



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 2017/2018 FINANCIAL YEAR

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

FOCUS AND FOCUS AREAS:

Sustainability is a key element in Harboe's strategy for the group's continued growth and development.

In addition to its Danish brewery, Harboes Bryggeri A/S has a brewery in Germany and a brewery in Estonia. Pages 16-23 in the consolidated financial statements for 2017/2018 describe the company's activities. 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.
- Continuous development of more sustainable types of packaging.
- Optimisation and streamlining of transport, internally and externally.
- 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 guidelines have been formulated for Harboe's corporate social responsibility in our policies on quality, food safety and environment.

The group has selected the following CSR focus areas:

- Code of Conduct
- Human rights
- HR
- Climate and environment
- Consumer issues
- Local community development

KEY PERFORMANCE INDICATORS (KPIs)

In recent years, Harboe has been working on the individual KPIs in the HR area. We will carry on this work, which is very valuable when it comes to assessing performance throughout the year.

In 2018/2019, in addition to continuing the good work in this area, we will also extend our efforts to other areas – especially climate and environmental issues. In the area of climate and environment, we want to establish KPIs and procedures and processes for measurement of performance with reporting based on this performance measurement.

CORPORATE SOCIAL RESPONSIBILITY

Report in accordance with Sections 99a and 99b of the Danish Financial Statements Act (Årsregnskabsloven)

“Positive relations with the company's stakeholders are essential to Harboe's future growth and value creation.”

POLICY

The Harboe group's organisation is constantly evolving to always be able to meet demand and requirements of customers, markets, employees, authorities and other stakeholders and to execute the group's international growth strategy.

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

RISK

By developing the organisation for the performance of day-to-day tasks and realisation of policies and strategies, Harboe avoids exposure to unnecessary risks, loss of business and absent growth.

ACTIVITIES AND RESULTS

COMPOSITION OF MANAGEMENT

The ongoing development of the organisation in the financial year has given rise to innovative approaches to the management structure and to assessing the competencies available, in order to identify what is needed to strengthen the organisation. This has resulted in an extension of competencies and experience within sales and marketing.

The candidates' qualifications are paramount, but diversity in gender, nationality and age are also key

parameters. Harboe aims for an even ratio between women and men at the top management level (the Board of Executives and the management group directly below the Board of Executives). Efforts are made to ensure that both genders are represented in the final rounds of the recruitment process where their skills are assessed in individual interviews with the members of the top management. 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.

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 36% women (29% in 2016/2017) and 64% men (71% in 2016/2017).

TARGET FOR WOMEN ON THE BOARD OF DIRECTORS

With a view to ensuring a more equal distribution of men and women on Harboe's supreme governing body, Harboe's Board of Directors has fixed a target for one-third of the members of the Board of Directors to 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 fulfil 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.

At the annual general meeting in 2017, Søren Stampe and Søren Malling were elected as new members of the Board of Directors, while Thøger Thøgersen resigned. This means that the Board of Directors now consists of five men and one woman. The Board of Directors' recommendation of the two new male members was based on a detailed assessment of their personal and professional experience and competencies, which the Board of Directors found were unique in comparison with other candidates. 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.

RISK MANAGEMENT

The ongoing development of the organisation is to

help strengthen the group's risk management. Risks are regularly mapped and subsequently the necessary precautions are taken to address these risks and ensure that sufficient processes are in place in the event of increased risk exposure and non-compliance.

The general risk scenario has not changed during the past year. Focus has been on certain areas where legislative changes have been introduced in order to eliminate the risk of non-compliance.

DIALOGUE WITH THE OUTSIDE WORLD

At Harboe, 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.

Depending on the stakeholders, we employ various means of communication to ensure that the right information reaches the right recipient at the right time.

Harboe wants to engage in dialogue with our stakeholders, especially locally but also on a wider scale, and with the opening of our new visitors' centre, we have once again been able to invite various stakeholders for a dialogue about the company. This is something we want to do more in future. By opening the doors to Harboe for all stakeholders, we hope to be able to provide a better insight into Harboe's history, what we do, how we do it and not least the values on which our activities are based. ■

CODE OF CONDUCT

POLICY

Harboe aims to promote good business practice and social responsibility in the value chain. This has been incorporated as a separate section on anti-corruption in our Code of Conduct as well as in our staff manual, in order to ensure as broad support as possible.

RISK

Given that Harboe's production units are all based in the EU with a continued expansion of our international activities, we must constantly increase our awareness of anti-corruption issues. With a presence in more than 100 countries, Harboe is exposed to potential complicity to violation of applicable anti-corruption legislation through the actions of employees and business partners in remote markets which are difficult to monitor.

ACTIVITIES

- 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.

The group's policy is that business must always be conducted with respect for and in compliance with national and international competition laws.

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.

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.

- Focus on compliance with 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. ■

POLICY

Harboe complies with applicable rules and agreements in the area of labour and human rights. In this connection, it is important for us to ensure that employees are employed under decent conditions and ensure that there is no discrimination or differential treatment. This is an integral part of our HR policy and is described in detail in our staff manual. During the year, the group's companies have reviewed and updated their policies for processing personal data in order to ensure compliance with new legislation.

Human rights is a priority area in the group's Code of Conduct.

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 same ethical standards as Harboe.

Digitalisation exposes our employees to potential violation of their personal data which Harboe needs to possess to comply with Harboe's obligations under the employment relationship.

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 rules on personal data protection, our review was carried out specifically to ensure that our data are stored correctly and with the highest 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.

OPEN DIALOGUE BETWEEN EMPLOYEES AND MANAGEMENT

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.

Employee input is essential to the company's operations and employees should feel that there is room for them to voice their views and feel that their opinion is valued. To this end, we seek to create open dialogue between management and employees through daily presence in offices and production facilities and through regular information meetings. Moreover, employees are offered performance interviews to provide a confidential room/space? where the focus is on the individual employee's situation and development.

PERFORMANCE

PERSONAL DATA PROTECTION

The protection of personal data is part of the group's IT policy. All systems are updated regularly to ensure

optimum protection. The group's personal data policy has been updated and supplemented with procedures for handling personal data in various areas. In addition, work is carried out to standardise policies and processes as far as possible across the group. We have not experienced any breaches of the systems to expose our employees to unauthorised access to their personal data.

VISITS TO SUPPLIERS

During the year, visits to suppliers have not given cause to suspect human rights violations at any of the group's suppliers' facilities.

TRADE UNION AFFILIATION OR NON-AFFILIATION

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.

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. At the same time, employees are keen to develop their skills and continue to participate actively in courses and training programmes. This again helped to improve the quality of the work performed at our three breweries. ■

📋 POLICY

Through regular information and dialogue with employees, Harboe seeks to ensure a safe and healthy working environment for all its employees. Management values and HR strategy are based on the group's strategy of realising value-adding business results, while at the same time wanting to run an attractive business that fosters pride and employee satisfaction. Therefore, and in order to underpin this strategy, it is important for Harboe to be able to recruit motivated managers and employees with the skills needed to implement the strategy in practice.

The overall strategy for ensuring employee conditions across production sites is defined at group level. This strategy will apply to all employees and we must ensure that all employees are given the same opportunities and safe working conditions.

⚠️ RISK

For many employees, the operation of the company's core production activities involves manual labour and handling of hazardous equipment and machinery. Accordingly, occupational injuries constitute a significant risk to employees if they are not properly instructed in how to perform each task or if they fail to comply with the instructions given. These are high-priority areas for the management.

✳️ ACTIVITIES**FOCUS ON SKILLS, TRAINING AND RETENTION**

The development of each employee's skills and the knowledge that employees accumulate are of considerable value to the company. Therefore, the

ability to retain employees is important. Through performance interviews, we seek to identify each employee's skills and ambitions and to define development plans to form the basis of training and skills development.

As an integral part of the group's HR policy, we seek to create an environment that makes allowance for particularly vulnerable persons. We want to integrate all employees in the organisation.

PRIORITISATION OF DIVERSITY

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.

REDUCTION OF ABSENCE DUE TO ILLNESS AND INJURY

Harboe 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.

WORKING ENVIRONMENT

Harboes Bryggeri A/S is certified in accordance with the OHSAS 18000:2008 standard for occupational

health and safety. This standards prescribes requirements for the management of occupational health and safety and ongoing structured follow-up, which has generated positive results. As Harboe wishes to achieve the same positive effects in Germany and Estonia, work is ongoing to implement similar standards and processes in these countries. Previously, the objective was to achieve certification in both Germany and Estonia. Certification has, however, been postponed indefinitely, as we are working to achieve the same positive results as in Denmark based on the requirements set out in the certification and the standards and procedures applied in Denmark.

As a result of the work with certification and the working environment in general, we have expanded the occupational health and safety organisation with new representatives, so as to include a larger number of employees and activities in the process of evaluating and improving the working environment in the group.

In 2017/2018, Harboe conducted a workplace assessment focusing on the psychological working environment. The survey was conducted through the distribution of questionnaires to all departments in Denmark. With a participation rate of 53%, the good results described below are deemed to be representative of the company.

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 lifestyle changes. This is still the case, and

it is very positive that new employees are also taking up the offer. This initiative is underpinned by the continued prioritisation by the group's employee restaurants in both Denmark and Germany to provide healthy, balanced and nutritious food. The employee restaurants also enable employees to meet and form relations across departments.

In Skælskør, a number of employees work three shifts and also work nights. This may place a strain on the health of the individual employee. In collaboration with the local occupational health service, all employees in this group were therefore offered a health check in January/February 2018 to ensure that their health does not suffer due to their work, no matter how often they work night shifts. This health check may also identify other factors that may help to improve the general health of our employees. The part of the health check that has been disclosed to Harboe as the employer showed good results – read more below.

IMPROVING OCCUPATIONAL HEALTH AND SAFETY AT INDIVIDUAL PRODUCTION UNITS

In order to underpin the overall strategy for the group, individual production units evaluate and implement local initiatives that are to help improve employee conditions at the various locations. In recent years, focus has been on more extensive initiatives, and it was therefore a priority in 2017/2018 to secure a good working environment through smaller and simpler initiatives in the day-to-day work; initiatives that can still make a big difference.

Skælskør's certification in accordance with the OHAS 18000:2008 standard for occupational health

and safety ensures structured and documented occupational health and safety work and helps to promote open dialogue on occupational health and safety and, by extension, a higher degree of implementation in the company.

✓ PERFORMANCE

QUALIFIED LABOUR AND DIVERSITY

Most of Harboe's employees are employed in production, process, service and inventory, which are traditionally predominated 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. In these functions, women make up between 37% and 59% of the employees at the three production sites.

Harboe's policy on the underrepresented gender at other management levels is an integral part of Harboe's recruitment and diversity policy.

EMPLOYEE DEVELOPMENT AND RETENTION

As part of the establishment of an administrative structure to facilitate the conduction of quality performance interviews and follow-up for the benefit of both the company and the employees in compliance with the policy in this area, a target was set of annual interviews with at least 50% of the employees employed in production, process, service and inventory and 80% in administration, development, sales and marketing.

In Skælskør, we tried to structure interviews in 2017/2018, and the number of interviews carried out also increased. We are still striving to achieve the

targets fixed and welcome the increase in the number of interviews.

The same structure will be introduced in Dargun and Haljala.

Skælskør is dedicated to 'Education and training in stages', meaning that section/team leaders train the individual process operators based on their own education and training in order to achieve a higher level, which is determined individually. This is done based on the prescribed requirements for knowledge of quality assurance, operation and engineering/maintenance in the individual departments.

In Dargun in 2017/2018, 23 training programmes were completed/offered, all adapted to the individual employee's qualifications and work in the company.

Germany has a statutory requirement for a scheme for particularly vulnerable employees in the company or financial support for a general scheme. We still believe that both the employee 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 day-to-day work.

In our capacity as an employer, we are delighted that employees demonstrate their satisfaction with working for our companies through long service. In the past financial year, we celebrated the ten-year anniversaries of 13 employees, the 20-year anniversaries of six employees, the 25-year anniversaries of seven employees and the 40-year anniversaries of two employees.

HEALTH, SAFETY, 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.

The workplace assessments conducted in 2016/2017 and 2017/2018 predominantly showed good working conditions and a high level of satisfaction. The necessary improvements identified in the workplace assessments are registered in Skælskør in a database used to register operating and maintenance tasks as well as for follow-up on these tasks. This way, the ongoing work with workplace assessments has 'gone live' and is constantly developing. In addition, we now have two trained internal occupational health and safety auditors, who perform quarterly internal audits of all departments, at which they follow up on previous registrations in the database and any related tasks. All issues related to the workplace assessment are registered in the database.

The completed health check showed that the employees were generally in good health. The personal and confidential appointments and subsequent feedback from nurse and doctor allow the employees to respond to issues that may not necessarily be work-related but may later affect their general health. It is positive that the employees make use of this offer and take their health seriously.

In Denmark, once again, absence was low this past year, at just 1.80%. In Estonia, it was 2.7%, while it was 7.84% in Germany. In Germany, a working group has been set up to work with issues that may help reduce absenteeism. The working group will be assisted by external consultants, and its work will be based on employee interviews focusing on absence and job

satisfaction. In addition, we cooperate with the local occupational health service.

The target for the number of occupational injuries is a maximum of four in Denmark, four in Germany and two in Estonia. In 2017/2018, there were no occupational injuries in Estonia, while there were four and seven in Denmark and Germany, respectively. Two of the injuries registered are categorised 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.

Manual labour involving heavy lifting has put a strain on employees at various places in production. The past year's focus on this area has resulted in investments both in the brewhouse and at the bottling lines, significantly reducing the volume of heavy lifting, or eliminating heavy lifting altogether. This provides for less strenuous work for the employees, and also enables efficiency enhancement of processes and equipment utilisation.

Safety equipment and aids are replaced regularly, but everything is also checked at regular intervals to ensure that the employees always have the equipment required for them to carry out their job in the safest possible manner. ■

The group's three breweries have a total capacity of 10 million hectolitres. In 2017/2018, a total of 5.7 million hectolitres of beer, soft drinks and malt extract were produced, which was slightly below the previous year (6.1 million hectolitres). Changes are regularly made to the product mix, for instance towards increased production of ingredients, which are more energy-intensive products.

POLICY

Harboe complies with current environmental legislation and constantly focuses on streamlining and implementing initiatives to reduce the company's environmental footprint. The group's objective is to minimise the resources used in the production process relative to the overall production volume.

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 continually optimised to ensure that production processes are up to date, efficient, flexible and as environmentally-friendly as possible. Investments consider resource consumption and environmental impact. At the same time, the aim is for investments to generate positive returns within a short number of years.

In the past five years, Harboe has focused on investments in expanding and strengthening the

company's production facilities. These investments have proved decisive in the competition for large-volume contracts in the main markets in Northern Europe, but also in markets that are new to Harboe. At the same time, the capacity of our modern and efficient production facilities forms a solid basis for realising the group's strategy and further value creation within the strategic development areas and the continued geographical expansion of the activities. Thanks to our investments, we qualify for investment and energy subsidies from the EU and national subsidy schemes.

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 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.

In Skælskør, an energy inspection was carried out at the beginning of the financial year, resulting in a report with suggestions for improvement. In the coming years, new initiatives will be based on the recommendations.

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

REDUCTION OF WATER CONSUMPTION AND WASTEWATER EMISSIONS

Harboe prioritises developing new products in disposable packaging (aluminium cans and PET bottles). This reduces water and energy consumption in the production process in connection with cleaning of packaging and transport units. Moreover, disposable packaging offers a greater opportunity for recycling of resources, resulting in low wastage. In large parts of the world, recycling systems have been put in place, entailing that disposable packaging is included in a circular economy with a high recycling rate.

Harboe monitors research in packaging closely, this way seeking to establish a close dialogue with suppliers in order to participate in the innovation in the area and thus ensure a reduction of the environmental impact. This applies both in relation to weight and material consumption — factors of key importance to degradability.

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.

REDUCTION OF RAW MATERIAL 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 additional investments

were made in recycling and reduction of the resource consumption. The investments made in previous years are monitored closely to assess whether additional investments could make a difference.

REDUCTION OF CO₂ EMISSIONS

During the financial year, we made only minor investments in initiatives for the reduction of CO₂ emissions, but we monitored previous investments closely and are working on a plan for additional investments.

PERFORMANCE

REDUCTION OF ENERGY CONSUMPTION

Continued changes in the product mix where a larger share of the production is made up of energy-intensive products in the ingredients areas outweigh the effects of previous years' investments in reducing energy consumption. In this context, it is 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.

The real effects of the new solar panels will not be seen until after the first year of operation, but irrespective of the amount of electricity produced, it will make a difference in terms of the production and use of energy in Harboe.

REDUCTION OF WATER CONSUMPTION AND WASTEWATER EMISSIONS

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.

REDUCTION OF RAW MATERIAL AND SEMI-MANUFACTURE WASTAGE

A group-integrated ERP system, underpinned by new and automated plant, has helped ensure optimum utilisation of raw materials and semi-manufactures. This has led 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.

Moreover, at the breweries in Skælskør and Dargun, investments have been made in CO₂ collection plants, which, in addition to reducing costs, also help reduce the companies' overall CO₂ footprint.

FUTURE ACTIVITIES

In the coming year, Harboe will continue to assess the need for further investments in efficient utilisation of resources and capacity. Continued focus on additional energy optimisation, possible investments in alternative energy sources, demands on all links of the value chain to use sustainable raw materials, more environmentally-friendly packaging, process optimisation and streamlining of distribution are to facilitate further CO₂ reductions — also in the future. ■

POLICY

As an international drinks manufacturer and supplier to food companies worldwide, product quality and safety are paramount. Harboe will meet the highest food safety standards by using raw materials that ensure a high and uniform quality throughout the entire value chain – from raw material to the finished product.

Harboe supports the industry's responsibility work and health authority guidelines for consumption of alcohol. In our marketing, we are aware of our responsibility to communicate correctly and ensure compliance with marketing legislation.

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. Even though Harboe's core business is the production and sale of beer, soft drinks and other sugary products, Harboe is very aware of the negative consequences these products have for the consumers' general health in case of excessive consumption.

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 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

In 2016, Harboe launched a new supplier approval procedure under which raw materials suppliers without a quality certification recognised by 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.

The group's primary suppliers are all based in the EU and thus subject to uniform regulatory requirements, helping to ensure quality. Nevertheless, a vulnerability analysis is conducted of all raw materials suppliers in order to be able to categorise Harboe'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 quality department in Skælskør started work on implementing an IT system for document and deviation management. 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. The intention is for the system to be implemented at group level. 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.

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.

PERFORMANCE

Our focused certification work paid off as, in 2017, Harboes Bryggeri A/S was awarded the IFS higher level certificate and the BRC AA grade certification – both the highest level of the certification standard in question and an improvement on the previous year. Customers are looking for the IFS certification to an increasing extent, and the company has therefore decided not to renew its BRC certification. 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 certified in accordance with ISO 9001:2008, IFS – issue 6 (higher level), HACCP and feed certification. The brewery's beer and juice products are also certified in accordance with kosher standards. Viru Õlu AS is certified in accordance with ISO 22000.

In 2017/2018, two supplier audits were successfully conducted, both of malt suppliers. The work on

planning audits for 2018/2019 is in progress. These supplier audits are scheduled based on the 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.

We have yet to see the full effects of the newly implemented IT system – the Intranet – and do not expect to be able to measure the effect until it has been fully implemented in all three group companies. It is important that everyone gets a chance to work extensively with the system before any conclusions are drawn as to content and use.

Based on enquiries concerning product quality from customers and consumers, the breweries are dedicated to initiating investigative, corrective and preventive actions immediately, where needed, to minimise the risk of a recurrence of such incidents that may lead to complaints at a later point in time. Through close dialogue with customers and consumers, we are able to ensure and improve the quality of our products.

In the ingredients area, we continue to focus on being able to offer alternatives to additives and preservatives to make 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 products in the market. ■

LOCAL COMMUNITY DEVELOPMENT

POLICY

The Harboe group is firmly rooted in the local community and aware of its social responsibility to help develop the community. Moreover, the ability to attract qualified labour also depends on being able to offer employees wishing to settle down close to the company an attractive local community with good sports, cultural and job opportunities.

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 benefit the inhabitants personally and the town or city economically. 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

Guldagergaard – International Ceramic Research Centre, which attracts both national and international attention and artists, has again in the past year agreed

to cooperate with Harboe on the use of their works of art. In 2018, yet another work of art from Guldagergaard adorns the vintage brew Årgangsbryg 2018.

For many years, Harboe has prioritised making its knowledge available to citizens, students and schools through various activities. This helps create dialogue about education and business opportunities in the local community. The visitors' centre is now finished, and since the autumn of 2017, we have hosted events for large and small clubs, local organisations and schools. These activities will be expanded with the visitors' centre as their basis.

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.

– Focus on job creation

The group's production units are all located in small towns and many of the employees live in or around these towns. Thus, local job creation is a priority for the group – not just at individual production sites, but also with the group's subsuppliers.

PERFORMANCE

Sponsorships and local partnerships
Both existing and newly established partnerships

have helped bring positive local initiatives and events into focus, while at the same time ensuring extensive positive exposure of Harboe, including exposure of existing and new products. At the same time, this has resulted in positive media coverage of the local community, including Skælskør, but also the entire municipality, thus making a difference for the inhabitants, our employees and their families.

In the financial year, the partnership with SBI has led to the conclusion of an agreement with the Municipality of Slagelse on a new name for the stadium – the HARBOE ARENA.

EDUCATION 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 can offer, both in terms of products but in particular also in terms of jobs, education and training.

Again this year, we have had the pleasure of meeting talented young people who have shown 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 provide students with sparring they are able to use afterwards as well. ■