

BALTICOVO
SUSTAINABILITY REPORT
2020



WHAT IS SUSTAINABILITY FOR US?

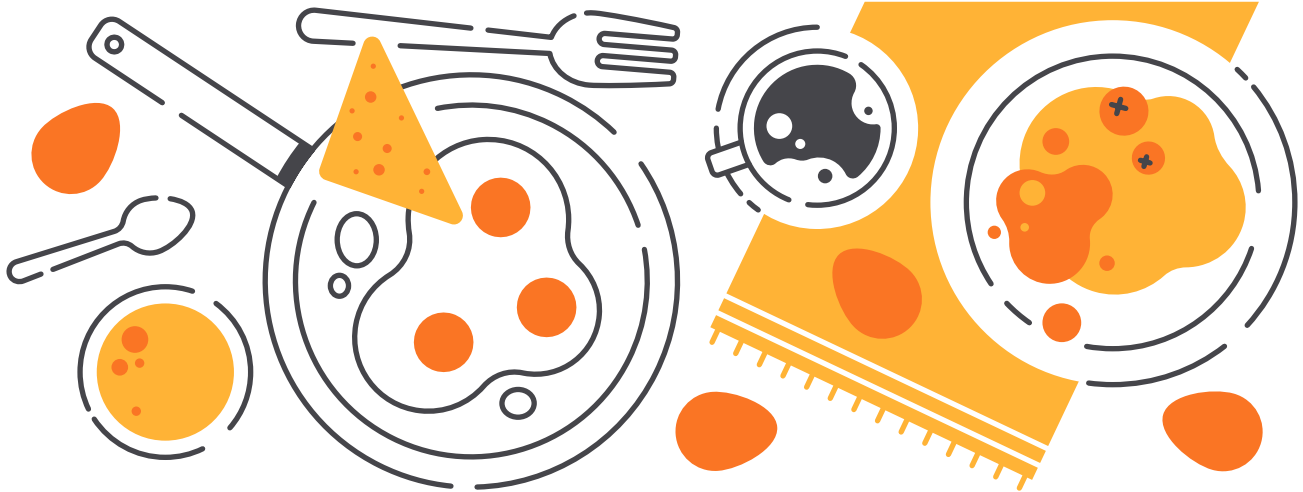


In business sustainability does not mean growing angel's wings and self-sacrifice for the benefit of the environment and the vulnerable section of society at the expense of jobs and profit. In our opinion, sustainability in business means taking measures to ensure that business prosper for a long time to come. It's that simple! However, in order to achieve this, clean environmental resources must be available, public support is required, businesses must listen to their clients and their wishes, steps must be taken to ensure that employees do their work happily and in the case of egg producers, particular care must be taken to ensure the health and well-being of hens. This is the only way we can produce products of the highest quality, which somebody wants and can buy, thus guaranteeing the company's sustainability in the long-term.

The things that matter most to us are product quality, the environment, society, the health of hens, animal welfare and innovations that help to improve life for everyone. Neither *Balticovo*, nor Latvia are cut off from the rest of the world, therefore, given our priorities, we are also striving to attain the UN Sustainability Development Goals – each initiative of ours also helps to resolve global priorities.

At the start of 2020 we set ourselves several non-financial goals – some of which we achieved. However other targets were not attained, because the COVID-19 pandemic forced the company to adapt and rearrange its daily operations and to collaborate with governmental and municipal institutions, as well as non-governmental organisations to do everything possible to care for public health, which was not on our list of priorities at the start of the year. We had hoped to significantly expand our collaboration with farmers. Likewise we had planned to clean up the bed of the Verģupe River, which would have been our contribution to maintaining biological diversity in a small river that like other water bodies in Zemgale has suffered from pollution with nutrients from agricultural land. However the need to rearrange our daily operations forced us to postpone these jobs. Concluding 2020, we can say that sustainability is not only our work attaining environmental goals, improving our care for our hens as much as possible, and in our work with society and employees. Sustainability is also the ability to adapt.

ADAPTING TO THE COVID-19 PANDEMIC



In the course of *Balticovo's* daily operations, the risk of infectious diseases is nothing new. Working with chickens, every day we are exposed to the risk of avian flu. In order to protect laying hens from avian flu, *Balticovo* has introduced a range of improvements which reduces the possibility of the virus infecting henhouses to nearly zero. Without special safety measures viruses, including avian flu, could theoretically be brought into our territory by wild birds and people whose footwear and clothing could be carrying the virus. Therefore we introduced a range of elements to improve biological safety – disinfection equipment, an integrated access control system and washing equipment. In 2020 these measures have also helped to ensure that the COVID-19 virus does not enter our henhouses. And we believe that we have been successful in this goal, since there has been no major outbreaks of COVID-19 within our company.

Parallel to this, in 2020 the biosafety measures we had introduced previously proved to be beneficial in way we had not anticipated beforehand – during the spring with the spread of COVID-19 in Latvia (like elsewhere in the world), there was a shortage of disinfection agents, but *Balticovo* had equipment that produces a disinfectant with an anti-viral impact. Therefore the company was partly able to meet demand from several governmental and local – in Iecava District – municipal bodies for this product, whose availability was in very short supply. Reflecting its concern for public health, *Balticovo* donated this agent to various institutions free of charge. A total of 18 tonnes of disinfectant with anti-viral impact were donated.

Last year *Balticovo* was also involved in a project organised by the public benefit organisation *Hospiss LV "A Meal for Friends"* – with the help of the public and various business,

this initiative provides warm meals to medics, who are fighting for health and lives of COVID-19 patients in hospitals. For this particular cause, in 2020 we have donated 4,680 eggs, 150 kg of liquid egg white, 1,015 kg of scrambled egg mixture and 250 kg of pancake dough.

The global pandemic brought changes not only to the working lives of adults, but also to children's education – most of the year was spent by kids studying remotely. For many families this has been a great challenge – not every child has the computer at home required to participate in remote studies properly. Multi-children and vulnerable families face particular difficulties. In order to reduce this inequality gap, if only a little, *Balticovo* presented computers to 15 families in Iecava District. Also involved in the process were Iecava District Council and teachers, who helped to identify those families most in need of such support.

The aforementioned initiatives have helped the company to move towards attaining the following UN Sustainable Development Goals:

3.3. Reducing the spread of infectious diseases

4.5. Providing education possibilities for everyone including children from poor families.



ENVIRONMENT



In 2020, in collaboration with Hydrotech, *Balticovo* built and launched the operation of **new modern biological purification facilities that ensure that after purification egg and egg product production wastewater has a lower concentration of nitrogen and phosphorus pollution than the water in Zemgale’s rivers.**

Since the new wastewater purification facilities are fully automated, the human factor is excluded – the possibility of errors to be reduced to a minimum. Of course, this minimal possibility needs to be taken into account. Therefore **in the event of an emergency contaminated wastewater cannot leak into the environment** – such great is the volume of the equipment and backup capacity, a leak of water into the environment before purification is not even theoretically possible.

After all the purification stages and before their release into the environment, water flows through microfiltration equipment, thus preventing even the finest suspended substances from entering the environment. At the end of the process, **biogas is produced from wastewater purification sludge**, while polluted sand, which is trapped in wastewater purification equipment is delivered to a waste management company.

The new water purification facilities are highly energy efficient making it possible to reduce consumption not only of electricity, but also various ancillary substances. At present, these facilities are the most modern industrial wastewater purification facilities of their type in Latvia. Every day an average of 500 – 550 m³ of industrial water is decontaminated, while the capacity of the facilities has reached 750 m³, which means that it can also satisfy *Balticovo’s* requirements in the event that production capacity increases.

Replacement of the wastewater purification equipment has enabled the company to move towards the attainment of the following UN Sustainable Development Goals:

6.6. Protection of water ecosystems

14.1. Reduction of nutrient leaks from land-based activities



INNOVATIONS

In the 21st century, food production involves the use of high technology.



“Currently one can see that manufacturing companies are increasingly investing in various technology. Moreover, there has also been a change in the approach of entrepreneurs – whereas it was formerly the practice to buy outdated equipment from European companies, now Latvian businesses are buying the very latest cutting edge technology, which not even European competitors possess.”

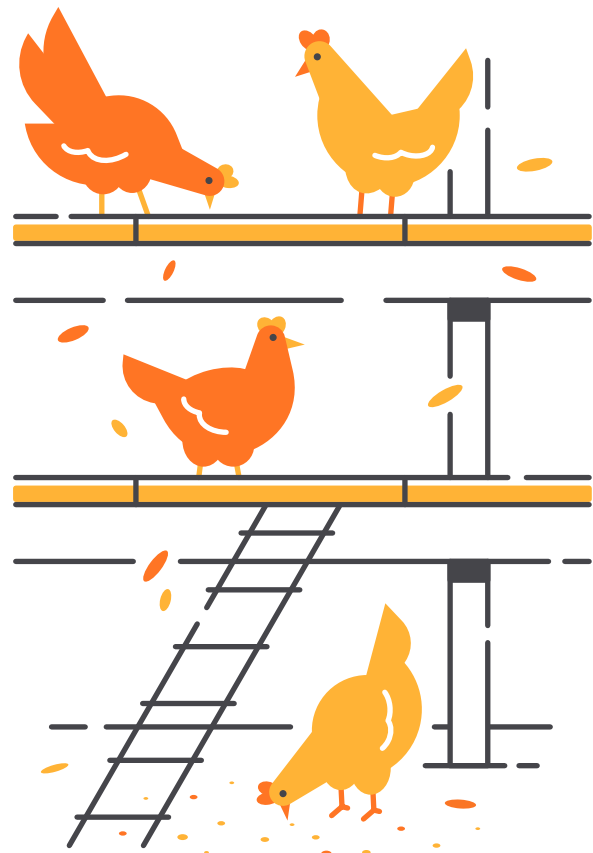
Toms Auškāps,
Balticovo’s Director of Communication and Development

Smart technology has been a feature of the company’s operations for some while now. They ensure that work is not only more efficient, but safer, at the same time ensuring consistently high quality food. For example with the help of computer vision solutions, the external appearance of eggs is assessed, which makes it possible to reach conclusions about the health of hens. Likewise computer vision analyses the quality of liquid eggs and the structure of egg whites and yolks. This makes it possible to instantly correct production so as to prevent potential quality problems.

In 2020 the company introduced new technology which increased operating efficiency, as well as guarantees a healthy environment not only for our laying hens, but also for our employees.

Wireless ultrasound distance sensors are installed in grain towers, which can determine the volume of remaining grain with a precision of tens of kilograms. This means that the person responsible for providing feed sees exactly when it is necessary to increase the stock of grain so that there is never any shortage of feed, but so that at the same time there are also no unnecessary surpluses.

Currently *Balticovo* is studying how **wireless sensors in henhouses could help to control air quality** – it is important to obtain information not only about average henhouse metrics,



but also about local air quality problems. The concentration of CO₂ and ammonia is recorded, along with air flow and temperature. When the system identifies a problem, it is immediately possible to supply more air or on the contrary – to extract it – so that laying hens can reside in clean air, which does not threaten their health or well-being.

The aforementioned innovations have helped the company to move towards the following UN Sustainable Development Goals:

- 8.2. To improve economic productivity with technological innovations
- 9.4. To develop infrastructure to make production more sustainable and efficient
- 9.5. To develop scientific studies and to use their results to improve production processes



THE WORK ENVIRONMENT



Participation in the assessment was voluntary. About 75% of employees took part representing all of *Balticovo's* structural units. Employees assessed the employer's image, work environment and safety, company management and their immediate superiors, communication and collaboration within the company, their motivation and shared goals. Henceforth this assessment will be carried out once a year, and it will not only help to identify problems within the workplace, but also potential solutions and to assess their effectiveness.



“Like any employer, the welfare of employees in the workplace is of great importance to us. The more satisfied the employee, the better the operating results. Therefore the employee welfare survey “*Balticovo Heartbeat*” was the next step in the course of open and mutual communication with the employee. We're delighted with the large number of participants that took part in the survey and let us know their views. And in all honesty, we're pleased with the results, which show what we're doing well and where our resources are, as well as what we need to jointly improve.”

Līga Lazdāne,
Head of *Balticovo's* Human Resources Department

In recent years *Balticovo* has focused on improving employee engagement – meetings are now held in which all employees are invited to state their opinion about the good and bad aspects of their daily work. In addition, post boxes have been installed all over the company's grounds, where anonymous message can be left. 2020 was notable for the next step - the development and launch of the *Balticovo* employee engagement and satisfaction assessment system “*Balticovo Heartbeat*”.

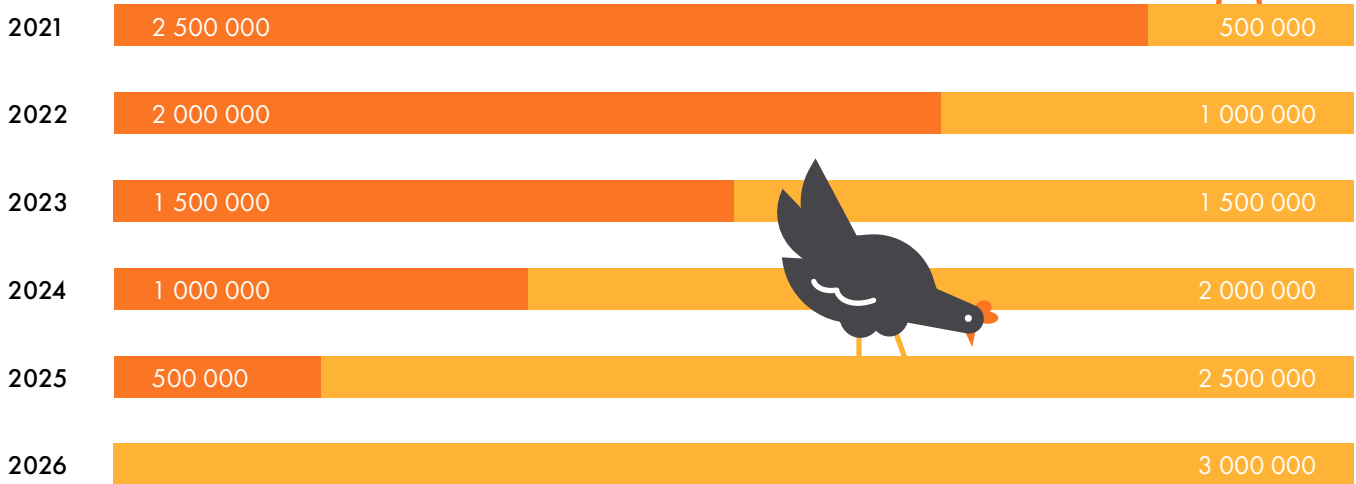
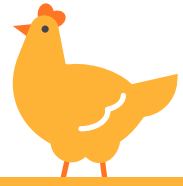
This initiative has helped the company to move towards the following UN Sustainable Development Goals:

3.4. Promotion of psychic health and well-being

8.5. A good workplace for everyone



HEN WELL-BEING



The number of hens living in cages will decline by 500 000 each year

The well-being and health of hens are *Balticovo's* priority – the quality of eggs is directly related to this. Protecting hens from infectious diseases is an integral element of our work. To this end, last year we started monitoring air quality in henhouses so that in the event that problems arise clean flow is automatically released into the environment.

Based on *Balticovo's* long-term development strategy and bearing in mind the growing demand on the part of consumers and food manufacturers for free range eggs, we have set ourselves the following goal – **by 2026 to stop producing eggs laid by caged hens.**

To attain this target, we plan to invest over EUR 30 million in process and technological development. *Balticovo's* planned changes entail a complete overhaul of production infrastructure, which means that birds will be able to move about freely in each of the newly-built henhouses.

Currently of 3,000,000 *Balticovo* hens about 500,000 are cage-free. Every year we plan to increase this number by 500,000, reducing the number of caged birds accordingly.

At present the company offers all four types of products: eggs laid by caged hens (which are labelled with the number 3), eggs laid by hens kept in barns (no. 2), eggs laid by free range hens (no. 1), as well as eggs from biological farms (no. 0). Pricing is the main reason why people mostly still prefer number 3 eggs, but every year there is growing demand for eggs laid by cage-free hens.

Two large *Balticovo* free range poultry barns are already in operation in Madona and Vilce Parish in Jelgava District.

In 2020 another cage-free poultry barn was opened for 400,000 hens in Iecava District at *Balticovo's* production plant. The company collaborates with several family-run farms which supply *Balticovo* with biologically produced eggs, while we share our knowledge as providing a sales market for their products. This provides these farms with income and allows them to plan a prosperous future in the Latvian countryside for them and their families. At the same time, spreading out farms helps us to reduce the risks of infectious diseases among animals.

Meeting demand for ethically produced products and animal husbandry were the main reasons why it was important for us to take this major step. There are no such targets among the UN Sustainable Development Goals. However, in implementing our plans, we are simultaneously moving towards attainment of the following goals:

2.3. Good income for small rural farms, knowledge-sharing and providing a sales market for products

2.4. Protection of food production companies from various challenges such as infectious diseases

