



COMMUNICATION ON PROGRESS
CARLSBERG GROUP / 2011

Corporate Social Responsibility is an important element in our business' success. By implementing sustainable solutions across our business we can address challenges, create new opportunities and contribute to the communities where we operate. In 2011 we continued to do that – despite challenging times

2011 was a difficult year due to the economic uncertainty, rising costs of materials and a challenging Russian market. However we didn't compromise our CSR ambition to grow our businesses in a responsible way. During the year, our Group companies and functions continued to implement solutions in every part of our value chain to reduce the environmental and social impact of our operations. In turn, these solutions created new opportunities for us as a group as well as our stakeholders, and I am pleased that many strong CSR initiatives were implemented during 2011.

Using natural resources efficiently is one of our main priorities. Our energy and water use in our breweries fell by 9.3% and 5.6% respectively compared to 2010. This firmly establishes us as the most efficient global brewing company in terms of use of water and energy in production. Clearly, our significant efforts to use natural resources in our breweries efficiently are paying off and we continue to strive for further improvements. We have also decreased our CO₂ emissions and increased our share of renewable energy. Our brew masters have begun to use the new energy saving Null-Lox Barley Malt, developed at our laboratories, to brew our Carlsberg beer.

We are proud of the recognition we get for these environmental efforts. The Carlsberg Group was included in the top five of the "food, beverage and tobacco"-category in the 2011 Newsweek Green rankings – a global comparison of companies' environmental performance.

Another key CSR issue for us is responsible drinking. The majority of consumers enjoy beer in moderation as part of a healthy and social lifestyle. But as a responsible brewer, we are committed to playing our part in addressing misuse of alcohol. In 2011 our group companies continued to implement initiatives promoting responsible drinking and discouraging irresponsible behaviour. Where possible, we partner with stakeholders such as, health organisations, restaurants and public transportation companies.

Good progress was also made in other CSR areas. We significantly reduced accident figures in our breweries and logistics operations, and increased training initiatives to continue integration of the principles of the [United Nations Global Compact \(UNGC\)](#) into our business operations.

We also contribute to society through the taxes we pay and the jobs we create. Our local companies support a wide variety of local initiatives, ranging from cleaning up eco-zones to contributing to healthcare and sponsoring charity sports events.

Sustainability is and will remain key to our long-term business success. In 2012, we will focus our efforts on addressing specific sustainability risks and opportunities related to both our production and entire value chain. Key priorities will include promoting responsible drinking and developing a sustainable packaging strategy. In Asia, we will address water risks through selected operational and community activities.

We are focussing our efforts on those initiatives that are most relevant to our business and stakeholders and I therefore encourage you to share your views on how and where we can do better.

Cheers,

Jørgen



Jørgen Buhl Ramussen -
CEO and President Carlsberg Group

United Nations Communication on Progress 2011

Since the Carlsberg Group joined the UN Global Compact in May 2008, many Group initiatives have been carried out underlining the commitment to support and advance the 10 principles of the Global Compact in respect to human rights, labour rights, the protection of the environment and anti-corruption within our sphere of influence. [Read the message from our President and CEO Jørgen Buhl Rasmussen](#)

As part of the Carlsberg Group's commitment to the United Nations we have prepared a 'Communication on Progress' (COP) to offer our stakeholders a progress update on the practical actions, targets, performance indicators and outcomes from our work with implementing the 10 UN Global Compact principles in our business.

The COP table also contains links to our CSR website, where additional information on our work with CSR can be obtained, as well as links to relevant GRI indicators and case stories. Further we will be referring to our Policies and our Supplier and Licensee Code of Conduct to show how we work with the 10 principles.

Our Policies set out the requirements we expect our majority-owned companies to live up to. We have developed policies within: [Labour & Human Rights](#), [Business Ethics](#), [Health & Safety](#), [Environment, Marketing Communication](#) and [Community Engagement](#).

The [Supplier and Licensee Code of Conduct \(SLCC\)](#) is included in all global supplier agreements with the aim of minimising the level of business risk within the supply chain, build closer relationships with our suppliers and licensees and safeguard future supply. It is currently available in [English](#) and [simple Chinese](#).

Global and local Communications on Progress

The Carlsberg Group has joined the UN Global Compact on behalf of all our subsidiaries and this COP covers all our subsidiaries progress reporting, however, four of our Group companies have decided to join separately, to highlight their local commitment to the UN Global Compact, and these companies are: Svyturys- Utenos Alus in Lithuania (2006), Carlsberg Srbija in Serbia (2009), OJSC Olivaria Brewery in Belarus (2009) and Slavutich in Ukraine (2010). Their progress communication can be found on the [UN Global compact website](#).



Human Rights and Labour

Introduction to Human Rights and Labour (principles 1, 2, 3, 4, 5 & 6)

As a global business, we are committed to create an environment where people enjoy the same standards and opportunities wherever they work. Our Carlsberg Group Labour and Human Rights Policy, which has been in effect since the end of 2009, sets the labour standards all our employees must enjoy

HR 4
HR 5
LA 4
LA 7
SO 5

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Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

We are strongly committed to high standards that create a fair, respectable and safe workplace for all employees in the Carlsberg Group. We support the [United Nations Universal Declaration of Human Rights](#) and the [International Labour Organisation's Declaration on Fundamental Principles and Rights at Work](#).

Our work with implementing our [Labour & Human Rights Policy](#) as well as our [Supplier & Licensee Code of Conduct](#) is part of our effort to prevent that our Group companies, suppliers and licensees are complicit in any human rights abuses.

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Principle 2: Businesses should ensure that they are not complicit in human rights abuses

Unfortunately, we did not deliver on our group commitment that we set out for the year, namely to conduct internal audits in selected countries, due to internal re-prioritisation. We are now developing audit- and compliance mechanisms across our companies related to the Labour and Human Rights Policy. This work will continue in 2012.

The re-prioritisation also led to that we did not complete the planned training concepts/materials for our HR community, with the goal to strengthen and support the Policy Implementation. We have renewed and adjusted our commitments for 2012 to re-focus the implementation process.

Locally we continued our pursuit of improved work environments. One example is our efforts in the [Beer Selling Industry in Cambodia](#) to improve the health, safety and [working conditions of sales promoters](#).

2011 commitments and achievements

2011 commitments	2011 achievements
Develop training material for the HR community and people managers	not fully achieved - training materials developed for 61% of managers
Carry out internal audits in selected countries to record compliance	Not achieved

Our 2012 plans

- Conduct policy training sessions for HR in countries with less than 100% completion on implementation
- Perform internal audits in selected countries to document compliance (transferred from 2011)
- Build global LHR training materials to be used for inclusion in local training
- Employee Engagement introduced as a KPI for all Top Executives

Our 2013 targets

- Specific E-learning module developed for LHR for use in induction training & management development
- All People Managers are automatically trained in LHR when hired/appointed as a new People Managers
- Employee Engagement introduced as a KPI for all managers
- Specific targets for diversity will be set during 2012

Relevant downloads:

- [Supplier and Licensee Code of Conduct \(SLCC\)](#)
- [Labour & Human Rights Policy](#)
- **Case stories**
[Aldaris nominated as top employer in Latvia](#)
[Creating a culture of safe labour](#)

[Visit the Labour & Human Rights section of our website for additional information on the Carlsberg Group's work within this area](#)

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the rights to collective bargaining

- In the [Labour and Human Rights Policy](#) Carlsberg Group's support to freedom of association and right to collective bargaining, including our employees'™ rights to form, join or not join a labour union or other organisations of their choice, and to bargain collectively in support of their mutual interests without fear of punitive actions such as intimidation, harassment or termination of employment is clearly stated. This also means that in situations where no legally recognised union exists in the area of operations, or if only state-authorized organisations are allowed, the Carlsberg Group responds favourably to initiatives supporting the establishment of alternative means of achieving effective representation of workers' interests.
- The [Supplier and Licensee Code of Conduct \(SLCC\)](#) includes requirements on freedom of association and the right to collective bargaining

**HR 3
LA 4
SO 5**

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

- In the [Labour and Human Rights Policy](#) it is clearly stated that forced labour in any form is not allowed in the Carlsberg Group, including bonded labour, indentured labour, slave labour, or human trafficking. Employees are allowed to move around freely and leave their place of work when their shift ends. Furthermore, Carlsberg Group companies will not ask workers to submit their original identity papers or any other original official documentation or to pay a deposit as part of their conditions of employment.
- The [Supplier and Licensee Code of Conduct \(SLCC\)](#) includes requirements on forced labour, including bonded labour, indentured labour, slave labour, or human trafficking

**HR 3
SO 5**

Principle 5: Businesses should uphold the effective abolition of child labour

- The [Labour & Human Rights Policy](#) underlines that the Carlsberg Group does not condone the hiring of child labour under any circumstances. The minimum age for full-time employment is 15 or the legal minimum age for employment, whichever is greater unless the local minimum working age is 14 and in accordance with the ILO exception for developing countries, where minimum working age is accepted under the previously mentioned conditions. The Carlsberg Group must not hire workers under the age of 18 for positions that require hazardous work that could jeopardise their health, safety or morals.
- The [Supplier and Licensee Code of Conduct \(SLCC\)](#) includes requirements on child labour, which amongst other criteria, determines that suppliers must ensure that where permitted by national laws, suppliers may allow children aged 12 to 15 to perform a few hours of light work a day. The prerequisite is that the work must constitute simple tasks of a limited nature and not interfere with the children's educational responsibilities. Furthermore, the work must not be harmful to their health or development. It is also stated that the suppliers shall refrain from hiring workers under the age of 18 for positions that require hazardous work that could jeopardise their health, safety or morals.

**HR 3
SO 5**

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation

- [The Labour and Human Rights Policy](#) reflects the Carlsberg Groups position on discrimination. This includes that no employees must experience any form of discrimination based on race, colour, gender, language, religion, political or other opinion, caste, national or social origin, property, birth, union affiliation, sexual orientation, health status, age, disability, or other distinguishing characteristics.
- The [Supplier and Licensee Code of Conduct \(SLCC\)](#) includes requirements on non-discrimination, which are in line with the Carlsberg Group Policy.

**HR 3
HR 4
LA 2
SO 5**

Environment

Introduction to Environment (principles 7, 8 & 9)

The sustainability of the environment plays a vital role within our business. Most of our raw materials and ingredients are sourced directly from nature. The continued success of our business is directly linked to the health of the environment and the communities where we operate.

EC 2
EN 1
EN 3
EN 4
EN 5
EN 6
EN 7
EN 8
EN 16
EN 18
EN 19
EN 20
EN 21
EN 22
EN 26
EN 27
SO 5

Principle 7: Businesses should support a precautionary approach to environmental challenges

Through the standards set out in our [Environmental Policy](#), we aim to use natural resources more efficiently and minimise the negative impact of our operations. Further we have also joined the [CEO water mandate](#) and [Caring for Climate](#) initiatives, both initiatives supported by the United Nations.

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Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

We measure our environmental performance through various indicators relating to our production sites. This is one of the areas where we have a significant environmental impact and where we can directly improve our performance by installing new equipment and changing our operational procedures. Assessing the performance of our different sites helps us to identify where to focus our efforts in order to continually improve.

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Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

In this regards, all majority-owned production sites are required to obtain the environmental ISO14001 certification. Those sites currently not certified have a plan in place to achieve this within the next three years. As of 2011, 60 out 75 sites are now ISO 14001 certified (2009: 44, 2010: 47).

Within our environmental strategy, we are focusing our efforts on three priority areas that are the most relevant to our business: Water, Energy and Emissions, and Packaging.

- Our ambition is to be the industry leader for efficiency in [water](#) and [energy consumption and CO2](#) emissions on our production sites.
- We want to reduce the amount of [packaging](#) we use and promote the reuse and recycling of packaging material
- We want to engage with the communities where we operate and work together with our agricultural suppliers, particularly in relation to water management.

Our ambition is to remain the **most efficient global brewing company** in terms of water and energy efficiency within our production sites. During 2011, we lived up to this commitment by significantly improving our energy and water efficiency and reducing our CO2 emissions within our production across all our regions compared to 2010 levels.

In our Group production sites we managed to reduce;

- specific thermal energy by **10%**, to 21,1 kWh/hl
- specific electricity consumption by **7,4%**, to 8,1 kWh/hl
- specific CO2 emissions by **8,6%**, to 7,9 kg CO2 /hl
- specific water consumption by **5,6%**, to 3.3 hl/hl

Overall we are making good progress towards meeting our 2013 targets, and based on our strong performance in 2011, we have revised our specific CO2 targets for 2013 to 7,5 kg CO2 /hl (previously 8,2 CO2 /hl)

2011 commitments and achievements

Energy & emissions

2011 commitments

2011 achievements

Continue implementation of Lean utility program across the group

Programme continued, 25 sites - implemented the programme

Increase best practice sharing across the group

Internal energy - experts teams established to implement best-in-class practices across sites

Assess possibilities of renewable energy use

Group wide assessment carried out

Renewable energy research project to use spent grain as energy source

Pilot plant commissioned and first tests carried out

Water

2011 commitments

2011 achievements

Continue implementation of Lean utility program across the group

Programme continued, 25 sites implemented the programme

Carry out a risk assessment on all our sites

An in-depth risk assessment was performed at our breweries

Identify key challenges for Carlsberg and the communities in which we operate

Key challenges identified but in-depth watershed assessments needed for high-risk sites

Packaging

2011 commitments

2011 achievements

Train users in Northern and Western Europe regions to use packaging tool

Environmental managers and innovation managers trained

Use input from Carbon Calculator to provide environmental information for packaging decisions

Tool applied in some European markets to assess different packaging solutions

Logistics

2011 commitments

2011 achievements

Network optimisation

Continued efforts to obtain synergies across breweries and logistics to reduce energy and carbon emissions

Introduce route planning in logistics operations

Route planning optimisation tool introduced in Nordic region

Introduce environmental guidelines for warehouses

Not achieved. Local initiatives to improve environmental performance of warehouses in completed in Denmark and UK

Our 2012 plans

Energy & emissions

- Continue lean utilities programme with particular focus on Asia, Eastern Europe
- Further trials in the new pilot plant at our research facilities will be conducted with the purpose of generating energy from by-products

Water

- Initiate local production and site water management activities at high-risk sites

Packaging

- Continue training and implementation of LCA tool in EE and Asia.
- Develop a Group strategy for Packaging Sustainability

Logistics

- Focus on including environmental considerations in purchasing - related to distribution (warehouse related and freight)
- Expand route-planning tool to other European markets

Our 2013 targets

Energy & emissions

- Specific Energy Consumption: **29 kWh/hl** (2010: 32,3 kWh/hl, 2011: 29,2 kWh/hl)
- Specific CO2 emissions: **7,5 kg CO2/hl** (2010: 8,6 kg CO2/hl, 2011: 7,9 kg CO2/hl)

Water

- Specific water consumption: **3,2 hl/hl** (2010: 3,5 hl/hl, 2011: 3,3 hl/hl)
- Long-term strategic approach to **water risk management** in place
- New technologies **for re-use of water** inside and outside our breweries explored

Packaging

- Targets will be developed base on outcome of packaging strategy (1st half of 2012)

Relevant downloads

- [Supplier and Licensee Code of Conduct \(SLCC\)](#)
- [Environmental Policy](#)

Case Stories

- [Baltika obtains ISO 14001 Certification for environmental management](#)
- [When green production and good business go hand in hand](#)
- [Feldschlösschen becomes the first Swiss brewery to offer a CO2-neutral delivery](#)
- [Carlsberg Danmark: Rail transport makes sense for business and environment](#)
- [Carlsberg China's CSR efforts receives public recognition](#)
- [Supplier partnership drives down carbon footprint](#)

[Visit the environmental section of our website for additional information on the Carlsberg Group's work within this area](#)

Anti-Corruption

Introduction to Anti-corruption (principle 10)

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Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

At Carlsberg, we are committed to being a reputable business partner and employer wherever we operate. Our business ethics standards will help us to achieve this goal by striving for fair and responsible practices in all our companies

We believe that acting responsibly and fairly are important factors in achieving long-term business success. Many of our Group companies have incorporated business ethics into their everyday processes for a long time. - Our Group Business Ethics Policy, which was launched in 2010 as part of our Group CSR approach, sets common, group-wide standards for business ethics.

Business Ethics Policy

Our [Business Ethics Policy](#), and the supporting Handbook, Guidelines and E-learning, are designed to help employees resolve day-to-day ethical dilemmas, such as situations involving potential corruption issues, breach of confidentiality, the misuse of company assets for personal advantage and limits for donations and gifts. We are developing training materials and e-learning, as well as new reporting procedures, to foster transparency and improve our performance in these areas.

The principles of the Business Ethics Policy are included the introduction course for new headquarter employees and must be an integral part of employment contracts for employees.

Sharing knowledge on complex challenges

To implement our [Business Ethics Policy](#) we have established a network of in-house local legal advisors throughout the group who - besides being individually responsible for introducing the policy to the group companies - coordinate efforts and share issues and experiences across the Group. This network is key to the further development of our anti-corruption and other business ethics measures and to increasing the level of awareness in Group companies. We recognise that there are challenges relating to business ethics and that these vary in different parts of the world. By sharing best practices and identifying possible issues early, we can continue to increase our understanding of the complex global issues.

Whistleblowing system

The Carlsberg Group Whistleblower System enables employees to report activities that may involve criminal conduct or violations of our company policies and guidelines. It consists of a website and a hotline phone number, which are managed by an independent third party to ensure the highest level of security and confidentiality. Reports filed through the Whistleblower System are handled by a few designated employees within Carlsberg Group Internal Audit which is responsible for evaluating the potential violation.

2011 commitments and achievements

2011 commitments	2011 achievements
Roll out e-learning programme	A comprehensive E-learning module was rolled-out to central functions and a number of group companies
Continue training and communication to facilitate implementation	Train the trainer sessions were carried out and a toolkit was introduced
Initiate integration of Business Ethics into performance management systems	Business ethics has been defined as a criteria in our performance review system to come effective during 2012

Our 2012 plans

- Prepare introduction of audit and self- audit for selected countries
- Develop the e-learning programme in other language
- Continue awareness and training with focus on high risk countries

Our 2013 targets

- Business Ethics Policy is communicated to all employees
- 100% of key employees are trained in Business Ethics
- Relevant key employees and top management are measured on Business Ethics compliance
- Introduction of audit and self-audit for selected areas.

Relevant downloads:

- [Supplier and Licensee Code of Conduct \(SLCC\)](#)
- [Business Ethics Policy](#)

Case Story

- [In 2011, more than 500 key employees participated in and passed the Carlsberg Group Business Ethics E-learning Programme](#)

[Visit the section on Business Ethics on our website for additional information on our work with the environment](#)