

# SUSTAINABILITY REPORT 2016



# CONTENTS

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Carlsberg Group overview 2016	4
Baltika Breweries overview 2016	5
Foreword from Carlsberg Group CEO	6
Foreword from Baltika's president	7

## STRATEGY

Sustainability and SAIL'22	8
Contribute to a better society	9
Thinking big about the global goals	10
Circular mindset in the Carlsberg Group	11

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## ECONOMY

Baltika's economic contribution	12
---------------------------------	----



## ENERGY & CARBON

Understanding our carbon footprint	18
Brewing with tomorrow in mind	19
Delivering beer and reducing carbon footprint	20
Sustainable packaging	21



## WATER

Reducing water consumption	24
----------------------------	----



## HEALTH & SAFETY

Towards a zero accidents culture	26
----------------------------------	----



## RESPONSIBLE DRINKING

Promoting responsible drinking of beer	29
Global Beer Responsibility Day	31

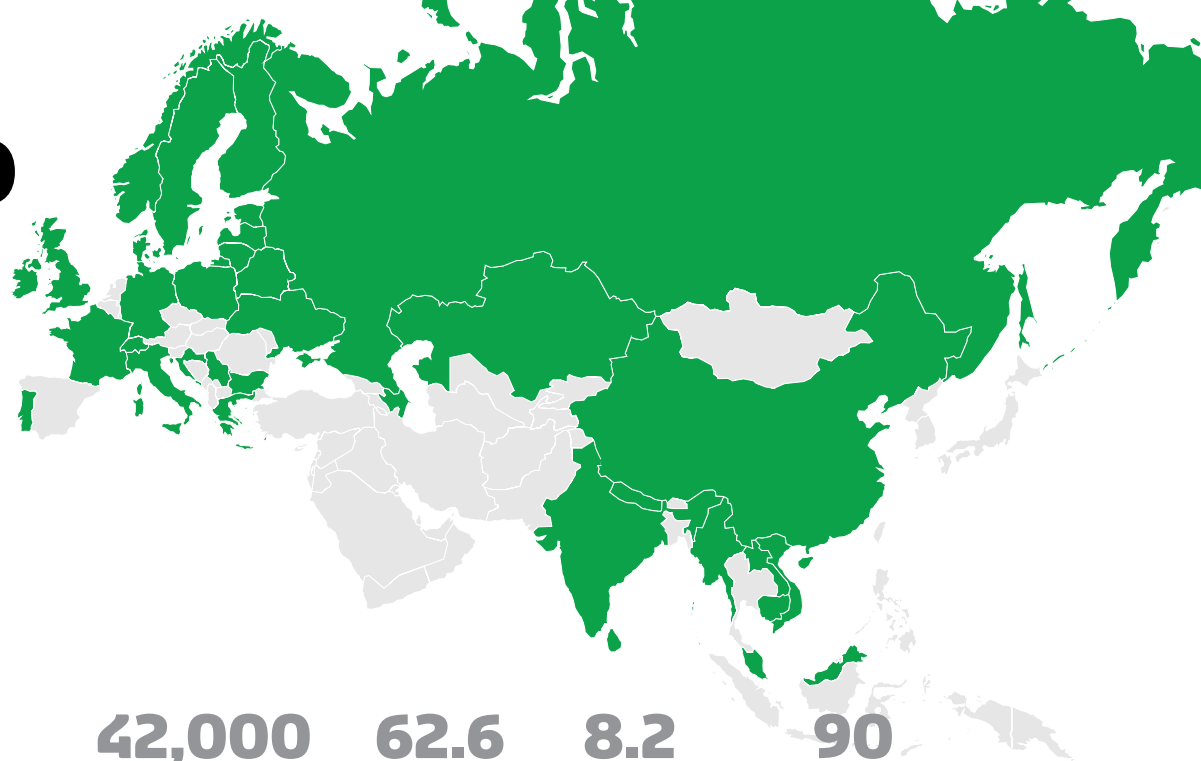
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## RESPONSIBLE BUSINESS

Product quality and safety	33
Cooperation with grain suppliers	34
Labour and human rights	35
Live by our Compass	36
Community engagement	37

# Carlsberg Group

Overview



## 17%

Renewable energy

We use a mix of biomass, solar power and renewable energy certificates with guarantees of origin.



## 9%

Reduction in relative water consumption at our breweries since 2010

In 2016, our water efficiency improved to 3.2 hl/hl.

## 42,000

Number of employees

## 62.6

Net revenue DKKbn

## 8.2

Operating profit DKKbn

## 90

Jobs created by every 10 Carlsberg Group employees

## 20

Partnerships with external organisations to promote responsible drinking

These included Night Owls, a Scandinavian volunteer group.



## Zero

Accidents at over 50% of Group production sites

In 2016, more than half of our sites had an accident-free year.



# Baltika Breweries

## Overview



# 16%

Reduction of CO<sub>2</sub> emissions in 2016 compared to 2010



# 22%

Reduction of specific water consumption in 2016 compared to 2010

# 7,406

Number of employees

# 8

Breweries

# 2

Malt houses

# 10

Jobs created by 1 Baltika employee in related industries

# 6

Activities to prevent drinking and driving initiated by Baltika in 2016



**ZERO**  **ZERO ACCIDENTS**

**BALTIKA**  
Part of the Carlsberg Group

# 7%

Reduction in lost-time accidents rate in 2016 compared to 2015

## FOREWORD FROM CARLSBERG GROUP CEO

# Charting our course



**Our Dali brewery is putting clean, renewable energy technologies to work with the installation of over 8,000 solar panels.**

Cees 't Hart, CEO, Carlsberg Group

Sustainability is a subject close to my heart. It is also central to the Carlsberg Group's purpose "to brew for a better today and tomorrow". In 2016, we embedded sustainability in our new Group strategy, SAIL'22, as part of our aim to create a winning culture throughout our business.

In the year since SAIL'22 was launched, I have witnessed many examples of the pioneering spirit this company was built upon. Our founder, J.C. Jacobsen, was committed to improving brewing and society, giving us the foundation for our purpose. Today, we build on his legacy through our sustainability activities and contribute to a better tomorrow wherever our brands are brewed and sold.

This year, as global initiatives such as the Paris Climate Accord and the UN's 17 Sustainable

Development Goals gained traction, we were excited to initiate research-led relationships with expert organisations such as Business for Social Responsibility, the Carbon Trust and WWF. Together, we will hone our sustainability strategy and define new ambitious targets, to be announced later in the year.

Our materiality process highlighted the four priority areas with the greatest impact on our business and society. These are Energy & carbon, Water, Responsible drinking and Health & safety. I am pleased with the progress we have made against our 2016 targets in the first three areas. However, I cannot say the same about our Health & safety performance.

I was deeply saddened to learn of the deaths of one Carlsberg employee and four employees at minority joint ventures and contractors in 2016. Our ultimate ambition is to achieve a culture of zero accidents and we are determined to pursue this goal with renewed vigour in the coming months and years.

Reflecting on the past year, I am especially proud of the Cradle-to-Cradle® certification of the Kronenbourg 1664 bottle and the solar power installation in Dali, China. We continued to promote responsible drinking, with targeted interventions at the heart of our approach. In connection with Global Beer Responsibility Day, I joined the Danish volunteer group Night Owls and was impressed by their dedication. We also launched a Group-wide training programme to initiate the cultural transformation needed to achieve SAIL'22.

We made investments in a range of sustainability programmes in 2016, and I look forward to seeing these come to fruition in 2017. They include developments in sustainable packaging and in technologies to reduce our use of water and increase our use of renewable energy. In the broader context, the Carlsberg Group continues to support the UN Global Compact and the implementation of its Ten Principles.

This report serves as our annual Communication on Progress and underlines our commitment to transparency.

The world promises to be quite a different place in 2022, the end year for our SAIL'22 strategy. Much can happen between now and then. However, I am confident that the course we have set puts us in a strong position to continue brewing probably the best beers in the world, and to make the Carlsberg Group an even more attractive company for shareholders, employees and society.

Cees 't Hart  
CEO, Carlsberg Group

## FOREWORD FROM BALTIKA'S PRESIDENT

# Opening new opportunities



Sustainability principles are important orienting points for Baltika, which ensure our leadership on the Russian beer market. Following them we brew beer today to create opportunities and better tomorrow. In the Carlsberg Group new strategy SAIL'22 a special focus is on Russia as a key market, and we will continue to make efforts for sustainable development of the company and well-being of communities in the regions where we operate.

In 2016, the Russian beer market continued to decline under the influence of macroeconomic factors and new regulation initiatives. Owing to thoughtful tactical and strategic work we

managed to increase the company's commercial efficiency in the report year.

The success of our business impacts different stakeholders. This is due to the fact that the company's activities are integrated into a long supply chain: each Baltika's employee indirectly creates 10 jobs in related sectors. Making decisions we realize our responsibility before stakeholders.

Last year, in spite of the external challenges we continued to invest in sustainable development. 240 mln rubles we spent on the modernization of wastewater treatment facilities at the Baltika-Khabarovsk. New equipment and additional stages of treatment allowed to increase the complex's efficiency.

Optimizing of waste flows is at the centre of our attention. We realize extended producer responsibility principles in accordance with the amendments made to the Federal law "On Industrial and Consumer Waste".

We continued to support the initiative Global Beer Responsibility Day which is held in September. The second year in a row Baltika in partnership with other members of the Russian Beer Union organized the campaign "18+ Rules for All, Responsibilities for Everyone" aimed at preventing of alcohol consumption by minors. I'm glad to mention that the activity has increased its scale: a new partner has joined in - the Retail Companies Association.

We are proud that in Russia Baltika is among the leaders of antimonopoly compliance in the corporate sector. Such results were achieved due to our quality system of policies, procedures and a high awareness level of policies and rules among employees. In 2016, we made another step to strengthen our business ethics positions and launched the Carlsberg Group Code of Ethics and Conduct which serves as a guideline for our employees in everyday work.

To achieve long-term targets and successfully implement the SAIL'22 strategy we need new

ways of work and create a winning culture. Thus, at the end of 2016, the Group launched the training programme to raise awareness on the strategy and team-based, high-performance approach. One of the sections is completely devoted to sustainability. More than 600 Baltika's employees participated in the training last year.

In 2017, we have planned some interesting and important initiatives in the sustainability area and we will inform on their results all stakeholders.

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

## STRATEGY

# Sustainability and SAIL'22

With the introduction of our new corporate strategy, SAIL'22, 2016 was in many ways a year of transition, not least in the area of sustainability.

Our ultimate goal is to deliver long-term value, and this means making the Carlsberg Group an even more successful, professional and attractive brewer wherever we operate. Our SAIL'22 strategy focuses on how to achieve this long-term goal (see below).

Only by performing strongly in all these areas will we be able to deliver enhanced value for all our stakeholders.

## Create a winning culture

A winning culture is needed to underpin everything we do. It is about developing a team-based, high-performance approach combined with individual accountability. Our sustainability work falls within this main category and is entitled «Contribute to a better society». It encompasses our four sustainability priorities.

## Targets, old and new

Here we report on the commitments made for 2016 and the actions planned for 2017 to ensure progress towards our three-year targets. However, since we are striving «to brew for a better today and tomorrow», in future we will not settle for just three-year targets. Instead, we are restructuring and honing our approach to sustainability, refining our targets and conducting Group-wide training with a longer-term perspective in mind. Our new sustainability targets will be announced later in 2017.



### STRENGTHEN THE CORE

Leverage our strongholds  
Excel in execution  
Funding the Journey



### POSITION FOR GROWTH

Win in growing categories  
Target big cities  
Grow in Asia



### DELIVER VALUE FOR SHAREHOLDERS

Organic growth in operating profit  
ROIC improvement  
Optimal capital allocation



### CREATE A WINNING CULTURE

Team-based performance  
Contribute to a better society  
Compass (applying our codes and policies)



**STRATEGY**

# Contribute to a better society

The Carlsberg Group has a new, restructured approach to sustainability. Underpinning our licence to brew and operate, we regard this as essential to the successful implementation of the Group's strategy.

## Our new approach

In 2016, we carried out a materiality assessment with Business for Social Responsibility (BSR) to identify the most important sustain-

ability management topics, risks and impacts for our business. The four priority areas that emerged as most crucial for our business and stakeholders are Energy & carbon, Water, Responsible drinking and Health & safety.

Focusing on these four priorities, we aim to bring about positive change in all the areas touched by our business:

- Contributing to the containment of climate change
- Ensuring people have access to water
- Promoting a healthy lifestyle
- Improving workplace safety

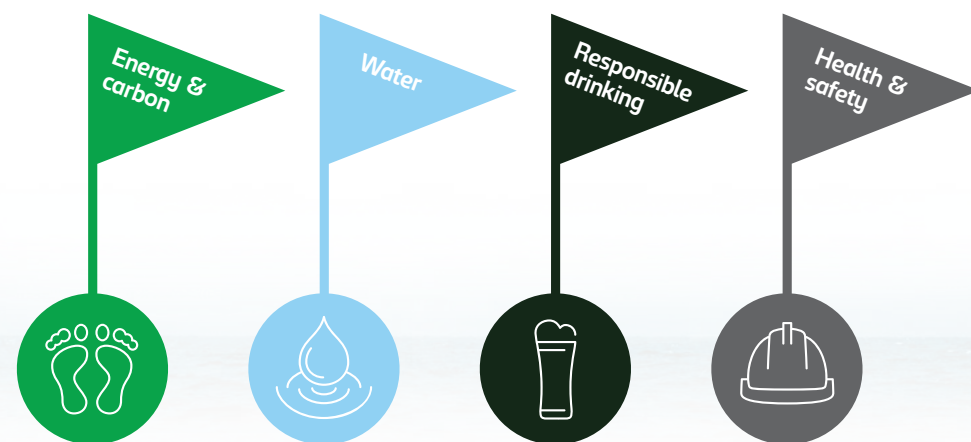
With the support and input of external partners, we are now developing specific targets for each priority to be launched in 2017.

Our determination to contribute harmonises with the global drive for prosperity with lower impact set out in the Paris Climate Accord and the UN's Sustainable Development Goals (SDGs).

We aspire to live up to these global developments. Our sustainability priorities will guide our business actions and how we approach the SDGs. We will contribute to their realisation wherever we have the knowledge and opportunity to do so.

Although new in many ways, Contribute to a better society also builds on the legacy of our founder, J.C. Jacobsen, in that it applies science to make brewing more sustainable.

We believe that business has a leading role to play in developing concepts such as the circular economy or closed-loop practices to drive positive change.



## Four sustainability priorities

One of the priorities of SAIL'22 is Contribute to a better society, and within this lie our four sustainability priorities, shown here.



**STRATEGY**

# Thinking big about the global goals

Companies can use the Sustainable Development Goals (SDGs) in a variety of ways: from shaping their own sustainability programmes to understanding the contribution their business activities make. We want to demonstrate the private sector's central role as agents of change in overcoming these global challenges. Concrete actions, specific targets

Our four priority areas correlate most closely to SDGs 3, 6, 7 and 8, which means we can have the greatest influence on these Goals. As shown here, we focus our attention on the most relevant target for each SDG. Our activities will contribute to the SDG targets to double the global rate of energy efficiency by 2030, substantially increase water-use efficiency, strengthen the prevention and treatment of harmful use of alcohol, protect labour rights, and promote safe and secure working environments for all workers.

We also address two further goals – SDG 12, Responsible consumption and production, and SDG 17, Partnerships for the goals – through our activities to develop more sustainable packaging and build partnerships within the Carlsberg Circular Community (CCC). Read more on page 11. We are identifying ways in which Group activities covered in the Responsible business section of this report impact on SDGs 5, 9, 10 and 16.

Indirectly, Carlsberg influences the remaining SDGs through our impacts on society via business operations along the value chain.

We will elaborate on our contribution to achieving the SDGs when we launch our new sustainability targets later this year. At that time, we will make our intention to “think big about the global goals” even clearer.

## The Carlsberg Group and the SDG's

Work in our four priority areas will strengthen our business, build resilience in the value chain and make a major contribution to global challenges and the Sustainable Development Goals.

### The Carlsberg group sustainability priority areas



**Energy & carbon**



**Water**



**Responsible drinking**



**Health & safety**

### Most material SDG's with selected targets



**7.3** By 2030, double the global rate of improvement in energy efficiency.



**6.4** By 2030, substantially increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater to address water scarcity.



**3.5** Strengthen the prevention and treatment of substance abuse, including harmful use of alcohol.



**8.8** Protect labour rights and promote safe and secure working environments for all workers.

### Sustainable Development Goals that cut across our operations

**12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.



**17.16** Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships.  
**17.17** Encourage and promote effective public, public-private and civil society partnerships.

## STRATEGY

# Circular mindset in the Carlsberg Group

Designing waste out of the system and using resources in continuous loops help minimise environmental impacts. To grow our business and further reduce impacts, we must do even more. In the Carlsberg Group, we call this “rethink” and place it at the core of our 4Rs approach, which includes the familiar 3Rs – reduce, reuse and recycle.

## Rethink

Challenge linear approaches to energy, packaging and water use. Channel waste into other products. Focus on biomaterials.

## Reduce

Minimise weight or change to less impactful packaging materials.

## Reuse

Promote reuse of e.g. packaging materials, by-products and water.

## Recycle

Encourage consumer recycling and increase the recycled content of packaging materials.



**ECONOMY**

# Baltika's economic contribution

An important sustainable development indicator for our business is Baltika's economic contribution in Russia.

## 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 2016 was 7,406 people.

## 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 2016, 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 2016, we generated 78,942 jobs directly and in related industries. Thus, each Baltika employee indirectly creates 10 jobs in related sectors.

In 2016, Baltika created directly and in related industries

# 78,942 jobs

## Jobs distribution



# 10%

Each Baltika employee indirectly creates 10 jobs in related sectors



# 24%

Hospitality sector



# 48%

Suppliers



# 18%

Retail

## ECONOMY

### 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 2016, Baltika's aggregate tax payments to the budget across all levels and non-budgetary funds stood at RUB 65.8 billion. This was RUB 5.4 billion more than in 2015. The increase in tax contribution was mainly due to growth in excise duties payment.

The majority of taxes (91.1%) are indirect taxes, such as excise duties and VAT. The remaining 8.9% 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.

Excise duties  
(bn rub)

# 65.8



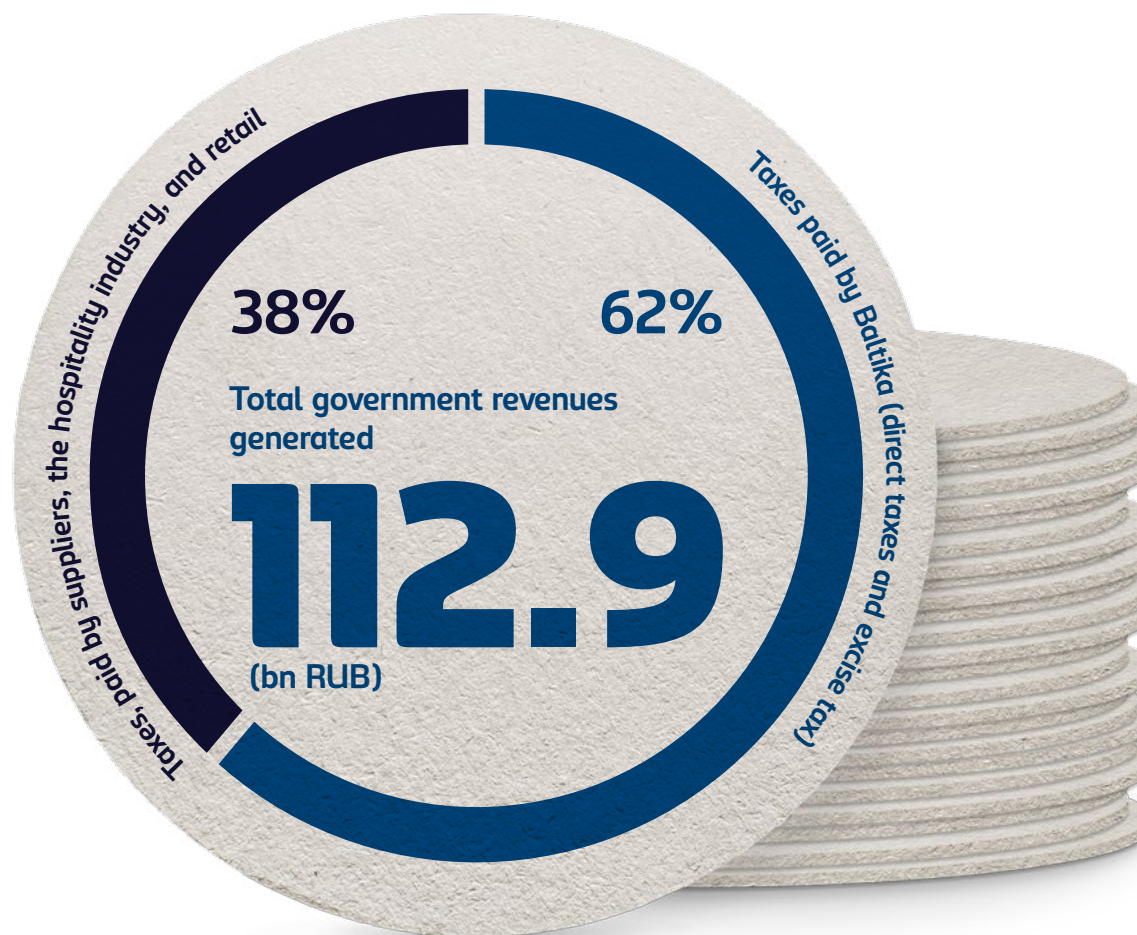
Source: internal corporate data

**ECONOMY****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.

In 2016, Baltika generated RUB 112.9 billion in budgetary revenues across all levels, both directly and via related industries.

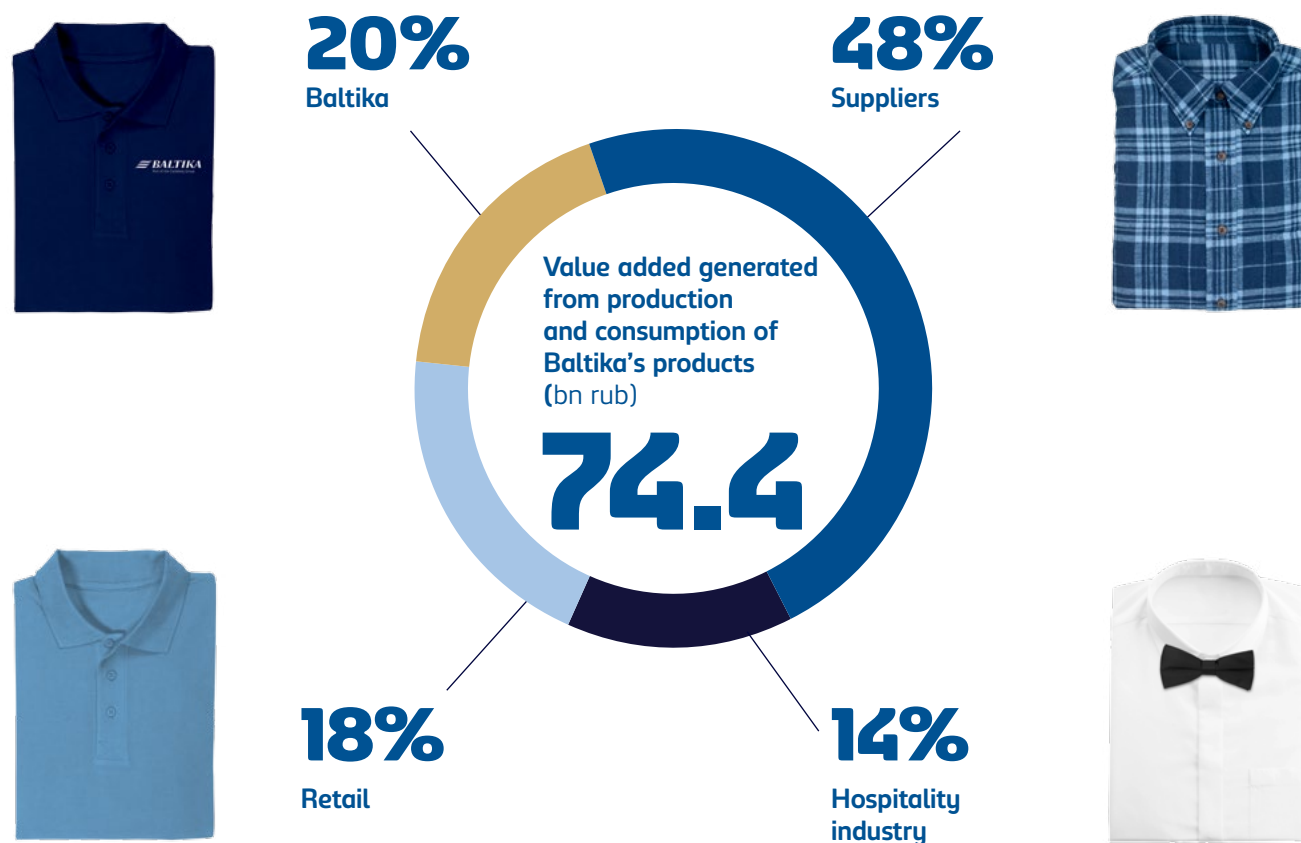
The company's activities indirectly generated RUB 43.4 billion tax proceeds to the government budget by means of payments made by our suppliers, hospitality industry and retail – VAT and individual income tax payments, as well as payments to non-budgetary funds.



## ECONOMY

### 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 2016, the value generated from the production and consumption of Baltika's products was RUB 74.4 billion.



Source: internal corporate data

## ECONOMY

### Investments

In 2016, Baltika's total investment was RUB 3.1 billion, including RUB 1.4 billion in production area.

The investments were made into the production equipment of non-alcoholic beer at Baltika-Samara, acquisition of lift trucks and other machinery, renovation of wastewater facilities at Baltika-Khabarovsk, design engineering of wastewater facilities in St. Petersburg.

**3.1** bn  
RUB

Baltika's total investment in 2016

Baltika investment volume, bn RUB



# Energy & carbon

Carlsberg Group results 2016



## 28%

Reduction in CO<sub>2</sub>  
emissions since 2010

We reduce our carbon footprint through efficient use of energy and by transitioning from coal to more renewable energy sources.



## 19

Sites have plants  
that recover biogas from  
wastewater

### 2015-2017 targets

#### Impact reduction

5-10% reduction in relative energy use and CO<sub>2</sub> emissions compared with 2014.

#### Circularity

17 partners in the Carlsberg Circular Community.

#### Certifications

3 Cradle-to-Cradle® product certifications.

#### Consumer activities

Annual consumer-facing sustainable packaging activity by all Group companies.

#### Returnable packaging

Improve returnable packaging performance in production and in trade in markets where returnable packaging is part of the long-term packaging strategy.



**ENERGY & CARBON**

# Understanding our carbon footprint

For any company to thrive in a low-carbon world, the starting points are a robust carbon strategy based on solid information and leadership from the top. In 2016, our carbon footprint laid the foundation for building our new carbon strategy and setting ambitious targets in 2017.

## Management approach

Our Executive Committee (ExCom) assumes ultimate responsibility for the Carlsberg Group's carbon strategy and performance, while the Group's Environmental Policy sets standards, provides guidelines on implementing them and lays out reporting requirements for all Group companies. To ensure informed decision-making, for instance, the policy stipulates that all new packaging must undergo a life cycle assessment or Cradle-to-Cradle® Certification. Oversight of packaging lies with the Carlsberg's Group's supply chain, which continuously strives to reduce packaging impacts.

Our approach to carbon management at breweries is threefold:

- Set global standards.
- Implement innovative solutions.
- Drive local improvements.

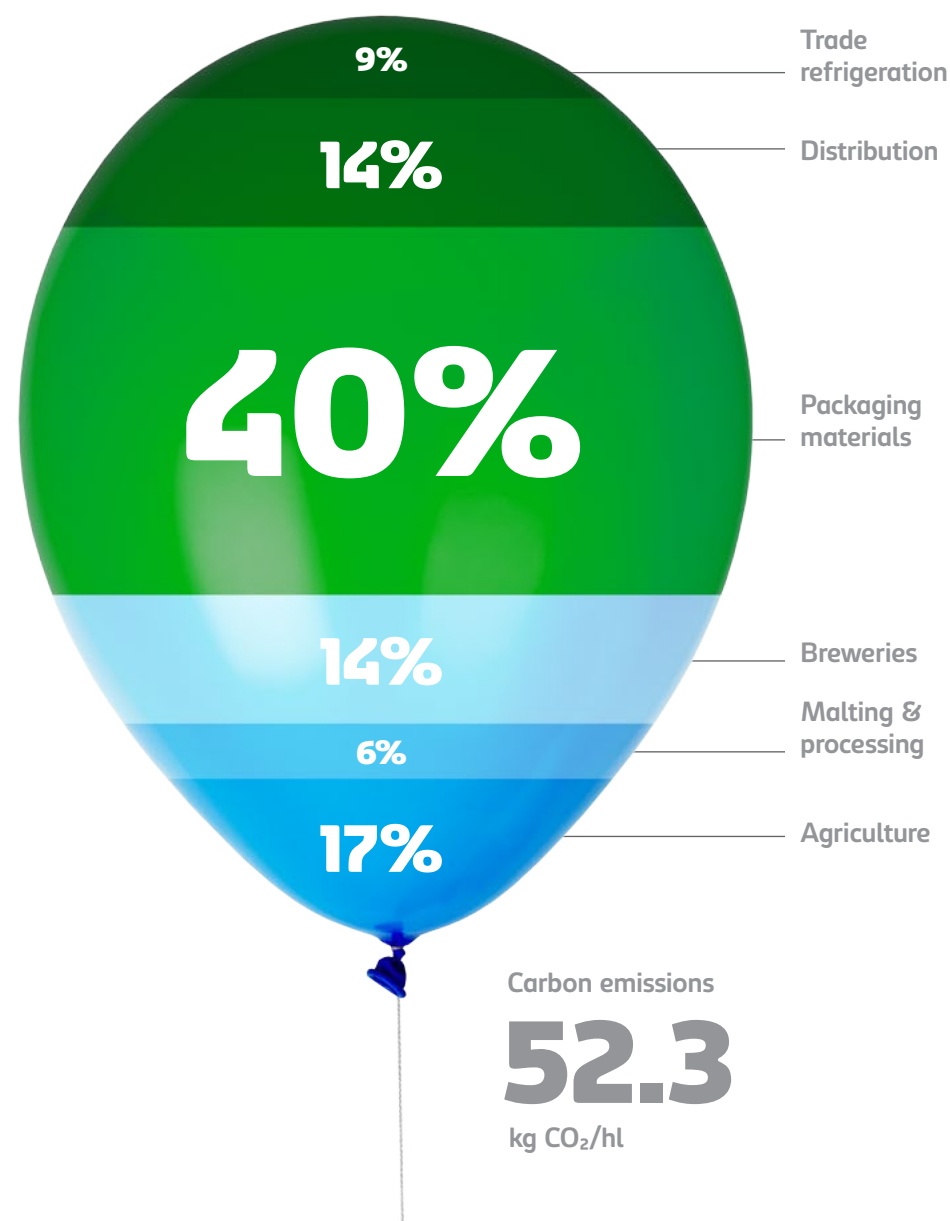
## Baseline carbon footprint

To ensure that our understanding of our carbon impact is both complete and up to date, in 2016 we worked with climate change experts from the Carbon Trust to develop a new baseline carbon footprint of our operations and value chain based on 2015 data.

The Carbon Trust acts as an independent partner to leading organisations around the world, helping them to contribute to a more sustainable future through carbon reduction, resource efficiency and low-carbon technologies.

Our baseline footprint shows that, at 40%, packaging materials make up the majority of our carbon footprint. Agriculture accounts for 17%, while distribution and breweries account for 14% each.

The Carlsberg Group's carbon footprint



## ENERGY &amp; CARBON

# Brewing with tomorrow in mind

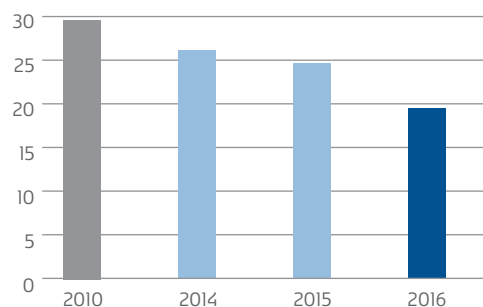
Brewing makes up 14% of the Carlsberg Group carbon footprint. Across the Group, we are continuously striving to improve our energy efficiency. At site level, this involves deploying innovative technologies, such as renewable energy and heat recovery.

Managing energy well is the first step in using it more efficiently. This year, we succeeded in preparing our breweries for ISO 50001 certification. This standard has been implemented at all Baltika's sites.

reduction in specific thermal energy consumption at Baltika's sites in 2016 compared to 2010

## 35%

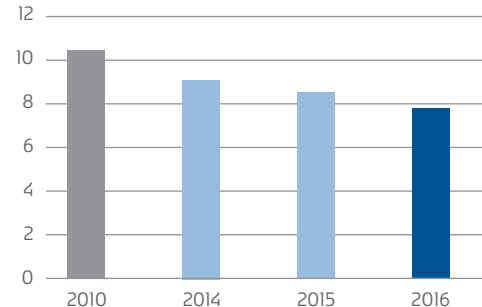
Specific thermal energy consumption (KWh/hl)



reduction in specific electricity consumption at Baltika's sites in 2016 compared to 2010

## 24%

Specific electricity consumption (KWh/hl)



## 16%

reduction in CO<sub>2</sub> emissions at Baltika's sites in 2016 compared to 2010

## ISO 50001

international standard which Baltika applies to ensure production energy efficiency

## 4

Baltika's sites have plants that recover biogas from wastewater

Biogas is extracted during wastewater treatment. Its use allows to reduce CO<sub>2</sub> emissions



## ENERGY &amp; CARBON

# Delivering beer and reducing carbon footprint

Distributing Carlsberg Group products using our own vehicles and those of suppliers accounts for 14% of our carbon footprint. Though small compared to our packaging impacts, we are working hard to drive down logistics emissions and costs by becoming more efficient.

Training, better planning, measurement and control, switching to more efficient trucks and using rail transport where possible all contribute to a decrease in impacts.

In 2016, Baltika continued to improve routing instrument that allows us to manage logistics effectively, ensure delivery of our products to clients on time and save resources.

In the report year, we introduced KPI on fuel usage per 100 km for transport function employees.



## 131,174

litres of fuel was saved by the participants of Baltika's Ecodriving project

In 2016, the company started to install sending units on trucks and cars to control fuel usage



## 4%

increase in railway distribution of Baltika's products which allows to reduce CO<sub>2</sub> emissions



# Sustainable packaging

Packaging types maintain the high quality of our products and protect them during transport. According to the research, packaging currently accounts for approximately 40% of our carbon footprint. We strive to ensure that the packaging we use aligns with our sustainable development goals.

In Russia Baltika started to develop separate waste collection project before the amendments made in the Federal Law "On Industrial and Consumer Waste" stipulating manufacturers and importers responsibility for their products' waste utilization. The company accomplishes initiatives in the area as on the production sites and from the market.

In cooperation with packaging collectors Baltika realizes the project "Benefit your city", which improves recycling and reuse of materials by developing a separate waste collection system in Russia.



**9,000**

tons  
reduction of CO<sub>2</sub> emissions  
due to glass sent for  
recycling in 2016



participate in the  
separate waste  
collection project

## PARTNERSHIP

# Understanding our carbon footprint

Partnering through the Carlsberg Circular Community (CCC) gives us opportunities to innovate around packaging. Its success suggests that the same partnership model could be used to rethink some of the world's major challenges, including climate change and water efficiency.

Creating system change – for example along an entire value chain or redesigning waste flows – requires all the relevant players to be involved. That is why we are working collaboratively to develop the breakthrough Green Fiber Bottle with our new CCC partner, the packaging company BillerudKorsnäs.

Beyond producing a physical product, the advantages of bringing multiple stakeholders together to tackle difficult problems are that it:

- Pools complementary resources.
- Draws on the specific skills and knowledge of partners.
- Allows risks to be shared.
- Creates momentum and economies of scale
- Brings positive reinforcement throughout the value chain.

We plan to leverage the CCC's unique position, experience and learning to deliver and scale solutions to complex sustainability challenges.

Partnership is key to all the SDGs, and the specific focus of SDG17\*, because successful collaboration is one of the essential mechanisms that must be mobilised to deliver all the goals. Consequently, we have put SDG 17\* at the heart of our approach.

One of our aims is to encourage our partners to pass on to their other customers the lessons they have learned through CCC partnership with us. In this way, the ripples of our efforts will reach a far broader audience than we in the Carlsberg Group can possibly hope to reach on our own.

### **Carlsberg Circular Community members:**

Arkema, Ball, BillerudKorsnäs, CP+B, EcoXpac, O-I, Petainer, rkw, WestRock

**\* SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.**



# Water

Carlsberg Group results 2016

## 4

**Sites in India have advanced water recycling technology systems**

In 2016, we also installed evaporators at these sites to remove salts from waste-water.

As water scarcity becomes a pressing problem for more communities globally, Carlsberg Group made it a priority to identify sites in water-scarce areas. The research, carried out with WWF provided a springboard for deepening the Group's water stewardship commitment.



## 9%

**Reduction in relative water consumption since 2010**

More efficient and closed-loop systems drive improvements.



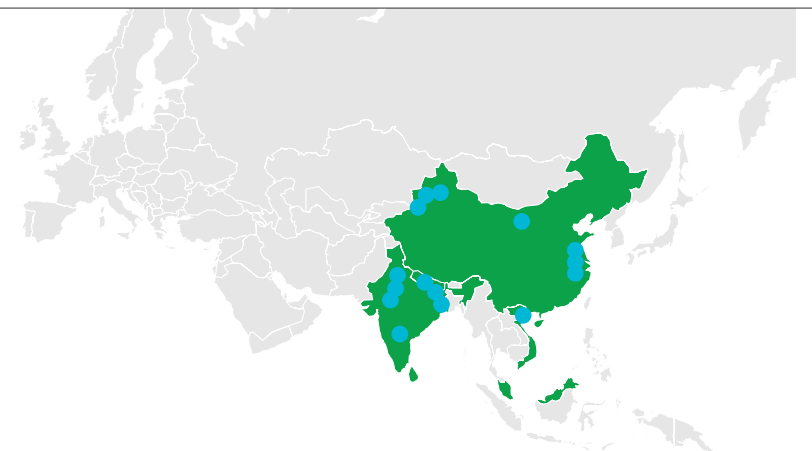
**2015-2017 targets**

**Impact reduction**

5-10% reduction in relative water consumption.

## 15

**Priority sites identified in water risk assessment with WWF**



**WATER**

# Reducing water consumption

In Baltika, we manage water as part of our integrated utilities management standard – a coordinated approach to energy and water efficiency.

In 2016, Baltika continued projects related to water reuse and water reverse supply for technical needs.

Baltika treats wastewater using its own systems and municipal water treatment facilities. In 2016, the company started design engineering of the own wastewater treatment facilities at the sites where we do not have ones.

Last year, at the wastewater treatment facilities of Baltika-Tula we installed a new flotation machine which is one of the important preparation stages before wastewater moves to anaerobic reactor.

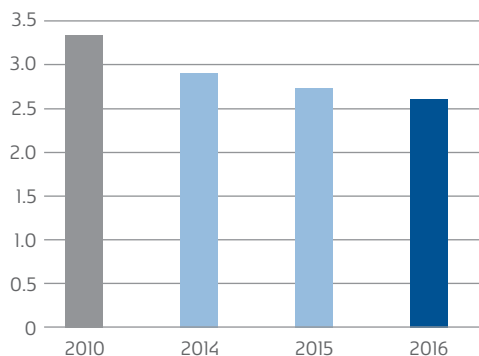
Reduction in specific water consumption at Baltika's sites in 2016 compared to 2015

## 5%

Reduction in specific water consumption at Baltika's sites in 2016 compared to 2010

## 22%

Specific water consumption (hl/hl)



# 240

mln RUB

## Modernization of wastewater treatment facilities at Baltika-Khabarovsk

**Owing to the project the efficiency of the treatment facilities will increase.**

investments in the modernization of the wastewater treatment facilities at Baltika-Khabarovsk in 2016.

Thus, at the anaerobic stage it will be possible to extract more biogas per m3 of wastewater of the Khabarovsk site. Biogas is used as an alternative energy to heat the boiler-house.

In the system of the facilities new equipment has been installed and additional treatment stages appeared. The upgraded complex will start working in 2017.

# Health & safety

Carlsberg Group results 2016

4

Topic Communication packages to support our zero accidents culture

Delivered to all Carlsberg Group production sites to highlight health & safety risks (see page 39).



## PPE

Online catalogues now in use across Europe

Standardising the quality of personal protective equipment.



New policies and procedures

Include Life Saving Rules, which directly forbid high-risk activities.

2015-2017 targets

**LTAR**

Reduce the Group lost-time accident rate by 40%.



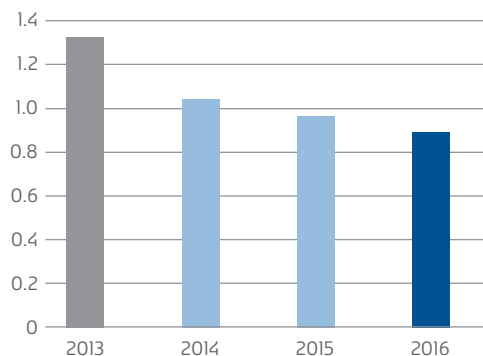
## HEALTH &amp; SAFETY

# Towards a zero accidents culture

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).

**Lost-time accident rate  
(per 1,000 employees)**



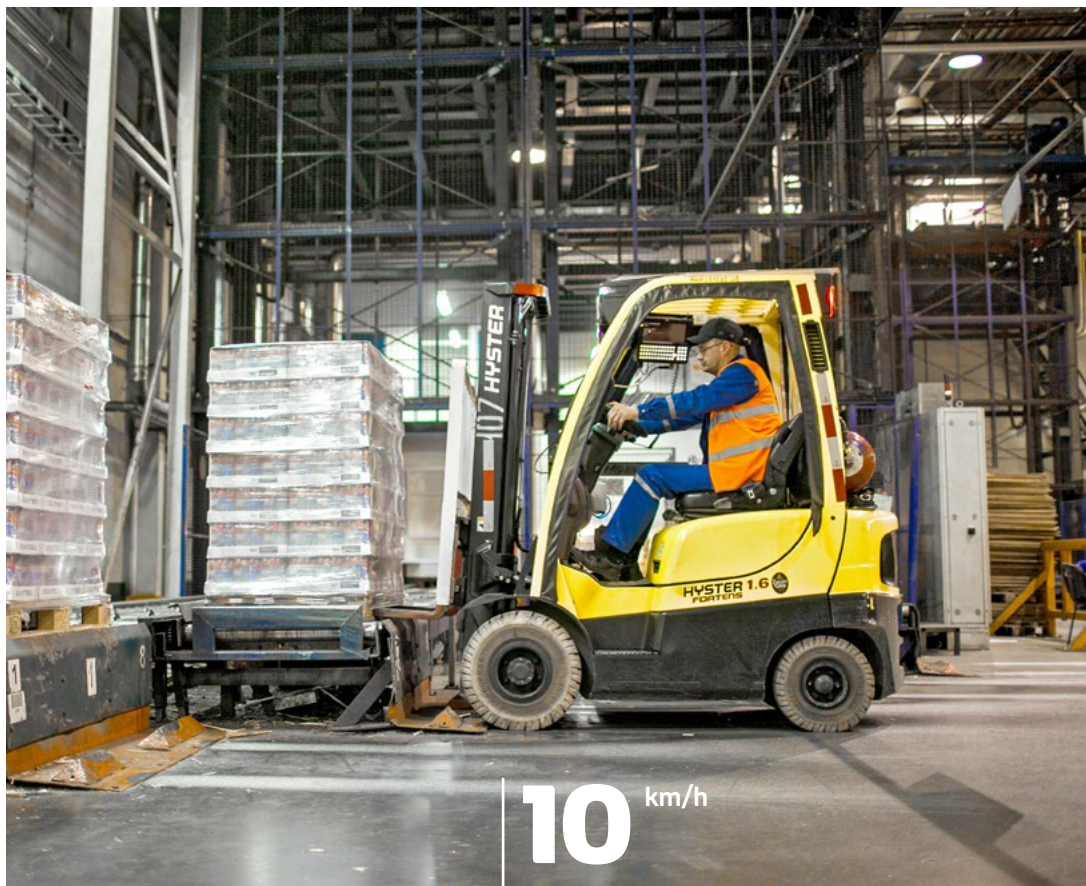
## 2,585

employees successfully undergone training and passed state labour safety test

### Warehouses Safety Standard

At Baltika's warehouses in 2016 we started to implement safety standard. The document includes requirements of more than 20 legislative acts of the Russian Federation, the best international practices in the safety area and expertise of the Carlsberg Group companies.





**10** km/h

## Forklift trucks safety

installation of speed limit sensors on forklift trucks began in 2016

All Baltika's forklift trucks were equipped with safety flashlights alarming that the machine is approaching.

# Protective system for equipment

The company has launched lock-out/tagout (LOTO) programmes. LOTO is a practice that ensures that potentially hazardous machinery and power sources are shut off before operators perform any maintenance or service work, and not re-started until it is safe to do so.

**This measure ensures safety of employees.**



# Responsible drinking

Carlsberg Group results 2016

## 20

Partnerships with external organisations to promote responsible drinking

These included volunteer organisations, industry bodies and private enterprises.



## 25 million

People reached through our activities on Global Beer Responsibility Day

In September 2016, Carlsberg helped organise the second GBRD – a global collaborative effort to raise awareness.

## 50 million

People reached with campaigns to discourage irresponsible drinking

We engaged consumers in debate at sports events such as UEFA EURO 2016™ and music festivals around the world.



### 2015-2017 targets

#### Responsibility messages

All print communication above A4 and digital and TV commercials to carry responsible drinking messages.

#### Responsibility programmes

All Group companies to implement at least one responsible drinking programme.

#### Symbols on packaging

100% of consumer-facing primary packaging to carry responsible drinking information to discourage harmful drinking.

#### Consumer information

80% of consumer-facing primary packaging in Western Europe to carry information on ingredients and nutritional values.

#### Consumer outreach

Annually reach at least 20 million consumers through responsible drinking messaging and campaigns.

## RESPONSIBLE DRINKING

# Promoting responsible drinking of beer

We brew high quality beer and want consumers of the legal age to enjoy our products responsibly and in moderation.

Baltika'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.



# 5

**consumer-facing responsible drinking activities**

held at the music festivals Prostor, Sybirfest, Uralfest, DasFest, Donfest

# 6

**activities to prevent drinking and driving initiated by Baltika in 2016**

# 25,000

**Yaroslavl citizens supported the campaign "Are you celebrating? Do not drive!" within the project "Be Sober behind the Wheel"**



## RESPONSIBLE DRINKING

### The Russian Beer Union introduced voluntary unified marking for non-alcoholic beer advertising

In 2016, the Russian Beer Union (RBU), which Baltika is a part of, introduced voluntary unified marking for non-alcoholic beer advertising to accentuate that the product is non-alcoholic.

The mark was approved by the expert council on advertising of the Federal Antimonopoly Service of Russia. The commitment on voluntary marking was consolidated in the Code of commercial communications for beer-based non-alcoholic products approved by the Union Board on February, 26 2016.

The Code was developed by RBU to regulate design, production and distribution of all types of commercial communications for all trademarks of non-alcoholic beer.

Overall the document contains 12 major principles for promotion of non-alcoholic beer. In particular, commercial communications of participants of the Code must comply with applicable law, the principles of fair competition, business ethics and generally accepted standards of morality. The content of such communications should not be of religious, political or national character or carry information that could offend the feelings and beliefs of certain groups of consumers.



### In 2016, Baltika invested in the development of non-alcoholic portfolio

The development of Baltika 0 brand and other non-alcoholic brands is a part of Baltika's and the Carlsberg Group measures promoting responsible consumption of beer. This is in line with the Concept for State Policy to Reduce the Scale of Alcohol Abuse and Prevent Alcoholism among the Population of the Russian Federation until 2020, as it encourages consumers to gradually switch to non-alcoholic products and reduces alcohol misuse.



# 2,802

participants attended the educational project "Beer Sommelier", developing beer drinking culture

## PARTNERSHIP

# Global Beer Responsibility Day

In September 2016, we ran the Global Beer Responsibility Day (GBRD) for the second time.

This is a worldwide collaborative effort between brewers, retailers, police authorities and NGOs, and its purpose is to promote responsible consumption of beer while addressing the issues around alcohol misuse.

The core purpose of GBRD is to reach as many consumers as possible, and to onboard new partners to help promote responsible drinking. In 2016, a total of 17 Carlsberg markets participated, and our combined activities reached nearly 25 million people. We are particularly pleased that so many of these activities were carried out in partnership with over 20 organisations, including governments, NGOs and business partners.

### Large-scale social campaign in Russia

In Russia for the second time the global initiative was supported by Baltika and the Russian Beer Union (RBU), who continued the campaign "18+ Rules for All, Responsibilities for Everyone".

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

Volunteers visit points of sale, put special stickers and hand out leaflets with rules and legislation information to sales personnel and consumers.

In the report year, the scale of the project increased with 90,000 points of sale reached in 120 Russian cities. The number of partners also rose. The Russian Beer Union and the Retail Companies Association (AKORT) signed the Memorandum of intent to develop partnership and undertake joint measures on preventing underage drinking during the project presentation at the conference "Corporate social responsibility of business: development strategies in Russia" on September, 15 in Moscow. Earlier the Memorandum was signed by X5 Retail Group, Consumers Union of Russia, Union of the participants of beer and non-alcoholic beverages market.

The implementation of the measures developed within the campaign into everyday practices is an important step towards the solution of the problems related to alcohol consumption by minors which also contributes to the achievement of the UN sustainable development goals on prevention of alcohol misuse.

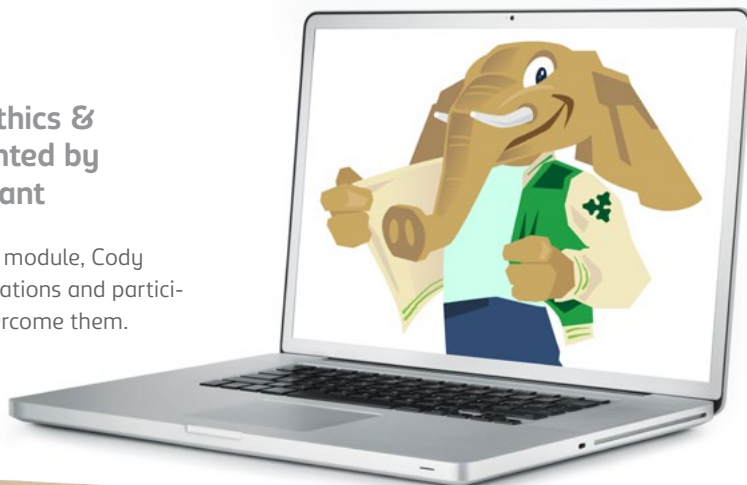


# Responsible business

Carlsberg Group results 2016

## New Code of Ethics & Conduct, presented by Cody the Elephant

In the new e-learning module, Cody faces challenging situations and participants help him to overcome them.



## 2,200

### beer samples tested by our sensory panel in 2016

Experts test against common beer on- and off-flavours such as bitter, sweet, diacetyl (butterscotch) and sulphur.

## About this section

Here we provide an update on several topics that fall outside our four priority areas but were assigned high importance in our 2016 materiality assessment: Labour & human rights, Anti-bribery & corruption, Responsible sourcing and Product quality & safety.

It also covers Community engagement, which is of special interest since we began to develop a new, globally coordinated approach last year.



## Triple A

### Introduction of a new behavioural framework

Currently being rolled out to all employees and embedded in our leadership development and recruitment process.



## RESPONSIBLE BUSINESS

# Product quality and safety

Our company is ultimately judged by the quality of the beers and other beverages we deliver. Supplying safe, high-quality products that our consumers like to drink is always therefore our top priority.

Each product we deliver has a unique recipe, which gives it a distinctive taste, appearance and consistency. We ensure high quality of our products and enhance business-processes.

Baltika 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).

### Product quality

The vast majority of consumers choose our beers, according to consumer preference testing, conducted in 2016. During the test participants are offered to make choice between the samples of Baltika's products and those of competitors.

### Feedback

The company 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).

# 91%

the quality index of our products reached in 2016  
(with a target value of 90%)

# 4.9

(with 5 being the highest possible level) rate of Baltika's feedback in 2016



## RESPONSIBLE BUSINESS

# 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.

The agroproject allows the company's specialists to monitor grain quality at all stages from building of seed stocks to transportation to malt houses and breweries, which guarantees high quality of the Baltika's beers.

In 2016, we held the annual event for our partners – the Field Day, where top specialists in malting barley from Germany, France, Australia, Denmark and Russia shared with the company's suppliers new methods of growing barley.

## Geography of the project in 2016

- 1 Tula region
- 2 Ryazan region
- 3 Lipetsk region
- 4 Oryol region
- 5 Kursk region
- 6 Voronezh region
- 7 Tambov region
- 8 Penza region
- 9 Ivanovo region
- 10 Nizhny Novgorod region
- 11 Bryansk region
- 12 Moscow region
- 13 Omsk region
- 14 Novosibirsk region
- 15 Altai krai



# 79

number of companies participating in the agroproject in 2016



# 100%

of malting barley was purchased by Baltika from domestic producers

## RESPONSIBLE BUSINESS

# Labour and human rights

Baltika's aim is to provide employees with comfortable and safe labour conditions so they can fulfill their potential.

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. In 2016, Baltika allocated RUB 301.3 mln on compensations and benefits for employees.



## >60

learning programmes for 1,359 employees lead by in-house coaches in 2016

## 72%

of vacancies on the key positions filled by the internal candidates

In 2016, within the developed concept for succession planning critically important business positions were evaluated, afterwards the successors' list and individual development plans for employees were prepared.



## 4,116

employees acquired knowledge and new skills as apart of production educational programmes

## RESPONSIBLE BUSINESS

# Live by our Compass

Living by our Compass is one of the key priorities of the Carlsberg Group strategy SAIL22 launched in 2016. This reaffirms our stance on business ethics and understanding of integrity.

In November 2016, we adopted new Code of Ethics and Conduct of the Carlsberg Group. To ensure that the Code's provisions are applied we have improved internal procedures, as well as conducted training for managers.

## Supplier relations

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 and Russian anticorruption laws.

In the report year, we have improved the counterparties screening procedure. Owing to this, we managed to make the process easier for our partners but at the same time ensure high security level for the company.



# 522

**Baltika's employees took part in the training on how to live by our Compass in 2016**

## RESPONSIBLE BUSINESS

# 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.

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 2016, Baltika employees took part in activities, such as: "Beer Patrol," "Be Sober behind the Wheel," the Global Beer Responsibility Day, and various environmental projects.

## Support the Earth Hour

This is 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.

## Green activities at music festivals

In 2016, Baltika organized various volunteering activities at music festivals to promote separate waste collection.



Baltika's employees took part in the volunteering activities

In Khabarovsk, for instance, during the festival Prostor, supported by the brand DV, Ecopatrol was held. The territory of the festival is usually left clean and tidy. This year was not an exception. Every guest could contribute to that. In total more than 500 kilograms of waste was collected by the festivalgoers.

# 8,536

hours our volunteers spent on social projects in 2016



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

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 **BALTIKA**  
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