

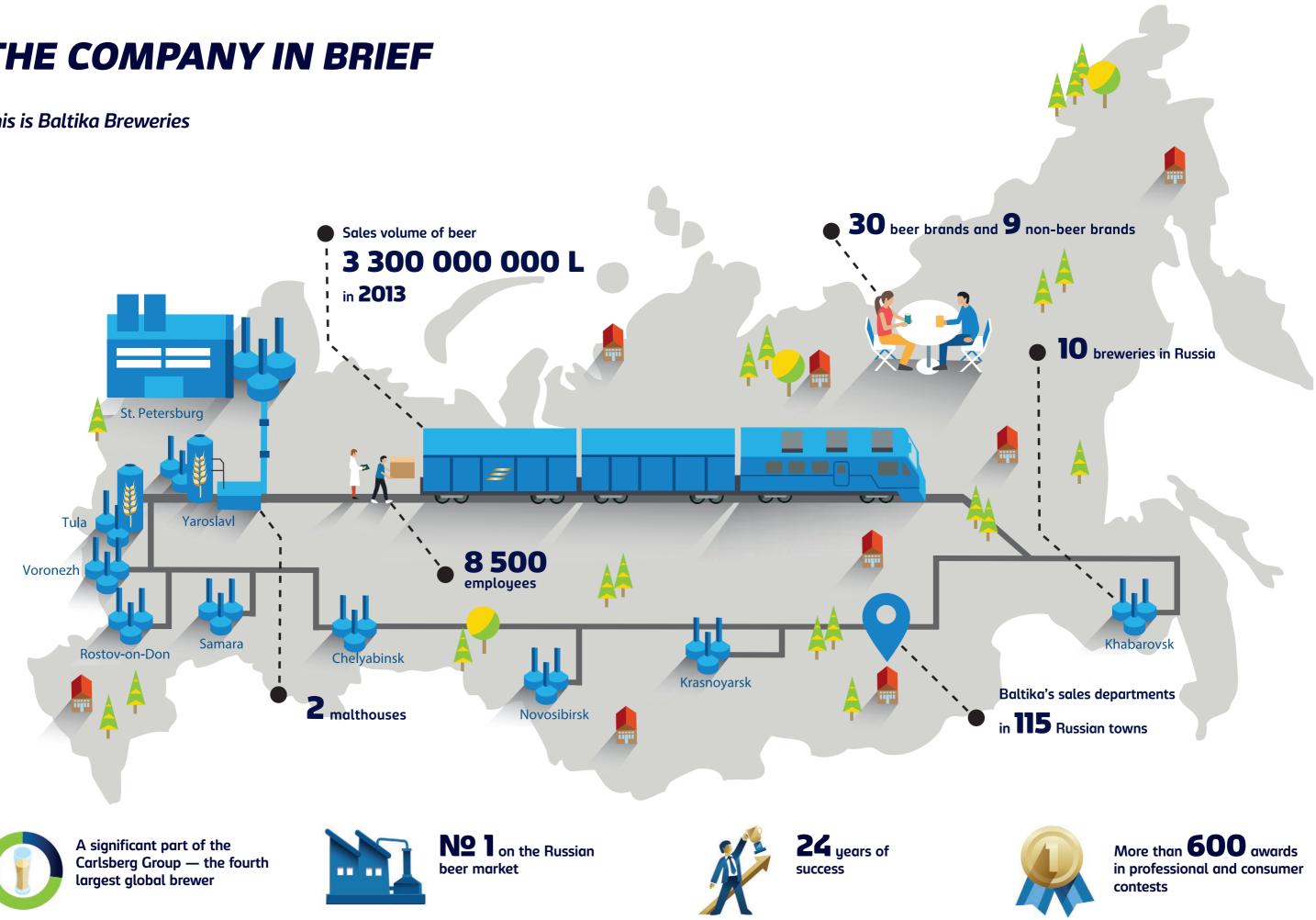


The company i Key events A word from Bo Isaac Sheps Ambition and s Baltika corpora The Russian be The company's Global beer ma Baltika export o Economic value Quality without Agroproject Responsible dri Environment Health and safe Labour and hur Business ethics Community eng Carlsberg Group corporate socia

n brief	3
	5
altika Breweries President	_
	7
itrategy	9
ate social responsibility	11
er market	13
s position in Russia	16
arket in brief	17
activities	17
e generated	18
t compromise	21
	25
inking	29
	33
ety	41
man rights	43
	49
gagement	51
p d rosponsibility	57
al responsibility	31

# **THE COMPANY IN BRIEF**

This is Baltika Breweries



## **KEY EVENTS**

### JANUARY





The exhibition of the 4th International Brewer J.C. Jacobsen Portrait Award was opened. Owing to Baltika's support, Russian artists were able to submit their works to the competition for the first time.



Baltika-Samara celebrated its tenth anniversary. This auspicious date provided the occasion for the signing of a socioeconomic cooperation agreement between Baltika and the Samara Regional Government. The company will participate in regional agro-industrial projects and environmental development programmes, take part in the collection of returnable bottles in the region, and implement local social projects.

MARCH



Baltika Wheat #8 was awarded the bronze medal at the International Brewing Awards 2013, one of the beer brewing industry's most respected competitions. The Baltika variety won in the Wheat Beer category. The annual competition has been held in Britain since 1886. It is considered the Oscars of brewing.

JULY



Baltika signed a cooperation agreement with the Rostov Regional Government. The agreement outlines the prospects of creating an agricultural cluster on the Don, which will produce ingredients for the company, including malting barley.



Baltika's beer brands received seven awards at the International Beer Challenge competition. Gold medals were awarded to Baltika Wheat #8 and Yarpivo: Two Hops, which received top marks in their categories. Five other beers, including Baltika Porter #6, Baltika Original #4, Old Bobby, Zatecky Gus Cerny, and Anniversary Pale Ale, received bronze medals at the International Beer Challenge competition.

AUGUST

### **APRIL**



Baltika's Khabarovsk brewery marked its tenth anniversary by opening the Far Eastern Brewery Museum.



President of Baltika Breweries Isaac Sheps received a diploma from the Danish Export Association, and was honoured with HRH Prince Henrik of Denmark's Royal Medal of Honour for his considerable efforts in promoting and strengthening the biggest Danish investment in Russia. JUNE



Baltika became an International Partner of the St. Petersbura International Economic Forum, which hosted the signing of cooperation agreements between the company, the Yaroslavl Regional Government, and the city of St. Petersburg.

### OCTOBER



Baltika became the first FMCG brand and the only beer brand to be included in the 2013 Ten Most Valuable Russian Brands rating.

### **NOVEMBER**

Baltika unveiled its new corporate visual identity. The company's logo now includes the descriptor 'Part of the Carlsberg Group'.



Baltika is the only company on the CIS FMCG market to be included in the Commonwealth's Top 50 leaders in terms of labour productivity. The ranking, which lists the 50 leaders among large CIS businesses in terms of labour productivity, was compiled by the rating agency Expert RA.

### SEPTEMBER



Baltika, the United Nations Industrial Development Organisation (UNIDO), and Denmark's Minister for the Environment signed a Declaration of Intent to support resource efficient and cleaner production, and sustainable natural resource management.

### DECEMBER



Russia's best bartender was crowned in the All-Russian Baltika Barmen's Cup, organised by Baltika, the official beer supplier of the XXII Olympic Winter Games. The top prize went to Liana Chikhladze from Moscow.



## **A WORD FROM BALTIKA** BREWERIES PRESIDENT **ISAAC SHEPS**

**For Baltika**, sustainable success (to be №1 Now and Forever) is a result of our organisation's ability to achieve its objectives in the long term, with balanced consideration of the needs and expectations of all stakeholders: customers, investors/shareholders. employees, suppliers, partners, and society." Dr Isaac Sheps President of Baltika Breweries Senior Vice President Eastern Europe, Carlsberg Group

### Dear friends.

I am pleased to present to you Baltika's first sustainability report, which covers our corporate social responsibility (CSR) initiatives during 2013.

For us, CSR is one of the key factors enabling our sustainable growth as a company, which means not only being a part of the society we operate in but also contributing to it by meeting its needs and expectations. CSR is fully integrated in the business strategies of Carlsberg Group and Baltika.

Recently, we have launched many initiatives in this area, and have demonstrated good progress.

I would like to mention that 2013 was challenging for the brewing industry in Russia. Despite the drop in the beer market, triggered by tough regulatory measures and an unfavourable economic environment, Baltika managed to demonstrate good performance, increase market share, and continue operating all 10 breweries.

### FOCUS ON OUALITY

Quality is the cornerstone of Baltika's work. Last year we became the first in the industry to develop and implement an Integrated Management System, which includes

a Quality Management System, Environment Management System, Occupational Health and Safety System, and Food Safety System, complying fully with international management standards in these areas.

### INTEGRATE CSR THROUGHOUT THE VALUE CHAIN

In 2013, we developed our Environment Management Strategy Eco-company №1. This strategy includes all of the company's environmental initiatives, such as reducing energy and water

consumption and decreasing CO<sub>2</sub> emissions. As one of our priorities, we have decided to focus on sustainable packaging.

Another of our environmental projects launched last year is related to waste management, and we named it 'Benefit Your City'. Its aim is to identify an optimal separate waste collection system for Russia and reduce environmental impact. We are implementing this project in 11 cities in cooperation with our partners glass bottle collecting operators and local authorities.

For us, the key CSR area was and remains responsible drinking. Traditionally, our employees have taken part in 'Beer Patrols' to prevent selling of alcohol to minors, and 'Don't Drink and Drive' activities to prevent people from driving under the influence of alcohol.

### PARTNERSHIPS

We believe that we can achieve more through strong cooperation between business, society and government, and Baltika continuously promotes such partnerships with a variety of stakeholders.



Baltika signed an agreement with the United Nations Industrial Development Organisation (UNIDO) to invest RUB 1 billion in environmental projects in Russia related to water, climate change, and agriculture.

Over the past year, we concluded agreements with the governments of several Russian regions to cooperate in economic, social, and environmental spheres.

It is crucial for us to be a responsible partner for the communities in which we operate. We are open for dialogue and are grateful for any feedback that will help us improve our work.

Isaac Sheps

# **AMBITION AND STRATEGY**

To operate efficiently on the market, ensuring conditions for the sustainable growth of business and society, the company has created its strategy for 2013–2015. The strategy mirrors the Carlsberg Group strategy, as our company is a significant part of the Group and our development trajectories coincide. At the same time, the specific features of the local market have also been taken into account.

### THE CENTRAL ELEMENT OF THE STRATEGY WHEEL IS BALTIKA'S LONG-TERM AMBITION.



### TO BE №1 IS NOT ONLY A POSITION, IT IS A RESPONSIBILITY

### FOR US, IT MEANS BEING:

- First choice for consumers
- Best partner for customers
- Most attractive employer
- Profitable business for shareholders
- Preferred partner for suppliers
- Most responsible brewer for society

### OUR STRATEGY IS ILLUSTRATED AS A WHEEL WITH FIVE INTERCONNECTED LEVERS THAT SET THE DIRECTION FOR BALTIKA:

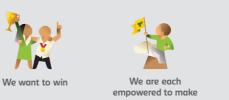
- People
- Consumers and innovation
- Customers
- Efficiency
- Society and reputation

### SCOPE:

- Focus on beer as core
- Selectively pursue market opportunities in support of our beer business

### IN ORDER TO SUCCESSFULLY ROLL OUT THE STRATEGY. WE FOLLOW THE WINNING BEHAVIOURS, WHICH GUIDE OUR EVERYDAY WORK:

- Our customers and consumers are at the heart of every decision we make
- Together we are stronger
- We are each empowered to make a difference
- We want to win
- We are engaged with society





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Our customers and consumers are at the heart of everu decision we make

## **BALTIKA CORPORATE** SOCIAL RESPONSIBILITY

Engaging with society is one of the key principles governing Baltika's work. That is why corporate social responsibility (CSR) is a crucial part of our business strategy.

For us, being '№1 Now and Forever' means going beyond financial performance. We believe leadership goes hand in hand with responsibility. In taking any decision, we consider the impact our actions will have on the environment and society.

Our ambition is to be the №1 socially responsible brewer in Russia. We integrate CSR throughout the value chain. Examples include our efforts to increase energy efficiency at our production sites, sustainable packaging initiatives, and campaigns to prevent sales of alcohol to minors.

### Integrate corporate social responsibility throughout the value chain



In terms of the environment, we focus particularly on reducing CO<sub>2</sub> emissions and our consumption of water and energy, and on sustainable packaging initiatives. The company strives to be the №1 environmentally responsible brewer in Russia (Eco-company №1, for short).

Baltika also aims to be the NºI partner for society. The company's key initiatives in this field include promotion of responsible drinking, being a responsible employer by creating jobs and providing our employees with a good working environment, and support of sport. Our six policies constitute a foundation for our CSR work: Environment, Labour and Human Rights, Health and Safety, Business Ethics, Marketing Communication, and Community Engagement. Each policy is owned by a Baltika employee, who ensures policy implementation, monitors adherence, and drives performance improvement.

Every year, Baltika measures performance against the targets set for each individual CSR policy. Based on the results, the company determines areas for further improvement, and sets new goals.

### BALTIKA CORPORATE SOCIAL RESPONSIBILITY PRIORITY AREAS



## To be Nº1 socially responsible brewer in Russia



This approach has the benefit of making CSR not only a reputational and risk-mitigating buffer but also a strategic driver for business opportunities and future value creation for Baltika and society.

## *№1 partner for society*





Responsible employer



Sport



# THE RUSSIAN BEER MARKET

For many years, the Russian beer market has shown stable rates of growth. Yet annual excise tax increases and tightened state regulations have caused a consistent decline in the market over the last six years. In 2013, the beer market shrank by 7.7%.

The main factors causing these market fluctuations include the ban on alcohol sales at non-stationary points of sale (kiosks and pavilions), as well as on nighttime sales. Although these restrictions went into effect in 2012, their full impact was not felt on the beer market until a year later. Beer consumption patterns are also affected by demographic

shifts, namely a decrease in the 18-to-55 age group. In addition, as consumers switch to other beverage categories, including spirits, the beer market reacts with noticeable shifts.

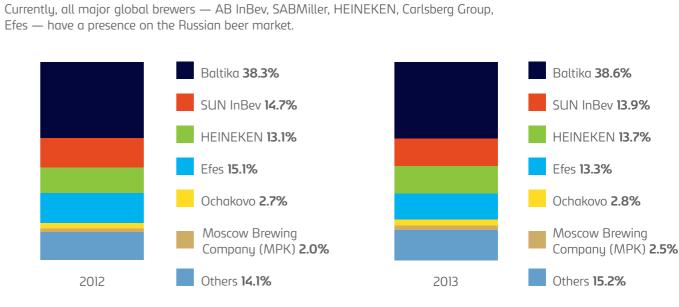
The state of the market has an impact on the leading market players. Three breweries owned by major beer producers were closed in 2013.

Despite these challenges, Baltika has managed to keep operating all of its 10 sites.

Baltika estimates that in 2013, the total volume of the Russian beer market amounted to 83.4 ml hl, 7.7% less than in 2012.



Efes — have a presence on the Russian beer market.



### 2013 CONSUMER TRENDS

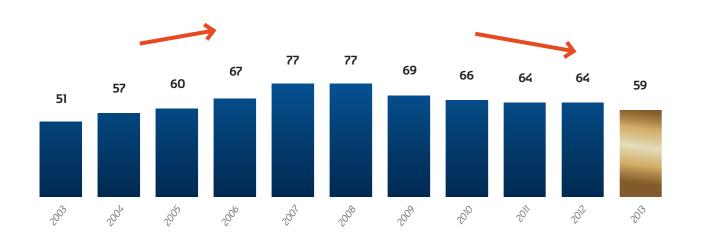
Russia's 2013 macroeconomic indicators performed significantly worse than expected compared with 2012: Russia's economic growth was the slowest among the BRICS member states.

### Russian beer market trends. 2005–2013

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beer market, ml hl	86.3	94.9	109.7	109.3	98	93.9	90.8	90.4	83.4
Change vs previous year, %	6%	10%	16%	-0,4%	-10%	-4%	-3%	-0,4%	-7,7%

Source: Company's internal estimates

### Beer consumption per capita in Russia



Fluctuations of major macroeconomic indicators



The overall state of the economy had a negative effect on consumer behaviour. In the fourth auarter, the consumer confidence index reached its lowest point since 2009. Consumers reduced their spending on major and long-term purchases, and also

tightened their belts on consumer goods. Savings were the only area that showed an upward trend.

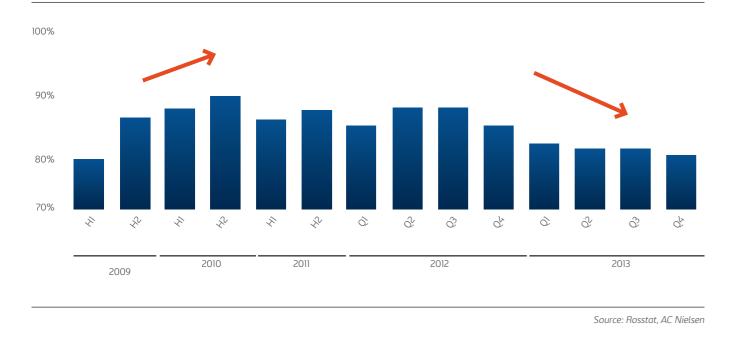
In terms of consumer behaviour with respect to beer, trends show that the demand for high-guality and

Source: AC Nielsen, urban and rural Russia

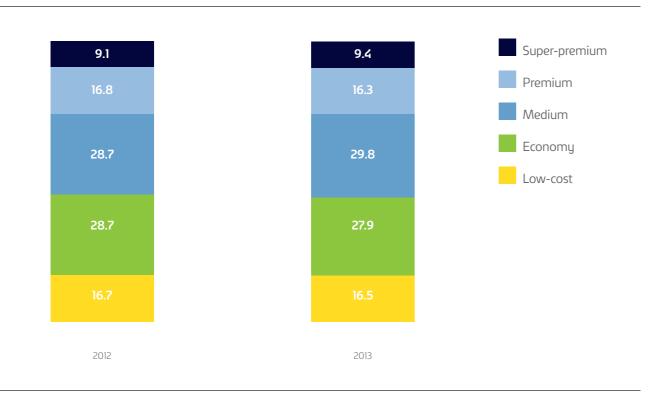
Source: Rosstat/Ministry for Economic Development

special recipes beers increased. In addition, consumers put increasingly more stock in the place of origin and the story behind their purchases. This trend drives up sales of more expensive brands, local and so-called 'nostalgia' varieties, and draught beer.

### Consumer confidence index in Russia, 2009–2013



In 2013, the Russian market saw a decline in the premium segment and growth in the medium segment.



### Beer market composition by price segment, volume, %

Source: AC Nielsen, urban and rural Russia

## THE COMPANY'S POSITION **IN RUSSIA**

Baltika Breweries is an undisputed market leader. In 2013, Baltika improved its positions in Russia and remained the country's largest player. According to AC Nielsen, at 38.6%, the company's market share in 2013 was more than double that of its nearest competitors.

The company's primary shipments decreased by 6.8% last year, reflecting the same factors that affected the overall beer market.

Baltika's in-market sales (i.e. distributors' sales to retail) reached 33 ml hl in 2013. 31.7 ml of which were beer sales.

In the non-beer category, sales fell by 4%. At the same time, in-market sales of Flash Up, the second most popular energy drink on the market with a 24% share, increased by 2.5%.

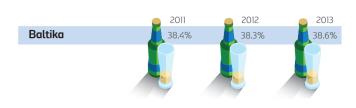
### BALTIKA BRAND PORTFOLIO





It is also worth noting the strong growth in sales of Zhivoy Ruchey water -27% compared with the previous year. However, Baltika's market share in this category is still small (0.5%).

### Fluctuations in Baltika's market share in Russia. %



Source: AC Nielsen, urban and rural Russia

# **GLOBAL BEER MARKET IN BRIEF**

Russia's beer market is the world's fifth largest by volume. In 2013, the country's per capita beer consumption was 59 litres.

Beer consumption per capita 2013 (forecast), L					
Czech Republic	144.1				
Germany	105.4				
Ireland	102.8				
Estonia	101.5				
Poland	101.0				
Austria	99.1				
Slovenia	89.9				
Romania	88.5				
Lithuania	88.3				
Belgium	84.9				
Russia	59				

Leading countries in terms of beer market volume 2013 (forecast), ml hl

China	525.7
USA	238.5
Brazil	138.7
Germany	86.3
Russia	83
Mexico	70.7
Japan	61.5
United Kingdom	43.7
Poland	38.6
South Africa	37.1

Source: Euromonitor, company internal estimates. Top 10 + Russia

Source: Euromonitor, company internal estimates. Top 10 + Russia

## **BALTIKA EXPORT ACTIVITIES**

Baltika is Russia's largest beer exporter. The company's products are sold on virtually every continent, in 75 countries around the world.

~ 70% Baltika's share of Russian beer export

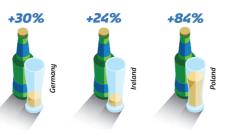


The key brand in the company's export portfolio is Baltika. In addition, the company's brands are produced under licence in Azerbaijan, Germany, Kazakhstan, and Ukraine.

In 2013, the export volume of the company's brands reached 2.9 ml hl: 7.9% of the total sales volume of Baltika's brands. Baltika continued to expand its distribution network. Last year, the company began to export beer to Thailand, and renewed exports to Bulgaria and Panama.

Baltika is the only Russian brewer to be awarded the Halal certificate. This has allowed the company to improve the performance of its non-alcoholic portfolio on the growing Middle Eastern markets.

THE COMPANY'S SALES ON THE STAGNATING EUROPEAN MARKETS SHOWED DOUBLE-DIGIT **GROWTH**:



The most successful markets last uear were in Latin America. Sales of the company's beer brands increased in all countries of the region. Chile showed the most dramatic increase, with 35%.

## ECONOMIC VALUE GENERATED

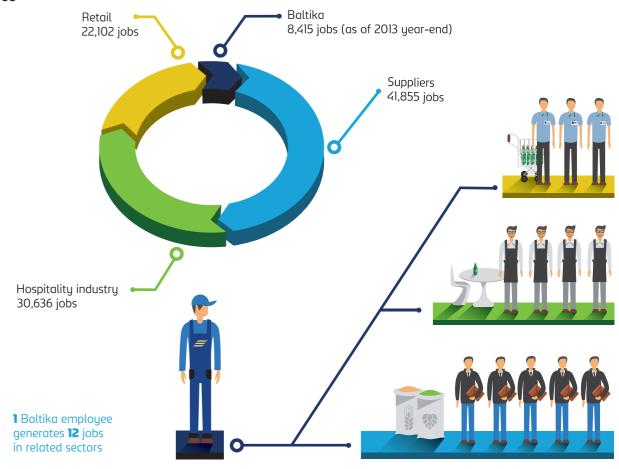
Baltika is one of the largest FMCG companies in Russia. Its business activity has a positive impact on the economies of the regions in which we operate.

As a part of the Carlsberg Group, Baltika attracts investment into Russia. The Group has invested more than USD 13 bn since the 1990s.

### **FMPI OYMENT**

With 10 breweries in different parts of Russia and a broad distribution network, Baltika creates around 8,500 jobs directly within Production, Logistics, Sales and Marketing and Administration. In 2013, personnel costs amounted to

### Total employment, number of Baltika employees (direct) plus total number of jobs created in related sectors (indirect/induced): 103.008





- RUB 8 bn (including salary budget, compensations and benefits).
- Baltika's activity is integrated into the diverse value chain, and its impact is direct as well as indirect and induced. In addition to its many direct employees, Baltika also generates employment in related sectors in connection with the production, sale and marketing of beer. The indirect and induced contribution to employment is generated through purchases in industries such as agriculture, packaging and logistics as well as induced employment in the hospitality and retail sectors.

Source<sup>,</sup> REGIOPI AN

### ECONOMIC CONTRIBUTION

Baltika is one of Russia's largest taxpayers, providing a considerable share of the tax revenue in the cities where it operates. The company's total 2013 tax payments to budgets at various levels and to extrabudgetary funds amounted to RUB 70.8 bn.

Baltika's business generates added value for the company itself (direct impact) as well as for related sectors (indirect/induced impact). This added value pays employees' wages, and rewards lenders and entrepreneurs for their investments.

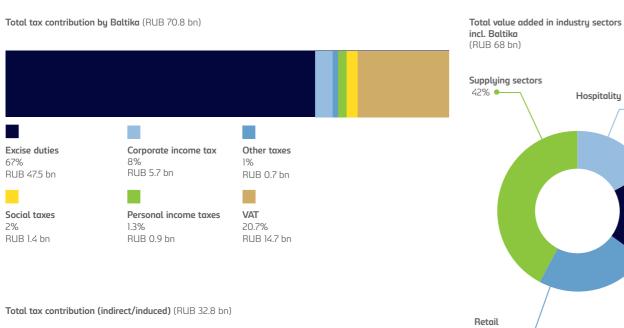
Based on calculations by EY, in 2013 Baltika indirectly generated RUB 32.8 bn through income tax and social contributions from employees, supplier and retail/wholesale employees, VAT and hospitality.

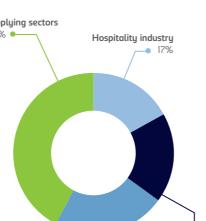
The company's total contribution to government revenue in 2013 amounted to RUB 88.2 bn, including excise duties, corporate tax, income tax and social contributions and other taxes paid by Baltika and its employees directly and VAT revenues, income tax and social contributions

from employers and employees in the hospitality and wholesale/retail sector, resulting from the sale of our beer (induced contribution).

Our direct and indirect/induced economic contributions have a positive impact on the societies in which we operate. We are aware that we have a responsibility to continue to develop and grow our business in a way that benefits Baltika as well as the environment and society upon which we depend for future growth.

### Economic contribution to government





23%

Baltika

18%

VAT withheld by hospitality and retail RUB 25.9 bn

79%

Income tax, payroll tax and social security contributions all sectors (suppliers, hospitality and retail) RUB 6.9 bn 21%

### **INVESTMENTS**

In 2013, major investments focused on maintaining production capacities, energy efficiency and environmental projects. Here are some of the initiatives implemented over the last year:

- Upgrade of rail wagons for transportation of the finished product.
- Upgrade of the wastewater treatment facilities in 2. Baltika-Yaroslavl (1 stage).
- 3 Spent grain drier installed in Baltika-Samara.
  - Energy efficiency projects in Baltika-Samara and Baltika-Yaroslavl (2013–2014).
  - Increasing efficiency of the bottling lines.
  - Upgrade of part of the high-tech equipment in the production laboratories.



and owners of the points of sale in the traditional trade channel. with which the company works. The Club serves as a platform to build a constructive dialogue regarding important issues for our partners' businesses, and for Baltika itself, and to share knowledge, experience and up-to-date information.

### PARTNERS' CLUB

The company boasts a wide distribution network and via its partners, supplies its products through 98% of Russia's points of sale. We help to raise the qualifications and level of awareness of our partners' employees in order to contribute to the sustainable development of their business.

In spring 2013, Baltika launched the Partners' Club for employees Baltika's employees conduct seminars where participants learn new methods of interacting with customers, discuss recent changes to legislation and how to apply new standards, etc. We also invite distributors to visit our breweries and get acquainted with the beer brewing process.

In 2013 the Partners' Club embraced 700 points of sale in 15 Russian cities: Moscow, Nizhniy Novgorod, St. Petersburg, Krasnoyarsk, Novosibirsk, Khabarovsk, Ekaterinburg, Kazan, Perm, Tyumen, Ufa, Chelyabinsk, Krasnodar, Rostov-on-Don and Sochi.



Total volume of the company's investments



"We cooperate closely with Baltika and have taken part in the Partners' Club events with great pleasure. It was very useful to get updates taxes and changes to legislation. We have already put into action everything we learned, and it helps us a great deal. We made use of information on shop decor. It is great that Baltika not only supplies popular beer, but also helps our businesses."

Inessa Khrustaleva Manager of Unifrost shop St. Petersburg

# **QUALITY WITHOUT COMPROMISE**

Due to increased market competition, quality has become one of the key factors behind the company's further development. Baltika experts know full well that to ensure success and sustainable growth, the company should switch its focus from product quality and satisfying consumer demand to take a broader view: ensuring organisational quality and meeting the demands of all stakeholders."

**Dr. Isaac Sheps**, President of Baltika Breweries, Senior Vice President Eastern Europe, Carlsberg Group, Member of the International ISO/TC 176 Committee

Quality without compromise — one of the main tenets behind Baltika's work. The company is committed to providing all resources needed to produce and deliver products at the highest level of quality, to fully complying with all product and process requirements at all production stages and, therefore, to meeting all the needs and expectations of our consumers, customers and other stakeholders in a balanced way.

### ORGANISATIONAL QUALITY

In 1999, Baltika became one of the first companies in Russia to be certified as compliant with the ISO 9001 quality management system standard.

Today, the company has a fully implemented integrated management system (IMS), which covers several ISO standards: ISO 9001 (Quality Management System), ISO 14001 (Environment Management System), OHSAS 18001 (Occupational Health and Safety Management System), and ISO 22000 (Food Safety Management System).

The IMS is a crucial tool for ensuring Baltika's sustainable growth and development. It helps management systems within the company to deliver top results. The IMS is based on three types of processes: management, product life cycle, and resource supply.

The IMS significantly lightens the pressure on the company by decreasing the number of audits and amount of documentation, as well as by setting priorities more clearly.

All Baltika functions responsible for quality have been united under the umbrella of the Quality Management Department, which monitors the company's internal processes and eliminates redundant functions. The department creates an integrated plan that includes employee training, comprehensive internal audits, and developing the company's management systems.

Paying especially close attention to meeting the needs of all stakeholders, Baltika has decided to move from a functional management approach to a process approach. The process-based approach allows the company to drive efficient cross-functional collaboration and enables employees to work as one team towards common strategic goals. Such a transition has great potential to improve company performance at all levels, therefore implementing a process approach is one of the company's key initiatives for the near future.



### BALTIKA RECEIVES IQNET CERTIFICATE

In June 2013, Baltika received an IQNet certificate as one of the most successful certified partners of the international quality management certification network, recognised in 35 countries.

This was the second time that the company confirmed the compliance of its management systems with high international standards. In 2003, Baltika was the first in the industry to receive the IQNet certificate and stamp of approval. In 2013, Baltika became the first company to take part in a study of the economic benefits of standards conducted by the International Organisation for Standardisation in cooperation with the Federal Agency on Technical Regulating and Metrology. The results of the study were presented at the plenary meeting of the 36th ISO General Assembly, which convened in September 2013 in St. Petersburg.

The experts focused specifically on five key business functions: procurement, logistics, production, distribution, and service.

Dr Daniele Gerundino, Strategic Adviser to the ISO Executive Secretary, summed up the study results. "Baltika observes rigorous standardisation", he noted. "Standards are a key instrument for ensuring the high quality of ingredients and quality of the company's products. They also serve as drivers for the constant improvement of business processes. As the leader on Russia's beer market, Baltika has put into practice over 200 GOST state standards and a few ISO standards."



### Baltika strictly monitors the quality of its product at every stage



Baltika has developed clear-cut

### PRODUCT QUALITY

The high quality and safety of Baltika's products are the result of constant quality control at every stage of production and distribution, from raw ingredients and supplies to compliance with expiration dates at points of sale and consumer feedback.

As raw ingredients are the foundation of the finished goods, it is crucial to approach ingredient selection responsibly, as the first step in guaranteeing a high-quality product.

This partially explains why the company began growing its own barley, which measures up to European varieties in quality. Today, it is harvested by the participants of Baltika's agroproject. This accounts for a significant part of the company's consumption of barley, an essential beer brewing ingredient. Baltika owns two malthouses in Tula and Yaroslavl, where barley is prepared for the next production stages.

guidelines for dealings with external raw ingredient suppliers, which include quality requirements and supply terms. We give top priority to partners who supply product that complies with or exceeds these requirements. The company inspects trial deliveries of raw ingredients in order to determine whether the potential contractor's product meets the promised quality standards. Hops, malt, and any materials that come in contact with the product are subject to these inspections. Inspection results determine whether a contractor's bid to act as a Baltika supplier is approved or denied.

The company has also implemented an incoming audit procedure at its breweries: a sample from each shipment of barley is analysed at an in-house laboratory to determine whether all aspects of its quality comply with state and corporate standards.

Baltika holds a certificate confirming that its beer brewing processes are compliant with the Food Safety



Management System (FSMS), which is based on the principles established by the HACCP (Hazard Analysis and Critical Control Points) system, one of the leading food safety and quality management models in the world.

Baltika's modern laboratories monitor beer quality using dozens of criteria and parameters, in accordance with GOST, Carlsberg Group and European brewing convention requirements. In addition to analysis in the company's in-house labs, the product is inspected by certified third parties.

Product quality is monitored in **1,300** points of sale in **10** Russian cities monthly.

More than **1,000** employees are engaged in such audits.

The finished product, its transportation, warehousing, storage and maintenance of the correct temperature conditions are also inspected for compliance with the company's internal standards and legal quality indicators.

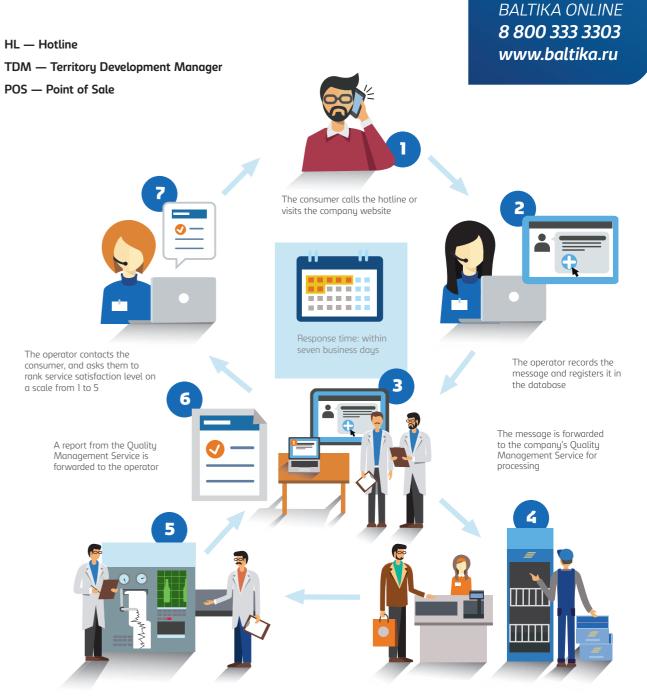
Owing to its rigorous quality control procedures, Baltika has been allowed to forego sending its products to the Carlsberg Laboratory in Copenhagen for taste testing.

### BALTIKA ONLINE

Feedback is an important part of Baltika's quality management system. We provide all stakeholders with an opportunity to express their opinion of our products, services, or other issues related to the company.

Baltika's consumer and customer feedback system is designed in compliance with the ISO 10002 standard (Quality Management — Customer Satisfaction).

Anyone wishing to contact the company may call our hotline on 8 800 333 3303, or visit our website at www.baltika.ru. Once a request is received, it is forwarded to the company's specialists, who will undertake any necessary research, then a reliable and qualified answer is provided. No question submitted



The recalled product undergoes lab tests for all quality parameters at the nearest Baltika brewery. Based on the test results, the lab issues a report

to Baltika remains unanswered. In 2013, the company's response time was reduced from two weeks to seven business days. We have also expanded the list of topics about which you may wish to contact us. In addition to product quality, we welcome comments and suggestions on environmental issues, our reputation and so on.

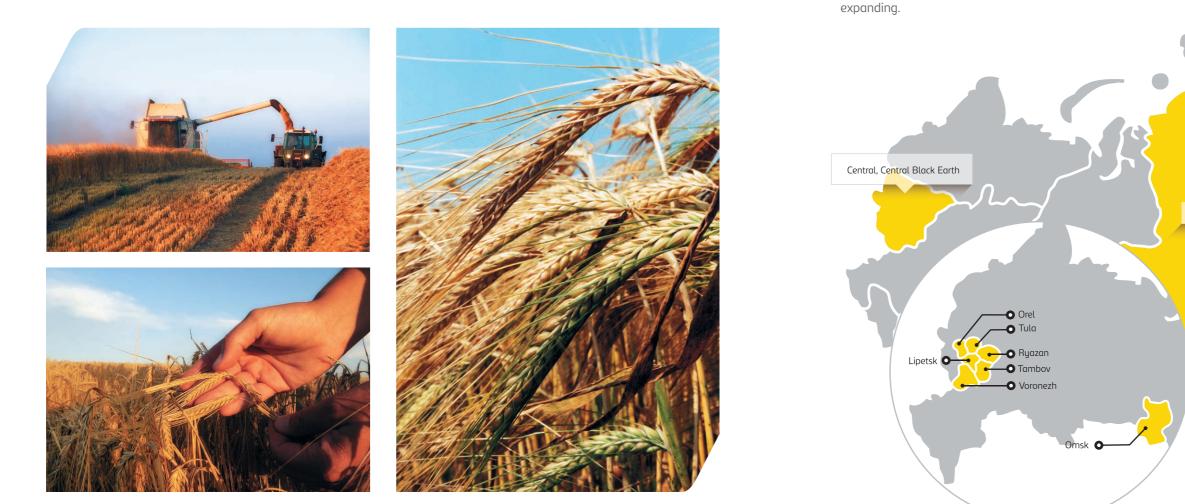
Notification is received by the TDM, who: - recalls the product from the POS and replaces it via the distributor distributor - ensures that the consumer receives the new product

QUALITY WITHOUT COMPROMISE 24

# AGROPROJECT

As a responsible brewer, Baltika has been keen to create a sustainable model for supplying its production facilities with raw materials and other resources. Since 2005, the company has been developing its own agroproject to cultivate malting barley. This allows the company to ensure that it has the required volume of high-quality raw materials and lowers its dependence on imports. Baltika is among the first brewers in Russia to build its own raw materials supply base.

Annually, Baltika purchases approximately 30% of all malting barley produced in the country. We get a significant proportion of our barley from companies involved in the agroproject. In 2013, Baltika bought 204,000 tonnes of malting barley: 10 times more than in the project's inaugural year. One of the social aspects of the project is its contribution to the development of agriculture and small business: it creates approximately 15,000 jobs across Russia, including Siberia and the Far East.





In 2013

79

agricultural

companies

participated in the

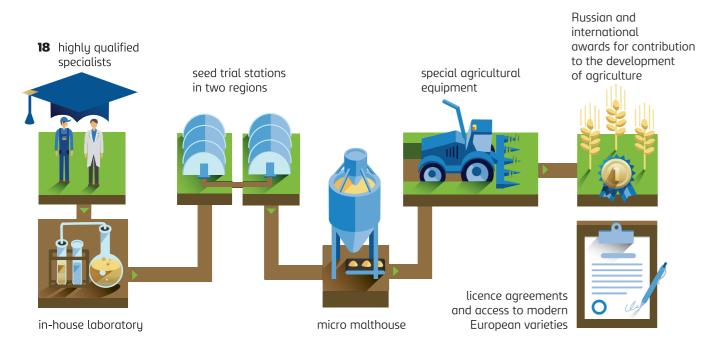
GEOGRAPHY OF THE AGROPROJECT

204,000 tonnes of malting barley purchased by the company



participants included agricultural companies from these regions.

### BALTIKA AGROPROJECT TODAY



Barley produced by our agricultural project partners must meet a list of

specifications. Its quality significantly exceeds state standards. Baltika's research centre uses its own micro malthouse and microbrewery allowing us to monitor grain and malt quality at every stage of production, from the field to shipping to our malthouses and breweries.

### SUPPLIER RELATIONS

Baltika signs supply contracts with carefully selected local agricultural companies, which become members of the company's ongoing cooperation system. Our experts oversee adherence to technologies at every stage of malting barley production, from seed stock maintenance to crop storage. For their part, farmers make the commitment to produce high-quality barley that meets the company's stringent demands. Baltika guarantees its suppliers that it will purchase certain volumes of barley at a fixed price, ensuring that partners have a steady income and predictability in the development of their business.

In 2013, 27 new partners signed up to collaborate with Baltika. The total number of agricultural companies taking part in the project reached 79.

Baltika supplies its agricultural project partners with highquality seed stock, introduces them to new agribusiness technologies, and offers an opportunity to consult with our experts.

The company offers its suppliers top-of-the-line seeds of the most promising varieties following careful study and approval by our Quality Management Department. Each year, approximately 20,000 tonnes of seeds are sown within the framework of the agroproject.

Our experts take part in monitoring the cultivation process, the quality of crop processing, and grain elevator storage conditions. Technologies used in the cultivation of malting barley are tested in laboratories and in the field. For example, Baltika experts analyse the soil and, based on the results, develop farming schemes, including recommendations for optimal doses of fertilizes. This allows our suppliers to produce high-quality barley, while at the same time minimising fertiliser use to reduce their environmental footprint.



### INNOVATIONS IN BREWING

Baltika's agricultural project has introduced Russia's farmers to modern varieties of Null-LOX barley, produced at the Carlsberg Research Centre using conventional breeding techniques. It is not a genetically modified organism (GMO) and does not contain enzymes that accelerate staling processes. These varieties significantly improve the beer's ability to preserve its taste qualities. The first variety, named Chill, was entered in the State Registry for Selection Achievements in 2012. The seeds were first bred in Denmark, then in Russia. Later they were provided to the top agricultural companies in Tula, Lipetsk, Ryazan, Tambov, Vladimir, and Ivanovo regions.

In 2013, our country saw the first harvest of Chill barley: it produced a high yield with a very low protein content, which is crucial for the beer-brewing process. As a result, Baltika decided to expand the acreage used to grow Null-LOX barley in the near future (this variety took up 26,000 hectares in the reporting year).

Cheerio, the second variety of barley bred using the Null-LOX techniques, was entered in the State Registry in January 2014. This year, we plan to import 15 tonnes of top-of-the-line Cheerio seeds from Denmark to Russia and roll out a seed production programme for this variety.

## **RESPONSIBLE DRINKING**



*Baltika produces a large portfolio of high-quality beer brands. We want adult consumers to enjoy our products responsibly and in moderation.*"

Maxim Lazarenko, Vice President, Marketing

Beer is a natural low-alcohol beverage with centuries-long traditions. It has been enjoyed by people around the world for hundreds of years, and has become a part of the cultural and economic life of society. No matter the occasion, responsible and moderate beer consumption can be a great pastime for adults as they enjoy the company of their friends and family. Carlsberg Group and Baltika recognise that excessive alcohol consumption has an adverse effect on the body and can damage a person's health. We strive to be part of the solution by promoting responsible drinking and have introduced measures aimed at:



Preventing underage drinking

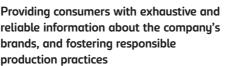


Preventing drinking and driving



Enlisting the support of retailers to reduce harmful drinking





Expanding the marketing codes of practice

Developing the beer consumption culture

In crafting its marketing messages, the company is guided by Russian law and the laws of the countries in which it operates, its corporate marketing communications policy, and other regulatory documents.



The Code requires brewers to strictly adhere to the current advertising legislation, and suggests additional voluntary restrictions on beer marketing. The Commercial Communications Code Oversight Council, which consists of independent experts, was formed specifically to monitor companies' compliance with the Code.

Another important beer industry document is the Cooperation Agreement to Promote Responsible Beer Consumption and Additional Measures to Monitor Compliance with the Legislation Prohibiting the Sale of Beer to Minors, signed in 2011 between the League of Bartenders of Russia and the producing sector, represented by the Union of Russian Brewers and Baltika Breweries. The signatories agreed to monitor the compliance of public catering establishments with the ban on sales of alcohol to underage consumers, prevent excessive beer consumption by adult consumers, and inform them of its dangers, and to promote responsible and moderate beer consumption. The company also signed similar agreements with bartenders' associations in a number of Russian cities.

### BEER PATROLS

'Beer Patrol' is Baltika's initiative to prevent underage drinking. The first activities were implemented in 2008.

"Our employees have distributed stickers and memo cards to shop assistants in more than 1,500 points of sale. It is important that it is not just sales personnel who are aware of the ban on selling alcohol to minors. Every young customer, when purchasing excisable products, should accept that it is a requirement for assistants to request that they prove their age."

**Andrey Kuznetsov**, head of Baltika sales department in Novosibirsk

Since then, the project has grown into a veritable movement in many Russian cities.

The goal of the patrols' volunteers is to remind shop assistants of the legislation prohibiting sales of alcohol to minors, to inform consumers that they must show proof of age, and to alert the public of the need to stay vigilant in observing these rules.

The activities include placing special 'Are you 18? Prove it!' stickers in points of sale across the country, as well as handing out special memo cards to retail employees, reminding them that they have a legal right to demand proof of age from consumers.

The company's efforts are supported by monitoring bodies, municipal administrations, the Department of Internal Affairs, and by public organisations.

In 2013, initiatives were implemented in St. Petersburg, Moscow, Barnaul, Kemerovo, Novosibirsk, Tomsk, Sochi, Volgograd, Voronezh, Tula, and many other cities. The 'Beer Patrols' have increased their scale. For instance, patrol participants visited approximately 1,000 points of sale in St. Petersburg and 500 shops in Moscow, while Baltika employees, representatives of other brewing companies, and volunteers visited over 3,000 points of sale in Novosibirsk Region and Altai Territory.



### DON'T DRINK AND DRIVE

This project is aimed at reminding drivers that drinking and driving is incompatible. The project includes a wide variety of initiatives, from roundtables with Main Directorate for Road Traffic Safety officials to flash mobs and motor rallies through the streets of Russia's major cities, including Moscow, St. Petersburg, Samara, Rostovon-Don, Yaroslavl, Tula, Yekaterinburg, Chelyabinsk, Novosibirsk, Krasnoyarsk, Khabarovsk, and Voronezh.

Eight 'Don't Drink and Drive' initiatives were held in 2013. For example, more than 1,000 stickers with the project's logo were placed on Tula's public transport vehicles, while participants handed out approximately 25,000 special ribbons to the local residents. Stickers and ribbons were distributed in the city's points of sale, bars, cafes, and restaurants.

In Chelyabinsk, the project saw a poll conducted at the city's Sibneft 74 petrol stations on the subject of road safety, driver attitudes towards alcohol thresholds, drunk driving laws, and punishments applied to violators.





In addition, drivers were offered an opportunity to take a blood alcohol express test. Poll results were discussed at a roundtable that brought together business representatives, driving school instructors, car racing enthusiasts, and ordinary drivers. Approximately 300 Chelyabinsk residents took part in the initiative.

First of all, this is a preventive initiative to decrease drinking and driving incidents. Every driver on the road should understand that he is responsible not only for himself but also for his passengers, pedestrians and other road users. We have tied these ribbons to demonstrate our civil position and as a reminder that drinking and driving is unacceptable. I hope that Tula residents will follow the example and will remember that sobriety behind the wheel is the law."

**Odisei Kutsurov**, Minister of Transport and Road Facilities, Tula Region



Odisei Kutsurov, Minister of Transport and Road Facilities, Tula Region, ties a 'Don't Drink and Drive' ribbon on his personal car.



### RESPONSIBLE SPORTS FAN MANIFESTO

The company also promotes responsible beer consumption as part of its sport club sponsorship. In December 2013, for example, the company spearheaded the signing of the Responsible Sports Fan Manifesto at a meeting between players and trainers of the Avtomobilist Hockey Club and their fans, which was supported by Baltika.

The Manifesto was ceremonially signed by the team's coach, Evgeny Mukhin, and Chairman of the club's fan organisation Vasily Kirpichnikov, and was presented to the Avtomobilist Hockey Club's museum.

### **BEER SOMMELIER**



One of Baltika's notable initiatives to promote beer consumption culture is an educational programme, Beer Sommelier, comprising a series of lectures presented by famous Russian and international beer brewing experts. Project participants have a chance to learn about brewing technologies, variety classification, and beer presentation etiquette. They are also invited to beer tastings, where they can feel like real sommeliers.

The lectures are presented by distinguished brewing experts:

**Sigrid Stretkvern** (Norway)

Jeff Evans and Peter Brown (England)

Rasmus Kronborg and Wolfgang Lindell (Denmark)

*Martin Dickie* (Scotland)

and many other Russian and international experts



The Manifesto states that sports fans support fair play and responsible behaviour on and off the ice; respect other hockey clubs and their fans; and finally, remember that beer must be consumed in moderation, and that you should never drive a car under the influence of alcohol.

In 2013, the programme welcomed residents of Novosibirsk, Krasnoyarsk, Voronezh, Tula, St. Petersburg, Moscow, and Yekaterinburg.

You can find more information about upcoming Beer Sommelier lectures in your city on our social network pages at *vk.com/beer.sommelier* and *facebook.com/beeresommelier*.

## **ENVIRONMENT**

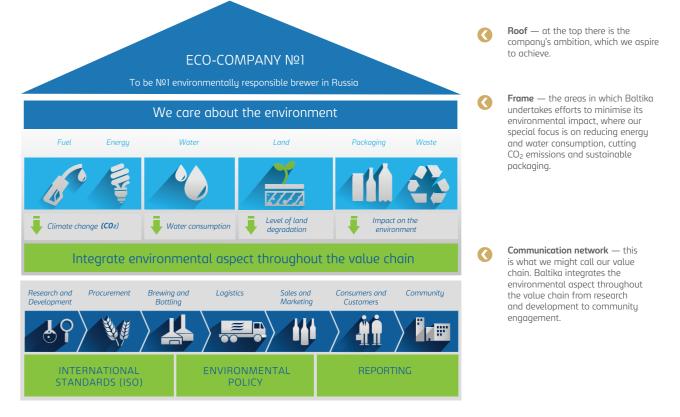


We realise that Baltika's operations have an environmental impact. Moreover, in many ways, our production is directly affected by the environment. We brew our beer from ingredients that are sourced directly from nature. Therefore, we are always looking for ways to minimise our environmental footprint."

Alexander Dedegkaev, Vice President, Supply Chain

COMPANY

Baltika has set an ambitious goal: to be the №1 environmentally responsible brewer in Russia (Eco-company №1). We present our environmental strategy symbolically as a home (see illustration). By limiting our natural resource and energy consumption, and reducing greenhouse gas emissions and waste at our production sites, we help preserve our planet, which is home to billions of people.



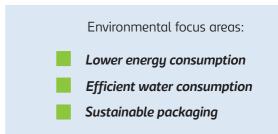
Foundation — based on three blocks: ISO 14001 Environmental Management Standard - Environmental Policy - Reporting: we are constantly tracking our progress on environmental issues, setting our goals, and developing new projects accordingly

### ENVIRONMENTAL MANAGEMENT SYSTEM

The company is committed to following the approved corporate Environmental Policy, refining our Environmental Management System (EMS) in compliance with the ISO 14001 Environmental Management Standard, and maintaining regular records on how we are meeting our targets in order to map out our progress and keep our stakeholders informed of our results.

Our Environmental Policy sets out the standards which apply to the company's operations; they drive our journey towards achieving our strategic ambition. The company also observes Russian environmental protection legislation. We take the environment into account in our investment and procurement activities, and engage in an open and constructive dialogue about the environment with all of our stakeholders.

Baltika integrates the environmental aspect throughout the value chain: from pre-production research and development to working with consumers who purchase our products and with the public as a whole. Today, for example, the company is working with the Carlsberg Research Centre to develop drought-tolerant malting barley in order to reduce our water consumption.



In 2012, Carlsberg Group and Baltika signed a Memorandum of Understanding with the United Nations Industrial Development Organisation (UNIDO). The parties agreed to implement a number of major environmental protection projects in Russia over the next five years, and pledged a total of RUB 1 bn for this purpose. These projects will tackle water conservation, agriculture, and climate change.

# **RUB 257 ml** invested by Baltika in various environmental protection measures in 2013

To regularly track our progress on reaching our longterm targets, we use an approved list of environmental performance indicators. We generate annual reports on the results of our activities, and look for room for improvement.

### Baltika has cut its specific consumption since 2010





Thermal energy (kW\*h/hl)

Water (hl/hl)



## 11% 🖡





Electricity (kW\*h/hl)

CO<sub>2</sub> emissions (kgCO<sub>2</sub>/hl)

12.9% **į** 



In 2013, the company has proved that its Environment Management System complies with the GOST R ISO 14001-2007 (ISO 14001:2004) standard. In their final report, the auditors especially noted Baltika's active resource conservation and packaging recycling efforts, as well as the company's 'The Seven Rivers' environmental initiative, implemented with the support of the Sochi 2014 Organising Committee.

### ENERGY CONSERVATION AND ENERGY EFFICIENCY

Baltika strives to use all sources of energy as effectively as possible. This is our contribution to conserving the planet's non-renewable energy resources and fighting climate change.

The company implements energy conservation programmes, and has an energy consumption monitoring system in place. We analyse opportunities to introduce modern energy-saving technologies, including best practices shared within Carlsberg Group. We have installed automated energy consumption control, monitoring and management systems at all of Baltika's production sites.

In 2013, we began implementation of the Energy Management System, which complies with the ISO 50001 standard, as part of the long-term Energy Management project. This will help us continuously improve our performance in all areas, from business process organisation, modernisation of our production facilities, and use of innovative technologies to encouraging our employees to offer initiatives in this area.



Throughout the reporting year, the company continued to roll out full-scale replacement of the traditional lights used in its production sites with luminescent lights, cutting energy consumption by an estimated 40% compared with traditional light bulbs.

In 2013, all Baltika breweries finished replacing control valves in their ammonia refrigeration systems (ARS) in order to keep minimum condensation pressure. These systems are the company's largest consumers of electricity. Every year, this project allows us to reduce consumption by up to 3.1 ml kW\*h.

The company's alternative energy initiatives distinguish Baltika from other Russian brewers.

Baltika's Khabarovsk, Samara, and Yaroslavl sites reuse biogas produced by the water treatment facilities as an alternative energy resource for their boiler plants, significantly reducing their impact on the environment.



### EARTH HOUR

For the last six years, Baltika has supported the annual global Earth Hour initiative spearheaded by the World Wildlife Fund (WWF). The aim of the event is to draw public attention to the problems of global warming and climate change. Our breweries from St. Petersburg to Khabarovsk switch off their power for one hour as part of the event, with the exception of the most essential functions required for safety and uninterrupted production. Many Baltika employees and their families switch off lights and household devices at home. Other Carlsberg Group companies also observe the Earth Hour.



Biogas is 75% cleaner than diesel fuel and 50% cleaner than petrol.

Our Krasnoyarsk, Samara, Khabarovsk, Chelyabinsk, and Novosibirsk breweries use Dry Cooler cooling systems that pump in cold outside air in the winter. In addition, the Novosibirsk site completely switches off its cooling compressor system in the winter.

Another type of alternative energy used by Baltika is solar power. The Baltika-Khabarovsk site heats the gym and recreational facilities for its employees all year round using a set of 9 kW solar batteries, saving 1,200 kW of electricity every year and reducing its central heating load.

In 2013, the company unveiled the Ecodriving project, which is aimed at teaching lorry drivers how to conserve energy while driving in order to lower fuel consumption and reduce CO<sub>2</sub> emissions. At the time of writing, 100 drivers from eight Baltika breweries have already completed the training.

### WATER CONSUMPTION AND TREATMENT

Our goal is to use water sensibly and efficiently in order to preserve our long-term water resources. Fresh water consumption optimisation remains an important global issue considering population growth and climate change issues.

Over the last decade, Baltika has implemented more than 30 water conservation projects totalling over RUB 1 bn.

## Baltika's major water conservation measures:

### Wastewater treatment

## Water circulation and use of wastewater for technical needs

Launch of the latest technologies, equipment, and materials

Baltika treats wastewater using its own systems and municipal water treatment facilities. The company has built powerful biological treatment plants at its Samara, Khabarovsk, Yaroslavl, and Tula sites. The water treatment process involves several technological stages: aerobic, anaerobic, and so on.

In 2013, we launched our Tula water treatment plant, which can process

up to 6,500 m<sup>3</sup> of water per day. We plan to build biological wastewater treatment plants at all our sites by 2017.

We also operate rainwater treatment facilities at the sites in St. Petersburg, Samara, Tula, Khabarovsk, Yaroslavl, Chelyabinsk, Novosibirsk, and Rostov.

To reduce water consumption, Baltika's breweries are switching to water reuse and circulating systems for technical needs. In addition, we are working on efficient use of withdrawn water. Initiatives in this area include optimising the operation of bottle-washing equipment and clean-in-place procedures at our fermentation and filtration facilities, collecting water used by the bottling lines to be reused in cooling compressors, and reusing water applied to wash filters.

### WASTE MANAGEMENT

Baltika is constantly working to reduce the amount of waste produced by its breweries, and to increase the share of reused and recycled materials (including packaging). A separate waste collection system is in place at all of the company's sites.

The main waste product of the brewing process is spent grain. Baltika reprocesses spent grain into a dry compound that is later used as a livestock feed, as well as a fertiliser. Spent grain drier systems are operating at Baltika's St. Petersburg, Tula, and Samara sites. The latter launched its spent grain drier line in 2013. Other biological waste (yeast, grain waste) is also used as livestock feed.

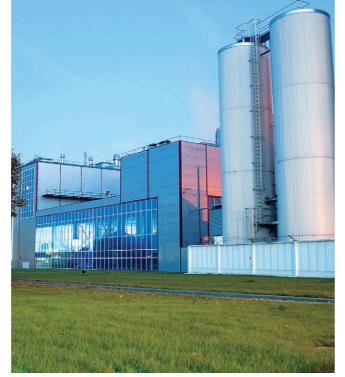
### SUSTAINABLE PACKAGING

Baltika and Carlsberg Group want to build up our resilience and prepare for future growth in a business environment that is facing an increase in the scarcity of natural resources. We are aiming to develop solutions that benefit not only our business, but also the environment and society.

The company is continuously optimising the utilisation and recycling of various types of packaging. We are constantly working with our suppliers to lower packaging weight and thickness in order to conserve natural resources and reduce CO<sub>2</sub> emissions. Over the last decade, for example, Baltika has been searching for, testing, and launching innovative printed shrink-wrap films. As a result, we have lowered the thickness of our shrink-wrap from 80 to 60 microns. In 2013, we also worked towards decreasing the weight of our 51 g PET preform BPF. By changing the preform neck, we reduced the weight of our preforms by 1.5 g, from 50.5 g to 49.05 g. We expect to save approximately 100 tonnes of preform over the course of the year. Baltika is also working on an initiative to lower the weight of our returnable glass bottles.

For several years now, Baltika has been a leader among brewers in terms of use of returnable glass bottles. Every year, the company collects and reuses millions of bottles that would otherwise end up in landfill. By doing so, we help to cut charges for household waste disposal and reduce environmental impact.









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 packaging materials by channeling the material into other products.

### BENEFIT YOUR CITY

Baltika follows the principle of extended producer responsibility. In 2013, the company initiated the 'Benefit Your City' project, which aims to identify an optimal separate waste collection system in Russia.

Baltika applies a cluster approach to the project framework, and engages waste operators as well as packaging producers and waste recycling companies. The company acts as a guarantor of recycling volumes that creates favourable conditions for the partners to invest and develop the required infrastructure. Such an approach is beneficial for all and has a positive impact on the economy of a particular region, as well as on the environment. Thus, returnable glass bottles go back into the production cycle whilst unsuitable glass is recycled.

In 2013, the project embraced 11 cities: Rostov, Nizhny Tagil, Yekaterinburg, Yaroslavl, Voronezh, Novosibirsk, St. Petersburg, Omsk, Chelyabinsk, Khabarovsk, and Kursk.

In 2013, Baltika purchased 477 collection containers; 472 containers were joint investments between Baltika and partners. In total, around 1,000 new collection points have been organised (glass bottle bins and buy-back centres).

### IN 2013, THE PROJECT YIELDED THE FOLLOWING RESULTS:



collected returnable glass bottles reused at Baltika Breweries

~1.000

separate waste collection points organised

Prime Minister of the Russian Federation Dmitry Medvedev approved Baltika's environmental projects, which were presented to him at the 'Ecology of Russia' exhibition.

Baltika will be eager to share the results obtained during the project with all stakeholders in order to use this experience in developing a state system for production and consumption waste management.



Baltika President Dr Isaac Sheps and Danish Environment Minister Ida Auken kickstart the project at the Severnaya Dolina housing estate in St. Petersburg







particularly on RGB

collection as well as

cullet, which we will

factories the company

works with to produce

resources. Six tonnes of

remelted cullet used in

production reduces CO<sub>2</sub>

emissions by one tonne.

Glass can be recycled

an unlimited number of

saves more than

THE EXTENDED PRODUCER **RESPONSIBILITY PRINCIPLE** 

Materials supplier



# CLUSTER APPROACH IN IMPLEMENTING

## HEALTH AND SAFETY



Safety comes first — one of Baltika's top principles. We go beyond requiring that our employees follow rules and instructions: we promote a corporate culture in which every person accepts responsibility for his or her own life and health, as well as for the safety of colleagues."

Dmitry Vizir, Quality Director

Baltika believes it is of paramount importance to ensure the safety of its employees and contractors, making people's lives and health its top priority. We are guided by the highest health and safety standards, and committed to reaching our main goal: zero accidents.

The company's success and future largely depend on our employees. We are continuously improving our health and safety management system, creating a safer working environment, and conducting personnel training. We approach each incident as a chance to seriously examine ways of ensuring it will never happen again. The number of lost-time accidents decreased by **11%** in 2013 compared with the previous year

### SAFETY STANDARDS

Baltika is governed by the laws of the Russian Federation, its corporate Health and Safety Policy, and internal regulatory documents. The health and safety management system implemented at the company's breweries is based on common principles, and is compliant with the OHSAS 18001:2007 International Standard for Occupational Health and Safety. During the reporting year, the Baltika-Pikra brewery was the first to receive the compliance certificate. In 2014, we plan to certify our management systems at all other Baltika breweries.

To assess our management practices, we regularly perform inspections and audits for occupational health and safety compliance, and organise Complex Occupational Health and Safety Days. In 2013, for example, 1,532 inspections were held, during which auditors observed and evaluated practical implementation of the company's approved safety standards.The Complex Occupational Health and Safety Days involve evaluating and developing theoretical knowledge (as part of seminars) and practical skills (as part of measures such as fire drills).

Baltika's latest initiative is the 'Safety comes first' project, aimed at enhancing each employee's and subcontractor's level of responsibility at every stage of work. As part of the project, employees form initiative teams, discuss ideas, and submit proposals for ways to change and improve the company's health and safety measures and increase safety at their workplace. If a proposal is approved, employees are directly engaged in its implementation.

We conduct assessments of on-site workplaces (special evaluation of work conditions) and ongoing training of employees and managers at various levels.

In 2013, the efforts of Baltika specialits in Rostov, Krasnoyarsk, and St. Petersburg were marked with various health and safety, fire safety and civil defence awards.

### WORKING CONDITIONS

One of the crucial areas of the company's operations is the evaluation of working conditions in its production facilities with regard to lighting, dust, noise, ventilation, and other aspects. Our breweries are in large part highly technologically advanced facilities. Whenever we discover shortcomings, we develop measures aimed at eliminating them, and include them in our plan for the following year. To prevent employee injuries caused by working with equipment, we regularly monitor the technical maintenance of our machinery. Administrative workplaces are equipped with modern office equipment that has no negative effects on human health.

In 2013, the company revised its personal protective equipment (PPE) allowance. We now provide our employees with improved work clothes developed specifically for Baltika in compliance with all Russian legislative requirements and best international practices. We select PPE based on our employees' opinions of which protective kit is most convenient to use. For example, the Baltika-Samara brewery held a 'Save Eyes' competition organised by the brewery's Health and Safety Service in cooperation with a safety goggles manufacturer. The manufacturer supplied the company's production floors with various types of safety goggles. For the next three months, employees were able to select the most suitable goggles based on their work conditions and personal preferences.

### TRANSPORTATION SAFETY

Baltika's logistics models involve large volumes of shipments, including ground transportation. To improve ground transportation safety in 2013, the company developed and rolled out the 'Alert Driving' programme, aimed at training employees in safe driving techniques. The programme allows employees to take an interactive computer course consisting of 20 modules. Each part of the course determines shortcomings in the driver's training and offers methods to eliminate problematic areas.

We conduct quarterly corporate driver testing focused on knowledge of traffic laws and rules. In addition, all Baltika corporate vehicles bear special stickers with a hotline number that can be used to report traffic violations by employees directly to the company. This measure is intended to enhance the level of personal responsibility assumed by employees.



### DECREASE INJURIES

Baltika's systemic approach to improving health and safety procedures has already yielded positive results. Over the last five years, the number of lost-time accidents (LTA) has decreased by 44% across all of the company's breweries. In 2013, we managed to lower the number of LTA by 11% compared with 2012.

In 2013, 47% of all accidents involved logistics employees; 29% involved production employees; and 24% involved sales, marketing, and administrative employees. We will continue our efforts to ensure safe working conditions.





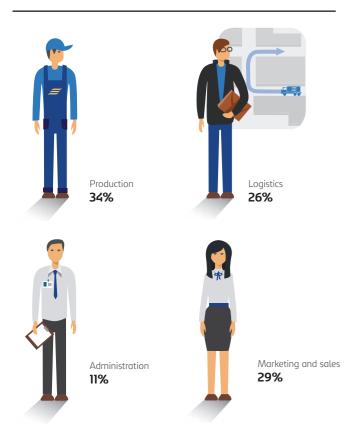
# LABOUR AND HUMAN RIGHTS



The company's success is impossible without the effort of every employee, especially in an environment of constant change and ambitious goals. We strive to be an effective company, where anyone can unlock leadership and professional talent. To achieve this, we need to develop our people and grow together as a team, both employees and the company."

Nadja Minde, Vice President, Human Resources

Employees, by function



One of Baltika's key goals is to be an attractive employer. That is why the 'People' lever is at the top of the company's strategy wheel.

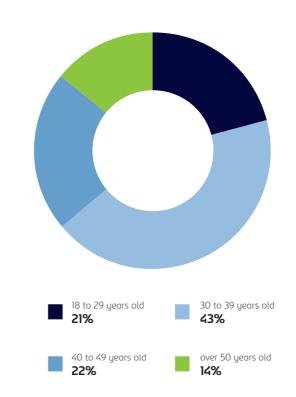
Baltika respects the labour and human rights of its employees. We follow labour laws and adhere to our more stringent corporate standards regarding payment of salary, work hours, rewards for working overtime, bonuses, and benefits. Under no circumstances does the company allow discrimination against its employees. We do not use forced or child labour, and our employees have the full freedom to form unions that protect their interests. The company commitments are defined in its Labour and Human Rights Policy.

In 2013, Baltika's average headcount was 8,596 people: 5% less than the previous year. This decrease was the result of the uneasy state of the beer market, which shrank by 7.7% last year. As mentioned before, this shift was triggered by legislative changes; consumers switching to other beverage categories, including hard liquor; and the overall decrease in Russia's consumer confidence index caused, in turn, by the unstable macroeconomic situation. As a result, three sites belonging to major beer producers have closed their doors in the past year. Despite this difficult situation, Baltika managed to keep operating all 10 of its sites across Russia.

In 2013, the company's employee turnover stood at 10%: within the norm for Russian companies.



Employee age demographics



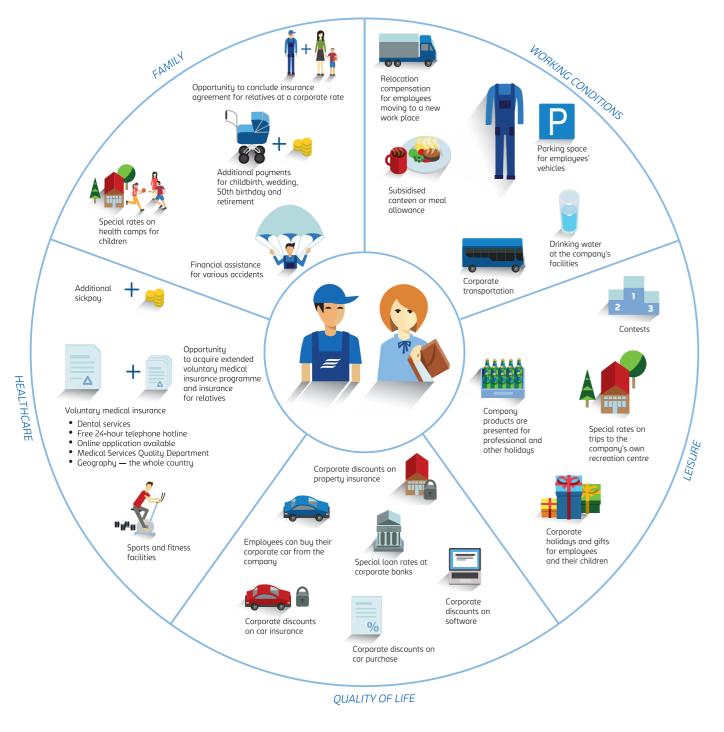
### QUALITY OF LIFE

The company's labour relations are built on respect for and observance of employee rights in accordance with social partnership principles. The Employee Council, a representative body elected for the first time at the General Employee Conference in 2007, represents the interests of people working at Baltika.

In 2011, the Employee Council spearheaded the signing of the second collective agreement, which came to replace the one in force from 2008 to 2011. The new document confirmed the continuity of the company's social and labour relations, and renewed the expanded list of social guarantees and benefits offered to the company's employees (in addition to those defined in the Labour Law of the Russian Federation) for 2011– 2014. This collective agreement applies to all company employees.

Baltika offers competitive salaries. We regularly evaluate the country's salary levels, especially those in the FMCG sector. In 2013, employees' salaries were revised in accordance with Russian labour market trends.

### COMPENSATION AND BENEFITS



Our employees also receive a comprehensive social benefits package that covers five key areas: healthcare, working conditions, family, leisure, and guality of life.

Baltika spent more than RUB 270 ml on compensations and benefits in 2013.

The company creates an environment which offers interesting work, as well as opportunities for active leisure time and maintaining a healthy lifestyle. Virtually all Baltika sites operate in-house health and wellness facilities, with gymnasiums and swimming pools open to

company employees free of charge. In various regions, Baltika rents fitness facilities for team sports like football, basketball, and volleyball, and holds employee sports tournaments.

Each site operates a health unit, where employees can get medical aid from highly gualified specialists, undergo physical examinations, and get vaccinated.

Our employees have access to holiday vouchers for the company's own recreation centre, and can purchase camp trips for their children at a special rate.

### FOSTERING TALENT

Employees are among Baltika's most valuable assets. We invest in people, create conditions for self-actualisation, and encourage our employees to continuously upgrade their professional skills and improve their competitive edge.

To unlock the full potential of each employee, Baltika uses an integrated, comprehensive approach to evaluating staff performance.

Throughout the year, we encourage open dialogue and continuous feedback between employees and management, mentorship and coaching. This gives our employees an opportunity to discuss ways of meeting their targets, celebrate successes, define areas for improvement, and fine-tune their methods for reaching their goals.

At the end of the year, we conduct a People Board, a collegiate evaluation of the employee's performance that ensures transparency and objectivity. The second step is the annual performance appraisal. when an employee meets with his or her manager to discuss progress. Based on performance, individual development plans are designed to improve the employee's work in the coming year and bonuses are determined.

In 2013, 96% of Baltika employees received their individual development plans. compared with 61% in 2012.

The individual development system is built on the 70\*20\*10 formula. This means that 70% of learning and practical skills acquisition occurs in the workplace via participation in projects and tackling new challenges. Due to the constant development of the business, Baltika provides a plethora of opportunities for this. Employees can take part in largescale local and international projects, learn from their colleagues around the world, share best practices, and open new horizons. Peer and management mentorship accounts for a further 20% of on-the-job learning. The remaining 10% comes from acquiring new knowledge, for example, at Baltika Corporate University.



More than **900** employees took part in **59** management and business skills development trainings in 2013. More than **300** employees took professional courses.





### LEADERSHIP COMPETENCES

The new conditions and challenges facing business demand special qualities from the company and its employees. To win, we must drive and manage change, strive for results, demonstrate passion and integrity and focus on customers and consumers. Carlsberg Group defined eight leadership competencies in 2013 (note: a competency is the ability to apply theoretical knowledge and practical skills). These competencies reflect the spirit of the company and our corporate culture founded on the Winning Behaviours, and serve as a roadmap for our employees, illustrating how to be a successful leader.

> **71.6%** number of internal promotions in the company in 2013

The Expert Council of the annual Human Capital Awards recognised Baltika's performance management system as the best in 2013. This honour confirms that our management approaches offer the company and its employees practical advantages. The Expert Council includes leading HR directors from various industries, top executives, media personalities, and representatives from Russia's major business schools.





### YOUNG SPECIALIST DEVELOPMENT PROGRAMMES

The company offers young talent development programmes to attract promising university graduates.

The 'Baltika Stars' programme is designed for graduates who want to specialise in marketing, finance, economics, logistics or procurement and have a good command of the English language. They are invited to take an internship at the company's headquarters, with a subsequent employment opportunity. Since 2009, 67 young specialists have participated in the programme, of which 41 have been hired by the company.

The 'Manage Your Future' programme offers great opportunities to promising graduates from technical universities. Trainees learn production processes and work on their own projects under the tutelage of experienced mentors.

In 2013, the 'Manage Your Future' programme had 25 applications for each available spot. Out of approximately 500 applicants, we selected 18 trainees from St. Petersburg, Novosibirsk, Chelyabinsk, Krasnoyarsk, Rostov, Yaroslavl, Voronezh, and Tula. All 18 young specialists completed their projects successfully and were recommended for mechanical engineering, electronic engineering, and power engineering positions within the company. Early this year, the Baltika-Chelyabinsk brewery hired two graduates.

More than 500 people have completed internships at Baltika Breweries since 2008, obtaining the knowledge and experience they needed for future professional growth.

### 90% OF BALTIKA EMPLOYEES PARTICIPATED IN THE MYVOICE SURVEY

Baltika treats its employees as partners whose opinion helps improve the company. Every year, the Carlsberg Group conducts the MyVoice survey designed to collect employee feedback.

In 2013, there was a record response rate — 90% of Baltika employees took part in the survey, which was 11% more than in the previous year. Participants voiced their perceptions of work and workplace conditions, the effectiveness of their cooperation with colleagues and managers, and commented on whether they get enough information and opportunities for self-actualisation.

Some Baltika scores are above existing benchmarks, including for other FMCG companies. The results show high scores for engagement (80%), performance and transformation, and the majority of our employees understand Baltika's strategy and are satisfied with their career.

Still, there is room for improvement. Next year, we will focus on the following areas: performance feedback and evaluation of job performance, senior management, and the action plan based on the survey results. In accordance with the feedback received, 495 improvement plans have been created at various levels.

When conducting the survey, we considered the environmental aspect as well. Five breweries and our headquarters conducted the survey online instead of filling out paper questionnaires. Next year, Baltika plans to make a full transition to an online version of the survey.

## **BUSINESS ETHICS**



For Baltika, Russia's beer brewing leader, it is important to win fairly. We are guided by the principles of honest and transparent practices, which are defined in our Business Ethics Policy. Our aim is to be a responsible and reliable partner."

Anton Rogachevsky, Vice President, Legal Affairs

Baltika sets ambitious business goals, which can be achieved by ensuring that the interests of the company, its customers, partners and society are respected. The company has forged a corporate culture guided by selfimposed ethical principles.

The Business Ethics Policy is a document that defines the rules and standards of our business conduct. It allows us to minimise risks that could have an impact on the company's reputation and that of its partners, as well as possible legal and financial risks.

We at Baltika know that our employees sometimes have to make business decisions while faced with dilemmas of a business ethics nature and related ambiguous situations. The Business Ethics Policy provides guidelines to which our employees must adhere in their day-to-day tasks. The document includes key provisions governing commercial activities. Baltika does not tolerate any illegal financial dealings that might offer us any improper business advantages over other market players. This includes corruption, bribery and facilitation payments, as well as gifts, including food and entertainment. The company also refrains from supporting political parties and using donations for commercial purposes.

Baltika's work is founded on the rules and standards of fair competition.

The company has built an effective oversight system to eliminate cases of fraud, disclosure of confidential information, and conflicts of interests involving Baltika employees and third parties.

Our commitment to upholding these standards helps us forge honest, fair long-term relationships with different stakeholders.



### IMPLEMENTING THE BUSINESS ETHICS POLICY

To ensure adherence to the Business Ethics Policy, we have been improving our internal management procedures, training our employees, and working together with our contractors.

Our employees can learn Business Ethics Policy provisions and how to find the right solutions in ambiguous situations via training sessions and an e-learning system. The training includes a theoretical part, a set of test questions, and a mandatory examination. In 2013, the number of employees who underwent Business Ethics Policy training increased and reached 2,376 (almost one third of Baltika's headcount). All new employees must pass the exam within two months. Baltika's aim is to train 100% of our employees. We expect organisations that work with us to follow the same operating standards in their dealings with our company, and in their practices as a whole.

An obligatory condition for all companies participating in our tenders is to sign a commitment to comply with the Business Ethics Policy principles. Policy provisions are also included as a separate clause, 'Business Practice Ethics and Countering Corruption', in the company's standard agreements.

In 2013, the company introduced a new position: Compliance Lawyer. The appointed employee is responsible for the development and implementation of mechanisms and procedures to implement our Business Ethics Policy. The new position was introduced in keeping with the best global practices in the field of corporate management, and in compliance with the requirements established by the Federal Law on Countering Corruption.

### PLANS

In 2014, Baltika will include the 'Business Practice Ethics and Countering Corruption' clause in all agreements concluded by the company. We will continue Business Ethics Policy training for employees.

In addition, next year the company plans to introduce a contractor verification procedure aimed at lowering the risks associated with signing partnership contracts with organisations involved in corruption or other improper practices.

## **COMMUNITY ENGAGEMENT**



It is important for us to be a responsible partner for society and contribute to addressing social issues. We also believe that it is possible to achieve more via dialogue and engagement with stakeholders, considering the interests of local communities and creating shared values."

Tatyana Antonchik, Corporate Communications Director

We are aware of the impact Baltika Breweries has on local communities, and strive to make a positive contribution to their development.

The company's commitment to engage with the community has been formalised in the relevant corporate policy. In accordance with the policy, Baltika develops sustainable long-term relationships with our stakeholders. We cooperate with our employees, partners, non-profit organisations, government etc.

### COMMUNITY INVESTMENT

In 2013, Baltika defined community investment priority areas where the company can make a positive difference:

- Environment
- Responsible drinking
- Science and education
- Socially disadvantaged people
- Disaster relief

The company's ethical stance precludes us from supporting events and projects related to armed conflict, illegal drugs, inherently violent sports, political parties, public groups distinguished by a specific gender, ethnicity or religion. Since Baltika produces alcoholic beverages, we do not directly engage with organisations and events targeted at minors on behalf of the company. At the same time, we encourage our employees to make personal donations to the medical treatment of ill children and to orphanages.

To evaluate and approve community investment projects, Baltika has set up the Community Engagement Committee, which ensures the transparency of the decision making process and enables various opinions to be taken into account. To tackle issues at the local level and make prompt decisions, local committees operate in 10 regions where we have our sites.

In 2013, Baltika supported sports clubs and noncommercial organisations working with disabled people. The company allocated RUB 5 ml to disaster relief for Khabarovsk Region, which was devastated by floods. Baltika also provided drinking water to local people affected by the disaster, and our employees collected personal items and made in-kind donations.

> **RUB 76.8** ml Baltika's community investments in 2013

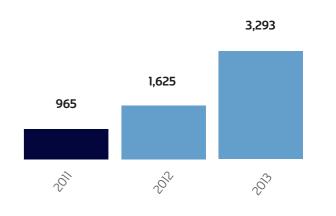
### **225** social activities were implemented by Baltika in 2013 (charity donations and volunteering activities).

### **VOLUNTEERS**

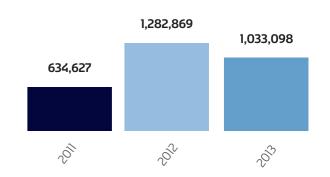
Along with professional self-development, Baltika provides employees with opportunities for personal growth. We develop volunteering activities and encourage the social initiatives of employees who would like to bring positive changes to the regions in which they live. That inspires and empowers our people. Last year the number of corporate volunteers almost doubled.



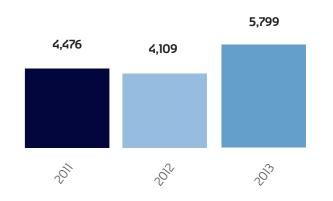




Employees' charitable donations (RUB)



Hours spent on community investment activities



### MEMORY OF THE HEART

Victory Day touches hearts. The holiday is an important event for every family in Russia. In May, our employees decided to honour the country's veterans and thank them for their sacrifice.

Our volunteers in several cities presented veterans with gifts, and were happy to lend a hand to the elderly: some helped them around the house (washed windows; did spring cleaning) and others pitched in with grocery shopping.

I was very moved by Zinaida Dmitrievna's story. At the start of the war, she and other residents dug trenches along the Luga defence line. Later, she learned to drive and supplied food provisions to the besieged, starving Leningrad along the Road of Life. These people must be remembered. They deserve our respect and care. They did so much for us."

**Sergei Adamovich**, Sales Representative from St. Petersburg

### A WORLD WITHOUT BORDERS

For the last few years, Baltika's subsidiary in Chelyabinsk has been working with Volunteer, a local public organisation that offers support to disabled people. Baltika-Chelyabinsk participates in managing the Volunteer Training Centre, where young people are taught how to provide volunteer help to vulnerable social groups and develop sense of mercy and tolerance.

For the 2013 Day of Persons with Disabilities, Baltika-Chelyabinsk, as is its tradition, co-organised the Third





Annual We Are All Equal Games and our employees also took part in them.

Head of the Volunteer Training Centre and Chairman of Volunteer Eugene Korobeynikov: "Unfortunately, Russia still suffers from a corrosive attitude towards people with disabilities. Our public spaces are not suited to them, and they often face indifference from those around them. All our work, including our role in organising the Games, is aimed at bringing these issues to the public's attention."





### TAKING CARE OF NATURE

Our care for the environment extends beyond the breweries. Every spring, Baltika's employees take part in city clean-up events, plant trees and organise other green activities.

In 2013, our colleagues from Sochi sales department participated in the environmental initiative spearheaded by the Sochi 2014 Olympic Organising Committee to mark International Earth Day on 22 April. The company's employees joined other volunteers in cleaning up the Ornithological Nature Conservation Park and planting trees in preparation for the Olympic Games.

In Yaroslavl, 86 Baltika employees took part in the city clean-up event. They cleaned Butusov Park, a favourite recreation place among local residents, and afterwars planted trees in the city's historical Strelka District, where the Kotorosl River flows into the Volga.

Baltika-Pikra employees took part in improving the Sverdlovsk District in Krasnoyarsk, planting 32 elm tree saplings along 60 Let Oktyabrya Street, which borders with Baltika site. Our Baltika-Rostov colleagues made their contribution in a city-wide tree planting event. In Ryazan, Baltika's volunteers cleaned up Petrovsky Park in Yelets, a town in Lipetsk Region, collecting more than 50 bags of rubbish. Baltika-Samara employees planted trees in Petra Dubrava and planted greenery along a part of the riverwalk.



During the 'Building the City Together: From Megalopolis to Ecopolis' Forum, organised by the Russian Green League with the support of the city's Economic Development Agency, Baltika-Samara's environmental volunteer programmes earned the company a letter of appreciation from the Civic Chamber of the Russian Federation.

Chairman of the Central Council of the Russian Green League and member of the Civic Chamber of the Russian Federation Sergei Simak: "Support for the volunteer movement must become the norm for any socially responsible business. The Baltika-Samara team serves as an example of responsible engagement in environmental initiatives spearheaded by the company, as well as by the public. The company's employees consistently participate in our events and create their own outstanding green projects."

We understand the importance of conserving the unique ecosystem of Krasnodar Region. I think these events also have educational value. They help us realise that each of us has an impact on the environment, whether positive or negative. We decided our impact would be positive."



**Tatiana Grechanaya**, territory development manager, volunteer.



### THE SEVEN RIVERS — PAN-RUSSIAN ENVIRONMENTAL CAMPAIGN

For the last two years, Baltika has been organising the 'Seven Rivers' initiative with the support of the Sochi 2014 Olympic Organising Committee. The main goal of the programme is to promote separate waste collection, recycling and reuse in order to reduce CO<sub>2</sub> emissions. Company employees along with city residents, Baltika partners, state officials, and ecologists have been cleaning up the shores of Russia's major rivers: the Yenisei, the Volga, the Don, the Neva, the Amur, the Ob, the Miass, and the Kuban. During the activities, all the rubbish is collected separately by type. PET bottles and cans are sent to recycling plants, and returnable glass bottles are reused. Relevant RGB are returned to Baltika production sites. In 2013 alone, approximately 800 people took part in this initiative, collecting around six tonnes of rubbish, 80% of which was sent for reuse and recycling. Baltika set up containers for separate waste collection in several cities. In Shlisselburg, the company also installed park benches made of recycled plastic bottles as a reminder that rubbish can have a second life.

Athletes traditionally throw their support behind the 'Seven Rivers' initiative, and 2013 was no exception. In Khabarovsk, the event was supported by the Amur Hockey Club; in Shlisselburg, it enjoyed the support of famous Olympic figure skating champion Elena Berezhnaya.



**Denis Stark**, founder of the 'No More Waste' environmental movement



**6 tonnes** of waste collected and separated during the campaign

**80%** of waste sent for reuse and recycling

Approximately **800 people** participated in the activities

For the second consecutive year, the 'Seven Rivers' project has been recognised by experts as one of the most successful environmental initiatives according to the results of the Russia's Best Social Projects annual national programme, supporting the Russian Government's bid to strengthen social policy based on a partnership between the state, society and business.



### PORTRAIT NOW! INTERNATIONAL BREWER J.C. JACOBSEN PORTRAIT AWARD

In 2013, Baltika supported the International Brewer J.C. Jacobsen Portrait Award competition in Russia.

The Museum of National History at Frederiksborg Castle has held the event since 2007. The museum was established by Carlsberg founder J.C. Jacobsen in 1878, and is run today as an independent department of the Carlsberg Foundation. In the past, only artists from Nordic countries were eligible to take part in the competition. Owing to Baltika's support, the competition has been expanded to include Russian artists.



### SUPPORT OF SPORT

Baltika has a long-standing tradition of supporting sports clubs and leagues. For us, such partnerships are first and foremost a matter of image and social responsibility.

At the national level, Baltika sponsors the Kontinental Hockey League; in the regions, we support Amur Hockey Club (Khabarovsk), and Shinnik (Yaroslavl) and Krylia Sovetov (Samara) football clubs.

We also consider these partnerships as an opportunity to develop beer drinking culture. When organising joint events for the teams' fans, Baltika promotes responsible behaviour at sporting events as well as responsible beer consumption. The company considers it possible to consume beer moderately in In late January, the Erarta Museum of Contemporary Art in St. Petersburg hosted the opening of the Portrait Now! exhibition. Around 400 works were submitted to the competition, including traditional realist and avantgarde paintings, studio and street photography, sculptures and objects d'art, and even video installations.

Baltika established a special visitor's choice category. The artist who received the most votes from exhibition guests received a special prize from the company: a trip to Denmark's capital city of Copenhagen and passes to the city's worldrenowned museums and galleries.

The 20 best works selected by the international jury moved on to the

Russia has a great tradition of portraiture. If we look at the results as a whole, all the works dazzled us with their vitality. The jury was keen to find differences and similarities in modern portraiture trends. We are grateful to Baltika for its invaluable support of the project in Russia." Mette Skougaard, Frederiksborg Museum Director

dedicated facilities, including sports arenas. Thus, Baltika spearheaded the signing of the Responsible Sports Fan Manifesto at meetings between players, trainers and fans of the Avtomobilist and Amur hockey clubs.

The Manifesto states that sports fans support fair play and responsible behaviour on and off the ice; respect other hockey clubs and their fans; and finally, remember that beer must be consumed in moderation, and that you should never drive a car under the influence of alcohol.

### OFFICIAL SUPPLIER TO THE SOCHI 2014 OLYMPICS

The agreement between the company and the Sochi 2014 Organising Committee was one of Baltika's most prominent projects of recent years.



next stage of the competition. The finals took place in May in one of Denmark's largest exhibition centres: the Museum of National History, located in the Frederiksborg Castle. Second place, along with DKK 35,000, went to Russian artist Anastasia Kuznetsova Ruff, whose *Tabula Rasa* was awarded 'silver'.

The status of the Official Supplier of the XXII Olympic Winter Games allowed us not only to supply our products but also to make our own contribution to the hosting of this significant sporting event. Baltika and the Organising Committee have also accomplished various joint activities, including the 'Seven Rivers' environmental initiative, the Russian Olympic Ball, and selecting Olympic volunteers to take part in the Games.



## CARLSBERG GROUP CORPORATE SOCIAL RESPONSIBILITY

CARLSBERG GROUP AT A GLANCE

NP G 4th largest global brewer

**9.8** bn DKK operating profit

**40,435** Employees in 2013

1296 Carlsberg brand volume growth in premium markets in Asia.







### 2013 REPORT

When J. C. Jacobsen founded Carlsberg in 1847, he was clear that the brewery should contribute to the economic and social development of society. Building on this heritage, corporate social responsibility (CSR) continues to be integrated in the way we do business at both the global and the local level.

Carlsberg Group has chosen to work with and report on the sustainability areas where we have the biggest impact and on which external and internal stakeholders believe the company should be focusing. In total, we work with eight areas across the value chain and dedicate extra focus and resources to our three key initiatives: Responsible Drinking, Sustainable Packaging and Efficient Brewery (reducing water, energy and CO<sub>2</sub> at our production sites).

In 2013, Carlsberg Group came to the end of our current three-year target period (2011–2013). The Group confirmed strong performance on various indicators, some of them exceeded target.

Carlsberg Group recognises that partnership and collaboration will be essential if we are to fulfil our long-term targets. The Group will engage with stakeholders and enter into new partnerships so we can continue to grow responsibly for the benefit of the Carlsberg Group and the environment and society of which we are a part.

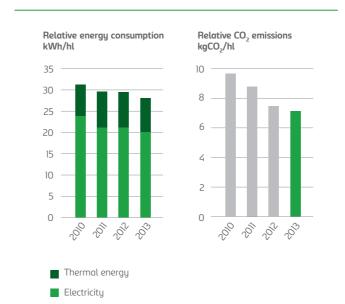
### ECONOMIC VALUE GENERATED

The Carlsberg Group has a positive economic impact on the 140 economies and societies in which we operate. The company employs more than 40,000 people directly and additionally generates approximately 370,000 jobs in related industries such as agriculture and hospitality. We paid DKK 42.5 bn in taxes in 2013 and contributed DKK 79.2 bn to GDP growth globally.

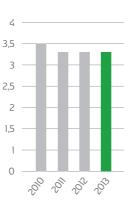
### ENVIRONMENTAL EFFICIENCY

Environmental efficiency has been a key priority in the Carlsberg Group for several years. Efficiency plays a vital role, whether in researching and developing new barley breeds, optimising production processes, rethinking packaging or improving our distribution and sales.

A key initiative in 2013 was the development of a new utility strategy, enabling us to reduce energy consumption.



Relative water consumption hl/hl



The Group entered as a corporate partner in the publicprivate partnership Water Benefits Partners. The aim of the partnership is to develop a financial mechanism that can support water-saving projects in areas facing water scarcity.



Our energy consumption in 2013 was 28.0 kWh/hl. With this result Carlsberg came in below the 2013 target of 29.0 kWh/hl and has delivered a 13.3% reduction since 2010.  $CO_2$  emissions came to 7.1 kg  $CO_2$ /hl, a performance on target with a 26.8% reduction since 2010.



Carlsberg Group has reduced water consumption by 5.7% (0.2 hl/hl) since the beginning of our target period in 2011, but we did not reach our target of 3.2 hl/hl for 2013.

### SUSTAINABLE PACKAGING

Primary and secondary packaging account for approximately 45% of our total CO<sub>2</sub> emissions, making it an area where potentially we can have a substantial, positive impact on the climate and environment. Sustainable packaging is the second of our three CSR key initiatives.

During 2013, we conducted assessments using our instant life cycle assessment (LCA) tool, engaged consumers and customers in recycling initiatives and created a roadmap for integrating the Cradleto-Cradle®1 (C2C) design perspective in our packaging portfolio.

An important part of the Cradle-to-Cradle® project is the development of the Carlsberg Circular Community, which is made up of partnerships between the Carlsberg Group and selected suppliers. Its aim is to join forces to rethink the design and production of packaging material, to develop the next generation of packaging products that are optimised for recycling and reuse, while, at the same time, retaining or improving their quality and value.

### **RESPONSIBLE SOURCING**

In close cooperation with suppliers and industry partners, we seek to identify solutions to improve the ethical, social and environmental performance of our supply chain.

In 2013, the Carlsberg Group evaluated its strategy and approach to responsible sourcing and developed a roadmap for future initiatives under our new Responsible Sourcing Programme.

The Group conducted a programme inviting key suppliers to participate in an audit to gain insights into their operations and identify how they work with CSR-related risks. Suppliers were audited by thirdparty auditing companies on issues related to the environment. business practices, health and safety and labour rights. The audits demonstrated no critical noncompliance issues.

The company updated its Supplier and Licensee Code of Conduct to meet internal and external expectations.

Carlsberg Group will continue implementing best practices in the area of responsible sourcing.

### MARKETING COMMUNICATION

Carlsberg Group strives to grow our business by promoting the responsible enjoyment of beer and we are working together with public and private stakeholders to reduce harmful consumption and related health risks.

During 2013, the company developed a Responsible Drinking Policy and reviewed our existing Marketing Communication Policy (MCP) to ensure future growth in the responsible enjoyment of beer.





Our 2013 performance shows that our packaging carries health messages to consumers on 80% of the volume produced. The Group is progressing well towards its commitment to have health messages on all packaging. The messages remind consumers about the risks to their health of excessive or inappropriate drinking.

Responsible drinking activities were carried out in 69% of our companies in 2013.



The amount and severity of accidents decreased. The lost-time accidents rate (LTAR) in Production was 10.3%, a reduction of 38% since 2010. Also, the days lost rate (DLR) was reduced, amounting to 142 lost days. This is a reduction of 45% since 2010.

### HEALTH AND SAFETY

Carlsberg Group continuously works to build a safe working environment for all our employees and contractors. Every accident is one too many. The Group strives towards zero accidents by instilling a culture of safety in each and every one of our people. The company has focused primarily on our production sites and secondarily on our logistics operations as these areas account for the majority of accidents.

Carlsberg Group has succeeded in involving more managers and employees in the implementation of health and safety priorities. Our crossaudits have significantly contributed to our overall health and safety progress over the past three years.

### LABOUR AND HUMAN RIGHTS

Carlsberg Group is commited to providing a productive, supportive working environment where our employees feel empowered and valued. The Group's special focus is on employee engagement.

In 2013 the Group introduced employee engagement as a key performance indicator (KPI) for local CEOs and country management team members. Eight leadership competences have also been defined for Carlsberg managers.

Carlsberg Group strives to ensure that all employees of both genders have equal opportunities for career development. The Group has a target of 40% women on our Supervisory Board by 2015. The figure is currently 21%.

In 2013, 88% of Carlsberg Group employees took part in the MyVoice survey on working conditions and satisfaction. The results show continued high engagement scores as well as pride in working for the Carlsberg Group.

### **BUSINESS ETHICS**

Fighting corruption is an important part of the Carlsberg Business Ethics Policy. The policy and guidelines, e-learning programme, live training, third-party screening procedure and various toolkits are designed to provide clear guidance for our employees on how to resolve not only corruption issues but also other business ethics concerns.

### COMMUNITY ENGAGEMENT

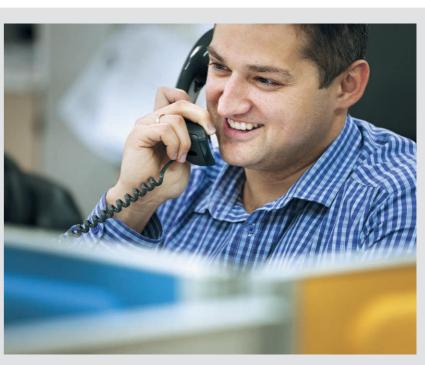
Carlsberg's founding father, J. C. Jacobsen, built his company on the passionate and dedicated belief that the prosperity of Carlsberg was conditional on engaging with and giving back to society. Today, we keep this legacy alive through hundreds of local community engagement activities across the markets where we operate majorityowned companies.

Over the past 12 months, we have developed and implemented a tool to systematise and prioritise our community engagement activities and enable the Group's companies to better integrate activities into their business plans and evaluate the outcome and business benefits of the selected activities. The Carlsberg Group will focus on the following priority areas: Responsible Drinking and Sustainable Packaging.

In 2013, we invested in 34 causerelated partnerships, engaging with a number of civil organisations to support a shared cause.

One of the significant partnerships is the agreement signed with UNIDO in Russia on implementing a number of major environmental protection projects.

Engaging employees as volunteers in community projects is an important part of the Group's further plans. Their participation ensures a sustainable connection between the company and local people in the regions where we operate.



In 2013, 3,765 employees were trained through our e-learning system. Through our network of in-house legal counsels, we have conducted a total of 184 training sessions across 29 companies.



In 2013, the Group's majority-owned companies invested DKK 47 m within their local communities.

7,432 employees across the Group volunteered in 1,599 various local community activities.



### The full version of the Carlsberg Group CSR report is available on the website: www.carlsberggroup.com



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