

DISCOVERING THE WORLD OF MALT.



# **CORPORATE SOCIAL RESPONSIBILITY REPORT 2019**

**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.**

**THIS REPORT COVERS ALL OUR GROUP COMPANIES AND ALL OUR SITES.**

Our strategy is to ensure profitable growth with sustainable operations, an adaptive product portfolio and superior customer service. Our CSR strategy is based on our values, vision and mission, and is in line with our Business Strategy and Policies. It differentiates us from our competitors in a positive way and focuses on what is most relevant for us. The CSR strategy will be updated together with and integrated into our Business Strategy.

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During the current strategy period, we are setting a solid ground for our CSR work, focusing on securing

- food safety & product quality
- sustainability in the supply chain
- site security, work safety and a culture of high ethical standards

With our CSR-program, we also support our customers' sustainability efforts, as we are part of the same value chain.

We operate according to integrated management system **Quality (ISO 9001)**, **Food Safety (ISO 22000)**, **Environment (ISO 14001)** and **Energy (ISO 50000; Denmark only)**. We are certified in all the mentioned management systems. We are also developing our operations towards **Health and Safety Management system (ISO 45000)**.



**ISO 9001**  
**ISO 22000**  
**FSSC 22000**  
**ISO 14001**



We are taking part in **CDP Carbon Disclosure**, **Sedex** and **EcoVadis** social responsibility platforms and evaluations. We are on the Gold Level in EcoVadis since 2017, and our score has improved from 63/100 to 71/100. We have extended CDP group level reporting to CO<sub>2</sub> emissions and water efficiency. Our Climate Change score improved from a “D” to a “C”, and our Supplier Engagement Rating remained a strong “B”.

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:

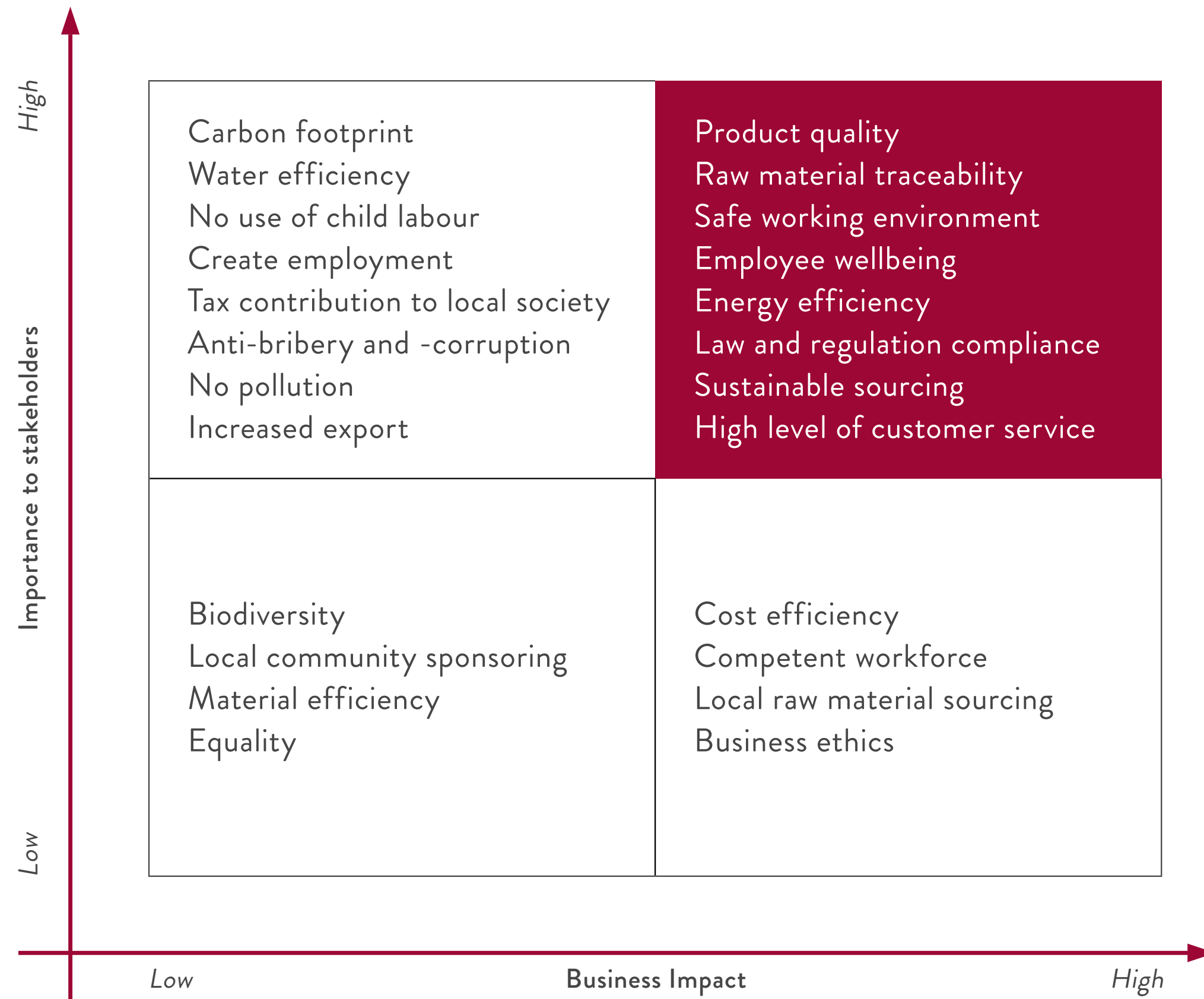


## DISCOVERING THE WORLD OF MALT.

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

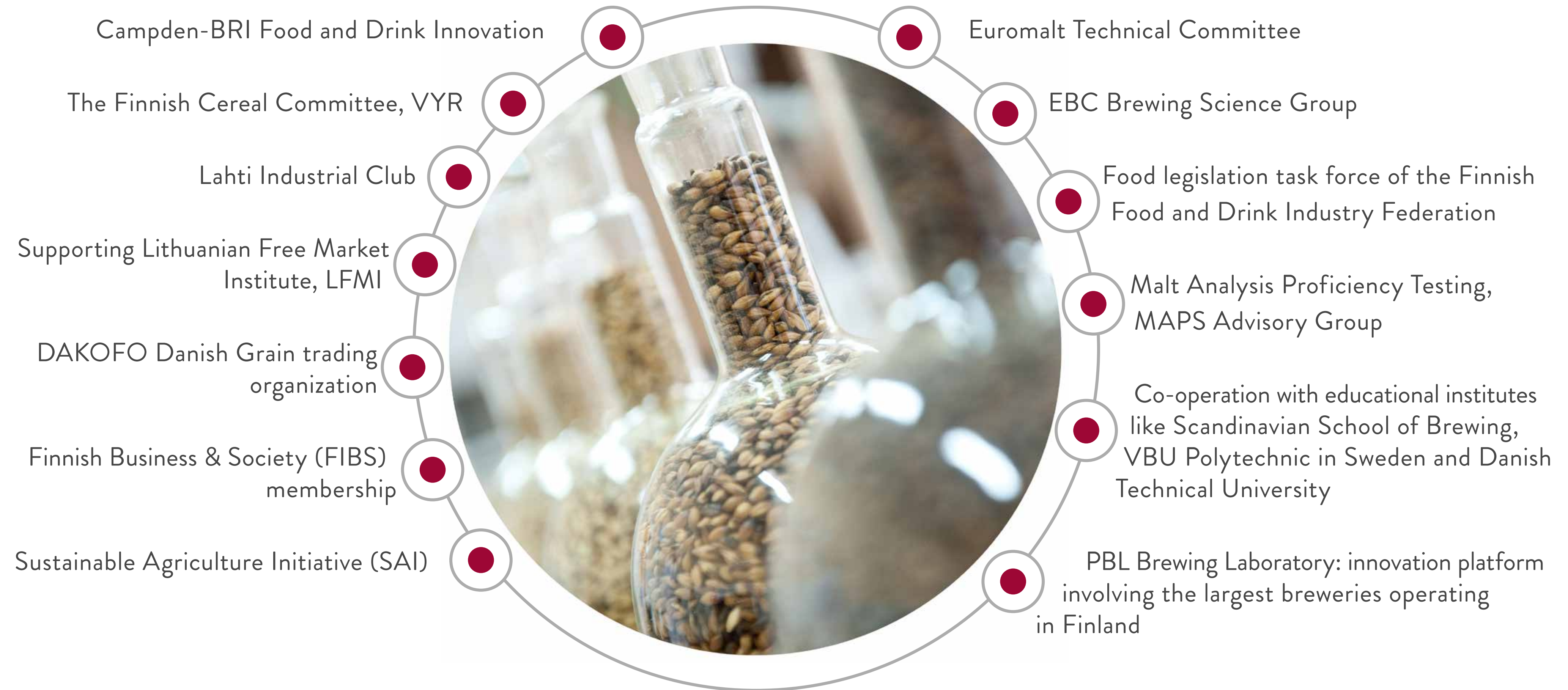
- VALUE CREATED**
- CUSTOMERS & CONSUMERS**
- We manage quality and food safety through excellence in local sourcing and best supply chain
  - We serve both small and large customers in brewing, distilling and food
- SUPPLIERS & SOCIETY**
- We co-operate with local farmers in developing business and cultivation
- EMPLOYEES**
- We provide safe and attractive workplace
  - We offer opportunities to develop competence and skills
- SHAREHOLDERS**
- Return on capital

## 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 FOLLOW DEVELOPMENTS IN OUR BUSINESS ENVIRONMENT, FOOD SAFETY AND QUALITY, AND PARTICIPATE IN DEVELOPMENT PROJECTS THROUGH THE FOLLOWING FORUMS:



**AN ENTERPRISE RISK MANAGEMENT (ERM) 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 AND 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 (risks scoring 8-10 in ERM were included):





Digitalization and growth of cloud-based solutions has made us more vulnerable to phishing, hacking and scams that can lead e.g. to data breach.

**Risk management:** We have Data Privacy Policy, an Information Security Policy and Information Security Guidelines. All employees have signed an Information Security Policy. We have improved our data safety e.g. by multifactor authentication and increased awareness of staff.



Global beer sales expected to grow only slightly, with reduced rate due to general reduction in beer consumption in key regions, trade disputes and recession threats. Global breweries are performing well mainly driven by premiumization and NPD, e.g. low alcohol products. Consolidation within malting has continued. The global supply and demand are quite well in balance.

**Risk Management:** We will develop and maintain a competitive offering with customer tailor-made products and services and a strong customer focus. Asset development and automatization will improve our efficiency and quality. Digitalization enables development of modern, attractive solutions. With our new ERP system that will be taken in use 2020, we will take a digital leap forward, and get into a better position for further development in digitalization.



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 22000, and are planning to implement FSSC 22000 in all sites. Group level vulnerability analysis has been done and site security evaluation is done using common standard.



Increasing speed of innovation especially in information and communication technologies, requires our constant attention to keep up with the development. Increasing competition puts pressure on differentiation through innovative products and services.

**Risk Management:** We promote a culture of curiosity and sharing of ideas and best practices. We follow technology development by networking with research institutes, universities and suppliers, and are open to testing new solutions. Our R&D strategy focuses on maintaining a competitive product portfolio as well as developing unique solutions on longer term. We follow innovation as part of the management system.



**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 when possible.



**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.



**ETHICAL AND PERSONNEL RELATED RISKS**

We identified risks related to integration of all sites and attracting talents.

**Risk Management:** A new ERP will be implemented for better integration of the Viking Malt Group. ERP will provide improved transparency and traceability to Viking Malt operations.

We have performed 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.

Value workshops and training of Employee Code of Conduct are used to support ethical decision making. Work with leadership, motivation and organizational culture will be continued.

# PLANNED AND DONE VIKING MALT ACTIVITIES



## PRODUCT SAFETY



As stated in 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 PLANNED 2019	ACTIVITIES DONE 2019	ACTIVITIES PLANNED 2020
Preparation for the integration of food safety management system into Viking Malt Group Integrated Management System.	All sites certified according to a new ISO 22000:2018.	
Preparation for FSSC 22000 in selected sites.	Strzegom certified according to FSSC 22000 standard in 2019.	Panevezys will be audited according to FSSC 22000 in 2020. Preparations ongoing in Sierpc, Vordingborg and Halmstad aiming for certification in 2021.



**TARGETS:**  
FSSC 22000 certification for Panevezys (2020), Sierpc, Vordingborg and Halmstad (2021)

## BUSINESS ETHICS



According to our Employee Code of Conduct, transparency and integrity are cornerstones of operations in our organization. The Employee Code of Conduct covers matters of human rights, anti-corruption and -bribery, food safety and environment. 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 and from our business partners and strictly reject corruption and other unfair practices.

We have published a Whistleblowing Policy and implemented an independent and external Whistleblowing Channel. The channel enables us to follow how well our policies have been implemented e.g. with respect to matters of human rights, anti-corruption and -bribery. In 2019, no cases were filed through this channel.

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 PLANNED 2019	ACTIVITIES DONE 2019	ACTIVITIES PLANNED 2020
Our values to be discussed with all employees locally during 2019.	Workshops completed in all countries.	HR guidelines based on our values will be launched in 2020. All supervisors will be trained, and all employees informed accordingly. HR strategy will be finalized and communicated to all employees.
Key employees to receive training in Employee Code of Conduct and competition legislation.	Employee Code of Conduct training organized and 100 % of white collars trained.	Employee Code of Conduct training will be continued to cover all employees during 2020. Training in competition legislation will be organized.
A Whistleblowing Channel is introduced in 2019.	Whistleblowing Policy and Channel implemented.	Follow number and topic of cases filed through the Whistleblowing Channel.
Customer satisfaction to be evaluated.	We included questions about CSR in our Customer Satisfaction Survey.	Improve and follow awareness of CSR in Customer Satisfaction Survey.



**TARGETS:**

- Code of Conduct training for all employees: white collars (2019) and blue collars (2020)
- Follow number and topic of cases filed through Whistleblowing Channel
- Improve and follow CSR awareness in Customer Satisfaction Survey

<b>KPIs</b>	<b>2019</b>	<i>Targets</i> <b>2020</b>	<b>2021</b>	<b>2022</b>
Product Safety & Business Ethics				
Number of sites audited according to FSSC 22000	1	2	5	6
Number and topic of cases filed through the Whistleblowing Channel	0			
Customer awareness of our CSR program based on survey	58%			

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, WATER AND MATERIAL EFFICIENCY IN PRODUCTION



Energy efficiency is the key factor in reducing our carbon footprint, preserving natural resources and ensuring the competitiveness of our company. Viking Malt will not only comply with applicable legal requirements and other energy related obligations, but we will commit ourselves to continuous 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.

We are working to reduce water usage for our production through implementation of best practices and knowledge sharing. Various adjustments in the malting process that will result in significant reduction in water usage are being tested at our plants.

We have identified the most significant environmental aspects of our operations and established environmental objectives. Our long-term targets are to reduce energy and water usage, and to increase environmental awareness.

ACTIVITIES PLANNED 2019	ACTIVITIES DONE 2019	ACTIVITIES PLANNED 2020
	<p>An investment plan for all sites has been done, including investments in energy saving technology.</p>	<p>Develop roadmap for reaching emission targets in malt production on site level. Move to accounting principles as laid out in “The Greenhouse Gas Protocol”. Follow closely mechanisms and developments within certified green electricity and biogas markets.</p>
<p>We will engage in projects aiming to reduce water usage in the production process.</p>	<p>Water-saving strategy tested in Panevezys. One new technology under evaluation.</p>	<p>Develop a roadmap for testing water saving process changes and implementing water saving technologies.</p>
	<p>All waste fractions have been mapped in detail at all our sites. Actions to further reduce our waste for landfill have been defined and significant changes that will have a major positive impact have been budgeted for 2020.</p>	<p>Implement agreed changes.</p>



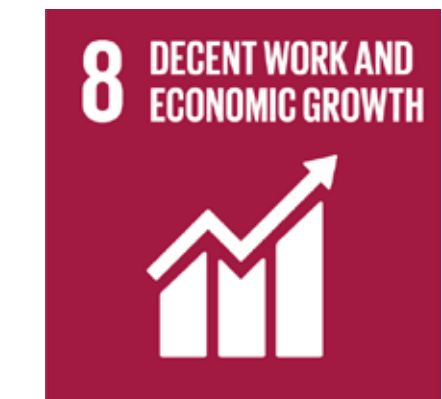
**CO<sub>2</sub> - EMISSION TARGETS:**

Scope 1: Reduce by 50% by 2025, from a 2018 base year (max. 20 kg CO<sub>2</sub>e/t malt)

Scope 2: Reduce by 25% by 2025, from a 2018 base year (max. 32 kg CO<sub>2</sub>e/t malt)

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

KPIs	Unit	2016	2017	2018	2019
Carbon Footprint from malting process					
CO <sub>2</sub> emission - Scope 1	tons CO <sub>2</sub> e	20 331	21 409	23 052	24 784
	kg CO <sub>2</sub> e/ton malt	35,5	37,3	39,8	43,3
CO <sub>2</sub> emission - Scope 2	tons CO <sub>2</sub> e	32 672	26 916	25 706	24 842
	kg CO <sub>2</sub> e/ton malt	57,0	46,9	44,3	43,4
CO <sub>2</sub> emission - Scope 1+2	tons CO <sub>2</sub> e	53 003	48 325	48 759	49 626
	kg CO <sub>2</sub> e/ton malt	92,5	84,2	84,1	86,7
Fossil free energy ratio - Heat	%	51,1%	54,5%	52,0%	50,0%



The increase in Scope 1 emissions during 2016 – 2019 is mainly due to higher production of energy-intensive malt types. Emissions are expected to decrease in 2021 due to investment in cleaner technology. Even with the planned investments, we see that the targets we have set for Scope 1 and Scope 2 emissions will be challenging to reach due to changes in the business environment, availability of sustainable biofuels and in particular how woodchips will be categorized with respect to emissions. We will review our targets as part of the preparation for the new strategy period starting 2022.



**TARGET:**

Water usage to be maximum 2,9 m<sup>3</sup>/t malt by 2021

Utility Consumption ratio	Unit	2016	2017	2018	2019
Water ratio	m <sup>3</sup> /ton	3,14	3,12	3,14	3,21



New technologies and process adjustments for reducing water usage have been tested but not yet implemented, which is reflected in the water usage trend. Regarding the application of technologies, we are somewhat limited by process and quality requirements set by our customers, as well as crop quality.



**TARGET:**

Reduce waste for landfill by 50% by 2025

Solid waste	Unit	2016	2017	2018	2019
Landfill	tons	141	274	252	425



The increase in solid waste for landfill is mainly due to higher production using coal fired kilning. A significant drop is expected in 2021, as a consequence of our investment in cleaner technology.

## SUSTAINABLE PROCUREMENT

Through our Supplier Code of Conduct, the commitments made through 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. Optimal usage of nitrogen fertilizer and higher grain yields have the biggest effect on minimizing greenhouse gas emission in barley cultivation. To reduce CO<sub>2</sub> emissions Viking Malt promotes introduction of high yielding malting barley varieties in close cooperation with breeding companies and customers.



In 2019, we continued our journey by formalizing a Sustainable Procurement Policy. 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, including matters of human rights, anti-corruption and -bribery. We have also joined the Sustainable Agriculture Initiative (SAI) Platform.

As a step towards including Scope 3 targets into our CSR-program, we have started mapping emissions of both in- and outbound logistics. During 2019 a pilot has been done and emissions for in- and outbound transports have been mapped for our production facility in Denmark. We will map the significance of Scope 3 emissions in Viking Malt's value chain and evaluate if we can make commitments to Global Compact or Science Based Targets.



ACTIVITIES PLANNED 2019	ACTIVITIES DONE 2019	ACTIVITIES PLANNED 2020
<p>Viking Malt and Yara work together with the aim of improving barley yields and at the same time reducing malting barley’s carbon footprint in countries where Viking Malt operates.</p>	<p>Tests have continued in Finland together with YARA, and the search for pilot farms has begun in Denmark and Sweden.</p>	<p>Continue the cooperation in Finland and start the pilot projects in Denmark and Sweden.</p>
<p>BSAG Commitment 1. Viking Malt has introduced a supplier audit system in Finland, focusing on crop rotation and on improving the nutrient balance and soil quality. Now we commit to introducing the system to Lithuania and Poland, where we have strong contract farming positions. In Sweden and Denmark, we will investigate the possibilities together with sourcing partners.</p>	<p>We have joined Sustainable Agriculture Initiative (SAI) and have initiated the process of engaging our barley suppliers in Denmark to using the Farm Sustainability Assessment tool.</p>	<p>Introduction to the Farm Sustainability Assessment tool (FSA) from SAI into our sourcing model. Denmark is during 2020 undergoing national approval under the scheme of DAKOFO. In SE, FIN, LIT and PL working with suppliers on how to start the assessment and implementation of the scheme.</p>
<p>BSAG Commitment 2. Viking Malt will participate in a project aiming to develop new, more eco-efficient malting barley varieties together with breeders and brewers. The main target in new varieties is to achieve better efficiency and energy use in the whole barley-to-beer chain.</p>	<p>Viking Malt has continued to support the EcoBarley-project developing new eco-efficient malting barley varieties.</p>	<p>The project will be finalized during 2020.</p>

ACTIVITIES PLANNED 2019	ACTIVITIES DONE 2019	ACTIVITIES PLANNED 2020
<p>BSAG Commitment 3. Viking Malt will support the cultivation of winter malting barley in Northern climate conditions, with focus on Poland and Lithuania. Winter varieties enable vegetation in the fields also during winter, thus reducing the leaching of nitrogen and phosphorus.</p>	<p>Winter barley varieties have been found to grow well in Poland, whereas the climate hasn't supported trials in Lithuania. Trials are now ongoing in Denmark instead.</p>	<p>In Denmark for crop 2020 first trial of 1000 tons of winter malting barley will be done.</p>
<p>BSAG Commitment 4. Viking Malt is participating in the Carbon action-project to understand the ability of the soil to store carbon.</p>	<p>Agreed to support the Carbon Action program with pilot scale malting and brewing trials on barley produced by regenerative farming.</p>	<p>Pilot malting and brewing trials will be carried out to evaluate the quality of barley.</p>



**TARGETS:**

Supplier Code of Conduct with 80% of all suppliers in 2020  
 100% Local sourcing of barley, when possible from a quality and availability point of view



<b>KPIs</b>	<b>2018</b>	<b>2019</b>	<i>Targets</i> <b>2020</b>	<b>2021</b>
<b>Sustainable procurement</b>				
Suppliers that have accepted Supplier Code of Conduct		80%	80%	85%
Local barley sourcing	96%	89%		

## PERSONNEL AND HUMAN RIGHTS



As stated in our Employee 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. 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 Labor Organization (ILO). Therefore, we do not accept forced and child labor.

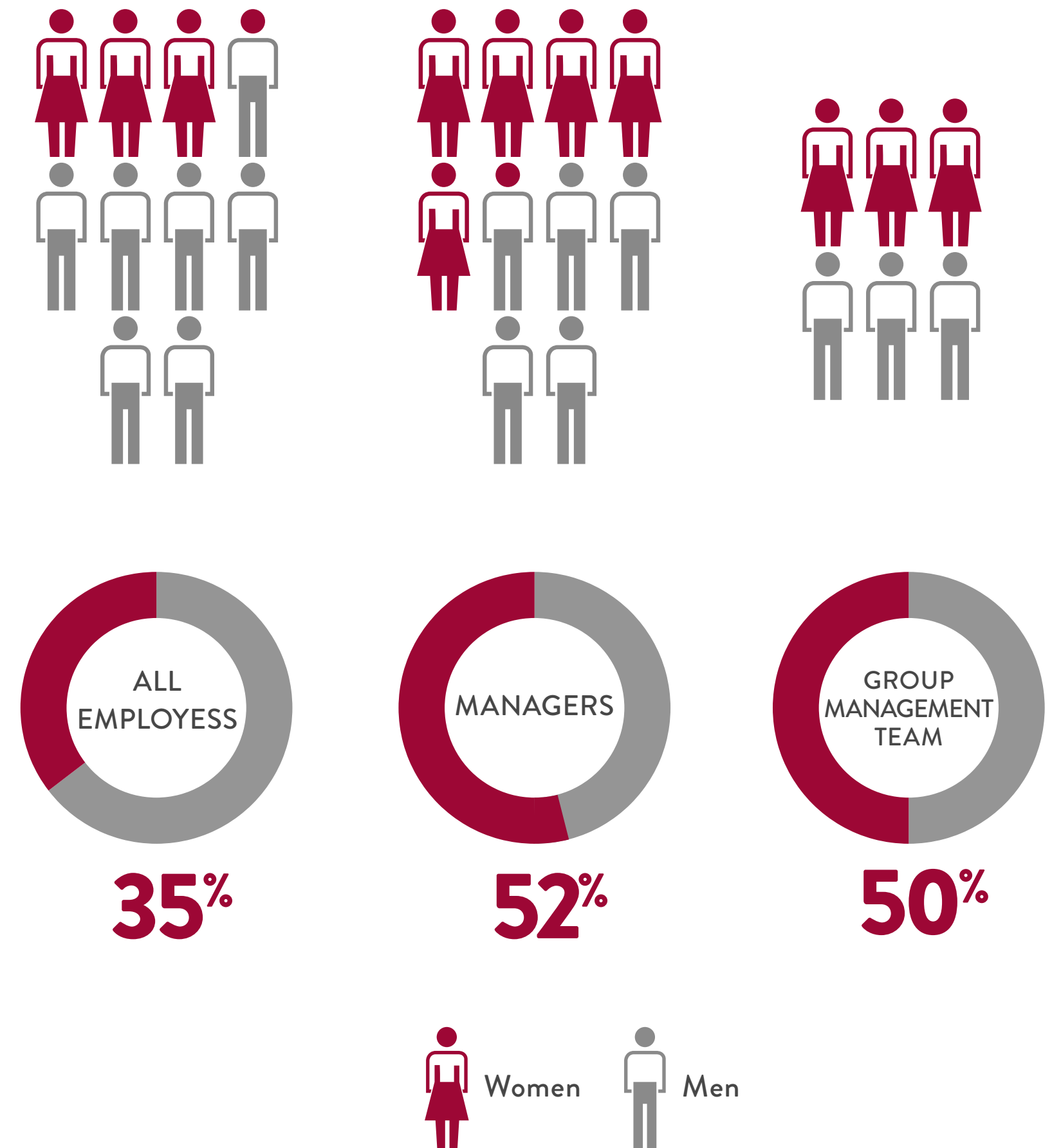
Our safety policy aims to protect people, property, information, knowledge and environment from accidents, incidents and crimes, and to secure continuation of operations. A safe and efficient work environment considers personnel physical, psychological and social wellbeing. Continuous improvement is 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.

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 follow up on gender equality by mapping the number of men and women in the company as a whole, in management positions and in the Group Management Team.

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 with respect to human rights. 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.

Finally, 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.

Share of men and women in Viking Malt as a whole, in management positions and in the Group Management Team:



ACTIVITIES PLANNED 2019	ACTIVITIES DONE 2019	ACTIVITIES PLANNED 2020
<p>Individual employees or teams are given targets to support our strategic targets.</p>	<p>Targets were set for all employees and they were cascaded down from the strategic goals of Viking Malt Group.</p>	<p>We plan to train all supervisors in how to set targets and follow them through. A Performance Management Guideline is to be launched in all entities to ensure consistent approach.</p>
<p>All employees have the possibility to give own improvement ideas and ideas are handled site-wise.</p>	<p>Following the employee survey, workshops were organized on site level. Employees had the opportunity to give feedback and improvement ideas at daily meetings. Collection and follow-up of ideas from employees were simplified and moved to M-files. Idea campaign was launched in Autumn 2019 to collect innovation ideas. Eleven ideas were recorded in M-files as a result and five new R&amp;D projects were initiated.</p>	<p>Following the employee survey from 2019, workshops will be organized on site level. Employees will have the opportunity to give feedback and improvement ideas. A new survey will be organized in 2020 to collect feedback and ideas.</p>
<p>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.</p>	<p>Health and safety continue to be of highest importance for us. Ideas to improve our working environment further through collection and handling of „safety notices” has been further structured on our journey to reach our goal of zero accident. Standards for use of personal protection equipment (PPE) have been defined for both own employees and visitors.</p>	<p>Emphasis is on creating the work safety culture. This is done through trainings on site, management highlighting the topic in all communication and intense focus on reporting observations and “near miss” situations.</p>

ACTIVITIES PLANNED 2019	ACTIVITIES DONE 2019	ACTIVITIES PLANNED 2020
<p>We implement 5S to create a safe, efficient and pleasant working environment.</p>	<p>A very good job has been done at all our sites to implement 5S-principles in 2019. Training of employees and implementation of 5S-principles has proven to improve health and safety, standard of hygiene as well as general working environment and efficiency of work.</p>	<p>The implementation of 5S continues in order to create a safe, efficient and pleasant working environment.</p>
<p>Respect for human rights in recruitment and remuneration principles will be audited and any violations reported. A Whistleblowing Channel is introduced in 2019.</p>	<p>Whistleblowing Policy and Whistleblowing Channel implemented. Audit not done in 2019.</p>	<p>Respect for human rights in recruitment and remuneration principles will be audited in 2020 by an outside company.</p>
<p>Employee surveys are carried out regularly. Results are discussed with employees and actions are agreed in workshops.</p>	<p>Workshops done in every site.</p>	<p>Results are discussed with employees and actions are agreed in workshops. A new format for the employee survey will be launched.</p>
<p>Donations to both local society and world-wide organizations.</p>	<p>A donation was made to Baltic Sea Action Group.</p>	<p>Donations to both local society and world-wide organizations will be made.</p>



**TARGETS:**

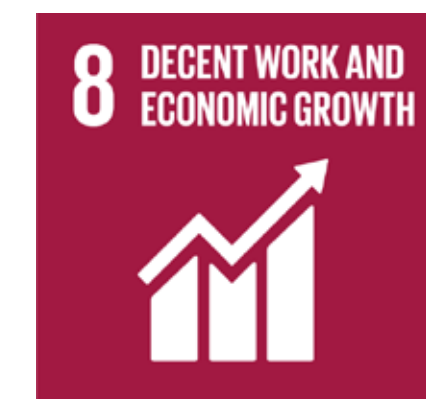
Zero LTI's

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

Absence rate maximum 3,5%

Personal development discussions with 100% of employees

Training of Employee Code of Conduct: 100% of white collars to be trained by 2019 and 100% of blue collars in 2020



KPIs	Unit	2016	2017	2018	2019
Personnel wellbeing					
Absence rate (hours/total work hours*100)	%	5,2	3,9	4,4	4,9
Lost time injury (LTI)	pcs	11	6	11	7
Personal development discussions	%	-	79	96	99
Employee survey results		-	3,76	3,90	4,13
Number and topic of cases filed through the Whistleblowing Channel					0



Helsinki, 1 April 2020

<b>Pär-Gustaf Relander</b> Chairman of the Board of Directors	<b>Juhani Mäkinen</b> Vice Chairman of the Board of Directors	<b>Per Lindahl</b>
<b>Johan Mattsson</b>	<b>Nella Ginman-Tjeder</b>	<b>Magnus Kagevik</b>
<b>Kasper Madsen</b> CEO/MD		

