

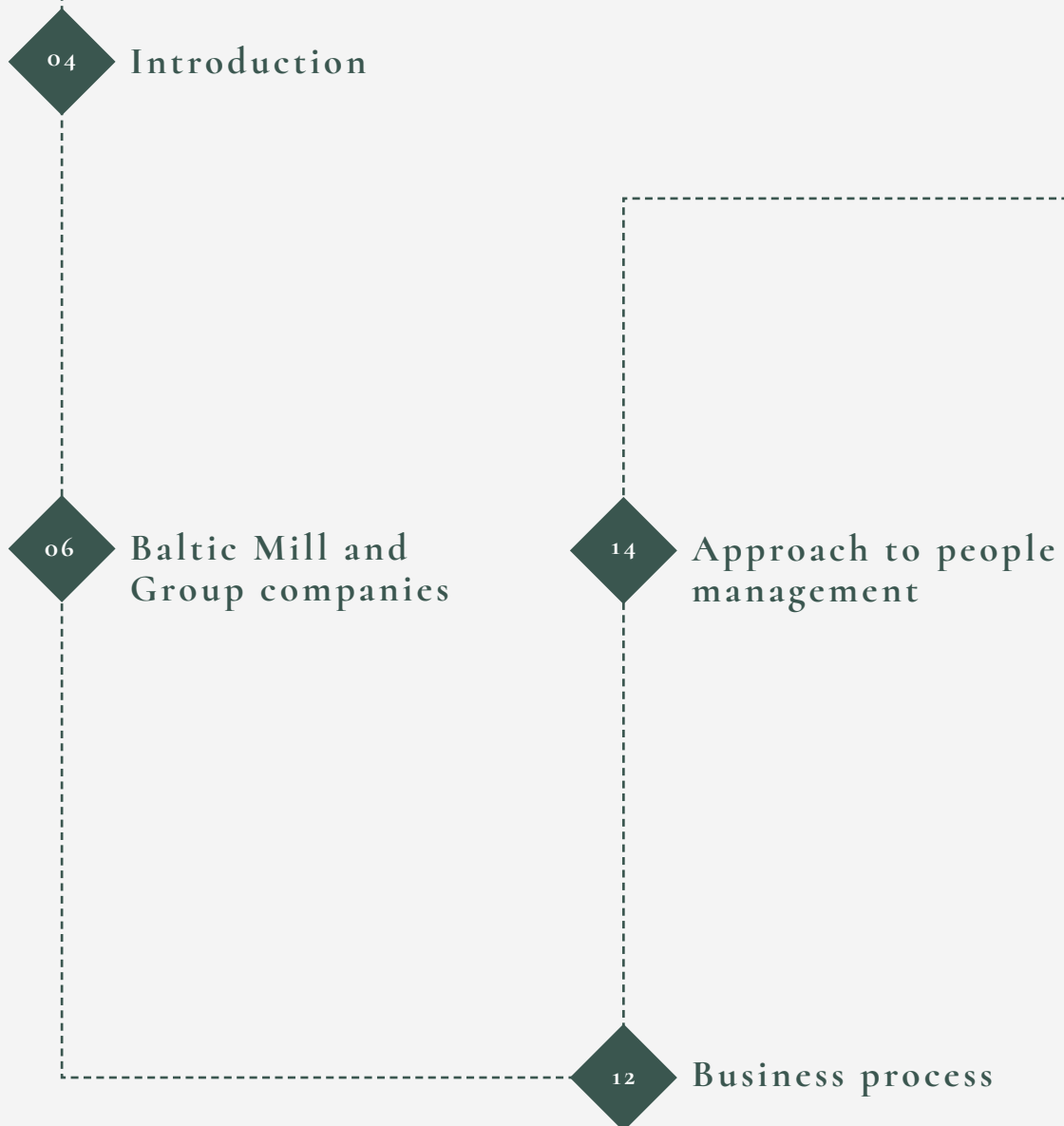
CORPORATE SOCIAL RESPONSIBILITY REPORT

BALTIC MILL



2019

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INTRODUCTION

Dear valued partners,

It is my pleasure to introduce you to the first edition of the Baltic Mill Group Corporate Social Responsibility Report. This report marks a certain level of maturity for our group, a moment when we feel ready to share changes and improvements we have achieved in recent years.

Our group's companies were always well-established in their local communities, being workplaces for generation after generation.

Business for us has never been only about financial results. We have always felt a responsibility to do more and take better care of others: our employees, our partners (farmers, suppliers, clients, and customers) and society as a whole.

This report is an excellent opportunity to share the results of our work, present the achievements that we are proud of, and provide more in-depth insight into how we foster sustainable business.

The years 2018 and 2019 were special for Baltic Mill because we reviewed our group's Mission and Visions statements, broadening them with a newly introduced set of Values. This exercise helped us to remember where we come from and discuss how we want to continue going forward. I would like to see our future success to be built on these values - from strategic decisions at the group level to the simplest day-to-day activities at the ground level.

I would like to thank you, our partners, for your ongoing support and cooperation. Both I and everyone at the Baltic Mill Group are committed to continual development of our partnerships based on mutual respect and corporate social responsibility.

I invite you to join us in these efforts and build a more sustainable future together.



ANDREJUS CEDRONAS | MANAGING DIRECTOR, BALTIC MILL

Group Strategy

Our mission is to create a more nourishing and happier life responsibly.

Expert knowledge and a talented team enable us to develop, improve and maintain processes, products and relationships in the most sustainable way.

Every day, millions of people choose products made by our group's grain processing companies. We see this as our responsibility and continuously work to keep up with quality standards and respond to changing market needs.

Our vision is to become the most attractive partner for quality food from the Baltics.

Baltic Mill values:

Drive

We aim to be one step ahead. That is why we believe in ourselves, we are original, and we are not afraid of experimentation.

Teamwork

We are one team, as we support each other and work for a common goal.

Professionalism

We are professionals because we know our field, we are always learning and improving.

Responsibility

We take personal responsibility in our daily work for adding value to the organization, customers and partners.

Respect

We respect and acknowledge colleagues, clients and partners, their efforts, time and opinion.

LEADING TOWARDS MORE SUSTAINABLE BUSINESS

"For me, values are about how you behave when you do not know what to do in a situation, and there are no clear instructions. They support making numerous daily decisions in every business area and are at the core of what makes us a socially responsible and sustainable company. From the quality of soil to the final product that goes on the tables of our clients' families, our whole production cycle is built around sustainable practices. This report is a great opportunity to evaluate and share the results of our long-term commitments to our employees, partners and general society."

Andrius Rakštys

Managing Director of Malsena Plius

"Understanding and defining values is the foundation of every successful company. They allow us to see all our processes and goals through a different lens – a lens that distinguishes mutual respect, trust, purposefulness and achievements. Our social responsibility efforts described in this report illustrate how seemingly abstract values can have clear applications in ways of doing business and create an actual impact."

Žilvinas Pakeltis

Member of the Board, Rīgas Dzirnavnieks

"It is not always easy to see how being socially responsible and living according to corporate values is linked with business goals. For us, the link is obvious – responsible approach to daily decisions from whom we employ to what will be the next products to develop is how we make a success of our companies sustainable in the long run."

Marius Dužinas

Managing Director of Amber Pasta

"Making decisions is easier when you know what your core values are. I'm glad that we have set out our values, which support our vision, shape the company's culture and are the essence of our overall identity. Drive, teamwork, professionalism, responsibility and respect are at the core of our sustainability efforts described in this report and, hopefully, will remain the grounding stones for our further growth."

Lauri Politanov

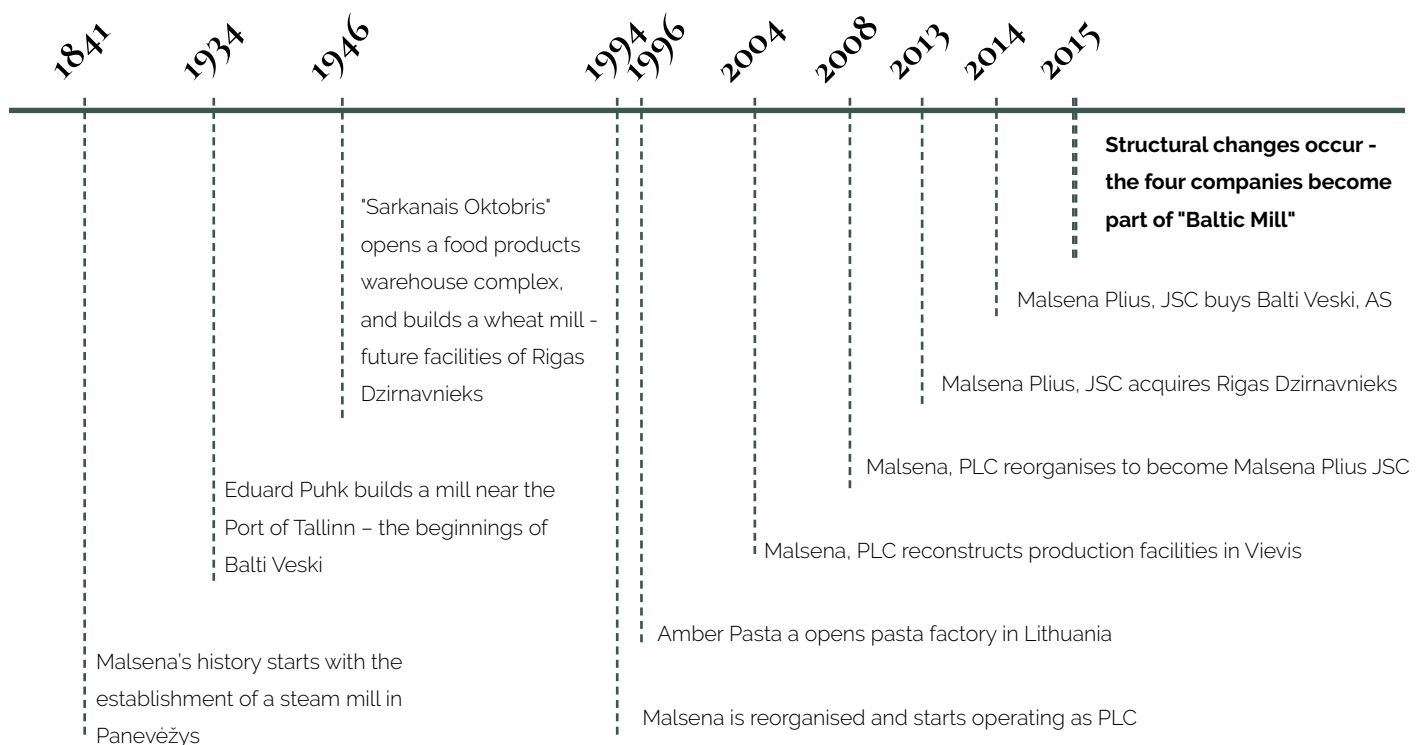
Managing Director of Balti Veski AS

1

Baltic Mill and Group companies

Baltic Mill has built a strong presence in the Baltics by acquiring mills with many years of experience in their respective countries.

The Lithuanian company **Malsena Plius** began with a steam mill in Panevėžys in 1841. The roots of Latvian company **Rīgas Dzirnavnieks** date back to 1946 - when Sarkanais Oktobris opened a food products warehouse complex. Estonian Puhk family built a large mill near the Port of Tallinn in 1934, which led to the development of **Balti Veski**. Lithuanian pasta production company **Amber Pasta** is the youngest company, established in 1996.



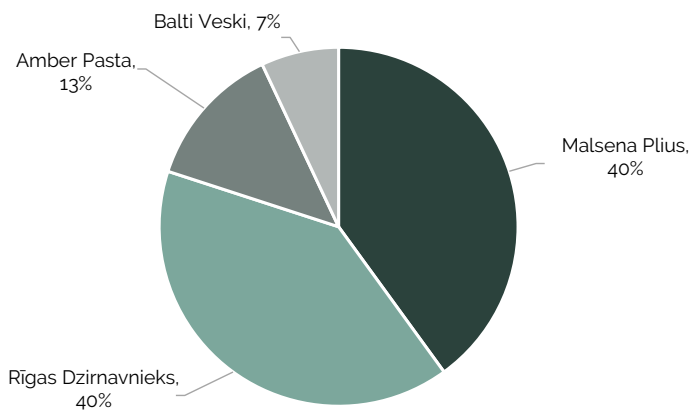
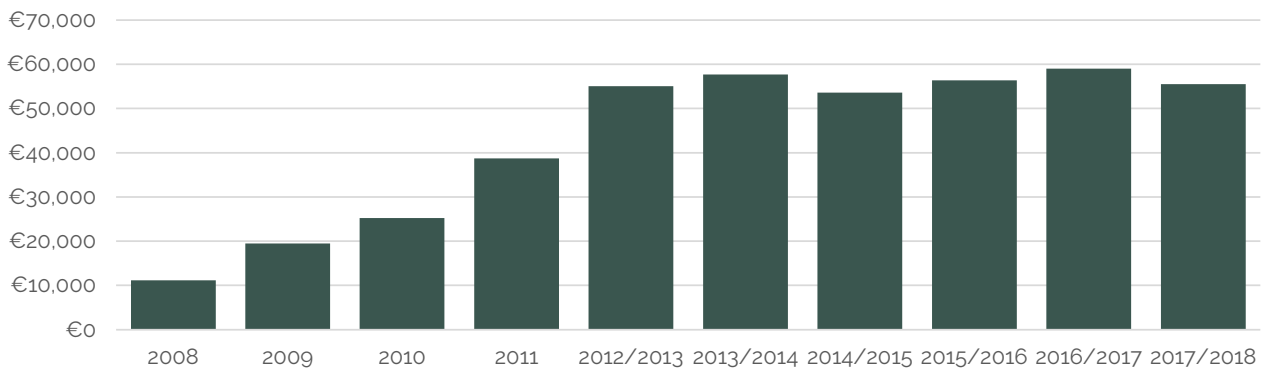
Nowadays, Baltic Mill operates in all three Baltic countries and owns strategically located production facilities in Tallinn, Riga, Panevėžys and Vievis. The companies continue to specialise in grain processing and related grain product production for B2C, B2B and Export markets as well as Private label products.

MAIN FACTS

Turnover

Consolidated Group turnover was EUR 55.5 million in the 2017-2018 financial year.

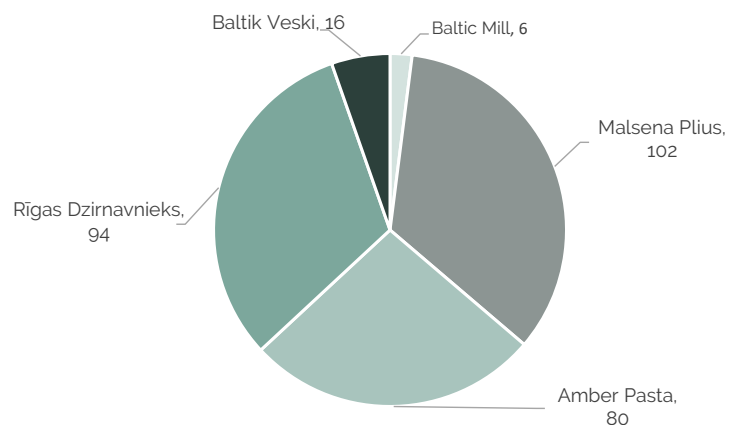
Thousands of euros



Group divisions and sales in %, 2017-2018

298 employees ▶

In June 2019, 298 people were working for Baltic Mill Group.



Baltic Mill companies and brands

Products



Sells the two most well-known soft wheat pasta brands in Lithuania, Pasaka and Gintariniai.

Wheat pasta, durum wheat pasta, whole grain pasta, buckwheat pasta, organic pasta, spelt wheat pasta.



Balti Veski owns Veski Mati brand. Veski Mati is one of the best-known and trusted local grain product brands in Estonia.

Various sorts and types of flour, semolina, flour mixes, flakes, brans & germs, instant mashed porridges, rice, pearls, grits, beans, peas, muesli, pasta, breadings, organic products.



Malsena – a widely recognised flour brand in Lithuania with the most popular wheat flour product on the market for 25 years, has also been a pioneering brand in the flour mix category in Lithuania for the past 20 years.

Various sorts and types of flour, flour mixes, flakes, instant porridges, brans & germs, pasta.



Herkules – a traditional cereal product brand that, for many decades, shaped cereal consumption traditions in Latvia. Recently, the brand has extended its portfolio with a flour mixes line.

Cereal flakes, instant porridges, muesli, muesli bars, pasta, rice, brans, protein products, flour and flour mixes.

KEY DIFFERENTIATORS

Our unique approach to grain is what differentiates us on the market. We treat grain not as a mere raw material but as a valuable instrument, which offers us unique ways to broaden our knowledge and expertise and encourages us to deliver innovative, higher-value solutions to our stakeholders.

Firstly, this leads us to our grain farming programmes. Grain farming programmes involve close partnership with a contract-farmer, designed to provide expert assistance at each step of cultivation and enable us to employ the field-to-fork principle without owning actual farms. By offering favourable conditions and guidance to farmers, we ensure a steady supply of the best quality locally sourced grain as well as are empowered to promote and encourage more sustainable agriculture methods.

Solid backing and trust from our partners help us to engage in unique projects. The revival of ancient spelt and introduction of Scandinavian oat varieties are on track to change Baltic grain and business-to-consumer markets and are outcomes of the grain farming programme approach. Nowadays, Baltic Mill is the proud owner of three such programmes dedicated to oat, rye and spelt cultures.

These programmes allow us to offer consumers a more culture-diverse locally-sourced production portfolio. However, this comes with a particular responsibility to promote the benefits of all the new cultures to the general public and educate future generations of consumers about their benefits and related traditions.



TOWARDS SUSTAINABLE GROWTH

Baltic Mill companies are constantly improving how they do business and the results they achieve. We focus on taking better care of resources — nature, energy and people, believing that growth, first of all, has to be sustainable. We strive to reduce waste at every step, maintaining high food safety and quality standards and meeting customer needs. These aspirations are supported by dedicated processes, efforts to improve and company-specific initiatives.



We aim to reduce to a minimum the unnecessary production waste by lowering the chance of product expiration while it is still in stock. Excess production that can't be utilised due to changes in demand are offered as a support to "Maisto bankas" and other NGOs.



We have already reduced sugar levels in a big part of our portfolio. Most of **Malsena Plus** and **Amber Pasta** products carry a Scandinavian Key Hole symbol. In contrast, **Rigas Dzirnavnieks** flakes' products are verified by dieticians. Our leading initiative in the Baltic countries is a Porridge Day, every year reaching thousands of children and their relatives to promote benefits of porridge and other healthy eating habits.



Baltic Mill companies are regularly renewing their fleets to reduce emissions and aim to have the entire fleet replaced by newer, more energy-efficient models in 2020. One of the group's long-term goals is to harvest renewable energy resources in the production process, starting in the year 2021-2022.

We are and intend to remain keen supporters of the United Nations' Sustainable development goals, aiming to make the world a better place to live by 2030. We, as a group of food production companies, have chosen to shape our business practice and channel future strategy towards an environmentally friendly and positive heading that embodies the following goals:



We strive to improve working conditions for our employees. Besides many company-specific initiatives, the whole group has recently reviewed our remuneration systems, the policy of equal rights and the code of conduct. In the daily matters, Methods as KAIZEN are applied for continuous improvement of work quality.



Investing in new technologies has helped us to achieve positive results in lowering energy consumption in the last two years and we are planning to follow the same path onwards. Investments in new production lines and devices have achieved a significant impact on efficiency.



Responsible consumption is at the core of each of our production steps. From the soil to fuel consumption, various quality improvement efforts are focused on increasing efficiency and reducing waste in every step.



Efforts to make Baltic Mill production more efficient have a direct impact on lowering the group's environmental footprint and making its operations friendlier to the environment. Besides, customers are encouraged to recycle by putting more attractive and clear information about the packaging recycling method on customer packages.

2

Business process

Baltic Mill companies divide their business processes into the following stages:

- ▶ Raw materials and their traceability
- ▶ Research and development
- ▶ Production
- ▶ Sales and logistics
- ▶ Cooperation
- ▶ Responsible consumption

Traceability of raw materials

Raw materials used in production can be clearly traced to their local origins. Baltic Mill has established long-term collaboration with its farmers who provide the essential raw material – grains – to secure ongoing Baltic Mill operations. We believe that our product quality to a large extent depends on grain quality. We are particularly attentive to supply processes that provide us with the best quality grains directly from responsible suppliers.

Research and development

Each Baltic Mill company is involved in research and development activities, focused on a number of areas. Ongoing cooperation with local farmers aims to encourage cultivation and ensure better yields and quality as well as a steady supply of local crops. Internal efforts are aimed at developing new products to:

- satisfy new consumer needs;
- offer them healthier, higher quality nutritional options;
- increase general food safety
- develop new production capabilities.

Production

Across the Baltic Mill Group, there is a joint effort to make production more efficient and reduce waste. To achieve this goal, each company selects its own tools and practices and improves on the areas that are most relevant for their specific conditions. The core areas in increasing production efficiency are smarter use of human resources, upgrades in equipment and looking for wider synergies at the company and group levels, where increased cooperation can have a positive impact on overall results.

Cooperation with communities

Being an active part of local communities is an important part of doing business for each of the Baltic Mill companies. It starts from creating employment possibilities in areas that are otherwise poor in work opportunities to partnerships with local farmers and finally, taking an active role in shaping healthy eating habits within society, as well as joining other relevant initiatives.

Sales and logistics

One of the main challenges for the group is to reduce waste of human resources by consolidating sales efforts and removing the inefficiencies that develop because of separate sales efforts conducted by each company. If previous practice was for each company to engage in sales separately, the current goal is to split these responsibilities and assign companies to markets where they are strongest. According to this structure, salespeople are designated for each market and tasked with selling products from the whole group instead of many salespeople selling many products in the same markets without much coordination. Corresponding improvements are underway in the field of logistics. Delivery routes are designed to be as efficient as possible to save resources without operating partially empty trucks. Environmental and economic efficiency is a priority, hence the renovation of vehicle parks.

Responsible consumption

Monitoring the consumption of electricity, water, raw materials, packaging material and other sorts of waste is part of the social responsibility policies at Baltic Mill companies. It incorporates our general ambition to reduce waste and each company has separate initiatives for improving concrete areas.

Overall, the production processes of group companies use clean energy and are constantly improved to ensure that production waste is as low as possible.

3

Approach to people management

Human capital is one of the main strengths of Baltic Mill companies and increasing employee engagement and satisfaction is a strategic priority.

All Baltic Mill companies have recently unified their approach to people management and now follow the same employee management policy, and that facilitates equal and fair employee treatment across the companies.

Currently, Baltic Mill is focusing on using corporate values to unify working culture, investing in skill-building and improving internal communication.

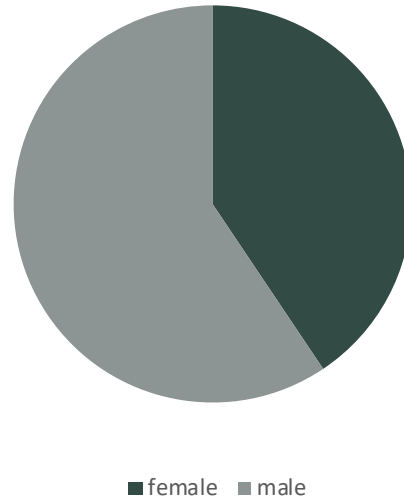


STAFFING

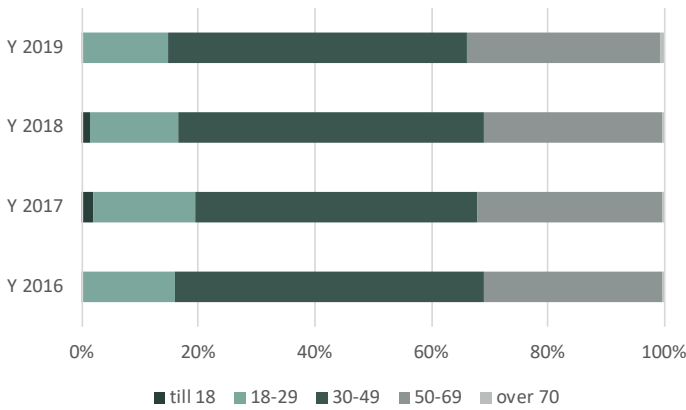
The gender ratio varies from company to company and across the group: 59 percent of employees are men, while 41 percent are female.

Many production employees stay with their companies for a large part of their lives, which is reflected in the age distribution of employees – one third are between the age of 50-69 and 36 percent have been working for their company for more than 10 years.

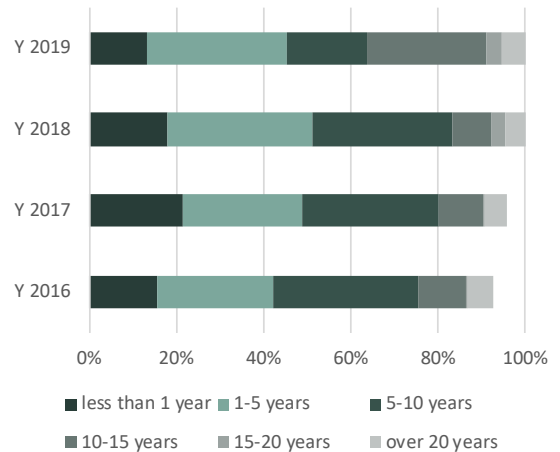
Gender ratio Baltic Mill Group, 2019



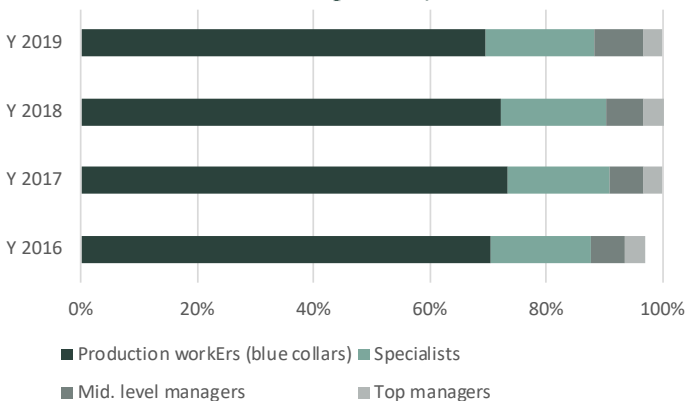
Employees by age Baltic Mill Group, 2019



Years of working in the company, Baltic Mill Group, 2019



Employees by position Baltic Mill Group, 2019



One of the group's companies, **Amber Pasta**, is a socially-progressive company as 49 out of its 89 employees (61 per cent) are disabled people. Overall, 17% of Baltic Mill employees are disabled.

The nature of Baltic Mill activities dictates that 70% of staff members are production workers. One-fifth or 19 per cent are specialists and one-tenth or 11 per cent are middle and top managers.

EMPLOYEE ENGAGEMENT

In 2019, Baltic Mill Group companies - Malsena Plius, and Rīgas Dzirnavnieks - implemented employee surveys to gain insights into the working environment. Survey questions focused on employee engagement, satisfaction and the effectiveness of internal communication, among other topics.

The overall results were satisfying:

- ▶ 9 out of 10 employees are happy with their workplace (93% in **Malsena Plius**, 95% in **Amber Pasta** and 76% in **Rīgas Dzirnavnieks**.)
- ▶ 7 out of 10 employees would recommend the company as a workplace to their friends and relatives (76% in **Malsena Plius**, 71% in **Amber Pasta** and **70%** in **Rīgas Dzirnavnieks**.)
- ▶ 8 out of 10 employees trust the company they work for (86% in **Malsena Plius**, 75% at **Amber Pasta** and 89% in **Rīgas Dzirnavnieks**.)

Based on these results, Baltic Mill Group established a goal to increase employee trust in the company by 5 per cent before the next annual survey.



Equal rights

Baltic Mill ensures equal rights for all of its employees. The main principles of equality are outlined in two guiding documents: The Policy of Equal Rights and The Code of Ethics.

There are eight main areas where equality and non-discrimination are ensured for every employee of Baltic Mill:

- ▶ Recruitment
- ▶ Equal work conditions
- ▶ Equal criteria for performance evaluations
- ▶ Equal criteria for dismissals
- ▶ Pay for work
- ▶ Prevention of harassment and discrimination
- ▶ Prevention of sexual harassment
- ▶ Protection of the disabled

Act against slaves and child labour

Baltic Mill Group does not use slaves or child labour as this is non-compliant with the laws of countries where the group's companies operate. Such practices would also breach the internal Code of Ethics.

Student employment

In 2019, **Rīgas Dzirnavnieks** was actively involved in the SEA (State Employment Agency) student employment programme, recruiting 10 students from 1 July to 31 August. Students will be employed in the laboratory, grain acceptance, and packing shops. This is the company's first experience working with SEA.



Scholarships

In 2018, **Rīgas Dzirnavnieks** decided to announce 2 scholarships for LUA (Latvian University of Agriculture) students: one for a student of the Faculty of Food Technology and the second for a student of the Faculty of Agriculture. The scholarship was announced for the second time in 2019.

For the third year, **Balti Veski** has issued a scholarship to encourage and recognise students of the Estonian University of Life Sciences for their academic achievements and social activities contributing to rural life in Estonia, as well as to carrying out research that contributes to the improvement of grain quality and raw materials.

Cooperation with universities

Young people skilled in agriculture and food technology are in high demand throughout the Baltics, so Baltic Mill companies embrace cooperation with local universities to discover talents and build relationships with them. Students are invited for summer internships and research projects, and can apply for grants, while the best are offered employment.

4

Safety and well-being in the workplace

Each Baltic Mill company ensures the safety of its employees and practices continuous improvement processes to maintain the integrity of the working environment.



Employees enjoy reviewed remuneration and bonus systems

In 2018, group companies had:

- ▶ Reviewed their remuneration system for all personnel according to their position levels.
- ▶ Introduced bonus systems for manufacturing employees involving a bonus of up to 20 per cent monthly, or quarterly depending on their position.

The year was marked by another groupwide initiative involving employees from all levels - KAIZEN. The initiative encouraged employees to propose ways of improving general safety and well-being in the workplace while offering an additional bonus.

Other points worth noting:

Rīgas Dzirnavnieks provides employees with a health insurance card with the same coverage regardless of job function. In 2019, starting in February, the insurance card was expanded to include 50% dental care coverage.

Since more than half of **Amber Pasta** employees have disabilities, the company pays special attention to adapting work conditions to their needs. According to relevant requirements, more work breaks and additional holiday time must be provided, so the company invests in extra resources to cover the time off.

Amber Pasta has recently invested in new equipment and efficiency measurement tools, which helped to evaluate the actual workloads and optimal ways of running production lines more effectively. This enabled the company to turn off part of its equipment on weekends and at night, resulting in reduced consumption of energy and better work conditions for workers due to fewer night and weekend shifts.



Cooperation with trade unions and the work council

Baltic Mill companies have collective agreements, whose benefits and collateral packages were substantially increased in the previous financial year (2018/2019) concerning seniority allowances, childbirth allowances, anniversaries, etc. The collective agreement also includes sections on employee events, and Christmas and other holiday gifts, as well as company trips abroad.

For more than 20 years, **Rigas Dzirnavnieks** has been home to a trade union that is supported and respected by the company. All significant decisions that apply to changes in employee pay, benefits, or any planned structural changes are initially coordinated with the union. Once a year, with the support of the company, **Rigas Dzirnavnieks** employees go abroad for 50% of the cost - the rest is paid for by the trade union.

Malsena Plus and **Amber Pasta** elected relatively young work councils in 2018. Work council members represent all employees and are expected to voice problems and suggestions, and provide feedback to upper management from all employment levels.

Baltic Mill companies also have or are delegated to elect Employee health and safety committees in 2019, creating bodies composed of employee and management representatives.



Responsible supply chain

By managing its supply chain, Baltic Mill companies focus on:

- ▶ Responsibility for the environment by using sustainable agricultural practices
- ▶ Mutually responsible relationships with suppliers by implementing grain farming programmes to ensure a supply of raw materials
- ▶ Responsibility to consumers by supporting the growth of local, high-quality and nutritionally valuable materials.

Wheat has good availability locally, but crops like oat, spelt and rye require more attention and closer collaboration with farmers to secure adequate supplies. For this reason, Baltic Mill has successfully initiated oat and rye farming programmes. The programmes also ensure better quality, local raw materials as well as full traceability from the farmer-supplier.

Farms participating in agriculture programmes become long-term partners of Baltic Mill companies. Participating farmers agree to limit or, in some cases, forgo the use of chemical products as growth regulators and pesticides, which prevents environmental and groundwater pollution. This also creates conditions for favourable crop rotation, which ensures land conservation and prevents soil erosion.

When purchasing packaging and composite materials, Baltic Mill companies sign only certified suppliers, primarily based on quality. Approved suppliers must meet the product specifications and these requirements are checked when receiving goods in the warehouse. Qualitative certificates are always mandatory when the goods are accepted.

Recently, Baltic Mill companies have raised themselves a goal to use more environmentally friendly packaging solutions both for consumer and B2B products and in this way to support resource-saving future thinking.

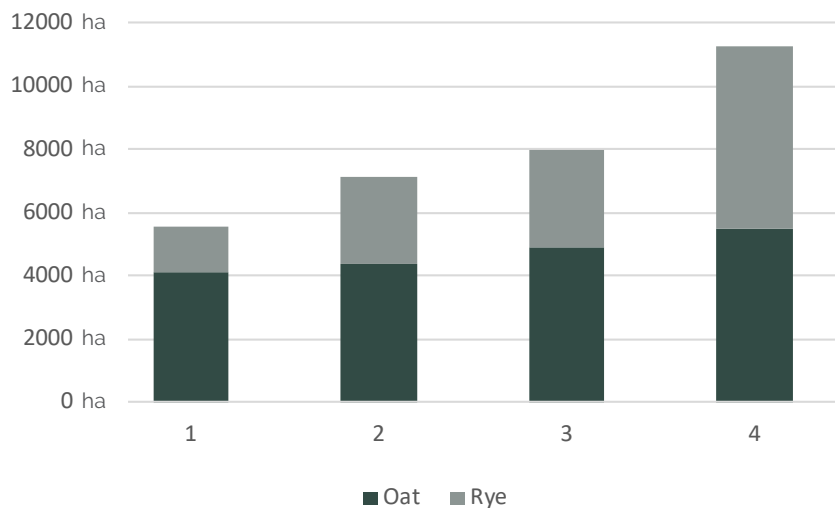
Grain farming programmes

Grain farming programmes encourage local crop cultivation and make it possible to satisfy a growing demand for locally grown oat and rye. The programmes also give Baltic Mill companies a unique way to employ the field to fork principle without owning any actual fields

Grain farming programmes are designed to generate the following benefits.

Contract-farmers	Baltic Mill	End-customers and clients	Environment
<ul style="list-style-type: none"> ▶ Better purchase price ▶ Seed material ▶ Best available recommendations for growing technologies ▶ Expert support throughout the process ▶ Help with logistics during the harvest period ▶ Higher yields 	<ul style="list-style-type: none"> ▶ Partnership and trust from local farmers ▶ Ability to monitor the process from field to fork ▶ Higher quality raw materials ▶ Secured stock ▶ Opportunity to engage in new projects 	<ul style="list-style-type: none"> ▶ High-quality raw materials - better quality locally grown products ▶ Traceability 	<ul style="list-style-type: none"> ▶ Minimised negative impact of farming (i.e. no pesticides, growth-controllers, etc.)

Contract growing field growth: oat and rye



The results

Baltic Mill started its oat farming programme in 2013 with 10 farmers and a total area of approx. 1,000 ha, which expanded to 60 farmers and 5,000 ha in 2019. We expect to maintain the same figures for 2020.

The rye farming programme began in 2016, involving 10 farmers and covering a total area of approx. 1,000 ha, growing to nearly 30 farmers and approx. 6,000 ha in 2019. We are expecting a moderate increase in these numbers in 2020.

OAT FARMING PROGRAMME

Launched in the spring of 2013, the project aims to source adequate volumes of pure quality oats locally. The project is carried out with the most loyal farmers in Latvia and Lithuania, in different soils and regions. In a number of trials, Baltic Mill picked the best oat varieties for Baltic soil, which deliver an optimal combination of the largest yield and best taste in a plate.

Among the best varieties of oats in the Baltic Mill portfolio are Viviana, Peppi and Niklas. These oats are delivered by Finnish company Boreal, as Finnish oats are considered as a global benchmark of quality. Baltic Mill motivates farmers to use fewer chemicals and fertilisers and no straw-shortening agents, which keep oats much purer, while limiting harmful impacts on soil and water.

Introducing our oat variety for Baltic soil - Herkules Baltic

In collaboration with Boreal, Baltic Mill developed its own oat variety, Herkules Baltic, with exclusive rights to market and sell seed material. This variety is rich in beta-glucans, with high milling quality, but also provides good yields for farmers. So far, only a small amount of Herkules Baltic is planted to accumulate seed material for next year's (2020) sowing period. However, we do expect the first commercial volumes to be available from autumn 2020.



RYE FARMING PROGRAMME

Three years ago, following on the heels of the successful oat farming programme and faced by shrinking rye cultivation in the Baltics, Baltic Mill initiated a rye farming programme, onboarding farmers from previous successful collaborations.

Bringing back the ancient rye variety Lietuvos Tretieji

In light of a successful program launch, Baltic Mill decided to reintroduce an old Lithuanian rye variety –Lietuvos Tretieji. It took determination to revive this old variety: at the very beginning, only 40g of seed material was cultivated on an area the size of a children's sandbox. It took four years to replicate the seed material (mostly manually) and this year's autumn harvest will cover a larger area. However, commercial volumes and more intense bread testing will only begin in 2020.

Quality and partnership management

Over the past 5 years, Baltic Mill has strengthened its relationships with farmers through various collaboration projects. Companies provide farmers with pre-harvest contracts to secure reasonable prices at an agreed quality. For this purpose, wheat price hedging instruments are used. This helps to fulfil commitments regardless of global price fluctuations. In such contracts, farmers are also evaluated based on loyalty and fulfilment of obligations.

Internal agronomists and managers are performing consistent pre-harvest field monitoring, while internal partners are looking for more complex traceability.

Quality reports on fields are available internally and for clients. Depending on weather conditions, grain varieties, growing technologies and the farmers themselves, Baltic Mill can make the best estimates for grain yields well before the harvest starts.

July to September is the most critical period for collecting grain. Baltic Mill owns drying, cleaning and storage facilities, so it can help farmers deal with this vital period. Staff dedicates as much time as needed to sorting incoming crops and obtaining the best blend in later processing. Local grain quality requirements have 4-5 wheat grades, but Baltic Mill mills carry out more complex sorting to collect better quality grain (i.e. a better mix of protein and less gluten per hectolitre). Because part of production is consumed by children, quality standards are suited to their nutritional needs and food does not contain harmful elements such as growth regulators, mycotoxins or heavy metals.

After their arrival at the warehouse, all raw materials (crops, other ingredients) are entered into a sophisticated internal traceability-accounting system. That is why any raw material used in a product can be traced back to its original supplier using the best before day and/or batch numbers.

All farmers, as well as other partners from whom grain is purchased for the production needs of the company, are subjected to initial questionnaires on the use of PPPs (plant protection products) on their farms, compliance with hygiene requirements and safety. Following a questionnaire, company staff is trained every year to carry out surveillance audits on farms and partners to make sure that all rules are respected, thereby ensuring grain quality and safety.

Baltic Mill companies carry out regular audits of our raw material suppliers to verify their origin. This is a mandatory step to comply with BRC Global Standard for Food Safety for which **Malsena Plus** and **Rigas Dzirnavniesks** are certified.

6

Responsible production

From establishing long-term quality systems to daily improvement cycles, Baltic Mill companies have many ways to ensure sustainable and responsible production processes.

The primary priority is to ensure safety for customers and product quality, and this aim is regulated by the BRC Global Standard for Food Safety and ISO standards. Another layer of responsible production is increasing efficiency and reducing waste in any form – emissions, packaging or human resources. Group companies are gradually investing in renewing their technologies or transforming completely them into new, more efficient and environmentally-friendly technologies.

Quality systems

Malsena Plus and **Rigas Dzirnavnieks** both hold BRC Global Standard for Food Safety certificates.

The BRC standard is recognised by food manufacturers around the world. Certification, according to this standard, attests to a company's compliance with the following

quality systems: HACCP (Risk Analysis at Critical Control Points), Good Manufacturing Practice, Good Hygiene Practice and Good Laboratory Practice. It also helps food retailers, manufacturers and brand owners to comply with their legal obligations.



Baltic Mill companies also follow ISO standards:



ISO 22000: 2005

Food safety management systems -- requirements for any organisation in the food chain.

Specifies requirements for a food safety management system where an organisation in the food chain needs to demonstrate its ability to control food safety hazards in order to ensure that food is safe for human consumption.



ISO 9001:2015

Quality management systems -- fundamentals and vocabulary.

Describes the fundamental concepts and principles of quality management.



ISO 14001:2015

Environmental management systems -- requirements with guidance for use.

Specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organisation seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

Energy consumption and emission management

Lowering emissions

Baltic Mill is continuously reviewing its fleet to reduce emissions. In recent years, the group has replaced 75 per cent of its trucks with a new generation of Euro 6 trucks. New trucks consume 15-20 per cent less fuel than the older generation. By 2020, the group will finish replacing its fleet with Euro 6 trucks.

A similar process is underway for commercial vehicles. The group is moving away from diesel models and upgrading its fleet to hybrid and petrol models. By 2021, the group plans for all of its commercial vehicles to be hybrid or petrol.

Reducing energy consumption

The group focuses continuously on reducing electricity consumption. Overall, the group consumes less energy to produce one tonne of product, a positive trend that has continued for the last two years. Of course, there is still room for improvement for different group companies or operational levels.

At the beginning of 2018, an energy audit was carried out at **Rigas Dzirnaveiks**. The audit recommendations were to replace obsolete lighting fixtures in warehousing and manufacturing premises with new, energy-efficient lighting fixtures. A work plan was drawn up, which should be completed by 2021.

Investments in new technologies and green policies

Investment in new technologies

In 2019-2020, **Rigas Dzirnāvnieks** plans to invest in a new product dosing devices. The device provides precision recipe preparation that prevents waste and reduces loss of raw materials.

From 2020 to 2021, wheat mill production facilities will be updated with the latest generation equipment. These investments will significantly reduce the consumption of electricity and enable 10-15% more efficient use of raw materials.

Balti Veski plans to digitise warehouse processes in the coming years to improve performance.

New durum line

Malsena Plus and **Amber Pasta** are making necessary investments to launch a new durum pasta line. The new line will cover each durum pasta production step from milling to packaging in the most energy and cost-effective way. The group expects to launch its first commercially available products at the beginning of 2020.

Renewable energy

One of the group's long-term goals is to reduce its environmental impact with the use of renewable energy sources. These investments will most likely be made in 2021-2022, starting with **Rigas Dzirnāvnieks** production facilities.

Waste management

Consumer packaging

Baltic Mill's B2C production is packaged using paper, cardboard or polypropylene and requires transportation solutions like secondary packaging and palletising options to protect the goods in transit. Pursuant to the group's strategical goal to reduce waste across all processes, the waste management and recycling policy is gaining significance.

Even though most production packages are made of paper or cardboard (e.g. PAP 21, PAP 22), which is a friendlier option for the environment, Baltic Mill continues to work towards greener solutions. Next year, the group will switch to lower grammage paper material.

Baltic Mill companies have started educating consumers about products packaging recycling options, by placing more attractive and clear instructions on the package. Instructions help consumers to decipher PAP21, PAP22 or PP5 meanings, and clearly state how the packaging element should be recycled. The recycling method indicating icons firstly will be seen on Malsena Plus products, other brands will follow.



Transportation packaging

After conducting several tests, the group managed to successfully reduce the amount of stretch wrapping used to secure pallet contents during transit by 30%. Group companies prefer used-sorted pallets over new ones.

Production waste

All group companies are involved in responsible production waste management, and constantly seek ways to improve the process.

To successfully process waste from oat flake production, **Rigas Dzirnavniesks** has installed a boiler fuelled by oat waste products, thus significantly reducing natural gas consumption. The wastes we are unable to recycle are handed over to biogas producers.

Since 2012, **Balti Veski** has been committed to responsible waste management and has taken a number of proactive steps to reduce the company's ecological footprint. The company is taking care of packaging circulation and cooperates with the Producer Responsibility Organisation (www.tvo.ee) by sorting and processing waste and supporting the construction of public containers for recycled packaging.

Office waste

Small things combine to create a company culture. Baltic Mill employees are encouraged to recycle and refrain from unnecessary usage of plastic and paper material, such as disposable tableware and plastic. As an example, disposable cups in offices have been replaced with personalised coffee mugs, resulting in notably less waste. Further improvements are expected after implementation of the 6s tool.

Lean process

In light of one of the group's strategic goals, to reduce waste to a minimum in business practice, a decision was made to apply Lean philosophy across all group companies. Each of the four companies is at a different



stage of adopting the principle and utilising its tools, but we have already observed positive groupwide change. Our current short-term goal is to implement and activate the 6s system in our business processes groupwide.

We are especially delighted to announce that Kaizen culture has grown among group employees, contributing significantly to process improvements and increased efficiency.



Well-being and nutrition

Baltic Mill companies constantly innovate to make their products healthier, more nutritious and conducive to consumer well-being. Some focus areas are reducing added sugar content, developing bio-lines and encouraging consumers to choose healthier products.

- ▶ Responsibility for the environment by using sustainable agricultural practices
- ▶ Mutually responsible relationships with suppliers by implementing grain farming programmes to ensure a supply of raw materials
- ▶ Responsibility to consumers by supporting the growth of local, high-quality and nutritionally valuable materials.

Reducing added sugar content

Baltic Mill companies were among the first in their countries to review portfolios and decrease added sugar content in porridge products and these efforts are still ongoing. In 2018, both **Rigas Dzirnavnieks** and **Malsena Plius** reviewed the ingredient lists and nutritional values of their products, which resulted in 30% less added sugar and a 30% increase in fruit and berry content. Next year, group companies are planning to introduce zero added sugar porridges.

Bio-line and spelt products

On the bio-line, Baltic Mill companies produce a variety of bio flour and flake products. The portfolio includes such grain varieties as wheat, rye, oat and spelt - the latest, noteworthy addition to the portfolio.

Spelt (*Triticum spelta* L.) is an ancient and one of the first domesticated wheat species, cultivated from 7,000-8,000 BCE. These varieties are superior to common wheat for health-promoting properties and have a unique structure, which forms a natural defence against unfavourable environmental conditions. These unique properties make spelt a low-input plant, suitable for growing without the use of pesticides, in harsh environmental conditions and in marginal areas of cultivation. Natural resistance to chemical substances (e.g. synthetic pesticides or fertilisers, etc.) gives farmers no other choice than to employ green farming practices.

Conscious choices, Scandinavian Key Hole, Green and Red Spoons

To encourage healthier consumer choices, Baltic Mill companies apply local and international practices. One of these, Keyhole, is a Scandinavian food label that identifies healthier food products within their product group. The symbol has been adopted by the Lithuanian Ministry of Health. **Malsena Plius** owns the biggest share of Keyhole labelled products in Lithuania – 27 in total – including such products as wholegrain wheat, spelt, rye, oat and rye flour, spelt flour mixes, flakes, instant porridges and various grain varieties of bran. **Amber Pasta** produces 8 wholegrain pasta products that fall under the labelling requirements.

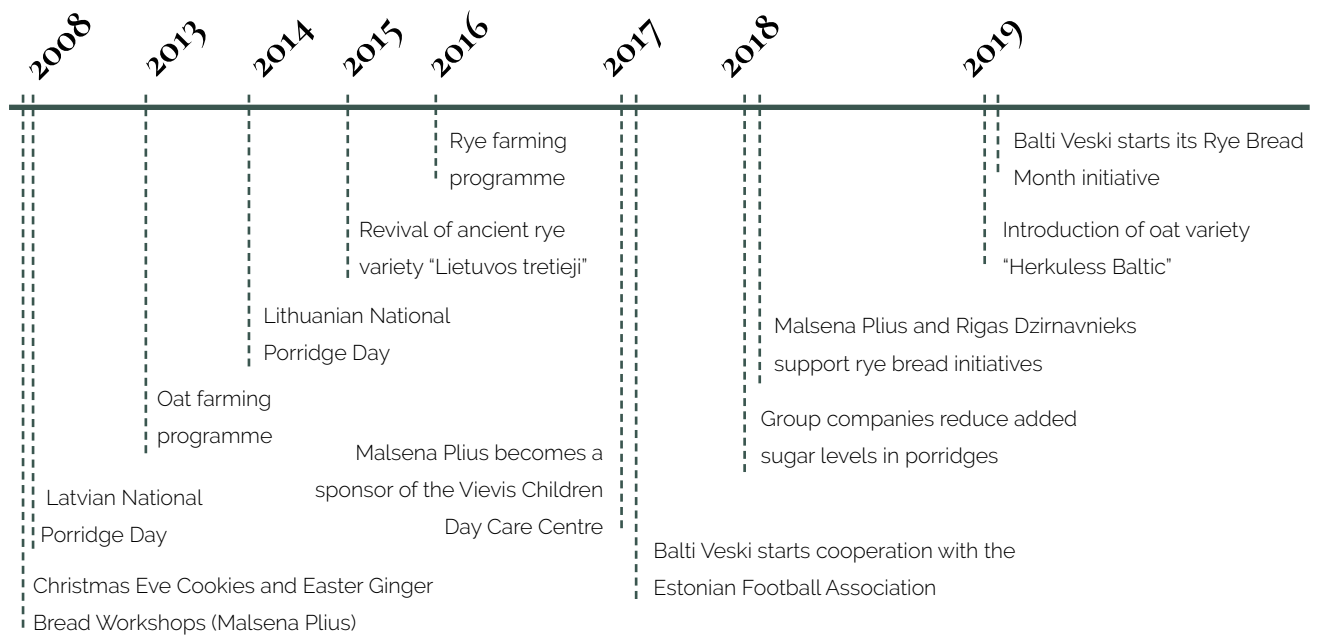
Green and Red Spoons are national recognition signs issued by the Latvian Federation of Food Enterprises. Green Spoon labels quality products, while Red Spoon labels Latvian-produced, quality products. **Rigas Dzirnavnieks** has five oat and flour products labelled with Green Spoon and rye flour labelled with Red Spoon.

Balti Veski has increased the share of ecologically sustainable products in its assortment and today offers customers a constantly expanding range of eco-products, made using a production process which is sustainable and efficient at every stage. **Balti Veski** products do not contain palm oils or other controversial substances that may have an adverse impact on the environment.



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Other Projects



Promoting Healthy Eating

National Porridge Day was initiated as an effort to improve pupils' perception of healthy nutrition and increase the popularity of porridge as a breakfast meal which, despite being highly recommended by nutrition specialists, had been losing popularity among children and their parents.

The first ever Porridge day was celebrated on 10th of October 2008 by **Rīgas Dzirnavnīeks** in Latvia and, following its immediate success, it was adopted by **Malsena Plius** in Lithuania and **Balti Veski** in Estonia a few years later.

Children were invited to start their school day with a short lesson on healthy nutrition habits and the benefits of grain products, as well as tasted oat porridge provided by our companies. The initiative gained immediate appreciation in school communities and over the years has evolved into a massive project with almost 100,000 participants throughout the Baltics, overflowing its original boundaries to cover the rest of the wider community.

The initiative has grown so strong and self-sustaining that it has become a new national celebration, taking place each year on 10 October in Lithuania, Latvia and Estonia.

Protein line

Protein retains its popularity as an increasing number of consumers discover its benefits for healthy living and diet. Baltic Mill companies offer a variety of protein products – such as flour mixes, pasta, instant porridges and protein bars – under "Herkules" brand. Our protein products contain only plant-based, milk or egg protein and are a perfect solution for professional athletes and people seeking for a balanced diet.

Community support

Each company has found its own unique way to contribute to the development and well-being of its community by engaging in a healthy lifestyle, healthy eating and zero hunger activities.

Since 2017 **Balti Veski** been cooperating with the Estonian Football Association and has been supporting children and youth football ever since. The aim is to raise awareness of the benefits of cereal products through programmes that encourage healthy eating among children and young people.

Balti Veski contributes to community activities and promotes healthy lifestyles. In 2018, the company supported several sports, such as triathlon, swimming and volleyball.

Balti Veski also sponsored several community events, such as Café Days, Rescue Children's Camp, Professional School Bakers and Confectioners Championships, Estonian Electric Wheelchair Hall, events organised by school students and various Rae Rural Municipality events, for which the company was also recognised by Rae Rural Municipality.

Malsena Plius and **Amber pasta** are long-time partners of the local Charity Support Fund in Lithuania, Maisto bankas, which collects and distributes food donations among organisations that care for people in need. **Malsena Plius** is a sponsor of the Vievis Children Day Care Centre as part of President of the Republic of Lithuania's initiative "Už saugią Lietuvą". **Amber Pasta** supports the "Mamų Unija" initiative that fundraises for kids with cancer. **Rigas Dzirnavnieks** supports the former Olympian movement by donating products, as well as by supporting children and young people engaged in basketball, football and cycling, thus helping to develop youth athletic activity and improving the quality of life for seniors. The company has also established many cooperation initiatives with charities that help children, disadvantaged families and others in need of help, such as the Latvian Red Cross, the Latvian Charity organisation, etc.

Activities for schools

Group companies offer various educational workshops for school children.

Malsena Plius invites teachers and pupils to participate in Christmas Eve Cookie Baking Workshops in an attempt to

promote this traditional Christmas Eve holiday baking activity at home. The workshop takes place each year in December and has been attracting pupils from all over Lithuania for 10 years. The second workshop is dedicated to Easter Ginger Bread and is open for school groups to visit year round.

Balti Veski leads the Bread Week initiative in Estonia, which teaches kindergarten children the secrets of home-made bread. In 2019, during only one week, the initiative gathered 22,000 participants from 210 kindergartens that took part in workshops and baked 10,000 loaves of bread.

The main idea behind such non-profit baking workshops is to give children the opportunity to see, feel and learn first-hand in the hope that they will practice and promote these traditions at home, allowing them to live on.

Rigas Dzirnavnieks is more oriented to an active lifestyle and supports "Reina Trase," which offers skiing in the winter. The initiative supports the Herkules skiing school for kids, where children can take classes in skiing or snowboarding, punctuated by breaks during which they can rest and recharge with Herkules porridges and muesli.

Cooperation with universities

Malsena Plius actively collaborates with Kaunas University of Technology (KTU) and seeks ways to encourage and acknowledge new talents. Earlier this year, the two partners issued a joint invitation to students of the Food Institute to take a flour mix R&D challenge during one of the spring semester lecture modules. The developed flour mix ideas were presented in KTU's Technorama fair for young researchers, where **Malsena Plius** selected two winners and handed out prizes of EUR 400.

The company has also taken part in the Workshop of mathematical solutions in business and industry (ESGI) organised by KTU. The workshop provides a unique opportunity for companies to entrust teams of researchers with their business challenge case and solve the problem in the course of one week. The project is designed to encourage and strengthen the link between academia and business.



CORPORATE SOCIAL RESPONSIBILITY REPORT

BALTIC MILL

2019