



THE DIRECTORS' REPORT ON NON-FINANCIAL INFORMATION THE GOBARTO S.A. GROUP

FOR THE 12-MONTH PERIOD ENDED ON 31 DECEMBER 2017

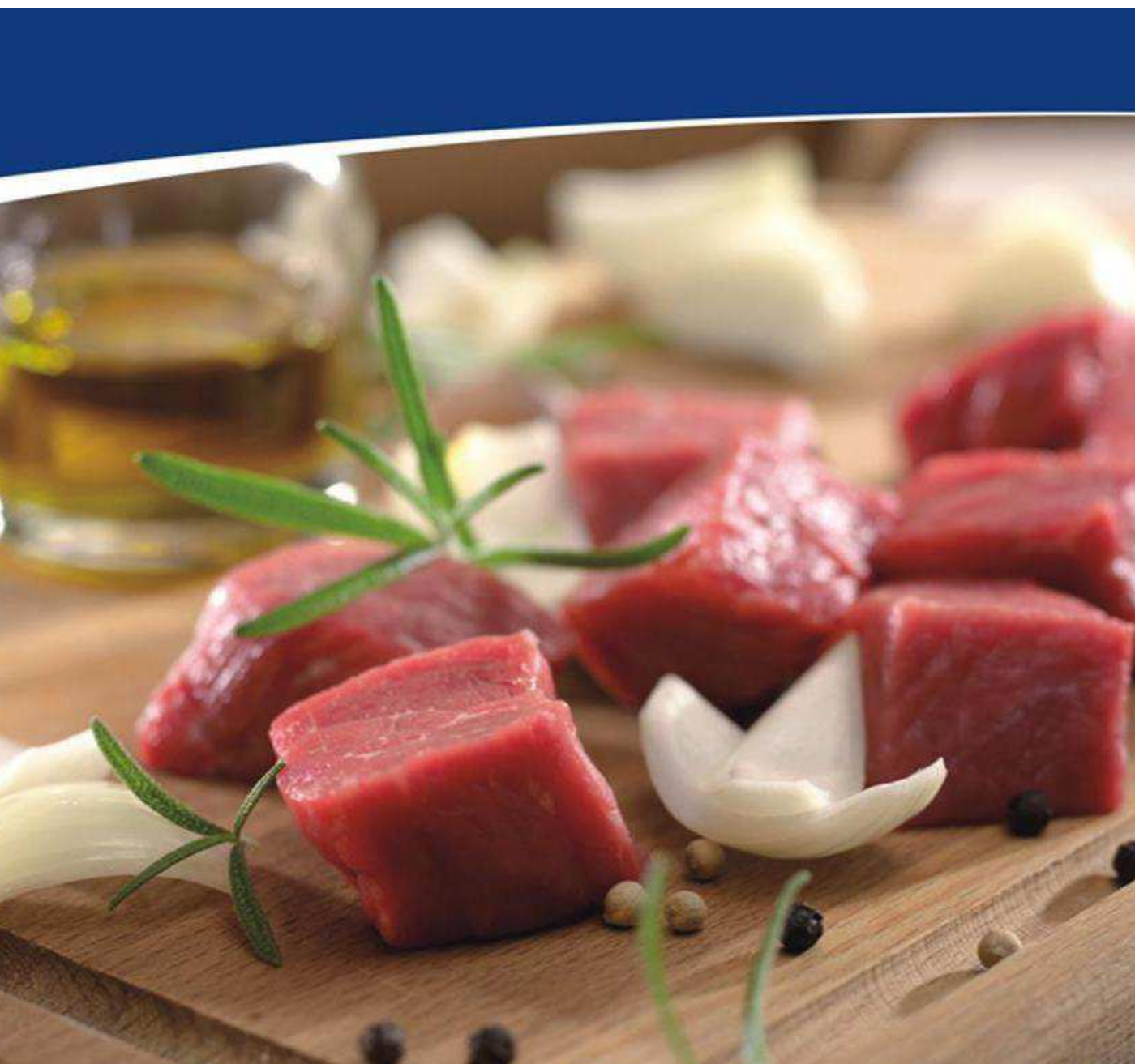


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1. Business model, main directions of the adopted business strategy of the Group

The GOBARTO S.A. Group is a vertically integrated holding operating in the meat business focusing mainly on pig farming, but also on the purchase, slaughtering, distribution and cutting and packaging of pork in many assortments.

The production and distribution sphere is the key business operations of the GOBARTO S.A. Group of Companies. The Group conducts trading activities in the distribution of raw meat and meat products and intermediation in the trade. Companies from the agricultural segment are active in the plant production business.

As a part of the business integration of the GOBARTO S.A. Group, its operating activities have been segmented. The breakdown by segments was compiled based on types of products and services. All companies belonging to the Group have been assigned to five segments: the three leading ones: raw meat and cured meat products, processing, swine, or the two not so important: cereals and other operations.

In 2015, GOBARTO S.A. adopted the "Strategy of the company's and its group's operations for the years 2015-2019", about which it informed in Current Report No. 35/2015 of 23 July 2015. The strategy defined the main directions of development of the Gobarto S.A. Group in three leading operating segments, i.e. raw meat and cured meat products, processing and swine. They assumed:

- ◇ development of the raw material segment through the extension of own and partner farms,
- ◇ increasing slaughter volume in own production plants by 25% by modernizing existing infrastructure and optimizing the production process,
- ◇ extending the range of the territorial operation of the distribution segment by building new warehouses and acquiring existing entities,
- ◇ increasing own cured meat production within the Group.

Implementation of the directions of business strategy adopted by the GOBARTO S.A. Group leads to strengthening of its position on the Polish meat market by increasing the production output and distribution capacities, as well as increasing reliance on own raw materials in production. Development of individual segments of the Group is to ensure its wholesale and retail customers with the highest quality and availability of the widest range of products.

At present GOBARTO S.A. is a subsidiary of CEDROB S.A., the majority shareholder of the Company. As of 31 December 2017, CEDROB S.A. held 23,103,888 shares of GOBARTO S.A., which represented 83.11% of the share capital of GOBARTO S.A. After the block transaction made on 6 February 2018, CEDROB S.A. increased his involvement in GOBARTO S.A. up to 23,368,888 shares, representing 84.06% of its share capital.

RAW MEAT AND CURED MEAT PRODUCTS segment

- ◇ **GOBARTO S.A.** is the parent company of the GOBARTO S.A. Group. By 7 October 2016, the company operated under the name of Polski Koncern Mięsny Duda S.A. Gobarto S.A. operates in the pork meat sector. The company focuses on the distribution, purchase, slaughter and cutting of meat, which in many assortments is then sent to recipients in Poland and other European countries as well as recipients in Asian countries. The production and trade sphere is complemented by service activities in the scope of freezing, storage and transport of food products, which requires specialized refrigeration equipment. The production plant is located in Grąbkowo (Wielkopolskie Province) and has annual slaughtering output of about 1 million animals. Within the Raw Meat and Cured Meat Products segment, Gobarto S.A. consistently develops its distribution business and is one of the largest Polish vendors

of raw meat and cured meat products for the traditional retail sale. In 2017, the company's distribution centers located in Warsaw, Poznań, Kraków, Katowice, Radom and Lublin were joined by a modern distribution center in Gdańsk and a cross-dock warehouse in Olsztyn.

- ◇ **GOBARTO Dzikizna Spółka z o.o.** is involved in purchasing and processing of game and in selling the meat all over Poland and the other EU countries. The main game processing facility is located in Karolinki in the Wielkopolska Province. The plant ensures appropriate sanitary and veterinarian conditions in keeping with the EU standards, and the procedures applied guarantee high and continuous quality of products.
- ◇ **NetBrokers Polska Spółka z o.o. Spółka Komandytowa** – the trading operations have been the company's leading activity since 2003. As an importer, the company has become a leading supplier of fresh pork onto the Polish market for cutting plants and processing plants as well as of fresh minced meat for the needs of the retail market. Additionally, NetBrokers has been the largest in Poland on-line platform directed at companies operating on the agricultural & food market, whose mission is to supply industry-specific information and offering an application that enables placing trading offers for selling and purchasing goods.
- ◇ **Bekpol Spółka z o.o.** deals with wholesale of meat, cured meat products and poultry. It has been operating in the market since 1993. It has been a member of the GOBARTO S.A. Group since January 2017.
- ◇ **Meat-Pac Spółka z o.o.** mainly deals with the cutting of poultry meat. It has been a member of the GOBARTO S.A. Group since January 2017.
- ◇ **Jama Spółka z o.o.** deals with wholesale of meat, cured meat products and poultry. It has been a member of the Gobarto Group of Companies since November 2017.

PROCESSING segment

This segment is composed of the Silesia Group of Companies. It has been within the structures of the Gobarto S.A. Group of Companies since December 2017. It is composed of the following companies:

- ◇ **Zakłady Mięsne Silesia S.A.** – one of the largest companies on the Polish meat processing market involved in the cutting and packaging of pork, poultry and beef, the production of convenience meals and pet food. The company conducts sales and distribution based on commercial chains, a wholesale chain, purchasing groups and exports;
- ◇ **Silesia Pet Foods Spółka z o.o.**, a company involved in the production and sale of prepared pet foods;
- ◇ **Vital Food Silesia Spółka z o.o.**, a company involved in the production and sale of convenience dishes and meals;
- ◇ **Silesia Logistics Spółka z o.o.**, a company providing logistics services;
- ◇ **Samba Spółka z o.o.**, a company involved in the retail sale of meat and meat products;
- ◇ **Panteon S.A.** was involved in the transportation activities. Currently the company does not carry out any operating activity.
- ◇ **Centrum Dystrybucji Imperium Spółka z o.o.** involved in the processing, preservation and sale of poultry meat;
- ◇ **Meat Market Spółka z o.o.**, its main activity is the retail sale of meat and meat products.

SWINE segment

- ◇ **Agro Bieganów Spółka z o.o.** is engaged in plant production, breeding of meat and breeding cattle and breeding of pigs in a full production cycle.
- ◇ **Agro Gobarto Spółka z o.o.** breeds pigs in the complete production cycle and supplies piglets to satisfy the needs of other companies in the Group.
- ◇ **Bioenergia Spółka z o.o.** is responsible for feeding of swine.



- ◇ **Agroferm Spółka z o.o.** is involved in breeding of pigs and plant production.
- ◇ **Gobarto Hodowca Spółka z o.o.** is involved in the organization of the development of breeding and sales of pigs and is responsible for the Gobarto 500 program supporting that development.
- ◇ **Przedsiębiorstwo Produkcyjno-Handlowe „Ferma-Pol” Spółka z o.o.** is involved in breeding of pigs and plant production.

CEREALS Segment

- ◇ **Rolpol Spółka z o.o.** and **Agroprof Spółka z o.o.** are involved in the plant production of cereals and rapeseed.
- ◇ **Agro Net Spółka z o.o.** is involved in plant production and has a cereals elevator.
- ◇ **Plon Spółka z o.o.** – deals with the organization of cereal sales.
- ◇ **Brassica Spółka z o.o.** is involved in organizing the sale of oilseed plants.

OTHER OPERATIONS Segment

- ◇ **Tigra Trans Spółka z o.o. Spółka Komandytowa** provides transportation services.
- ◇ **Bio Gamma Spółka z o.o.** – has been set up for carrying out businesses using renewable sources of energy; in the reporting year, it did not carry out any operating activity.
- ◇ **Bio Delta Spółka z o.o.** – has been set up for carrying out businesses using renewable sources of energy; in the reporting year, it did not carry out any operating activity.
- ◇ **Polskie Biogazownie „Energy-Zalesie” Spółka z o.o.** – has been set up for carrying out businesses using renewable sources of energy.
- ◇ **Makton Nieruchomości Spółka z o.o.** established to sell real estates not related to the core business in the distribution segment.
- ◇ **Insignia Management Spółka z o.o.** is engaged in intermediation in purchases for companies of the Group.
- ◇ **NetBrokers Polska Spółka z o.o.** – a company established in order to manage NetBrokers Polska sp. z o.o. Spółka Komandytowa.
- ◇ **Tigra Trans Spółka z o.o.** – a company established in order to manage Tigra Trans Spółka z o.o. Spółka Komandytowa.
- ◇ **PorkPro Polska Spółka z o.o. Spółka Komandytowa** – it ceased to conduct operations during the reporting year.
- ◇ **Pork Pro Polska Spółka z o.o.** – a company established in order to manage Pork Pro Polska sp. z o.o. Spółka Komandytowa. It ceased to conduct operations during the reporting year.
- ◇ **Rosan Agro Spółka z o. o.** is involved in producing slaughter pork animals. Registered in Ukraine, it is also the parent company of the Rosana Group.
- ◇ **PF "MK" Rosana** – an entity included in the Rosana Group in Ukraine; it is involved in slaughtering, cutting and production of cured meat products and in selling raw meat and cured meat products under Rosana's own brand.
- ◇ **ROSANA Trading House** – an entity included in the Rosana Group in Ukraine that is involved in the sale and distribution of cured meat products.
- ◇ **ROSANA PLUS Trading House** – an entity included in the Rosana Group that has been established to sell the group's products.
- ◇ **Pieprzyk Rogatyń Spółka z o.o.** did not conduct operations during the reporting year.
- ◇ **PP Świniokompleks Zoria** did not conduct operations during the reporting year.

2. Main areas of influence of the GOBARTO Group

GOBARTO S.A. has defined the main areas of the Group's influence on the external environment. They have been described in detail in the individual parts of the Non-Financial Report.

environmental area	social area	employee area	protection and respect for human rights	anti-mobbing and anti-discrimination policy	corporate governance	counteracting corruption and bribery	area of relations with the market
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3. Non-financial risks related to the activity of the GOBARTO Group

The GOBARTO Group conducts constant monitoring and analysis of risks related to the current operations. The table below presents the main risks related to the main areas of influence of the GOBARTO Group on the external environment.

Environmental risk.

- ◇ Risk associated with the use of rare and dangerous materials
- ◇ Risk associated with excessive consumption of fuels and energy
- ◇ Risk associated with wasting of water
- ◇ Risk associated with excessive emission of harmful substances into the atmosphere

Risk related to the social area

- ◇ Risk of lack of transparency in the use of assistance based on public funds
- ◇ Risk of obtaining results that are disproportionate to the funds spent
- ◇ Risk associated with negative impact on the local community

Employee risk

- ◇ Risk of losing key employees and important competences
- ◇ Risk of unequal treatment of employees (in terms of gender, remuneration, promotion)
- ◇ Risk of collective disputes with employees
- ◇ Risk of hazards at work

Risk associated with human rights

- ◇ Risk of violating the freedom of association and concluding collective agreements
- ◇ Risk of non-compliance with human rights among employees and contractors of the GOBARTO Group

Risk associated with mobbing i discrimination

- ◇ Risk of adverse behaviors at work (mobbing, discrimination)
- ◇ Risk of adverse behaviors in contacts with contractors (mobbing, discrimination)

Risk associated with corporate governance

- ◇ Risk of non-compliance with the corporate governance rules

Risk associated with mobbing i discrimination

- ◇ Risk of conflict of interest
- ◇ Risk of fraud in relationships with contractors
- ◇ Risk of corruption in relations with contractors

Risk associated with corporate governance

- ◇ Risk associated with inadequate quality and safety of products
- ◇ Risk associated with inaccurate product labeling
- ◇ Risk associated with unreliable payment of liabilities to contractors

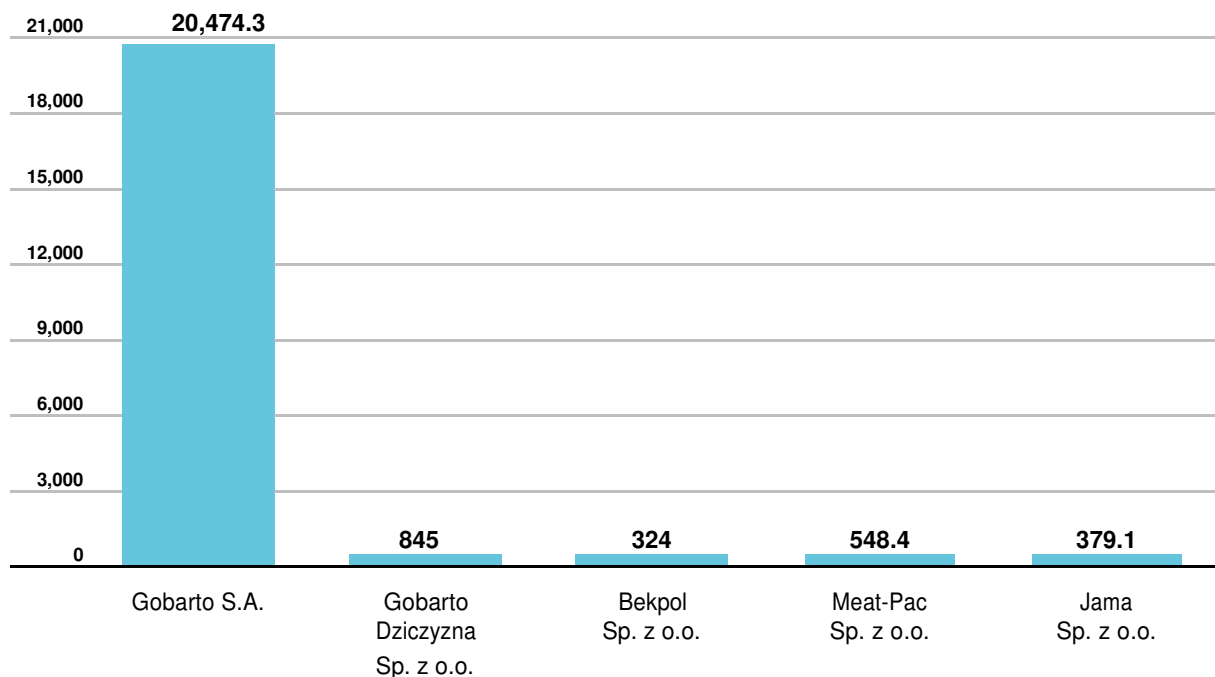
4. Environmental area

4.1. RAW MEAT AND CURED MEAT PRODUCTS segment

The companies belonging to the GOBARTO Group operating in the RAW MEAT AND CURED MEAT PRODUCTS segment do not use or use to a negligible extent rare materials and raw materials as well as hazardous materials (including fuel) in their daily activities.

In the reporting period, the consumption of electricity in the GOBARTO Group companies and operating in the RAW MEAT AND CURED MEAT PRODUCTS segment was as follows.

Annual electricity consumption in mWh



In addition, in the reporting period, the GOBARTO S.A. company used other energy carriers. Their annual consumption was as follows:

a) Primary media:

- ◇ Natural gas in a liquid or gas state, high-methane: 36.9 k m³,
- ◇ Natural gas in a liquid or gas state, nitrogen-rich: 1388.5 k m³,
- ◇ Motor gasoline with a lead content not exceeding 0.013 g/l with an octane number (RON): 7.4 tonnes,
- ◇ Heavy oils for (Diesel) engines: 472.5 tonnes.

b) Secondary:

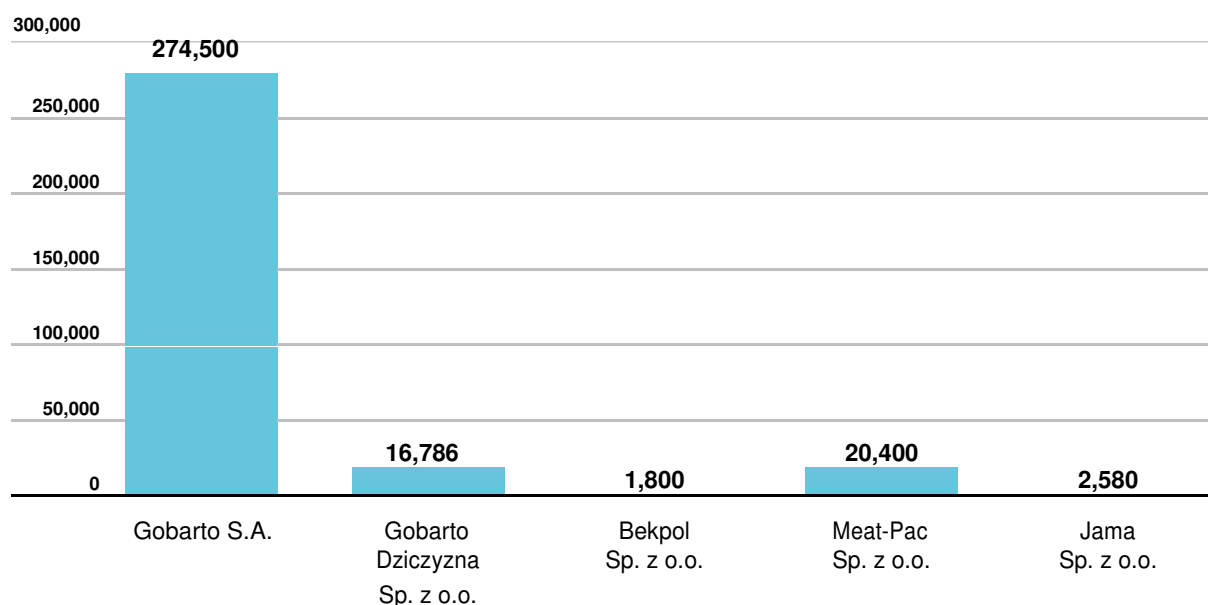
- ◇ Heat in steam and hot water from all sources of origin: 36,223 GJ (produced from the above primary fuels).

The primary energy carriers were also used by GOBARTO Dzikczyzna Sp. z o. o. In the reporting period, their consumption was as follows:

- ◇ Natural Gas: 62,265 m³,
- ◇ Heavy oils for (Diesel) engines: 6671 liters

In the reporting period, the water consumption in the GOBARTO Group companies and operating in the RAW MEAT AND CURED MEAT PRODUCTS segment was as follows.

Annual water consumption in m³



For the production plant in Grąbkowo, GOBARTO S.A. draws water from its own groundwater intake, and in other locations, including all the distribution centers, water is taken from the water supply network and supplied by external suppliers. The other companies from the Group, operating in the RAW MEAT AND CURED MEAT PRODUCTS segment, collect water from the water supply network. No company operating in the RAW MEAT AND CURED MEAT PRODUCTS segment uses particularly valuable water resources, such as mineral waters.

Some of the companies operating in the RAW MEAT AND CURED MEAT PRODUCTS segment emit harmful substances to the atmosphere, but to an extent that is negligible or not exceeding the applicable standards. The activities of the other companies from this segment do not involve – either directly or indirectly – emission of harmful substances into the atmosphere.

The volume of substances emitted by GOBARTO S.A. to the atmosphere during the reporting period was as follows:

	GOBARTO S.A.	
	The whole company	Distribution Centers
Type of substance	kg	kg
Carbon oxides	2.687.284	91.540
Ammonia	755	–
Non-methane volatile organic compounds	1.566	–
Total dust	2	–
Carbon oxide	176	12
Nitrogen oxides	1.538	75
Sulfur oxides	12	3
Hydrofluorocarbons	1.542	569

All companies from the RAW MEAT AND CURED MEAT PRODUCTS segment are aware and responsible in managing the waste generated and in supervising this process. Waste is transferred for further management only

to authorized entities that are holders of the required permits for waste management. The companies keep a full record of waste generated using the Waste Records Cards and Waste Transfer Cards.

In companies whose activities cause noise emissions, its level is subject to a review every two years. So far, the tests carried out proved that the permissible noise level has not been exceeded by any company.

None of the companies operating in the RAW MEAT AND CURED MEAT PRODUCTS segment has a negative impact on environmentally valuable natural areas and habitats.

4.2. PROCESSING segment

Hazardous or rare materials and raw materials are not components of products manufactured by companies belonging to the GOBARTO Group and operating in the PROCESSING segment. In everyday operations, these companies use hazardous materials (including fuels) to a negligible extent.

In everyday operations, these companies use electricity and natural gas. In case of the largest company in this segment – Zakłady Mięsne Silesia S.A. – the annual consumption of electricity amounted to 16,877,625 MWh, and of natural gas to around 2,940,000 m³. The areas that are particularly energy-intensive in the operations of this company are refrigeration systems for technological needs and for maintaining refrigeration of products and raw materials.

In the reporting period, about 355,000 m³ of water was used in Zakłady Mięsne Silesia S.A. Water is taken from the water supply network and supplied by external suppliers. In order to optimize the process of water consumption in companies, the equipment is replaced with a new one or the existing one is subject to technical maintenance. None of the companies uses particularly valuable water resources, such as mineral waters.

The activity of companies in the PROCESSING segment does not involve the direct emission of harmful substances into the atmosphere, including greenhouse gases. At Zakłady Mięsne Silesia S.A., in order to reduce emissions, modernization of the machinery park is carried out, e.g. through the purchase of smoke generators with smoke sprinklers and – as a part of a new project – a line for the production of hot dogs is being launched and a smoke afterburner is purchased.

The companies from the PROCESSING segment are aware and responsible in managing the generated waste and supervising this process. Waste is transferred for further management only to authorized entities that are holders of the required permits for waste management.

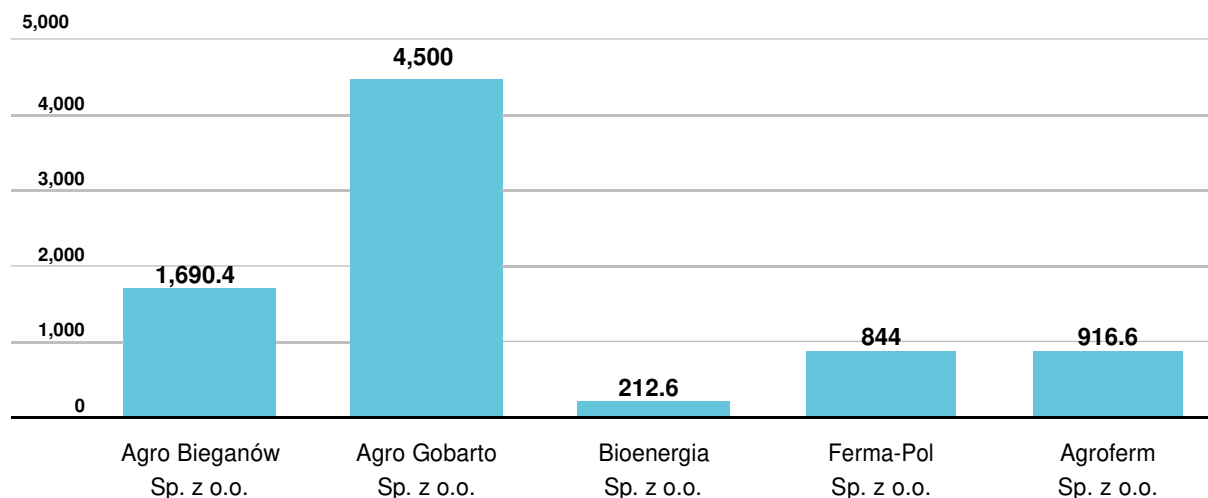
The activity of companies in the PROCESSING segment causes noise, but its level falls within the permissible standards defined by law. None of the companies operating in the PROCESSING segment has a negative impact on environmentally valuable natural areas and habitats.

4.3. SWINE segment

The companies belonging to the GOBARTO Group, operating in the area of pig farming and fattening, do not use or use to a negligible extent rare materials and raw materials as well as hazardous materials (including fuel) in their daily activities.

In the reporting period, the consumption of electricity in the GOBARTO Group companies and operating in the SWINE segment was as follows.

Annual electricity consumption in MWh



Moreover, in the reporting period, companies from the SWINE segment benefited from other energy carriers – both primary and secondary.

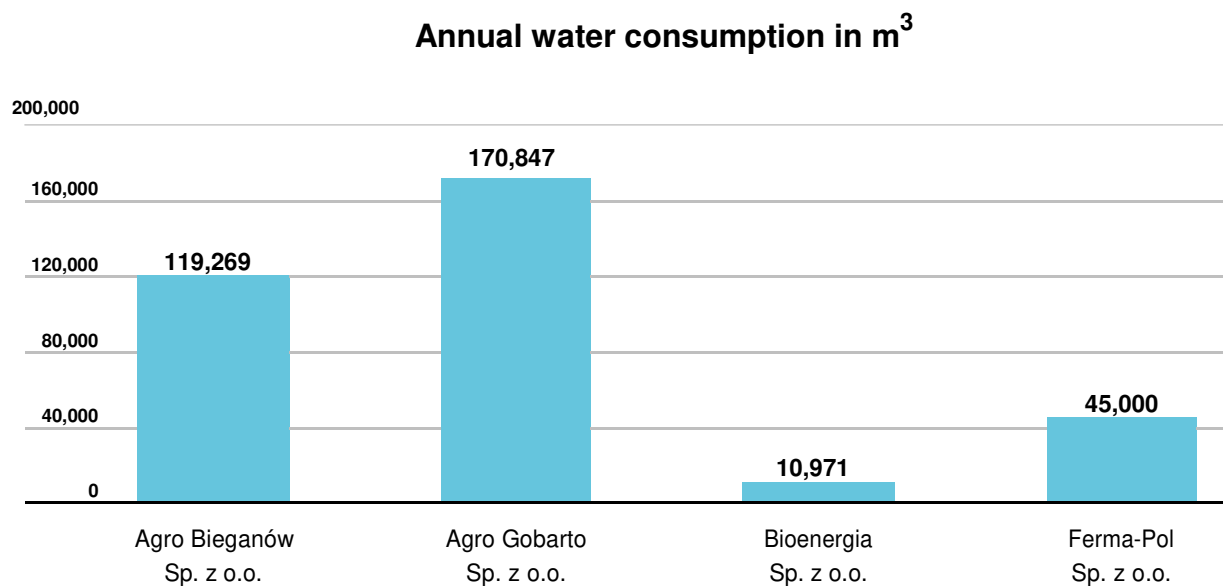
Degree of consumption	Heavy oil (in m ³ or l)	Fuel oil (in m or l)	Natural gas (in m)	Propane gas (in m)	Hard coal (in tonnes)	Gasoline (in liters)	Thermal energy (in GJ)
Agro Bieganów Sp. z o.o.	373	48	19,361	85.4	Not applicable	Not applicable	Not applicable
Agro Gobarto Sp. z o.o.	90,013 l (for diesel engines)	Not applicable	Not applicable	Not applicable	480	188	Not applicable
Bioenergia Sp. z o.o.	13,219 l (for diesel engines)	1100 l	Not applicable	Not applicable	1.11.1995	Not applicable	Not applicable
Ferma-Pol Sp. z o.o.	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	7113
Agroferm Sp. z o.o.	39,349	15,486 l	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

The companies take the following steps to optimize energy consumption and develop renewable sources:

- ◇ **Agro Bieganów Sp. z o.o.** – gradual replacement of machinery and equipment with new, more energy-efficient ones.
- ◇ **Agro Gobarto Sp. z o.o.** – developing own sources of energy from renewable sources – the company is in the process of obtaining consents and decisions required by law. At the same time, energy consumption analyses are conducted to develop potential optimization opportunities.
- ◇ **Bioenergia Sp. z o.o.** – the use of electronic ventilation controllers, good agricultural practices and modern composite machines in cultivation aggregates. The use of organic fertilizers obtained after the methane fermentation process. At the same time, the company develops its own sources of energy from renewable sources – it is in the process of obtaining legally required consents and decisions.
- ◇ **Przedsiębiorstwo Produkcyjno-Handlowe Ferma-Pol Sp. z o.o.** – thermal energy purchases (about 50% of all energy consumed) from a renewable source and the use of a "smoothly" controlled ventilation system with a soft start.

Companies from this segment are approaching water management in a rational and thoughtful way. The company draws water from the water supply network supplied by external suppliers and

measured. Additionally, Agro Gobarto Sp. z o.o. uses its own groundwater intake. Water consumption in the reporting period was as follows:



In order to optimize water consumption, Agro Bieganów Sp. z o.o. implements a gradual exchange of transmission devices for new and the ongoing monitoring that allows controlling of water consumption. It is also planned to modernize the swine farm, during which modern watering systems will be installed along with a new water transmission line. In turn, Bioenergia Sp. z o.o. uses a wet feeding system on the farm, thanks to which most of the water the animals need is taken with feed from the troughs, which significantly reduces the splashing of water by the animals at the teats. In addition, the company uses high-pressure washers for cleaning the pig house.

The activity of companies from the SWINE segment causes emissions of pollutants into the atmosphere, however, to a degree not exceeding the applicable standards.

All companies from the SWINE segment are aware and responsible in managing the waste generated and in supervising this process. Waste is transferred for further management only to authorized entities that are holders of the required permits for waste management. The companies keep a full record of waste generated using the Waste Records Cards and Waste Transfer Cards. Fallen animals is managed in accordance with Regulation (EC) No 1069/2009 of the European Parliament and of the Council. In addition, rational use of energy resources of fodder and water allows to optimize the level of generated waste and sewage.

The companies carry out the following activities in the use of renewable resources and recovery of raw materials:

- ◇ **Agro Bieganów Sp. z o.o.** – use of balanced food doses for farmed animals, ongoing monitoring of water, electricity, feed and fuel consumption. In addition, a swine farm modernization is planned, during which all equipment having influence on the use of materials will be replaced with new one
- ◇ **Agro Gobarto Sp. z o.o. i Bioenergia Sp. z o.o.** – the use of a by-product in the form of slurry for fertilizing purposes on local own plots and the development of the agricultural biogas plant project in the vicinity of the farm.

The activity of companies in the area of breeding and raising of swine causes emissions of pollutants into the atmosphere, however, to a degree not exceeding the permissible legal standards.

The activity of companies specializing in breeding and raising of pigs causes noise, but it falls within the permissible standards. The level of noise emitted is tested every two years. So far, the tests have shown that measurements are within the legal standards. None of the companies operating in the SWINE segment has a negative impact on environmentally valuable natural areas and habitats.

In 2017, the Marshal of the Śląskie Voivodeship conducted administrative proceedings against Agro Gobarto Sp. z o.o. regarding the withdrawal or limitation, without compensation, of decision No. 3148/OS/2009 of the Marshal of the Śląski Voivodeship of 28 September 2009 (as amended) granting an integrated permit for pig farming in a number of more than 2,000 stands for pigs weighing over 30 kg located on a pig farm in Krzepice. The proceedings were completed with the granting of a decision discontinuing the proceedings (decision No. 2471/OS/2017 of 17/07/2017).

4.4. CEREALS Segment

Companies from the CEREALS segment, due to the specificity of their business, use materials and raw materials hazardous for the environment, such as plant protection chemicals, fertilizers and fuels, which are an important element of agricultural production. Their consumption does not exceed the permitted legal standards.

In order to rationally manage the resources, the companies conduct an analysis of soil resources that will allow planning of fertilization in accordance with the abundance and nutritional needs of plants, and ongoing monitoring of pests, thanks to which it is possible to apply plant protection products beyond the threshold of harmfulness. Waste segregation is also carried out.

As a part of their current operations, the companies use individual energy carriers, such as butane propane gas, heating oil, diesel oil and electricity.

Water is taken from the water supply network – mainly for plant protection treatments.

The companies cooperate with entities authorized to collect hazardous waste for picking up packaging of plant protection products, fertilizers, used fuels or used filters.

The activity of companies in the CEREALS segment causes emissions of pollutants into the atmosphere, however, to a degree not exceeding the permitted legal standards.

4.5. OTHER OPERATIONS Segment

The other companies belonging to the GOBARTO Group do not use or use to a negligible extent rare materials and raw materials as well as hazardous materials (including fuel) in their daily activities.

In everyday operations, various energy carriers are used, such as: electricity, natural gas, bio-mass, biogas, diesel oil, heating oil and thermal energy. None of the companies uses a valuable source of water, such as mineral water.

The activities of companies cause emission of pollutants into the atmosphere, however, to a degree not exceeding the legal standards.

5. Social area

5.1. RAW MEAT AND CURED MEAT PRODUCTS segment

From the companies operating in the RAW MEAT AND CURED MEAT PRODUCTS segment, in the reporting period, only Jama Sp. z o.o. used any public funding. The company received assistance under the DE MINIMIS ASSISTANCE project – carried out by Wałbrzych Starost in cooperation with the County Employment Office. The assistance project refunds a part of the costs incurred for remuneration, awards and social insurance contributions for unemployed persons who are up to 30 years old.

The public procurement options were used by GOBARTO S.A. The total amount of revenues obtained under public procurements amounted to nearly PLN 3.2 million net. In case of Jama Sp. z o.o., revenues on this account were small and amounted to only a few thousand zlotys in the reporting period.

In case of operations of companies from the raw meat and cured meat products segment, there may be an unpleasant odor and exceeded noise standards. The companies, being aware of the possibility of occurrence of the above mentioned nuisances, take actions to limit them and minimize their impact.

Some companies support municipal and local units and events in an incidental manner. In case of GOBARTO S.A. the total amount of donations in the reporting period was PLN 6,486.85, while for GOBARTO Dziczyszna Sp. z o.o. – PLN 2,066.13. In turn, Jama Sp. z o.o. supports social and sports institutions with its goods.

In the reporting period, companies from this segment did not conduct sponsorship and voluntary activities of their employees.

5.2. SWINE segment

In the reporting period, the companies from the SWINE segment benefited from public funds in the following scope.

Agro Gobarto Sp. z o.o.	<ul style="list-style-type: none"> ◇ area subsidies – PLN 6,809.61 ◇ land subsidies – PLN 13,489.45 ◇ advance for direct payments – PLN 94,452.45
Agro Bieganów Sp. z o.o.	<ul style="list-style-type: none"> ◇ Uniform area payment – PLN 636,342.25 ◇ Payment for greening – 569,044,61 PLN ◇ Redistribution payment – PLN 4,602.54 ◇ Cattle payment – PLN 7,582.56 ◇ Cow payment – 9,548.34 PLN ◇ Financial discipline – PLN 19,793.31 ◇ ONW – PROW – PLN 22,375 ◇ Refund of excise duty 166,875.11
Agroferm Sp. z o.o.	<ul style="list-style-type: none"> ◇ ARMIR – PLN 977,345,69 ◇ ONW – 7,831.25 PLN ◇ advance for direct payments to land – PLN 3 345.68
Ferma-Pol Sp. z o.o.	<ul style="list-style-type: none"> ◇ subsidies to insurance – PLN 46,892.44 ◇ refund of excise duty – PLN 48,399 ◇ area subsidies – PLN 169,296.97

The companies from this segment did not use any public procurements.

In case of the activity of the companies from the SWINE segment, there may be nuisance in the form of unpleasant smell and exceeded noise standard levels. In the reporting period, there were no complaints about such nuisance. The companies, being aware of the possibility of occurrence of the above mentioned nuisances, take actions to limit them and minimize their impact.

Some companies support municipal and local units and events in an incidental manner. The amounts of donations in the reporting period were as follows:

Agro Gobarto Sp. z o.o.	PLN 17,553.72
Agro Bieganów Sp. z o.o.	PLN 10,700
Agroferm Sp. z o.o.	PLN 2,218.75
Ferma-Pol Sp. z o.o.	PLN 3,610.40

In the reporting period, companies from this segment did not conduct sponsorship and voluntary activities of their employees.

5.3. CEREALS Segment

In the reporting period, some selected companies from the CEREALS segment used public funds in the form of area subsidies.

Agroprof Sp. z o.o.	PLN 445,456.95
Agro Net Sp. z o.o.	PLN 536,467.68
Rolpol Sp. z o.o.	PLN 262,386.42

The companies from this segment did not use any public procurements.

In case of operations of companies from the CEREALS segment, there may be an unpleasant odor and exceeded noise standards. In the reporting period, there were no complaints about such inconvenience.

The only company from the CEREALS segment, which during the reporting period was involved in assistance – in the form of incidental donations – was Rolpol Sp. z o.o.

5.4. OTHER OPERATIONS Segment

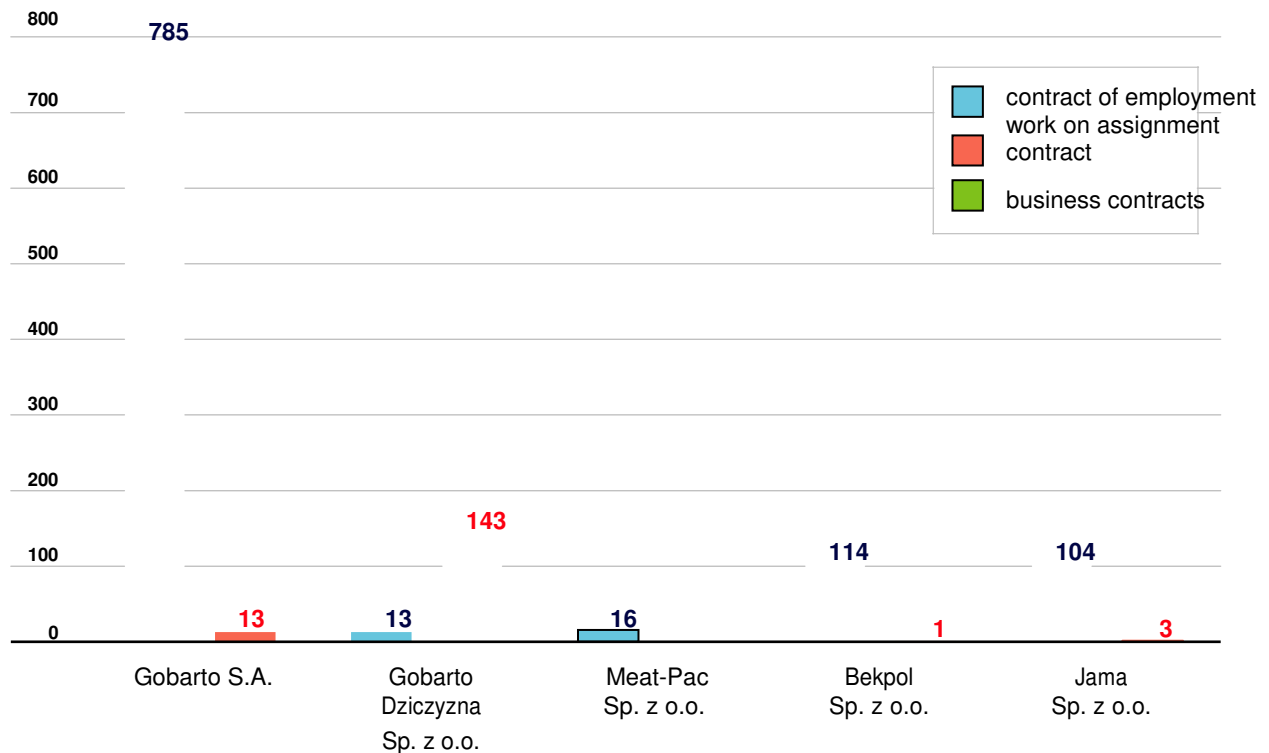
From the other companies belonging to the GOBARTO Group, Polskie Biogazownie Energy – Zalesie Sp. z o.o. used public funds - in the framework of de minimis aid in 2016–2017, its outstanding property tax for 2015 was made payable in installments.

6. Employee area

6.1. RAW MEAT AND CURED MEAT PRODUCTS segment

As at 31 December 2017, employment in the companies from the RAW MEAT AND CURED MEAT PRODUCTS segment was as follows:

The size of employment as at 31 December 2017



The share of women in the companies in relation to all employees as at 31/12/2017 was as follows:

Company	Share of men	Share of women
Gobarto S.A.	63%	37%
Gobarto Dzikczyzna Sp. z o.o.	50%	50%
MeatPac Sp. z o.o.	56%	44%
Bekpol Sp. z o.o.	75%	25%
Jama Sp. z o.o.	74%	26%

As at 31 December 2017, people with disabilities were employed in: Gobarto S.A. and Bekpol Sp. z o.o.

The companies do not use any human resources outsourcing; they also do not employ low-cost employees, from economically weaker countries or suspected of violating human rights.

In all companies operating in the RAW MEAT AND CURED MEAT PRODUCTS segment there are risks associated with the performance of work. However, the companies undertake a number of actions to counteract these threats. Regular work safety measures training for employees of GOBARTO S.A. in accordance with the Regulation of the Minister of Economy

and Labor on work safety measures training of 27 July 2004 (Journal of Laws No. 180, Item 1860).

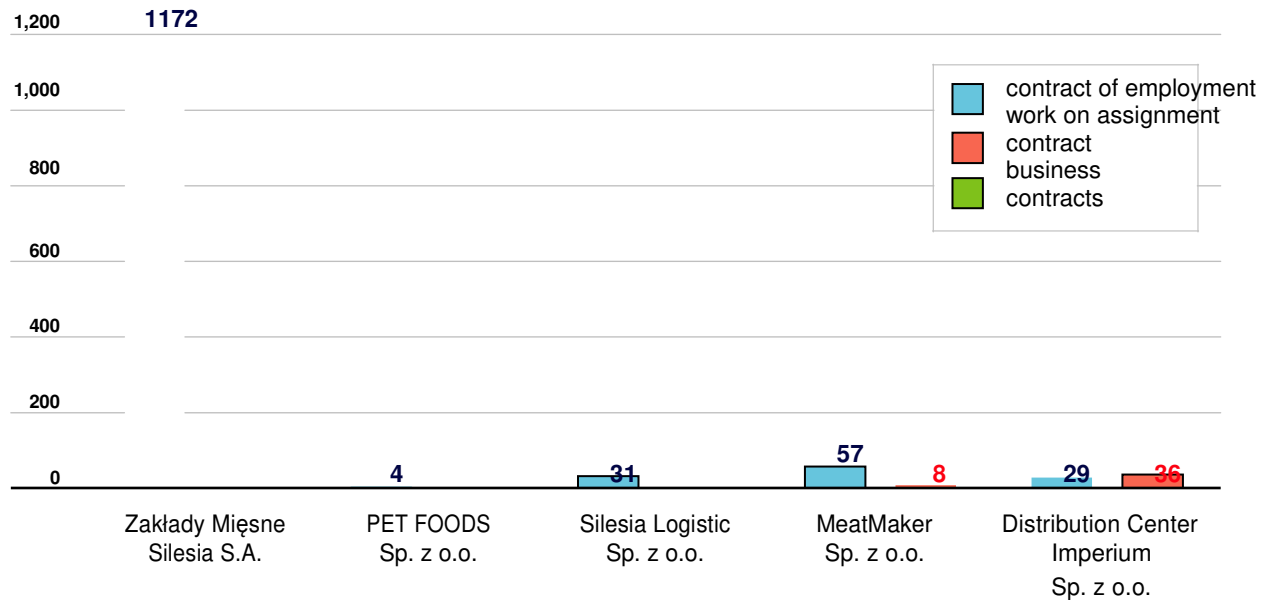
In the reporting period, there were 14 accidents during work at GOBARTO S.A. Most often these were injuries of arms and legs caused by overloading the musculoskeletal system (sprains, rupture of ligaments). In Bekpol Sp. z o.o., 4 accidents at work were reported. In no case did the accident inspection team find negligence on the part of the employer. There were no fatal accidents in the reporting period. There were also no cases of occupational diseases.

As a part of additional non-wage benefits for employees of the companies, co-financing is offered to the „OK System” sports and recreation packages.

6.2. PROCESSING segment

As at 31 December 2017, employment in the companies from the PROCESSING segment was as follows:

The size of employment as at 31 December 2017



The share of women in the companies in relation to all employees as at 31/12/2017 was as follows:

Company	Share of men	Share of women
Zakłady Mięsne Silesia S.A.	46%	54%
Silesia Logistic Sp. z o.o.	90%	10%
MeatMarket Sp. z o.o.	23%	77%
PET FOOD Sp. z o.o.	75%	25%

As at 31/12/2017, Zakłady Mięsne Silesia S.A. employed 19 people with disabilities.

The companies do not use any human resources outsourcing; they also do not employ low-cost employees, from economically weaker countries or suspected of violating human rights.

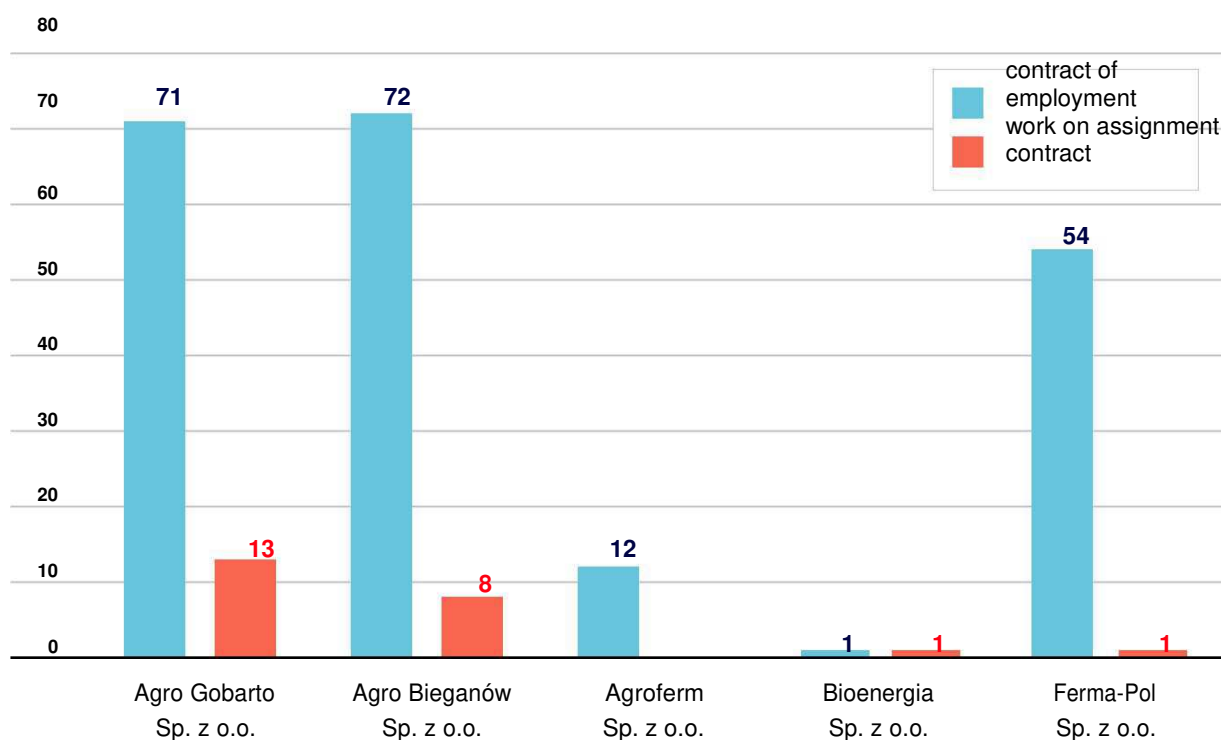
In all companies operating in the PROCESSING segment there are risks associated with the performance of work. However, the companies undertake a number of actions to counteract these threats. One of them is a regular work safety measures training for the employees in accordance with the Regulation of the Minister of Economy and Labor on work safety measures training of 27 July 2004 (Journal of Laws No. 180, Item 1860).

In the reporting period, in Zakłady Mięsne Silesia S.A. there were 11 accidents related to occupational duties. Moreover, there was 1 accident in the Imperium Distribution Center. No accidents were reported in other companies in this segment. No fatal accidents were reported. There were also no cases of occupational diseases.

6.3. SWINE segment

As at 31 December 2017, employment in the companies from the PROCESSING segment was as follows:

The size of employment as at 31 December 2017



The share of women in the companies in relation to all employees as at 31/12/2017 was as follows:

Company	Share of men	Share of women
Agro Gobarto Sp. z o.o.	62%	38%
Agro Bieganów Sp. z o.o.	80%	20%
Agroferm Sp. z o.o.	58%	42%
Ferma-Pol Sp. z o.o.	75%	25%

As at 31/12/2017, people with disabilities were employed in: Agro Gobarto Sp. o.o., Agro Bieganów Sp. z o.o. and Ferma-Pol Sp. z o.o.

The companies do not use any human resources outsourcing; they also do not employ low-cost employees, from economically weaker countries or suspected of violating human rights.

In all companies operating in the SWINE segment there are risks associated with the performance of work. However, the companies undertake a number of actions to counter these threats. One of them is a regular work safety measures training for the employees in accordance with the Regulation of the Minister of Economy and Labor on work safety measures training of 27 July 2004 (Journal of Laws No. 180, Item 1860).

In the reporting period, Agro Gobarto Spółka z o.o. recorded 3 accidents – 2 on the Włodowice farm and 1 on the Krzepice farm. In addition, there were 2 accidents in Agro Bieganów Spółka z o.o. No accidents were recorded in the other companies. There were no fatal accidents or cases of occupational disease.

Two trade unions operate in Ferma-Pol Sp. z o.o.:

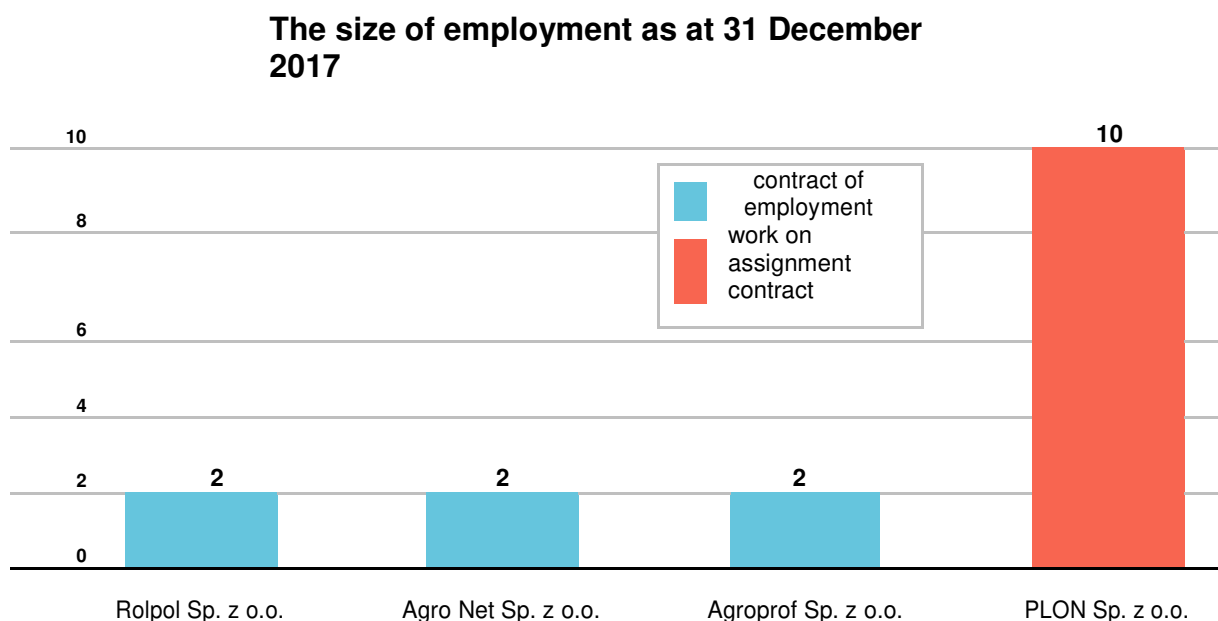
- ◇ the Agreement of Trade Unions, associating 18 employees,
- ◇ A company committee of NSZZ "Solidarność", associating 10 employees.

The dialogue is conducted through direct contacts of the employer with representatives of trade union organizations representing the interests of employees associated in these organizations. In the reporting period, there were no conflicts or collective disputes between: trade unions – the employer.

In all companies, as part of additional non-wage benefits for employees, co-financing is offered to the "OK System" sports and recreation packages. In addition, Ferma-Pol Spółka z o.o. co-finances education in universities for two employees under a contract for improving qualifications in school forms.

6.4. CEREALS Segment

As at 31 December 2017, employment in the companies from the CEREALS segment was as follows:



The share of women in the companies in relation to all employees as at 31/12/2017 was as follows:

Company	Share of men	Share of
Rolpol Sp. z o.o.	0%	100%
Agro Net Sp. z o.o.	50%	50%
Agroprof Sp. z o.o.	50%	50%
PLON Sp. z o.o.	100%	0%

As at 31 December 2017, no people with disabilities were employed in companies from the CEREALS segment.

The companies do not use any human resources outsourcing; they also do not employ low-cost employees, from economically weaker countries or suspected of violating human rights.

In all companies operating in the CEREALS segment there are risks associated with the performance of work. However, the companies undertake a number of actions to counter these threats. One of them is a regular work safety measures training for the employees in accordance with the Regulation of the Minister of Economy and Labor on work safety measures training of 27 July 2004 (Journal of Laws No. 180, Item 1860).

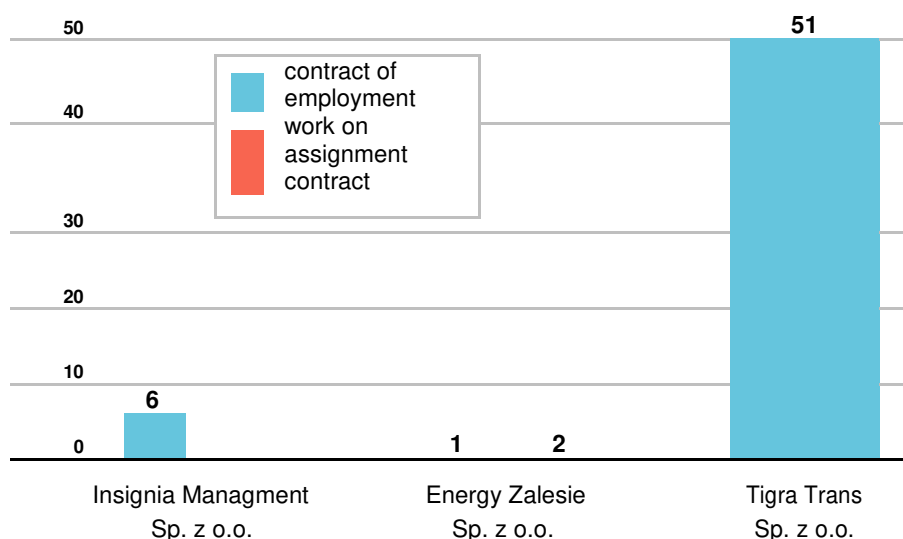
In the reporting period, one accident was reported in Agroprof Sp. z o.o. In other companies, no accidents or cases of occupational disease were reported.

In the companies, as part of additional non-wage benefits for employees, co-financing is offered to the "OK System" sports and recreation packages.

6.5. OTHER OPERATIONS Segment

As at 31 December 2017, employment in the companies from the OTHER OPERATIONS segment was as follows:

The size of employment as at 31 December 2017



The share of women in the companies in relation to all employees engaged in the reporting period as at 31/12/2017 was as follows:

Company	Share of men	Share of
Insignia Management Sp. z o.o.	23%	67%
Energy Zalesie Sp. z o.o.	100%	0%
Tigra Trans Sp. z o.o.	100%	0%

As at 31 December 2017, Tigra Trans Spółka z o.o. Spółka Komandytowa employed one person with disabilities.

The companies do not use any human resources outsourcing; they also do not employ low-cost employees, from economically weaker countries or suspected of violating human rights.

In all companies operating in the OTHER OPERATIONS segment there are risks associated with the performance of work. However, the companies undertake a number of actions to counter these threats. One of them is a regular work safety measures training for the employees in accordance with the Regulation of the Minister of Economy and Labor on work safety measures training of 27 July 2004 (Journal of Laws No. 180, Item 1860).

In the reporting period, no accidents, including fatalities, were recorded in companies from the OTHER OPERATIONS segment. There were also no cases of occupational disease.

In the companies, as part of additional non-wage benefits for employees, co-financing is offered to the "OK System" sports and recreation packages. Additionally, in Polskie Biogazownie Energy Zalesie Spółka z o.o. the employees are offered co-financing for holidays that lasts at least two weeks.

7. Protection and respect for human rights

In none of the companies belonging to the GOBARTO Group, a separate internal instrument was adopted regarding anti-mobbing and anti-discrimination policy. Regulations regarding these issues have, however, been included in such files as: Work Regulations or Diversity Policy.

None of the companies belonging to the GOBARTO Group, commissioned an audit at its sub-contractors or clients in respect of the anti-discrimination policy.

In the reporting period, no cases of discrimination, mobbing or sexual harassment were reported in relation to employees in any of the companies belonging to the GOBARTO Group.

In their business activities, all companies belonging to the GOBARTO Group build their foundations on the universally binding regulations of law, including those concerning the protection of human rights. Each of the companies strives to ensure that in each area of activity, any actions taken into consideration respect the human rights resulting from inherent dignity of human life, protection of health, freedom, etc., therefore, in their internal normative acts, the companies include provisions referring to the abovementioned rights and prohibiting their violation.

In the companies belonging to the GOBARTO Group, no human rights abuses were identified in the reporting period.

All companies from the GOBARTO Group apply principles that are supposed to protect the personal data of employees, business partners and contractors.

In the reporting period, none of the companies belonging to the GOBARTO Group recorded any notifications related to the breach of personal data protection.

8. Corporate governance

Corporate bodies of companies belonging to the Gobarto Group operate on the basis and within the limits of generally applicable regulations of law, in particular the Act on the Commercial Companies Code of 15 September 2000 (consolidated text in Journal of Laws of 2017, Item 1577). Moreover, such corporate documents as the company's by-laws or articles of association and rules of the individual corporate bodies determine the principles of their operation and competences. These documents specify the organization and manner of performing activities by individual bodies, their number, rules for appointing and dismissing members, rules for convening meetings, adopting resolutions, storing and transferring the effects of the work of the bodies, and indicating competences of the authorities, their powers and responsibilities for making decisions regarding specific activities of the company.

As a rule, in limited liability companies belonging to the Gobarto Group, there are two corporate bodies, and they are: the management board and the shareholders' meeting. In entities that meet the statutory requirements to have a supervisory body, it operates in the form of a Supervisory Board (these are the following joint-stock companies: Gobarto S.A., Zakłady Mięsne Silesia S.A. and PANTEON S.A.).

9. Counteracting corruption and bribery

In the reporting period, in the companies belonging to the GOBARTO Group, there were no cases of events involving corruption or bribery.

10. Area of relations with the market

The companies belonging to the GOBARTO Group reliably regulate their liabilities to contractors and are not a party to payment proceedings against them.

In the reporting period there were also no proceedings against the companies conducted by the Office of Competition and Consumer Protection.

The Management Board of GOBARTO S.A.

21 March 2018	Dariusz Formela	President of the Management Board
21 March 2018	Roman Miler	Vice-President of the Management Board
21 March 2018	Rafał Oleszak	Vice-President of the Management Board
21 March 2018	Przemysław Koźlakiewicz	Vice-President of the Management Board