



 VIKING MALT

CSR
REPORT
2018





VIKING MALT

Viking Malt is a worldwide acknowledged malting company that provides value adding malted products to its customers for their success.

We have our malting plants in Finland, Sweden, Denmark, Lithuania and Poland. The company is family-owned since 1883.



Our strategy is to ensure profitable growth with sustainable operations, an adaptive product portfolio and superior customer service.

We operate according to integrated management system **Quality (ISO 9001), Food Safety (ISO 22000), Environment (ISO 14000) and Energy (ISO 50000 Denmark only).**

We have internal and external audits to evaluate our operations, and we are certified in all the mentioned management systems.

We are also developing our operations towards **Health and Safety Management system (ISO 45000).**

We are also taking part in **Carbon Disclosure, SEDEX** and **EcoVadis** social responsibility platforms and evaluations. Our EcoVadis rating has increased to reach the gold level 2017 and all our social responsibility themes are covered in EcoVadis evaluation.

We have had third party **SEDEX SMETA 4 Pillar** audits on social responsibility in Finland and Poland.

We have defined the targets most material to our business and where we can have an effect, working together with our stakeholders towards the **UN Sustainable development goals, SDGs.**



BUSINESS MODEL AND VALUE CREATION

CLIMATE CHANGE

HEALTH&WELLNESS

MARKET CONSOLIDATION

DIGITALIZATION

OUR ASSETS

NATURAL RESOURCES

CEREAL GRAINS 700 KT
WATER
ENERGY

PHYSICAL ASSETS

PRODUCTION
IN 5 COUNTRIES

OUR PEOPLE

250 EXPERIENCED EMPLOYEES

PARTNERS

SUPPLIERS
SALES DISTRIBUTORS

FINANCIAL ASSETS

TOTAL ASSETS 2018 €200M



VALUE CREATED

CUSTOMERS & CONSUMERS

- We manage quality and food safety through excellence in local sourcing and best supply chain
- We serve both small and large customers

SUPPLIERS & SOCIETY

- We co-operate with local farmers in developing business and cultivation

EMPLOYEES

- We provide safe and attractive workplace
- We offer opportunities to develop competence and skills

SHAREHOLDERS

- Return on capital

DISCOVERING THE WORLD OF MALT.

WE VALUE INNOVATION HIGHLY AND ARE KEEN TO EXPLORE NEW OPPORTUNITIES FOR MALTED AND SPROUTED GRAINS



OUR STAKEHOLDER ANALYSIS IDENTIFIES THE FOLLOWING EXPECTATIONS:



Our main stakeholders are customers, suppliers, employees, authorities, owners and community. Stakeholder expectation data has been collected by customer inquiries, employee surveys and from direct communication. We have identified that the importance of carbon footprint has increased, and it has been taken to higher level in our analysis.

We follow developments in our business environment, food safety and quality, and participate in development projects through the following forums:

Ø Euromalt Technical Committee

Ø EBC Brewing Science Group

Ø Food Legislation Task Force of the Finnish Food and Drink Industry Federation

Ø Malt Analysis Proficiency Testing, MAPS Advisory Board

Ø Co-Operation With Educational Institutes Like Scandinavian School of Brewing, VBU Polytechnic in Sweden

Ø The Finnish Cereal Committee, VYR

Ø Dakofo Danish Grain Trading Organization

Ø PBL Brewing Laboratory: Innovation Platform Involving The Largest Breweries Operating in Finland

Ø Lahti Industrial Club

Ø Supporting Lithuanian Free Market Institute, LFMI

RISK MANAGEMENT

An enterprise risk management process has been defined for continuous evaluation of Viking Malt Group financial, strategic, operational and hazard risks.

Extended management team is responsible for ERM process as a part of strategy work. Site related risks have been evaluated through a business impact analysis and continuity plan with recovery plans have been prepared on site level. Environmental, health and safety, chemical and food safety risks have been evaluated as a part of the management process.



Based on Viking Malt Group enterprise risk management process the following risks were highlighted:

1

**QUALITY AND
PRODUCT
SAFETY RISK**

2

**RAW MATERIAL
AVAILABILITY**

3

**ETHICAL AND
PERSONNEL
RELATED RISKS**

4

**ENVIRON-
MENTAL RISKS**



QUALITY AND PRODUCT SAFETY RISK

We operate with a natural raw material that varies from crop to crop, and with customers specifications that are complex and demanding. Climate change may increase risks related to product safety as well as quality.

Risk management: All sites are certified according to ISO 9001 and ISO 22001, and it has been agreed to implement FSSC 22000 in all sites starting from Strzegom in Poland. Group level vulnerability analysis has been done and site security evaluation is started using common standard.





RAW MATERIAL AVAILABILITY

Climate change was seen as a potential source for raw material availability risks.

Risk management: We make sure that we have access to a diverse range of barley varieties and focus on local barley sourcing.





ETHICAL AND PERSONNEL RELATED RISKS

We identified risks related to integration of all sites and attracting talent. A new ERP will be implemented for better integration of the Viking Malt Group. ERP will provide full transparency to Viking Malt operations, and good traceability functions.

We have started with vulnerability analysis in order to mitigate food fraud risks and we will implement Group level site security standard in order to mitigate food defense risks. Work with leadership, motivation and organizational culture will be continued. Value workshops will be continued on every site.

Business ethics are covered in Employee Code of Conduct and there will be training for code of conduct and competition legislation.





ENVIRONMENTAL RISKS

There are no major environmental risks related to Viking Malt operations. All sites have certified environmental management system ISO 14001.

The risk of major fire or explosion was noted as one possible hazard, which is managed by fire safety requirements.





TARGET:

**FSSC 22 000 standard
principles implemented
at selected sites by 2021**

CUSTOMER FAVORITE

According to our policy, we work according to a certified food safety and quality management system and apply HACCP risk analysis and control measures. Therefore, food safety risks are evaluated continuously. Where it is considered relevant, we will communicate openly on the subjects both internally and externally. Our raw material traceability meets the demands of our customers and management systems, and we test traceability from product to raw material or vice versa regularly.

ACTIVITIES

We are preparing for the integration of food safety management system into Viking Malt Group Integrated Management System. All sites will be audited according to a new ISO 22000:2018 by 2020. Our site in Strzegom will be audited according to FSSC 22 000 standard during 2019.



**PRODUCT
SAFETY**

CUSTOMER FAVORITE

According to our Code of Conduct, transparency and integrity are cornerstones of operations in our organization. It means we do not tolerate any practice that is not born of integrity, honesty and fairness. We base our business and operations on open relations. We clearly communicate to our stakeholders that we only accept normal hospitality to or from our business partners and strictly reject corruption and other unfair practices.

Although we are supplying malt to customers in areas where corruption and bribery may occur, these customers are mainly global breweries with Corporate Social Responsibility policies in place. Therefore, we have not identified any significant risks related to corruption and bribery, even when doing business in countries where corruption and bribery may occur.

ACTIVITIES

- Our values were discussed amongst key people in the organization in a workshop 2018, and will be discussed with all employees locally during 2019.
- Key employees will receive training in Employee Code of Conduct and competition legislation.
- In addition, a whistleblowing portal is introduced in 2019.



**BUSINESS
ETHICS**



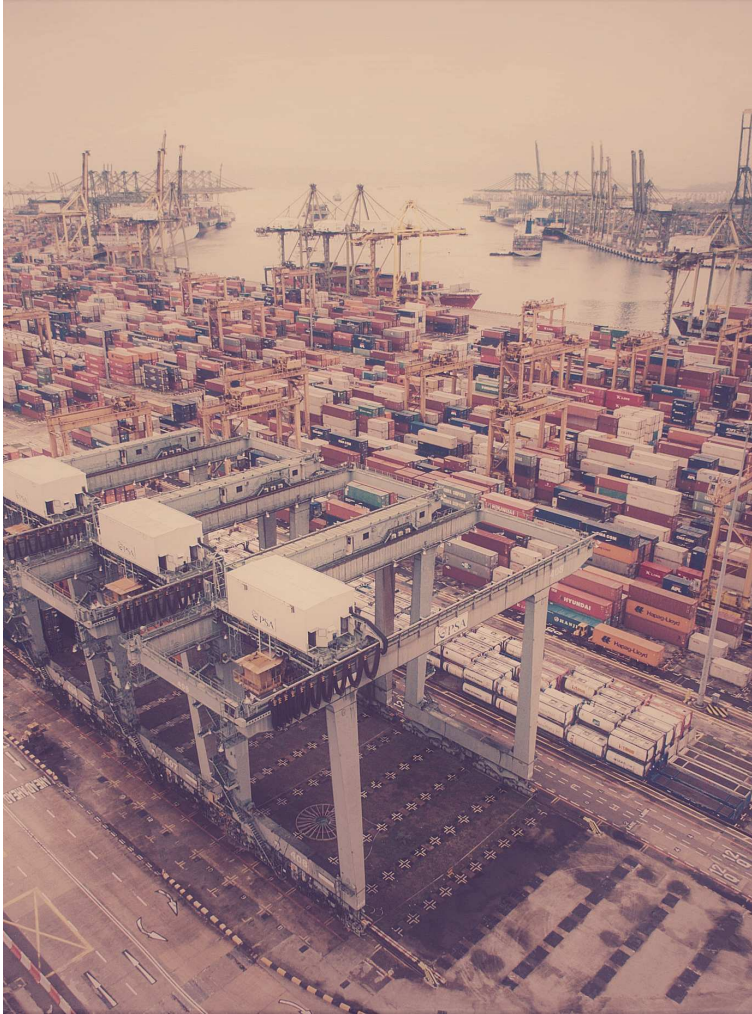
TARGET:

Training of Employee
Code of Conduct: 100%
of all white collars to be
trained in 2019

BEST SUPPLY CHAIN

According to our environmental policy we use only selected agricultural raw materials, and we process them efficiently and profitably. We work according to a certified environmental management system ISO 14001. We follow requirements of current laws and official regulations, and continuously improve our environmental system and performance.

Energy efficiency is the key factor in reducing our carbon footprint, saving natural resources and ensuring the competitiveness of our company. Viking Malt will not only comply with applicable legal requirements as well as other energy related obligations, but we will commit ourselves to continual improvement of our energy performance. We use renewable energy when possible, considering our business environment. We ensure that the energy we use is produced and utilized based on best available practices. Energy efficiency is a guiding principle in the planning of our plant design, investments, production, logistics and sourcing of energy product and services.

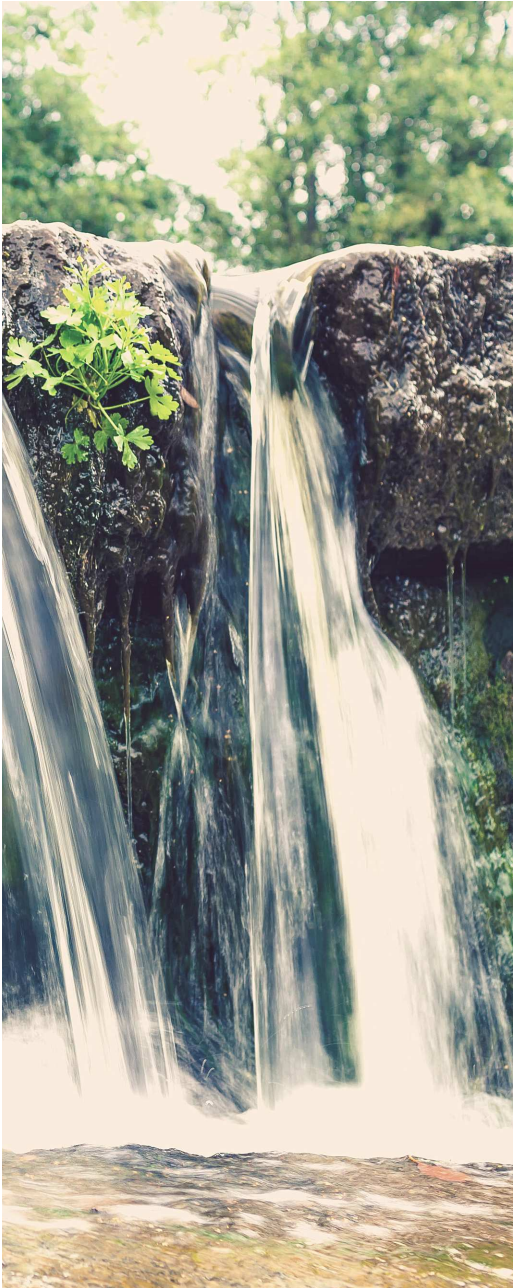


ENVIRONMENTAL MATTERS



ACTIVITIES

- To ensure sustainable procurement with respect to ethical, social and environmental issues, we have introduced a "Supplier Code of Conduct" that summarizes the requirements to which Viking Malt Group is committed.
- We have signed Baltic Sea Action Group initiative. BSAG works to find solutions and right actors to restore the good ecological balance of the Baltic Sea. BSAG is a foundation based in Finland.
- We have identified our significant environmental aspects of our operations and established environmental objectives. Our long-term targets have been to reduce energy and water usage, and to increase environmental awareness.
- Renewable energy is used in our sites in Finland, Sweden and Denmark. Only plants in Poland and Lithuania still have natural gas and coal as energy source.
- Local sourcing of malting barley is one of our key success criteria from both environmental and strategic point of view. We are involved in different Malting Barley Cultivation Programs in our local countries, with an aim to promote malting barley growing and educate farmers how to be more efficient and environmentally sound with their farming practice. For example, Precision Agriculture techniques enables farmers to increase production efficiency while minimizing CO2 emissions.



ACTIVITIES

- To reduce CO2 emissions Viking Malt promotes introduction of high-yielding malting barley varieties in close cooperation with breeding companies and customers.
- Less usage of nitrogen fertilizer and higher grain yields have the biggest effect on minimizing greenhouse gas emission per hectare or kilogram. Yara has introduced a new manufacturing technique of nitrogen fertilizer which decreased greenhouse gas emissions. Viking Malt and Yara have signed a cooperation agreement with the aim of improving barley yields and at the same time reducing malting barley's carbon footprint in countries where Viking Malt operates.
- We are engaged in projects aiming to reduce water usage in the production process.

TARGET:



CO₂-emission targets:

Scope 1:
Reduce by 50% by 2025,
from a 2018 base year
(max 20 kg CO₂e/t malt)

Scope 2: Reduce by 25%
by 2025, from a 2018
base year (max 32 kg
CO₂e/t malt)

Heat usage to be
minimum 70% from fossil
free fuels by 2025

Carbon Footprint from malting process	Unit	Year	2016	2017	2018
CO2 emission - Scope 1	tons CO ₂ e		20 331	21 409	23 052
CO2 emission - Scope 2	tons CO ₂ e		31 573	25 942	24 888
CO2 emission - Scope 1+2	tons CO ₂ e		51 904	47 351	47 941
Fossil free energy ratio - Heat	%		51,1%	54,5%	55,7%

Target: Water usage to be maximum 2,9 m³/t malt by 2021



Utility Consumption ratio	Unit	Year	2016	2017	2018
Water ratio	m ³ /ton		3,14	3,12	3,14

Target: Reduce waste for landfill by 50% by 2025



Solid waste	Unit	Year	2016	2017	2018
Landfill	tons		141	274	252



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SUSTAINABLE PROCUREMENT

To ensure sustainable procurement with respect to ethical, social and environmental issues, we have introduced our "Supplier Code of Conduct" that summarizes the requirements to which Viking Malt Group is committed.

Through our "Supplier Code of Conduct", the commitment in the Baltic Sea Action Group and the cooperation with Yara on optimal usage of Nitrogen fertilizer we aim to protect the environment and to have lowest possible emissions from our sourcing process.

Continuing this journey in 2019 a formalized sustainable policy will be rolled out across Viking Malt, further focusing on lowering the emissions from our supply chain.

ACTIVITIES

- Mapping in- and outbound logistics related to EUR norm for trucks.
- Performance of farmer audits where relevant.
- When sourcing energy ensuring min 70% is fossil free/low CO₂-emission energy related.
- Sourcing Barley from local area aiming for lowest possible food miles.

**SUPPLIER CODE
OF CONDUCT**

TARGETS:

Supplier Code of Conduct
with 80 % of all suppliers

100 % Local sourcing
of barley

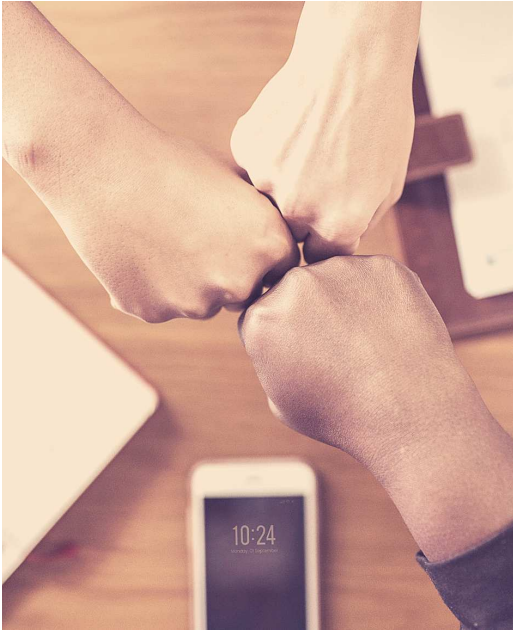


Carbon Footprint from malting process	Unit	Year	2018
Supplier Code of Conduct agreed for Raw Materials	%		61
Local barley	%		96



ACCORDING TO OUR **CODE OF CONDUCT**,
CORPORATE RESPONSIBILITY AT VIKING
MALT GROUP MEANS WE ARE COMMITTED
TO COMPLY WITH SOCIAL,
ENVIRONMENTAL AND FINANCIAL
RESPONSIBILITY IN ALL OUR BUSINESS.





PERSONNEL AND HUMAN RIGHTS

We respect and treat people as expressed in the UN Declaration of Human Rights, the Rights of the Child and the Declaration of the International Labour Organization, ILO. Therefore, we express strong disapproval of forced and child labor.

Our safety policy aims to protect people, property, information, knowledge and environment from accidents, incidents and crimes, and to secure continuation of operations. A safe and efficient work environment considers personnel physical, psychological and social wellbeing. Continuous improvement is guiding our activities. Our target is zero accidents at work. Based on risk analysis and safety notices we evaluate our improvement needs. We continuously follow and report our safety KPI's.

Our operations have to be profitable and result in benefits for the company, its employees and the owners. We need to secure growth and profitability also in the future. Through our success we can constantly develop our business.



The importance of equality and diversity is highlighted in Viking Malt's everyday business and in the Group's recruitment and remuneration principles. We offer all our employees equal opportunities regardless of their gender, ethnic origin, age, creed, political convictions, or other corresponding matters.

We treat our customers and other stakeholders in a fair manner, and we understand that our clients, employees and other stakeholders are vital to our business growth.

Our production sites are not in risk countries. Although we are supplying malt to customers in areas where human rights may not be respected, these customers are mainly global breweries with Corporate Social Responsibility policies in place.

Therefore, we have not identified any significant risk related to the breach of human rights amongst our business partners.

ACTIVITIES

Our values were discussed amongst key people in the organization in a workshop 2018, and will be discussed with all employees locally during 2019.

Individual employees or teams are given targets to support our strategic targets.

All employees have the possibility to give own improvement ideas and ideas are handled site-wise.

Work safety for employees is high on the agenda. Work safety rounds and trainings for employees are arranged regularly and safety issues are discussed and developed with employees.

ACTIVITIES

We implement 5S to create a safe, efficient and pleasant working environment.

Respect for human rights in recruitment and remuneration principles will be audited and any violations reported. In addition, a whistleblowing portal is introduced in 2019.

Employee surveys are carried out regularly. Results are discussed with employees and actions are agreed in workshops.

Donations to both local society and world-wide organizations.

Personnel wellbeing	Unit	Year	2016	2017	2018
Absence rate (hours/total work hours*100)	%		5,2	3,9	4,4
Lost time injury	pcs		11	6	11
Personal development discussions	%		-	79	96
Employee survey results			-	3,76	3,9



TARGETS:

Zero LTI's

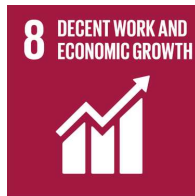
Implement 5S-principles in all sites and in defined areas by 2021

Employee survey results better than previous year

Absence rate maximum 3,5%

Personal development discussions with 100% of employees

Training of Employee Code of Conduct: 100% of all white collars to be trained by 2019



Helsinki, 26th March 2019

Pär-Gustaf Relander
Chairman
of the Board of Directors

Juhani Mäkinen
Vice Chairman
of the Board of Directors

Per Lindahl

Johan Mattsson

Nella Ginman-Tjeder

Ulf Zenk

Kasper Madsen CEO/MD

