
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 2015/2016 FINANCIAL YEAR

BUSINESS-DRIVEN CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY AND MANAGEMENT VALUES

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

Sustainability is a central element in Harboe's strategy for the group's continued growth and development. Effective utilisation of resources and positive relations with the company's stakeholders are essential to Harboe's future value creation. Harboe's corporate social responsibility activities are rooted in policies on corporate social responsibility and diversity with such policies being based on a commercial prioritisation of value creation and risk mitigation. The policies are approved by the Board of Directors of the company and are described in detail in the report below and on the group's website.

The group has decided to focus on the following four focus areas within business-driven corporate social responsibility: climate and environment, employees and occupational health and safety, quality and health as well as community relations.

As a member of the Danish Brewers' Association, Harboe supports the industry's responsibility initiatives and participates in the ongoing reporting within the industry's focus areas.

CLIMATE AND ENVIRONMENT

Harboe's objective is to minimise the resources used in the production process as much as possible relative to the overall production volume, thereby reducing the environmental impact of its activities.

The group's three breweries have a total capacity of 10 million hectolitres. In 2015/16, a total of 6.0 million hectolitres of beer, soft drinks and malt wort products were produced. This generally corresponds to the levels of 2014/2015 but covers ongoing and underlying changes to the product mix comprised of i.a. increased production of speciality products.

Harboe's production facilities are optimised at regular intervals to ensure an up-to-date, efficient and flexible production process. All investments in new production technology, optimisation of existing production facilities and product and packaging development take into account resource use and general environmental impact. At the same time, the aim is for investments to generate positive returns within a two-year horizon.

DKK 75.5 million was invested in the production facilities in 2015/2016 primarily aimed at optimising capacity, ongoing maintenance and continued efficiency efforts. Investments were made in new warehouse facilities and bottle-sorting systems for recyclable bottles. As expected, the investments made in recent years in new cooling towers, compressors and other efficiency efforts also resulted in significant energy savings for the current year. Harboe still focuses on operational efficiency efforts in connection with i.a. inventory management and logistics and expects to make further savings in the financial year ahead.

The group's ERP system for planning and control of production processes across all the group's production units is being further developed, and the implementation in Germany and Estonia is still in its preparatory phases. However, Harboe

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expects further progress in this regard in the course of the coming financial year, and this will result in a number of further process optimisations as well as additional energy and financial savings.

In the past five years, Harboe has invested DKK 319 million in the expansion and strengthening of the brewery sector's production facilities. The investments have proved decisive in the competition for large-volume contracts in the main markets in Northern Europe. 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. Investments also gave rise to EU investment and energy subsidies and national subsidy schemes in the current financial year.

The group's German subsidiary Darguner Brauerei GmbH has obtained its energy certification.

In the coming year, Harboe will continue to assess the need for further investments in efficient utilisation of resources and capacity. The planned investments for 2016/2017 are focused on process and production equipment, energy optimisation and efficiency improvement as well as investments supporting the strategic group development.

EMPLOYEES AND OCCUPATIONAL HEALTH AND SAFETY

Harboe's management values and HR strategy are based on the group's focus on realising value-adding business results as well as on preserving the ambition of running an attractive business that fosters pride and a high degree of employee satisfaction. As part of this strategy, Harboe focuses on having the necessary competencies and resources at all times, to enable the group to efficiently carry on its activities while at the same time seizing new opportunities for growth and value creation.

It is therefore vital that Harboe is able to recruit motivated managers and employees with the right qualifications for all parts of the group. Harboe's seeks to

"Harboe is dedicated to ensuring a safe working environment that seeks to prevent absence due to illness and injury. Harboe is constantly investing in training and development activities to ensure that its employees are optimally geared to carrying out their duties in a safe and efficient manner."

offer competitive pay and employment conditions in accordance with applicable collective agreements, good practice and relevant international standards.

DIVERSITY AND TALENT DEVELOPMENT

The recruitment of new employees is mainly based on the candidates' professional and personal qualifications matching the job description. But Harboe is also committed to ensuring that the group's organisation and management reflect a wish for diversity, and Harboe aims to create equal conditions and opportunities for supplementary training and career development for all employee groups, regardless of gender, nationality, religion or age.

So when recruiting for positions at all levels in the group, everyone with the right competencies and ambitions is encouraged to apply. 75% of Harboe's employees are employed in production, process, service and inventory, which are traditionally predominated by men. This also affects the ratio between men and women applying for positions and is reflected in the general number of men and women employed in the company at the end of the financial year (78% of employees are men). As regards other positions in the group, including management, administration, development, sales and marketing, the group employs 49% women and 51% men.

Harboe's policy on the underrepresented gender at other management levels is an integral part of Harboe's diversity policy. 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 group also offers housing assistance in the local area and general pay and employment conditions to make it attractive to work for the company and enables employees to have a healthy work/life balance. The group has found that such conditions promote motivation for i.a. female employees to apply for management positions. In step with the continued internationalisation of the company and the strengthening of the development, sales and marketing functions, Harboe has thus focused on further increasing diversity, and this aim was reflected during the financial year with the employment of more women among international specialists and managers.

In accordance with the group's general diversity policy, the aim is continued organisational development while at the same time strengthening diversity across Harboes Bryggeri, and this will also be our aim for the year ahead.

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. This target must be realised in connection with the company's annual general meeting in 2017 at the latest.

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 Har-

HARBOE'S DIVERSITY POLICY

Harboe aims to promote diversity through a number of focus areas in the group's recruitment processes and management practice:

- When recruiting for positions at all group levels, everyone with the right competencies and ambitions is encouraged to apply – regardless of gender, nationality, religion or age.
- It is a priority in the recruitment process that the wish for diversity is taken into account once candidates with the right professional competencies and personal qualifications have been identified.
- Harboe's staff and management policy aims to create the framework for a proper work-life balance.
- Harboe conducts annual performance interviews with managers and employees in the organisation, with responsibility and personal career development as integrated elements.
- Harboe follows up on employee satisfaction in the organisation at appropriate intervals, including on the satisfaction with the possibilities for personal, professional and career development.

boe's management. This is an ongoing process, and in the past year, we also discussed the future composition of the Board of Directors.

On the current Board of Directors, the board members elected by the general meeting still consist of five men and one woman. The Board of Directors remained the same during the year. In the period up to 2017, the Board of Directors will continue its discussions on its composition and decide how best to meet the target for the proportion of women.

ORGANISATION FOR STRATEGY IMPLEMENTATION

Focus is on strengthening and updating competencies at all levels in the group to place it in the strongest possible position to execute its international growth strategy. This includes the continued development of the international sales organisation, which was upgraded with new strong competencies targeted at the continued development of growth markets in Asia and Africa, among others. The ingredients activities were also strengthened further by specialists with solid technical know-how, who could support the sales activities offering educated advice and develop tailored solutions.

During the financial year, Harboe continued its strategic management development programme, which will form the basis for strengthened competencies and a shared frame of reference for the operational management of the group. The programme also ensures the effective anchoring of the strategy processes among key managers in the group, for example through an annual strategy seminar for the entire international corporate management team.

The operational part of the group also implemented a number of training activities during the year. The team leader training programme, which Harboe set up in Denmark a few years back with a view to ensuring effective and close fol-

low-up on quality and efficiency in the individual production processes, was continued in the group's German production unit. The programme yields positive results in the form of continuous optimisation and efficiency improvements in operations. At the same time, feedback indicates that the increased level of responsibility is a strong motivational factor for both the individual team leaders and the employees in the organisation, who thus get more influence on operational decisions.

JOB SATISFACTION AND EXCELLENT OCCUPATIONAL HEALTH AND SAFETY

The wellbeing, health and general human rights of our employees, including their right to organise and collective agreements, are important issues to Harboe.

The group offers i.a. a healthy and diverse range of food in its cafeterias as well as personal advice and a range of activities aimed at healthy living. These include personal health checks and advice on healthy lifestyles offered to the individual employee in strict confidence by the health specialists. As part of their contract, employees working in a three-shift pattern, including night shifts, must submit to an annual health check-up.

Harboe is dedicated to ensuring a safe working environment that seeks to prevent absence due to illness and injury. Harboe is constantly investing in training and development activities to ensure that its employees are optimally geared to carrying out their duties in a safe and efficient manner. Further training programmes for employees were also completed this year in all the group's units, including training programmes for team leaders to ensure the efficient sharing of knowledge and information on quality as well as occupational health and safety.

During the financial year, absence due to illness was 2% at Harboes Bryggeri, and 6% and 7% respectively at the two subsidiaries. The aim is to reduce absence due to illness in the group as a whole permanently to a maximum of 3%, and targeted efforts will be made in the year ahead to ensure great occupational health conditions and strengthen the cultural and management values which may help us fulfil this aim.

In terms of occupational injuries, during the year, Harboe also targeted its efforts at increasing safety even further throughout the value chain and set targets for the maximum number of annual occupational injuries for each production unit. The aim for Denmark and Germany is a maximum of four annual occupational injuries, and the maximum for Estonia is two occupational injuries. In Denmark, no occupational injuries were reported for the financial year, whereas Germany and Estonia exceeded the number of injuries.

The group's production unit in Skælskør has got occupational health and safety certification in accordance with OHSAS 18000:2008, the result of which was very satisfactory with low levels of absence due to both injury and illness. Therefore, the preparations for similar occupational health and safety certification for the group's production units in Germany and Estonia were initiated and are expected to be completed in 2017/2018. Several processes will be optimised in connection with these preparations, and in future the certification will enable more structured, ongoing follow-up in this area.

SATISFACTION AND COMMUNICATION

As part of the competency development of each employee, Harboe aims at conducting annual performance interviews which follow up on goals and results and at which performance plans are defined for the coming year based on the group strategy and the individual employee's professional competencies and ambitions. The performance interviews also follow up on the employee's satisfaction with the general conditions and the opportunities for personal development.

During the past year, Harboe did not conduct performance interviews with all employees, but we are working at establishing administrative and management structures enabling us to offer annual performance interviews to all employees during the financial year of 2017/2018 at the latest.

Furthermore, Harboe prioritises daily and efficient internal communication between management and employees offering ongoing information and dialogue, meetings with employees and a visible management in general throughout the organisation. The qualitative feedback from employees is predominantly positive, and in the past financial year, this also resulted in a low staff turnover rate and continued high seniority of production staff. This contributes to ensuring continuity and to retaining the valuable knowledge accumulated in the company, and resources have also been allocated to this focus area in the coming year.

QUALITY AND HEALTH

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's requirements for the quality of the raw materials purchased from suppliers follow this ambition and are evaluated systematically.

Investments in quality improvements and optimisation of production facilities are made to ensure that Harboe meets new requirements and expectations for quality and hygiene at all times.

Harboes Bryggeri A/S is certified in accordance with International Food Standard – Foundation Level and OHSAS 18001. Furthermore, the ingredients activities are certified in accordance with BRC Global Standards, and the products are certified in accordance with halal and kosher standards.

The group's Estonian company is certified in accordance with ISO 22000 and E059.

Darguner Brauerei GmbH is certified in accordance with ISO 9001:2008, International Food Standard – issue 6 (higher level) and HACCP. The brewery products are also certified in accordance with organic standards, halal and kosher standards. Systematic follow-up as well as internal and impartial external control are performed as part of the maintenance of the certifications.

In the autumn of 2015, Darguner Brauerei GmbH was awarded the Bundessehrenpreis for the categories juice, nectar and direct juice. The prize is awarded to companies excelling in the production of outstanding quality products in the relevant category. In 2016, the brewery was also awarded similar recognition for

its beer. At the same time, Germany also celebrated its 500th anniversary of the so-called 'Reinheitsgebot', which is the formal German requirements for beer purity and regarded as one of the oldest food quality standards in the world.

The market is seeing a growing consumer demand for healthier products. Harboe continues to focus intensely on innovation in order to meet this demand, and the product development within ingredients based on malt extract supports this strategy. In the financial year, further development took place on new variants of malt-based ingredients which can replace flavourings and colourings in both drinks and food products.

Harboe also supports the industry's standards for responsible marketing of alcohol, soft drinks and energy drinks and, in the financial year, participated in information activities carried out via the national brewers' associations.

Harboe will continue to focus on quality and the health-related aspects of the product development in the coming year as well, including increased focus on organic products. At the same time, the further development activities within malt extract and the development of own drinks products will continue to focus on meeting the demand for more natural and nutritious products.

EXTERNAL RELATIONS

It is an integral part of Harboe's management philosophy and fundamental values that the company has a good and constructive relationship with its stakeholders, based on professionalism, open dialogue and mutual respect. The group's business-ethical policies regulate the relations with its business partners.

Harboe's relations with its suppliers and other partners are also based on agreements and contracts being drafted in accordance with international standards. The group has no formal human rights policy, but includes a number of standard requirements in its supplier agreements. The requirements concern quality and the reliability of deliveries, but also corporate social responsibility, including environmental issues and human rights. All of Harboe's suppliers are based in Europe and thus subject to a standardised legal framework in accordance with European standards. In the past year, Harboe has worked to optimise contract formats and conditions and further strengthen the procedures applied when concluding agreements.

At the same time, Harboe continuously strives to strengthen its internal communication and business processes in relation to the handling of the group's contract formats to ensure that the employees involved in business relations within sales, marketing, purchasing etc. are given the best possible conditions and guidance on how to handle deviations from normal standards, including the risk of corruption. This applies particularly in the new markets where social conditions, regulation and business practice may deviate from EU standards, and

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the group will also focus intensely on safeguarding the formal and ethical aspects of its business activities in future.

TRANSPARENCY AND COMMITMENT

Harboe is strongly rooted in the local community, and a key element in the group values is an awareness of the responsibility that naturally comes from being an integral part of the communities in which the company operates. Harboe thus supported a number of relevant local sports activities, cultural events and charities again this year.

Harboe will continue to support local sports and cultural institutions if it can support the business, generate widespread positive attention and make a difference for the communities of which the group, our employees and their families form part.

Harboe also prioritises making its knowledge available for interested citizens, students and schools by arranging open days, offering educational sponsorships, offering traineeships and apprenticeships etc. In the financial year, the company in Skælskør employed six apprentices. In Germany, 19 trainees completed their traineeship in production, administration, development and inventory, and five of them are now permanently employed.

The activities have a positive impact on the group's relations with the outside world, just as they contribute to strengthening company culture and a sense of togetherness.

As part of the continued development of the group, Harboe has initiated the establishment of a new international centre for education/training, marketing and communication in conjunction with the group's head office in Skælskør. The centre which is due to be completed about one year from now is to provide the framework for the group's training of its employees, management development and experience-sharing activities. The centre will also serve as an effective framework for the dialogue with the group's stakeholders and as a showroom for customers and business partners where Harboe's values, history, products and brands will be presented in a dynamic environment. The group expects that the new centre will become not only a valuable meeting point for the group's managers and employees but also an effective marketing platform in the continued strengthening of the group's activities. The building works have commenced and will entail total investments of DKK 25-30 million.

In the coming year, Harboe will continue its efforts to nurture and cultivate its relations with the outside world. Special focus will remain on underpinning the framework for the collaboration with suppliers and other business partners. In addition, Harboe will prioritise its active presence in the communities in which the group operates, through planned sponsorship activities and by participating in relevant social and local contexts. ■