Dear B4Ukraine Coalition,

Thank you for reaching out to Carlsberg and providing us with the opportunity to address the concerns you have raised on our Russian operations and our commitment to human rights.

We take these issues very seriously and want to assure you that we have been working diligently to address them. We hope that this letter provides you with the necessary information and reassurance.

First off, we would like to underline that we are fully committed to selling our Russian business and leaving the Russian market.

Since the announcement of our decision to leave Russia, we have been working in two main areas: Firstly, separating the Russian business from the rest of the Carlsberg Group. And secondly, seeking a buyer for that business.

The separation of the Russian business from the rest of the Group has been complicated but is now finalized. The Russian operation has been an integrated part of our company, and the separation process has involved more than 150 work streams. Due to the separation process, we have invested more than DKK 100 million in new brewery equipment and IT-infrastructure in other markets outside Russia, to mention a few examples. This means that Baltika Breweries are now run as a separate entity from the rest of the Group.

Since we announced the intent to divest the Russian business on March 28, 2022, a process has also been running to clarify the impact of sanctions and the Russian government’s approval process, select legal and financial advisors, identify potential buyers, and formalize the sales process. We have now narrowed the list of potential buyers down to less than 10 and are expecting to have found a buyer and signed an agreement before the summer. This agreement will then be subject to the approval of the Russian authorities.

During the process, we have been as transparent as possible and have taken all necessary steps to ensure that the sale is conducted in accordance with relevant laws and regulations. This is a complex process, and it has taken longer than we originally hoped for. Both due to the difficulty in finding suitable buyers, and new rules introduced by the Russian authorities. But also due to the difficulty in separating the Russian business. It is in no way an indication of us not standing by our word to divest our Russian business.

Regarding your concerns about a buy-back clause; We have chosen to be transparent about the possibility of a buy-back clause because we hope that there will come a day when we can return to Russia. But it will take many years - at least 10 years, maybe even 20, 30 or 50 years. This is not the same as saying we are returning to Russia or staying in Russia.

We are not able to provide information on the taxes we pay, as we do not disclose these numbers on market level. What we can say is that most of the amount is import taxes and
excise duties, and as we announced in connection with the full year results, the net result from
the business in Russia is a loss of just over DKK 8 billion for 2022.

Our human rights programme has global applicability and follows the UN Guiding Principles on
Business and Human Rights (UNGP). We continuously assess the areas of human rights that
could be adversely impacted by our value chain and identify adequate measures to address
such impacts. This work is ongoing and includes concrete efforts to prevent, address and
remedy human rights abuses connected to our value chain.

Regarding the war in Ukraine, we would like to underline that the safety and well-being of our
employees is our top priority. We have closed our operations when needed and kept all
employees on the payroll, and we have made significant donations to humanitarian causes in
the region. We have provided support to affected communities in numerous ways, including
supplying drinking water, creating a foundation for helping our employees repair homes that
have been impacted by the war, and supporting employees with generators and power banks.
To mention a few actions.

We have been transparent about our actions in Ukraine, and we are committed to continuing
to work with stakeholders to address the ongoing humanitarian crisis in the region and to help
rebuild the country. We plan to invest close to DKK 300 million in Carlsberg Ukraine in 2023.
This is three times more than in 2021. This is because we believe in a strong Ukraine on the
other side of this war, and we want to do our part to rebuild, invest and strengthen the
financial situation in the country. It is a valued market, and we are extremely impressed with
the work of all our Carlsberg Ukraine employees.

In conclusion, we would like to emphasize that it is an extraordinarily complex situation, with
no easy solutions, but we believe that our actions to date demonstrate our commitment to
conducting our business in a responsible and sustainable manner.

We hope this letter has cleared up some misconceptions and provided you with the
information you needed.

Sincerely,

Christian Wulff Søndergaard
Vice President Global Corporate Affairs
Carlsberg Group
April 24, 2023

RE: Carlsberg’s business operations in Russia

Dear Mr. Hart,

We write to you as B4Ukraine, a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. In the spirit of respect for the fundamental rights of all people, the rules-based international order, and a prosperous global economy, we expect companies to demonstrate public support for the people, democracy, and territorial integrity of Ukraine, opposition to Russia’s war of aggression, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs).

We request an urgent dialogue regarding potential inconsistencies between Carlsberg’s obligations under international humanitarian and human rights law and the company’s ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

It has been over one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, forcible transfer of civilians). More than 22,000 Ukrainian civilians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times. In recognition of the severity of abuses, in March 2023 the International Criminal Court issued an arrest warrant for Vladimir Putin to answer war crimes charges for an alleged scheme to deport Ukrainian children to Russia.¹

Moreover, as outlined below, recent developments in Russia point to an expanding universe of financial, legal, and reputational risks facing remaining companies.

On September 21, President Vladimir Putin escalated the war by announcing a “partial mobilisation” of the Russian population. The accompanying legislation (Article 9 of Federal Law No. 31-FZ) mandates all organisations, including the more than 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if

at least one of the employees is eligible for military service. They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

A new decree issued by President Putin on March 3, 2023, enables the Russian government to suspend shareholders' rights and implement external management in companies that don't fulfil state defence contracts under conditions of martial law. By specifying the process of appointing Russian government representatives to manage businesses that fail to meet state orders, the latest Decree effectively creates a scenario of "partial nationalization."

With new legislation introducing partial mobilisation, nationalisation, and potentially martial law in Russia, it is highly likely that corporations will be unable to prevent or mitigate negative human rights impacts; an obligation imposed on companies by the United Nations Guiding Principles on Business and Human Rights. As such, continuing to conduct business in Russia entails significant legal risks for companies, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad. By remaining in Russia, companies face the rising risk of criminal liability for complicity in international crimes, which can be prosecuted by domestic courts outside

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Russia under the doctrine of "universal jurisdiction." Companies may also be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.

Firms which continue to trade with Russia also face high levels of risk attached to financial transactions. On 24 February 2023, the Financial Action Task Force (FATF) suspended Russia’s membership as a result of the war, calling on all actors in the international financial system to exercise extreme caution in all dealings with Russia. In practice, the decision means that all international banks will scrutinise all Russian payments, making financial transactions more expensive, lengthy, with no guarantee that the transaction will occur at all. Although FATF has not yet blacklisted Russia, it highlighted the consensus among its 36 member countries that “the Russian federation’s actions represent a gross violation of the commitment to international cooperation upon which FATF Members have agreed to implement and support the FATF Standards.”

Previous practice shows that noncooperative behaviour is one of the reasons for FATF blacklisting. As a result, companies should examine and mitigate the high levels of risk attached to financial transactions with Russia and based on that risk, companies should reconsider all ongoing business operations related to Russia.

Additionally, the Ukrainian government’s National Agency on Corruption Prevention (NACP) has created a list of “foreign companies that, despite the international recognition of Russia as the aggressor state and the introduced sanctions restrictions, continue to cooperate with it.” These companies are recognised as “international sponsors of war” by the Ukrainian state. The listed entities will be included into the World-Check database to protect the global financial sector from Russian sponsors of war. Since banks and insurance companies use World-check to assess risks, companies on the list will be limited in freely accessing personal and corporate finances. So far there are 23 companies on the list, but the NACP notes that it will be expanded with “international companies that provide the public and private sector with goods and services of critical purpose, as well as [those that] contribute to the Russian budget.”


> FATF (n 7).


In response to this unprovoked and unjustified war, many companies have already left Russia. According to the Kyiv School of Economics Institute’s #LeaveRussia company tracker, Carlsberg has decided to scale back some operations, while continuing others.

On March 28th 2022, Carlsberg condemned the war in Ukraine and announced that it has “taken the difficult and immediate decision to seek a full disposal of our business in Russia.” In the same statement, the company clarifies:

“Upon completion we will have no presence in Russia. As a result of this decision, our business in Russia will no longer be included in the Group’s revenue and operating profit. From an accounting perspective, the business will be treated as an asset held for sale until completion of the disposal.”

This announcement followed the March 4th statement in which Carlsberg decided to immediately stop new investments into Russia, as well as exports from other Carlsberg Group companies to Baltika Breweries in Russia.

Prior to the war, Carlsberg had significant operations in both Ukraine and Russia. Carlsberg’s presence in Russia is operated through Baltika Breweries, which is one of the leading brewing companies in Russia with a market share of approximately 27% and 8,400 employees. Baltika is also a market leader in the alcohol-free brews’ segment, with a market share of more than 50%. In Ukraine, Carlsberg operates breweries in Zaporizhzhia, Kyiv and Lviv and employs over 1,350 staff. Following the invasion, the production at the Ukrainian breweries was stopped, but it later resumed.

In its 2022 Annual Report, Carlsberg presented its Russian business as “held for sale” as of January 1st 2022. However, over a year later, the company still has not completed the sale and divested from Russia. In December 2022, Carlsberg’s CEO confirmed that the company pushed back the sale, despite a number of interested buyers, quoting concerns for employees and investors as some of the reasons.

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12 The UN General Assembly condemned Russia’s “aggression against Ukraine” and demanded that Moscow “unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders.”
14 Ibid.
We were also concerned to learn that Carlsberg is interested in including a buy-back clause in the potential contract, allowing the company to repurchase its Russian assets at a later stage.

We are writing to request confirmation of Carlsberg's plans to completely exit the Russian market and to seek clarification on the timeline of this divestment. Additionally, we would appreciate it if you could provide us with information on the amount of taxes that Carlsberg has contributed to the Russian economy through its continued production since the beginning of the war.

These activities in Russia risk enabling and financing Russia’s violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine.

We seek to understand the status of Carlsberg’s exposure to Russia and how Carlsberg has conducted and continues to conduct heightened human rights due diligence, and how the findings of such a process have resulted in these continued business activities and relationships. As noted by the UNGPs:

…the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine’s Declaration, we request an urgent dialogue with Carlsberg's relevant senior management and staff to discuss the company’s ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent/mitigate these risks. Please contact the B4Ukraine Coalition at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, May 8th, 2023.

Sincerely,

The B4Ukraine Coalition