

Risk management

Entrepreneurship involves taking risks. In order to realize our ambitions, it is essential to identify these risks and reduce them to an acceptable level. Internal and external factors that pose a risk to our operations are in focus and measures to control these risks have been taken. The next step is to identify whether these measures are sufficient. In addition, we want a clear organizational structure regarding risk management. This means that, in 2024, we will further define which individuals or working groups are responsible for the control measures and measuring their effectiveness. Below is a summary of the main risks and control measures by category. The risks discussed are divided into six categories.

Operational and technical risks

Risk	Explanation	Control measure
Quality fluctuations in our products and product liability	Violation of the quality of our products can lead to health risks, which can damage our reputation. It could, for instance, be caused by an error in the production process, sabotage or quality deviations in ingredients.	As food safety is one of our top priorities, we have a robust and certified assurance process in place. The same applies to the safety and protection of our buildings and land. Employees are required to follow training in order to be aware of the food safety risks.
Failing strategic transformation programs	The Intelligent Brewery program is a "Greenfield" ERP system implementation, with completely new business processes and is therefore crucial in preparing our brewery for the future. The program involves a significant investment, is complex and has a profound impact on the internal organization.	The Intelligent Brewery program has a Program Board, with sufficient mandate within the organization, which supervises the realization of the desired quality within budget and allocated time. We use experienced experts to guide us in this process. In addition, the organization is being prepared for the change by setting up a strong "organizational change" workstream that is supported by the Executive Board.
Availability of facilities	Business continuity may be jeopardized due to water, gas or electricity failure.	For all (production) locations, we have emergency plans and a crisis management process in place that explains what to do in the event of failures of facilities. The continuity of our business processes comes first here.
Availability of raw materials and packaging materials	Large conflicts and extreme weather conditions can affect the availability, quality and price of our raw materials and packaging materials.	We continuously liaise with suppliers to ensure that they can keep supplying stable raw materials and packaging materials, both qualitatively and quantitatively. We strive for long-term procurement contracts. We also hold supplier sessions and have further refined our sustainable procurement policy to increasingly procure sustainable alternatives, such as SAI certified barley.
Insufficient groundwater	The availability and quality of groundwater can decrease due to over-consumption. Water is, however, essential for our product and the environment in which we live.	All breweries have a water permit. In order to protect our spring water and use it indefinitely, we take mitigating measures to guarantee water availability. For example, Royal Swinkels Family Brewers fulfils an important role in the Farmer Beer Water project, in which our residual water is redistributed amongst farmers.

Operational and technical risks (continued)

Risk	Explanation	Control measure
Employee retention and development	Business continuity may be jeopardized if we do not, in a timely manner, have access to sufficient and properly qualified employees.	Identifying the required competencies and attracting and retaining talent is a strategic priority within Royal Swinkels Family Brewers. In this context, we initiated a leadership program for all managers within the organization.
Cyber attacks	Critical systems and company sensitive information are threatened by hackers, malware, phishing and ransomware.	We take technical and organizational measures to protect our networks and systems. We also have awareness campaigns to ensure that employees are aware of the risks of, for example, phishing. All this is based on a company-wide information security policy and standards.
Economic and socio-political instability	The safety and health of our employees may be at risk as a result of economic or socio-political instability in the area where they live or work.	We continuously monitor the economic and socio-political conditions in the areas in which we operate. To this effect we use national and international sources of information. We take organizational measures to protect our employees.
Climate Change	The structural and irreversible change in weather conditions leads to risks in the cultivation and availability of raw materials (such as barley, hops and sugar) and packaging (such as paper and cardboard).	We recognize the negative impacts of climate change on our society and our business operations. However, what climate change means as a risk to our operations still needs to be further identified. To manage climate risks, we have set up an internal working group that periodically discusses developments in climate change. In addition, the working group assesses whether the CO ₂ objectives of Royal Swinkels Family Brewers are still in line with this.
Acute extreme weather conditions	The increasing frequency of extreme weather conditions such as heavy rainfall, extreme short-term drought, floods or storms due to climate change increases the risk of production disruptions and supply chain interruptions.	We recognize the danger of acute extreme weather conditions that can affect our society and business operations. Last year we took action on this by installing emergency overflows in Lieshout and placing transformers at higher levels in Eemshaven. The risks to our operations still require further identification. A working group has been established to identify these risks and related measures. The risks and measures will be fully determined in 2024.

Compliance risks

Risk	Explanation	Control measure
Claims as a result of violations of laws and regulations or not observing contracts	The growing international character of our company ensures that we will be increasingly confronted with changing and more complex legislation regarding the environment, working conditions, privacy, alcohol consumption, food safety, competition, sanctions policy and packaging/return systems. This increases the risk of non-compliance with laws and regulations.	We employ legal specialists with knowledge of local laws and regulations and, if necessary, engage external advisers. We have a code of conduct, compliance manual and sanctions policy in place. In addition, we have made a number of training courses mandatory for relevant groups of employees to limit specific risks. Last year, no (monetary) sanctions were imposed on our organization.
Failure to comply with changing laws and regulations regarding sustainability	Changing legislation on sustainability, such as legislation regarding reporting (CSRD), environmental requirements and human rights in the chain, leads to an increasing risk that we, as an organization, cannot meet the changing requirements in a timely manner.	We employ legal specialists with knowledge of local laws and regulations. In addition, an internal working group has been established to periodically discuss developments regarding climate change and related legislation, and we engage external advisers when necessary. Last year, no (monetary) sanctions were imposed on our organization.

Financial risks

Risk	Explanation	Control measure
Currency and interest rate risks	Fluctuations in exchange rates and interest rates pose a risk to the profitability of the company.	Where necessary and possible, hedge contracts are entered into to reduce the risk of fluctuations in foreign currencies to an acceptable level. In respect of the interest rate risk, mainly interest caps are agreed upon.
Inflation risk	Rising costs due to inflation pose a risk to the profitability and thus continuity of the company.	We anticipate inflation by making timely adjustments to our purchasing and sales policies.
Credit risk	We serve a large number of very diverse domestic and foreign customers. There is a risk that customers will not be able to fulfil their payment obligations. The COVID-19 crisis and the inflation increased this risk for on-trade customers.	For new customers, the credit risk profile will be identified and appropriate credit limits and payment terms set, e.g. bank guarantees. For certain market segments we have insured against the risk of default.
Insufficient financing capital	It is important to have sufficient financing capital available to finance the growth of our company.	We actively aim to optimize our cash position and reduce our working capital. Investment decisions are only made after a thorough yield analysis. The financing structure is periodically tested and adjusted where necessary.
Climate Change	Rising costs due to transition costs to new energy sources for existing production processes, rising costs in the supply chain (e.g., due to raw material scarcity) and rising costs of emission allowances pose a risk to the company's financial performance.	Within the climate change theme there are the sub-themes of climate mitigation and climate adaptation. To manage financial risks around climate mitigation, we refer to the chapter on our climate strategy. The financial risks related to adaptation and associated control measures are discussed in the risk analysis of operational and technical risks, under the categories of "climate change" and "acute extreme weather conditions."

Safety and well-being risks

Risk	Explanation	Control measure
Business-related accidents	Accidents at work can occur during our business and production processes.	To prevent unsafe situations within the business, we have a safety program, clear work instructions and information about the correct use of resources in place. We also aim to increase the safety behavior and awareness of our employees. We do this by setting a good behavior example and by encouraging calling each other to account regarding potentially unsafe situations.
Violation of labor rights at suppliers	Some of our suppliers are located in countries where there is an increased risk of labor rights violations.	If there is a significantly increased risk of violation of labor rights at the location of our suppliers, external international audit organizations will be appointed to conduct audits.
Irresponsible drinking	Irresponsible drinking of employees and consumers can cause unsafe situations and, in the long term, physical or psychological issues.	To limit the risks for our employees and consumers, we pursue an internal policy for responsible drinking and have laid down these agreements in the company regulations and code of conduct. We also have a responsible marketing and communication policy to sell our beers in a responsible manner.
Quality and food safety	Inadequate quality and food safety (due to incidents) of our products puts us at risk of health damage, reputational damage, financial problems, supply chain disruption and product recalls.	Through our quality and food safety system, incidents are detected in a timely manner and we can take appropriate measures in time to prevent further damage. Almost all employees receive training on the topic of Food Safety.

Market risks

Risk	Explanation	Control measure
Price risks (incl. raw materials and energy)	Due to scarcity of natural sources and climate developments, among other things, raw materials, packaging materials and energy become more expensive.	To limit the impact of price increases, we pursue a multiple origin sourcing strategy, which reduces dependency. In addition, price risks for commodities are covered by long-term contracts (hedging), if necessary and where possible.
Industry consolidation	Competitive relationships are changing as a result of the consolidation within the sector. This may put pressure on our position.	In order to continue to compete with our larger competitors as well, we believe it is important to work as smart and efficiently as possible. The Intelligent Brewery program, with completely new business processes, helps us prepare our brewery for the future.
Economic and socio-political instability	Reduced consumption and/or production possibilities due to economic and socio-political instability or a pandemic, such as COVID-19.	We continuously monitor the political and socio-economic conditions in the markets in which we operate and, if necessary, take appropriate measures together with local management. We establish a crisis team if there is the potential for a significant impact on our business activities.
Changing customer requirement	Due to changing customer requirements, our beer portfolio may be less in line with future market demand.	We focus on offering a suitable beer for every occasion by responding to results from consumer and market research, through innovations and through targeted investments in a diverse portfolio, that includes non-alcoholic products.
Various, sometimes conflicting interests of stakeholders	We occasionally receive conflicting feedback from stakeholders on social issues such as responsible drinking and bottle deposit systems. It is not always based on facts, but may have consequences for our reputation.	To fine-tune our CSR policy documents, we conducted various analyses and spoke to experts to arrive at measures that are realistic and actually contribute to a positive social impact.
Increasing demand from stakeholders for sustainable operations and value chains	The changing interests that stakeholders attach to our operations and value chains increase the risk of growing competition from sustainable brands and products, rising costs of renewable resources and potential reputational damage.	We have committed to a Net Zero target, in line with SBTi expectations and European climate goals. Our ambition to be climate neutral by 2050 is our way of taking responsibility for our impact on the environment. In addition to our climate strategy, we are also highly committed to circularity. This is how we adapt to changing stakeholder needs. This strengthens our brand and makes us more future-proof in a world increasingly focused on sustainability and circularity.

Sustainability and circularity risks

Risk	Explanation	Control measure
Climate risks	Global warming can entail risks such as extreme weather changes and natural disasters. This also entails risks for our business continuity.	To manage climate risks, we have set up an internal working group that periodically discusses developments in climate change and related legislation. In addition, the working group assesses whether the CO ₂ objectives of Royal Swinkels Family Brewers are still in line with this.
Various, sometimes conflicting interests of stakeholders	We occasionally receive conflicting feedback from stakeholders on social issues such as responsible drinking and bottle deposit systems. It is not always based on facts, but may have consequences for our reputation.	To fine-tune our CSR policy documents, we conducted various analyses and spoke to experts to arrive at objectives and actions that are realistic and actually contribute to a positive social impact.