

# 2015



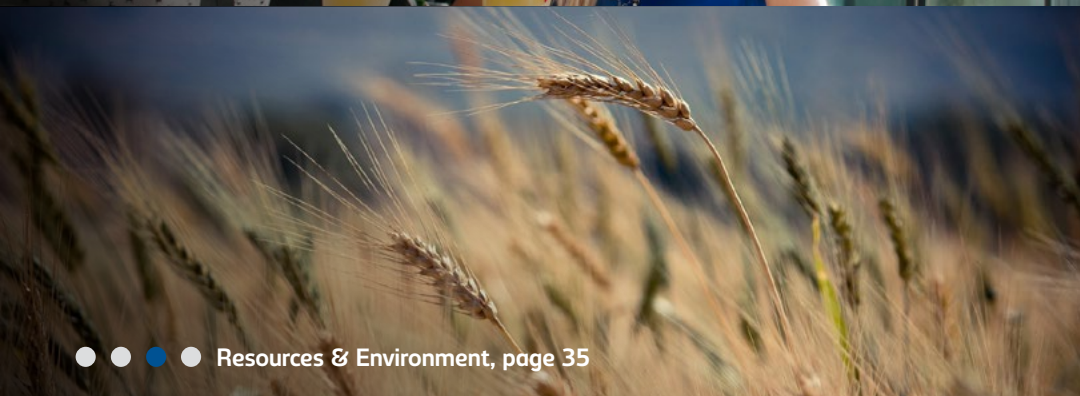
## Sustainability Report



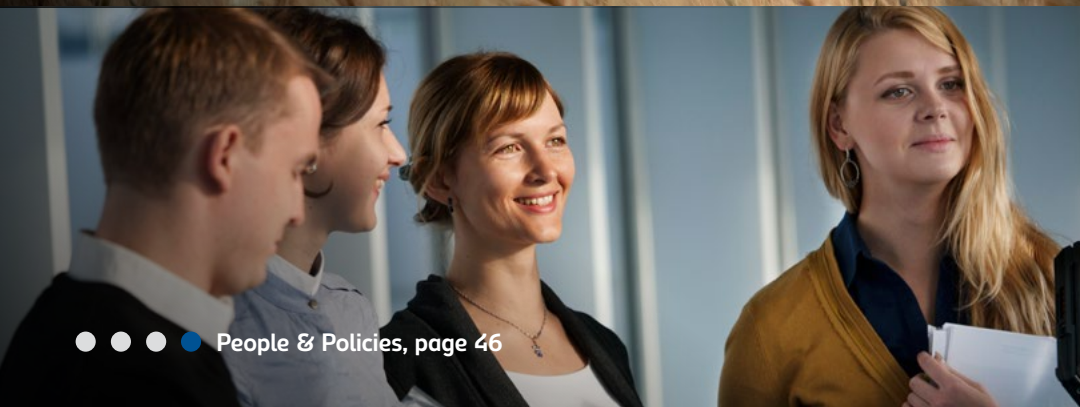
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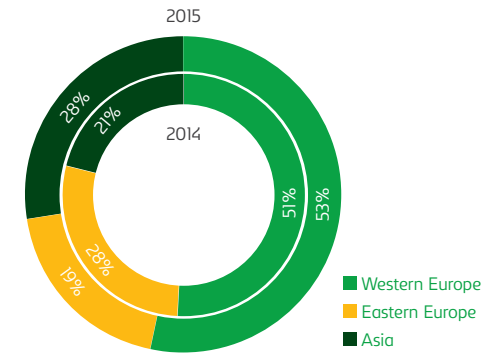
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# Carlsberg Group introduction

## BALANCED GEOGRAPHY

Our regional exposure has changed in recent years and the growing **Asia region** now accounts for **28%** of Group operating profit.



# 65.4bn

Net revenue (DKK)

# 8.5bn

Operating profit before special items (DKK)

# 7.5bn

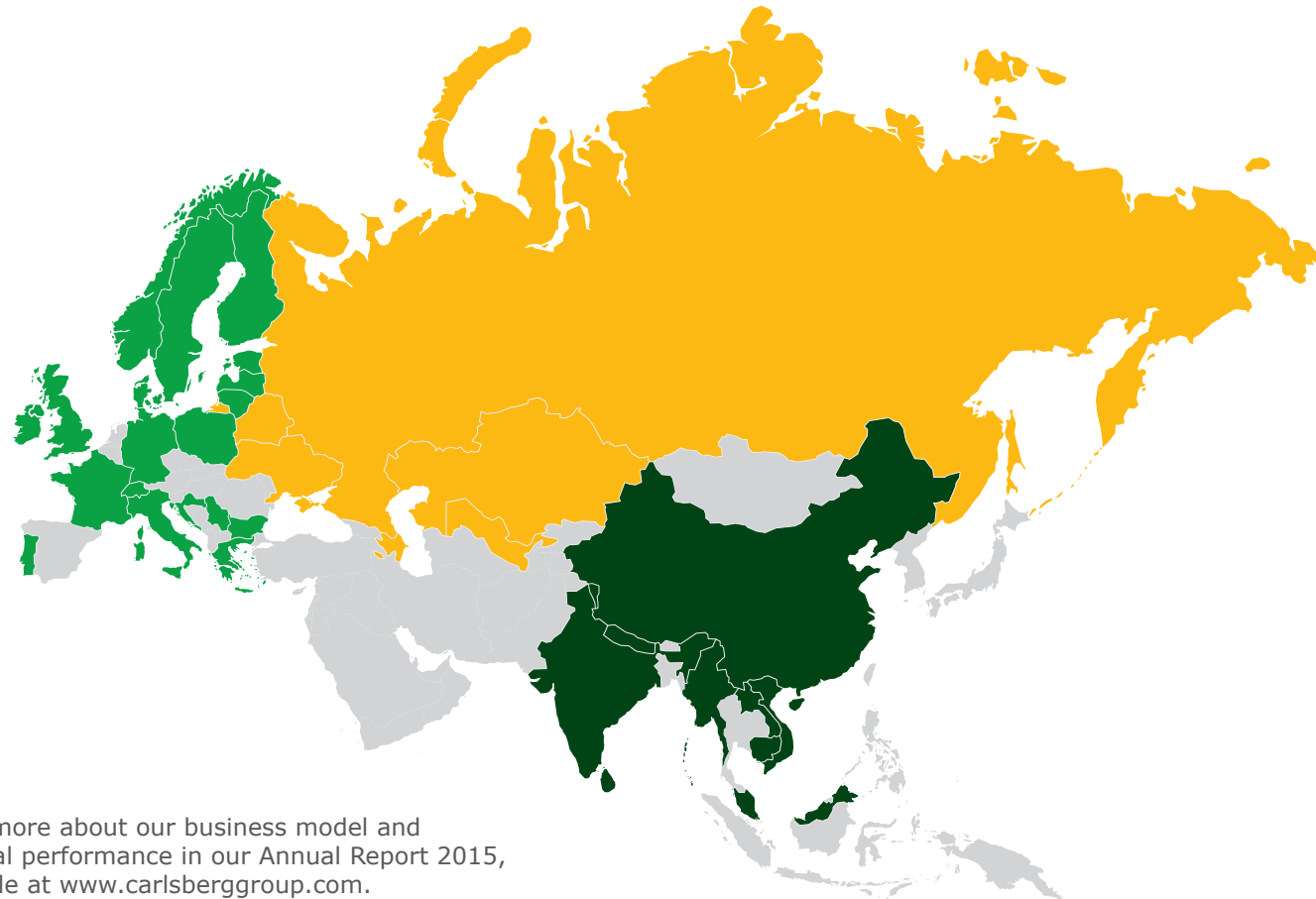
Free cash flow (DKK)

# 8.1%

Return on invested capital (ROIC)

# 47,464

Employees



Learn more about our business model and financial performance in our Annual Report 2015, available at [www.carlsberggroup.com](http://www.carlsberggroup.com).

# Baltika Breweries introduction

Baltika is one of Russia's largest fast-moving consumer goods manufacturers. The company's share in the **Carlsberg Group EBIT** is 16%.

## 7,519

Employees

## 40 ml hl per year

Production capacity

## 8

Breweries

## 2

Malt houses

## 40

Beer brands

## 9

Non-beer brands

## 50%

Share of Baltika's products in total Russian beer export



# Foreword from Carlsberg Group CEO

**In 2015, we continued to pursue our sustainability ambitions by focusing on three themes: Environment & Resources, Health & Well-being and People & Policies.**

Ever since J.C. Jacobsen established the Carlsberg Foundation 140 years ago, a commitment to society has been at the heart of our business. This is nowhere more evident than in our sustainability efforts. In my short time with the Group, I have already seen significant progress in the projects that contribute to the communities in which we operate. Many also strengthen our bottom line, which is encouraging.

In 2015, we set ourselves a new ambition to be a professional, successful and attractive beer-based company in the markets in which we choose to operate. Our sustainability programme – with its strong management systems, bold targets, and spirit of collaboration and

innovation – is vital in helping us achieve this aspiration.

As the new CEO, I have a great opportunity to introduce new ways of thinking. And I truly believe it makes a difference when an organisation acts as one, across markets and cultures. You could say that sustainability is all about tearing down silos and thinking in an integrated way. I have already seen numerous examples of us working as one across the Group. I am sure that a company-wide collaborative approach will continue to deliver results in the months and years ahead.

Collaboration with external stakeholders deepens the impact of our sustainability efforts and helps us deliver tangible results. For example, as part of the Carlsberg Circular Community, we are now working with our suppliers to make our packaging more sustainable.

In my short time with the Group, I have already seen significant progress in the projects that contribute to the communities in which we operate.



Collaboration is also the key to tackling some of the world's biggest challenges, so I was pleased to see the climate change agreement accepted at COP21 in Paris. The Carlsberg Group will continue to support the UN Global Compact and the implementation of the Ten Principles. This report serves as our annual Communication on Progress and underlines our commitment to transparency when it comes to sustainability.

We have also seen how collaboration helps us increase the impact of activities to encourage moderate consumption and inform consumers about the risks associated with alcohol misuse. Throughout 2015, we continued to work directly with local organisations in many markets to engage consumers and address alcohol-related risks to society, and in September we helped to create the first ever Global Beer Responsibility Day, a worldwide effort to promote responsible beer consumption.

Looking ahead, 2016 promises to be another eventful year. We launch our new corporate strategy, SAIL'22. We are aligning our sustainability strategy with this and ensure that sustainability is deeply embedded in the business in order to deliver more value to our stakeholders. We will also be rolling out a new Code of Ethics & Conduct to reiterate our commitment to being a responsible employer. And we will be "celebrating responsibly" at the UEFA EURO 2016™ football championships in France.

Finally, I would like to encourage my colleagues, our consumers and any other readers to tell us how you think we are doing. I strongly believe that an open dialogue is essential for increasing the value of our sustainability efforts.

Cees' t Hart  
President and CEO



Tell us how you think we are doing at [sustainability@carlsberg.com](mailto:sustainability@carlsberg.com).

## Our key themes



### Resources & Environment

We strive to minimise our impact on the environment and optimise our use of resources across our operations in an effort to help build a more sustainable future.



### Health & Well-being

We are committed to creating a culture of responsible drinking by promoting moderate consumption of our products and addressing alcohol-related harm in society.



### People & Policies

Our aim is to protect, develop and engage our employees, and to make a positive contribution to the communities in which we operate.

# Foreword from Baltika's president



**In 2015, Baltika celebrated its 25th anniversary. For 19 years, our company has been an undisputed market leader due to our ability to change, stand against challenges, create innovations, and maintain the highest degree of corporate responsibility.**

Our anniversary year was quite challenging for Baltika. The closure of our breweries in Chelyabinsk and Krasnoyarsk was a serious test. We had to take these painful measures because of the difficult beer industry situation.

It was very hard for us to part ways with our employees who had worked in these subsidiaries, but we made our best efforts to mitigate the impacts of this decision for them. We helped people find new jobs and offered significant compensation.

At the same time, we have managed to bring the company's business in line with market realities and we increased process efficiency.

In 2015, we continued to integrate sustainability principles across the entire value chain. By doing this, we maximise benefits for both the company and society, as a whole.

Adopting the Carlsberg Group Supplier and Licensee Code of Conduct was an important stride that Baltika made during the reporting year. The document reflects the minimum standards which we expect our partners to comply with. In accordance with best global practices, Baltika incorporated

the Code's provisions into counterparty agreements. This allowed our partners to become familiar with our business principles and encouraged them to comply with this document when executing agreements.

We believe that we can achieve best results by effectively cooperating with diverse stakeholders.

During the reporting year, we and the United Nations Industrial Development Organization (UNIDO) completed an energy efficiency project. The systemic work on reducing natural resource consumption allowed us to improve our results in this area.

Our employees' health and safety remain a key Baltika priority. The number of workplace accidents has declined year-on-year due to the development of a culture focused on personal responsibility for safety.

We also care about the health and well-being of our consumers. In 2015, Baltika continued implementing its responsible drinking projects and interacted with its peers. Together with other members of the Russian Beer Union, we supported the Global Beer Responsibility Day, which is a large-scale initiative established 18 September 2015. The action was aimed

at preventing sales of alcohol to minors and covered 87,000 points of sales across Russia.

2016 will not be a simple year; it will certainly bring new challenges. However, we will continue our work and follow our high standards and social responsibility guidelines.

Jacek Pastuszka  
President of Baltika Breweries LLC,  
Executive Vice President Carlsberg Group  
Eastern Europe Region

# Baltika key highlights 2015

## 2,464

Baltika's employees took part in **volunteering activities**

### ENVIRONMENT

**Improvement** in total specific resources consumption since 2014

**Water 3.6%**

**Thermal energy 7%**

**Electricity 5.2%**



### RESPONSIBLE DRINKING

**16 cities**

**4,000 points of sales** covered by the "Beer patrol" campaign



## 60.4

**bn RUB** total amount of Baltika tax contribution

### ECONOMIC IMPACT

**49.7 bn RUB value added** generated from production and consumption of Baltika's products

## 91,457

**jobs created by Baltika** directly and in related industries



### HEALTH AND SAFETY

**14% improvement in the number of lost-time accidents** since 2014

### VOLUNTEERING

**11,338 hours** our employees spent on **volunteering**

# Carlsberg Group sustainability strategy

Strategy and decision-making in the Carlsberg Group are guided by our desire to play an active role in a sustainable world.

We research and analyse our environmental and social impacts as well as our economic impacts, and use our findings to spot trends, reduce risks and maximise opportunities for the benefit of the Group and our stakeholders.

## BRINGING SUSTAINABILITY TO LIFE

Three elements bring our sustainability strategy to life and provide the framework for managing our activities: **articulating our commitment, collaborating with others and activating our priorities**. Our commitment in all areas is to enhance our positive and reduce our negative impacts. We strive to amplify our positive impacts through collaboration and by forming mutually beneficial partnerships around the world. We set both short- and medium-term targets for each of our priorities, categorising them under the following themes: Resources & Environment, Health & Well-being and People & Policies.

Work within these themes is driven by an ambition to create value for all our stake-

holders, both now and in the future. We believe that being a sustainable business also makes us more attractive to shareholders, as it implies greater resilience and lower risk of disruption, as well as making us alert to opportunities that we might otherwise miss. We are therefore happy to have been included in the FTSE4Good Index, following an independent assessment against the FTSE4Good entry criteria. This listing is a testament to our efforts to continuously integrate sustainability into our business and throughout our value chain.

## THE GLOBAL CONTEXT

Our business is dependent on the availability of land, water, crops, healthy ecosystems and thriving communities. Without these, we would not be able to make and sell our products. This means that global sustainability trends and drivers, such as climate change, water scarcity, population growth, urbanisation, income inequality and resource constraints, all have a major actual and potential impact on our business. In fact, a recent trend analysis undertaken for the Carlsberg Group showed that sustainability is an overarching megatrend that has the potential to directly affect our commercial reality.

## THE ELEMENTS OF OUR SUSTAINABILITY STRATEGY

Three elements provide the framework for managing our sustainability strategy:



### Articulating our commitment

We are committed to: creating our products in a way that optimises the use of resources across our operations while minimising our impact on the environment; promoting responsible drinking; and adhering to our policies and standards in all our operations and activities. These commitments are brought to life through relevant partnerships and specific priorities.



### Collaborating with others

We recognise that we cannot tackle the global challenges facing our business and society alone. All kinds of collaboration – both internal and external – are essential for amplifying our impact and targeting our efforts more effectively.



### Activating our priorities

We respond to global challenges by identifying priorities under our three sustainability themes. For each set of priorities, we develop clear actions and targets to measure our progress in the short and medium term.

## KEY ISSUES

The Carlsberg Group's sustainability strategy and target-setting are based on the findings of our materiality assessment, which identifies the impacts that are most important to our business, our stakeholders and society as a whole. This assessment is inspired by the principles of the Global Reporting Initiative (GRI), and set against a backdrop of international standards and agreements, such as the UN Guiding Principles on Business and Human Rights, the International Labour Organization (ILO) conventions, the UN Sustainable Development Goals and the UN Global Compact, of which the Carlsberg Group has been a signatory since 2008.

To help us identify our most important impacts, we actively engage with both internal and external stakeholders. For example, we conduct annual reputation surveys in our key markets, which gives us invaluable insights into the views of key stakeholder groups, including consumers, customers, employees, journalists and politicians.

## DETERMINING MATERIAL ISSUES

Our decisions about what to prioritise are informed by the results of our environmental, social and economic research and analysis, and by our stakeholders' views. For instance, research revealed that packaging is the most significant contributor to our carbon footprint, while growing crops has the biggest impact on water in the value chain. In the process of determining our material issues, we take all such elements into consideration.

We have been using materiality to help us set the direction of our sustainability work since 2011, and in 2015 we continued to be guided by this earlier research and analysis. It identified employee health and safety, environmental performance in the supply chain, climate change, the health impacts of our products and responsible drinking as our most important issues. As mentioned above, these are grouped under three themes in our report: Resources & Environment, Health & Well-being and People & Policies.

When our materiality process was refreshed in 2014, we confirmed the importance of these issues and themes, but adjusted our way of communicating them. For instance, to demonstrate the relevance of our own actions in the global context, we now place greater emphasis on operational activities. We also link our own efforts more visibly to megatrends and broader societal issues through our "Collaboration in action" articles. These explore our partnership response to global challenges, demonstrate thought leadership and invite interaction with stakeholders.

Looking ahead, we are tracking agricultural and other trends, such as local sourcing, organic products and responsible drinking, to address their potential importance in our future sustainability work. Our identified material issues and stakeholder opinions will be integrated into our new corporate strategy in 2016. This will create a solid platform for the Group's future business, as well as helping us contribute to a prosperous society and a healthy environment.

## BALTICA BREWERIES SUSTAINABILITY REPORT

This document is Baltika's third sustainability report. The Report's goal is to inform stakeholders about the company's activities, its key programmes, and results achieved during the reporting period, including those connected with sustainable development issues.

In creating the Report, we have focused on the Carlsberg Group sustainability report prepared using Global Reporting Initiative (GRI) standard elements and indicators (GRI G4). The Carlsberg Group follows GRI principles to enhance the quality of the non-financial report.

The scope of the Report includes Baltika's subsidiaries operating in Russia. As compared with the previous report, the scope of this Report changed due to the closure of two breweries – in Chelyabinsk and Krasnoyarsk.

In the Report, the company covered themes recognized as material for the Group's report.

All indicators used are presented in the GRI compliance table placed at the end of the Report.

# Sustainability throughout the value chain



## R&D

One of the ways we can continuously reduce the Carlsberg Group's environmental impact is by developing innovative solutions and using alternative raw materials and new products and processes. Barley is central to our production, but it is a niche cereal that accounts for less than 2% of global grain production. We therefore need to draw on the Group's broad research expertise to support and develop this key part of our supply chain.

## PROCUREMENT

Through collaboration with our suppliers, we are ensuring adherence to the Carlsberg Group's CSR standards and striving to reduce the social and environmental impact of purchased products and services. We are also keeping abreast of developments, giving consideration to CSR issues in the supply chain, and including the Supplier and Licensee Code of Conduct in all contracts with suppliers.

## BREWING AND BOTTLING

Important sustainability commitments for the Carlsberg Group are to save energy and water resources, and to ensure a safe working environment for our employees. Besides being beneficial from an environmental point of view, this also helps us to reduce our brewery running costs. We are successfully reducing impacts through efficiency programmes, new technological developments and carbon offsetting. We are also making good progress with regard to our safety targets.

## LOGISTICS

Thanks to our efforts to optimise our logistics operations, we are seeing more efficient use of resources as well as economic benefits. Our initiatives include the introduction of alternative means of transport, improved warehousing and more efficient distribution. In addition, we are working with suppliers to raise the standard of materials and equipment used by the Carlsberg Group.

## MARKETING AND COMMUNICATION

We believe that beer should be enjoyed as a natural part of a balanced, healthy life. Moderate and responsible consumption is, however, a prerequisite. Our global Marketing Communication Policy reflects the Carlsberg Group's commitment to promoting responsible drinking and sets the standards for all consumer-facing marketing and advertisement. It applies to Carlsberg employees across all markets and to all external partners involved in developing communication material.

## CUSTOMERS, CONSUMERS AND SOCIETY

The Carlsberg Group is driving local and global initiatives to promote responsible drinking among our consumers and to address the negative impacts of alcohol misuse on individuals and society. In cooperation with our customers, we are also striving to broaden the reach and deepen the impact of our sustainability efforts, for example by encouraging consumers to recycle more. Through a wide variety of different activities, we are supporting local communities in the regions where we operate.



# Economy

**BEER MARKET IN RUSSIA**

**BALTICA'S POSITION IN RUSSIA**

**BALTICA'S ECONOMIC  
CONTRIBUTION**

# Beer market in Russia

**2015 was a difficult year for the beer industry; negative trends gained in strength. The beer market declined 10%. Over the most recent seven years, there has been a 35% decrease.**

Ongoing macroeconomic woes, the Russian rouble devaluation, and high consumer price inflation were key drivers in the market's decline.

Moreover, growing legislative pressure, including additional regional restrictions on sales and high excise duties that grew six-fold from 2009 to 2015, have had a tremendous impact on the beer market.

The market share for the four major beer producers operating in Russia declined. Only the Others\* segment grew 3% in volume and became the second largest player in the market after Baltika.

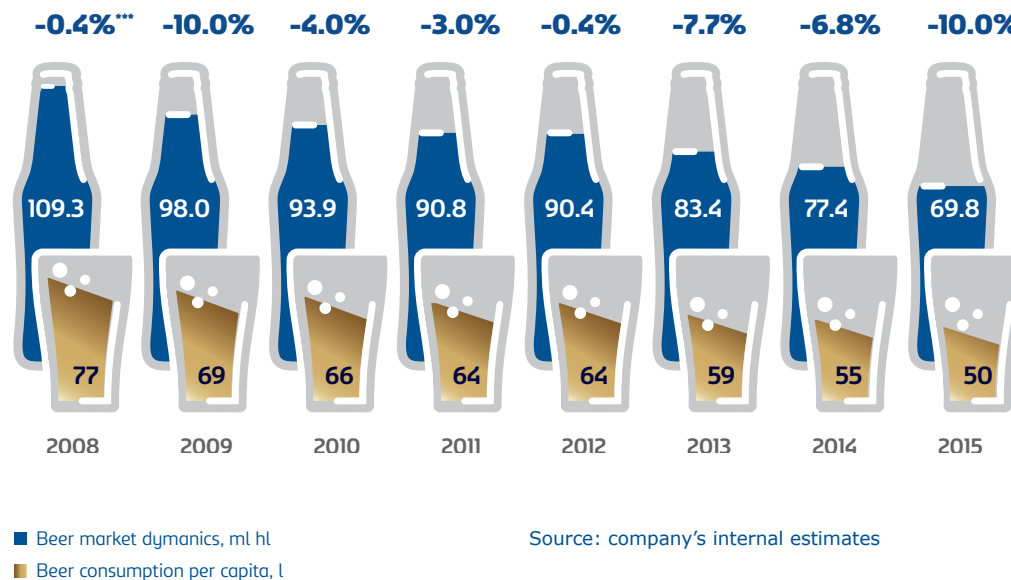
Retail turnover dropped 10%; this is a historical record low for the past 15 years. The general negative economic situation and high consumer price inflation decreased the consumer purchasing power along with the consumer demand for beer. In 2015, beer consumption in Russia continued to decline and reached a record minimum over 12 years – 50 litres per capita.

Consumers strive to economize on non-essential goods, opting for cheaper goods, cutting the rate of purchase or refraining from it. During the reporting period, volume of the midium price segment shrank due to consumers switching to low priced beer segment. Meanwhile, the super-premium and premium segments developed due to promotional competition between brands, reduced prices for some brands, and the development of the multi-pack\*\* segment.

\* The segment includes other beer market players, such as Moscow Brewing Company, Ochakovo and others, except for the four major brewing companies.

\*\* A multi-pack is a type of packaging that includes a few items of products.

## BEER MARKET DYNAMICS AND BEER CONSUMPTION PER CAPITA IN RUSSIA, 2008-2015



Source: company's internal estimates

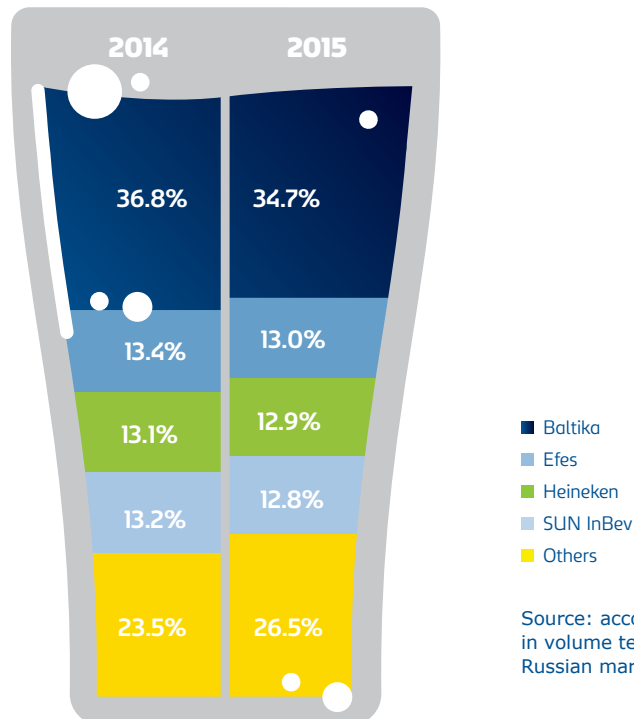
\*\*\* Change vs previous year, %

According to internal corporate data, within the structure of the sales channels, the modern trade (retail networks of different format) demonstrated impressive growth in the beer market during 2015. The change was +5% compared with 2014 (the channel's share was 41%). The traditional trade channel (local sales points) fell 5% (its share was 49%). The share of the on-trade channel (sales in places of immediate consumption like bars, cafes,

and restaurants) remained unchanged (10%).

In respect to packaging types, there was growth in the sales of beer in aluminium cans; this can be attributed to the development of the multi-pack segment. Shares of glass-bottled and PET packed beer declined 2% and 1%, respectively. The share of beer in kegs increased slightly – up 1%.

#### LEADING BEER PRODUCERS IN RUSSIA BY MARKET SHARE IN 2015 AND FLUCTUA- TIONS COMPARED WITH 2014



- Baltika
- Efes
- Heineken
- SUN InBev
- Others

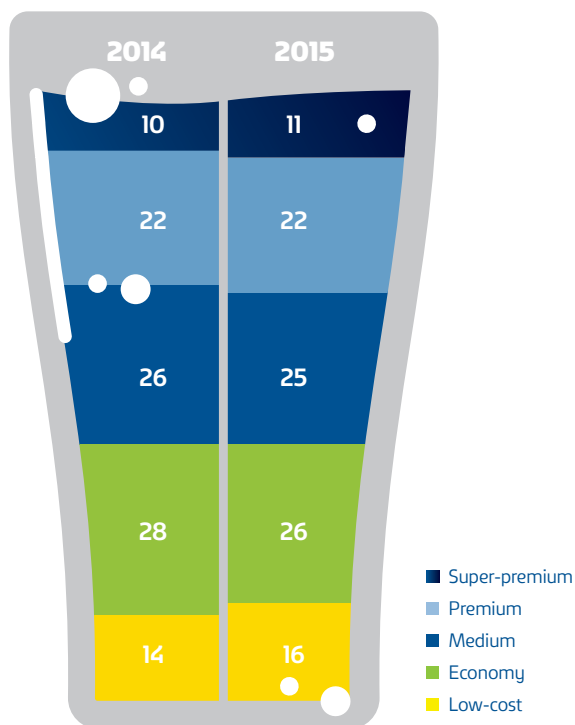
Source: according to Nielsen Russia retail audit in volume terms (in respect to city and rural Russian markets), 2014-2015



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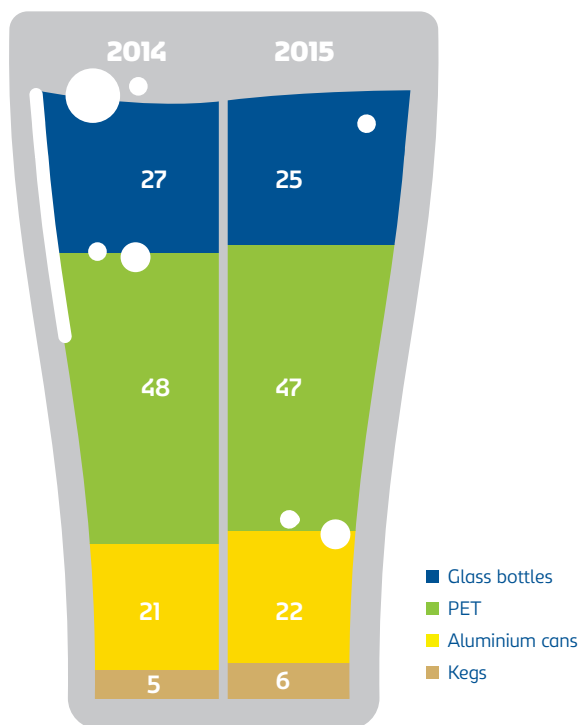
Beer consumption in Russia reached a record minimum over **12 years**

### RUSSIAN BEER MARKET BY PRICE SEGMENTS, VOLUME, %



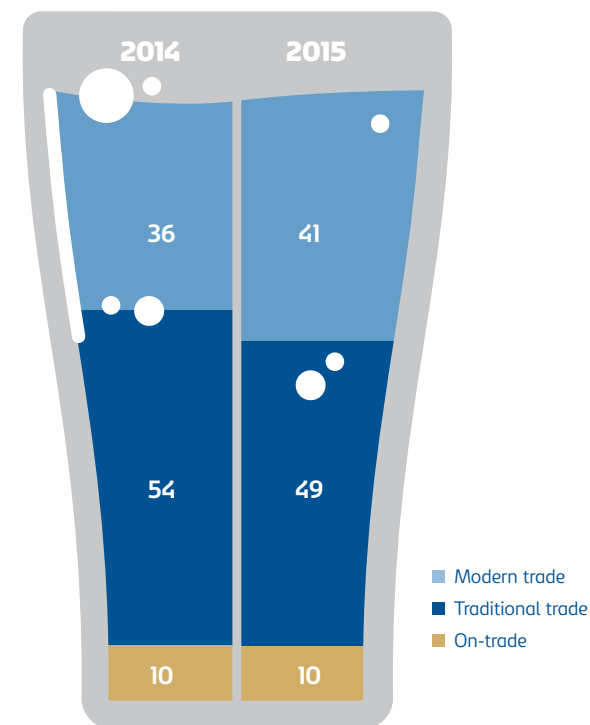
Source: according to Nielsen Russia retail audit in volume sales (in respect to city and rural Russian markets), 2014-2015

### RUSSIAN BEER MARKET BY PACKAGING TYPE, %



Source: according to Nielsen Russia retail audit in volume sales (in respect to city and rural Russian markets), 2014-2015

### RUSSIAN BEER MARKET BY SALES CHANNELS, %



Source: company`s internal estimates

# Baltika's position in Russia

**Serious internal and external factors led to the restructuring of Baltika's production facilities and changes in warehousing and logistics operations in 2015. At year end, the company's market share stood at 34.7%; this was 2.1% lower than in 2014.**

Due to the general beer market decline, which is connected with the complicated domestic macroeconomic situation and unbalanced regulation and taxation of the sector in Russia, in the beginning of 2015, Baltika had to shut down its breweries in Chelyabinsk and Krasnoyarsk. The output volume formerly produced at Baltika-Chelyabinsk and Baltika-Pikra were redistributed to other breweries of the company in accordance with real business requirements. The total production capacity of all Baltika's breweries now stands at approximately 40 million hl per year, depending on the produced product range.

In 2015, the company's shipments (sales of the company's products to counterparties) declined 17% compared with 2014, due to continued inventory depletion by distributors and a rapid shift from traditional to modern trade sales channels, as well as corporate price leadership and growth in lower-priced local brands.

In the reporting period, Baltika's market share by volume amounted to 34.7%. This is 2.1% lower than in the previous year. Based on value, the company's market share was 35.6% in 2015, according to the Nielsen Russia retail audit in volume sales (in respect to city and rural Russian markets), 2014-2015.

Despite the profound challenges that the Russian brewing industry faces, Baltika continues to capture a significant portion of the Russian beer market profit pool owing to the efficiency of the company's internal processes, as well as its well-balanced production and logistics infrastructure. At the same time, Russia's share in the Carlsberg Group's operational profit continues to decrease due to rouble devaluation. It stood at 16% in 2015.

Against the backdrop of a challenging macroeconomic situation in 2015, the profitability of Baltika's export sales increased almost half compared with 2014. 20% of this growth can be attributed to non-currency factors – improved assortment management, as well as launching sales in new countries: Romania, India, and New Zealand. Remarkable growth was seen with the Zatecky Gus and Flash Up brands.



In 2015, Baltika continued to focus on internal efficiency improvements and invest into brand development.

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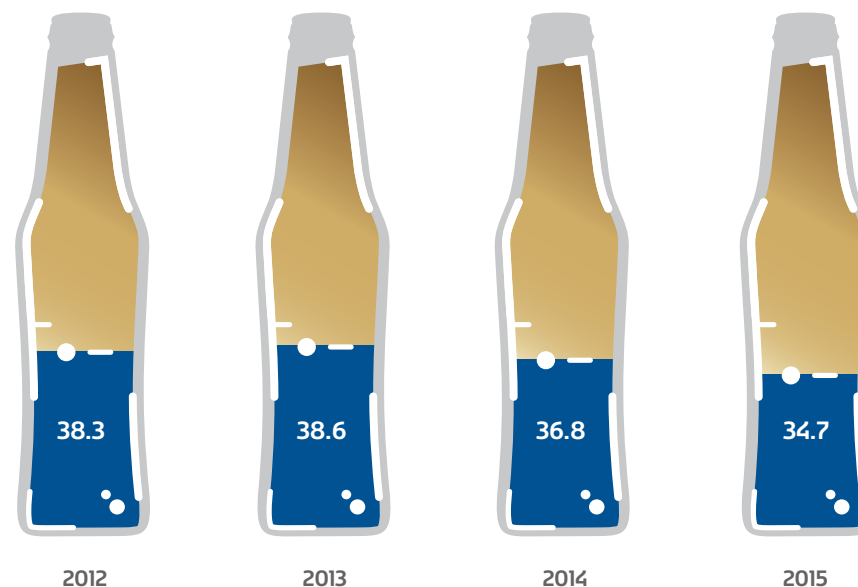
The company launched a series of new products, including such brands as Neon Beer and Boilermaker— a new brand of Tuborg beer that includes special malt “whiskey – bourbon.” The company also invested in regional brands, for example, Don produced with local malting barley grown in the Southern Region, as well as Sverdlovskoe, Zapovednoe, and Samara Czech hop.

The nostalgic and patriotic trend is still topical. Consumers support local manufacturers. Baltika's portfolio has something to offer these consumers: regional brands, such as Don (the Southern Region), DV (the Far East), and Nevskoye (the North-West), etc.

In 2015, the company hosted music festivals, including Greenfest and DVigay na Prostor, and summer festivals (DAS FEST and DON-fest). Baltika continued to invest considerable funds into sport, including the Continental Hockey League (CHL) and the Russian Football Union. It also supported the XXXV Bandy World Championship held in Khabarovsk, which Russia won. Baltika also organized a 9,000 km tour of the main KHL trophy to Russian cities and continued to cooperate with the Russian Olympic Committee. The company also supported regional clubs, namely SKA Ice Hockey Club (Nevskoe brand), Arsenal Football Club (Arsenalnoe brand), and Krylia Sovetov FC (Samara brand), among many others.

Compared with other segments, the energy drink segment grew in 2015. The Flash Up brand experienced 5% sales growth.

#### THE COMPANY'S SHARE DYNAMICS IN THE RUSSIAN MARKET, %



Source: according to Nielsen Russia retail audit in volume sales (in respect to city and rural Russian markets)

Baltika continues to capture  
**a significant portion** of the Russian  
beer market profit pool

# Baltika's economic contribution

**Baltika is one of Russia's largest fast-moving consumer goods manufacturers. An important sustainable development indicator for our business is Baltika's economic contribution.**

## DIRECT EMPLOYMENT

Our network, including breweries and sales offices, spans Russia, from St. Petersburg in the west to Vladivostok in the east. We provide jobs in different spheres – production, logistics, marketing, sales and administration – across the country.

The company's average headcount in 2015 was 7,519 people, which is 7% less than in 2014.

The workforce reduction was due to continued negative dynamics in the beer market, caused by a complicated domestic macroeconomic situation, unbalanced regulations, and taxation in the Russian beer industry. In early 2015, Baltika had to close two breweries – in Chelyabinsk and Krasnoyarsk.

The company allocated RUB 8 billion to the wages fund, compensation and corporate benefits for employees in the reporting year.

## EMPLOYMENT GENERATED IN RELATED INDUSTRIES

Baltika's activities are integrated into a long supply chain, and its economic impact is reflected both directly and indirectly. For example, in 2015, the share of local companies supplying materials and packaging to Baltika amounted to 90%.

Baltika's indirect contribution to employment is generated through suppliers in areas such as agriculture, packaging and logistics as well as induced employment in the hospitality and retail sectors.

In 2015, we generated 91,457 jobs directly and in related industries. Thus, each Baltika employee indirectly creates 12 jobs in related sectors.



1 Baltika employee –  
12 jobs in related industries

In 2015, Baltika created  
**91,457 jobs** directly  
and in related industries.

## Jobs distribution



**Retail: 21%**



**Suppliers: 41%**



**Hospitality sector: 30%**



**Baltika: 8%**

Source: internal corporate data

## Tax contribution

Baltika is one of Russia's largest taxpayers. The company contributes a significant portion of tax revenues in the regions in which its headquarters and breweries are present.

In 2015, Baltika's aggregate tax payments to the budget across all levels and non-budgetary funds stood at RUB 60.4 billion. This was RUB 14.7 billion less than in 2014. This can be attributed to lower taxes due to the company's reduced production volume and decreased profits.

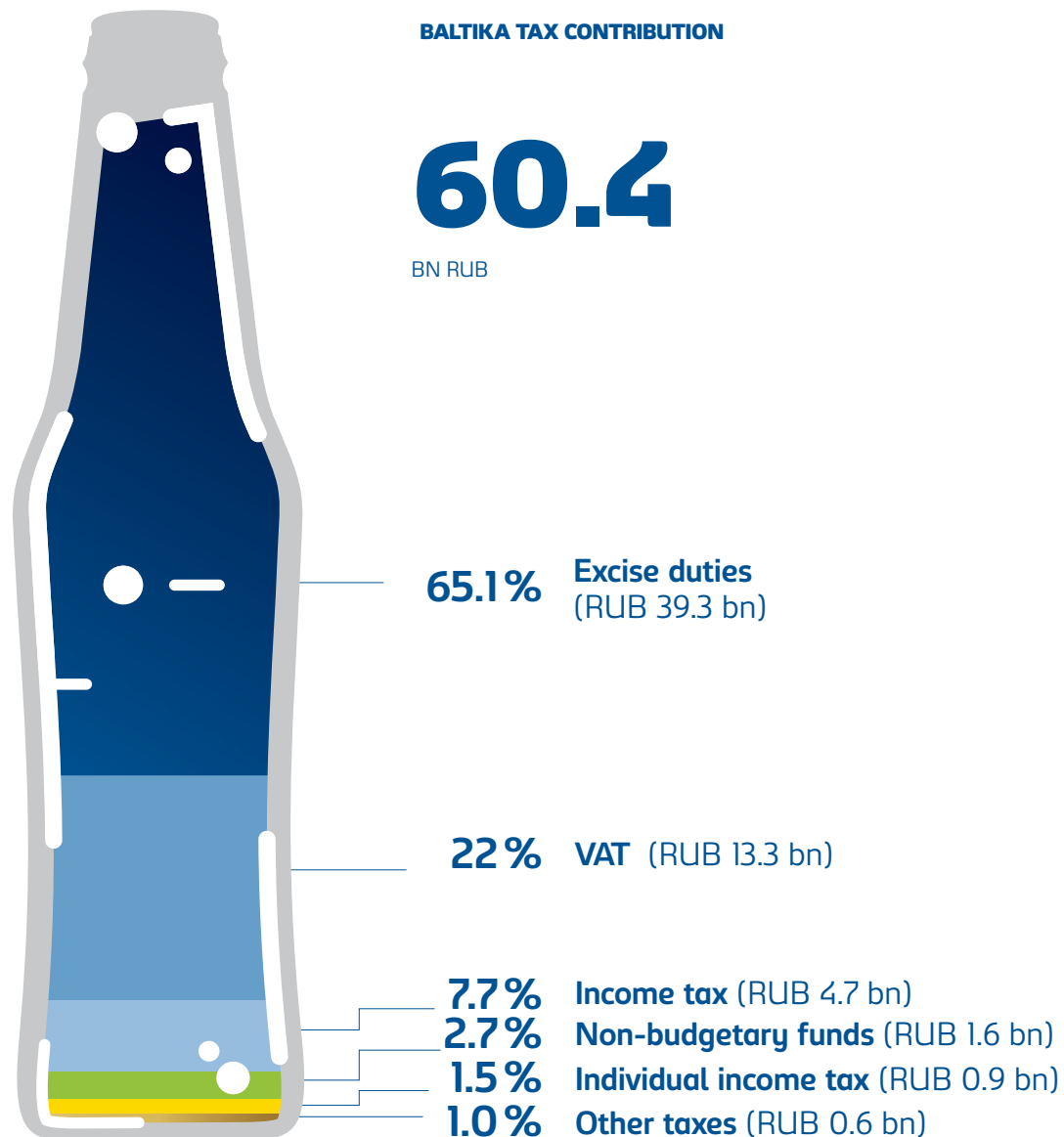
The majority of taxes (87%) are indirect taxes, such as excise duties and VAT. The remaining 13% is represented by direct taxes: income tax, payments to non-budgetary funds, and other taxes.

In addition to the company's tax payments, Baltika acts as a withholding agent, paying individual income tax.

### BALTIKA TAX CONTRIBUTION

# 60.4

BN RUB

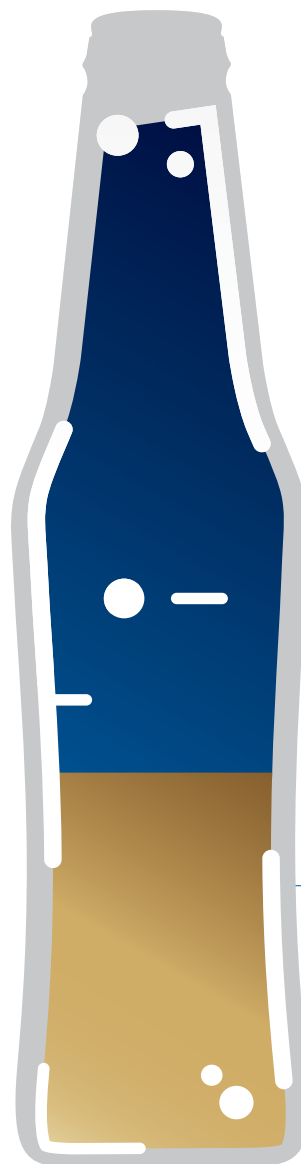


## Baltika's contribution to the state budget

Our work contributes to government revenues, not only due to Baltika tax payments, but also because of the taxable base for the agricultural sector, retail, and the hospitality industry.

Calculated by Regioplan using a wellrecognised methodology, in 2015, Baltika generated RUB 74.9 billion in budgetary revenues across all levels, both directly and via related industries.

The company's activities indirectly generated RUB 27.8 billion tax proceeds to the government budget by means of payments made by our suppliers, hospitality industry and retail – VAT and individual income tax payments, as well as payments to non-budgetary funds.



### TOTAL GOVERNMENT REVENUES GENERATED

# 74.9

BN RUB

**63 %** Taxes paid by Baltika (direct taxes and excise tax)  
(RUB 47.1 bn)

**37 %** Taxes, paid by suppliers, the hospitality industry, and retail  
(RUB 27.8 bn)

Source: internal corporate data

## Value added

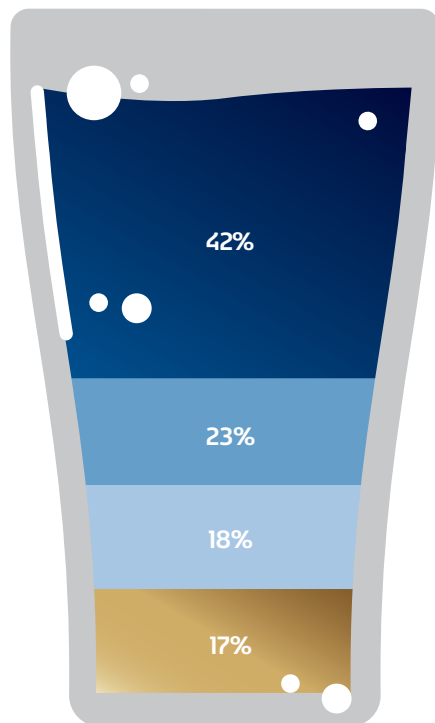
Baltika's business generates added value both directly for the company and for its suppliers, the hospitality industry, and the retail sector. In 2015, the value generated from the production and consumption of Baltika's products was RUB 49.7 billion. This was lower than in 2014 due to decreased production volumes.

### VALUE ADDED GENERATED FROM PRODUCTION AND CONSUMPTION OF BALTIKA'S PRODUCTS

**49.7**

BN RUB

- Suppliers
- Retail
- Baltika
- Hospitality industry



Source: internal corporate data

## Investments

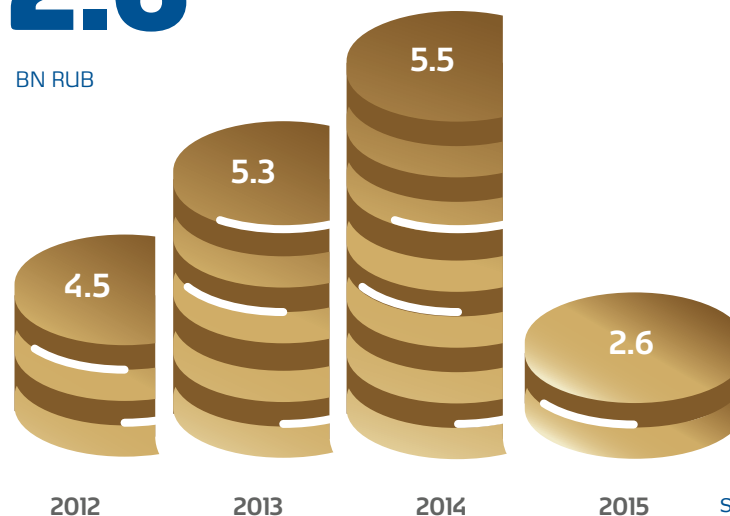
In 2015, Baltika's total investment was RUB 2.6 billion. The reduction in this indicator (compared with 2014) is due to a larger planned investment programme in previous years, as well as by continued cost optimization due to the negative domestic economic situation and the resultant decline in the beer industry.

The company invested in modernising production equipment, completing the design and construction of the waste water treatment facilities at the Baltika-Khabarovsk, and designing waste water treatment facilities at breweries in St. Petersburg, Novosibirsk and Rostov-on-Don, as well as in developing information technology.

### BALTIKA INVESTMENT VOLUME

**2.6**

BN RUB



Source: internal corporate data



## Health & wellbeing

### OUR COMMITMENT

- Ensuring quality
- Creating a culture of responsible drinking

### OUR PRIORITIES

- Promoting moderate consumption
- Preventing underage drinking and drink driving
- Marketing our products responsibly

# Ensuring quality

**Baltika considers quality the most important issue. We ensure high product quality and improve business processes to meet stakeholder needs.**

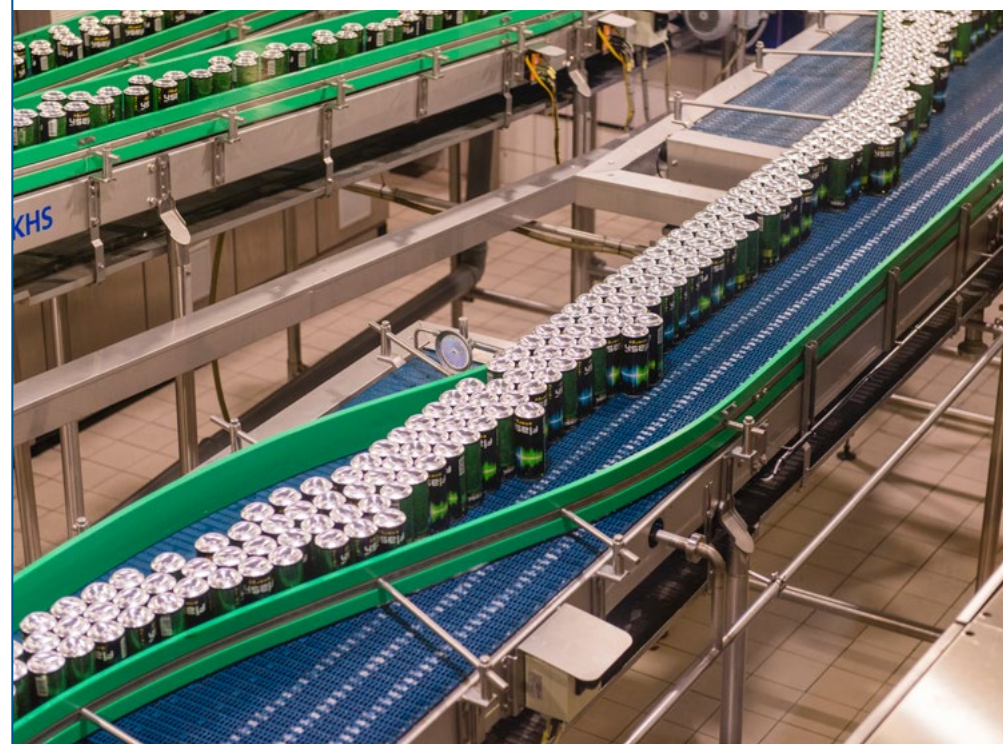
The company has implemented a unique integrated management system (IMS) that combines four standards: the quality management standard (ISO 9001), the food safety standard (ISO 22000), the environmental management standard (ISO 14001) and the occupational health and safety management standard (OHSAS 18001). From April to May 2015, Baltika passed an audit of its integrated management system that confirmed that the company met international standards.

In addition, during the reporting period, diagnostic audits of compliance with the requirements of the international certification scheme, FSSC 22000, representing the universal approach to the food safety management system, were held in the company's headquarters, as well as in Rostov and Novosibirsk breweries. The company plans to certify the headquarters and its two sites in August – September 2016.

We assess product quality using a special index that takes into account different parameters for finished beer and packaging. In 2015, the company successfully increased the index to 92% (with a target value of 88%). The exterior packaging index stood at 99.9%.

**92%** the product quality index in 2015

## The beginning of soft drink production at the Baltika-Rostov brewery



In 2015, in the Baltika-Rostov subsidiary, an investment project for installing and launching a blending unit with a 2,000 dal per hour capacity for soft drinks (1.5 and 2.5 litre PET bottled Khlebny Krai kvass and 0.5 litre canned soft energy drink Flash Up) production was completed. Previously, the brewery had not manufactured soft drinks.

The launch of the blending unit will allow Baltika to expand its drink range and to reduce costs for transporting soft drinks from the company's other production sites to the region. Drinks produced in the Baltika-Rostov brewery will be exported to CIS countries and will be sold throughout the Russian South.

## FEEDBACK

Baltika fosters open dialogue with its consumers. Anyone can contact the company via its hotline number (8 800 333-3303, the call is free for residents from any Russian region) or by visiting [www.baltika.ru](http://www.baltika.ru).

All information received via feedback channels is analysed and used to improve processes, product quality, or new developments. Even though Baltika controls beer quality through approximately 100 criteria and parameters

exceeding the GOST requirements, the company believes that it is very important that it knows how consumers assess its products.

9,556 consumer requests via the hotline and 10,598 messages through the website were received by Baltika during the reporting year.

In 2015, the company's feedback was rated at 4.9 (with 5 being the highest possible rating). This mirrored the previous year's result.



8-800-333-33-03  
[www.baltika.ru](http://www.baltika.ru)



## Product awards



### INTERNATIONAL BEER CHALLENGE 2015 GARNERED 8 AWARDS

The company's beer brands received eight medals in the International Beer Challenge 2015. Three brands received gold medals (Baltika 4 Original, Baltika 8 Wheat, and Baltika Munich); two brands received silver awards (Baltika 3 Classic and Russian Imperial Stout, the export brand from the Brewer's Collection). Three more brands (Baltika 7 Export, Baltika 6 Porter, and Zatecky Gus Cerny) received bronze medals.

### BALTIKA NAMED FAVOURITE BEER BRAND

For the seventh time, Baltika was recognized as Russia's favourite beer brand in accordance with the Favourite Russian Brands research, conducted by Online Market Intelligence in Russia's cities with populations of more than one million among male and female respondents aged 18-55 years with self-reported middle and upper middle incomes. The surveyed persons were offered to name up to three brands that they considered favourites.

### BALTIKA 3 AND BALTIKA 8 AWARDED THE EUROPEAN BEER STAR 2015

At the 12<sup>th</sup> international professional competition European Beer Star 2015, the Baltika 3 lager received the golden award in the European-Style Mild Lager category. Baltika 8 wheat beer received a bronze award in the South German-Style Hefeweizen Hell category.

### GOLD QUALITY MARK FOR YARPIVO

At the exhibition-contest "All-Russian Mark (III millennium). Quality mark of the XXI century" the Industrial Expert Commission awarded the Yarpivo Yantarnoye brand, produced by the Baltika-Yaroslavl, with the Gold Quality Mark.

## THE INTERNATIONAL BEER CHALLENGE 2015



### GOLD

Baltika Munich  
Baltika 4 Original  
Baltika 8 Wheat



### SILVER

Baltika 3 Classic  
Brewer's Collection  
Russian Imperial Stout



### BRONZE

Baltika 7 Export  
Baltika 6 Porter  
Zatecky Gus Cerny



# Cooperation with grain suppliers

**Baltika creates a sustainable supply chain for malting barley. This ensures a steady shipment of the required volume of high quality raw materials to our breweries and also supports domestic agricultural producers.**

Every year, Baltika acquires approximately 30% of all malting barley grown in Russia. In 2015, the company satisfied 100% of its demand in malting barley by purchases from domestic producers.

In the reporting period, to manage grain and malt supplies to Baltika's breweries and other production sites of Eastern Europe region Carlsberg Group established a new company – Carlsberg Eastern Europe LLC with headquarters in St Petersburg.

The company is responsible for purchasing of grain from different suppliers, malt production, management of Baltika's malt houses and elevators and agroproject implementation in Russia.

The creation of Carlsberg Eastern Europe LLC will allow to ensure the Group's operational efficiency in the region and manage risks and uncertainty related to malt provision in Eastern Europe.

## AGROPROJECT

Last year, the agroproject celebrated the tenth anniversary. In 2005, Baltika launched the initiative to create strong raw materials base.

Carlsberg Eastern Europe LLC, currently responsible for the agroproject in Russia, continues active cooperation with local suppliers.

Contracts are signed with local agricultural companies, who then become our suppliers and members of the company's ongoing cooperative business system.

As part of this partnership framework, the company guarantees the purchase of barley volumes as per the agreement at a fixed price, ensuring participants a stable income and predictability with respect to business growth.



**100% of malting barley was purchased by Baltika from domestic producers**



For their part, producers make a commitment to grow high-quality barley that meets stringent standards. The company's specialists take part in monitoring the farming and quality of crop processing, as well as storage conditions at grain elevators, introduce partners to new agribusiness technologies and offer opportunities to consult with experts.

Research on farming technologies for malting barley is undertaken both in the laboratory and in fields. Our employees conduct soil sampling and analysis across agricultural companies, and produce recommendations based on data from the sample studies, including recommendations for optimal fertilizer amounts and the use of crop protection

agents. On the one hand, this generates higher quality supplies. On the other hand, it decreases the amount of fertilizer used, which positively impacts the surrounding environment.

During the reporting year, the number of suppliers taking part in the agroproject decreased to 85 (compared with 110 participants in 2014). This can be explained by the worsened situation in the beer market and reduced barley demand, as well as barley producers switching to other grain crops. Despite the reduction of the number of agricultural companies, acreage within the project remained at the large scale due to cooperation with big barley producers.

## Opening a malting barley elevator in the Tula Region



On 29 September 2015, Baltika opened a new elevator for malting barley in Tovarkovo (the Tula Region), which became an important element in the agroproject infrastructure. It allows specialists at all stages: from seed stock creation to transportation to the malt house and breweries, ensuring high quality beer.

The elevator's capacity reached 41,000 tonnes, and the project itself was included in the Region's top 20 major investment programmes.

The Tula Region is the heart of the agroproject. Ten years ago, the programme was launched there. Currently, the region is the leading part of the Central Federal District where the company purchases the majority of its malting barley.



On 9 October, at the 17th All-Russian Exhibition "Zolotaya Osen" in Moscow, an award ceremony "Barley Ear – 2015" (the 2nd Russian competition for agricultural producers of malting barley), organized by Baltika, was held.

The project is designed to promote agricultural sector development in Russia, attract business, highlight investment opportunities, and recognize the best agricultural producers. The top malting barley producers completed several competitive challenges. Independent experts assessed the efficiency of their use of farmland and checked samples of the most recent barley crop against key quality

indicators — water content, extractivity, and protein content.

Winners were named at the awards ceremony. The Zorinskoye Farm from the Ryazan Region received first prize: a RUB 400,000 certificate and an opportunity to visit the Carlsberg brewery in Copenhagen. Khleborob LLC from the Orel Region won the second prize of RUB 250,000, and the third prize of RUB 105,000 was given to KraPP Farm from the Tula Region. Participants ranked from fourth to tenth received RUB 35,000 each.

# THE "BARLEY EAR – 2015" CONTEST



It was very interesting to visit Denmark and to learn more about Carlsberg Group technologies used for farming malting barley. As a professional, I was deeply impressed with the laboratory equipment to closely examine grain. We noted the method of controlling barley quality. We will follow up on recommendations from the head of the selection department for checking the quality of the 2016 crop."

*Alexander Bubentsov,  
Head of the Zorinskoye Farm,  
winner of the "Barley Ear – 2015"*



# Our commitment

## Creating a culture of responsible drinking



### Articulating our commitment

**We are committed to creating a culture of responsible drinking by promoting moderate consumption of our products and addressing alcohol-related harm in society.**

We therefore aim to celebrate the positive aspects of moderate beer consumption and to position beer as a relevant and responsible choice with a role to play in the “good life” to which modern consumers aspire. However, irresponsible drinking does take place, and we are committed to combating it.



### Collaborating with others

**Effective action to address alcohol misuse requires collaboration across the industry and beyond.**

To address irresponsible drinking effectively, everyone – from retailers, bar-owners, educators and parents to law enforcers, role models and, not least, consumers themselves – needs to be involved. Effective regulation must be supported by concrete, targeted actions. We therefore work closely with organisations across our industry to define our commitment and find meaningful ways of addressing alcohol-related issues together.



### Activating our priorities – targets for 2017

- All print communication above A4 and digital and TV commercials to carry responsible drinking messages
- All Group companies to implement at least one responsible drinking programme
- 100% of consumer-facing primary packaging to carry responsible drinking symbols to discourage harmful drinking
- 80% of consumer-facing primary packaging in Western Europe to carry information on ingredients and nutritional values
- Annually reach at least 20 million consumers through responsible drinking messaging and campaigns

# Carlsberg Group highlights 2015





Activating our priorities

## Responsible drinking

**Baltika pays special attention to promoting moderate and responsible drinking. We want to contribute to solving the problems caused by alcohol misuse.**

By bringing people together, beer plays a positive role in society. If consumed in moderation, beer can be part of a balanced lifestyle. At the same time, we also know it can cause harm to society when misused. For this reason, we are implementing activities aimed at reducing excessive consumption.

The company's and the Carlsberg Group's approach to this problem complies with updated sustainable development objectives approved by the United Nations and takes into account the World Health Organization's goal to reduce alcohol abuse 10% by 2020.

### RESPONSIBLE MARKETING COMMUNICATIONS

Our Marketing Communication Policy defines standards aimed at ensuring the

fulfilment of our commitment to promote responsible beer consumption by adults.

In accordance with Russian Federation legislation, warning messages that alcohol should not be consumed by children and teenagers under the age of 18, pregnant women, and people with central nervous system and digestive diseases are placed on all Baltika alcoholic brand labels.

All corporate marketing materials for alcoholic brands contain information about the dangers of excessive alcohol consumption and an 18+ sign.

Our experience shows that one of the best ways to promote responsible beer consumption is via engagement with adult consumers through our brands.

Greenfest — supported by the Tuborg brand — is one of the country's most popular music festivals. In 2015, Greenfest events were held in St. Petersburg and Krasnodar. We arranged the Drink Responsibly campaign for festival attendees.



In St. Petersburg, volunteers educated visitors about responsible beer consumption and gave away lapel pins. Similar campaigns were carried out at the DAS FEST festival in Moscow and the Prostor event in Vladivostok.

Baltika continued to implement educational projects – the Beer Sommelier and the Beer Gourmet – that promote beer consumption culture. In 2015, more than 100 lectures were organized in Russian cities.

#### PREVENTING ALCOHOL CONSUMPTION BY MINORS

During the reporting year, “Beer Patrol” campaigns were carried out in different Russian regions. The objective of the “Beer Patrol” project is to raise public awareness and responsibility about the ban on beer sales to minors. On the one hand, we reminded retail outlet sellers that they were legally entitled to demand documents showing a customer’s age; on the other hand, we told adult shoppers not to be indifferent to legal violations.

Project activities included distributing a special sign-sticker “Are you 18? Prove it!” to retail outlets throughout the country, as well as informing staff that they are legally entitled to check a buyer’s age. The campaigns are conducted by Baltika, in conjunction with representatives of supervisory bodies, municipal administrations, the Department of Internal Affairs, and public organizations.

In 2015, activities took place in the following cities: Vladivostok, Khabarovsk, Blagoveshchensk, Irkutsk, Krasnoyarsk, Novosibirsk, Barnaul, Kemerovo, Tomsk, Rostov-on-Don, Samara, Volgograd, Krasnodar, Yaroslavl, St. Petersburg, and Tula.

The patrols inspected approximately 4,000 points of sales, and around 600 volunteers were engaged.



#### THE BEER PATROL IN 2015

**16**  
cities

**600**  
volunteers

**4,000**  
outlets

## COLLABORATION



The Global Beer Responsibility Day (GBRD) was launched on 18 September 2015 as a joint initiative of the Carlsberg Group and other major beer producers to highlight collaborative efforts to promote responsible beer consumption and address issues around alcohol misuse.

GBRD is the largest initiative of its kind in the brewing industry's history. Across the industry, more than 100,000 employees in 62 countries were involved in executing ID checking programmes at around 650,000 retail points, providing advice and training for servers and sellers, and conducting targeted education campaigns that reached in excess of 8,000,000 people.

### THE CARLSBERG GROUP'S PARTICIPATION

Carlsberg organised GBRD activities in 10 markets globally. In Copenhagen, the Carlsberg Group's iconic 10-metre logo at the top of its 21-storey head office building was modified to remove the "Car" from "Carlsberg", emphasising the Group's antidrinkdriving stance. In association with the local taxi app DriVR, the local Danish operations also provided discounted taxi rides home for anyone out enjoying a drink in the capital.

### LARGE-SCALE SOCIAL CAMPAIGN IN RUSSIA

In Russia the global initiative was supported by the Russian Beer Union (RBU), which Baltika is a member of.

On the Global Beer Responsibility Day, a large-scale campaign "18+ Rules for All, Responsibilities for Everyone" began.

The project's major aim was to consolidate brewers, retailers and consumers in order to undertake joint efforts in preventing sales of alcohol to underage people.

To bring the idea to life 6 responsibility rules were developed for each of the 3 stakeholders. The concept behind is that only by multiplying 6x3, where every stakeholder follows the rules, we will not allow sales of alcohol to underage people.

On 17 September, on the eve of the Global Beer Responsibility Day, the Memorandum of intent to undertake joint measures on preventing underage drinking was signed between RBU, X5 Retail Group, Consumers Union of Russia, Union of the participants of beer and non-alcoholic beverages market.

From 18 September to 1 October, a volunteering campaign took place. It covered 87,000 sales points in 120 Russian cities. Approximately 7,000 volunteers participated in it.

Volunteers visited points of sale, put special stickers and handed out leaflets with rules to sales personnel and consumers.

On the RBU website under the "Global Beer Responsibility Day" section, a test was introduced for sales personnel and adult consumers. More than 1,600 people in 190 cities took the test.

The project "18+ Rules for All, Responsibility for Everyone" has been recognized as one of the most successful social initiatives by experts of the IV Annual National Programme "the Best Social Projects of Russia"



# GLOBAL BEER RESPONSIBILITY DAY

”

We consider the partnership to be an important element in enhancing the effectiveness of our actions, and our joint efforts with other brewers, retailers and consumers under the Global Beer Responsibility Day demonstrated that together we can achieve positive results. I believe, that this initiative will serve as a good occasion to expand and strengthen collaboration of different stakeholders in creating responsible drinking culture.”

*Jacek Pastuszka, President of Baltika Breweries LLC,  
Executive Vice President Carlsberg Group Eastern Europe Region*





#### PREVENTING DRINKING AND DRIVING

"Be Sober behind the Wheel" is a federal-scale social project, which Baltika has been implementing for five years. Its aim is to persuade drivers not to drive after drinking. In the course of project implementation, special attention has been paid to building awareness on the roads as

one of the key elements in improving the driving culture.

In 2015, Baltika conducted eight "Be Sober behind the Wheel" activities in Tula, Voronezh, Yaroslavl, Ryazan, Novosibirsk, Ekateriburg, Khabarovsk.

## 8 "Be Sober behind the Wheel" events organized in 2015

#### COLLABORATION



### Partnership for safe driving



On New Year's Eve, in Novosibirsk, a campaign "Are you celebrating? Do not drive!" was held. Baltika collaborated with Forpost Non-commercial Organization, the State Road Traffic Safety Inspectorate of the Novosibirsk Region, the Siberian Federation of Restaurant Keepers and Hoteliers, and the Taxi Carriers of Siberia.

Posters and flyers were placed in bars and restaurants; visitors who ordered beer received souvenir beer mats with the slogan "Are you celebrating? Do not drive!"

The Taxi Carriers of Siberia provided guests celebrating the New Year in the city's restaurants and bars with coupons for free taxi service.



# Resources & Environment

## OUR COMMITMENT

- Optimising resource efficiency

## OUR PRIORITIES

- Building a circular mindset
- Increasing brewing efficiency

# Our commitment

## Optimising resource efficiency



### Articulating our commitment

**We strive to minimise our impact on the environment and optimise our use of resources across our operations in an effort to help build a more sustainable future.**

Sustainable, affordable and accessible resources are essential for our business if we are to drive shareholder value and benefit the communities in which we operate. However, we must face the reality of scarce resources, waste and land degradation, all of which have an impact on business and on society in general. We therefore try to reduce waste wherever possible and make optimum use of the available resources, both in our brewery operations and throughout the supply chain.



### Collaborating with others

**Many of the global resource challenges faced by our business are found upstream in our supply chain and in the communities in which we operate.**

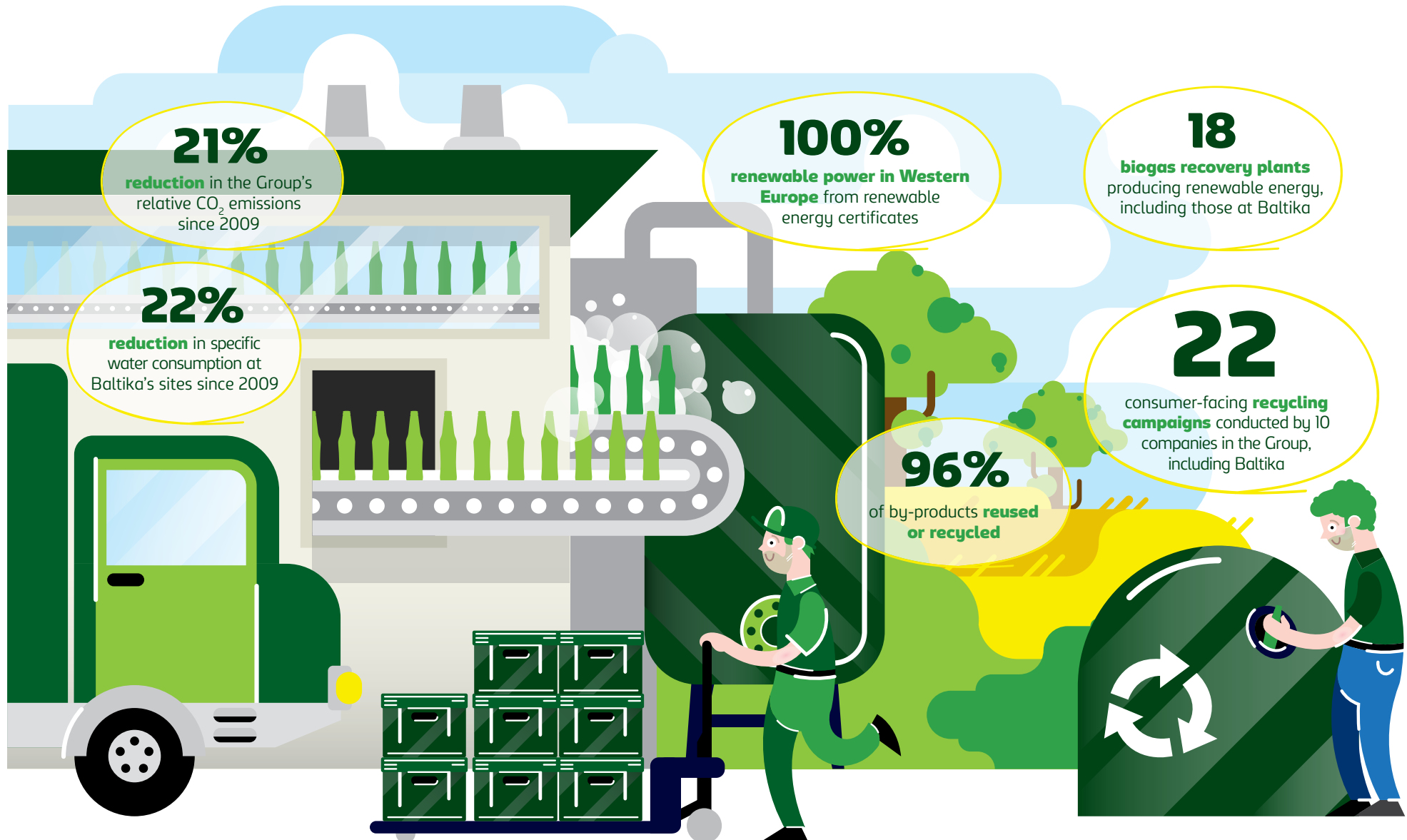
In order to effectively address these challenges, we form partnerships with suppliers, farmers, peers and social organisations. In this way, we are able to leverage a broader range of expertise and so generate a more powerful collective response than the Carlsberg Group would be able to achieve alone. Quite simply, by working together we can make a bigger and better contribution to improving resource efficiency.



### Activating our priorities – targets for 2017

- **5-10% reduction in relative consumption for energy, water and CO<sub>2</sub>**
- **17 partners in the Carlsberg Circular Community**
- **3 Cradle-to-Cradle® product certifications**
- **Annual consumer-facing sustainable packaging activity by all Group companies**

# Carlsberg Group highlights 2015





Activating our priorities

## Environmental efficiency

**Baltika's efforts to optimise natural resources consumption and decrease environmental impact start with our own brewing and logistics operations, and extend throughout the value chain into the communities in which we operate.**

The company follows its Environmental and Energy Policies that set key work principles in these fields; it has also implemented an integrated management system (IMS) that corresponds with four management standards in different spheres, including the environmental management standard (ISO 14001).

Baltika has also implemented an energy management system based on the ISO 50001 international standard. One of the system's aspects is a permanent improvement cycle that allows to increase energy consumption efficiency. Baltika's breweries constantly optimize technological operations and engage employees in developing innovative solutions.

To track progress, the company establishes annual environmental targets. In 2015, we achieved our targets and improved results in comparison with the previous year.

### ENERGY EFFICIENCY

To contribute to solving the climate change problem, we strive to reduce our consumption of thermal and electric energy; this includes using renewable energy sources.

During the reporting year, the total consumption of electricity by Baltika amounted to 218,824 MWh, thermal energy – 624,895 MWh. In 2015, we reduced specific electricity consumption by 5.2% and the specific consumption of thermal energy by 7%, as compared with 2014. Since 2009, both indicators have improved by 15% each. This was possible due to implemented action plans to increase energy efficiency at Baltika's breweries.

### COLLABORATION



## Partnership with the United Nations Industrial Development Organization (UNIDO)

In July 2015, Baltika received an award "For Industry Leadership in Energy Management System Implementation in accordance with the UNIDO Programme" at the Vienna Energy Forum.

Baltika became the first Russian participant in the project "Market Transformation Programme on Energy Efficiency in GHG-intensive industries in Russia." The project was put in place in 2010 by the United Nations Industrial Development Organization (UNIDO), under the support of the Global Environmental Facility (GEF), and is aimed at increasing the energy efficiency of the country's industry by implementing an energy management system that meets the ISO 50001 international standard.

As part of the cooperation, this system was implemented in all Baltika's breweries using UNIDO methodology. In 2015, SGS audited Baltika's production sites for ISO 50001 compliance. Experts commended the state of the company's management system; in late 2016, the company plans to certify them in compliance with the ISO 50001 standard.



Among the key measures contributing to reduced thermal energy consumption in 2015 were optimization of the wort brewing process at all production sites, as well as optimization of the condensate return system in Novosibirsk brewery.

During the reporting year, the company installed software that automatically selects optimal functioning modes at all its ammonia refrigerating systems. The new software allows the company to save up to 5% of the electric energy consumed in each shop floor.

Currently, eight refrigerating systems function at Baltika; they are located at each production site and are used for cooling products at different technological stages. These systems consume on average 20% to 30% of the aggregate electric energy volume used by Baltika's breweries. That is why the company sees the potential for improvement in this area.

As part of the cooperation with UNIDO, in December 2015, the organization's experts audited the refrigerating system at the St. Petersburg brewery and uncovered opportunities to reduce electric energy consumption. On the basis of these recommendations, the company developed an action plan and began to implement it.

In addition, the Drycooling and Freecooling refrigerating systems function at breweries in Samara, Khabarovsk, Novosibirsk, and Yaroslavl; they pump in cold outside air in the winter. In Novosibirsk, the refrigerating compressor equipment is practically turned off in the winter.

Automated metering systems for energy resource consumption are installed at all Baltika production sites.

#### USE OF BIOGAS

The biogas project is one of the company's most successful energy efficiency initiatives.

Biogas is a by-product of wastewater treatment facilities, which Baltika uses as an alternative energy source for running boiler-houses. Its use allows the company to decrease thermal energy costs by 10%, to reduce CO<sub>2</sub> emissions, and to preserve natural resources.

In 2015, biogas was used at sites in Samara, Khabarovsk, Yaroslavl, and Tula. At these breweries, the average volume of biogas in the total volume of consumed gas amounted to 6.1%.



Use of biogas allows the company to **decrease thermal energy costs by 10%, to reduce CO<sub>2</sub> emissions**, and to preserve natural resources

### REDUCED WATER CONSUMPTION

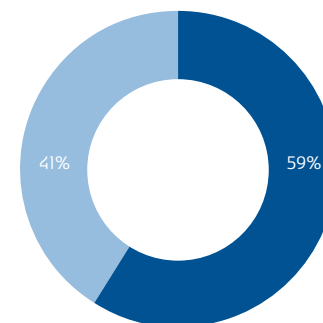
Water is an important resource for the company and local communities. We strive to decrease water consumption at our production sites. In 2015, Baltika's total water consumption volume stood at 6,930,387 cubic meters.

Within a year, we reduced total specific water consumption by 3.6% as opposed to 2014. Moreover, since 2009, the indicator has improved by 22%.

To decrease water consumption during the reporting period, our breweries focused on tuning the optimal modes for equipment functioning.

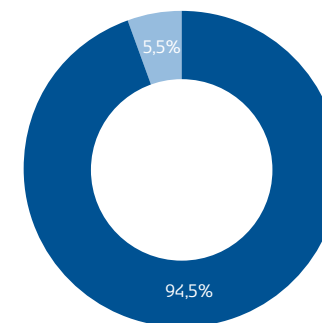
Along with that, projects related to water reuse and water reverse supply for technical needs were continued at Baltika.

### Water consumption in 2015, by sources



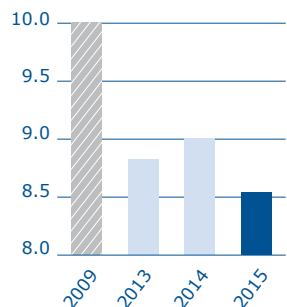
- Water from borehole
- Water from municipal sources

### Volume of wastewater discharge in 2015



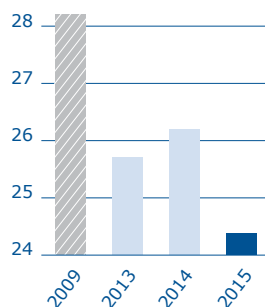
- To utilities sewage systems
- To the waterbody

### Specific electricity consumption (KWh/hl)



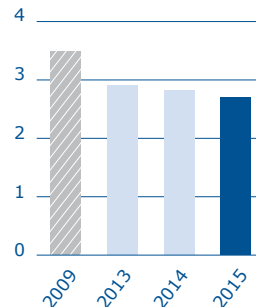
**15%**  
reduction in specific electricity consumption since 2009

### Specific thermal energy consumption (KWh/hl)



**15%**  
reduction in specific thermal energy consumption since 2009

### Specific water consumption (hl/hl)



**22%**  
reduction in specific water consumption since 2009



## WASTE TREATMENT OPTIMIZATION

Following the principle of extended producer responsibility, we are working systemically to reduce waste volume and to increase the share of reused and recycled materials.

The main type of waste that originates during beer production is spent grain. It is a residue of milled grain which emerges after filtering and flushing malt spent grains with hot water. 97% of the spent grain produced by the company in 2015 was directed to agricultural companies that used it as a food additive in stock farming. This was 1% less than in 2014; the decrease in the indicator can be attributed to a stoppage of spent grain drying equipment for technical maintenance.

Another important beer production waste product is yeast waste. As with spent grain, yeast waste is sold by the company as feed-stuff. Yeast powder is the most popular product of this type on the market. To increase the volume of the raw product sold for reuse, Baltika launched a yeast drying system at its Samara site in 2015.

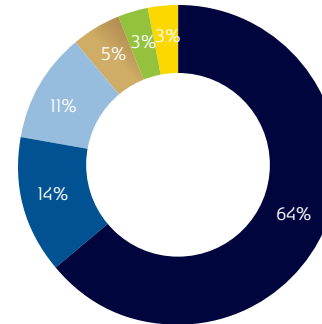
Baltika's global goal is to discontinue the utilization of spent grain and yeast by sending the entire volume of these by-products for reuse.

## LOGISTICS

We strive to reduce environmental impact by enhancing our approach to logistics. In particular, we optimized the transport route network via the Marshrutizator (Traffic Router) programme. This allowed us to save 113,903 litres of fuel in 2015.

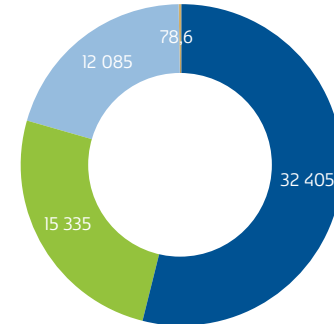
In addition, Baltika continued to train drivers on how to be environmentally friendly, as part of the Ecodriving project. As a result, during the reporting period, the company saved 111,045 litres of fuel. Achieving these results decreased carbon dioxide and other pollutant emissions.

Main types of production waste, broken down by volume for 2015, %



- Spent grain (raw)
- Spent grain (dry)
- Carbon dioxide
- Yeast (liquid)
- Sprouts, grain waste
- Other

Waste recycling and utilization in 2015, tonnes



**59,904**  
Total solid waste volume, tonnes

- Solid waste and by-products sent for utilization
- Solid waste sent for recycling and reuse (crushed glass, and metals, etc.)
- Solid waste (4th and 5th class hazards) placed in solid waste landfills
- Waste sent for decontamination (spent oils, lamps, and batteries, etc.)

**302,207 tonnes**

Total volume of by-products (spent grain, yeast, and sprouts, etc.) sold as feed-stuff used in stock farming

## COLLABORATION



In September 2015, Carlsberg Group launched the “Cheers to Green Ideas” competition in partnership with Copenhagen-based Think Tank, Sustainia. Organisations, companies and members of the public around the world were invited to take part in the competition by submitting ideas on how to make Carlsberg beer more sustainable.

The organisers offered two awards. The Cheers to Green Ideas Award was primarily aimed at established companies or entrepreneurs with a viable sustainability concept. The award was US\$ 20,000 and participation in a workshop with Carlsberg experts for further research.

The J.C. Jacobsen Special Award was primarily intended for consumers to present fun and engaging ideas that could inspire Carlsberg and consumers to make the company’s beer more sustainable. The award was US\$ 10,000 and a chance to improve the idea in collaboration with Carlsberg experts.

More than 160 applications from businesses and individuals from 33 countries were submitted. Around 20 environmental ideas arrived from Russia. An idea of one Russian participant was included in the top 30 projects.

The awards jury included Carlsberg Group representatives from research & development, marketing, sustainability, innovation, and supply chain.

The winners were announced at the Sustainia Award Ceremony in Paris, in connection with the COP21 Conference on Climate Change on December 6 2015.

The Cheers to Green Ideas Award went to Guillermo Luque Consuegra and Michael Malott, who proposed using microalgae in, for example, wastewater treatment or the creation of biomass at the Group’s breweries.

The J.C. Jacobsen Special Award went to Søren Højland Boesen. He submitted five ideas, and his winning proposals were to make lightweight crates inspired by nature and to make magnetic, biodegradable bottle caps that would be fun and engaging for the user, rather than just another piece of metal waste.

# CROWDSOURCING CAMPAIGN “CHEERS TO GREEN IDEAS”





## Activating our priorities Sustainable packaging

**Our packaging types perform many useful functions. First and foremost, they maintain the high quality of our products and protect them during transport. We strive to ensure that the packaging we use aligns with our sustainable development goals.**

Obtaining and implementing improvements is no easy task and presents numerous challenges. For example, systems for recycling and reuse are complex and require the coordination and cooperation of multiple stakeholders; the weight of bottles can only be reduced so far before quality starts to suffer, and consumers are not always motivated to recycle their used packages efficiently.

According to Carlsberg Group research, primary and secondary packaging account for approximately 45% of our total CO<sub>2</sub> emissions. By reducing, for instance, the amount of material used to make a piece of packaging, or by sending packaging waste for recycling, we reap both economic and environmental benefits.

### IMPLEMENTING THE SUSTAINABLE PACKAGING PROGRAMME

In order to manage these complexities in our sustainable packaging programme, we adopt the 4 Rs approach: reduce, reuse, recycle and rethink. Every year, the company undertakes measures to implement it.

The 1881 Project was one of the largest initiatives in 2015. The project's name is connected with PCO 1881, a PET preforms and caps standard that Baltika switched to. This standard was developed and approved by the International Society of Beverage Technologists (ISBT), which includes leading international companies.

The key feature of the new standard is the decreased weight of the preform's neck (a so called "low neck") and the use of lighter caps. This reduces the amount of polyethylene terephthalate used for a preform by 1.35 grams and also cap weight by 0.6 grams. Taking into account Baltika's production volume, these efforts will reduce plastic waste mass by 4,000 tonnes per annum and will significantly decrease negative environmental impact.



### SUSTAINABLE PACKAGING



- Reduce weight or change to packaging with lower environmental impact.
- Increase reuse of packaging materials, with the main focus on glass bottles.
- Encourage consumers to recycle packaging and increase the amount of recycled content in new packaging.
- Rethink packaging and waste, for example recycling of packaging materials by channelling the material into other products.

In 2015, the company completed testing its new crown cap; the thickness was reduced from 0.22 millimetres to 0.18 millimetres. The 0.04 millimetre difference will allow Baltika to decrease tin waste by 180 tonnes per annum.

We also managed to decrease the volume of tape used for pallets by 220 tonnes, due to reducing material thickness.

In addition, for some types of products, Baltika used back labels produced from white paper that decomposes faster than labels made from the previously utilized metallized paper.

#### SEPARATE WASTE COLLECTION

In accordance with the amended Russian Federal Law "On Industrial and Consumer Waste," starting in 2015, all Russian manufacturers and importers shall meet waste disposal norms or pay an environmental duty for waste recycling. We plan to fulfil waste disposal norms. Even prior to the adoption of legislative amendments, Baltika has been conducting a separate collection of waste both at production sites and in the market. In 2015, Baltika continued implementing its "Benefit Your City" project. 2,000 separate waste collecting points organized by Baltika and its partners – waste operators – received approximately 7 million glass bottles, 241,000 kilograms of PET packaging and more than 18,000 kilograms of aluminium cans for recycling.

**by 4,000**  
tonnes per year we  
reduced plastic waste

**by 180**  
tonnes per year we decreased  
aluminium waste

#### ACTIVATING OUR PRIORITIES

## Environmental campaigns at festivals



Baltika Breweries carried out two employee engagement activities at music festivals to promote recycling and raise environmental awareness.

The first was the "Tuborg GreenFest. Go green" campaign at the GreenFest in St Petersburg in June, where volunteers encouraged the festival attendees to take their empty aluminium cans and paper cups to an ecozone. For every three items handed in, they received a free "Tuborg GreenFest. Go green" bracelet. In all, around 1,000 bracelets were handed out.

In August, a second group of volunteers took part in "Ecopatrol at Prostor" at the Prostor Festival in Vladivostok. Some of the volunteers handed out recycling bags and gloves to visitors so they could collect empty PET bottles, which could later be exchanged for prizes. Others walked around promoting the activity to the festival.

## COLLABORATION IN ACTION



### The Green Fiber Bottle

Packaging is a very visible and tangible part of the Carlsberg Group's product offering. Unfortunately, it is also a major contributor to our CO<sub>2</sub> emissions. Our approach is therefore to try to optimise the use of resources in a way that balances product integrity and functionality with environmental impact. Brewing is our core business, not packaging, so we draw on the support of others along the supply chain to achieve our aims.

#### COLLABORATING WITH INNOVATORS

In 2015, in continuation of our collaborative approach within the Carlsberg Circular Community (CCC)\*, we kicked off a development project with Danish packaging company EcoXpac – supported by Innovation Fund Denmark and the Technical University of Denmark – to develop a beer bottle made from sustainably sourced wood fibre.

#### FULLY BIODEGRADABLE PRODUCT

Together we are developing the Green Fiber Bottle, which will be a landmark in sustainable innovation. Its fibres will come from responsibly managed sources, with trees replanted at the same rate that they are harvested, or even faster. Furthermore,

any potential impact from using fibres will be included in the environmental assessments. And while the bottle will degrade into environmentally non-harmful materials if discarded randomly, the intention is that it will form part of a proper waste management system, just like today's bottles and cans.

Over the three-year development phase, we plan, with our partners' help, to optimise the bottle from an environmental perspective using both life cycle and Cradle-to-Cradle® assessments.

#### LESS ENERGY

We expect that the Green Fiber Bottle will require less energy to produce than traditional packaging, due to the use of a new fibre-drying technology. This will help reduce dependency on fossil fuels in the manufacturing process.

#### COMMITTED TO COOPERATION

This collaborative project confirms our commitment to cooperation and underlines the importance of a circular economy for sustainable growth. If the bottle innovation comes to fruition within the projected three-year period, as we expect it to, it will provide an exciting new packaging type for our products and represent another important step on our journey towards a circular, zero-waste economy.

# CHEERS TO SUSTAINABLE INNOVATION



We are thrilled to cooperate with Carlsberg on developing a bottle that will be both truly sustainable and appealing to consumers. The coming three years will be both challenging and exciting, and we can't wait to put the bottle on the market!"

*Martin Pedersen, CEO, EcoXpac*





## People & Policies

### OUR COMMITMENT

- Working the Carlsberg way – everywhere

### OUR PRIORITIES

- Improving health & safety
- Strengthening ethical standards
- Respecting labour & human rights
- Engaging with communities
- Sourcing responsibly

# Our commitment

## Working the Carlsberg way – everywhere



### Articulating our commitment

**Our aim is to protect, develop and engage our employees, and to make a positive contribution to the communities in which we operate.**

We do this through the Carlsberg way of working, which involves setting the right standards in our policies and guidelines and following up on our performance through reporting and monitoring. In this way, we also manage risks and reap the benefits of a proactive stance on global issues.



### Collaborating with others

**Across our Group-wide network, we share expertise and best practices aimed at reducing our environmental and social impacts.**

Through collaboration with suppliers, we strive to improve standards throughout our supply chain. We also engage with external and internal stakeholders on sustainability-related issues, as well as local and global organisations to create value for society as a whole. This is for example done through World Federation of Advertisers, where we align on standards within marketing communication with other companies.



### Activating our priorities – targets for 2017

- **Increase diversity and female representation at senior leadership level**
- **Reduce the Group lost-time accident rate by 40%**
- **Employees of the Group's companies to carry out an aggregate total of 100,000 hours of voluntary activities**
- **Reach at least 1.5 million people below the legal drinking age through local education and sales restriction campaigns addressing underage drinking**

# Carlsberg Group highlights 2015

## 38 bn DKK

Carlsberg Group's majority-owned companies  
invested within their local communities



## 816

community engagement  
activities in 2015 across  
the Carlsberg Group

**VOLUNTEERING**

## 25,796

hours spent on  
volunteering

**HEALTH AND SAFETY**

**16% reduction** in the  
Group's lost-time  
accident rate



**COMMUNITY ENGAGEMENT**

**6,395 employees** took  
part in volunteering  
activities





Activating our priorities

## Health and safety

The safety of our employees and our counterparties is an important component of Baltika's corporate culture. We strive to develop our employees' mindset to permanently improve labour safety, including the understanding that they are responsible for their own and their colleagues' life and health.

With regard to safety standards, the company follows all applicable Russian laws, corporate Health and Safety Policy, and internal regulatory documents.

In the company's breweries, the health and safety management is organized in accordance with unified principles and meets the OHSAS 18001:2007 international standard (Occupational Health and Safety Management System).



**14%**  
improvement in lost-  
time accidents number  
since 2014



## ZERO ACCIDENTS

Our strategic goal in health and safety area is zero accidents. Our employees constantly improve their knowledge and skills in labour protection, industrial, and fire safety. Owing to this, in 2015, the number of lost-time accidents decreased 14%, compared with 2014.

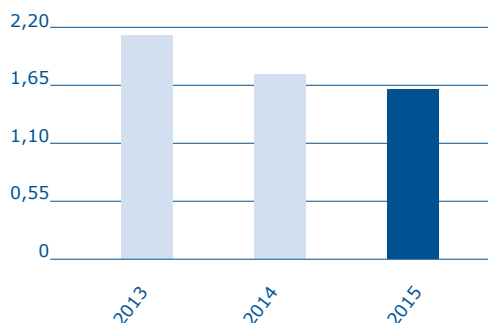
In 2015, we developed a monthly communications Health and Safety

Programme for employees; it includes remote training based on electronic presentations dedicated to labour protection. In addition, the company's departments received safety reminders and posters.

1,133 Baltika employees took training courses and received qualification in labour protection from external organizations, and 2,319 people passed the pre-qualification preparation and knowledge audit.

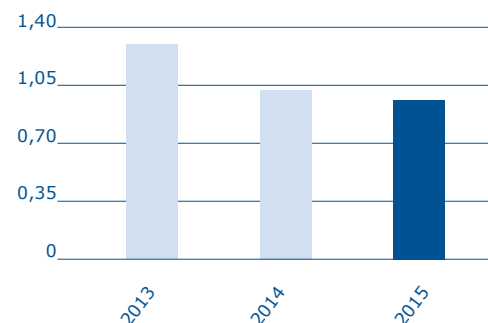
### Lost-time accident rate

(per 1,000 employees)



### Days lost rate

(per 1,000 employees)



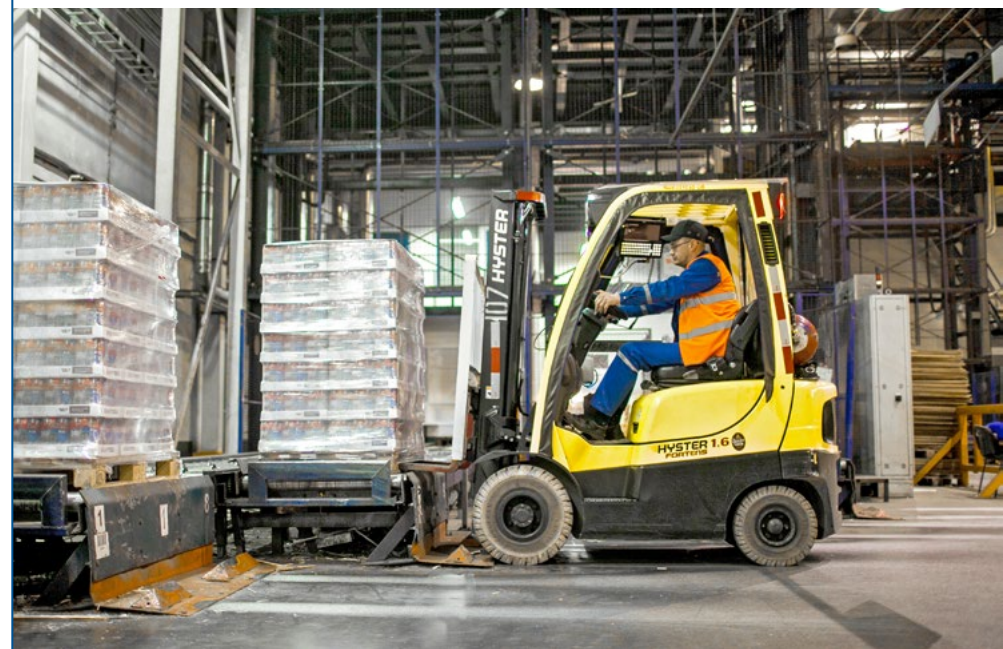
# 1,133

Baltika employees took **health and safety training courses** and received qualification

## ACTIVATING OUR PRIORITIES



# Implementing the new safety system



In 2014, at the Baltika-Yaroslavl brewery a pilot project based on the principles of DuPont, the global leader in industrial safety, was launched. The programme encourages employees' safe behaviour, promotes their personal interest in safe labour, develops safety skills as well as safety management competences among executives.

The audit held after system implementation revealed that these measures were extremely useful: each employee began to realize the importance of his/her safety and the need to pay attention to risks. In 2015, this experience was successfully adopted by two other Baltika breweries: in Tula and Rostov.

## TRANSPORTATION SAFETY

Baltika's activity is closely linked with a large volume of automobile transportation. Almost 3,000 employees drive corporate vehicles. In addition, around 5,000 drivers are our contractors involved in the transportation process. That is why we pay special attention to traffic safety.

Owing to different activities in this sphere, during the reporting period, we succeeded in reducing the number of road traffic accidents involving our drivers 9.9% (compared with 2014).

In October 2015, Baltika published road traffic safety guidebook that was prepared by the logistics and health and safety departments. The brochure includes a wide range of issues: from general requirements for the driver to recommendations for passengers. To make it easier to perceive and remember the information the guidebook is presented as a control list where point-by-point it is described what drivers must or must not do, and recommendations are given.

Another tool for improving transportation safety is the Alert Driving programme. It allows employees to pass an interactive computer test with 20 modules. At each training level, skill deficiencies are revealed and ways to eliminate them are proposed. The employee then answers test questions. In 2015, 923 employees took the training course, as part of the Alert Driving programme.

Another programme, Defensive Driving, consists of practical courses taken with an experienced instructor: a Baltika certified coach or external specialist. In 2015, 461 employees participated in this programme.

In addition, we conduct obligatory testing of all employees who use corporate vehicles to demonstrate knowledge of law and traffic regulations.

To increase personal responsibility, all Baltika vehicles are equipped with special stickers with hotline telephone numbers, which observers can use to report rules violations. Satellite monitoring of corporate vehicles is performed for the same reason.



**9.9% improvement in road traffic accidents involving our drivers since 2014**



Activating our priorities

## Labour and human rights

**Baltika follows high corporate standards, provides employees with comfortable and safe labour conditions and also offers professional and personal growth opportunities. We hope that our partners and consumers share these goals and priorities.**

The company's compliance obligations are articulated in the corporate Labour and Human Rights Policy, which is based on the United Nations' Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Carlsberg Group's Labour and Human Rights Policy.

In addition, in 2015, Baltika adopted the Carlsberg Group Supplier and Licensee Code of Conduct (more information about the Code is available in the "Business Ethics" section of this report). Provisions of the Code are included in all agreements concluded by the company. This document reflects the minimum standards which we expect our partners to comply with, including labour and human rights observance requirements.

### HEADCOUNT

In 2015, the average headcount amounted to 7,519 employees (compared with 8,090 people in 2014). Staff turnover in the reporting period reached almost 22% because of a difficult situation in the brewing sector.

Due to the decline in beer market, which can be attributed to the complicated macroeconomic situation, unbalanced regulation and industry taxation in Russia, in the beginning of 2015, Baltika made the hard decision to close two breweries – in Chelyabinsk and Krasnoyarsk. At the time of closure, these subsidiaries employed 766 people.

The company's key task was to minimize negative consequences for the 560 employees who were let go. As a socially responsible company, Baltika guaranteed thorough labour law compliance for these employees and did its best for them. The total compensation package and support programmes for employees who left the company were more than RUB 300 million.



Each employee received a one-time severance payment in the amount of seven monthly wages and vacation pay, as well as 2014 bonuses. Their sick leave certificates were paid, and employees who were on maternity leave received material support.

Moreover, Baltika paid for the services of KellyOCG Russia and CASE, recruitment agencies. These companies helped our former employees find new jobs.

### SOCIAL PARTNERSHIP

The company has adopted a collective bargaining agreement for 2014-2017 — this agreement is the key legal instrument that regulates social and labour relations within the company. It also establishes mutual employee-employer obligations.

Issues regulated by the agreement include production and economic activities, labour compensation, labour relations, working hours and leisure, labour conditions, health and safety, social guarantees, benefits, and basic social partnership principles.



### EMPLOYEES BY FUNCTION



**29%**  
Production



**37%**  
Sales and marketing



**25%**  
Logistics



**9%**  
Administrative function

## REWARD AND RECOGNITION

To ensure competitive salaries, Baltika regularly monitors salary levels, especially those that prevail in the FMCG sector. In 2015, employee salaries were revised, taking into account Russian labour market dynamics.

As a socially responsible company, Baltika undertakes efforts to protect our employees' health and to provide them with safe and comfortable working conditions. We ensure that our employees feel corporate support in many spheres of their lives. This is why Baltika offers its people a complex package of benefits, embracing such areas as healthcare and safety, comfortable workplace conditions, upgrading quality of life, family and leisure. In 2015, the company allocated RUB 277 million for compensation and benefits.

We share Baltika's success with employees who achieve outstanding results, for instance, initiating and implementing unique projects or attaining ambitious goals. The company has numerous programmes to recognize employee achievement. The highest corporate award at Baltika is the Best People; the most efficient employees and teams receive this award on the bases of previous year results.

## EFFICIENCY MANAGEMENT AND SUCCESSION PLANNING

Baltika is permanently upgrading its employee efficiency management and labour compensation system to align it with the latest business requirements. The system is based on the "Payment for result" principle. Following this, in 2015, the company reviewed an approach to setting tasks and employee assessment, changed the system for calculating annual bonuses, and implemented a new labour compensation system in its operation departments. The annual planning and assessment period was retained only for employees from vice presidents' divisions and regional managers. For other positions, the planning and assessment period was changed to monthly or quarterly. This approach allows the company and employees to focus on short-term task accomplishment and to reward employees' contribution to current results.

In 2015, the company developed its concept for succession planning. It is aimed at managing emergent risks when critically important positions are vacant. Baltika strives to quickly fill vacancies with qualified staff. The succession planning cycle has become a part of the efficiency management cycle; the programme will start in 2016 and cover all corporate business functions.



**>5,000** Baltika employees took training courses in 2015

## LEADERSHIP COMPETENCES DEVELOPMENT

In 2015, Baltika continued developing employees' leadership competencies across all management levels.

Our managers took part in the Carlsberg Group's international 4 module Learning Leader Programme.

In June, with Baltika's active participation the first leadership competencies development programme LEAD! kicked off in the Eastern European region. Forty managers from five countries (Azerbaijan, Belarus, Kazakhstan, Russia, and Ukraine) participated in the programme, which became a platform for the leaders' professional and personal growth and a unique site for international experience exchange. Each country nominated managers to participate in the programme based on a few criteria: high working efficiency, the ability to follow the Carlsberg Group's leadership competencies, and strong English language proficiency.

In 2015, we held trainings for mid-level and line managers on leadership and business skills development, such as "Leader's Emotional Competency," "Motivating Leadership," and "To Develop Employees – How?"

In conjunction with other Carlsberg Group companies, Baltika developed the 7 module First-Line Manager programme for its line managers. In 2016, the company will begin training using this programme.

## SHARING KNOWLEDGE AND DEVELOPMENT WITHIN THE COMPANY

The School of In-house Coaches continues to play a significant role in knowledge-sharing within the company. The Programme includes 40 coaches. During the previous year, initiatives to enhance the trainers' skills were arranged. In 2015, more than 5,000 Baltika employees took different courses.

Workplace development can be more efficient and faster if an employee's responsibility sphere expands or changes. In 2015, 454 employees holding a position of senior specialist or higher were promoted within the company (either vertically or horizontally). This represented 75% of all vacancies at this level.

Moreover, our employees were able to use unique development opportunities within the production personnel rotation programme and short-term placement at other Carlsberg Group companies.

## COLLABORATION



# Attracting Young Talent and Cooperating with Universities



The company is continuing to implement Baltika Stars, a programme focused on developing young talent. Baltika Stars offers undergraduates a paid internship in the company. Baltika actively cooperates with target universities. These include St. Petersburg State University, the Higher School of Economics, Peter the Great St. Petersburg Polytechnic University, and the St. Petersburg National Research University of Information Technologies, Mechanics, and Optics. Lectures by the company's senior managers at Russian universities were very popular. Baltika also actively participated in youth and student events and career fairs and organized master classes dedicated to development and career issues.



## Activating our priorities Business ethics

**High standards of ethical behaviour are an integral part of Baltika's business. Our focus on conducting fair and transparent operations allows us to be an example for many Russian companies, and also foster trust with our partners, consumers, communities, employees, and other stakeholders.**

Our work standards are set out in the corporate Business Ethics Policy. To ensure compliance with the Policy's provisions, we consistently upgrade internal managerial procedures, conduct trainings, and undertake other measures.

Baltika's senior management pays special attention to implementing the Business Ethics Policy, and has established a "zero tolerance" rule for all ethics violations by employees and business partners. For this reason in the reporting period an indicator for awareness of and following the company's Business Ethics Policy was included in the annual employee

assessment system on top of the existing competences.

In 2015, for the first time, when preparing the Carlsberg Group's annual report on following the Business Ethics Policy (which is filled by all Group companies), written verification of data by the organization's CEO became a necessary condition. Baltika's report has been signed by Jacek Pastuszka, President of Baltika Breweries LLC, Executive Vice President Carlsberg Group Eastern Europe Region.



An indicator for awareness of and following the company's Business Ethics Policy was included in the annual employee assessment system on top of the existing competences.

## BUSINESS ETHICS TRAINING

Employees can become familiar with the provisions of the Business Ethics Policy and learn how to find the correct solutions in contentious situations via in-person or on-line (e-learning) training courses.

The educational programme includes a theoretical part, answers to control questions and final tests. New employees are required to take the course and pass the exam within two months of joining the company. Every two years, employees must re-take the course.

During the reporting year, 219 our employees were trained in the Business Ethics Policy. In addition, a special training with participation of Group Compliance Officer and other representatives from the Carlsberg Group headquarters was carried out for Baltika's key employees. The participants commented very positively on the training session which was conducted in a non-standard, game format.

In 2015, our compliance specialists took part in Russian and international conferences. They actively interacted with their colleagues, expanded knowledge, and upgraded qualifications.

## SUPPLIER RELATIONS

During the reporting year, Baltika adopted the Carlsberg Group Supplier and Licensee Code of Conduct. The Code reflects the minimum standards we expect our suppliers and licensees to adhere to when doing business with the Carlsberg Group. These standards include four areas that are aligned with the Carlsberg Group's CSR policies on business

ethics, labour & human rights, health & safety and the environment.

In accordance with best global practices, Baltika included the Code's provisions into its agreements with counterparties; this allowed the partners to become familiar with our business principles and encouraged them to comply with this document when executing agreements.

To minimize the risk of the company being involved in corruption, as well as other activities that violate accepted standards, in addition to security screening of counterparties Baltika has in place a preliminary assessment of organizations and deals negotiated with them on compliance with the provisions of the Business Ethics Policy and Russian anticorruption laws. To increase efficiency in this area, we are continuously improving systems for interacting with business partners. To facilitate our partners' work, the company upgraded the Monolit.Tenders system; now, potential counterparties can upload their documents in the required format directly into the system.

In 2015, Baltika, as a company operating on the international market, had to strengthen its sanction regulations. We undertook certain steps aimed at instituting additional screenings of counterparties and mitigating risks in this sphere.

## 2016 plans



In 2016, the company will continue upgrading its compliance system. In particular, we will improve elements, such as risk assessment, informing employees about work in business ethics area, policies and measures countering corruption, educational activities, and identifying and preventing violations.

Next year, in line with the Carlsberg Group's initiative, Baltika will begin implementing updated standards – the Code of Ethics and Conduct and the Anti-Corruption Policy. This will let us be more precise in observing best compliance practices and protect the company in this area.



Activating our priorities

## Community engagement

Companies are established to provide goods or services to their customers, but they also become an integral part of the communities in which they operate. Baltika strives to be a reliable partner for society in the regions where we operate.

### DEVELOPING VOLUNTEERING

We develop volunteering activities and encourage the social initiatives of employees who would like to bring about positive changes in the regions in which they live. This inspires and empowers people.

In 2015, Baltika employees took part in activities, such as: "Beer Patrol," "Be Sober behind the Wheel," the Global Beer Responsibility Day, and various environmental projects.

2,464 Baltika employees participated in volunteer projects and spent 11,338 hours on these activities.

# 11,338

hours our volunteers spent on social projects

### SIBERIAN TAIGA PRESERVATION PROGRAMME

The Siberian Taiga preservation programme, supported by the Sibirsky Bochonok brand, was launched in July 2015. Its objectives are to draw community's attention to taiga problems and the need to preserve the Siberian forest.

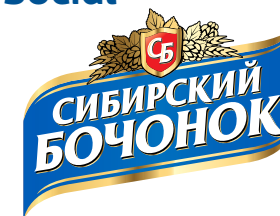
Three events were held as part of the project. In July, the first environmental trail was broken through the territory of arboretum. In September, the company distributed conifer nursery plants to Krasnoyarsk and Novosibirsk residents. In October, we planted trees in the forest farm of the Novosibirsk Region.

Project participants included representatives of the Youth Department of Natural Resources and the Natural Resources Department of the Novosibirsk Region, experts from the Institute of Natural and Socio-Economic Sciences of the Novosibirsk State Pedagogical University, and adult volunteers, including Baltika employees. More than 500 persons in total engaged.

The taiga preservation project will continue in 2016.



The Siberian Taiga preservation programme has been recognized as one of the most successful environmental initiatives by experts of the IV Annual National Programme "the Best Social Projects of Russia"



## EARTH HOUR

Every year, Baltika takes part in Earth Hour, the largest environmental global action held by the World Wildlife Fund (WWF). Initiative organizers call for everyone to turn off their lights and household electric appliances for one hour to draw attention to climate change challenges.

Baltika turns off electricity at its production sites and invites its partners and employees to join in this important social action. We tell people how much energy can be saved during this hour to demonstrate that the simplest actions have environmental impact.

In 2015, Baltika decided to sum up the results of electricity conservation during the Earth Hour initiative at our breweries since 2011. It turned out that Baltika had saved enough energy to drive an electric car around the equator.

## THE CARLSBERG FOUNDATION PROJECTS IN RUSSIA

The Carlsberg Foundation is the largest shareholder of the Carlsberg Group and one of the major Danish organizations that provides grants for scientific research and supports arts. J.C. Jacobsen, the founder of Carlsberg, established the Foundation in 1876 to which he later bequeathed his brewery. Through the Foundation, the Jacobsens donated the Little Mermaid sculpture, the Gefion Fountain and the Ny Carlsberg Glyptotek, an impressive museum, to the city of Copenhagen.

Baltika supports Foundation projects in Russia, including the J.C. Jacobsen's Portrait Award. More information about the project is available in this Report.

In June 2015, Baltika supported the large-scale exhibition "Russia and Denmark. 1700-1900" organized by the Museum of National History at Frederiksborg Castle (an independent department of the Carlsberg Foundation), and the Tsarskoye Selo State Museum-Preserve with participation of the State Hermitage and the Peterhof State Museum-Reserve.

This international exhibition coincided with the 300th anniversary of Peter the Great's visit to Denmark in 1716.

The exhibition, located in the Zubovsky Wing of the Catherine Palace, showed approximately 200 exhibits illustrating great historical events that occurred between the two countries and the long-standing connections between the Russian Imperial Court and Denmark's Royal Court.

At the core of the exhibition, there were most rare artifacts from the collection of the Museum of National History at Frederiksborg Castle (Denmark). The most valuable pieces displayed included a portrait of Alexander III with his spouse Maria Fyodorovna and son Mikhail, as well as the famous four-piece Flora Danica set by the Royal Copenhagen porcelain factory, which was produced in the 1790s to honor the conclusion of peace and an "eternal Russian-Danish alliance" as a gift to Catherine the Great.



The large-scale exhibition "Russia and Denmark. 1700-1900" organized by the Museum of National History at Frederiksborg Castle (an independent department of the Carlsberg Foundation), and the Tsarskoye Selo State Museum-Preserve with participation of the State Hermitage and the Peterhof State Museum-Reserve.



The social project "Street Dirt" awarded the 1st prize

The J.C. Jacobsen's Portrait Now! Award is held by The Museum of National History at Frederiksborg Castle (Denmark) with support of the Carlsberg Foundation. Its goal is to attract attention of artists and general public to portrait genre.

In 2015, Baltika continued supporting the competition in Russia. Owing to its sponsorship, Russian artists joined the international project for the second time. Moreover, an exhibition of the second competition stage among artists from Russia, Belarus, Kazakhstan, and Ukraine was held at the Erarta Museum of Contemporary Art in St. Petersburg.

#### WINNERS FROM RUSSIA

The competition finale took place at Frederiksborg Castle in May 2015. Stanislav

Komissarov (Slava PTRK) and Vladimir Abikh, young artists from Russia, won first prize (DKK 85,000) for their social project, "Street Dirt," which was selected by the jury out of 1,346 works participating in the competition.

The large-scale and multi-faceted "Street Dirt" project, created by Yekaterinburg artists, represents a symbiosis of street art, photography, and social journalism. Its goal is to show the fact that homeless people are perceived by others as street dirt — not even as people. The artists began by photographing real homeless people. They transferred photos to large fibreboards and placed them around the city. Portraits of homeless people were created naturally, by the city environment, by its street dirt from automobile wheels, by dust in the air, and by pedestrian footsteps.

# BREWER J.C. JACOBSEN'S PORTRAIT NOW! AWARD



#### SPECIAL PRIZE FOR THE 25TH ANNIVERSARY OF BALTIKA

In 2015, Baltika celebrated its 25th anniversary. To mark this occasion the company established a special prize "Young talents: pursue perfection" for Russian artists.

The judges selected the winner from the participants aged 18-25 when results of the interim stage of the Portrait Now! Competition were announced in March 2015. The prize went to Shamil Akhmedov, with his work entitled "Aibala: The Child of the Moon." The international jury also recognized him as the best young artist among participants from Russia, Belarus, Kazakhstan, and Ukraine. Shamil received an opportunity to present his work at the Portrait Now! Exhibi-

tion in The Museum of National History at Frederiksborg Castle, and an opportunity to visit famous museums in Copenhagen, Denmark's capital.



# Global Reporting Initiative Table (G4)

## GENERAL STANDARD REPORTING ELEMENTS

General standard reporting elements	Description	Page	Disclosure level
<b>Strategy and analysis</b>			
G4-1	Statement from the organization's most senior decision-maker	5-7	●
G4-2	Key impacts, risks, and opportunities	7, 13-17	●
<b>Organizational profile</b>			
G4-3	The organization's name	4	●
G4-4	Primary brands, products, and services	13-17, 25	●
G4-5	The location of the organization's headquarters	-	LLC Baltika Breweries: 6 Verkhny per., d. 3, 194292 St Petersburg, +7 812 325 932
G4-6	Countries where the organization operates	-	The Report covers the company's operations in Russia. The Carlsberg Group Sustainability Report is available at <a href="http://www.carlsberggroup.com/investor/downloadcentre/Pages/CarlsbergGroupSustainabilityReport2015.aspx">http://www.carlsberggroup.com/investor/downloadcentre/Pages/CarlsbergGroupSustainabilityReport2015.aspx</a>
G4-7	The nature of ownership and legal form	-	Limited liability company
G4-8	Markets served by the organization	-	The Report covers the company's operations in Russia
G4-9	The scale of the organization	3-4	●
G4-10	The number of employees	3-4, 7, 53	●
G4-11	The percentage of total employees covered by collective bargaining agreements	54	●
G4-12	The organization's supply chain	7, 11, 26-27	●
G4-13	Changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	16, 26-27	●
G4-14	Use of the precautionary approach	9	■
G4-15	Economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	29-30, 38, 58, 59	●

**GENERAL STANDARD REPORTING ELEMENTS**

General standard reporting elements	Description	Page	Disclosure level
<b>Identified material aspects and boundaries</b>			
G4-18	The process for defining the report content and the Aspect Boundaries	10	▶
<b>Report profile</b>			
G4-28	Reporting period	-	2015
G4-29	Date of most recent previous sustainability report	-	June 2015
G4-30	Reporting cycle	-	1 year
G4-31	The contact point for questions regarding the report or its contents	-	Ivanova Ekaterina, Sustainability and corporate communications manager, ivanova_eks@baltika.com
G4-32	GRI content index	61	
<b>Corporate governance</b>			
G4-48	The position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	56	●
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	9, 56	●
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	56, 57	●

**MATERIAL ASPECTS**

Specific standard reporting elements	Description	DMA and indicators	Disclosure level
<b>CATEGORY: ECONOMIC</b>			
<b>Economic performance</b>			
DMA		18	▶
<b>Indirect economic impacts</b>			
DMA		18-20, 26-27	●
G4-EC7	Development and impact of infrastructure investments and services supported	18-20, 26-27	▶
G4-EC8	Significant indirect economic impacts, including the extent of impacts	18-20, 26-27	●
<b>CATEGORY: ENVIRONMENTAL</b>			
<b>Energy</b>			
DMA		38-40	●

**MATERIAL ASPECTS**

Specific standard reporting elements	Description	DMA and indicators	Disclosure level
G4-EN3	Energy consumption within the organization	38-40	●
G4-EN5	Energy intensity	40	●
G4-EN6	Reduction of energy consumption	38	●
<b>Water</b>			
DMA		39	●
G4-EN8	Total water withdrawal by source	40	►
<b>Effluents and waste</b>			
DMA		40	►
G4-EN22	Total water discharge by quality and destination	40	►
G4-EN23	Total weight of waste by type and disposal method	41	►
<b>CATEGORY: SOCIAL</b>			
<b>Labor practices and decent work</b>			
<b>Occupational health and safety</b>			
DMA		49	●
G4-LA6	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	50	►
<b>Training and education</b>			
DMA		57	●
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	57	►
<b>Society</b>			
<b>Local communities</b>			
DMA		58-59	●
<b>Anti-corruption</b>			
DMA		56-57	●
G4-SO4	Communication and training on anti-corruption policies and procedures	56-57	●
<b>Product responsibility</b>			
<b>Compliance</b>			
DMA		23-24	●

We will be glad to receive feedback about this report and answer your questions.

Corporate Communications Department  
Baltika Breweries LLC, part of the Carlsberg Group

[pr@baltika.ru](mailto:pr@baltika.ru)

[www.baltika.ru](http://www.baltika.ru)

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