



HARBOES BRYGGERI A/S

BUSINESS-DRIVEN CORPORATE SOCIAL RESPONSIBILITY

REPORT AND POLICY ON CORPORATE SOCIAL RESPONSIBILITY AND DIVERSITY; SEE SECTIONS 99 A AND 99 B OF THE DANISH FINANCIAL STATEMENTS ACT (ÅRSREGNSKABSLOVEN) FOR THE 2018/2019 FINANCIAL YEAR

THIS REPORT FORMS PART OF THE MANAGEMENT'S REVIEW IN HARBOE'S ANNUAL REPORT

SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY AND MANAGEMENT VALUES

HARBOE'S POLICY ON CORPORATE SOCIAL RESPONSIBILITY:

Sustainability is a key element in Harboe's strategy for the group's continued growth and development. We will achieve our financial objectives with respect for our surroundings, people and the environment to contribute to sustainable developments globally and, especially, locally.

In addition to the Danish-based brewery, Harboes Bryggeri A/S also has a brewery in Germany, Darguner Brauerei GmbH, and a brewery in Estonia, AS Viru Õlu. The group's business model and activities are described in detail on pages 28-29 of the 2018/2019 consolidated annual report.

At all three breweries, efficient resource utilisation throughout the value chain is at the centre of operations, the focus being on:

- Sustainable raw materials.
- High quality standards for all production units, based on state-of-the-art technology and with consideration for environmentally-friendly solutions.
- Employees and health, underpinned by responsible occupational health and safety programmes.

Harboe's corporate social responsibility activities are rooted in policies on corporate social responsibility and diversity with such policies being based on commercial prioritisation of value creation and risk mitigation. Moreover, a number of priorities and objectives have been formulated in the policies for the individual focus areas.

The group has selected the following CSR focus areas:

- Organisation
- Code of Conduct
- Human rights
- HR
- Climate and environment
- Quality control and consumer issues
- Local community development

KEY PERFORMANCE INDICATORS (KPIs)

In recent years, Harboe has been working on the individual KPIs in the HR area and within quality control. This is essential when it comes to assessing performance throughout the year.

In 2019/2020, in addition to continuing this work, we will also extend our efforts to other areas – especially climate and environmental issues. Our internal emphasis in this regard is on harmonising procedures for measuring and reporting to allow us to define future KPIs and report consistently based on these KPIs.

CODE OF CONDUCT

- FOCUSED WORK ON CERTIFICATIONS
- QUALITY CONTROL OF SUPPLIERS
- UNIFORM QUALITY STANDARDS AND PROCEDURES
- DEVELOPMENT OF MORE NATURAL AND NUTRITIOUS PRODUCTS



- SPONSORSHIPS AND LOCAL PARTNERSHIPS
- FOCUS ON EDUCATION, KNOWLEDGE SHARING AND CULTURE
- SUPPORT FOR THE INDUSTRY'S RESPONSIBILITY INITIATIVES AND THE AUTHORITIES' RECOMMENDATIONS

- REDUCTION OF ENERGY CONSUMPTION
- REDUCTION OF WATER CONSUMPTION AND WASTEWATER EMISSIONS
- REDUCTION OF RAW MATERIAL WASTAGE
- RECYCLING AND REDUCTION OF RESOURCE CONSUMPTION
- REDUCTION OF CO₂ EMISSIONS

- DIVERSITY
- FOCUS ON STRENGTHENING CROSS-ORGANISATIONAL HR INITIATIVES
- QUALIFIED LABOUR AND DIVERSITY
- REDUCTION OF ABSENCE DUE TO ILLNESS AND INJURY
- FOCUS ON GENERAL HEALTH AMONG EMPLOYEES
- OPEN DIALOGUE BETWEEN EMPLOYEES AND MANAGEMENT
- PERSONAL DATA PROTECTION

ORGANISATION

POLICY

- We will design an organisational structure that will enable us to execute the group's strategies and ensure effective risk management.

Our organisation must constantly evolve to always be able to meet demands and requirements of customers, suppliers, markets, employees, authorities and other stakeholders and to execute the group's overall strategies and strengthen its risk management.

We believe that we can deliver results through dialogue and openness. So we prioritise internal dialogue with our employees and external dialogue with our stakeholders - locally and internationally - in our daily work. To that end, we will maintain a high level of information whenever this can strengthen our efforts and partnerships.

RISK

Through development of the organisation for the performance of day-to-day tasks and realisation of policies and strategies, Harboe's exposure to unnecessary risks, loss of business and absent growth is reduced.

ACTIVITIES AND RESULTS

COMPOSITION OF MANAGEMENT

The composition of the management is a key priority to Harboe, because it is the prerequisite for the correct implementation and execution of overall strategies and for ensuring that the day-to-day work of the group's individual production units is completed.

During the financial year, the ongoing development of the organisation has helped to ensure that the right skills were available, underpinned by broad collaboration across the group's three breweries.

POLICIES FOR OTHER MANAGEMENT LEVELS

Harboe aims for an even distribution of women and men at the other management levels (the Board of Executives and the management group directly below the Board of Executives). Moreover, the group's values and management practice integrate the fact that everyone, regardless of gender and background, with relevant management skills and development ambitions is invited to participate in training and to apply for

management positions. This has also been a key element in the process of composing the functional management team.

The target is for each gender to be represented by at least 40%. At the end of the financial year, the ratio between men and women is 44% women (36% in 2017/2018) and 56% men (64% in 2017/2018).

TARGETS FOR THE UNDERREPRESENTED GENDER ON THE BOARD OF DIRECTORS

With a view to ensuring a more equal distribution of men and women on Harboes Bryggeri A/S's senior management body, Harboe's Board of Directors has set the target that one-third of the members of the Board of Directors should be women. The aim was for this target to be realised in connection with the company's annual general meeting in 2017.

As part of the process of identifying new potential board members, Harboe makes a point of adding competencies relevant to fulfilling the group's strategy. Emphasis is also placed on the Board of Directors being composed such that its members match each other in the best possible way in terms of experience, age, gender etc. in order to ensure a competent and versatile contribution to Harboe's management. This is an ongoing process, and in the past year we also discussed the future composition of the Board of Directors. The target for female representation is still that one-third of the members of the Board should be women.

The Board of Directors still consists of five men and one woman. However, the Board of Directors still feels very strongly about ensuring equal gender representation, and the Board of Directors will therefore continue discussions on the future composition of the Board of Directors and decide how best to meet the target for the proportion of women on the Board of Directors. The aim is thus for the Board of Directors to meet the target fixed for the proportion of women on the Board of Directors of one third in connection with the company's annual general meeting in 2021.

DIALOGUE WITH THE OUTSIDE WORLD

In the group, internal dialogue is an important part of our everyday working lives, but dialogue with customers, suppliers, the local community, authorities, shareholders and other stakeholders is equally important.

CODE OF CONDUCT

Harboe focuses on raising communication to the next level. Depending on the stakeholders, we employ various means of communication to ensure that the right information reaches the right recipient at the right time – be it external or internal stakeholders.

POLICY

- We will ensure compliance with local and international legislation, standards and guidelines for the industry.

We will promote good business practice, high ethical standards and social responsibility throughout our value chain. We will ensure that our business activities are always conducted with respect for and in compliance with national and international legislation and standards when it comes to taxation, competition and anti-corruption measures.

RISK

Given that the group's continued growth primarily takes place in international non-EU markets, we constantly need to strengthen our anti-corruption awareness. With a presence in more than 90 countries, Harboe is exposed to potential complicity in breaching anti-corruption legislation through the actions of employees and business partners in remote markets which are difficult to monitor.

ACTIVITIES

HIGH LEVEL OF INFORMATION

The company's management is in constant and close dialogue with the sales team in order to ensure a high level of information regarding customer contact and negotiations. This helps to identify high-risk areas and communicate the group's policy that business should always be conducted with respect for and in compliance with national and international competition and anti-corruption legislation.

We operate in markets with a wide range of products in the individual drinks categories. Negotiations with both new and existing customers are based on offers made in accordance with good business conduct and the group's overall strategy for establishing markets and supporting strategic business partners.

Through reporting procedures, the management actively participates in negotiations with and offers to major customers to reduce the risk of establishment of partnerships based on actions that expose the company to potential competition law violations.

TAX LAW

Harboe is subject to national tax regulations, primarily in Denmark, Germany and Estonia. Harboe always seeks to comply with the tax laws of the individual countries and engages in ongoing dialogue with the authorities to always ensure such compliance.

PERFORMANCE

ANTI-CORRUPTION

The management is not aware of any instances of non-compliance with the company's anti-corruption policy in the past financial year.

COMPETITION

Based on the activities for the year, it is assessed that, once again, Harboe was not involved in any cases of non-compliance with competition laws during the past financial year.

TAX PAYMENTS

The management believes that, once again, Harboe has complied with the tax laws of Denmark, Germany and Estonia in the financial year.

HUMAN RIGHTS

POLICY

- We will ensure that there is no discrimination or differential treatment – everyone must be treated equally, fairly and respectfully.

We support and respect international guidelines and comply with applicable human rights legislation, and we seek to ensure that our business partners are not complicit in human rights violations.

During the year, we also continued our work of processing personal data in compliance with the General Data Protection Regulation (GDPR) and the company's personal data policies.

It is important for us to ensure that employees are employed under decent conditions and that there is no discrimination or differential treatment. This is an integral part of our HR policy.

Our primary suppliers are based in the EU and, accordingly, are subject to the same basic obligations in terms of employee rights and opportunities. In addition, it is important to Harboe to visit all suppliers and major customers regularly to eliminate obvious risks of non-compliance with our ethical standards.

RISK

As Harboe conducts business activities spanning across the world, the risk exists that Harboe's business partners do not meet the ethical standards defined for the group.

Digitisation exposes our employees to a greater risk of violation of their personal data, which we need to possess to comply with the employment law obligations incumbent on the group's companies as employers.

ACTIVITIES

PERSONAL DATA PROTECTION

Our IT systems undergo continuous assessment and optimisation to ensure that they are adequate to cope with everyday tasks, but also to protect the company against unauthorised access. In connection with the new personal data protection rules, our review was carried out specifically to ensure that our data are stored correctly and with the highest level of security. During the past year, we regularly reviewed our

procedures to identify areas in which investment in supporting programmes was appropriate to ensure the highest possible level of security.

BACKING TO LOCAL TRADE UNIONS

Harboe recognises and supports employees' rights to join or not join trade unions. For a number of years, Harboe has had good and constructive relations with local trade union departments. Unless an employee wants us to keep his or her trade union informed of special circumstances, employees are not expected to disclose when employed their trade union affiliation or non-affiliation.

COLLABORATION WITH SUPPLIERS

An integral part of the group's collaboration with suppliers involves regular visits to their facilities. During these visits, our purchasers are often given a tour of the facilities, including the production areas. This allows them, in an informal way, to acquire insights into the operation of our suppliers' business and check whether there are any obvious human rights violations.

PERFORMANCE

PERSONAL DATA PROTECTION

Protection of personal data forms part of the group's IT policy and, due to the GDPR, is incorporated as an integral part of the IT contingency plan. All systems are updated regularly to ensure optimum protection. The group's procedures for processing personal data within various areas have been updated to align them with the daily work and new systems. One example is the procedures for personal data processing in the recruitment process, where we have invested in a recruitment and onboarding system to optimise processes and help to ensure compliance with the GDPR.

We have not experienced any breaches of the systems, and thus our employees have not been exposed to unauthorised access to their personal data.

DIALOGUE WITH TRADE UNIONS

During the past year, we have not been involved in any industrial disputes, and we have not been in contact with trade unions over workplace issues.

VISITS TO SUPPLIERS

During the past year, visits to suppliers have not given cause to suspect human rights violations.

DIALOGUE WITH TRADE UNIONS

During the past year, we have not been involved in any industrial disputes, and we have not been in contact with trade unions over workplace issues.

POLICY

We want our employees to be employed under good, orderly employment conditions and be ensured a safe and healthy working environment, minimising absence due to illness and avoiding occupational injuries. Harboes Bryggeri A/S is certified in accordance with the OHSAS 18001 standard, and we want our subsidiaries to comply with the same standards and procedures.

We will prioritise and focus on providing a diversified workplace with equal conditions and opportunities for all employees, regardless of gender, age, ethnicity, social origin, race, religion and sexual orientation. We will work to increase the number of women in executive positions.

- We want our company to be a safe and healthy place to work - our employees should go to work happy and go home happy.

We will ensure that our employees are able to utilise their skills, while at the same time developing through training and education. We will ensure that employees feel that their opinions are valued and will make allowance for particularly vulnerable persons.

RISK

For many employees, the operation of the group's core production activities involves manual labour and handling of hazardous equipment and machinery. Accordingly, occupational injuries constitute a significant risk to these employees, and timely and correct instructions in how to perform individual tasks before work commences and regular follow-up to ensure compliance with the instructions provided are required.

ACTIVITIES

FOCUS ON STRENGTHENING CROSS-ORGANISATIONAL HR INITIATIVES

During the past year, we have focused on stepping up our HR initiatives, identifying organisational needs and supporting cross-organisational activities based on cross-organisational initiatives with uniform guidelines.

QUALIFIED LABOUR AND DIVERSITY

To ensure the group's constant optimisation of routines and processes, all employees must be able physically, mentally and in terms of skills to perform the tasks that are part of the individual employee's responsibilities. The management focuses on correct and timely training of new employees and on correct use of the skills and competencies available for the benefit of the employee and the company alike. In the event of a shortage of skills in parts of the organisation, Harboe will look into the possibilities of skills development of existing employees before hiring new ones.

Developing each employee's skills is very valuable to the company. So it is also important to retain employees, and thereby the knowledge and experience they accumulate over time. Through performance interviews, we seek to identify each employee's skills and ambitions and to define development plans to form the basis of further training and skills development.

In the recruitment of new employees, the primary focus is on professional and personal skills, but another priority is to focus on creating a diversified workplace with equal conditions and opportunities for all employees, regardless of gender, nationality, religion or age. This provides for a dynamic environment with professionally founded discussions and sharing of experience in all areas of the group.

OCCUPATIONAL HEALTH AND SAFETY - REDUCTION OF ABSENCE DUE TO ILLNESS AND INJURY

The group is dedicated to ensuring a safe working environment that seeks to minimise absence due to illness and injury. Work is currently ongoing to analyse risks and prioritise and address these risks in accordance with the risk posed to employees by each factor. Through ongoing implementation of safety measures and follow-up on near-misses, we seek to minimise the number of occupational injuries.

In Skælskør, work is ongoing to provide more detailed absence data. Classification of absence is to be used as one element in the preparation of a targeted action plan for reducing absence where possible. This is based on the positive experience gained from Germany, which is already using such detailed classification. One result has been increased focus on HR management in order to reduce absence. As part of these efforts, an interview procedure has been implemented under which employees are offered a personal interview to identify the company's opportunities to reduce absence.

Harboes Bryggeri A/S is certified in accordance with the OHSAS 18001 standard for occupational health and safety. This standard prescribes requirements for the management of occupational health and safety and ongoing structured follow-up, which has generated positive results. Work is ongoing to implement similar procedures in Germany and Estonia. This is part of the cross-organisational HR initiatives, which provide a good point of departure for uniform procedures wherever possible.

FOCUS ON GENERAL HEALTH AMONG EMPLOYEES

Harboe emphasises general employee health and wellbeing, as this helps to create a good environment for each employee. For a number of years, many employees have taken up the offer of health checks and advice on a healthier lifestyle. This is still the case, and it is very positive that new employees are still taking up the offer. This initiative is underpinned by the continued prioritisation by the group's employee restaurants to provide healthy, balanced and nutritious food. The employee restaurants also enable employees to meet and form relations across departments.

In Dargun, employees are also offered regular health checks, which form the basis for advice to the employee in the performance of his or her duties, considering health aspects, the employee's position, including shift work, temperatures, stationary computer work, forklift driving etc. These checks also help the company offer the employee the proper aids, helping to reduce the risk of injuries and work-related absence.

PERFORMANCE

FOCUS ON STRENGTHENING CROSS-ORGANISATIONAL HR INITIATIVES

The cross-organisational HR initiatives have provided deeper insights into opportunities and measures in the individual companies that may be of cross-organisational benefit and that can support the overall strategy of uniform HR guidelines.

QUALIFIED LABOUR AND DIVERSITY

Most of Harboe's employees are employed in production, process, service and inventory – areas traditionally dominated by men. This affects the gender composition of the applications received and is also still reflected in the overall gender balance in the group, with approx. 80% men at the three production sites. In other group functions, the gender balance is still more even. Women make up about 60% of the employees at the three production sites in non-production-related functions.

Especially in Denmark, we see great diversity in nationalities across the company's departments. Despite linguistic and cultural differences, all employees benefit – not just professionally, but also personally.

Due to extensive recruitment efforts and focus on joint development of entire departments, the financial year saw a decline in the number of employee performance interviews relative to the 2017/2018 financial year. The goal is still to be able to conduct interviews with 50% of the employees each year. In order to strengthen the performance interview efforts and achieve the goal, management training is ongoing and a reminder system is being implemented to ensure timely interviews with each employee.

In Germany, companies are required to employ particularly vulnerable people under a quota system or, alternatively, provide financial support for a general scheme. We still believe that both the employees and the company will benefit the most if these persons are offered a job that considers their special needs and integrates them into the company's daily work.

During the financial year, Harboes Bryggeri A/S joined Task Force Southern Zealand in the 'Jobs for Veterans' project. We have indicated that we will give applications marked 'Veteran' priority when considering applications, and that we will seek, insofar as possible, to compensate for individual challenges in relation to having a job.

As a group, we are delighted that employees demonstrate their satisfaction with working for our companies through long service. Over the past year, we celebrated the 10th, 25th and 40th anniversaries of a number of employees.

OCCUPATIONAL HEALTH AND SAFETY - REDUCTION OF ABSENCE DUE TO ILLNESS AND INJURY

In 2017, Skælskør was audited for renewal of the occupational health and safety certification and was given an elite smiley. At the same time, the expansion of the occupational health and safety organisation has proved to be of great value as the represented departments and competencies have turned out to be useful as they contribute to a better evaluation. As a result, the organisation was expanded further in the final quarter of 2018/19.

The workplace assessment (WPA) conducted in 2017/2018 predominantly showed good working conditions and a high level of satisfaction. Subsequently, we have followed up on the initiatives recorded in the 'Registration database' as a result of the WPA. The resulting overview of operating and maintenance tasks and follow-up on these tasks has proved highly useful. Moreover, internal occupational health and safety audits have proved valuable in terms of identifying issues that need to be addressed. Increased visibility also helps spread the message that the company takes occupational health and safety seriously, and employees know where to go if they have an issue.

In the past year, the employee absence rate in Denmark was 2.6%, in Estonia it was 4.8% and in Germany it was 8.69%.

The offer of individual interviews for employees in Germany has helped identify the needs of the individual employees. The interviews have not shown any work-related issues, but quarterly follow-ups will be conducted with the individual employees to support their well-being in the workplace.

The target for the number of occupational injuries is a maximum of four in Denmark, four in Germany and two in Estonia. In 2018/2019, there were zero occupational injuries in Estonia, while there were zero and eight in Denmark and Germany, respectively. None of the recorded injuries were classified as being of a 'serious nature'. Following each injury, an incident assessment was initiated, and corrective actions were implemented to prevent recurrence.

The increased focus on near-misses and the registration of these incidents as well as follow-up with corrective actions will help reduce the risk of actual work-related injuries happening in the future.

EMPLOYEE PARTICIPATION AND INFLUENCE

We still find that our employees are interested in the company and engage in dialogue with the management about day-to-day work. This creates a strong foundation

for a successful company in which dialogue makes employees contribute actively to growing the business.

The group's three breweries have a total capacity of 10 million hectolitres. In 2018/2019, a total of 5.9 million hectolitres of beer, soft drinks and malt extract were produced, an increase of 3.5% on the previous year (5.7 million hectolitres). Changes are regularly made to the product mix, for instance towards increased production in the ingredients business, representing more energy-intensive products.

CLIMATE AND ENVIRONMENT

POLICY

- We will reduce the group's environmental footprint through streamlining, reduced resource consumption and reduced waste in production.

Through targeted efforts, we will implement measures to ensure the most up-to-date, efficient, flexible and environmentally friendly production possible.

Darguner Brauerei GmbH is energy-certified (ISO 50001), and we will utilise the knowledge and structure provided by this certification in Harboes Bryggeri A/S and AS Viru Ölu.

RISK

The greatest environmental risks involved in the operation of the group's activities are CO₂ emissions, water consumption and emission of polluted wastewater or chemicals.

ACTIVITIES

The group's production facilities are maintained and continuously optimised. Investments consider resource consumption and environmental impact.

In the past five years, Harboe has focused on investments in expanding and strengthening the group's production facilities, while at the same time raising the group's environmental profile. Thanks to our investments, we have qualified for investment and energy subsidies.

REDUCTION OF ENERGY CONSUMPTION

When investing in new plant or optimising or streamlining existing plant, Harboe focuses on using the best materials to future-proof the plant, reduce wastage in process and production and keep the energy consumption as low as possible.

The energy inspection conducted in the 2017/2018 financial year resulted in a report with suggestions for improvement. Over the course of the 2018/2019 financial year, based on these recommendations, we have worked to improve the issues that were pointed out.

In connection with the construction of the visitors' centre, solar panels were installed. The solar panels were connected and commissioned at the end of the 2017/2018

financial year. Production is monitored and special meters have been installed to enable the electricity production to be monitored in real time.

The group's German company is still energy-certified (ISO 50001). This places demands on the company's structured and documented work in this area and helps ensure a daily focus.

REDUCTION OF RAW MATERIAL AND SEMI-MANUFACTURE WASTAGE

The group's ERP system for planning and management of production processes across all production units is constantly optimised. This enables better planning and calculation of the consumption of raw materials and semi-manufactures.

RECYCLING AND REDUCTION OF RESOURCE CONSUMPTION

During the financial year, no projects involving recycling and reduction of the resource consumption were completed. The investments made in previous years are monitored closely to assess whether additional investments could make a difference.

Moreover, the overall steam system in Skælskør is being analysed, the focus being on identifying further scope for optimisation and thus reduction of the gas consumption.

REDUCTION OF WATER CONSUMPTION AND WASTEWATER EMISSIONS

Through targeted investments in the parts of the process requiring the use of large volumes of water, focus is on the reduction of water consumption.

Follow-up testing of the technology update in Harboe's water treatment plant in Skælskør has resulted in a clear improvement of the values measured in wastewater emissions. Automatic measurements and alarm systems have contributed to optimising procedures and ensuring correct treatment of wastewater.

In Skælskør, the sewer system has undergone a major upgrade to future-proof it and protect it from wastewater contamination.

In Estonia, the focus has also been on wastewater, and the wastewater system has been reviewed and retrofitted where necessary.

CLIMATE AND ENVIRONMENT

PERFORMANCE

REDUCTION OF ENERGY CONSUMPTION

Continued changes in the product mix, with a larger share of production being made up of energy-intensive products in the ingredients areas, offset the effects of previous years' investments in reducing energy consumption. In this context, it is still positive that the energy consumption is constant.

Based on the energy inspection carried out and the report prepared in this regard, the suggestions for improvement have been prioritised and scheduled for implementation as part of the preparatory work towards the desired energy certification in Skælskør, which is expected to be obtained in 2020. During the financial year, a number of these suggestions were implemented.

After the first year of operation, the solar panel output has been good. The very sunny summer had a positive impact. However, the real impact will not be seen until it is possible to compare two or three years and establish a trend. Whether the output goes up or down over the coming years, the solar panels will make a difference in Harboe's energy consumption.

REDUCTION OF RAW MATERIAL AND SEMI-MANUFACTURE WASTAGE

A group-integrated ERP system, underpinned by new and automated plants, has helped ensure optimum utilisation of raw materials and semi-manufactures, leading to reduced wastage.

RECYCLING AND REDUCTION OF RESOURCE CONSUMPTION

Observations are included in the general planning of investments in this area to ensure the greatest possible benefit from future investments.

REDUCTION OF CO₂ EMISSIONS

The group's investments in energy-saving measures and recycling of resources have enabled the company to maintain its CO₂ emissions at a constant level.

During the financial year, we invested in solutions specifically designed to reduce our CO₂ emissions. At the same time, investments made to reduce our energy and gas consumption (including solar energy investments) are expected to have a knock-on effect on our CO₂ emissions. Previous investments are monitored closely, and against this backdrop we are currently working on a future investment plan.

QUALITY CONTROL AND CONSUMER ISSUES

POLICY

- Through structured and targeted quality control, we will ensure products of the highest quality.

- We will place high demands on ourselves and our suppliers to ensure that consumers can enjoy high-quality products with guaranteed safety.

Harboes Bryggeri A/S and Darguner Brauerei GmbH are certified according to the IFS standard, while AS Viru Õlu is certified according to the ISO 22000 standard, and these standards are an integral part of our daily work.

Food safety is key to the quality of our products and an important parameter in sales to customers – be they consumers or B2B customers.

Through compliance with the requirements of the IFS and ISO 22000 standards and the ongoing work with our suppliers, we will ensure that we always deliver products of high and consistent quality.

As far as possible, we require our suppliers to be GFSI certified (controlled by an independent third party). We also assess our suppliers based on a supplier questionnaire. Suppliers are classified based on their CRS policy – whether they have a CRS certification, or whether the raw materials originate from a vulnerable country.

We will regularly visit our suppliers, among other things to inspect their production areas. These visits allow us to gain an informal insight into whether there are any obvious violations of our Code of Conduct. Based on the feedback from these visits, we decide whether an actual audit should be conducted.

Employees in the purchasing department must be members of Harboe's HACCP group.

We support the industry's responsibility initiatives and the authorities' guidelines. Through development of existing and new products, we aim to be able to offer our customers more natural and nutritious products.

Our quality certification must be recognised by the Global Food Safety Initiative

(GFSI), and we will seek to attain and retain certifications at the highest level within the various certifications.

RISK

One of the major risks the group manages on a day-to-day basis is the risk of quality inconsistencies. A small error in the production or handling of drinks and food products can impact a large number of customers, be it sales to consumers or B2B.

Even though the group's core business is the production and sale of beer, soft drinks and other sugary products, the group is very aware of the potentially negative consequences of these products on the consumers' general health.

ACTIVITIES

FOCUSED WORK ON CERTIFICATIONS

To ensure the highest standards, our breweries are certified according to internationally recognised standards. This ensures focus, structure and documentation of significant processes and results. These standards also impose stringent requirements for handling of errors and deviations to prevent a recurrence of errors.

The ambition is for the group's companies always to be certified at the highest level of the individual standards.

The work on structured and documented corrective and preventive actions is given high priority, and assessments are regularly made to ensure that the group's companies have the right certifications.

QUALITY CONTROL OF SUPPLIERS

For the third consecutive year, the group's quality department is assessing our suppliers based on the new supplier approval procedure under which raw materials suppliers without a quality certification recognised by the Global Food Safety Initiative (IFS, BRC, ISO 22000 FSSC) are audited by trained auditors from Harboe. These audits include quality, environment, occupational health and safety and CSR issues.

Most of the group's primary suppliers are based in the EU and thus subject to uni-

QUALITY CONTROL AND CONSUMER ISSUES

form regulatory requirements, which help ensure the quality of the raw materials purchased. Nevertheless, a vulnerability analysis is conducted of all raw materials suppliers in order to be able to categorise the group's risk exposure in relation to the individual suppliers. This analysis is based on information about the supplier's certification, geographical location, history and the price level of the raw material.

UNIFORM QUALITY STANDARDS AND PROCEDURES

In 2017, the group implemented an IT system (IPW) for document and deviation management, among other things. In March 2018, the system was expanded with an integrated intranet function, containing a number of information documents, procedures and process descriptions as well as common policies and general information for employees. In 2018, the system was also implemented in Germany, and implementation of the system was initiated in Estonia and is due to be completed at the beginning of the 2019/2020 financial year. This will help support the prioritisation of the collaboration between the three breweries, creating transparency across the group's companies by implementing selected group procedures.

At the same time, the general procedures for registration of deviations and processing of complaints have been completed. At the end of the financial year, these procedures were implemented in all three companies.

DEVELOPMENT OF MORE NATURAL AND NUTRITIOUS PRODUCTS

Our development department is dedicated to developing existing products and creating new ones to meet market demand for more natural and nutritious products. This has resulted in a close partnership with especially malt extract customers but also customers in the drinks segment, with ecology in focus in all categories.

PERFORMANCE

FOCUSED WORK ON CERTIFICATIONS

Our focused certification work has paid off. In 2017, Harboes Bryggeri A/S was awarded the IFS higher level certificate – the highest level of this certification standard in question and an improvement on the previous year. This level was retained in 2018 and at the recently completed 2019 audit.

Customers are increasingly focusing on the IFS certification, and Harboe therefore

decided not to renew its BRC certification in 2019. Harboe is also certified in accordance with OHSAS 18001:2005, GMP + B2 Production of Feed Ingredients, Halal, Kosher, Organic products and the straw shortener concept.

Darguner Brauerei GmbH is also certified according to the IFS higher level standard. In 2018, ISO 9001:2008 and HACCP were phased out, leaving IFS as the only standard. The brewery also has feed certification, and beer and juice products are certified in accordance with kosher standards.

AS Viru Õlu is certified in accordance with ISO 22000. The aim is for the brewery to transfer to the IFS standard as part of the 2019 re-certification. This will mean that all three breweries will work to the same standard and, thus, the same quality requirements and safety conditions. In 2018, a quality coordinator was employed to help support the process locally and ensure compliance with the group quality programme.

QUALITY CONTROL OF SUPPLIERS

In 2018/2019, two supplier audits were conducted. The planning of audits for 2019/2020 is in progress. These supplier audits are scheduled based on the annual vulnerability analyses carried out of the individual suppliers. So far, no suppliers have been placed in the red category – high risk – but focus on conducting regular audits remains strong.

UNIFORM QUALITY STANDARDS AND PROCEDURES

We see a positive effect of registration of document and deviation management in a unified system integrated across the group's two largest companies. The positive outcome is expected to continue as the system becomes better known and is implemented in Estonia.

During the financial year, we stayed within our internal targets for the number of complaints within drinks – both when it comes to beer and soft drinks. The nature of the complaints has caused us to plan audits of selected suppliers.

Based on enquiries regarding product quality from customers and consumers, the breweries are dedicated to initiating investigative, corrective and preventive actions

QUALITY CONTROL AND CONSUMER ISSUES

immediately in accordance with the procedures established. This is to minimise the risk of a recurrence of incidents that may lead to complaints at a later point in time. Through standardisation of the procedures of the group, we are able to benefit from the results and experience gained across companies.

DEVELOPMENT OF MORE NATURAL AND NUTRITIOUS PRODUCTS

In the ingredients segment, we continue to focus on being able to offer alternatives to additives and preservatives to make customers' end products more natural. Harboe also focuses on recycling residual resources from the production of beer and malt extract, including draff, in order to reduce waste but also to exploit the nutritional benefits of the residual resources.

In the drinks segment, the financial year saw a targeted effort involving organic products, resulting in increasing sales of the existing organic products in the market.

LOCAL COMMUNITY DEVELOPMENT

POLICY

- We will be aware of our social responsibility in terms of helping to develop the local community.

We will support local sports activities, cultural events and charities that help to make our community an attractive place to live and work.

We will make our knowledge available and promote dialogue about education and business opportunities in the local community.

RISK

If local companies do not support local initiatives, including sports and cultural activities, small towns and cities could miss out on opportunities for taking initiatives that produce dynamic townscapes and support the local economy. If the local community is not attractive to existing and potential employees, Harboe and companies in general may face problems attracting and retaining talented and competent employees. The consequence could be that companies do not want to place production sites in these areas.

ACTIVITIES

Sponsorships and local partnerships

Harboe continues to prioritise community initiatives and this year, once again, sponsored a number of sports activities, cultural events and charities, the purpose being to support the business, generate positive mention of the company and the local community and make a difference to our employees and their families.

FOCUS ON EDUCATION, KNOWLEDGE SHARING AND CULTURE

For many years, Harboe has prioritised making its knowledge available to citizens, associations, students and schools through various activities. This helps create dialogue about education and business opportunities in the local community. In the past year, our visitors' centre has proved valuable in this context, and we have been able to host more events and functions for local clubs, organisations, associations and schools than previously. Moreover, it has been possible to organise a number of internal and external events during which we have had the opportunity to talk about the group and our work. We hope that such events will allow us to provide a better insight into Harboe's history and the values underlying all of our activities.

Each year, the group's companies take on a number of trainees and interns – both students from primary and secondary school and students in higher education programmes – for shorter or longer periods of time. This gives the young trainees and interns insight into the job opportunities in a manufacturing company and gives the students the opportunity to test theory in practice and inspire their colleagues at Harboe through the sharing of new knowledge.

PERFORMANCE

Sponsorships and local partnerships

Both existing and new partnerships have helped to focus on good local initiatives and events that have enjoyed the support of the local community, but also of people coming from far away to participate. At the same time, Harboe has enjoyed considerable positive exposure, and we have promoted dialogue about our company. This has helped to generate positive media coverage of the local community, including Skælskør, but also the municipality in general, thus making a difference for the inhabitants, our employees and their families.

FOCUS ON EDUCATION, KNOWLEDGE SHARING AND CULTURE

The opening of the new visitors' centre attracted considerable public interest. This presented an opportunity to tell the group's history through images and include the subsidiaries in the story. It is possible to show all sides of the company and provide a greater insight into what Harboe has to offer product-wise and especially in terms of jobs, education and training.

The public has shown a keen interest in guided tour events, and we are planning new events at regular intervals to showcase the company and share our corporate narrative with all interested parties.

Again this year, we have had the pleasure of meeting talented young people who have taken an interest in Harboe and the work in connection with our products. This is especially the case in the development and quality department, where students have been involved in several projects during the past year. Harboe actively uses the results post-partnership and hopes to exchange ideas with students which they are able to use afterwards.