



SUSTAINABILITY REPORT

2017



CONTENTS

Foreword from Carlsberg Group CEO _____	3
Foreword from Baltika's president _____	4
Purpose and strategy _____	5
NEW SUSTAINABILITY PROGRAMME	
Together Towards ZERO _____	6
Ambitions and targets towards ZERO _____	7
Together towards the SDGs _____	8



ZERO CARBON FOOTPRINT

Introducing our ambition _____	10
Eliminating emissions at our breweris _____	13
Reducing our beer-in-hand emissions _____	16



ZERO WATER WASTE

Introducing our ambition _____	20
Cutting our water waste _____	22



ZERO IRRESPONSIBLE DRINKING

Introducing our ambition _____	25
Developing alcohol-free beer segment _____	27
Preventing sales of alcohol to minors _____	29
Promoting drinking culture _____	30



ZERO ACCIDENTS CULTURE

Introducing our ambition _____	32
Working towards zero accidents _____	33

RESPONSIBLE BUSINESS

Live by our compass _____	37
Engage with community _____	39
Creating favourable working conditions _____	42
Cooperating with grain suppliers _____	44
Guarantee quality and safety of our products _____	45

ECONOMIC CONTRIBUTION TO SOCIETY

Impact positively on economy _____	48
Creating direct and indirect employment _____	49
Generating value across the value chain _____	50
Contributing to government budget via tax payments _____	51
Investing in business development _____	52





CEO FOREWORD

BREWING WITH PURPOSE

Sustainability is central to the Carlsberg Group's purpose of brewing for a better today and tomorrow. And it is more important now than ever. That is why in 2017 we launched a new sustainability programme, Together Towards ZERO, which sets new industry standards for science-based, partnership-driven sustainability.

The programme states our ambitions within the four sustainability areas most relevant to our business: ZERO carbon footprint, ZERO water waste, ZERO irresponsible drinking and a ZERO accidents culture across our business. Each ambition is underpinned by measurable targets for 2022 and 2030.

In pursuit of these targets, partnerships will be crucial to success. Besides forming numerous local alliances, in 2017 we joined the RE100, the We Mean Business coalition and the Climate Leaders initiative driven by the World Economic Forum.

But 2017 wasn't only about planning. We also made concrete progress across the Group. For example, the Falkenberg brewery in Sweden

now only uses carbon-neutral energy — a milestone on the road towards our 2030 target. Globally, we reduced brewery carbon emissions by 16% compared with our 2015 baseline year and 46% of our electricity came from renewable sources. We reached over 70 million consumers with our responsible drinking campaigns, and we continued to reduce water consumption at our breweries. Within health and safety, we saw a significant reduction in the number of accidents.

Moving forward, we are determined to demonstrate the crucial role that business can play in resolving global sustainability challenges, and we are keen to take a lead. We believe our ambitious approach is not only good for the planet, but also for business and for society as a whole. Only bold targets will stimulate the kind of game-changing innovation the world needs.

Cees 't Hart
CEO, Carlsberg Group



FOREWORD FROM BALTIKA'S PRESIDENT

CREATING SHARED VALUES

Sustainability programme Together Towards Zero sets our guiding landmarks for the years to come, but our journey towards them has already begun.

Our company has already done a lot to reduce environmental impact, promote responsible drinking and improve health and safety. However, there is much to be achieved.

The launch of the programme Together Towards Zero is a new spiral in our work, which will require from us even more efforts, engagement, out-of-the-box solutions to achieve our industry leading targets. We will develop and implement innovations, improve processes across the entire value chain, enhance partnerships that will bring advantages and new opportunities for our business and create benefits for environment and society.

In this report we are pleased to share with you our plans and results of work over the past year.

2017 was announced a Year of Ecology by the government of the Russian Federation. It created momentum for change in attitude and actions in reducing environmental impact, addressing ecological issues in Russia and underlined the importance of systematic work in preserving the nature. Special focus was on waste problems.

We contribute to the creation of infrastructure for separate waste collection and recycling via

development of our own project "Benefit your city". Only last year, in cooperation with partners we sent for recycling more than 55,000 tonnes of waste.

Our company understands the crucial role of partnerships in increasing the effect of our activities. In 2017, we signed protocol on the cooperation with the Ministry of natural resources and environment of the Russian Federation within the project "Separate rightly".

Our 2017 large-scale environmental project was the start of construction of wastewater treatment facilities at three sites in St Petersburg, Rostov-on-Don and Novosibirsk. Apart from that all our breweries received certificates for compliance of the energy management system with ISO 50001 international standard.

In cooperation with the Russian Brewers Union we continued the project on prevention of alcohol consumption by minors, which supported the annual Global Beer Responsibility Day. Our volunteers attended more than 70,000 shops to inform sales personnel about changes in legislation and responsibility rules.

In 2018, we will continue our efforts to ensure sustainable development and focus on the creation of roadmaps to pave the way for achieving our ambitions.

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

PURPOSE AND STRATEGY

BREWING FOR A BETTER TODAY AND TOMORROW

Our founders were driven by an ambition to brew for a better today and tomorrow. Over 170 years later, we continue to pursue the same purpose.

We continue to take a lead in sustainability because it is central to our purpose and because we sincerely believe it is the right thing to do – delivering tangible benefits for our business and for society as a whole.

CORE ELEMENT OF OUR STRATEGY

Sustainability is embedded in our corporate strategy, SAIL'22, as part of our aim to create a winning culture throughout the Group. It is our ambition to contribute to a better society wherever our beers are brewed and sold. In 2017, we refined our sustainability priorities and refocused our long-term efforts.

FOCUSING ON THE AREAS THAT COUNT

In 2016, we carried out a materiality assessment with Business for Social Responsibility (BSR) to identify the most important sustainability management topics, risks and impacts for our business.

The findings from this assessment, along with global megatrends such as climate change and water scarcity, lie at the heart of our new sustainability programme, Together Towards ZERO. Our material issues make sense given the nature of our business, which focuses on producing, distributing and selling beer, soft drinks and other beverages.

▶ **View the results of our materiality matrix in our 2016 Sustainability Report**
<https://carlsberggroup.com/media/10920/2016-sustainability-report.pdf>

BALTIKA BREWERIES SUSTAINABILITY REPORT

The scope of the Report includes 8 Baltika's breweries operating in Russia.

In creating the Report, we have focused on the Carlsberg Group sustainability report prepared using Global Reporting Initiative (GRI) standard elements and indicators (GRI G4). The report serves as the Group's annual Communication on Progress to the UN Global Compact.

This report is split into three sections covering the key issues highlighted by our 2016 materiality assessment, which can be found in our 2016 report. The first section is introductory and presents our strategy along with details of our new sustainability programme, Together Towards ZERO. The second section describes how we will work towards achieving our Together Towards ZERO targets and reports on our 2017

performance in the four ambition areas. The third section provides supplementary content under the headings Responsible Business, Economic Contribution to Society.

It is important to note that while Together Towards ZERO states our ambitions and targets for 2022 and 2030, we are still committed to achieving them through partnerships and circular thinking.

NEW SUSTAINABILITY PROGRAMME

TOGETHER TOWARDS ZERO

In 2017, we devised a new sustainability programme, Together Towards ZERO. This underlines our commitment to sustainable development.

The new programme consists of four major ambitions: ZERO carbon footprint, ZERO water waste, ZERO irresponsible drinking and a ZERO accidents culture. Each ambition is underpinned by individual and measurable targets for 2022 and 2030 respectively, as detailed in the corresponding sections of this report.

Together Towards ZERO was developed in partnership with leading global experts using a science-based approach. It is a highly ambitious programme tailored to the SDGs. It sets out to deliver emission reductions that align with the more ambitious goal of the Paris Agreement on climate change to keep the global temperature rise to 1.5°C by the end of this century.

The programme will help ensure that we reduce risks and strengthen our business, while also contributing to society. An example of the risks we face is a future increase in the cost of utilities such as water and energy. Meanwhile, there are also opportunities, such as the falling price

of renewable energy and increasing consumer interest in sustainable products. Furthermore, fewer accidents make Carlsberg a more attractive place to work, while taking a strong stance on responsible drinking shows that we are a responsible company. These examples show how our Together Towards ZERO investments can help make our business more resilient in the future, contributing to our success both short and long term.

Our wider value chain will also benefit. Through our ambitious targets, we hope to create a virtuous circle of improvements among our suppliers and business partners. We believe that setting challenging targets will increase the pace of innovation in related industries, stimulating creativity along the value chain and contributing to a more sustainable future. Together, we can make it happen.



NEW SUSTAINABILITY PROGRAMME

AMBITIONS AND TARGETS TOWARDS ZERO



ZERO
CARBON
FOOTPRINT

We will eliminate carbon emissions at our breweries by 2030 and be using 100% renewable electricity by 2022. Through the Carlsberg Circular Community, we are working with partners in our value chain to reduce beer-in-hand emissions by 30% by 2030.



ZERO
IRRESPONSIBLE
DRINKING

We will offer 100% distribution of alcohol-free brews by 2022 to expand consumer choice. We will also provide responsible drinking messaging as well as nutrition and ingredient information on our packaging and online, while forming partnerships to encourage responsible consumption.



ZERO
WATER
WASTE

We will cut water usage at our breweries by half by 2030, effectively eliminating water waste during the brewing process. We will also engage with partners to improve water management outside selected breweries in high-risk areas.



ZERO
ACCIDENTS
CULTURE

We will continue to target a year-on-year reduction in our accident rate in order to achieve our 2030 target of ZERO lost-time accidents.

NEW SUSTAINABILITY PROGRAMME

TOGETHER TOWARDS THE SDGs

The UN's Sustainable Development Goals (SDGs) are a call for governments, civil society, businesses and the general public to act to end poverty, fight inequality and tackle climate change.

Being interconnected, all the goals are important, but we focus our efforts on those that are material to our business and where we can have the most positive effect. With the launch of Together Towards ZERO, we have added SDG 13 – Climate action – together with seven new targets since 2016.

Look out for the bottle-cap global goal icons throughout the report for updates on our progress.

SUSTAINABLE DEVELOPMENT GOALS THAT CUT ACROSS OUR OPERATIONS



*** 12.2** By 2030, achieve the sustainable management and efficient use of natural resources.
12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.



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

*** 12.9** Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.

MOST MATERIAL SDGs AND TARGETS



*** 7.2** By 2030, increase substantially the share of renewable energy in the global energy mix.
7.3 By 2030, double the global rate of improvement in energy efficiency.



*** 13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.
*** 13.3** Improve education, awareness-raising and capacity on climate change mitigation, adaptation, impact reduction and early warning.



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

*** 6.5** By 2030, implement integrated water resources management at all levels.



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

*** 3.6** By 2020, halve the number of global deaths and injuries from road traffic accidents.



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

* New target.



ZERO CARBON FOOTPRINT



ZERO CARBON FOOTPRINT

INTRODUCING OUR AMBITION

Climate change is one of the most pressing issues of our time. Addressing it requires a transition to a low-carbon economy. As stated in the Paris Agreement on climate change, business has a key role to play.

Our ambition of ZERO carbon footprint aligns with the Paris Agreement's more ambitious goal of limiting global warming to 1.5°C.

OUR TARGETS

Working with climate experts in the Carbon Trust – an independent not-for-profit organisation – we developed a baseline carbon footprint and a set of science-based carbon-reduction targets.

We want to achieve ZERO carbon emissions at our breweries by 2030. We recognise that this will be a huge challenge, only achievable with highly focused actions and innovation. In addition, we have set a target that extends beyond our own breweries to include the full value chain. We call this “beer-in-hand”, and we are aiming for a 30% reduction in emissions by 2030 against a 2015 baseline. To build momentum on the road towards ZERO carbon emissions, we have set intermediate targets for

2022. These include a 50% emission reduction, a switch to 100% renewable electricity and the elimination of coal as an energy source at our breweries. By 2022, we also aim to reduce our beer-in-hand carbon footprint by 15%, to have 100% low-impact cooling and to establish 30 partnerships with suppliers – all leading to a reduction of our shared carbon footprint.

SUPPORTING THE GLOBAL GOALS

A single individual, organisation or government cannot tackle climate change alone. It requires strong collective action. We want to set the standard and take a lead.

Our targets contribute to SDG 7: Affordable and clean energy. By increasing the share of renewable energy and improving the rate of energy efficiency, we specifically address targets 7.2 and 7.3. See pages 14 and 15 for examples. We contribute to SDG 12.9 by carrying out research to improve every element of our production process and by installing up-to-date technology at breweries around the world. By setting a tough, science-based target, we support SDG 13: Climate action, and in particular target 13.1, which is to strengthen resilience to climate change. What is more, we are committed to acting as agents of change, responding to SDG 13.3 to improve education, awareness and capacity on climate change mitigation and adapta-



**ZERO
CARBON
FOOTPRINT**

2030 TARGETS

ZERO CARBON EMISSIONS AT OUR BREWERIES

2022 TARGETS

50% REDUCTION IN CARBON EMISSIONS AT OUR BREWERIES

100% ELECTRICITY FROM RENEWABLE SOURCES AT OUR BREWERIES

ZERO COAL AT OUR BREWERIES

100% LOW-CLIMATE-IMPACT COOLING

30 PARTNERSHIPS TO REDUCE SHARED CARBON FOOTPRINT



tion. To amplify impact, we will cooperate with stakeholders in our value chain and with other industries.

OUR APPROACH TOWARDS ZERO

Our Environmental Policy, updated in 2017, sets the standards and provides guidelines on carbon for all market companies. The policy and responsibility for Together Towards ZERO ultimately lie with ExCom, while the EVP for supply chain holds specific implementation responsibility for our roadmap for improvement. We are continuously updating the roadmaps for our markets and holding face-to-face workshops to obtain feedback and create detailed, local emission reduction plans. This process started in 2017 and will continue into 2018 and beyond as new solutions, technology

and innovations present improved ways for us to reduce our emissions.

We expect to achieve our targets through a mix of Group-wide initiatives, overseen by our supply chain operation, and local activities.

Our journey towards ZERO carbon emissions at our breweries will start with a strong drive for world-class efficiency in parallel with a search for opportunities to innovate within our existing processes and the implementation of large-scale investment projects.

The recently formed Carlsberg Young Scientists Community will also be involved in our efforts to reach ZERO carbon footprint at our breweries, working alongside internal and

external experts to develop implementable solutions.

Our beer-in-hand targets focus on three main levers: innovative partnerships, performance improvements and influential leadership.

BASELINE CARBON FOOTPRINT

In 2016, we developed an end-to-end carbon footprint with the Carbon Trust. Based on 2015 data (our baseline), this shows that packaging materials make up 35% of our carbon footprint, while agriculture accounts for 12% and our breweries for 20%. Other areas of impact are distribution (14%), trade refrigeration (11%), and malting and processing (7%).

WHAT ARE SCIENCE-BASED TARGETS?

Science-based targets are based on climate-change science. They are calculated to achieve the level of decarbonisation required to keep the global temperature increase below 2°C compared to pre-industrial temperatures.

Our targets align with the 1.5°C level of ambition in the Paris Agreement.

Learn more about the Science Based Targets initiative at: sciencebasedtargets.org

THE PROPORTION OF GREENHOUSE GAS EMISSIONS RELATING TO EACH STAGE IN THE LIFE CYCLE OF BALTIKA'S PRODUCTS



AIMING FOR 1.5°C

Our Together Towards ZERO targets are designed to reduce our emissions in line with what is required to achieve the Paris Agreement's more ambitious target of limiting the temperature increase to 1.5°C.

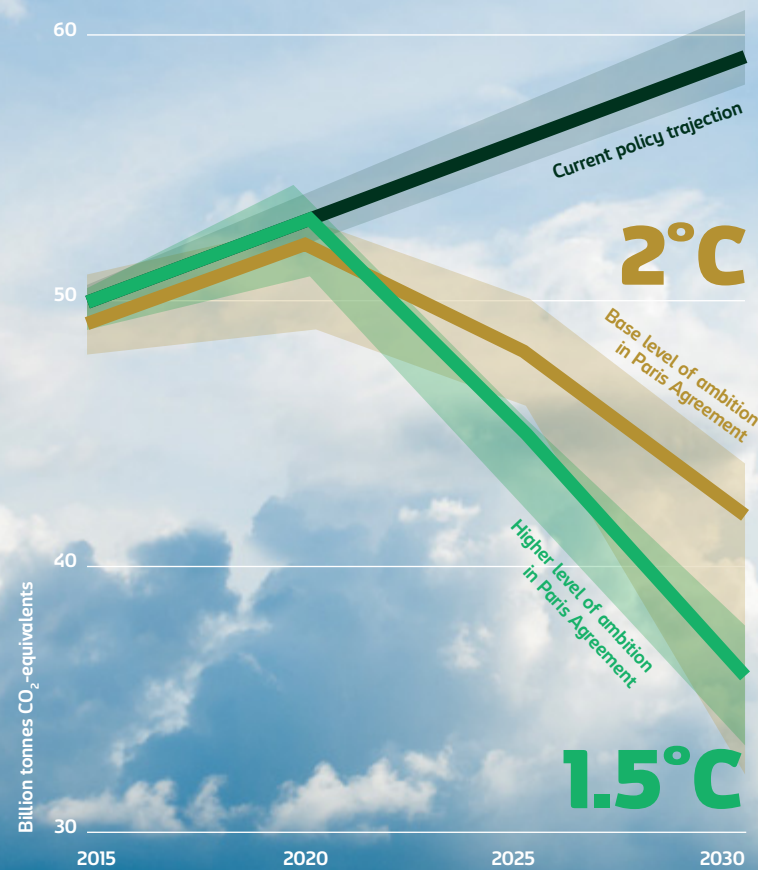
According to the latest UN projections, the current commitments described in the Nationally Determined Contributions (NDCs) in the Paris Agreement on climate change would result in global warming in excess of 3°C by the end of this century.

The Paris Agreement's goal is to keep the global temperature rise well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

With Together Towards ZERO, we want to show that it is possible for companies to deliver on the most ambitious trajectory while still driving business growth.

ANNUAL GLOBAL TOTAL GREENHOUSE GAS EMISSIONS

Source: UN Environment Emissions Gap Report 2017



CARLSBERG YOUNG SCIENTISTS COMMUNITY

To support our journey towards ZERO, we have established the Carlsberg Young Scientists Community.

Coordinated by the Carlsberg Research Laboratory, the Community will cooperate with our supply chain organisation, partners and academic institutions to develop new innovative ways to eliminate carbon emissions and reduce water waste for the benefit of our business and the wider world.

In particular, we expect their input to contribute to the achievement of our 2030 targets, where the technologies we need do not yet necessarily exist.

➤ Find out more about the Carlsberg Young Scientists Community:

<https://carlsberggroup.com/sustainability/actions-towards-ZERO/carlsberg-young-scientists-community/>

ELIMINATING EMISSIONS AT OUR BREWERIES

Reducing the impact of brewing has long been a focus for us. It accounts for 20% of Baltika's carbon footprint and we are working to achieve improvements in the area. Our 2022 and 2030 targets provide a clear direction, a long-term view and the opportunity for a step change in positive impact.

OUR 2017 PERFORMANCE

In 2017, we reduced our relative carbon emissions by 6%, electricity consumption by 0.5%, and thermal energy consumption by 9% as compared with 2015.

IMPROVING ENERGY EFFICIENCY

We reduce consumption of energy resources by upgrading of the equipment, optimizing operating modes and introducing innovative solutions.

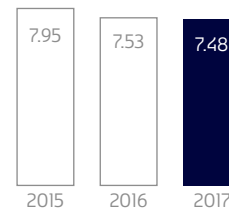
In 2017, we reduced thermal energy consumption via optimization of wort brewing. The project resulted in the reduced boiling time that allowed to decrease the percent of evaporation while maintaining high quality of wort.

CERTIFICATION

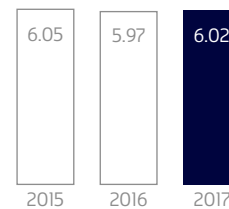
In 2017, all Baltika's breweries achieved Integrated Management System certification, which is compliant with five international standards, including ISO 50001 in the field of energy management. The energy management system was implemented at Baltika using the methodology of the United Nations Industrial Development Organization (UNIDO).

We started implementation of the system in 2013 and became the first Russian participant in the project "Market Transformation Programme on Energy Efficiency in GHG-intensive industries in Russia." The project was put in place by the United Nations Industrial Development Organization (UNIDO), and is aimed at increasing the energy efficiency of the country's industry by implementing an energy management system that meets the ISO 50001 international standard.

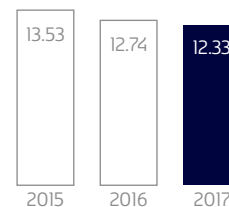
RELATIVE CO2 EMISSIONS AT BALTIKA'S BREWERIES (kg CO₂/hl)



RELATIVE ELECTRICITY CONSUMPTION AT BALTIKA'S BREWERIES (KWh/hl)



RELATIVE THERMAL ENERGY CONSUMPTION AT BALTIKA'S BREWERIES (KWh/hl)



CARLSBERG GROUP TARGETS

2022

50% REDUCTION IN CARBON EMISSIONS AT OUR BREWERIES

2030

ZERO CARBON EMISSIONS AT OUR BREWERIES



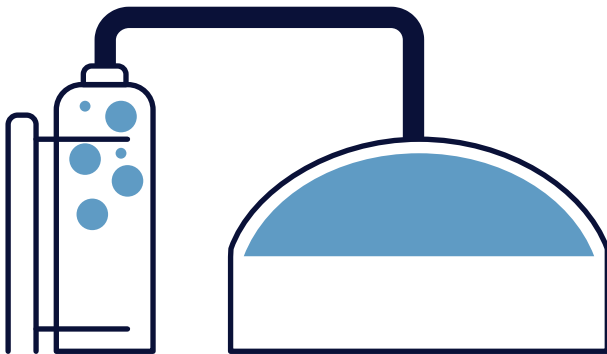
BIOGAS AS AN ALTERNATIVE ENERGY SOURCE

We search for opportunities to use renewable energy sources. 4% of total heat energy consumed by the company in 2017, was produced from biogas.

Biogas is a by-product of wastewater treatment facilities, which Baltika uses as an alternative energy source for running boiler-houses. It allows to reduce natural gas consumption.

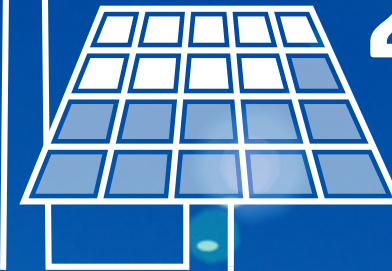
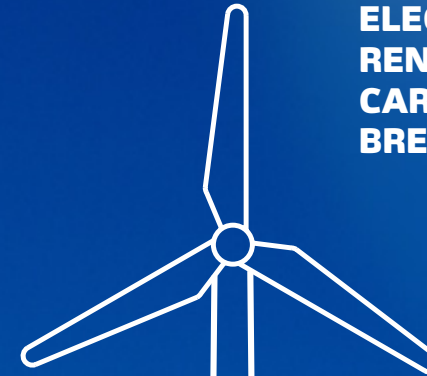
We will increase use of this “green” fuel as a result of new wastewater treatment facilities construction at three breweries.

During the winter months, our breweries in Samara, Khabarovsk, Novosibirsk, and Yaroslavl are using dry and free cooling refrigeration systems to reduce their energy consumption. In Novosibirsk, the refrigerating compressor equipment is practically turned off in the winter.



4% OF TOTAL HEAT ENERGY CONSUMED BY THE COMPANY IN 2017, WAS PRODUCED FROM BIOGAS

ELECTRICITY FROM RENEWABLE SOURCES CARLSBERG GROUP BREWERIES

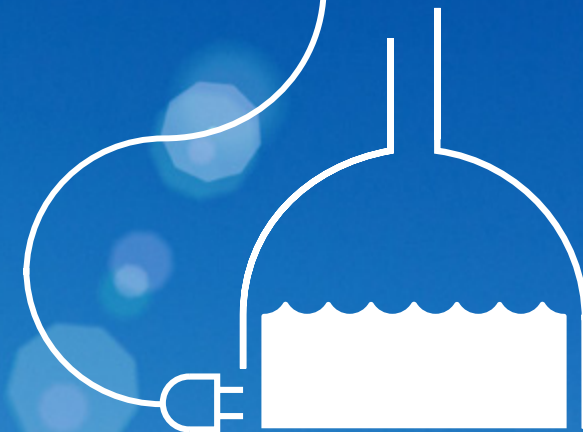


2017 PERFORMANCE

46%

2022 TARGET

100%



DEVELOPING ROADMAP TO REDUCE CARBON FOOTPRINT AND WASTE WATER

As part of Together Towards Zero programme implementation the Group holds workshops on the markets to obtain feedback and create local roadmaps to achieve the targets.

In November last year, such workshop took place in Baltika's headquarters in St Petersburg. It was devoted to search of new ideas on how to achieve two out of four programme's ambitions Zero carbon footprint and Zero waste water.

More than 30 of the company's leaders participated in it, mostly representing Baltika's supply chain, which includes procurement, production, logistics, planning and customer services functions.

They worked in the groups of 10-12 people, each one in turn generated ideas in three directions: Carbon footprint of breweries, Carbon beer-in-hand and Water.

The participants looked at current initiatives and identified those that we should continue and scale up, as well as developed new ones, which could be implemented in the future.

Such brainstorm resulted in more than 70 sustainability solutions, from precision farming technologies, which can be used by the farmers participating in our agroproject, to efficient waste management initiatives.



REDUCING OUR BEER-IN-HAND EMISSIONS

We work to reduce carbon emissions at our breweries as well as the total carbon footprint of our products – what we call our “beer-in-hand emissions”.

80% of our total emissions lie outside our breweries. That is why we work in different directions including packaging production, distribution of our products to reduce environmental impact.

MAKING PACKAGING ENVIRONMENTALLY SUSTAINABLE

Packaging accounts for 35% of Baltika's carbon footprint. We work actively to make our products more sustainable. In cooperation with our suppliers we develop solutions to decrease packaging weight and also implement separate waste collection to ensure recycling of packaging.

Thus we contribute to SDG 12: Responsible consumption and production. We focus especially on targets 12.2 and 12.5 to achieve the efficient use of natural resources and

reduce waste generation through prevention, reduction, recycling and reuse.

In 2017, together with our suppliers we managed to reduce weight of several packaging types, which will allow us to reduce volumes of waste annually: aluminum cans by 160 tonnes, stretch film by 611 tonnes, cardboard by 408 tonnes, PET-bottles cap by 19 tonnes.

In our country, the waste management system is being reformed and we are contributing to the creation of conditions for separate collection of waste.

As part of the reform, the government introduced a mechanism for extended producer responsibility, according to which producers or importers are obliged to ensure the utilization of their products when they lose consumer properties by either meeting utilization norms or paying an environmental fee.

Since the adoption of the corresponding amendments

to the legislation, we have decided to fulfil waste utilization norms via investments in infrastructure for separate waste collection and working with waste operators. Even prior to the adoption of legislative amendments, we have been implementing the principle of extended producer responsibility. For more than five years we have been developing the project “Benefit your city” for separate waste collection.

For our company, the implementation of the extended producer responsibility principle is the fulfillment of not only the requirements of legislation, but also our commitment by 30% reduce beer-in-hand emissions by 2030 in the framework of our sustainability programme. In the reporting year, our company invested in the project more than 20 mln rubles.

THE RESULTS OF BALTIKA'S SEPARATE WASTE COLLECTION PROJECT IN 2017

The total number of containers amounted to 2,500. During last year together with partners, we collected and sent for recycling more than 55,000 tonnes of waste, including 1,500 tonnes of PET.

The project embraced more than 20 cities.



CONTEST AMONG ECOSTART-UPS AND SUSTAINABILITY PROJECTS “KLIMATRON”

In 2017, we became a partner of the contest “Klimatron” among young people’s ecostart-ups and sustainability projects, which was organized by the Russian Carbon Fund.

According to the terms of the contest, the partner companies presented the teams with real business cases in the field of sustainable development. We offered participants to find ideas on how to make our packaging more sustainable and reduce carbon footprint.

The task was solved simultaneously by technological start-ups and case-teams. Then streams were united to present final ideas.

The contest finale was held within the International exhibition and forum “ECO-TECH-2017”. United teams of technical specialists and humanitarians presented complex solutions, consisting of technologies and strategies for their implementation.

The winner in our nomination became the team “EcoLab”, which brought together stu-

dents from different universities representing both technical and humanitarian fields. Participants suggested the idea of creating a multifunctional space for public education and development of new projects and technologies within green economy area.

The technical solution consists of two parts: a smart bin for waste and a mobile application that engages consumers.

We have granted the winning team with the opportunity to present the idea to Carlsberg Group sustainability director and 100 000 rubles.

More than 300 students from 31 universities participated in the “Klimatron-2017” contest, and 100 people received invitation to the finale.



DEVELOPING PARTNERSHIPS

In December 2017, as a part of the final event of the Year of Ecology in Russia – the International exhibition and forum “ECOTECH-2017” we signed a Protocol on cooperation with the Ministry of Natural Resources and Environment of the Russian Federation within the framework of the project “Separate Right”.

The project goal is to create the alliance of non-commercial organizations, business, public authorities, municipal governments, other organizations and citizens for developing and adopting new effective practices of separate waste collection, educating public and promoting right recycling.

REDUCING CARBON EMISSIONS FROM PRODUCT DISTRIBUTION

Distribution of Baltika’s products accounts for 15% of our carbon footprint and we focus on decreasing environmental impact of our logistic operations by upgrading the car fleet and acquisition of new vehicles, optimizing transportation routes.

Gradual upgrading of the trucks fleet began in 2016 when we acquired 21 vehicles with payload above 20 tonnes. All new transport comply with Euro-4 standard, adapted in the EU, and environment concept of efficient energy consumption Ecolution, as well as have SCR system (Selective Catalytic Reduction).

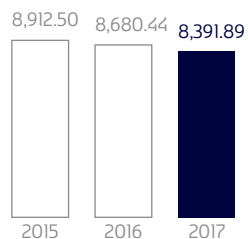
Our trucks and cars are equipped with sending units to control fuel usage.

We also focus on working with truck drivers. Since 2013, we have been realizing the Ecod-

living project, which aim is to train drivers on how to reduce fuel usage and carbon emissions. In the reporting year, 97 drivers were trained.

In 2017, we continued the project “Efficient operation of cars” within which our company takes measures and implements IT-solutions to reduce fuel consumption.

REDUCTION OF CORPORATE TRANSPORT FUEL CONSUMPTION 2015-2017 (tonnes)





**ZERO
WATER
WASTE**



ZERO WATER WASTE

INTRODUCING OUR AMBITION

Our business is dependent on the availability of clean water. No water, no beer. But supplies are becoming scarce in some of the regions where our beers are brewed.

We must therefore treat water with the utmost respect. Our vision for a better tomorrow is a world in which zero water is wasted.

OUR TARGETS

Our targets include reducing water consumption at our breweries and the formation of partnerships to safeguard shared water resources in high-risk areas.

Our top-line target is to halve water usage at our breweries by 2030, with an intermediate target of 25% by 2022. Since water usage for our baseline year (2015) was 3.4 hl/hl, this means we are aiming for 1.7 hl/hl by 2030 – an industry-leading position.

The brewing process requires a greater volume of water than the volume of beer produced – partly due to evaporation and wet by-prod-

ucts, and partly because we need water to clean our equipment. Water will always be essential, but by cutting our usage in half we will make sure that none is wasted.

However, to have real impact we can do more. We will also help safeguard shared water resources in the areas around our breweries. This means participating in community water partnerships that secure long-term water availability. We therefore intend to engage with partners who are willing to work with us in pursuit of this goal in the years leading up to 2022 and 2030.

We are particularly focusing on areas classified as high risk with regard to water scarcity. In 2016, with the support of experts from WWF and their Water Risk Filter tool, we identified 15 high-risk breweries, and we are now pushing hard to reduce our water use at these locations.



**ZERO
WATER
WASTE**

2030 TARGETS

50%

**REDUCTION
IN WATER USAGE
AT OUR BREWERIES**

**PARTNER TO SAFEGUARD SHARED WATER
RESOURCES IN HIGH-RISK AREAS**

2022 TARGETS

25%

**REDUCTION
IN WATER USAGE
AT OUR BREWERIES**

**EXPLORE GOING BELOW 2.0 HL/HL AT ALL HIGH-
RISK BREWERIES**



SUPPORTING THE GLOBAL GOALS

Water scarcity is a major concern. As a global brewer with operations in high-risk areas, we have a responsibility to ensure both the success of our business and the well-being of the communities around our breweries.

Our targets for ZERO water waste contribute to SDG 6: Clean water and sanitation. We address targets 6.4 and 6.5 – increasing water use efficiency and implementing integrated water resources management – through our water use reduction programme and community engagement plans.

OUR APPROACH TOWARDS ZERO

Globally, our Environmental Policy and accompanying operational manual, updated in 2017 as part of a Group-wide refresh, provide our breweries with guidance on water management.

Water stewardship is primarily the responsibility of the leadership team at each individual brewery, particularly when it comes to managing permits for water extraction and discharge. To achieve our 2022 and 2030 targets, our local leaders will be supported by experts from our global utilities management team.

Together, they will work to implement and refine our ZERO water waste roadmap, beginning with the sites identified as high risk. This roadmap includes the continued roll-out of existing wastewater recycling technology around the world. It will also include the search for new wastewater recycling technologies, since the cleaning of equipment is the area where most waste occurs during brewing. We will continue to measure and report on progress.

The recently formed Carlsberg Young Sci-

entists Community will also be involved in addressing the water challenge. Working alongside internal and external experts, the Community will develop solutions to achieve ZERO water waste – at our breweries and beyond.

To protect shared water resources in high-risk areas, we will partner with other stakeholders. Together, we will carry out meaningful projects that have a real, tangible impact on the communities in which we operate. The first of these partnerships will be announced during 2018, and others will follow in the years leading up to 2030.



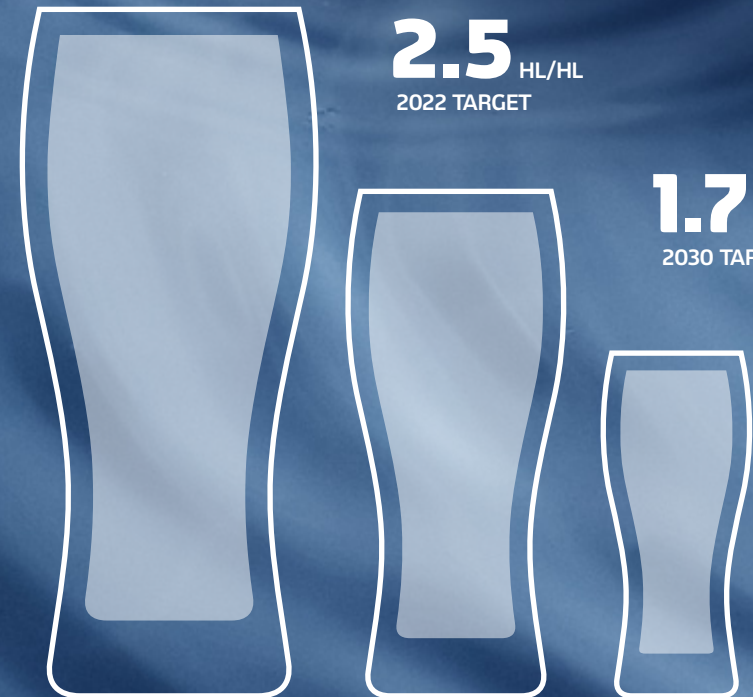
WATER USAGE AT OUR BREWERIES

3.4 HL/HL
2015 BASELINE

2.49 HL/HL
BALTIKA'S
PERFORMANCE
IN 2017

2.5 HL/HL
2022 TARGET

1.7 HL/HL
2030 TARGET



CUTTING OUR WATER WASTE

Responsible water stewardship is a significant part of our efforts to reduce environmental impact. Water is key resource for our business and local communities.

Our water targets provide clear long-term direction. We have already taken the first steps towards best-in-class water efficiency by driving towards optimal efficiency and applying the latest technologies at sites.

OUR 2017 PERFORMANCE

In 2017, our relative water consumption increased by 3% to 2.49 hl/hl compared with 2015 (2.41 hl/hl). This was due to reduction of production volumes and change in operating modes of equipment caused by it.

At the same time, we are among leaders in water management efficiency among Carlsberg Group companies. We have already achieved the Group's target to reduce water consumption to 2.5 hl/hl by 2022.

In the reporting year, Baltika's breweries continued to use systems of water reuse and water reverse supply for technical needs.

WASTEWATER TREATMENT

We have acting wastewater treatment facilities at our four breweries. In 2017, we started construction of modern complexes at the sites in St Petersburg, Novosibirsk and Rostov-on-Don, where wastewater was treated at the municipal sewer systems. Only last year, total investments amounted to almost 690 mln rubles.

All three complexes will have energy-saving equipment and units for collecting biogas produced during one of the treatment stages. The company will use the biogas as an alternative source of energy for its boiler-houses, which will cut consumption of natural gas.

Similar units are installed at the existing wastewater treatment facilities at the company's sites.

The UN pays special attention to the importance of increasing the recycling volume of wastewater.

At our Samara brewery a system of advanced wastewater treatment is already in place, which allows to significantly save on water resources by reusing cleaned water from wastewater treatment facilities for technical

needs in the boiler-house and for the site's cooling compressor station.

We explore the possibility of implementing such a scheme at other breweries.

CARLSBERG GROUP TARGETS

2022

25%

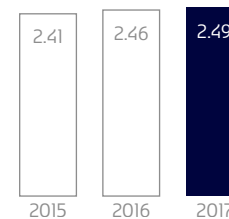
REDUCTION IN WATER USAGE AT OUR BREWERIES

2030

50%

REDUCTION IN WATER USAGE AT OUR BREWERIES

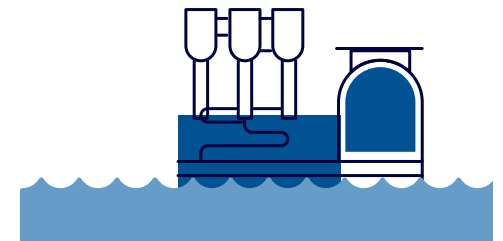
RELATIVE WATER CONSUMPTION AT BALTIKA'S BREWERIES (hl/hl)





690 mln
rubles

Baltika invested in construction of wastewater treatment facilities at three breweries in 2017



3 complexes of wastewater treatment facilities

Baltika started building in 2017



ZERO
IRRESPONSIBLE
DRINKING



ZERO IRRESPONSIBLE DRINKING

INTRODUCING OUR AMBITION

Our beers are often at the heart of social occasions, just as they have been for centuries. That is what we want. But we also want them to be enjoyed responsibly.

In most situations, people enjoy our products in moderation and as part of a balanced lifestyle. This is the way they are intended. However, in some cases our beers are not consumed responsibly and cause harm to individuals and to society. This is not acceptable, which is why we have set an ambition of a society with ZERO irresponsible drinking. Whilst challenging, we believe that by working together across business, government and civil society we can start moving society in the right direction and ultimately make a big difference.

OUR TARGETS

Our targets in this area reflect where we think the best opportunities lie for us to make an effective contribution.

Beers provide a quality low-alcohol choice in many different situations. Yet on some occasions, consumers are looking for options that

do not contain alcohol. Today, we already offer many quality alcohol-free brews that serve as great alternatives for people who are driving, pregnant or, for other reasons, do not wish to drink alcohol. To provide more choice on these occasions, we have set a target of 100% distribution of alcohol-free brews by 2022 – meaning that wherever our beers containing alcohol are found, there will always be an alcohol-free option as well.

To further help consumers make smart choices, we are placing responsible drinking messages and nutritional information about our products on 100% of our packaging and online.

We are also embedding responsible drinking messages in all our marketing communications – all in an effort to engage with consumers and build an even healthier beer culture.

In cases where we see irresponsible behaviour, we will collaborate with relevant stakeholders to make targeted interventions. Our goal is for every market in the Carlsberg Group to have established at least one key responsible drinking partnership by 2022.



ZERO IRRESPONSIBLE DRINKING

2030 TARGET

100% OF OUR MARKETS IMPROVE ON RESPONSIBLE DRINKING YEAR BY YEAR

2022 TARGET

100% AVAILABILITY OF ALCOHOL-FREE BREWS (AFB)

100% RESPONSIBLE DRINKING MESSAGING THROUGH PACKAGING AND BRAND ACTIVATIONS

100% OF OUR MARKETS RUN PARTNERSHIPS TO SUPPORT RESPONSIBLE CONSUMPTION



SUPPORTING THE GLOBAL GOALS

With our efforts to minimise the misuse of alcohol, we support Sustainable Development Goal 3, specifically target 3.5 to strengthen the prevention of harmful use of alcohol and target 3.6 to halve the number of deaths and injuries from road traffic accidents – the latter through our “don’t drink and drive” campaigns.

OUR APPROACH TOWARDS ZERO

Our Marketing Communication Policy (MCP), updated in 2017, sets the framework for responsible communication across our business – including marketing, digital and social media channels and product packaging.

Specifically, our MCP sets standards to limit the access to and appeal of alcohol marketing to minors. This includes strict standards on where we place our advertisements and

which themes we avoid to prevent appealing to young people.

A new Group Responsible Drinking Policy was introduced this year to set global standards on drinking in the workplace.

In 2017, we sought advice from a group of health and behavioural experts from fields such as biology, sociology, anthropology and psychology to help strengthen the design and effectiveness of our responsible drinking initiatives. The purpose is to direct our responsible drinking efforts towards the right national goals and to give advice on the effectiveness of different actions.

The advisory group evaluates existing empirical evidence on the effectiveness of responsible drinking interventions and translates this into recommendations for specific initiatives

at market level.

Our approach consists of three ways in which we can support consumers and society in reducing the harmful use of alcohol:

1. ENABLE

To make it easier for consumers to make smart, informed decisions, we are steadily growing our portfolio of alcohol-free brews. By 2022, we will make these products available on every relevant consumption occasion.

2. INFORM

To help our consumers make responsible drinking decisions, we aim to include responsible drinking symbols, as well as nutritional and ingredient information, on all our consumer-facing packaging and online.

3. ENCOURAGE

Communicating through our brands, we seek to engage consumers in the responsible drinking debate. This could be through partnerships with customers and sponsors to encourage smarter drinking choices, for example. Where direct engagement is impossible, we collaborate with organisations that have the access and credibility to carry our message.

Since the issues vary so much from one market to another, we need to adapt our efforts accordingly. With the input from the scientific advisory group, we are currently assessing the relevant indicators market by market. Where possible, indicators are drawn from national health strategies as a way of ensuring alignment with governments and other partners.



ENABLE

Offer a wider set of alcohol-free choices that consumers can turn to on different drinking occasions.

INFORM

Inform positive drinking choices by providing responsible drinking information on packaging and online.

ENCOURAGE

Encourage consumers to make positive drinking choices through dialogue and engagement.

DEVELOPING ALCOHOL-FREE BEER SEGMENT

In accordance with Carlsberg Group sustainability programme we broaden the portfolio of our alcohol-free beer brands and their distribution to provide consumers an alternative choice and support them in situations when they can't drink beer containing alcohol.

The segment of alcohol-free beer has been growing in Russia over the past years. This process fits into the global trend and proves that more and more people in Russia lead healthy lifestyle.

Development of alcohol-free beer portfolio is part of our commitment within the sustainability programme Together Towards Zero as well as our contribution to achievement the government's tasks on reduction of alcohol abuse and promotion of healthy lifestyle.

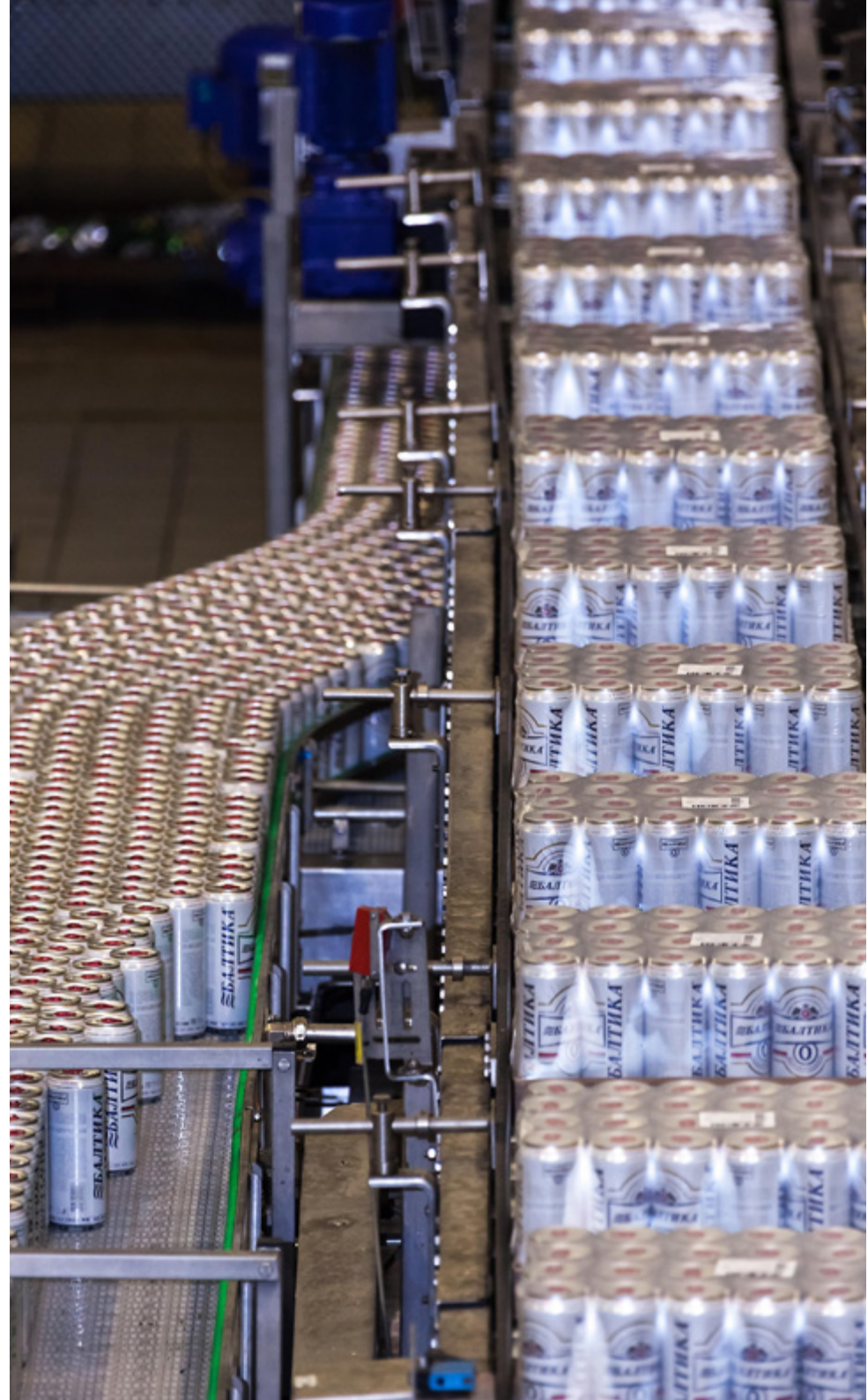
EXPANDING PRODUCTION

In the reporting year, we launched production of alcohol-free beer at our brewery in Samara, which became our fourth site producing the

product. Investments into the project amounted to 57 mln rubles.

INTRODUCING NEW BREWS

In 2017, a new variety of unfiltered wheat beer enriched the range of Baltika #0. The choice of tastes of alcohol-free beer is not big at the moment and we have decided to offer consumers a unique taste of Baltika #0 Wheat. Owing to wheat malt, beer has aroma with spicy-citrus notes and amber matte color, inherent to unfiltered varieties.



BALTIKA #0 SPONSORING MARATHONS

The alcohol-free beer brand №1 in Russia Baltika #0 supported major marathons in St Petersburg.

Athletes around the world make a choice in favour of alcohol-free beer, which is perfectly combined with sports activities and helps to recover after loads. We support those who does sports.

On July 9 last year, XXVIII International marathon "Tricolor TV White Nights" took place in St Petersburg. Our alcohol-free beer brand Baltika #0 was its partner.

On this day, the center of St Petersburg became a place of attraction for marathons fans from all over the world. Almost 10.000 athletes and amateurs from 65 countries gathered here. Marathon consisted of two distances: 42 km and 10 km.

At the finish, all athletes entered recreational zone where they could recover strength after the race and refresh with Baltika #0.

The Baltika #0 zone was popular among runners and fans. There supporters of healthy lifestyle ran mini-marathon distance, could test strength in blacksmithing, received souvenirs, made photos in good memory.



PREVENTING SALES OF ALCOHOL TO MINORS

Addressing the problem of alcohol consumption by minors requires joint actions of different stakeholders and we develop partnerships to achieve positive results.

The Global Beer Responsibility Day is an example of such a partnership. It was established in 2015 as a joint initiative of the Carlsberg Group and other major beer producers and is annually marked in September.

This is a worldwide collaborative effort between brewers, retailers, police authorities and NGOs in different countries, and its purpose is to promote responsible consumption of beer while addressing the issues around alcohol misuse, such as drink driving, consumption of alcohol by minors etc.

Last year in Russia, together with the Russian Beer Union (RBU) we held the campaign “18+ Rules for All, Responsibilities for Everyone” for the third time.

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

The volunteers informed employees of more than 70,000 points of sale in 120 cities about legislation and responsible sales rules. They also paid special attention of shop assistants on the extended list of documents allowing to prove consumers' age. In 2017, driver's license and Fan ID were added to it. In accordance with the Ministry of industry and trade of the Russian Federation the right to prove the legal age with Fan ID is in effect only before December 31, 2018.

As part of the project RBU has developed the Memorandum of intent to develop partnership and undertake joint measures on preventing underage drinking. Among the signatories of the Memorandum there are the Retail Companies Association (AKORT), X5 Retail Group, Consumers Union of Russia, Union of the participants of beer and non-alcoholic beverages market.



PROMOTING DRINKING CULTURE

We hold special events in order to engage and inform adult consumers regarding drinking culture, responsible and safe behaviour.

BEER SOMMELIER

The Beer Sommelier project represents series of lectures held for consumers by Baltika's experts and invited specialists. During the lectures we talk about the history of beer, culture of serving and drinking, secrets of professional tasting, matching beer with food and responsible consumption.

We organize lectures for broad audience as well as for our partners. More than 3,000 people visited them in the reporting year.

BREWERY TOURS

We inform consumers about beer consumption culture during the regular tours to our breweries. Our special events are of great interest as well.

The "Open breweries" project is held annually under the aegis of the Russian Beers Union for those who want to learn more about the art of brewing.

The event is devoted to the Brewers Day — the major industry holiday, which has been marked

since 2003 every second Saturday of June.

In 2017, at our breweries from St Petersburg to Khabarovsk we arranged for all visitors a fascinating quest "In search for the brewers treasures" (18+) through the labyrinth of production workshops.

For the fourth year in a row Baltika's breweries opened their doors for the participants of the October Beer Festival. The guests could immerse into the world of the old European festivals and learn how thanks to accumulated experience and new technologies implemented in the production our company managed to preserve best traditions of the world brewing.

To consolidate the knowledge gained, the guests were able to during the intellectual Beer Quiz by answering questions about beer traditions of the Old World, the peculiarities of beer production and the rules of responsible consumption. In 2017, more than 27,000 guests participated in our brewery tours.





ZERO ACCIDENTS CULTURE

KRUPP CORPORATION

Carlsberg

ZERO ACCIDENTS CULTURE

INTRODUCING OUR AMBITION

We are determined to protect the welfare of our employees by preempting the potential risks of our operations to provide a safe working environment.

Essential to a safe working environment is a ZERO accidents culture. This mentality is fundamental to the way we run our business. Ultimately, we believe that all accidents are preventable.

OUR TARGETS

We pursue a reduction in the number of accidents year on year, with the ambition to reach ZERO lost-time accidents by 2030.

SUPPORTING THE GLOBAL GOALS

Our commitment to reach ZERO lost-time accidents contributes to SDG 8, Decent work and economic growth. In particular we focus on target 8.8 – promoting safe and secure working environments for all workers.

OUR APPROACH TOWARDS ZERO

Our Health and Safety (H&S) Policy defines

how we manage health & safety performance across our business in order to prevent occupational injuries, illnesses and industrial accidents, and to protect people in the communities in which we operate. We also engage actively with external partners and contractors to raise awareness of the health & safety issues in our value chain.

A ZERO accidents culture requires strong and credible leadership. Managers at all levels are expected to lead by example and motivate their staff to participate in H&S initiatives. They are both responsible and accountable for managing workplace health & safety.

All employees are expected to take personal responsibility and engage in H&S activities, as well as looking out for their colleagues. We have systems in place for employees to log any observations, suggestions and near misses.



ZERO
ACCIDENTS
CULTURE

2030 TARGETS

ZERO LOST-TIME ACCIDENTS

2022 TARGETS

REDUCTION IN ACCIDENT RATE YEAR BY YEAR



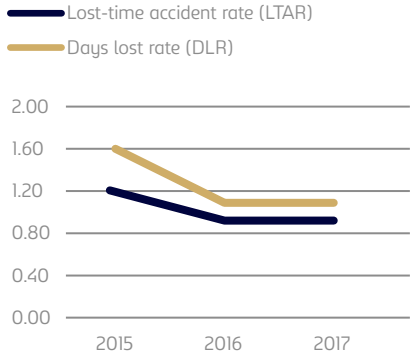
WORKING TOWARDS ZERO ACCIDENTS

Only a combination of leadership, consistent communication and safety routines will deliver progress towards our ZERO accidents target.

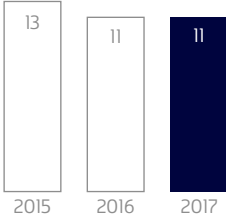
OUR 2017 PERFORMANCE

In the reporting year, number of accidents did not change against 2016, but reduced by 15% compared to 2015.

LOST-TIME ACCIDENT AND DAYS LOST RATES
(rate/1,000 employees)



LOST-TIME ACCIDENTS



ZERO ACCIDENTS CULTURE

Employees' behaviour audits play crucial role in creating H&S culture in our company. During 2017, their number increased by 16% compared to 2016.

Internal auditors explain their colleagues who breach safety standards how dangerous such behaviour is and what consequences it can lead to, how to avoid undesirable events, persuade them to act in accordance with the H&S requirements.

We also invite employees to develop solutions in order to improve H&S system. Thus, in 2017, our employees generated more than 308 ideas, 257 of which were implemented.

Owing to regular information, the awareness level on H&S issues among employees reached 93%.

IMPROVING H&S SYSTEM

In 2017, we introduced new more strict procedures related to work with contractors, including a number of H&S requirements by which our specialist will assess potential partners at the tender stage.

Our company invested 22 mln rubles in improvement of H&S system. We continued implementation of lockout/tagout (LOTO) programmes, to ensure, for instance, that power sources are shut off before operators perform any maintenance or service work.

Last year, in order to increase safety at our warehouses we equipped forklift trucks with the Technovisor systems allowing to monitor speed and movement.

Apart from that, during the reporting year

the most dangerous areas of workshops were marked or enclosed, stairs across the company's premises were equipped with railings on both sides, on the stairs' steps and walls caution signs were placed.

2,098 employees successfully undergone training and passed state labour safety test, in 2017. As a result of the complex work we managed to identify and prevent more hazardous situations than in previous year (the indicator increased by 21%).



**IN 2017,
EMPLOYEES
GENERATED
308 IDEAS**



CARRYING OUT SAFETY EXERCISES

In 2017, our breweries held command-staff exercises on civil defense with participation of the departments of the Ministry of Emergency Situations, emergency services, and representatives of municipalities.

We strive to eliminate the probability of emergencies at our breweries. However, it is important for us to ensure our readiness to protect our staff in such situations.

That is why annually we hold command-staff exercises on civil defense at the breweries which allow us to test action plans in emergency situations in extremely short-terms and ensure evacuation of all employees.



A man and a woman in business attire are seated at a desk, reviewing documents. The man is pointing at a document with a red pen. The woman is looking at a laptop. In the background, there is a large, tilted image of a beer bottle with the label 'БЕЛАЏИТКА 7' and '7' visible. The background also features a blue cityscape and white horizontal lines.

**RESPONSIBLE
BUSINESS**

LIVE BY OUR COMPASS

The Carlsberg Group's business is built on solid values such as honesty and integrity, which translate into a company culture of fair, ethical behaviour.

The Live by our Compass programme continuously promotes high ethical standards across the Group and is supported by clear codes, policies and manuals.

IMPLEMENTING OUR CODE OF ETHICS AND CONDUCT

Code of Ethics and Conduct serves us as a compass and identifies how our employees should engage with colleagues, clients, communities, shareholders, suppliers in different countries.

In 2017, 34,500 the Group employees, including 8,000 from Baltika Breweries, received training in the Code via an e-learning module or face-to-face sessions. The course models different situations, in which an employee helps the character, Cody the Elephant, playing the role of a new employee, to make the right decision and follow our Code.

IMPLEMENTATION OF POLICIES

During 2017, we devised a new policy structure

to ensure relevance and focus on the key areas of our business today, resulting in 29 Group policies. These provide central direction, mitigate key company risks and underline the behaviour we expect of employees.

The revised policies were communicated through internal channels. All employees must know and follow general policies such as Anti-Bribery Policy, Labour and Human Rights Policy, Responsible Drinking Policy. Whilst functional policies correspond to relevant departments (Finance Policy, Marketing Communication Policy). The Group continues to develop detailed guidelines to enforce policies.

SPEAK UP

In 2017, we launched our new Speak Up system, which replaced the previous one. The system can be accessed via web or phone.

The Carlsberg Group employees and partners can report any matters of misconduct, cases that do not adhere to values and ethical standards of the company. The new system's key difference is user-friendly interface and total anonymity.

IMPROVING COMPLIANCE PROCEDURES

In 2017, in the compliance area we focused on



business gifts. We introduced extra controlling procedures to ensure compliance with legislation and the Carlsberg Group requirements related to presenting of business gifts to government officials.

BALTIKA BREWERIES BECAME THE FIRST PARTNER OF THE FAS LEARNING AND METHODOLOGY CENTRE AMONG FMCG COMPANIES

In 2017, the partnership agreement was signed between the subsidiary of the Learning and Methodology Centre of the Federal Antimonopoly Service (FAS), Moscow and our company. This was the first agreement concluded by the FAS Centre with FMCG sector.

In accordance with the agreement's conditions, the Learning and Methodology Centre will conduct trainings on antimonopoly regulation for Baltika's employees, in our turn we will share with the Centre practices related to implementation of antimonopoly compliance — the system consisting of various measures designed to prevent violation of law in this sphere by employees.

Apart from that, we will hold joint information activities with regards to current issues

of antimonopoly law implementation. The agreement was concluded for three years period.

Among the participants of the official signing ceremony there were Stanislav Druzhinin, director of the Learning and Methodology Centre of FAS, Anton Rogachevsky, VP Legal Affairs Eastern Europe, Baltika Breweries, part of the Carlsberg Group, Yury Elagin, head of Tulsy department of the FAS.



ENGAGE WITH COMMUNITY

Our company strives to contribute to sustainable development of the communities where we operate. We support social causes and realize own projects.

“ACT WITHOUT LIMITS” – THE COMPLEX PROGRAMME SUPPORTING DISABLED PEOPLE

Providing help for socially disadvantaged groups is one of the priorities of our Community Engagement Policy. We consider that disabled people should have active social lives.

In 2017, in partnership with the Fund for regional social programmes “Our Future” we launched the programme “Act without limits” providing educational and financial support to social entrepreneurs who address issues for social integration and employment of adults with disabilities.

Social entrepreneurs and disabled people face different barriers on their ways. The first ones are often limited in resources, financial, methodological, to develop their business. The second group experiences difficulties related to social inclusion and employment. That is why we have decided to launch the programme that will break down barriers and open opportunities

for both parties that need each other. By supporting social entrepreneurs whose business addresses problems of disabled people, we hope to contribute to creation of sustainable small business models with long-term social impact.

Geography of the programme: Moscow, St Petersburg, Leningradskaya, Rostovskaya, Samarskaya, Voronezhskaya, Novosibirskaya, Tulsкая, Yaroslavskaya regions and Khabarovskiy krai. The programme fund 10 mln rubles.

ONLINE SCHOOL FOR SOCIAL ENTREPRENEURS

The school course was created by experts especially for social entrepreneurs addressing problems of disabled people, and is designed to help start-ups launch and develop their business, as well as support mature acting entrepreneurs.

GRANT CONTEST

The contest was held among mature entrepreneurs and start-ups. The winners among acting entrepreneurs were announced at the end of last year, whilst start-ups to be announced in 2018.

8 mature social entrepreneurs from 7 regions received financial support worth more than 3 mln rubles in total.



#действуй_без_границ

**THE PROGRAMME PROVIDING
EDUCATIONAL AND FINANCIAL SUPPORT TO
SOCIAL ENTREPRENEURS WHO ADDRESS
ISSUES OF SOCIAL INTEGRATION AND
EMPLOYMENT OF ADULTS WITH
DISABILITIES**

10 REGIONS OF RUSSIA

ONLINE SCHOOL

2 GRANT CONTEST

**IN 2017, 8 MATURE SOCIAL
ENTREPRENEURS FROM 7 REGIONS
RECEIVED FINANCIAL SUPPORT WORTH
MORE THAN 3 MLN RUBLES IN TOTAL**

Thus, the grantee from Voronezh plans to organize the production of handrails, ramps to create a «barrier-free environment» in the city and employ 10 people with disabilities at the enterprise.

Another grantee is the beauty salon from Novosibirsk, where 3 disabled people have been already employed, and more such jobs to be created.

The salon adheres to the principles of accessible facilities, so a person with disabilities can get in it without any assistance.

Since the establishment, more than 800 disabled people have visited the salon and got services free of charge.



BALTIKA PROVIDES YOUNG PEOPLE AN OPPORTUNITY TO BECOME A PART OF THE GLOBAL TALENT NETWORK

In 2017, we provided young people from Russia an opportunity to take part in the international programme YGP Talent Network. The contest was held with support of the Carlsberg Bequest, which is the part of the Carlsberg Foundation, in several countries of Eastern Europe region of Carlsberg Group (Russia, Belarus, Kazakhstan and Azerbaijan).

YGP Talent Network is an international educational programme for future leaders aged between 19 and 25 years old. Its mission is to unite the most talented young people of the world, expand their horizons, raise the level of cross-cultural communication and teach them to think globally in order to find innovative solutions to world problems.

Evgeny Bezludny, a fourth-year student of The Russian Presidential Academy of National Economy and Public Administration in Moscow, became the winner among the participants from Russia, Belarus, Kazakhstan and Azerbaijan. Evgeny joined a three weeks educational tour to Tanzania and Zanzibar, during which 20 peers from different parts of the world united to learn more about each other and develop an innovative look at the ways of solving world problems. Tour participants learnt about the culture, history, opportunities and challenges of the region, engaged with local businesses and universities, met with young elite entrepreneurs, visited youth from SOS Children's Village, learnt more about circular economy and emotional intelligence, spent a day on safari, experienced local art, music and customs and got acquainted with diverse young people from Tanzania and Zanzibar.

At the end of the tour, all participants become a part of the global talents network, on the basis of which further education and strengthening of cross-cultural ties takes place. The participants are expected to engage in online networking and learning activities for years to come, including online Global Reflection seminars every three months.



CREATING FAVOURABLE WORKING CONDITIONS

We make our best to ensure for our employees comfortable and safe working conditions, in which they can fulfill their potential.

DRIVING WINNING CULTURE

Triple A is our behavioural framework, with the As standing for alignment, accountability and action. These three attributes define how we work together to create a winning culture across our organisation. Triple A is also about treating people in a fair and equal way, the key to long-term success. In 2017, triple A were implemented in all HR-practices related to hiring, evaluation and development of employees.

Thus, the attributes were integrated into the programme the Best People that annually identifies and rewards best employees, leaders and teams in the company, those who achieve outstanding results and are role models. Last year, almost 800 managers undergone the winning culture training, which includes triple A section. In total more than 1,300 managers have taken part in the training since it began in 2016.

MY VOICE: FEEDBACK FROM EMPLOYEES

In May 2017, we conducted the “My Voice” survey to measure employees’ engagement. 96% of employees took part in it. The participation rate was the highest in the survey history.

The employee engagement, efficiency and ability to adapt to change scores grew by 2% each compared to the previous year (to 91% and 88% respectively).

ENSURE SOCIAL PARTNERSHIP

There is an open dialogue between employees and management. The company’s Employee Association Council (EAC) plays a key role in it. In the reporting year, in Baltika’s headquarters in St Petersburg the fifth EAC conference was held. 95 delegates representing employees’ interests from different departments of the company, took stock of the social partnership, discussed with top-managers strategy and the company’s development perspectives, signed new collective bargaining agreement.

The collective bargaining agreement ensures transparent and collaborative relations between the employer and employees.



The document is reviewed every three years in order to improve social and labour relations and employees position as compared to the existing legislation.

To fulfill social guarantees of the previous agreement the company has spent more than 1 bn rubles for the past 3 years.

As a result of negotiations a new version of the agreement have been approved, in which social guarantees also have been extended.

In accordance with the document, more employees can now enjoy voluntary medical insurance, childcare payments have been increased as well as limits on corporate lunches.

Special attention was paid to financial aid to employees in different life situations. The total fund amounts to 2,500,000 rubles per year. The sums are distributed among employees basing on decision of EAC.

Employees and their family members are eligible for financial aid in case of domestic accidents and either total or significant disruption of property. Also in case of child fostering an employee can receive onetime financial aid.

During the conference, the list of EAC members was renewed. As a result of secret voting 17 employees from different regions of Baltika's presence entered EAC.

CREATING OPPORTUNITIES FOR GROWTH AND DEVELOPMENT

Much attention we devote to training and development of our employees. In 2017, the total training time for all categories of employees reached 82,000 hours including

production and technical training, training for sales team, training and development of professional skills and competences.

The School of In-house Coaches continues to play a significant role in knowledgesharing in the framework of the Baltika's Corporate University. Around 40 employees conduct more than 20 training courses and share with colleagues their experience and knowledge considering the company's specifics. In 2017, 69 programmes were held, 17 of them in the regions, 849 employees undergone training.

Workplace development can be more efficient and faster if an employee's responsibility sphere expands or changes. In 2017, 458 employees on key positions were promoted within the company. 74% of all vacancies were closed by internal candidates.

In the reporting year, we continued to implement Baltika Stars, a programme focused on developing young talent. It offers undergraduates a paid internship in the company where they can start a career in one of the spheres: logistics, finances, sales, procurement, corporate communications, IT or marketing.

In 2017, 26 students were accepted in the programme, 10 of them were transferred to permanent positions. The programme has been operating since 2009. Over eight years 178 people have participated in it in St Petersburg, Moscow, Rostov-on-Don, Samara, and Novosibirsk. 71% of them still work in Baltika.



COOPERATING WITH GRAIN SUPPLIERS

We can brew excellent beer only from high quality malt. Therefore our company works with local farmers to ensure sustainable supplies of malting barley of European quality to all breweries in Russia.

Our company is interested in minimizing dependence on imported raw materials and sustainable business development in Russia. So we invest in the agroproject and support local farmers.

Carlsberg Eastern Europe is responsible for the agroproject development, management of malt supplies and other grain crops to Carlsberg Group breweries in Eastern Europe region.

At the moment it is one of the largest producers of malting barley in Russia.

In 2017, 92 producers from 14 regions participated in the agroproject. They come from European part of Russia (Tula, Ryazan, Lipetsk, Oryol, Kursk, Voronezh, Tambov, Penza, Ivanovo, Nizhny Novgorod, Bryansk, Moscow regions) and the Siberian Federal District (Omsk region and Altai krai). A lot of them have been our partners for more than 10 years.

We provide our agroproject partners with best seeds of malting barley. Our specialists together with agronomists of the farming facilities monitor barley quality at all stages beginning from creation of a seed stock to transportation to malt houses and then to breweries.

Carlsberg Eastern Europe produces malt from the barley acquired from the agroproject participants at its malt houses in Yaroslavl and Tula.

High quality barley and qualification of our personnel working at malt houses allow to produce malt of the same quality as the one from Germany or Check Republic.

We acquire malt from Carlsberg Eastern Europe. In the reporting year, 100% of malting barley was purchased by Baltika from local producers participating in the agroproject.



GUARANTEE QUALITY AND SAFETY OF OUR PRODUCTS

Our business is all about delivering top-quality and safe products. We take measures both internally and along the value chain to ensure we always live up to our own and others' high expectations.

Modern equipment, technologies, the quality management standard and Lean-TPM system help us to ensure high quality of products at every production stage.

POLICIES AND CERTIFICATION

The Group's Quality and Food Safety Policy sets out our commitment to making products of the highest quality and meeting our customers' expectations as well as international standards. In 2017, this policy was revised and the new version implemented globally, including Russia.

Last year our breweries passed the large-scale audit and proved compliance of the integrated management systems (IMS) with five international standards.

Certification audit was held by the independent international body DNV GL. In order to prove compliance of the integrated management systems with the international standards,

a company has to pass such audit once in three years.

Last time our company went through the procedure in 2014, when the integrated management system had been implemented. At that time it united management systems of quality management (ISO 9001), environmental protection (ISO 14001), occupational health and safety (OHSAS 18001), and food safety (ISO 22000).

In the reporting year, we not only proved compliance with four implemented standards but also for the first time certified our energy management system in accordance with the ISO 50001 international standard.

The auditors noted efficiency of the company's business processes and top requirements to organization and product quality.

PRODUCT QUALITY MANAGEMENT SYSTEM

We assess product quality using a special index that takes into account different parameters for finished beer and packaging. In 2017, the company successfully increased the index to 96% (with a target value of 90%).

To constantly improve and meet consumers' requirements we rely on consumer preference



testing. The test is conducted by an independent agency and offers participants to choose between the company's products and competitors, give their comments.

In 2017, according to tests results the brands produced by our company had equivalent positions with competitors or outperformed them.

Last year we started implementation of the Progressive Quality pillar within the Lean TPM. It is based on the following approach: Zero quality defects, addressed at prevention of any deviations from specifications, Zero quality incidents, those that can lead to product recall from the market and return, and Zero quality related losses, caused by changes in operation modes of the equipment, breakage, supply of defected materials. We will continue project implementation in 2018.

FEEDBACK

We use different channels to receive feedback about the company's operations and products from consumers. We evaluate information and use it to improve our processes, product quality and develop new solutions.

Anyone can contact the company via its hotline number (8 800 333-3303, the call is free for residents from any Russian region) or by visiting baltika.ru.

In 2017, we received 13,313 messages via the hotline. 684 of them corresponded to the "Product quality" category. The number of messages in this category reduced by 34% compared to 2016.

The fast majority of the queries from this category, almost half of them, were opinions and wishes of consumers related to products aroma and taste. 30% of queries composed of the

questions about products ingredients, production processes and signs on the labels. 10% — appreciation messages and positive feedback about our products.

Out of total number of quality queries received in 2017, 11 concerned production defect, this was around 1.5%. These were rare cases of small defects of packaging, absence of small parts of labels, for instance.

We carefully treat every query and take measures, improve our work.

To identify satisfaction level with our feedback hotline operators ask consumers to evaluate quality of the company's answer and information provided. In 2017, the company's feedback was rated at 4.96 on average (with 5 being the highest possible rating).





ECONOMIC CONTRIBUTION TO SOCIETY

IMPACT POSITIVELY ON ECONOMY

Business contributes significantly to ensuring sustainable economic growth via creating jobs, increasing workforce productivity, private investments, improving efficiency and modernization of organizations.



The private sector, including our Group, has a key role to play in supporting the implementation of SDG 8 through employment and value creation in the markets in which we operate.

Through our brewery operations, we contribute to targets 8.1 and 8.2 by supporting economic prosperity, higher productivity and innovation. Our success feeds into target 8.5 to achieve full and productive employment, since the Carlsberg Group creates an additional half a million jobs in related industries.

Baltika is one of Russia's largest fastmoving consumer goods manufacturers. Our company's activities are integrated into a long supply chain, and its economic impact is reflected both directly and indirectly.



CREATING DIRECT AND INDIRECT EMPLOYMENT

Our network, including breweries and sales offices, logistics spans Russia, from St. Petersburg in the west to Vladivostok in the east

We provide jobs in different spheres – production, logistics, marketing, sales and administration – across the country.

The company's average headcount in 2017 was more than 9,000 people.

Our company's activities are integrated into a long supply chain, and its economic impact is reflected both directly and indirectly. For example, in 2017, the share of local companies supplying materials and packaging to Baltika amounted to 90%.

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

Thus, each Baltika employee indirectly creates 10 jobs in related sectors.

In 2017, we generated 90,716 jobs directly and in related industries.

>9,000

EMPLOYEES WORK IN BALTIKA BREWERIES

90,716

JOB'S CREATED BY BALTIKA DIRECTLY AND IN RELATED INDUSTRIES

EMPLOYMENT SPLIT



Source: internal corporate data, calculated by Regioplan using a well-recognised methodology

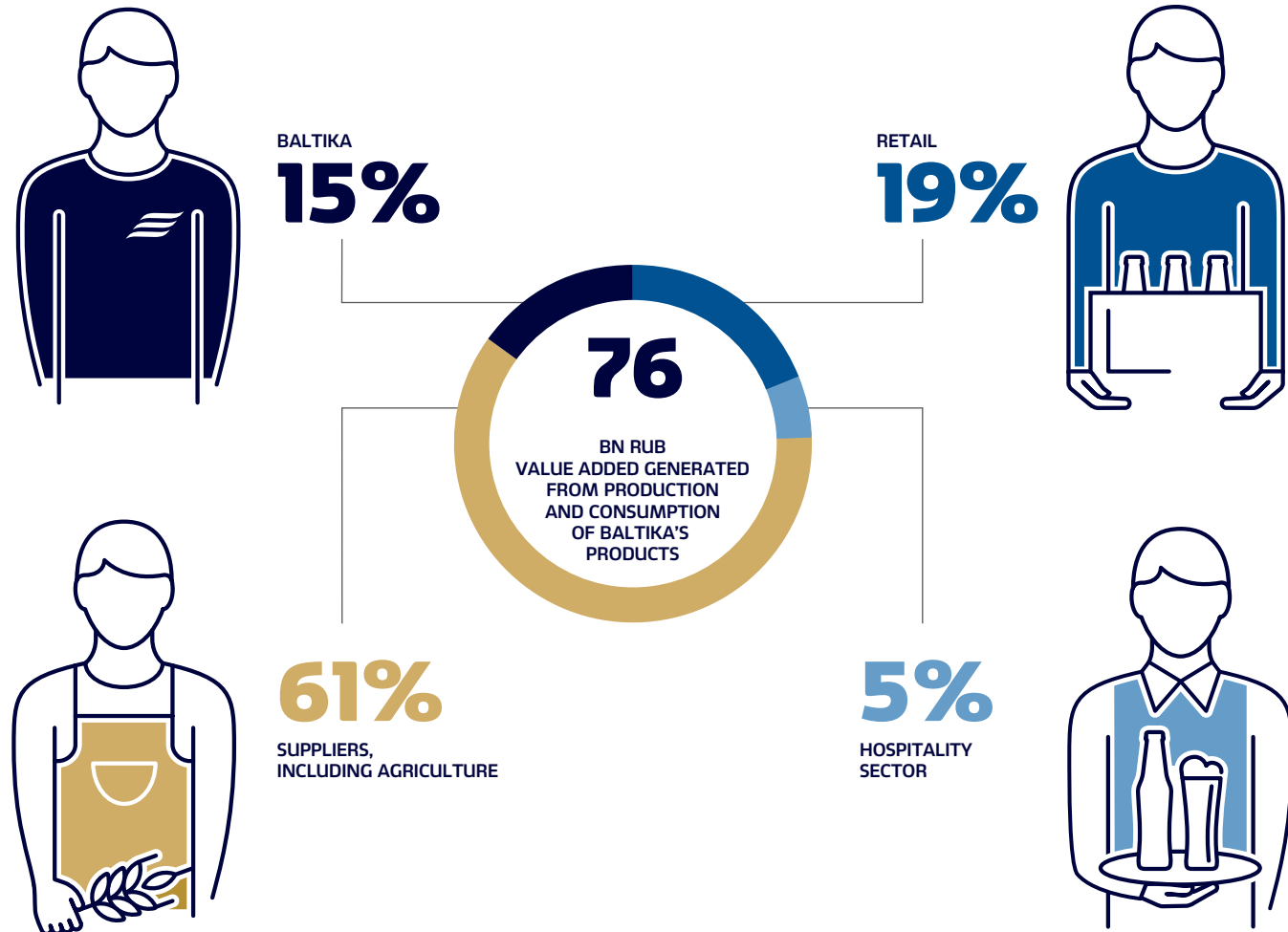
GENERATING VALUE ACROSS THE VALUE CHAIN

Production and sales of Baltika's products, work of our suppliers, along with our customers in hospitality and retail outlets, and our production and sales facilities all add value to the final product – which is sold to consumers.

This added value makes it possible to pay our employees' wages, cover tax liabilities, and reward our lenders and investors. This added value is also the source of VAT revenues collected by government.

Calculated by Regioplan using a well-recognised methodology, the value added through the production and sales of all Baltika's products amounted to 76 bn rubles in 2017.

Source: internal corporate data, calculated by Regioplan using a well-recognised methodology



CONTRIBUTING TO GOVERNMENT BUDGET **VIA TAX PAYMENTS**

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

In 2017, Baltika's aggregate tax payments to the budget across all levels and nonbudgetary funds stood at 62.5 bn rubles. This was 3.3 bn rubles less than in 2016 due to reduction of production volumes of the company. Limitation of production and sales of beer in PET-packaging above 1.5 l had significant negative impact on the beer market. We invested into acquisition of new equipment to modernize our production, construction of

wastewater treatment facilities at our brewer-

BALTIKA'S TAX CONTRIBUTION
IN 2017

62.5

BN RUB



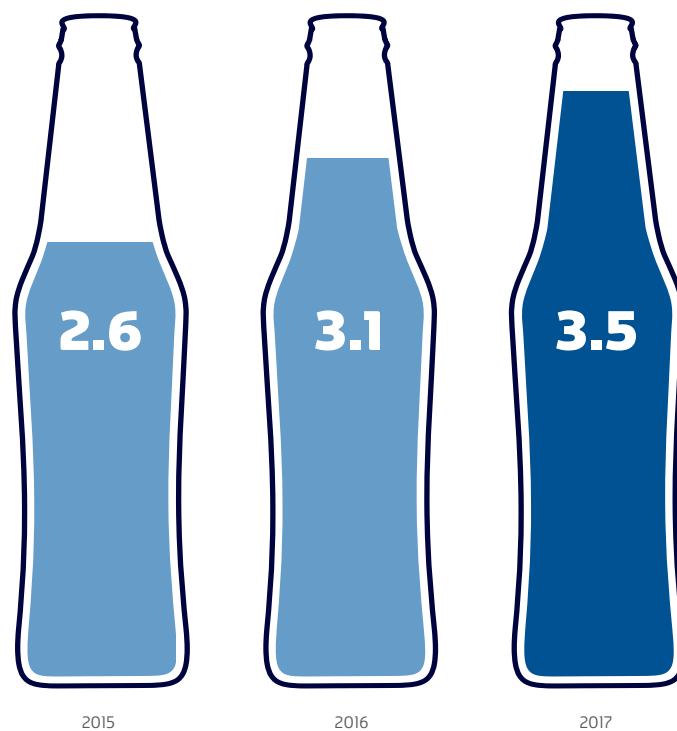
INVESTING IN BUSINESS DEVELOPMENT

In 2017, Baltika's total investment amounted to 3.5 bn rubles, including 1.9 bn rubles spent on production facilities.

ies in St Petersburg, Novosibirsk and Rostov-on-Don, upgrading of car fleet – trucks, semitrailers, lorries and forklifts.

3.5 BN RUB
BALTIKA'S INVESTMENTS
IN 2017

BALTIKA INVESTMENT VOLUME, BN RUB



Source: internal corporate data



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

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

pr@baltika.ru



Leader of Russian
beer market



8 breweries



A major Russian beer exporter.
Its products are present
in more than 75 countries.

BALTIKA BREWERIES TODAY



More than 40 regional
and national beer brands



More than
9,000 employees



1 Baltika employee
indirectly creates 10 jobs in
related sectors