

< 10

WE REDUCE THE NUMBER OF ACCIDENTS TO LESS THAN 10 PER 1,000,000 WORKING HOURS

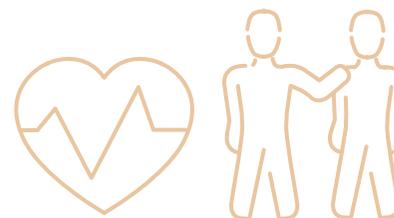
2021: 23.9 • 2022: 12.6



BONAFARM HEALTH PROGRAM

In 2021, as a member company of the Bonafarm Group, we also participated in the Year of Health program series, during which we prepared a number of actions, events and informative materials in order to draw attention to the importance of a healthy lifestyle, the effects of health preservation on the quality of life, and that colleagues receive help in developing and maintaining a healthy lifestyle.

The main campaigns and events implemented within the framework of the Year of Health:



Our programs to support healthy lifestyles:

- ✓ **Health screening tests as part of Hungary's comprehensive health screening programme**
- ✓ **Bonafarm health insurance program**
- ✓ **Provision of influenza vaccinations at our sites**
- ✓ **Bonafarm Football league**
- ✓ **Focus on health during family days, sport days**
- ✓ **Move Bonafarm program**

⁴ The data reported here covers all Sole-Mizo Inc. employees, as well as students and temporary employees. Other accidents involving employees of external companies working at our sites are recorded by the companies themselves and are not kept separately by Sole-Mizo Inc.

⁵ Serious injury: the severity of injuries was taken into account in accordance with the provisions of the current Occupational Safety and Health Act (Act XCIII of 1993 on Occupational Safety and Health).

Free Health Insurance

Examinations on the health screening bus at the sites

Online lectures on health awareness

XVII. Bonafarm Football Cup

Move Bonafarm! challenge

Health minutes - article on recommendations related to health awareness

New columns related to health awareness in the Friss newspaper

Weekly Health newsletter

Vitamin package for all employees

At Sole-Mizo Inc., we believe that we can only be successful if we are able to create value for society beyond our own economic results. Following this spirit, we shape the operation of our company to benefit, directly or indirectly, as many of our fellow human beings as possible.

7. OUR SOCIETY

7.2. Strengthening domestic economies



As one of Hungary's leading company in the food industry, we have significant direct and indirect economic impacts on the regions in which we operate, as well as on the Hungarian economy in general.

Our significant indirect economic impacts are summarized below: (2022 data)

Major local employer

1,200 employees



Taxes and contributions paid

3,256,493,748

to the Hungarian State



Significant purchasing power

processing about **1-1.1** million kg of raw milk per day



from **124** domestic raw milk production partners



(this raw milk supply is approx. 20-25% of Hungary's raw milk supply)

7.1. Good relations with the local population



We have good relationship with the local population

Investigating and handling complaints from the public.



+3,000 people

We reached around 3,000 people annually with our **material and food donations**.



USE OF PRIMARILY DOMESTIC RAW MATERIALS

Our basic principle is to produce a wide range of high-quality, tasty and nutritious dairy products **from Hungarian raw milk, with the help of Hungarian labor, mainly for domestic consumers.**

In addition to the more than 99.9% (2022) of domestic raw milk consumption, 61% of our additives, excipients and packaging materials are also sourced from Hungary.

Percentage of raw milk from Hungarian farmers⁶



OUR GOALS:

100%



WE CONTINUE TO USE 100% RAW MILK FROM DOMESTIC FARMS

Share of value of goods and services purchased from Hungarian suppliers



RELIABLE RELATIONSHIPS, LONG-TERM STABILITY

We strive to build a mutually beneficial, good partnership with our suppliers. Our actions provide them reliable, long-term stability. In addition, we want to work more closely with our raw milk suppliers on sustainability to meet the legal and social requirements that are already in place and are likely to increase in the future.



⁶ In 2021, 100% of the raw milk purchased was domestic, sourced from our 149 Hungarian raw milk supply partners. In 2022, 99.98% of the raw milk used was domestic, sourced from our 124 Hungarian raw milk supply partners and the spot market. The minimal difference is because we have been planning our production according to commercial demand since 2022 onwards.

Consequently, we may have to purchase from the spot market, which is of the right quality and controlled, and in which case the milk may be foreign in case Hungarian milk is not available.



7.3. Nutritious, quality food



As a leading food producer and distributor, it is our responsibility and our goal to be a pioneer not only in terms of professionalism, but also in terms of sustainability. Our innovation, product design and production processes are all centered around this mission to ensure that **high quality, nutritious and tasty food is always on our consumers' tables.**

QUALITY ABOVE ALL

A **quality-driven approach** is a fundamental pillar of our corporate culture. To ensure high quality, we carry out and continuously improve the following activities in our factories:

- ✓ We maintain a strict quality management system in our factories: all our factories are ISO 9001 and IFS (International Food Standard) certified, and we plan to introduce an ISO 22000 food safety management system at our Szeged site in 2023.
- ✓ We train our employees in accordance with the relevant requirements.
- ✓ We help our colleagues to deliver quality work by using visual communication tools.
- ✓ At our sites, we carry out and perform external and internal laboratory tests from raw milk to semi-finished and finished products in accordance with EU and Hungarian regulations and our even stricter company standards.
- ✓ We demonstrate our compliance with high quality standards through external and internal audits.
- ✓ We provide a clean and tidy environment, use dedicated cleaning equipment and employ our own specialists for maintenance work.
- ✓ We expect all our suppliers to deliver the same high quality raw materials to us every time, and we check this through audits.
- ✓ We use modern technologies and processes.
- ✓ We provide factual and comprehensive consumer information to ensure keeping high food quality for as long as possible.

Trainings, platforms, actions 2021-2022:

- ✓ quality assurance training;
- ✓ thematic small group training;
- ✓ visual communication tools;
- ✓ increasing supplier quality awareness through supplier audits (established in 2022, phased in from 2023);
- ✓ training in microbiological, chemical and sensory measurements based on the results of laboratory comparisons;
- ✓ a quality day involving all 4 factories - sharing experiences, developing a common approach;
- ✓ continuously reviewing, updating and monitoring procedures and instructions;
- ✓ IT developments;
- ✓ more frequent checks to detect foreign substances;
- ✓ expanding and developing the iAuditor system.

As a result of our actions, the number of complaints registered fell significantly in 2022 compared to 2021:

-8%

Number of registered complaints

-32%

Ppm value of registered complaints*

NUTRITIOUS DAIRY PRODUCTS FOR ALL

In addition to providing quality products, we want everyone to find the right product for their needs in our portfolio. To achieve this, we are developing and expanding our product range by listening to and understanding consumer needs and responding to changing lifestyles and dietary habits. In 2022, Sole-Mizo already had 603 products in 17 product categories (a 31% increase compared to 2020).

Our product design and innovation strategy is focused on meeting ever-changing consumer expectations and needs in a flexible and complete way.

From 2021, we have integrated customer needs, commercial needs and the aspects of our sustainability strategy into our product development processes. Currently in 2023, these factors will be defined in our product development and product introduction workflows.

Our health improvements can be broken down into four main areas:

- ✓ **lactose-free products;**
- ✓ **the use of natural additives and flavorings instead of artificial ones;**
- ✓ **salt and sugar reduction measures;**
- ✓ **vitamins, trace elements.**



THE BASIS FOR RESPONSIBLE DECISION-MAKING IS BROAD INFORMATION

Once we've made high-quality, tasty and nutrient-rich products, it's essential that our customers find the right ones for them. It is a priority for us to ensure that all the information consumers need to make informed choices is easily available on our packaging in order to help them navigate the often inconsistent nutritional information regarding dairy food products. To this end, we have launched and will continue to launch several campaigns on the health effects of dairy products.



OUR GOALS:

WE WILL ACHIEVE A SCORE OF

10/8

ON INTERNAL AUDITS BY 2025

2021: 6.7 • 2022: 6.5



WE WILL SHARE ADDITIONAL QUALITY AND SUSTAINABILITY INFORMATION BEYOND WHAT IS SET OUT IN THE STANDARDS THROUGH OUR PACKAGING AND COMMUNICATION CHANNELS BY 2025.



8. OUR MISSION

OUR MILK. OUR FUTURE.

This is the motto of our report and our strategy.

OUR MILK,

because our dairy products are made from Hungarian milk, by local employees. Our tireless, enthusiastic and expert team works every day to ensure that quality dairy products from Mizo plants are on the tables of diners across the country.

OUR FUTURE,

because our future is in our hands. Companies and people have a shared responsibility to shape and conduct their daily activities in a way that does not harm our world. Our decisions and actions have a significant impact on the future of all of us. It is our responsibility, indeed our duty, to keep this in mind.

Our mission is to provide our consumers with delicious, quality, and nutritious dairy products. We do this in harmony with our environment, strengthening domestic economies and in the company of proud and satisfied colleagues.

These are the goals that guide us, and that is why we have developed our sustainability strategy, which has six working groups as its pillars to help us implement our planned actions and achieve our goals.

SUSTAINABILITY AND OUR CORPORATE CULTURE

Sustainability has always been important to our company, which is why we decided in 2020 to include our sustainable operations in a structured, strategic framework. Throughout the nearly one-year strategy development process and the first two years of implementation, the commitment to responsible, sustainable business operation deepened further into our corporate culture. In the future, we wish to strengthen this even further and will build on it. To achieve this, we have developed detailed plans until 2025, the implementation of which we are monitoring and we are constantly investigating further possibilities. We review and renew our strategy and goals from time to time so that we can flexibly respond to the challenges **and opportunities presented by our rapidly changing world.**

WE CAN SUCCEED ONLY TOGETHER!

At our own sites, we do our best to make our activities directly related to our production as sustainable as possible. But managing the environmental impacts of feed production, cattle farms or even consumer food and packaging waste requires a broader partnership. As a responsible company, we consider the whole value chain. That is why we plan to further strengthen and expand our partnerships with our partners and consumers in the future, so that together we can achieve further decisive results.

OUR MILK. OUR FUTURE.

Our environment - In harmony with the environment: we reduce our environmental footprint and encourage our suppliers and consumers to do the same, especially in the areas of climate protection, material circularity, water protection and animal welfare.



Our people - A workplace where it's good to work: we work in a supportive, stable, inspiring and safe working environment with healthy and satisfied employees for quality products.



Our society - Creating value: providing consumers with a wide range of high quality and nutritious products made from Hungarian milk and produced by Hungarian workers.



STAY TUNED! LET'S SHAPE A BETTER AND MORE LIVE-ABLE FUTURE TOGETHER!

More details: <https://mizo.hu>



THANK YOU FOR READING THE SUMMARY OF OUR SUSTAINABILITY REPORT!

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