



# SUSTAINABILITY REPORT

  
**Hopsteiner**<sup>®</sup>

COMMITTED TO THE BREWER.



“Sustainability is the way of the future!”

## An Awareness of Sustainability

Life in our modern world is shaped by a diverse range of trends and influences. The effects are global and are also relevant to issues pertaining to sustainability.

The world's population is growing and urbanization is increasing. This requires, among other things, comprehensive and dynamic systems for providing and distributing energy, water and comestibles. Furthermore, this necessitates that we utilize our resources as rationally as possible and that we consume them in a judicious manner, in order to ensure that the environment is fit to inhabit for subsequent generations. All members of society are tasked with the responsibility of regularly asking themselves whether their own activities can be altered or new approaches can be found to conserve the earth's resources.

These principles apply to the cultivation as well as to the processing and trade of hops.

As one of the leading corporations in the hop industry, we are aware that our activities play a significant role in the global web of sustainability. Therefore, we have taken it upon ourselves to develop trade practices, which are economically, environmentally and socially responsible.

We also want to involve both our customers and suppliers in sharing this responsibility. For this reason, we would be happy to answer any questions you may have pertaining to sustainability in the hop industry.

We are registered with EcoVadis and Sedex in order to ensure the transparency of all of our business practices pertinent to sustainability.

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# 1 | Values & Management

Mission Statement  
Code of Conduct

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## Greetings from the Gimbel family

The HOPSTEINER Group can look back with pride on 175 years of family tradition as well as a fascinating history, both in business and in politics.

Upon finding their calling in the hop trade, our forebears began not only looking after their own interests but also those of their industry partners, such as hop producers, customers and employees, all of whom shared a common goal. They would therefore naturally be integral to our company in meeting its objectives and making advances in hop cultivation as well as in refining practices for processing and trading the “green gold”, as hops are known. This mindset, one of long-term planning and of sustainable development, has shaped our company’s philosophy in trading hops since its founding. Astute business practices and accomplished entrepreneurial skills practiced over many generations have made our company what it is today: a global corporate alliance, which has carved out an exceptional market position for itself through social competence and technical expertise at all levels. Thus, it stands to reason that we would want to present both this tradition and the corporate management practices issuing from it to the outside world in the form of a sustainability report.

We are pleased to present you this report from Simon H. Steiner, Hopfen, GmbH, Mainburg, Germany, which provides a clear and accessible description of our company and its relationship to sustainability in the hop industry.

L. S. (Tom) Gimbel, 3rd, Louis S. Gimbel, 4th, Adam M. Gimbel

## Dear Ladies and Gentlemen, Dear Business Associates,

Continuity and business strategies devised to produce long-term success are central to responsible corporate management practices. Working on this principle, Simon H. Steiner, Hopfen, GmbH has become one of the leading hop traders worldwide over the past 175 years, and today represents the ultimate in standards for quality and reliability.

Our most valuable resource is our personnel, whom we trust and whose technical and personal competence is the basis of our success. In dealing with our hop producers, suppliers and customers, we concentrate on long-term retention. The fundamentals of our business practices are summarized in the Code of Conduct, which has been made available to all our employees and suppliers (see page 9 for more details).

In all of our facilities, we pay close attention to every step of production to ensure that our products and the processes meet all the requirements of ecological, economic and social sustainability. Beginning with the procurement of raw materials down through processing to the certification of finished products, all are held to the very highest standards of quality.

Our ambitious breeding program furthers the development of disease-resistant hop varieties, which in turn require less treatment with pesticides once they are in the field. Other objectives of our breeding program also include improving crop yield and developing innovative varieties for the creation of new flavor profiles in beer. In this way, sustainability is realized through application in the real world – as has been practiced for decades by our company through responsible and entrepreneurial trade – and can consequently be measured and quantified.

We use G4, the fourth generation of the widely recognized and accepted guidelines from the Global Reporting Initiative (GRI), for our sustainability reporting.

In doing so, we comply with the information requirements of our business partners within a transparent and accountable framework.

Joachim Gehde  
Executive management

Pascal Piroué  
Executive management



*“A great deal of attention is devoted to striking the right balance between economic, environmental and social factors, particularly in the food production industry.”*

# “Code of Conduct.”

## Guidelines for Our Personnel

All of the employees at the HOPSTEINER Group form a community and exhibit a shared understanding of values and principles, both in internal affairs and in activities outside the company. This creates a cooperative relationship, into which our customers, suppliers, employees and others involved are incorporated. We uphold respectful and fair-minded communication, while refraining from any discriminatory and insulting remarks or harassment. Compliance with all applicable laws and conventions on the protection of human rights and the principles of the United Nations Global Compact as well as with the guidelines from the International Labour Organization (ILO) is a matter of course.

In every market we enter, we take into account the ethical values and dignity of local business partners and also respect the customs specific to their cultures.

### RESPONSIBLE PRACTICES PROVIDE US WITH A FIRM FOUNDATION

We observe all legal regulations at our production sites and expect the same of our partners and suppliers. This includes compliance with all valid custom and export laws.

We reject all forms of corruption, as well as any activities which would violate valid laws against money laundering.

For us, fairness in the market is indispensable, meaning that agreements harmful to competition and the prospect for abuse of a dominant market position are incompatible with the corporate policies of the HOPSTEINER Group and its business partners.

### TRANSPARENT BUSINESS PRACTICES GUARANTEE RELIABLE BUSINESS RELATIONS

At all times our decisions, including all purchasing and sales, are based on objective criteria and are not influenced by personal interests. A high level of transparency applies to the giving and receiving of gifts. Either accepting or rewarding incentives of a financial or material nature is rejected on principle. Under no circumstances are gifts or other benefits solicited by us or is their acceptance tolerated.

Gifts and other favors offered or made available to us by business partners and which go beyond an ordinary expression of hospitality are rejected outright. This is especially true if the aforesaid gifts have the potential to taint or endanger business relationships in such a way that professional neutrality is compromised. When in doubt, the management must be informed so that appropriate action can be taken.

### CLEAR BUSINESS PRACTICES ELICIT A HIGH LEVEL OF TRUST

All business practices must be plainly documented and carried out in accordance with the generally binding rules of orderly commercial operations. All contacts with both our internal and external partners are transparent and documented. In this way, we ensure that services performed by consultants, agents or intermediaries in accordance with statutory provisions are rewarded. Informal agreements lacking documentation thus are not binding and will be deemed non-existent.

We respect requests that information and trade secrets remain confidential and only use such data internally for conducting mutual business dealings or handling employee relations. Respect for confidentiality with regard to information and trade secrets represents a fundamental aspect of our business. We also expect our business associates to abide by and to implement the pertinent laws regarding the protection of personal data.

### SUSTAINABLE MANAGEMENT ENSURES OUR SUCCESS

We handle natural products and must therefore safeguard the business model utilizing them over the long term. Therefore, we insist that the raw materials and resources in our products are handled in a responsible manner at each stage of processing and also encourage our suppliers to follow this example.

We optimize our utilization of these resources through efficient production processes and never cease to pursue methods for improving or reducing the consumption of additives and operating materials. We support ecological awareness in production and also promote harvesting techniques and production methods, which show some potential for conserving resources, even among our suppliers.

*Likewise, we have formulated a basis for the business practices of our suppliers, which will become an integral part of contracts with Simon H. Steiner, Hopfen, GmbH. Thus, the requirements for acceptable business practices also apply to 100 percent of our dealings with suppliers.*



## 2 | Company

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“We are captivated by hops.”

## Hops are Our Passion

We are enthralled by anything to do with hops. We produce innovative, premium hop products for the brewing industry and for a wide range of applications in other branches of industry.

Due to our presence in every important cultivation region around the world, we have access to a worldwide network of modern processing facilities and distribution offices. This allows us to maintain close ties with our business partners, especially with our suppliers and customers. One aspect we deem to be particularly important is the expert brewing advice provided by our team of technical consultants at all levels of the value-added chain.

Showing respect for and acting responsibly with regard to our employees and business

partners are fundamental elements of our company philosophy. Everything we do, whether it be cultivating, producing, trading, consulting or conducting research, is pursued with sustainability and long-term success in mind. We support our customers and suppliers, who draw on our experience and our drive to innovate. Our success can be traced directly to the efforts of our employees, who are committed to helping us reach our goals. We are pleased to offer them a flexible and inspiring work environment.

The HOPSTEINER corporation processes hops to create a wide range of products. All processing steps are carried out at our own facilities and are subject to constant monitoring.

### PERCENTAGE OF PRODUCTS ACCORDING TO SALES REVENUE (%)



### CONVENTIONAL PRODUCTS

Conventional hop products are based on a natural preparation of raw hops. Whole hops comprise the smallest percentage, as only a few breweries use whole hops in an unprocessed form. In processing raw hops to pellets with different concentrations of bitter substances (type 90/type 45), the valued compounds in hops are homogenized and standardized, generating a product of a consistently uniform quality for the brewing process. Pellets are much easier to store than whole hops, since an equivalent quantity of these compounds in type 90 and type 45 pellets amounts to 25 percent and 20 percent of the volume of whole hops, respectively. Pellets are packed in foil bags which afford protection against light and gas exchange. Foil bags are placed in cardboard boxes to provide additional protection.

Ethanol and CO<sub>2</sub> extracts also offer considerable advantages relating to storage volume and attributes specific to these products. Different groups of substances present in the hops are dissolved during the extraction process with CO<sub>2</sub> or ethanol. These substances are homogenized and added to the product stream in the form of extract during the brewing process. The method of extraction is selected based on which groups of hop

substances are desired in the extract. The extraction method based on super-critical CO<sub>2</sub> isolates the bittering and the aroma substances present in the hops. The production of ethanol extract is based on collecting an alcoholic solution by means of a carousel extractor and subsequent evaporation of the alcohol.

HOPSTEINER is the only company in the industry to operate an ethanol extraction unit with the capacity to process 1.5 to 1.8 tons of raw hops per hour. All of the bitter and aroma substances originally in the hops are present in the same variety-specific proportions in the ethanol extract which is delivered to the brewery. Both extracts, CO<sub>2</sub> and ethanol, can be packaged in cans or large containers. The latter can be employed in automatic dosing systems.

### ISOMERIZED PRODUCTS

The alpha acids in these hop products are isomerized through the addition of magnesium oxide (MgO) during pellet production followed by thermal treatment (50°C) for 10 to 14 days. Isomerization of CO<sub>2</sub> extract is achieved by adding MgSO<sub>4</sub> and then maintaining a temperature of 70 to 80°C for one to two hours.

Isomerized products are intended for application as kettle products in the brewhouse. They can also be utilized on the cold side of beer production as downstream products following further fractionation. Isomerized products can, for example, intensify the bitterness in beer or improve light or foam stability. Furthermore, they provide a means for more efficient utilization of hop products employed in the brewery.

### SPECIAL PRODUCTS

In addition to offering hops for brewing applications, we also make a series of other products consisting of oil and extract from raw hops for use in a wide range of contexts far beyond the brewery. These products impart aroma and possess selective antibacterial or strong antioxidative properties. They are used as processing aids in industrial fermentation processes, as natural aromas in foods and animal feed and as antioxidants, e.g., in cosmetics. Moreover, hops have long been recognized as a beneficial plant in traditional medicine. The hop polyphenol xanthohumol has been the focus of intensive research in recent years, and we are pleased to offer this product in a number of different specifications, extracted using our proprietary technology.



**NATURAL HOP OILS FOR BEER PRODUCTION**

The extraction of hop oils from single variety hop pellets represents another way to add hops during the brewing process. This space-saving and efficient method of hop addition is even more beneficial for sustainability without affecting technical processes or the sensory characteristics of the product. Hop pellets of one specific hop variety serve as the substrate for hop oil distillation. In the distillation process, around 50 milliliters of hop oil are extracted from five kilograms of hop pellets (volume: approx. 10 liters). The product volume of the hop oil is around 0.5 % compared to the same quantity of hop pellets. The space required for transportation and storage is also significantly less. With this alternative product, the concept of sustainability as it pertains to

hop processing has been taken in a new direction, providing another option for simple, individual hop additions.

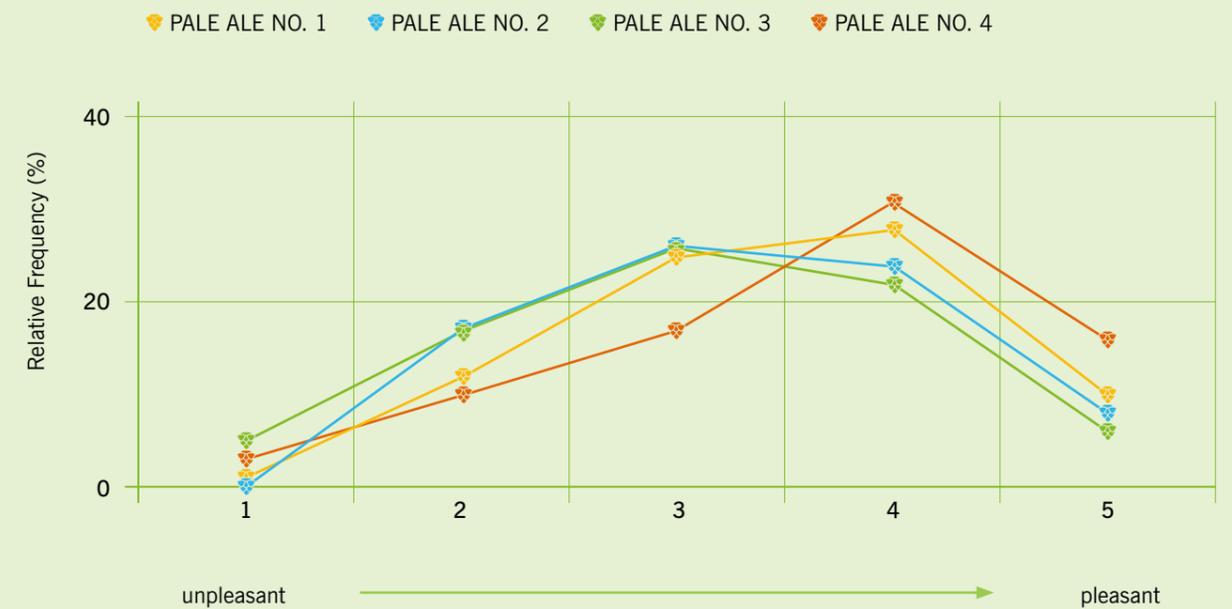
As part of the drinktec 2013 trade fair, we held a beer tasting in which more than 750 testers from disparate backgrounds shared their perception of hop aroma in beer. The results of the tasting showed very clearly, that Pale Ale no. 4 (see the diagrams on page 15), hopped using hop oil, received high scores from the testers. This also showed that the US hop variety Bravo used in the beers tested generated the same aroma profile regardless of whether the hop addition consisted of pellets or pure hop oil, even though the overall impression varied. This indicates that the aroma profile is not

only dependent on the specific hop variety but also on the type of product (pellets, hop oil) used in dry hopping on the cold side. Among the various products employed for dry hopping, hop oil was rated highest by the tasting panel with regard to bitterness, aroma and the overall impression.

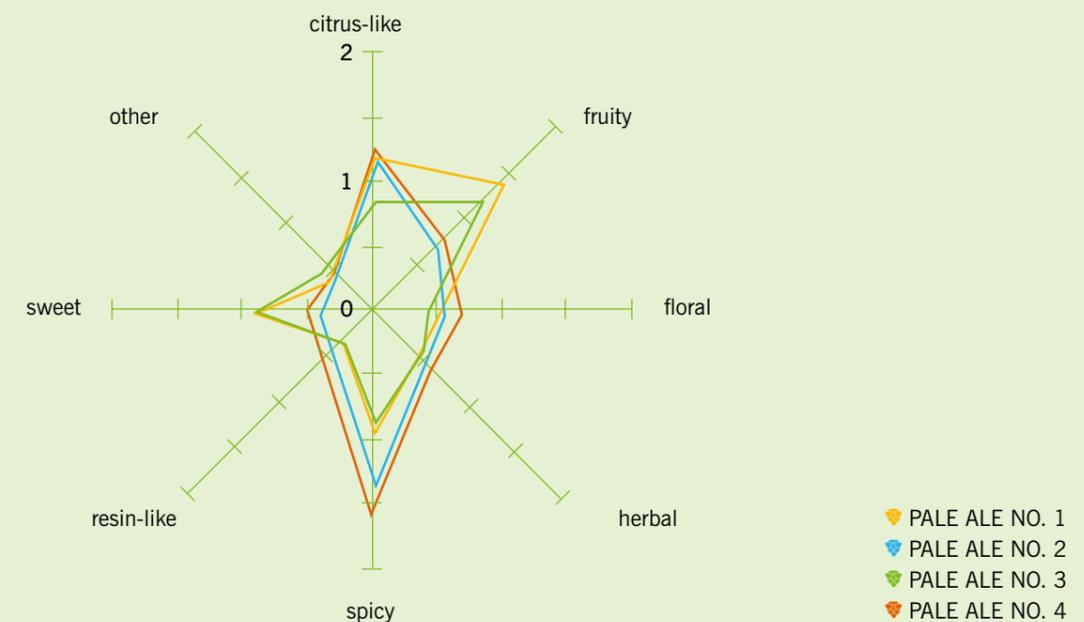
**HOP PRODUCTS USED IN BEERS FOR SENSORY TESTING**

	VARIETY	PRODUCT	QUANTITY
PALE ALE NO. 1	Mandarina Bavaria	Type 90 Pellets	300g/hl
PALE ALE NO. 2	Bravo	Type 90 Pellets	300g/hl
PALE ALE NO. 3	Smaragd	Type 90 Pellets	300g/hl
PALE ALE NO. 4	Bravo	Hop Oil, Type Dry	2.4g/hl (undiluted)

**EVALUATION RESULTS: OVERALL IMPRESSION OF THE EVALUATED BEERS**



**INTENSITY OF THE AROMA IMPRESSIONS RATED BY THE TASTING PANEL**



# The HOPSTEINER Group Global Network



**WASHINGTON, OREGON AND IDAHO, USA**  
S. S. Steiner Inc. Yakima

Hop cultivation, Purchasing, Processing and Storage

**NEW YORK, USA**  
S. S. Steiner Inc., New York

Corporate Headquarters, Sales

**EPPING, UK**  
Steiner Hops Limited, Epping

Purchasing and Sales

**ZATEC, CZECH REPUBLIC**  
Zatec Hop Company, Prague

Purchasing and Sales

**JIUQUAN, CHINA**

Hop cultivation, Purchasing, Processing and Storage

Included in this report

**ZHUHAI, CHINA**  
HOPSTEINER Trdg. (Zhuhai) Co., Ltd. Zhuhai (Guangdong)

Regional Main Office, Sales

**HALLERTAU, ELBE-SAALE AND TETTANG, GERMANY**  
Simon H. Steiner, Hopfen, GmbH, Mainburg

Purchasing, Processing, Storage and Sales

**ZHYTOMIR, UKRAINE**  
TOV HOPSTEINER, Spilka, Zhytomir

Hop cultivation, Purchasing, Processing, Storage and Sales

Included in this report

Included in this report

## Global Network

Over 95 percent of our hop products are employed in the brewing industry – less than 5 percent find their way into other industries where they are prized for their antioxidant and antibacterial effects.

At the same time, hops are gaining in importance due to substances unique to them, which have proven to possess health benefits, such as xanthohumol in pharmaceutical applications.

HOPSTEINER supplies its products to an international clientele, which includes both corporations as well as mid-sized and small companies on every continent where beer is brewed.

Due to their special climate and soil requirements, the cultivation of hops is only possible in a few regions. The world's largest hop-producing countries are Germany, the USA, China and the Czech Republic, which comprise about 85 percent of the total alpha acid production.

Accordingly, our corporate group maintains a global presence in the major hop growing regions, so that we can process and store hops as close to a local level as possible, thus ensuring hop products of the highest quality.

In collaboration with our corporate headquarters in New York, Simon H. Steiner,

Hopfen, GmbH conducts all processing and sales in Europe from its regional headquarters in Mainburg, Germany. Affiliated businesses in other countries provide purchasing, logistics and marketing support for their respective regions.

GLOBAL BEER PRODUCTION (MILLION HL)



CULTIVATION IN MAIN HOP GROWING AREAS (%)



## Applications for Hops outside of the Brewing Industry

### DIVERSITY AMONG HOPS

Most people associate hops solely with beer – and indeed over the past few centuries, hops have primarily been utilized to flavor beer. Consumers are often cognizant of the fact that hops have a relaxing effect and may be employed as a remedy for insomnia. However, in recent years, entirely new potential applications for hops have been discovered – a fact which has largely gone unnoticed by the public. This came about in part, through systematic review of earlier observations, and in part as a result of more in-depth research. Over time, a variety of new applications for hops and individual hop fractions have been developed. These applications are now currently under development at HOPSTEINER and are employed in many industries completely unrelated to brewing.

### HOPS IN MEDICINE AND COSMETICS

A range of healing effects have been attributed to various substances in hops. Scientific studies have supported the majority of these claims. The bitter substances (alpha and beta acids) exhibit strong antibacterial activity against Gram-positive bacteria, such as the bacterium known to cause tuberculosis or *Helicobacter pylori*, which is linked to gastritis and peptic ulcers. Furthermore, these bitter compounds are quite effective against certain dermatological pathogens, such as those which cause acne. Hop polyphenols are associated with a variety of beneficial effects. They are said to strengthen the immune system, reduce infection and inflammation, exert a prophylactic effect against heart and circulatory diseases and diabetes (“metabolic syndrome”), and last but not least, contribute to a reduction in the risk of developing cancer. The strong antioxidative effects of xanthohumol (HOPSTEINER Xantho-Flav™), a prenylflavonoid found in hops and the focus of intense research in recent years, are of particular significance in this regard.

### HOPS IN BIOTECHNOLOGY

The antibacterial properties of hops have been known for centuries. These are frequently used today in biotechnology as stabilizers in fermentation processes. Whether, for example, in the production of bioethanol, enzymes or yeast, our HOPSTEINER Beta Bio and HOPSTEINER Iso-Extract products aid in protecting and stabilizing these processes reliably. They can often be used as an alternative to antibiotics or other chemicals.

### HOPS IN THE FOOD INDUSTRY

The use of hop extracts as aromas is on the rise in the food industry. Aside from the desired sensory impact of the essential oils, the bitter substances present in hops aid in preventing the growth of Gram-positive food spoilage bacteria, thus indirectly contributing to food safety.

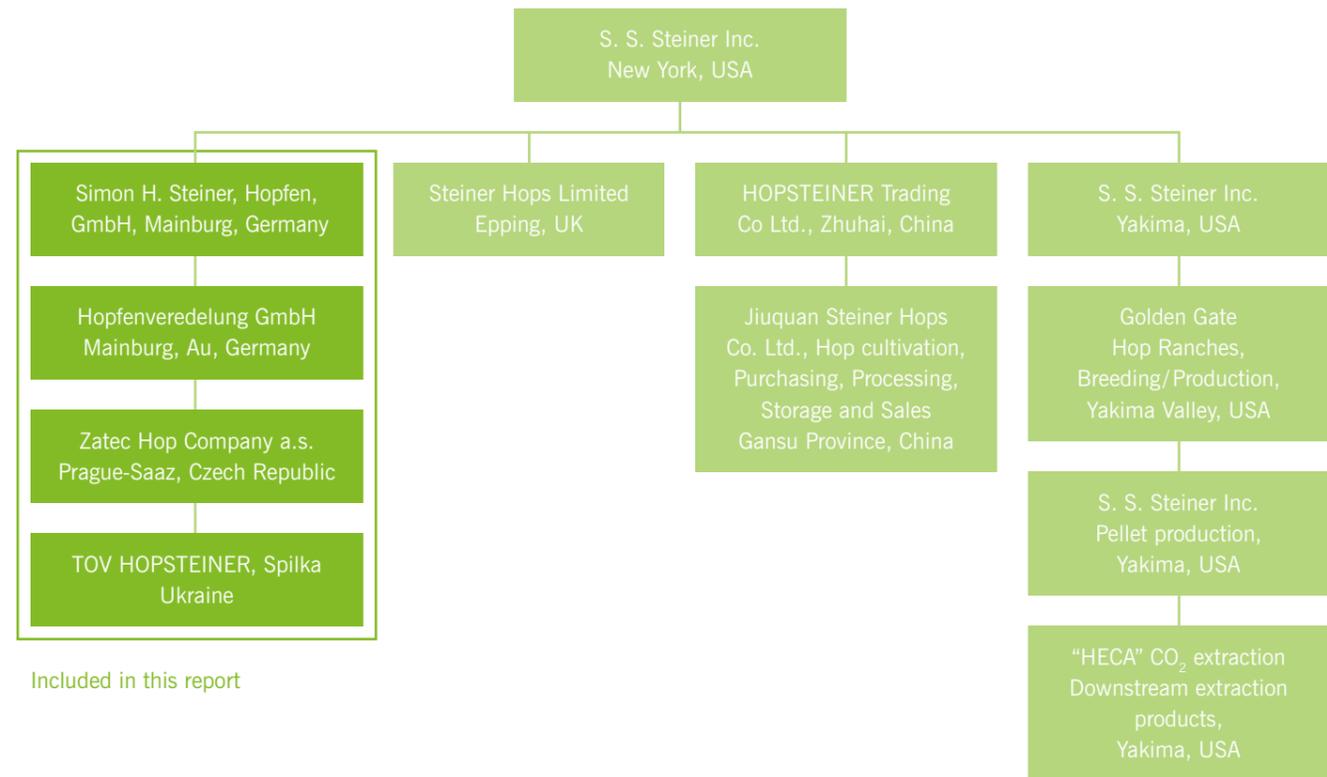
### HOPS IN THE FEED INDUSTRY

Hop usage in the animal feed industry is deeply rooted in farming traditions from the past. Hop aroma is attractive to many animals and serves, in part, as an appetite stimulant. Furthermore, positive effects on the gastrointestinal health of animals have also been reported.

### AND THE JOURNEY CONTINUES...

Alongside conventional areas of application, new ones are constantly emerging and are being explored. Our R&D department is actively involved in supporting research conducted by universities and institutes through sharing our practical knowledge, state-of-the-art analytical equipment, and of course, our products.

“With our vast experience, we have hops in hand.”



Included in this report

### Solid Foundation

Simon H. Steiner, Hopfen, GmbH is a 100-percent subsidiary of S.S. Steiner Inc., New York, USA. The information in this sustainability report includes all the activities of the German parent company and its direct affiliates (production sites of the Hallertauer Hopfenveredelungsgesellschaft mbH [HHV] in Mainburg and Au, Germany, the subsidiary Zatec Hop Company in the Czech Republic and the agribusiness company STOV Spilka in the Ukraine). The subsidiaries PERMAHOP Hopfenprodukte GmbH of Au, as well as Sebastian Klotz GmbH of Mainburg, Germany, are not involved in any operational activities.

#### CHANGES IN PERCENTAGE OF OWNERSHIP AND OPERATIONS STRUCTURE

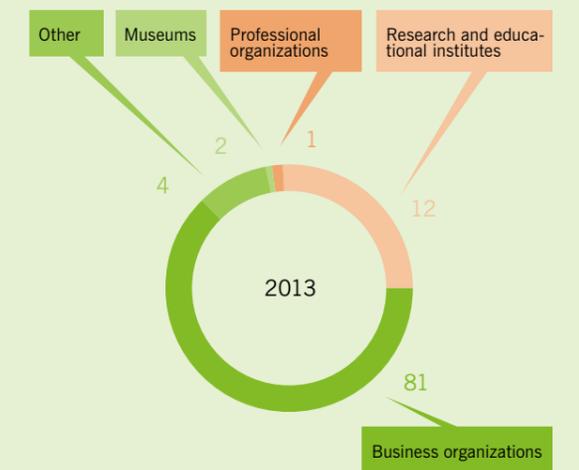
In 2013, Simon H. Steiner, Hopfen, GmbH took possession of the remaining shares of the agricultural operation STOV "Spilka" in the district of Chudniv, Ukraine, from the holding company TOV HOPSTEINER, with the goal of further developing the site. The operation owns approximately 3,000 hectares of agricultural land. In addition to cultivating hops on about 70 acres, it also produces grain for the Ukrainian market. Unfortunately, the restructuring measures have been put on hold temporarily by the current political situation there.

Around five million euros have been invested in the Mainburg facility to increase the refrigerated warehouse capacity. This new construction will further strengthen the position of German hops on the market. The expansion of the refrigerated high bay warehouse by 7,250 pallet spaces brings the storage capacity to approximately the equivalent of 7,500 tons of raw hops. This in turn corresponds to the amount required to brew approximately 110 million hectoliters of beer – enough to cover the annual consumption of the Federal Republic of Germany. The construction work was completed in November of 2013.

### Industry-wide Communication

Simon H. Steiner, Hopfen, GmbH has always relied on close communication with all of the relevant experts within the brewing industry and others who utilize our products. As a member of numerous associations and organizations, we play a major role in shaping current developments and trends while promoting the exchange of scientific information over any research involving hops. The most important institutions who share in this network are the Deutsche Hopfenwirtschaftsverband e.V. (German Hop Industry Association), Gesellschaft für Hopfenforschung e.V. (Society of Hop Research), Versuchs- und Lehranstalt für Brauereien (VLB), TUM Weihenstephan as well as the Deutsche Braumeister- und Malzmeisterbund (DBMB-German Brewers and Malting Association). For decades, the company directors have held positions on the board of the Deutscher Hopfenwirtschaftsverband and have occupied leading positions in the Gesellschaft für Hopfenforschung.

#### DIVISION OF FINANCIAL CONTRIBUTIONS TO VARIOUS ORGANIZATIONS AND RESEARCH INSTITUTES (%)



*In disclosing this business-related information and its publication in the Federal Gazette (Bundesanzeiger), Simon H. Steiner, Hopfen, GmbH is in compliance with the regulations outlined in paragraph 325 section 2a of the German Commercial Code (Handelsgesetzbuch) and in paragraph 12 of the German legislation regarding companies (GmbH law).*

“Successful together.”

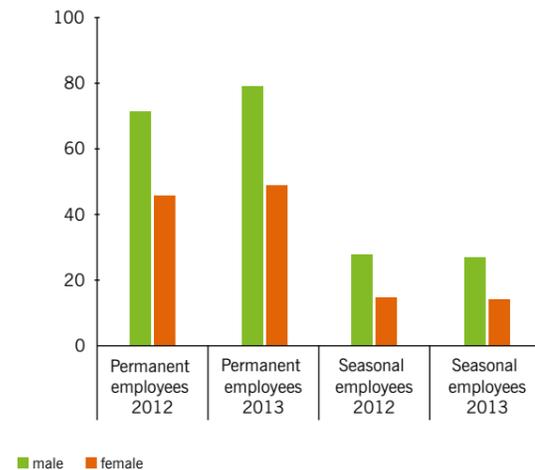


© Erik Kharlov / Stockphoto LP

### Strong Teams

Drawing on our pool of experienced professionals and qualified seasonal employees in the principal processing phase at both production facilities, we have developed effective processes tailored to the seasonal character of the hop trading and processing business. We rely on a network of experienced seasonal workers at our facilities located in Mainburg and Au, Germany. They have assisted us at the harvest for many years and have learned all of the steps necessary in hop processing very well. As this report was being prepared, a comprehensive restructuring program had begun at the location in the Ukraine – to the extent allowed by the political situation there – and for this reason, employment data for this site are not included in this report.

#### EMPLOYEES ACCORDING TO TYPE OF CONTRACT AND GENDER (NUMBER OF EMPLOYEES)



Hop processing is a seasonal business. Our company operations are aligned with the harvest periods for the individual hop varieties, which begins in late summer at the end of August. This is followed by a phase of intense activity during which hops are delivered and placed in storage. Our experienced seasonal employees are vital in achieving this, because only with their assistance would it be possible to guarantee that the hops are rapidly delivered and properly stored in the warehouses in preparation for processing in a timely fashion.

### Direct Lines of Communication

Clear organization and streamlined decision-making processes are essential elements of our day to day operations. Our globally oriented leadership team, some members of whom belong to the family of owners or have been appointed as directors, is developing forward-thinking strategies relevant for all of our economic environmental and social goals. Our experienced management team possesses the competence required to make

decisions for any technical, business or administrative task. The position of sustainability manager is directly integrated at this level and she is responsible for addressing concepts relevant for corporate sustainability. She personally reports her findings to the company directors. With the introduction of sustainability reporting and including the collection of all necessary information, every department in the company became involved in the de-

velopment of content and strategies for our company's future activities. The sustainable, long-term development of the company is secured through the conscious inclusion of all our employees in the decision-making process.



#### STATEMENT FROM SUSTAINABILITY MANAGER ANDREA SCHMID

“We consider sustainable practices to be a fundamental part of the hop industry, for only by pursuing an approach viable over the long-term can we continue to offer hops, a natural product, at a consistently high level of quality. Since it is not possible to conduct business when nature does not cooperate, environmental and economic aspects are closely linked. In addition, our customers have been interested in this topic for some time now and want to know more about our goals and strategies. Concrete questions have been asked regarding the products we sell, and information has also been requested concerning levels of energy consumption and CO<sub>2</sub> emissions during production. Furthermore, customers want information about how hops are grown and which cultivation practices are most sustainable. We go beyond our needs as a company and also engage hop growers. By doing so, we help

create a broader awareness of sustainability in hop cultivation. While preparing this sustainability report, we included our employees in the systematic review of our business activities. As a result, this topic is vertically integrated throughout the entire company, from top to bottom. The useful presentation of trends as well as data covering both positive and negative aspects provides us with specific indications of where there is potential for improvement. With this direct comparison, the benefits are clearly communicated to the employees.”



Andrea Schmid  
Sustainability Manager  
Simon H. Steiner, Hopfen, GmbH

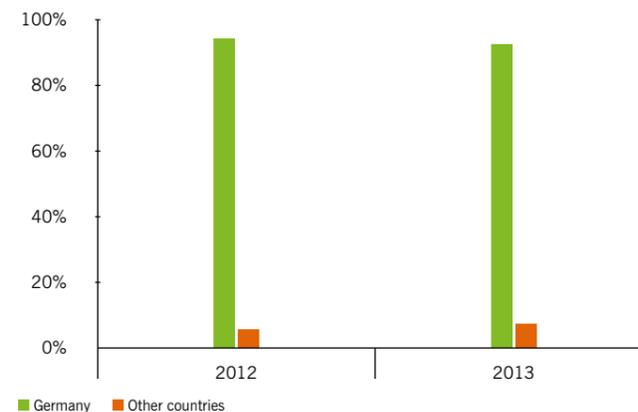
“The foundation of our success is communication with hop growers.”



## Close Ties

Three quarters of our company's fiscal outlay is tied to purchasing hops. The majority of the hops we buy come from Germany, with hops also sourced from other hop-cultivating countries, such as the Czech Republic, Slovenia and Poland.

### GEOGRAPHIC BREAKDOWN OF HOP PURCHASING



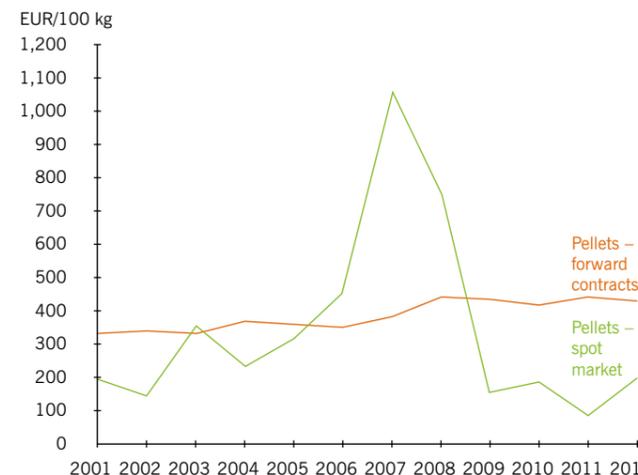
Our hop purchasing department plays a significant role in our total business concept. These highly qualified agricultural employees are the contact persons for around 600 contract growers and approximately 100 partners, such as producer associations, cooperatives and merchants, who enjoy business relationships with HOPSTEINER. Furthermore, this department is an important interface for hop processing. Only a close relationship between the raw hop suppliers and the processors gives us the possibility to deliver hop products of the highest quality, which we guarantee to our customers. The relationship we have with our customers is also based on long-term contractual models. This provides breweries with a degree of security in their planning, thus ensuring a source for one of the fundamental ingredients in beer production, which can be ordered for their facilities in the quantities required. The role of securing these raw materials is then entrusted to the hop merchants, who manage any necessary reallocation among customers and, if need be, any replacement options.

### DIFFERENT LEVELS OF PROCESSING

HOPSTEINER maintains close contact with the hop growers and consults with them during the growing season. On one hand this is vital for making an early prediction regarding the quality and amount of hops expected at harvest, while on the other it provides us with detailed information regarding the application of pesticides. These hop growers have entered binding agreements with us in the form of standardized contracts valid over several years. Such partnerships are advantageous for both parties: the hop grower has a guarantee that the hops will be purchased under reliable economic conditions, and HOPSTEINER receives the freshly harvested hops in the best possible quality at a defined price structure.

Creating added value in our own processing facility is essential for us. We offer our customers a broad palette of modern options for precisely dosing hops in breweries or for other applications. This includes the production of conventional hop products such as pellets and extracts, isomerized hop products and downstream products. Acquisition of the necessary materials and resources (packaging, energy, etc.) including services for our processing facilities are centrally organized. Goods and services are procured from selected suppliers, who have been evaluated and become qualified as suppliers according to our quality management process. If the specifications and performance of a supplier fulfills this internal demand, we endeavor to work with the supplier within the framework of a long-term contract. We rely on a pool of suppliers from proven companies for delivery of operating and auxiliary materials as well as other services. We do, however, prefer those from the local area. Especially important for our processing needs are suppliers of alcohol and CO<sub>2</sub> as well as suppliers of packaging material.

### CHANGE IN PRICE STRUCTURE OVER THE YEARS FOR FORWARD CONTRACTS AND THE SPOT MARKET



**WAREHOUSE LOGISTICS AND TRACEABILITY**

We store hop products as well as raw, unprocessed hops in our refrigerated high bay warehouse, which has a capacity equivalent to 15,000 tons of raw hops. This large warehouse capacity enables us to provide rapid delivery to our customers according to the terms specified in the contracts.

The temperature and oxygen concentration in the high bay warehouse are continuously monitored and recorded. This is a strict requirement, which not only maintains the quality of the raw hops and hop products by preventing exposure to oxygen but also affords protection against fire. Since there is a tangible danger of spontaneous combustion of raw hops with a high moisture content, a rapid test for measuring the amount of moisture in the bale is conducted before they are stored in the warehouse. Moreover, this also serves quality control purposes by helping ensure that the raw hops do not spoil. Only with clear and accessible information can the path of the raw hops be traced in both directions, from the hop grower to the product on to the customer and back again. The Track&Trace concept collects comprehensive data on raw hops. This includes the pesticide spray standard, alpha acid concentration, moisture content, manual evaluation of hop quality and any deficiencies due to pest damage. More broadly, the concept also addresses traceability in the finished product: Which breweries received the product? Which analyses were conducted on the finished products and for the presence of which pesticides?

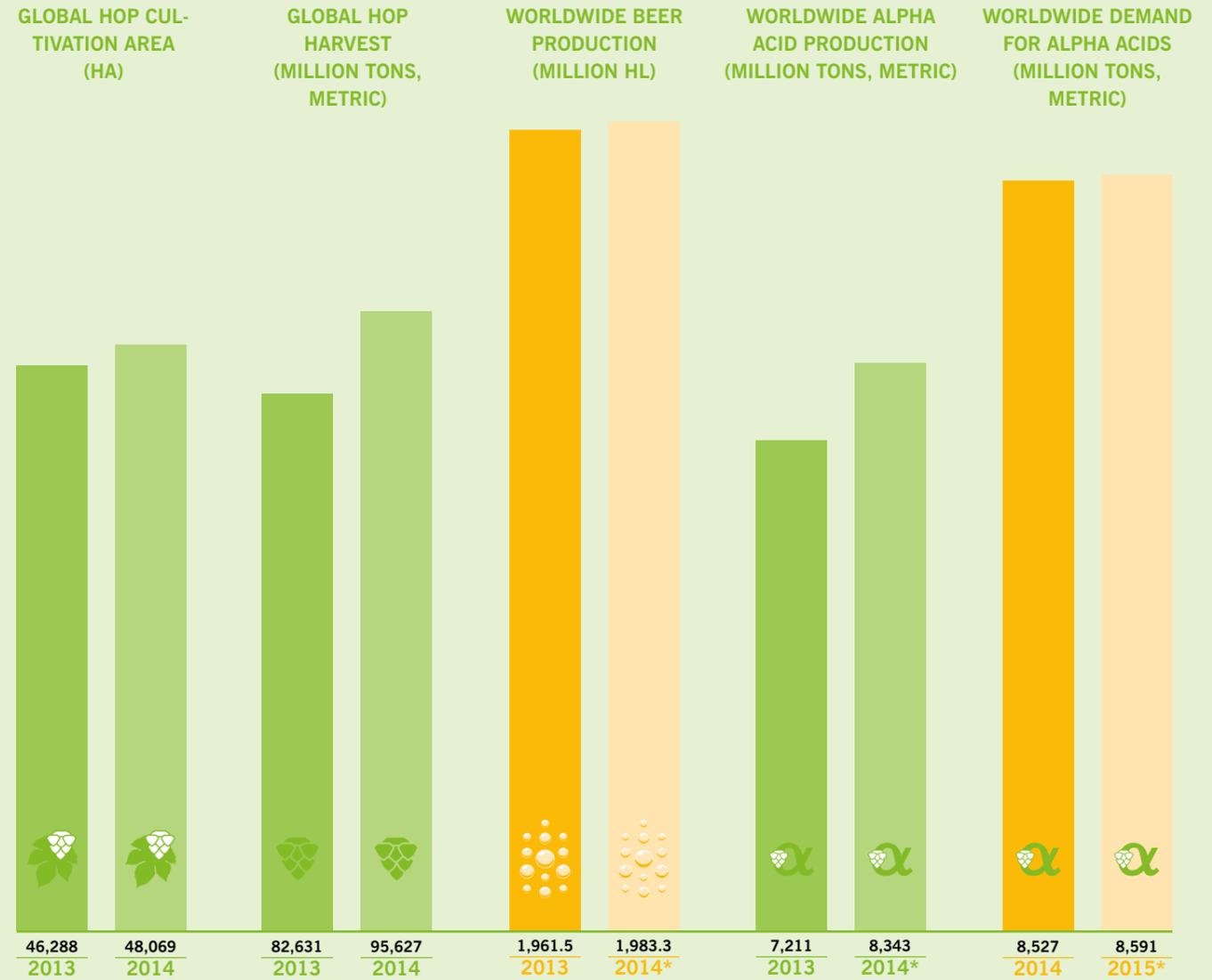
With traceable data tracking based on purchase invoices or contract numbers together with the processing numbers and bale numbers, we can trace our products at every step of production with our tracking method.

**OUR GOAL – RELIABILITY IN PLANNING**

Hops are a natural product. Below average crop yield and low alpha acid content due to adverse weather conditions characterized the hop market in 2013. In contrast to 2013, favorable crop yields were obtained during the harvests from 2009 to 2012. The graph at the bottom of page 27 clearly depicts the weather-related fluctuations affecting the harvests from 1999 to 2013.

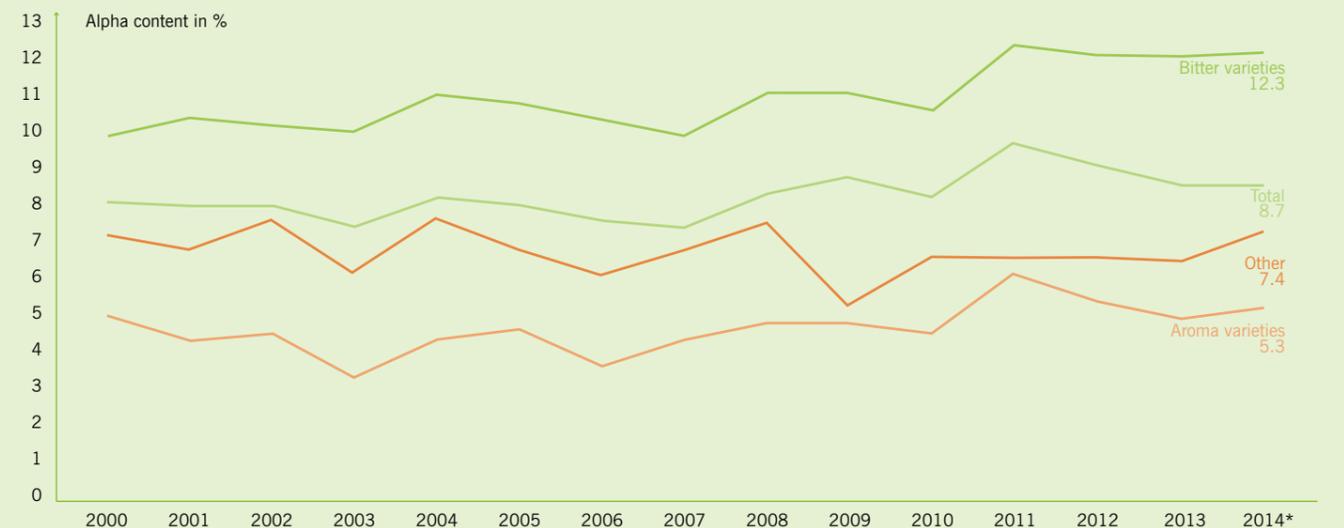
The primary parameters necessary for predicting the quantity of hops a particular harvest will yield are as follows: changes in cultivation area, degree of shift to higher yield varieties and the alpha acid content of the varieties to be harvested. Weather conditions during the growth phase have a significant influence on the yield. In the future, weather conditions will continue to play a major role in determining market conditions and the amount of hops harvested in a crop year as well.

In order to achieve better reliability in planning, we rely on a forward contract system with the hop growers. They receive a forward contract which specifies the harvest quantity and – for certain hop varieties and contract models – the amount of alpha acids. Generally speaking, across the board, around 60 to 80 percent of the quantity harvested is secured through forward contracts. For those purchasing hops as an end user, a corresponding contract system offers security with regard to both the amount and quality of hops available. In their role as processors and refiners of raw hops, hop traders have warehouse capacities which exceed the yield of one harvest year. This allows them to strike an equitable balance for both producers and customers, so that market conditions remain relatively stable.



\* estimated

**CHANGE IN ALPHA ACID CONTENTS, 2000 TO 2014**



Weather-related fluctuations in crop yields are reflected in the variable content of alpha acids in the individual harvest years.

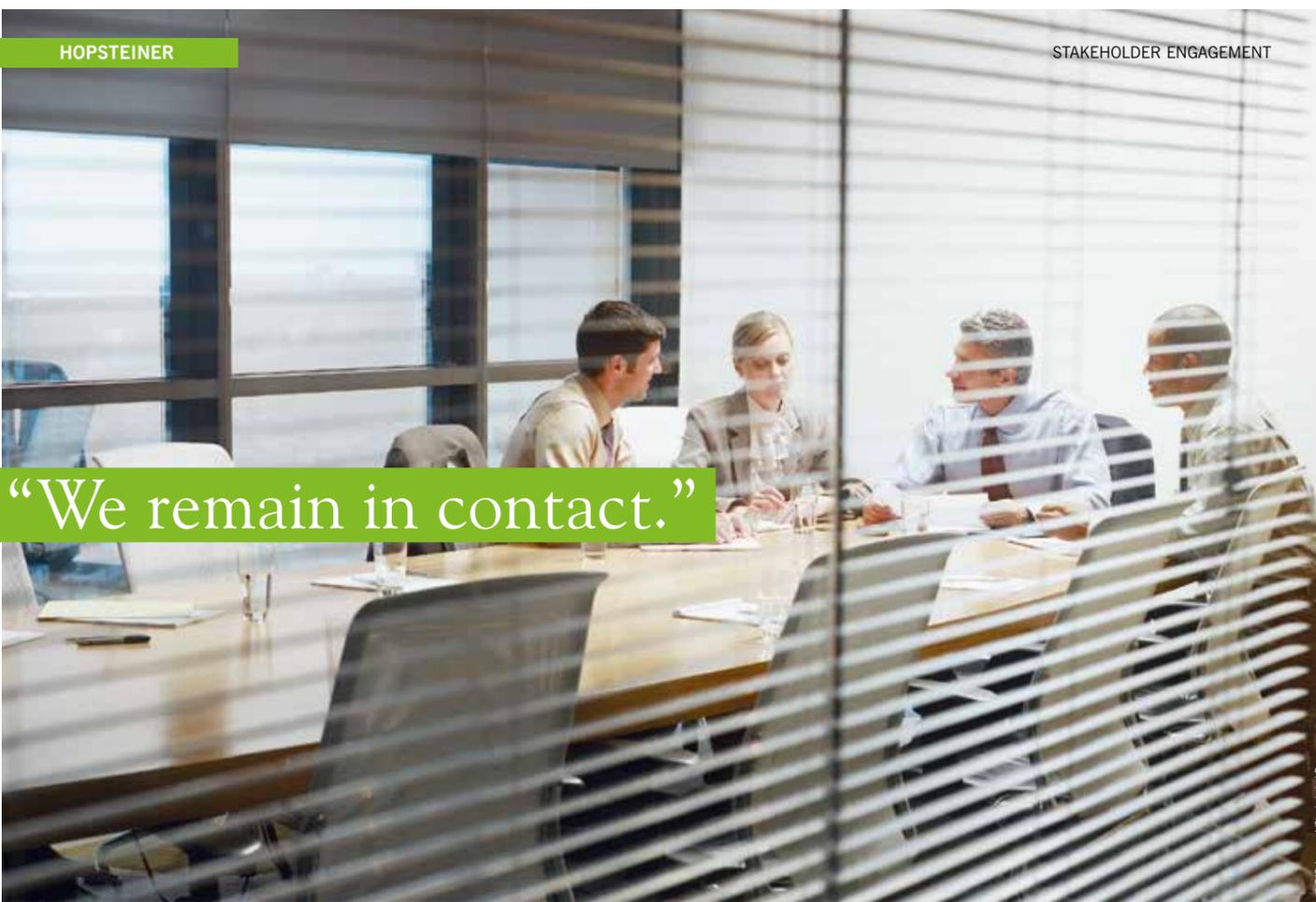
\* estimated

## 3 | Aspects & Boundaries

Stakeholder Engagement	pages 30–31
Overview of Materiality	pages 32–33
Impacts, Opportunities & Risks	pages 34–35



“We remain in contact.”



STAKEHOLDERS/ METHOD OF COMMUNICATION	SYMPOSIUM SEMINARS	HOPSTEINER FORUM	PARTICIPATION AT TRADE FAIRS	TOURS OF THE FACILITY	RESULTS FOR THE STAKEHOLDERS AS A GROUP
Company Executive Management	X	X	X		<ul style="list-style-type: none"> <li>– Constant information concerning business activities</li> <li>– Involvement of the company proprietors in external affairs</li> </ul>
Hop Growers	X	X	X	X	<ul style="list-style-type: none"> <li>– Market development and its effect on hop cultivation</li> <li>– Information regarding the policies driving the selection of varieties</li> <li>– Consulting in hop cultivation</li> </ul>
Customers	X	X	X	X	<ul style="list-style-type: none"> <li>– Information about market development</li> <li>– Knowledge base for quality assurance</li> <li>– Insight into the selection of hop varieties</li> </ul>
Employees		X	X		<ul style="list-style-type: none"> <li>– A broad range of information regarding business models</li> </ul>
Other suppliers			X		<ul style="list-style-type: none"> <li>– Close involvement in business strategies</li> <li>– Information about business models</li> </ul>
Media	X		X	X	<ul style="list-style-type: none"> <li>– A presence in corporate reports</li> <li>– Awareness of industry-specific conditions</li> <li>– Dissemination of technical developments and information on new products/applications</li> </ul>

## Continuous Communication

All of our decision-makers are in close contact with numerous groups who are important for the development of the company. In preparation for this sustainability report, the stakeholder groups were each carefully surveyed in roundtable discussions. The following questions were addressed:

- Which of the individual groups are significantly involved in HOPSTEINER's activities?
- How do they, in turn, affect the business model and its success?

We maintain a regular exchange with all stakeholder groups. This regular communication is taken as a matter of course, as it has always been part of our corporate identity from the very beginning. As such, it is considered a key factor in our success. In addition to the contact with the hop growers, customers, employees and the shareholders/proprietors who shape our daily operations, we regularly offer all stakeholder groups the opportunity to contribute to sustainable forms of corporate development. This occurs, for example, via events posted on the HOPSTEINER Forum, which are specifically tailored to the interests of individual

groups of stakeholders. Naturally, we also participate in numerous events initiated by the leaders of various industry organizations or play a direct role in organizing such events with the purpose of encouraging continuous dialogue with different groups. Furthermore, through our presence at beverage industry trade fairs, such as drinktec 2013 in Munich, we also provide a venue for those interested in informing themselves about the latest developments at HOPSTEINER.



“We keep an eye on things.”

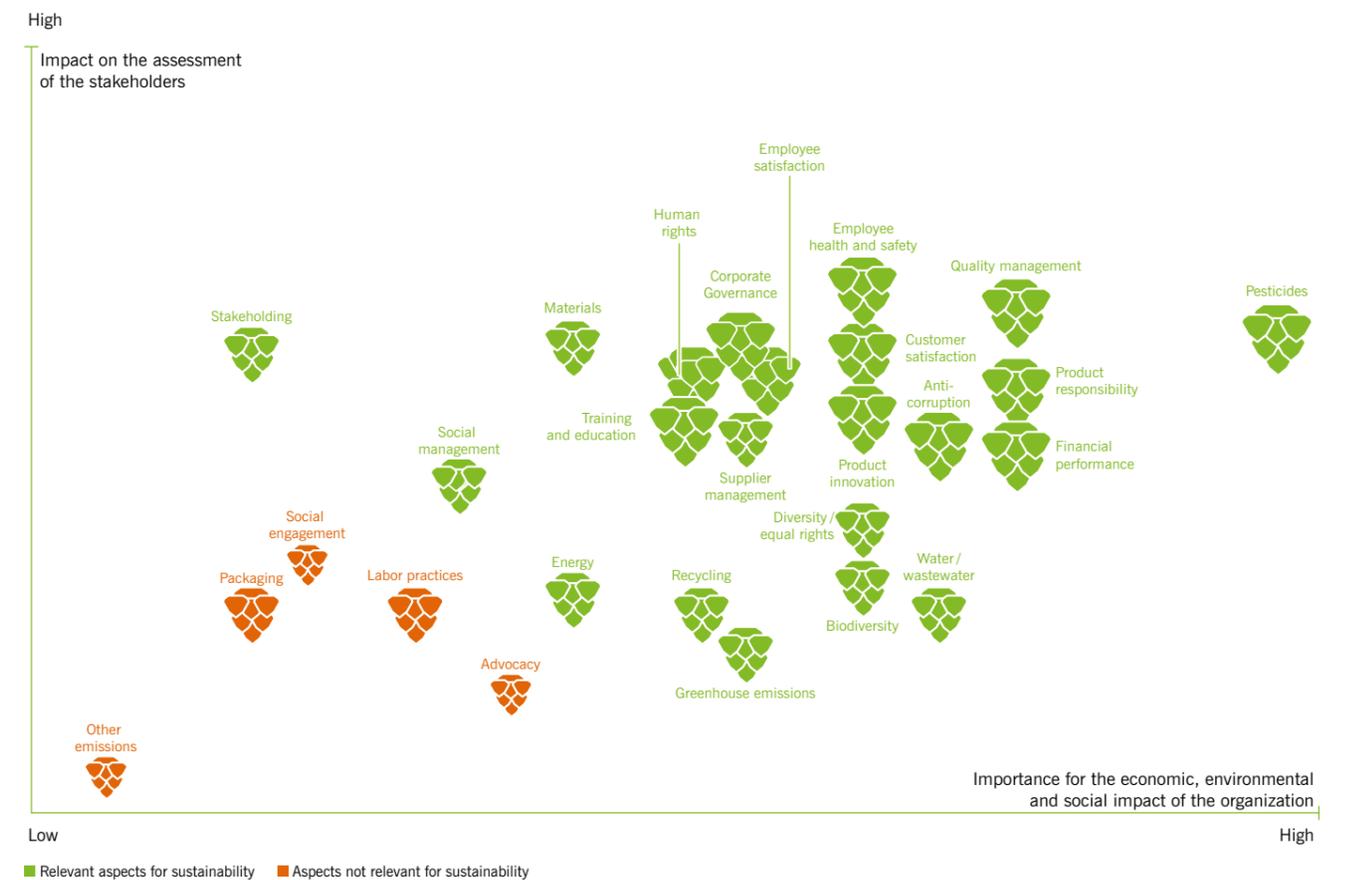
## Where do we stand and what is important to us?

Business leaders committed to long-term success and sustainability seek the active inclusion of every partner in the supply chain. As part of an intensive study, we held a roundtable discussion involving department heads and senior management. We conducted an internal review of the primary aspects of our business activities. Additionally, the results of our regular exchanges with individual stakeholder groups were evaluated. This allowed us to incorporate their expectations and interests into the process. A comprehensive list of all GRI aspects as well as industry-specific points

served as the basis for this evaluation. These aspects were prioritized on a scale from 1 to 10 and validated by the management. For the sake of thoroughness, nothing was excluded. We reviewed each aspect in great detail with regard to its economic, environmental and social impact. In doing so, we have evaluated the performance of HOPSTEINER within the broader context of sustainable development. Through the representation and prioritization of medium and long-term aspects of the materiality matrix, we have clearly identified all issues relevant to us, both with-

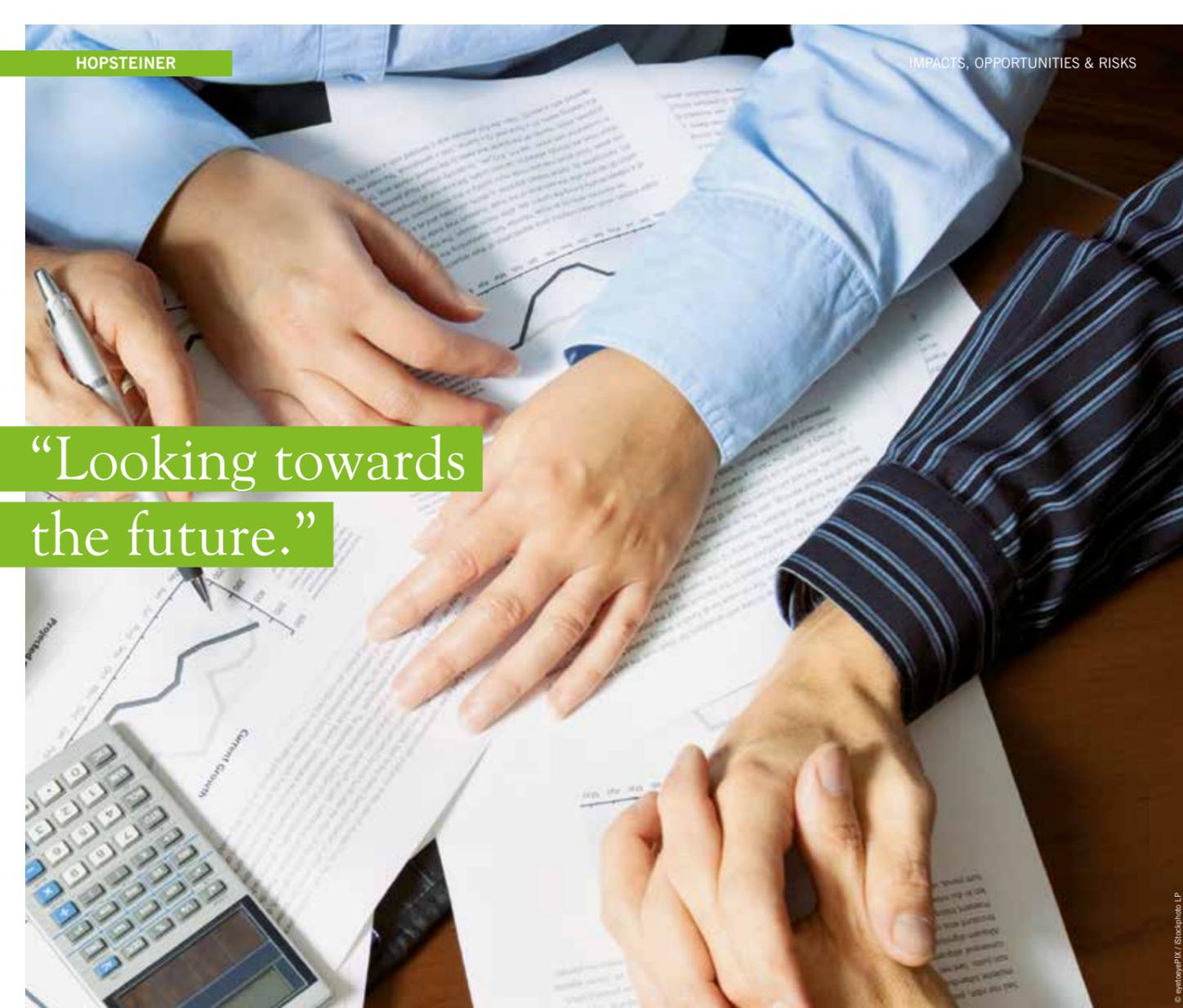
in the company and beyond its walls. The overview of the indicators introduces the issues and their impact, either internally or externally. The report covers six subject areas with a focus on issues pertinent to hop growers and suppliers in addition to three subject areas, which affect both hop growers and customers alike. Five more subject areas are devoted to internal tasks associated with senior management and employees.

### MATERIALITY MATRIX\*



\* The size of the symbols reflects the strategic relevance for the company.

“Looking towards the future.”



### Future-oriented Strategies

The success of our long-standing business model is based on the systematic utilization of our opportunities and development potential. Part of our risk management strategy is to evaluate the viability of all of our options and activities for the future. We observe long-term trends as well as short-term developments, which might have the potential to affect our business strategies. We offset threats posed by financial risk and price fluctuations with long-term purchasing and sales contracts.

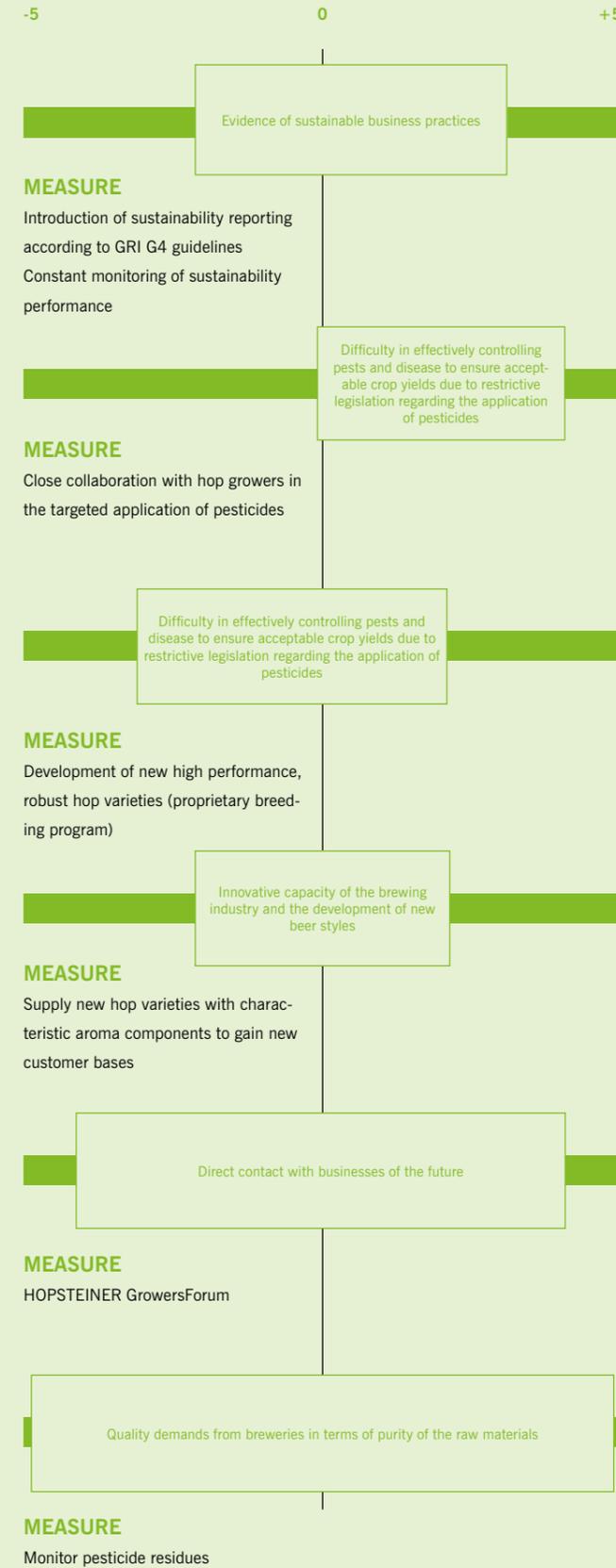
In addition, we identify any regulatory uncertainty as well as risks posed by restructuring or product quality due to changes in legislation. We have created an overview of opportunities and potential hazards and used it as a tool to develop strategies for our corporate activities.

*The figure to the right provides an overview of the most important risks and opportunities. We have cross-referenced these with the measures that we have developed to address the various points. Using a number scale ranging from -5 to +5, we indicate whether we consider each point to be a risk or an opportunity. Often an opportunity presents itself in the form of a challenge. Therefore, some of the keywords occupy positions on both the negative and positive sides of the scale.*

**CHALLENGE**

- Customer demands for sustainable business practices with suppliers – risk of rejection for non-compliance
- Supply reliability is uncertain for countries with stricter laws regulating pesticide residues
- High level of investment in new varieties with an uncertain outcome
- Market penetration without complete cost recovery
- Loss of contact with hop growers
- Product recall
- Non-compliance with the law

**REQUIREMENT**



**OPPORTUNITY**

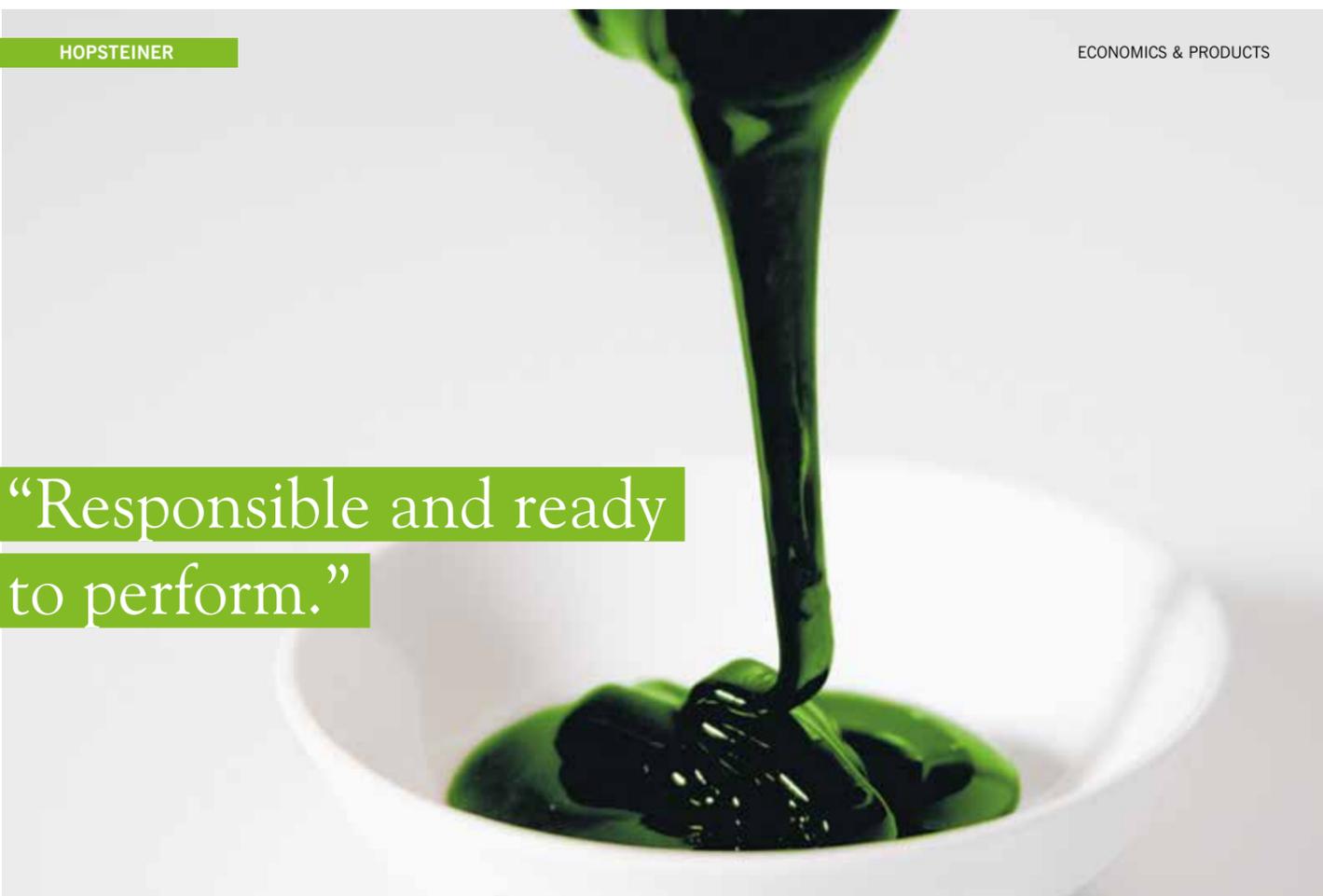
- We distinguish ourselves from the competition
- Close relationship with suppliers by providing consulting services
- Proprietary hop varieties are a unique selling point
- Generation of revenue through licensing
- Development of new markets and customer bases
- Positive perception of hops
- Contact with the hop growers is reinforced
- Highest level of product safety for the customers
- We distinguish ourselves from the competition

## 4 | Sustainability Criteria

Economics & Products	pages 38–45
Environment	pages 46–49
Employees & Society	pages 50–53
About this Report	pages 54–55



“Responsible and ready to perform.”



### Keeping a Steady Eye on the Big Picture

With every decision we make as members of corporate management, we feel it is prudent to maintain a balance between economic, environmental and social needs. In doing so, we also aspire to realize ambitious goals for our business against a backdrop of uniting traditional rural trade practices on the purchasing side with the demands of our highly professional global customer base on the other.

In consultation with the parent company in the USA, objectives are defined along with the available resources to fulfill them. Qualitative and quantitative achievements are jointly verified through a regular review process.

Administrative-level managerial accounting constantly provides data for each individual section, allowing corporate management to identify aberrations and react quickly to changes.

Key performance indicators (KPI) include data for financial performance, production,

commodity markets, customer sales, supplier management as well as quality management. Additionally, our responsibility for purity and the legal requirements governing food safety in our industry are of particular importance. Special emphasis is also placed on continuous testing for pesticide residues.

Hops are a natural product and our commitment to handle them responsibly at all levels is reflected in our prioritization of matters relating to material utilization and supplier management. We have maintained close contact with our suppliers for many years and have integrated them into our sustainability concept. This means that we are aware of every aspect concerning the quality of raw materials and are in continuous dialogue with our suppliers with regard to quality standards. By forming long-term partnerships, we have developed a high level of trust in our business dealings.

Our company's focus includes social issues and the community, in order to foster long-term job security for our employees as well

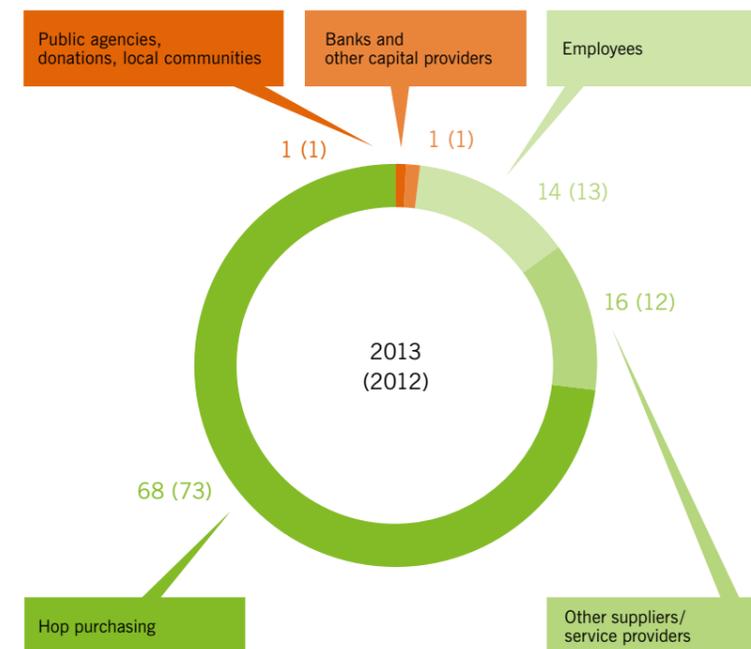
as safety in the workplace. We value the expertise of all our employees and benefit from it over the course of daily operations. Therefore, we involve them in the planning and development of our business activities. With continuing education, we encourage our employees to develop skills in fields relevant to their areas of responsibility. Needless to say, we hire personnel for long-term employment in every area of our company. Therefore, we have trained young members of our staff in a diverse range of occupations for years in accordance with the guidelines of the Chamber of Commerce (IHK) for commercial and technical professions. We also frequently provide interns with stimulating training through which they are able to obtain their first professional experience while gaining insight into our company. Regular communication with our interns and fostering a trusting relationship are priorities.

### Financial Information

#### SOLID BASE

In 2012 and 2013, a majority of the company's total fiscal outlay for production was apportioned to the hop growers who supply us with the raw hops. Another sizeable portion of our financial expenditures – at 13 and 14 percent respectively for the years under review – was for benefits for our employees, who play a prominent role in the value creation process of our company.

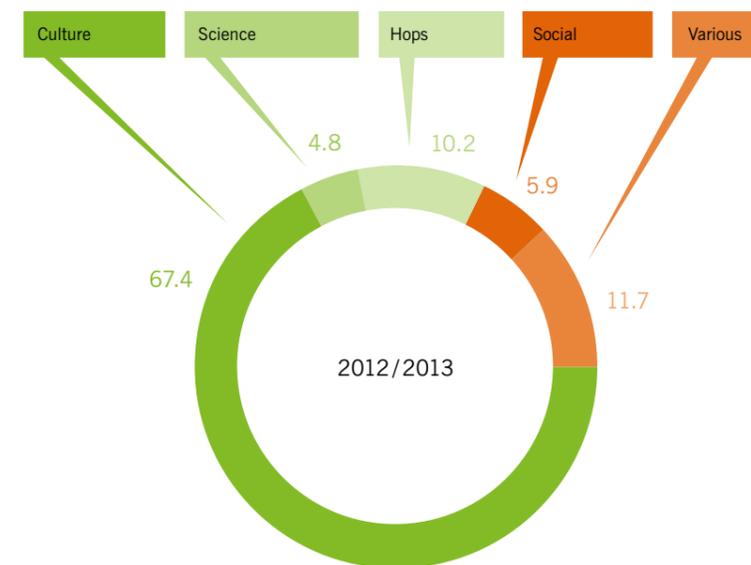
#### MONETARY EXPENDITURE (%)



### Donations

The community is important to us: With financial support and donations, we have encouraged cultural and social projects in the regions around our corporate locations as well as in reference to our history and continue to do so. Equally important to us is promoting activities that revolve around issues related to hops.

#### DONATIONS SORTED BY CATEGORY (%)



## Our First Priority is Ensuring the Safety of Our Products

Quality management, responsibility for our products and safeguarding the hop plants themselves are inextricably linked to our company philosophy at HOPSTEINER. We have developed an integrated system for the safety of all of our hop products based on these three pillars. We follow the requirements established in the international standards ISO 9001:2008 while working closely in cooperation with our hop growers during the processes of production and refining the hops as part of our quality management system. Our HACCP concept is anchored in our quality management system and serves as a self-monitoring system at every stage of production from receiving the raw materials to putting the finishing touches on our final products. The type and probability of risk at each process step are defined and the corresponding action plans are formulated.

### SECURING A SATISFACTORY CROP YIELD WITH PESTICIDES

In order to ensure a satisfactory crop yield – as with numerous other kinds of agricultural products – various types of pesticides are employed. These pesticides are strictly regulated and monitored by law regarding the type and quantity of the active chemical agents allowed and the frequency of their application as well as the time period required between their application and the harvest. In the interest of our customers, our job as hop merchants is to ensure that constant monitoring of the quality of the unprocessed hops be performed. This is done to guarantee that the products we sell comply with all of the necessary legal requirements. This includes evidence of compliance with the maximum permissible values for pesticides in addition to environmental

analysis of the hops for any contamination by heavy metals or nitrates.

We work closely with hop farmers to build this safety net and thoroughly integrate them into our quality management system. The best example of this is our expanded concept for monitoring pesticide residues.

### QUALITY IS CONTROLLABLE

We take into consideration all aspects of the cultivation of hops, including every step in processing. With our HACCP concept, we rely on 100-percent documentation of provenance for our products as well as a preliminary analysis, which we obtain by tracing the individual control points. As a result, we have an abundance of detailed information at our disposal pertaining to product quality, which we evaluate and incorporate into our plan of action.

Hop Growers

- Continuous monitoring during the growth phase
- Extended waiting period before the harvest, possibly beyond legal recommendations for selected agents
- Assessment of pesticide forms
- Blocking or rejection of hop lots when the limit is exceeded

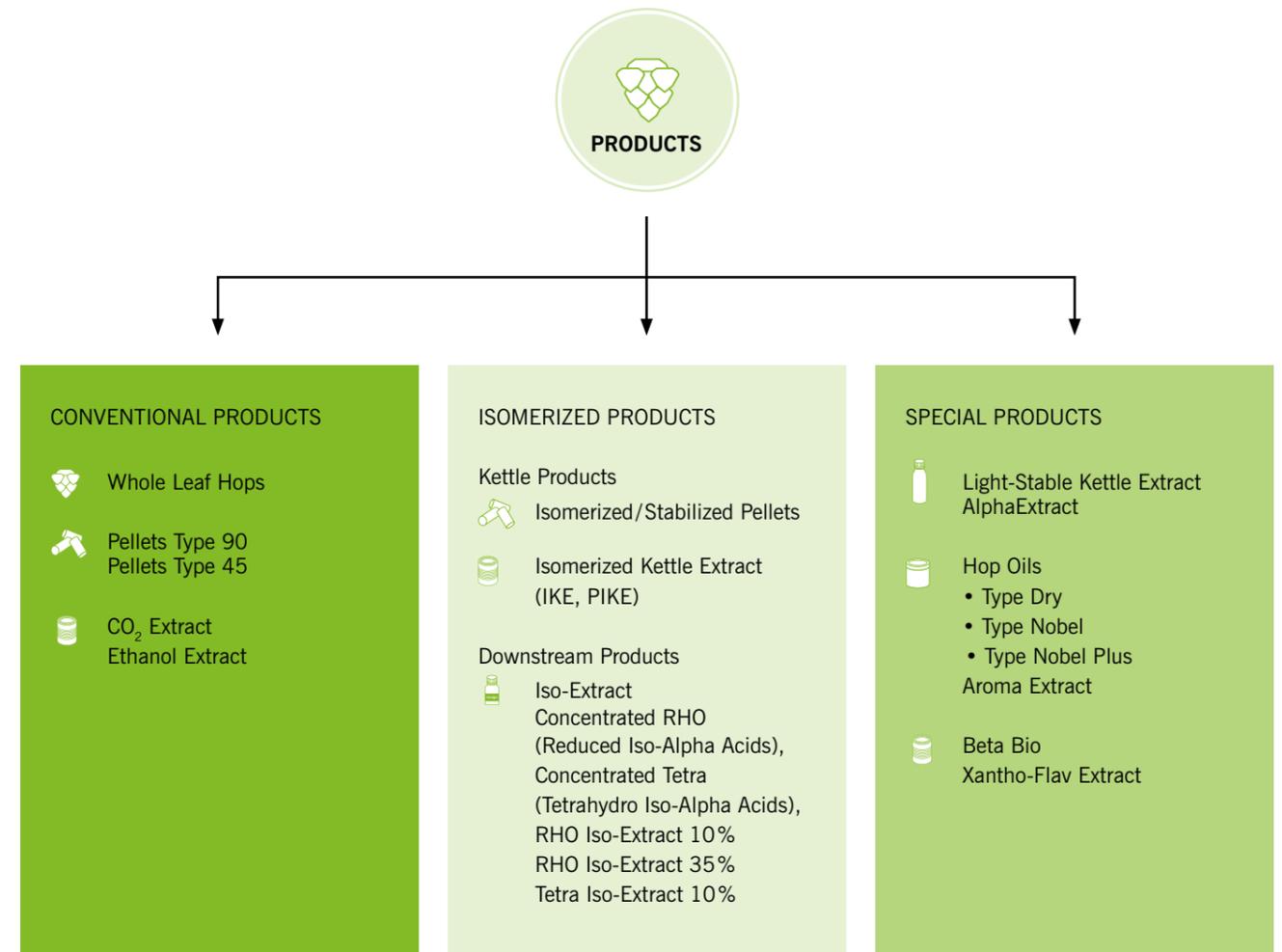
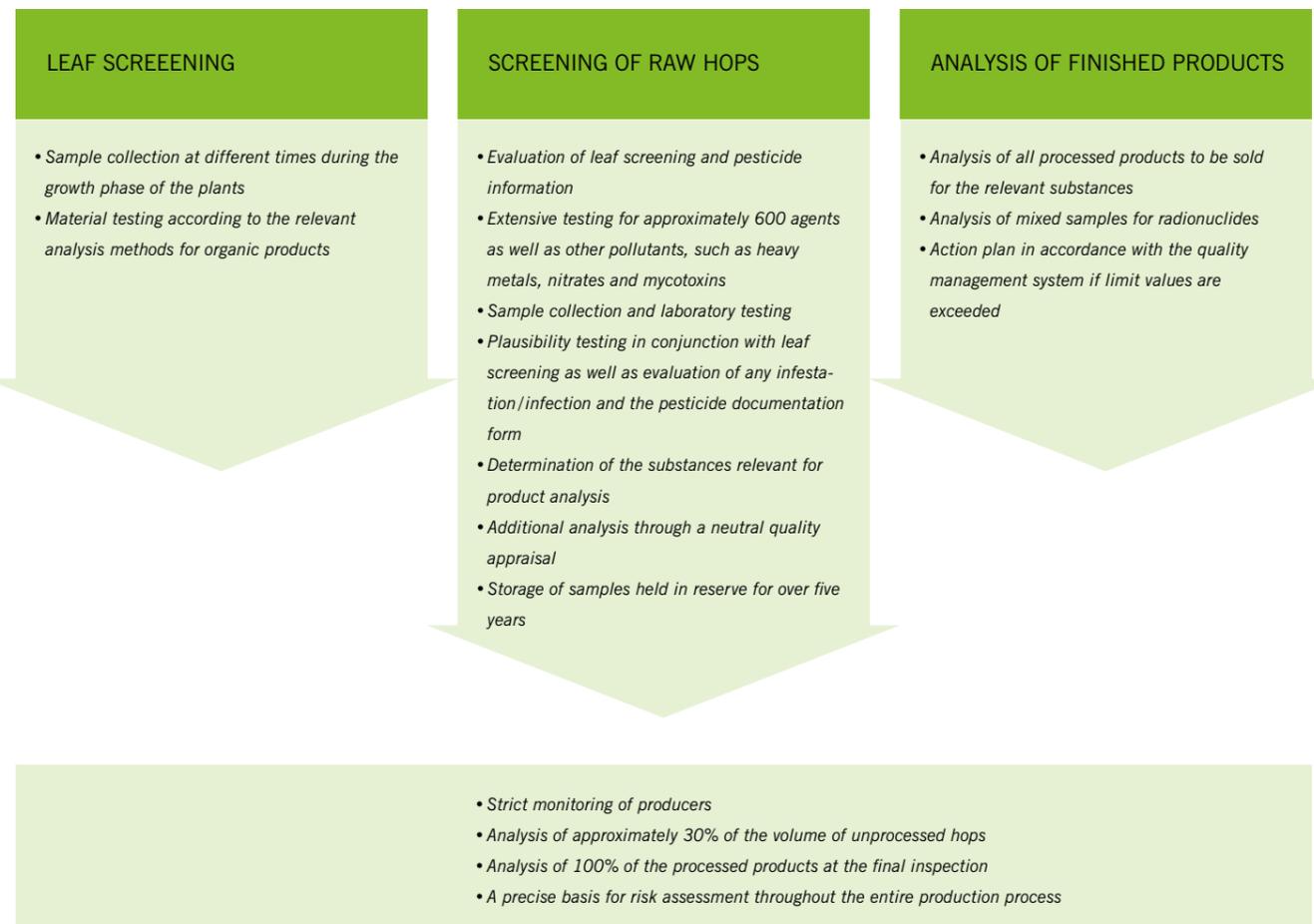
Processing plant

- External audits
- Suppliers must meet certain requirements
- Samples held in reserve

Customers

- Labeling of lots so that every charge possesses a unique identity
- Product traceability according to guideline (EC) no 178/2002
- Product recall strategy in accordance with our quality management system

### BUILDING BLOCKS FOR THE GREATEST PRODUCT SAFETY





**KNOW WHAT'S GOING ON**

Extensive cooperation with our hop growers and vendors supplying us with finished product is also reflected in the results from quality testing on incoming goods. In 2012 and 2013, we only rejected a total of three hop lots due to the presence of pesticide residues. We consider this confirmation that our stringent quality control system and the relentless monitoring of every lot of unprocessed hops received in the supply chain pays off with a high level of safety and security. Additionally, only one lot of hop pellets was rejected for distribution because it exceeded the limit values. With regard to batch documentation and product data, we have logged no complaints in the years under review.

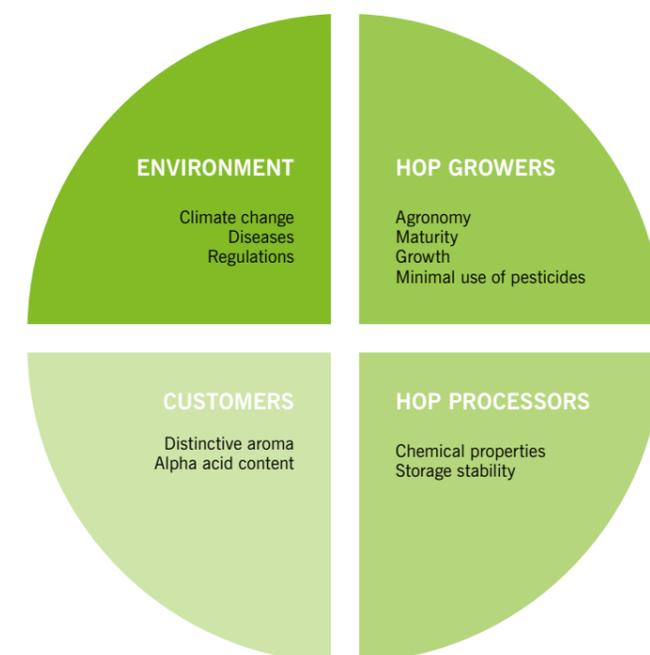
**Breeding Varieties for a Modern and Sustainable Hop Industry**

The aim of our research and breeding program is to develop varieties of hops, which are able to compete in the market and yet are also able to be cultivated efficiently and with few resources. Once this has been achieved, we establish them in the relevant markets. In developing tangible breeding objectives we look to our customers and their needs but also to relevant agricultural issues. Regional and location-specific climatic conditions are taken into account as well. Predominant among the qualities to consider are the relevant varietal characteristics, such as resistance to or tolerance for certain diseases, and also yield. The work involved in developing a breed proceeds according to well-defined procedures of traditional cross-breeding as well as marker-assisted selection, which are regularly revised to conform to the latest scientific findings and technical knowledge. The wide array of available breeding methods is constantly being expanded and modified. Around 15 years ago, HOPSTEINER in the USA began performing targeted selection of genetic material in plants by means of crossbreeding specific parent plants with successive selection of their progeny. Since then, the array of methods available to modern plant breeders has greatly expanded. Also of considerable significance

for us is genome research through which the molecular basis of the phenotypic characteristics is analyzed. From the results of genome research, new methods of molecular marker technology can be developed; however, in the hop-breeding program at HOPSTEINER, we do not perform research on or employ genetically modified organisms (GMOs). The challenge for the hop breeders at HOPSTEINER is and will continue to be to increase the yield per hectare and to further reduce pesticide usage. We want to safeguard our core business and also tap into additional markets with new varieties, thereby gaining market share.

The high alpha varieties Apollo, Bravo and Super Galena and the aroma varieties Delta, Calypso and Lemon Drop came out of breeding work performed at our facility in the USA. Through expansion of the HOPSTEINER breeding program in Mainburg in 2013, high-yield varieties cultivated in Europe can also be expected in the future.

**DEMANDS ON HOP BREEDING**



## Our Roots are Here

Around 90 percent of our hops are sourced from German suppliers. Since hop cultivation is limited to a small number of growing regions in Germany, we consider Germany to be our domestic market. We generate about 95 percent of our value at our production facilities in Mainburg and Au.

For several years now, the German hop growers market has been characterized by continuous consolidation. Even in 2012 and 2013, the consolidation continued, and in those two years, 6 and 4.9 percent of the approximately 1,200 operations halted their hop cultivation, respectively. This meant a restructuring of HOPSTEINER'S pool of suppliers as well. Approximately 50 percent of the German hop growers work with us as suppliers. We recorded an 11.6 percent decline in the number of hop suppliers in 2012 and 2013 combined. Over the same period, our market share in Germany remained at approximately the same level, as we were able to increase the quantities purchased from individual suppliers.

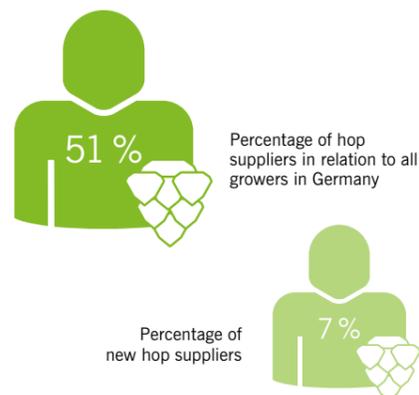
We now have stricter quality assessment criteria for selecting suppliers. This includes, among other things, the inspection of inbound, unprocessed hops, the evaluation of manual inspections and alpha values as well as pesticide information, random leaf screening during vegetative growth, random testing for pesticide residues on raw hops, inspection of storage facilities at farms, compliance with contract specifications and loyalty to the company.

The topic of sustainability in hop cultivation is becoming increasingly important. In the future, many breweries will not only want the highest quality hops but will want them from sustainable sources. To meet these demands, the German hop industry has given the Hopfenring organization the task to develop an industry-wide sustainability concept. A working group was created in early 2013 to this end, and HOPSTEINER serves as a representative in the group. The so-called SAI platform is a three-part system, consisting of environmental, economic and social pillars of sustainability. In Germany, a significant number of the established criteria are already regulated by law. The remaining points must be documented by individual farmers by means of a kind of self-audit. As part of a pilot project initiated in early 2014, numerous farmers have already begun conducting these audits. The launch of an Internet platform for all of the operations involved in the industry is planned for October 2014.

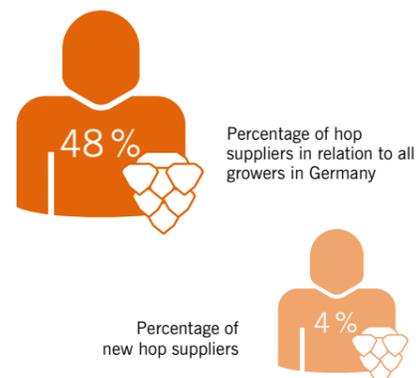
Our purchasers will keep the suppliers updated on the status of the industry-wide sustainability concept, and if necessary, will provide any assistance they might need. For the pilot project launched in 2014, we selected several suppliers to initially test the system and also to familiarize the farmers with how it will function. It is hoped that in the future as many growers as possible will participate on a voluntary basis.

For many years now, we have not confined our activities to simply buying and selling hops. Our company was founded in Tett nang in 1917 and we operated our own hop farm there until the 70s. In 1940, the company acquired hop farms in the United States. This allowed us, both then and now, to continue to gain experience as hop growers, which we can pass on to hop suppliers. We have a solid team of purchasers, who promote close contact with the hop farmers through a resolute local presence. On this basis of trust, we provide information to farmers on a variety of topics, ranging from cultivation to developments in the market, which is embodied by the HOPSTEINER GrowersForum. As part of this forum, we organize gatherings during which current issues on hops and any relevant innovations are presented. Furthermore, we would like to focus more on the interests of the growers and therefore offer technical lectures or even subjects of a more social nature (such as beer brewing courses). The extremely positive feedback has shown us that there is an enormous amount of interest in what we are offering and that we are on the right track. Our aim in all of this is to build a strong relationship with the hop growers and to engender mutual trust with them.

2012



2013



## CUSTOMER SATISFACTION

The long-term success of the HOPSTEINER group is based on personal dedication and the motto "committed to the customer." This is deeply anchored in our quality policy and helps us to achieve success in the international arena.

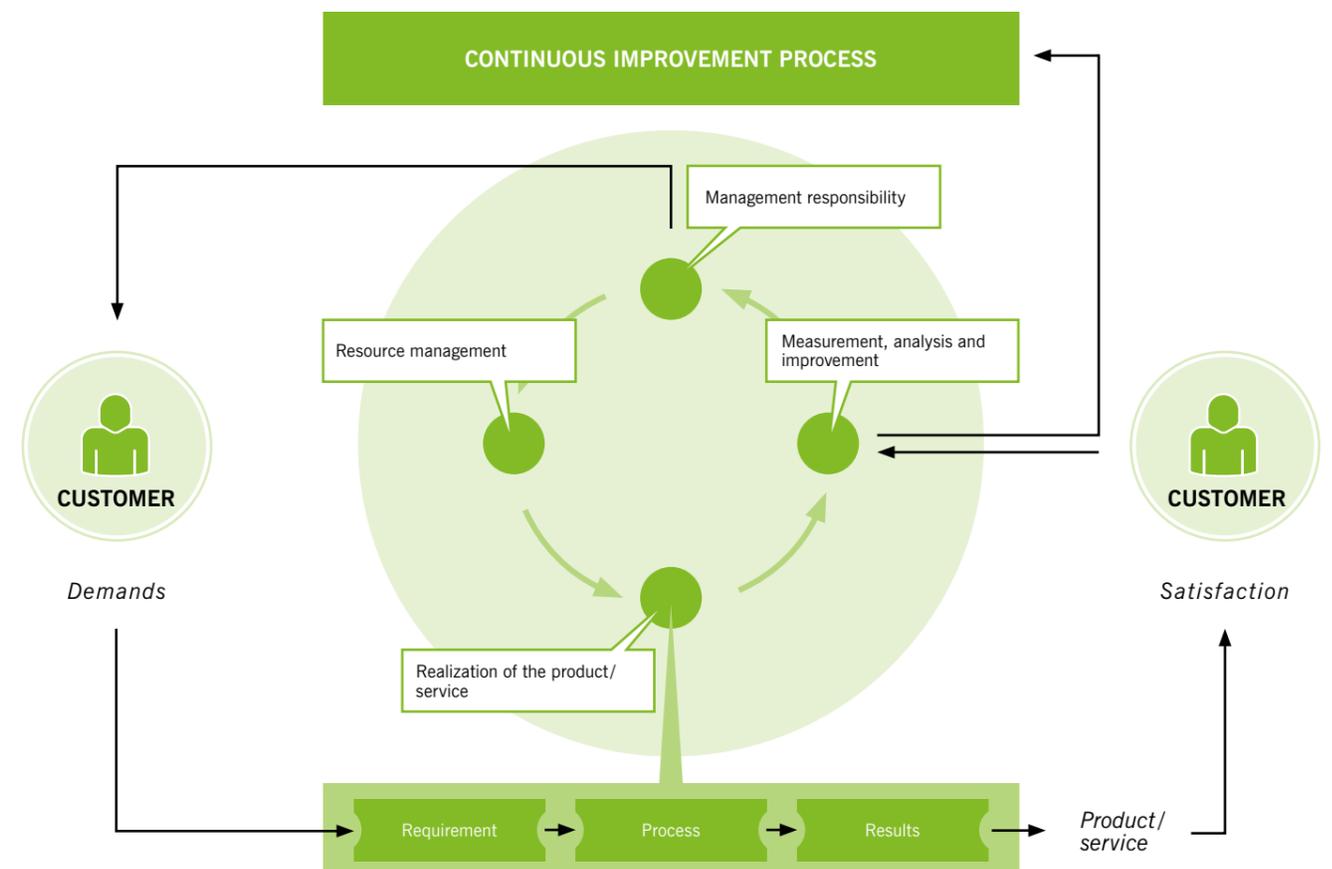
Quoting L. S. (Tom) Gimbel, 3rd, CEO and shareholder of the group: "It is HOPSTEINER'S ultimate goal to supply breweries around the world with hops and hop products of the highest quality, at the best possible price and with expert service and technical support."

HOPSTEINER decided to conduct its first customer satisfaction survey in order to specifically address this commitment and

test this central goal. This was carried out in collaboration with the Centre for Market Research at the University of Passau in the fall of 2014. The contents of this survey, in addition to questions about the products and services, were included in the study, in order to identify the needs and expectations of an international customer base.

The quality of our services with respect to the product itself was also reviewed as part of this initiative, because the more heavily a criterion is weighted, the more important it is to fulfill the expectation. Providing high quality service is integral to our corporate philosophy and is pursued on a daily basis. It is our duty to identify potential for im-

provement and to act on it accordingly. We expect to receive honest feedback and constructive suggestions for improvement through collaboration with experienced partners outside of the company as well as through the use of anonymous evaluations in accordance with the Data Protection Act, for we do indeed feel "committed to the customer"!



“Hops, nature and the environment: in balance with one another.”



**UTILIZATION OF RAW MATERIALS AND OTHER MATERIALS**

As hop merchants, raw hops are our highest priority. In our methods of hop processing, we focus on extracting the essential substances – aroma compounds and bitter substances – for our customers.

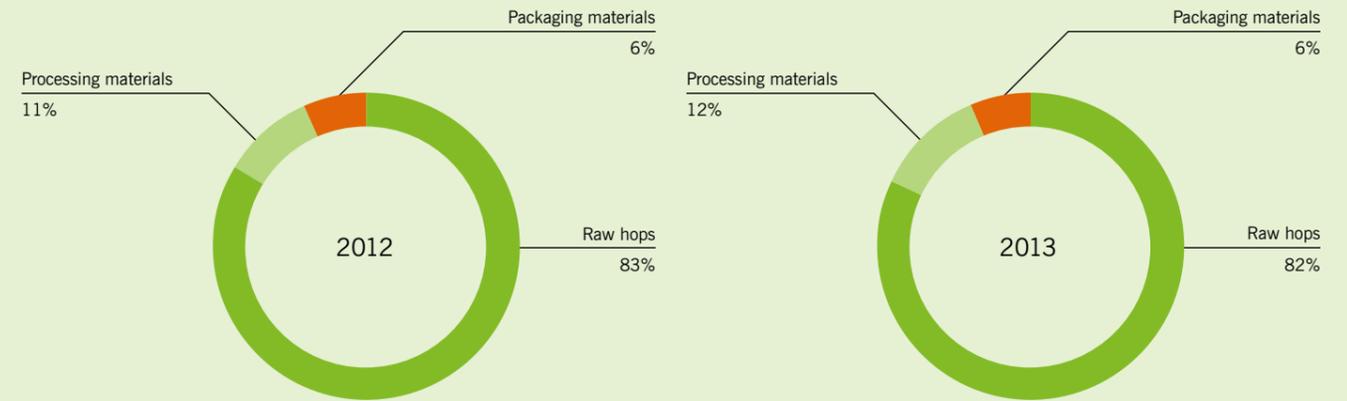
About 12 percent of the material we use consists of non-recyclable consumables. These consist mainly of processing materials required for extraction and for the production of isomerized or downstream products.

Our customers receive the hops packaged in compact, resource-saving packaging. We also employ recycling systems to ensure that our customers can dispose of packaging materials in an environmentally friendly manner. Depending on the degree of soiling and purity of the material, we either recycle it or use it to produce energy. Only around 6 percent of our material consumption is attributable to packaging, and 100 percent of it is derived from external sources.

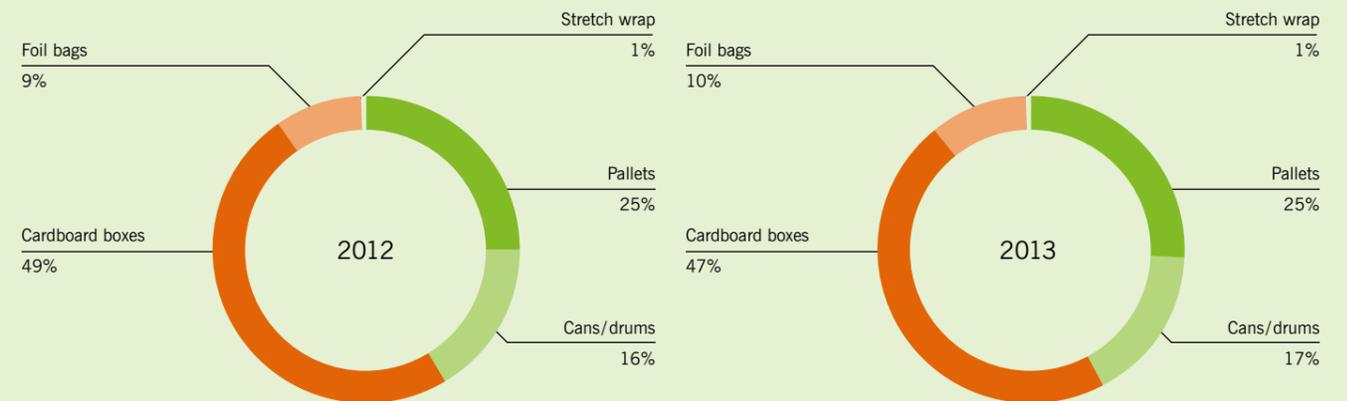
*In the years covered by this report, neither fines nor non-monetary sanctions were imposed on HOPSTEINER for non-compliance with environmental laws and regulations.*

*All reported data were obtained from our documentation of transactions with suppliers.*

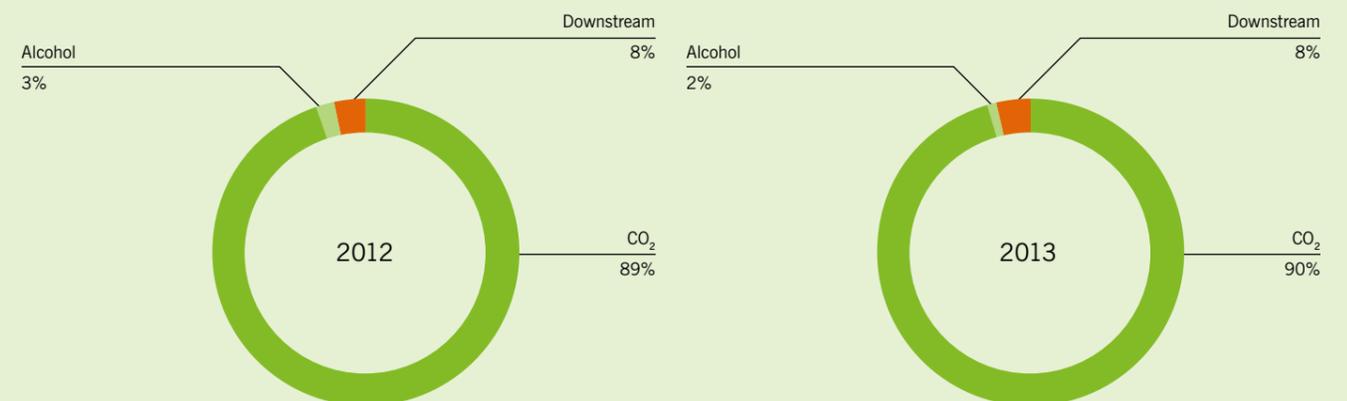
**MATERIAL USAGE**



**PACKAGING MATERIALS**



**PROCESSING MATERIALS**

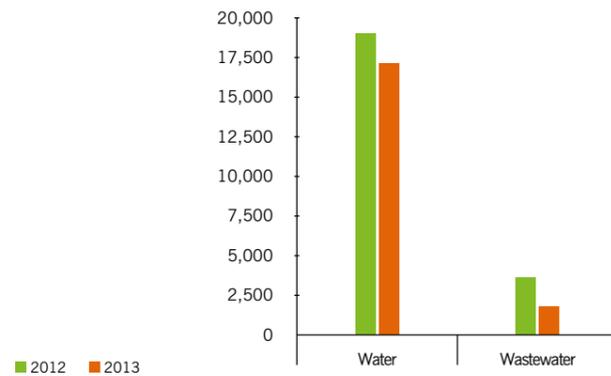


## An Overview of Environmental Data

### WATER CONSUMPTION

HOPSTEINER uses water from the municipal supply for individual production processes. All relevant production areas are connected to an on-site wastewater treatment plant, in which the aerobic bacteria reduce the pollution level of the water. Thus, the wastewater is treated before it enters the municipal disposal system.

WATER USE (m³)

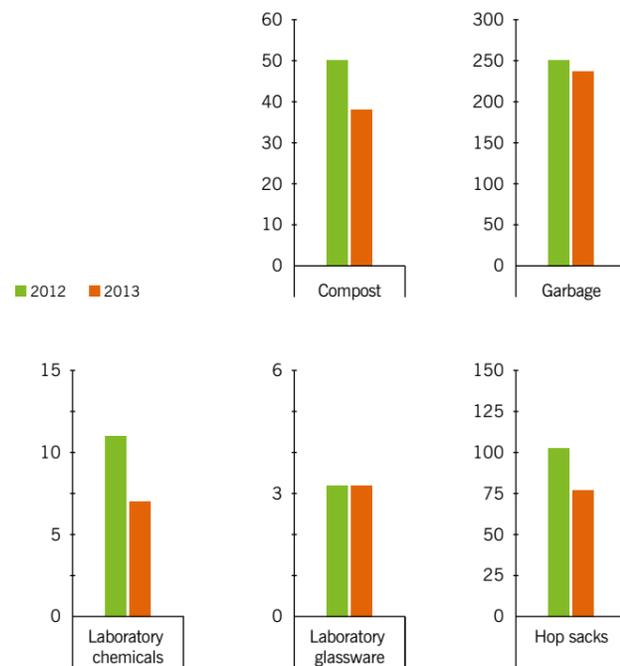


### RESIDUES AND WASTE DISPOSAL

A sensible approach for managing all production residues and waste streams is essential in today's world. This includes minimizing the volume of our waste along with the separation of recyclable materials. Prior to disposing of our waste and residues, we check to see if a suitable option is available for reusing the waste fraction at a reasonable cost.

Hop sacks in particular – packaging for hops delivered to the facilities – are fully recycled and reused. Waste such as garbage and compost are collected by local waste disposal service providers and processed or disposed of according to the municipal waste disposal concept.

PROCESSING RESIDUES AND WASTE DISPOSAL (t)



## Energy Consumption – a Large Percentage from Renewable Resources

We generate around 50 percent of our energy from renewable energy sources; therefore, our production processes are highly efficient at conserving natural resources. Our own biomass energy plant at the facility in Mainburg, Germany, covers almost 90 percent of our demand for thermal energy while also supplying neighboring businesses in the commercial district of Main-

burg. In the production facility located in Au, Germany, heat is generated using heating oil. The energy required for refrigeration and steam generation is included in the consumption data. For steam generation, we use the boiler of the cogeneration plant. When reviewing consumption levels, one important aspect of presenting consumption values and comparing the data is considera-

tion of the calendar year. Hops harvested in 2012 were still being processed during the transition from 2012 to 2013. Therefore, the consumption values during one calendar year are not exclusively attributable to a single crop year. For this reason, a crop year with lower yields – as was the case for 2013 – is not directly visible in the energy balance.

### ENERGY CONSUMPTION DATA

	TYPE	2012	2013
Consumption of energy from non-renewable source	Heating oil	867 MWh	1,208 MWh
	Natural gas	3,170 MWh	3,788 MWh
Consumption of energy from renewable source	Biomass	9,166 MWh	7,888 MWh
Consumption of electrical power drawn from public network		6,441 MWh	5,207 MWh
Consumption of electrical power from our own production		881 MWh	1,072 MWh
Sales of thermal energy from our own production		2,154 MWh	1,686 MWh
Sale of electrical power		43 MWh	47 MWh
<b>Total energy consumption</b>		<b>18,327 MWh</b>	<b>17,430 MWh</b>

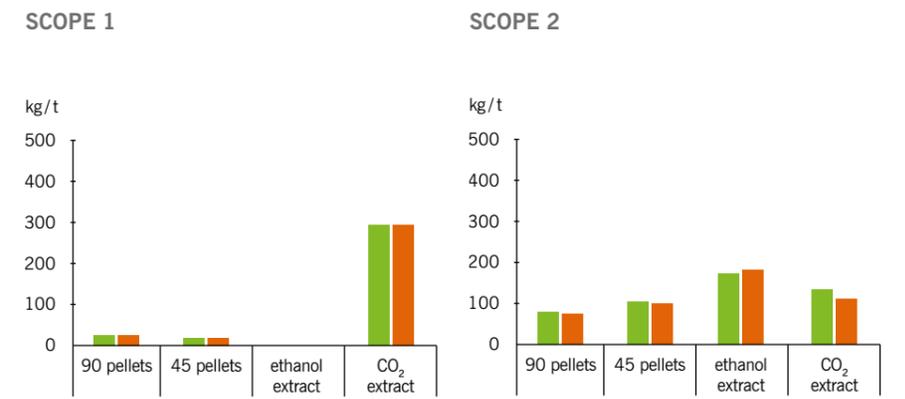
### CO<sub>2</sub> EMISSIONS

Any processing and refining methods are inevitably associated with emissions: the hop processing industry is no exception. Our report covers the direct and indirect CO<sub>2</sub> emissions (Scope 1 and Scope 2) we provided beginning with the 2012 reporting period. For 2012, the total value for CO<sub>2</sub> emissions was 3,136 tons. The value of direct GHG emissions amounted to 1,078 tons, while the sum of the indirect GHG emissions came to 2,058 tons. In 2013, the values for direct GHG emissions and indirect GHG emissions amounted to 1,179 and 1,170 tons, respectively. Due to lower production volumes, this

ultimately resulted in a total of 2,398 tons of CO<sub>2</sub>. Our Scope 1 and Scope 2 emissions are expressed based on one ton of product, according to the main product groups of our product range. Steam is supplied by a dedicated boiler for the production of the various extract products. Since it is CO<sub>2</sub>-neutral, it is not included in the calculation. Along with the production-related emissions, additional emissions resulted from the use of our company car. These CO<sub>2</sub> emissions, generated for the first time in 2013, were on the order of 158 tons and are included in the Scope 1

values. The Scope 2 values include the operation of our buildings with 17.99 kilograms of CO<sub>2</sub> emissions per ton of product (2012: 20.21 kg/t of product).

### SCOPE 1 AND SCOPE 2 EMISSIONS (kg/t OF PRODUCT)



*The calculation of our direct and indirect CO<sub>2</sub> emissions is based largely on real data from the provider or from our own systems. If individual values were not available prior to the date the report went to press, these were extrapolated on the basis of sound assumptions. The data for the calculation of necessary emission factors were taken from Defra 2013.*

“We are constantly evolving.”

## Success as a Team

In total, 161 employees worked at HOPSTEINER in 2012. This number increased to 169 in 2013. Our team is comprised of approximately 2/3 male and 1/3 female employees. Data from the two-year review show that the average employee age is gradually dropping. A number of long-time employees have reached retirement age and thus are no longer with us. We have compensated by hiring new employees, in particular those younger than 30, in order to position ourselves well for the future.

### PROMOTING HEALTH AND SAFETY AT WORK

In addition to a high degree of employee retention, we attach great importance to occupational safety and health. In 2012, we recorded a total of only four accidents in the workplace, which were distributed equally among male and female employees. In 2013, six accidents were recorded, in which five male employees and one female employee were involved. Thus, the relative frequency of accidents per 1000 employees (1000 person quota) was 24.84 in 2012 and 35.0 in 2013. The figures are based on the accidents which must be reported by law; minor incidents are not recorded. The comparison value from the employer's liability insurance association for the year 2012 is 23.32; no data was available for 2013 at the time this report was prepared. The rate of absenteeism for male employees was 3 percent in 2012 and 4 percent in 2013. The absenteeism rate for female employees was 3 percent for both years. No disability cases were reported which resulted from employment with HOPSTEINER.

We routinely provide our staff with training to maintain and promote health and safety at work in addition to carrying out first aid measures. These courses are part of our training program and are extended to industrial workers, administrative staff and members of the management team. In an effort to improve occupational safety and reduce the number of accidents, operating procedures detailing how to safely perform loading operations were introduced and implemented at the production facilities in Au and Mainburg, Germany, in 2013.

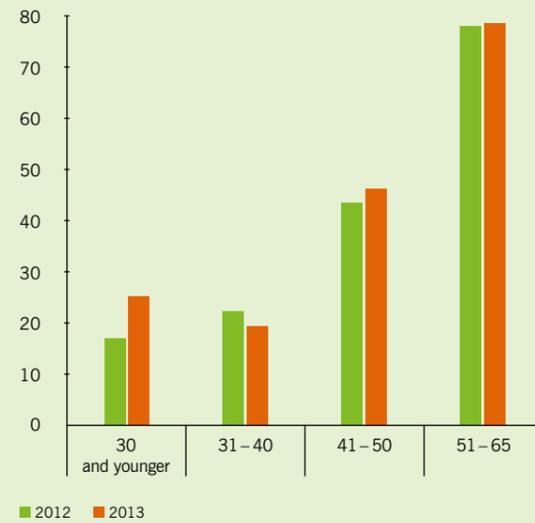
*Our employees receive fair and reasonable compensation for their work according to an internal salary system. HOPSTEINER is not represented by an employers' association.*

**ALWAYS UP-TO-DATE**

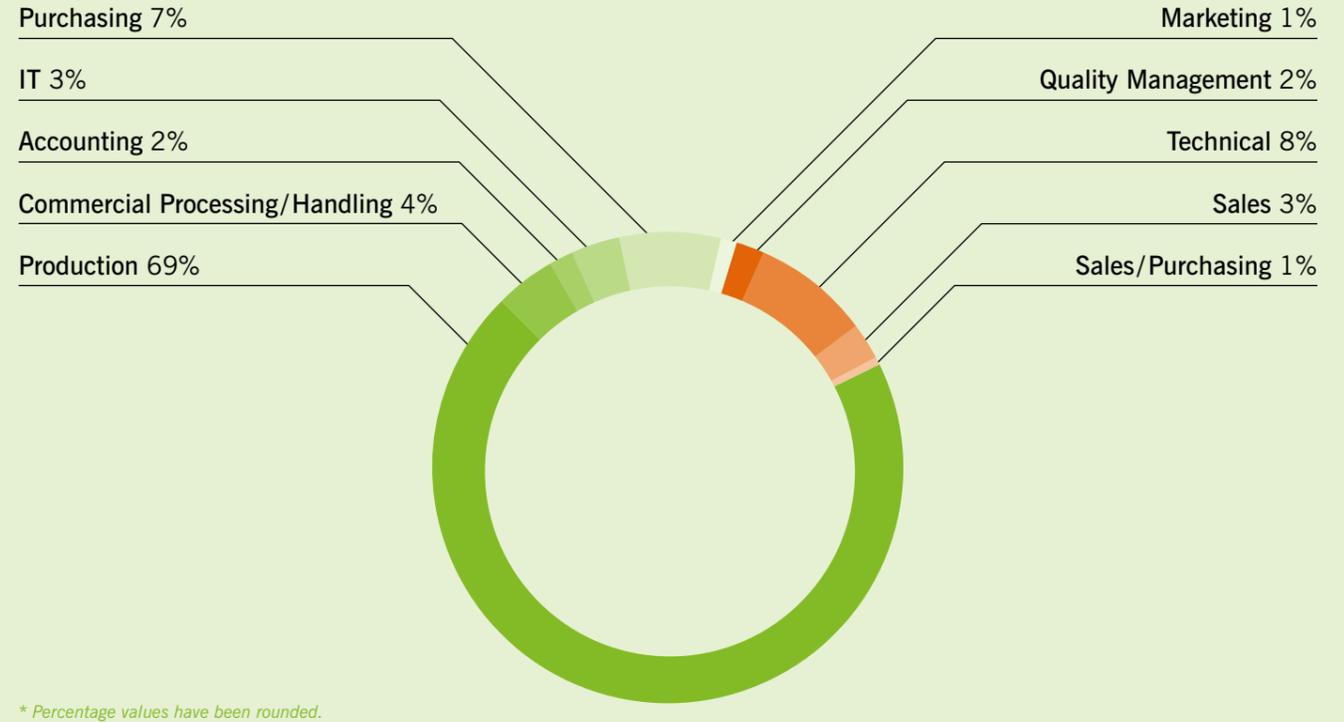
In addition to health-related training, we provide goal-based continuing education to our employees. The topics in the training sessions cover all operational areas in the company. When planning the selection of training programs, we focus on the requirements of employees for business operations as well as to the development demands we observe in each department and for each employee. The increase in educational activity in 2013 shows an increased demand for training due to the influx of new employees, especially those in the age group of 30 and below. More than 2/3 of the total training courses offered were allocated to our industrial facilities.

In addition to a considerable degree of job security, high product quality and the corresponding training requirements, we have nevertheless planned to expand and improve our range of services. Our training needs are assessed appropriately and consistently implemented through a systematic course of planning and action.

**EMPLOYEE STRUCTURE CLASSIFIED BY AGE GROUP**

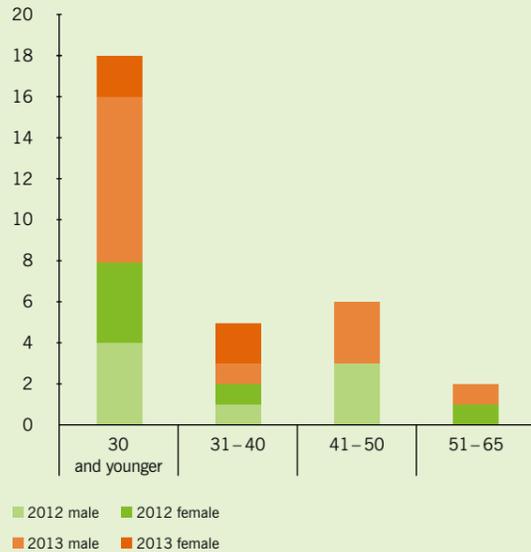


**BREAKDOWN OF TRAINING HOURS BASED ON TOPIC, 2012 AND 2013**

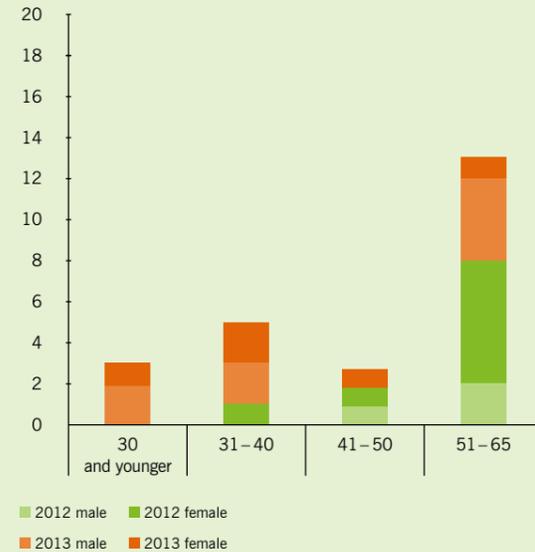


\* Percentage values have been rounded.

**EMPLOYEES ENTERING THE COMPANY, CLASSIFIED BY AGE GROUP**



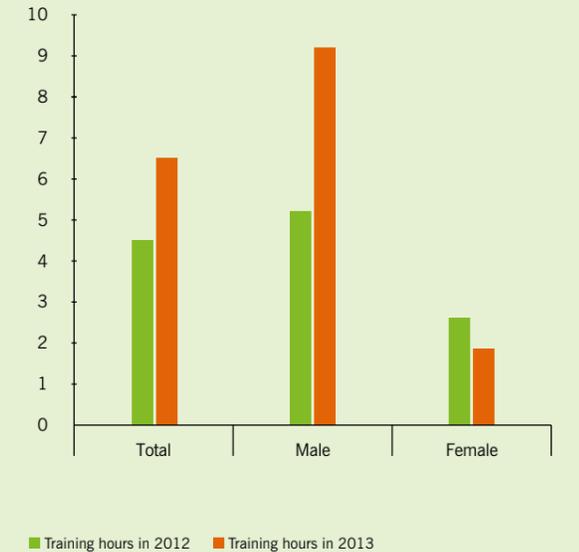
**EMPLOYEES EXITING THE COMPANY, CLASSIFIED BY AGE GROUP**



**AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE BY CATEGORY**



**AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE**



“We continue to follow  
our chosen path.”

## About This Report

### STATUS QUO AND GOALS

The goal is to portray the growing importance of sustainability issues and the related requests from our customer base from the brewing industry in the form of a thoroughly researched report, documented in accordance with internationally recognized guidelines.

In drafting this report, we have utilized more than 230 G4 indicators defined by the GRI to depict the entire company with respect to social, environmental and economic performance parameters while taking into account all functions in the processing and marketing of hops and hop products.

Since this is our first sustainability report, it primarily represents a review of all relevant qualitative and quantitative indicators, from which the corresponding considerations, objectives and actions for the future may be derived. It is interesting to note that all involved in the preparation of this report observed that the “spirit” of sustainability has been present all along in all benchmark decisions; however, it has only now been explicitly defined in an articulated form.

Themes such as compliance culture, respect for human rights, continuing education and the close involvement of our suppliers in our quality assurance measures has been an integral part of our company for many decades, and seem just as natural as the use and development of renewable energy sources.

In any case, however, we have found that the concept of sustainability first required a more detailed explanation within the company. Furthermore, the integration of decision-makers across all departments was deemed to be equally important for the success of this project as the involvement of the qualified and professional management staff selected for this project.

Another observation was that in the future, a more intensive and structured exchange is necessary to address the topics of customer and employee satisfaction in order to obtain measurable and comparable results over an extended period.

Likewise, we will be more actively pursuing the topic of supplier audits beyond the exclusive production of hops.

Parallel to this, we will continue to seek measures to optimize energy efficiency and reduce greenhouse gas emissions, not least for

reasons of cost savings, for example by planning the construction of a photovoltaic facility in Mainburg, Germany. Furthermore, the proportion of non-recyclable waste will be decreased.

In the next issue of the sustainability report, we will compare our achievements with our objectives and identify areas where special action is needed. In any case, from our overview of materiality (page 33), we can see that we are already at a very high level of achievement with regard to the relevant themes important to our performance.

### DETAILS OF THE REPORT

This is the first comprehensive sustainability report to be published by Simon H. Steiner, Hopfen, GmbH. The latest version of the G4 Sustainability Reporting Guidelines from the Global Reporting Initiative (GRI) for the “Core” level was used in preparation of this report. The report covers the years 2012 and 2013. The next issue is planned for the year 2017. Our important KPIs will be made available annually upon request.

A list of the published indicators is included at the end of the report, with references indicating where the detailed G4 information specified by the GRI guidelines can be found in the document.

The data and information on production (unless otherwise stated) supplied are in reference to the corporate group Simon H. Steiner, Hopfen, GmbH in Mainburg, Germany, as well as the Hallertauer Hopfenveredelungsgesellschaft mbH (HHV) in Mainburg and Au, Germany.

The data were collected and reviewed by the responsible parties in different departments. The section of the report regarding the economic results was created based on data from the consolidated financial balance sheet of Simon H. Steiner, Hopfen, GmbH.

For further inquiries, please contact Andrea Schmid by e-mail at [aschmid@hopsteiner.de](mailto:aschmid@hopsteiner.de).

## 5 | Supplemental Data

GRI Content Index            pages 58–61  
Publishing Information        pages 62

## GRI Content Index

CATEGORY	ASPECT	TITLE	INDICATOR	REFERENCE IN REPORT	ADDRESSED	PARTIALLY ADDRESSED	
General Standard Disclosures	Strategy and Analysis	CEO statement on sustainability	G4-1	page 7	●		
		Description of key impacts, risks and opportunities	G4-2	front inside cover pages 14–15 pages 34–35 page 55	●		
	Organizational Profile	Name of the organization	G4-3	page 7, page 20 back outside cover	●		
		Primary brands, products and/or services	G4-4	pages 12–14	●		
		Location of organization's headquarters	G4-5	page 16 page 55 back outside cover	●		
		Number of countries where the organization operates	G4-6	pages 16–17	●		
		Nature of ownership and legal form	G4-7	pages 16–17 pages 20–21	●		
		Markets served	G4-8	pages 18–19	●		
		Scale of the reporting organization	G4-9	pages 38–39 page 46 page 50	●		
		Total number of employees by employment contract and gender	G4-10	page 22 page 51	●		
		Percentage of total employees covered by collective bargaining agreements	G4-11	page 51	●		
		Supply chain	G4-12	pages 25–27	●		
		Significant changes during the reporting period regarding size, structure, or ownership	G4-13	pages 20–21	●		
		Explanation of whether and how the precautionary approach or principle is addressed by the organization	G4-14	front inside cover page 7 page 34	●		
		Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or it endorses	G4-15	front inside cover page 44	●		
		Memberships in associations	G4-16	page 21	●		
		Identified Material Aspects and Boundaries	All entities included in the organization's consolidated financial statements	G4-17	pages 20–21	●	
			Process for defining report content and aspect boundaries	G4-18	pages 32–33	●	
			Identified material aspects	G4-19	page 33	●	
			The boundary for each material aspect within the organization	G4-20	page 33	●	
			The boundary for each material aspect outside of the organization	G4-21	page 33	●	
			Effect of any restatements of information provided in previous reports and the reasons for such restatements	G4-22	not applicable	●	
Stakeholder Engagement	Significant changes from previous reporting periods in the scope and aspect boundaries	G4-23	not applicable	●			
	List of stakeholder groups engaged by the organization	G4-24	pages 30–31	●			
	Basis for identification and selection of stakeholders with whom to engage	G4-25	pages 30–31	●			
	Approaches to stakeholder engagement	G4-26	pages 30–31	●			
	Key topics and concerns that have been raised through stakeholder engagement	G4-27	pages 30–31 page 35 page 42 page 44 page 50	●			
Report Profile	Reporting period	G4-28	page 55	●			
	Date of most recent previous report (if any)	G4-29	page 55	●			
	Reporting cycle	G4-30	page 55	●			
	Contact person for questions regarding this report	G4-31	page 55	●			
	"In accordance" option and GRI index	G4-32	page 55 pages 58–61	●			
Governance	External assurance of report G4-33 not applicable	G4-33					
	Governance structure of the organization	G4-34	page 23	●			
	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	G4-35	page 23	●			
Ethics and Integrity	Code of Conduct	G4-56	page 9	●			

CATEGORY	ASPECT	TITLE	INDICATOR	REFERENCE IN REPORT	ADDRESSED	PARTIALLY ADDRESSED	
Indicators	Disclosures on Management Approach		G4-DMA	page 38	●		
		Economic Indicators	Direct economic value generated and distributed	G4-EC1	page 39 pages 25–26	●	
			Proportion of spending on local suppliers at significant locations of operation	G4-EC9	page 39 page 44	●	
	Environmental Indicators	Materials used by weight or volume	G4-EN1	pages 46–47	●		
		Percentage of materials used that are recycled input materials	G4-EN2	page 26 pages 46–47	●		
		Energy consumption within the organization	G4-EN3	pages 46–47	●		
		Reduction of energy consumption	G4-EN6	pages 48–49		●	
		Total water withdrawal by source	G4-EN8	pages 48–49	●		
		Percent and total volume of water recycled and reused	G4-EN10	pages 48–49	●		
		Direct greenhouse gas (GHG) emissions (scope 1)	G4-EN15	page 49	●		
		Energy indirect greenhouse gas (GHG) emissions (scope 2)	G4-EN16	page 49	●		
		Greenhouse gas (GHG) emissions intensity	G4-EN18	page 49		●	
		Total water discharge by quality and destination	G4-EN22	page 48	●		
		Total weight of waste by type and disposal method	G4-EN23	pages 48–49	●		
		Extent of impact mitigation of environmental impacts of products and services	G4-EN27	pages 40–41 pages 42–43	●		
		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	G4-EN29	page 46	●		
		Percentage of new suppliers that were screened using environmental criteria	G4-EN32	pages 44–45	●		
		Significant actual and potential negative environmental impacts in the supply chain and actions taken	G4-EN33	pages 42–43 page 44	●		
		Social Indicators	Total number and rates of new employee hires and employee turnover by age group, gender and region	G4-LA1	pages 51–52		●
			Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region and by gender	G4-LA6	page 51		●
			Average hours of training per year per employee by gender and by employee category	G4-LA9	pages 51–53		●
			Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	G4-LA12	page 52		●
			Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	G4-HR1	page 9 page 44		●
	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement		G4-PR1	pages 41–43	●		
	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle by type of outcomes		G4-PR2	page 42	●		
	Type of product and service information required by the organization's procedures for product and service information and labeling as well as percentage of significant product and service categories subject to such information requirements		G4-PR3	pages 41–43	●		
	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes		G4-PR4	page 42	●		
	Results of surveys measuring customer satisfaction		G4-PR5	page 45		●	
	Percentage of operations with implemented local community engagement, impact assessments and development programs	G4-S01	page 21 page 39		●		

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