

Social Report of the OBOLON Company

Sustainable Development in 2007-2008

Social Report (SR) is a paper that reflects the Company's policy, strategy and practice in corporate social responsibility (CSR).

Corporate social responsibility (CSR) is a responsibility of those making business decisions for those directly or indirectly influenced by such decisions.

Social responsibility is a concept that encourages companies to consider public interests by taking responsibility for the company's impact on customers, stakeholders, employees, community and environment in all aspects of its activity.

SR Term:

2 years (2007 and 2008).

SR Mission:

Systematic building of stakeholder awareness of the Obolon Company's social activity.

SR objective:

- public acknowledgement of the Obolon Company in the area of CSR;
- implementation of international standards of corporate governance.

THE OBOLON COMPANY IN FIGURES

7500

is the number of employees in all corporate structures of Obolon CJSC

UAH **4176** million
sales proceeds in 2008

2,95 billion half-liter bottles
number of products manufactured in 2008

27,6%
share of Obolon trademark in the domestic beer market (first place)

75,5%
is the Obolon Company's share in Ukrainian beer exports

UAH **4500**
is the average monthly wage of a company employee

UAH **46** million
expenses related to the environmental programs of Obolon CSCJ in 2007-2008

67%
is the proportion of water recycling at Obolon CJSC

86%
is the proportion of recycling and reuse of in-house waste

33
number of countries the Obolon Company exports its products to

9500
is the number of people that enjoyed excursions at the main factory of Obolon CJSC in 2008

CORPORATE SOCIAL RESPONSIBILITY CHART



Economic impact:

- job security
- Innovative investments
- domestic producer
- exporter
- quality and competitive products

Environmental safety:

- environmental investments
- optimization of resource management
- reduction of environmental impact
- waste management and minimization

Working conditions:

- high social standards
- decent remuneration
- personnel training and development
- standardized occupational safety system
- employment of disabled persons

Social investments:

- educational projects
- support to disadvantaged population
- promotion of spiritual, historical and cultural revival
- development of sports



Internal stakeholders

External stakeholders

Shareholders and investors

Employees

Consumers

Partners

Government authorities

Local authorities

NGOs

Mass media

International organizations

Financial and Credit Institutions

Population of regions where enterprises are located

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REPORT CHARACTERISTICS

The Social report is a document that reflects the company's policy, strategy and practice in social corporate responsibility.

In accordance with the UN Global Compact, which is a voluntary initiative of socially responsible companies, in 2009, Obolon CJSC is providing information about social corporate responsibility in the form of the 2007-2008 Social Report.

The first Social Report of the Obolon Company, which is the first one ever in the Ukrainian brewing industry, complies with the highest global standards of social reporting. The Social Report fulfils an important informative function, namely publicly evidences the social policy practice of the Obolon Company and enhances the loyalty of employees, customers, public, and business partners. In addition, the Social Report is evidence of the introduction of generally accepted standards of corporate governance.

The term "sustainable development" is understood by Obolon as both stable development of the company itself and the environment in which it operates. That is to say the company realizes its responsibility in relation to both employees and shareholders, as well as communities.

The Social Report of Obolon CJSC has been prepared on the basis of "Recommendations on sustainable development reporting" of the Global Reporting Initiative, GRI, Version 3). These recommendations are the most widespread standardization and evaluation instrument among companies around the world. The Social Report of the Obolon Company complies with level B evaluation (according to GRI v.3).

The Social Report of the Obolon Company contains all essential data that characterize its activity in 2007 and 2008. Social accountability helps the company to improve its management procedures, increase the efficiency of social measures, enhance communications and take into consideration the needs and expectations of the stakeholders. That's why the Obolon Company is committed to providing information about its social activity (sustainable development and progress reports) on a regular basis, increasing its capacity and improving infrastructure.

The first report of the Obolon Company provides a detailed description of such important topics as occupational safety, quality management, environmental safety of production, use of resources, social investments, etc.

Staff members of over 15 divisions of Obolon CJSC took part in providing information content. The Chairman of the Board became the coordinator of a working group to develop the Social Report, while the Public Relations Department consolidated the information and carried out other related tasks.

The Social Report of the Obolon Company complies with level B evaluation (according to GRI v.3)



The Social Report of the Obolon Company is the most conclusive in Ukraine – 110 completed GRI indicators of 121 possible

GRI V.3 Compliance Table

| Divisions | Core | | Addition | | Total | |
|------------------------|-----------|----------|-----------|----------|------------|-----------|
| | Attend | Absent | Attend | Absent | Attend | Absent |
| General Position | 42 | 0 | 0 | 0 | 42 | 0 |
| Economic | 6 | 1 | 2 | 0 | 8 | 1 |
| Environmental | 18 | 0 | 9 | 3 | 27 | 3 |
| Labor | 9 | 0 | 4 | 1 | 13 | 1 |
| Human Rights | 4 | 2 | 3 | 0 | 7 | 2 |
| Society Performance | 3 | 3 | 1 | 1 | 4 | 4 |
| Product Responsibility | 4 | 0 | 5 | 0 | 9 | 0 |
| TOTAL | 86 | 6 | 24 | 5 | 110 | 11 |

THE OBOLON MISSION

**“We work every day to be
the first and make sure nobody
on the planet is thirsty”**



ADDRESS OF THE COMPANY'S MANAGEMENT



The first 2007-2008 Social Report informs all stakeholders of Obolon's activity in the area of sustainable development. Long-term professional work of the company's employees have made it possible to accumulate wide experience in efficient corporate management of human resources, environmental policy and social investments.

Over the last 25 years we've laboured patiently to develop an efficient business aimed at stable economic growth and improving the living conditions of citizens. The strategy of Obolon CJSC has always been oriented towards meeting the expectations and demands of customers, and as a result, the leading position in the beer and soft

drink market with continuous attention to preservation of the environment and accommodation of the interests of all stakeholders.

Over the last few years we've taken a proactive approach to introducing innovative and energy efficient technology. As a consequence, we were the first in Ukraine to certify four international management systems, introduce PET bottle recycling technology and start drying brewers' draff for agricultural purposes. We constantly upgrade the environmental characteristics of the production process, minimize hazardous emissions and introduce recycling and reuse of resources. This allows us both to cut the

consumption of resources and pollution charges and significantly improve the state of the environment and raise employees' awareness and environmental culture.

The Obolon Company continues to meticulously adhere to the principles of harmonious coexistence, interaction and ongoing dialogue with the public. I'm confident the Social Report of the Obolon Company will help to develop an effective dialogue with employees, the general public, government authorities and partners.

Oleksandr Slobodyan
President of Obolon CJSC

HISTORY OF THE OBOLON COMPANY

The company's history starts in 1974 when the construction site was filled up. Startup of production was dedicated to the 1980 Olympic Games.

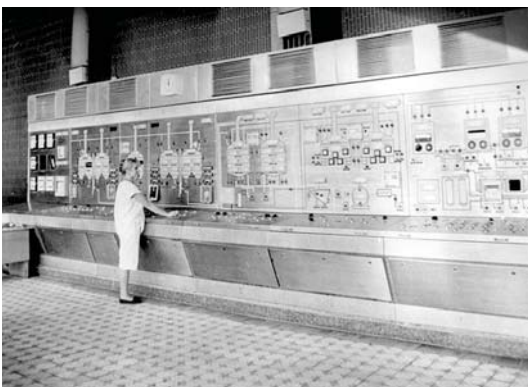
The plant site was determined by the main factor, namely, the availability of a large deposit of soft, crystal-clear water. Today, water from the Jurassic bedrock (290 m) ensures the high quality of our products.

Not long after its opening, the enterprise stimulated the development of the largest Ukrainian company producing beer, low-alcoholic and non-alcoholic beverages, and mineral water.

The plant got its name only in 1986 after a district of the same name in Kyiv. Over the past quarter century, Obolon has turned into a world-renowned brand. Today, people on five continents associate Obolon with the #1 Ukrainian beer.

The company was the first Soviet enterprise to export beer abroad. In 1989, the first shipment of Zhiguli Beer appeared in the United Kingdom.

In 1992, Obolon received privatization certificate No. 1 from the State Property Fund. All of the company's employees became its official shareholders. Along the difficult path of formation, Obolon acquired valuable experience of operating under the conditions of a transitional economy. From that time on, a new stage of development of Obolon as a 100% Ukrainian producer began. Today, the company is among the Top 100 enterprises of Ukraine.



In 1994, Obolon was the first company in Europe to launch the production of low-alcohol beverages on the initiative of senior executive Olexandr Slobodyan. Obolon was also the first in Ukraine to initiate new packaging segments in the domestic brewing market, namely, PET and aluminum cans, and started to use a proprietary glass bottle.

In 1999, Zhyvchyk, a legendary family drink, appeared on the market. Today Zhyvchyk is a leader of the Ukrainian soft drink market.

In 2000-2001, three modern steeping tanks were put into service in the malting shop, and new German CCVs were installed in the fermentation shop.

In 2004, a new beer bottling line was launched with overall capacity of 110 000 bottles per hour. Due to the launch of the above-mentioned line, Obolon became the third largest brewery in Europe. A new brewing procedure was introduced, and new CCVs were installed.

In 2007, Obolon was acknowledged as one of the best taxpayers in Kyiv. An ambitious project under the Obolon trademark – All-Ukrainian beer sports championship – was started. In 4 months the Championship visited about 30 Ukrainian cities and finished in Kyiv.

In 2008, Obolon completed the construction of its own malt factory in Chemerivtsy, Khmelnytsk Region with total investments exceeding 500 million hryvnas. In addition, the company continued modernization of Zibert's Brewery in Fastiv. 'Magnat', a revived topnotch Ukrainian beer brand, entered the market in the same year.

Over the last few years, production volumes of Obolon CJSC have never declined but have increased tenfold. To strengthen our market leadership, we are installing up-to-date equipment, introducing new production technology and investing in brand development.

To learn more about the traditions and history of the Obolon Company, visit www.obolon.ua.

CORPORATE STRUCTURE OF THE OBOLON COMPANY

The structure of the Obolon Company has been formed over many years under the influence of a development strategy aimed at diversification of production, transition to own-produced raw materials, an innovative approach, absolute environmental safety and full social responsibility.

Main structural units of the Obolon Company

Pilot plant in Kyiv, which is the largest brewery in Europe*:

- *Obolon CJSC (brewing, soft drinks, mineral water, brewers' spent grains, etc.)*

Subsidiaries:

- *Obolon CJSC Subsidiary "Zibert's Brewery", Fastiv, Kyiv Region (brewing)*
- *Obolon CJSC Subsidiary "Krasylivske", Krasyliv, Khmelnytsky Region (production of mineral water, soft drinks and low-alcohol beverages)*

Enterprises with profit participation rights:

- *"Okhtyrsky Brewery" CJSC, Okhtyrka, Sumy Region (brewing, production of soft drinks, malt)*
- *"Sevastopolsky Brewery and Soft Drinks Plant" CJSC, Crimea (production of soft drinks)*
- *"Bershadsky Brewery" CJSC, Bershad, Vinnytsya Region (production of soft drinks, malt)*
- *"Dyatkiivtsi" CJSC, Kolomyia, Ivano-Frankivsk Region (production of malt)*
- *"Obolon Agro" LLC, Chemirivtsi, Khmelnytsky Region (agricultural production, barley cultivation, cattle and hog raising)*
- *"Rokytnivsky Glass Plant" CJSC**, Rokytno, Rivne Region (production of glassware)*

Separate production units:

- *Plant in Oleksandria, Kirovograd Region (production of soft drinks and low-alcohol beverages, PET-bottle recycling, production of rim bands)*
- *Malt plant in Chemirivtsi, Khmelnytsky Region (production of malt)*

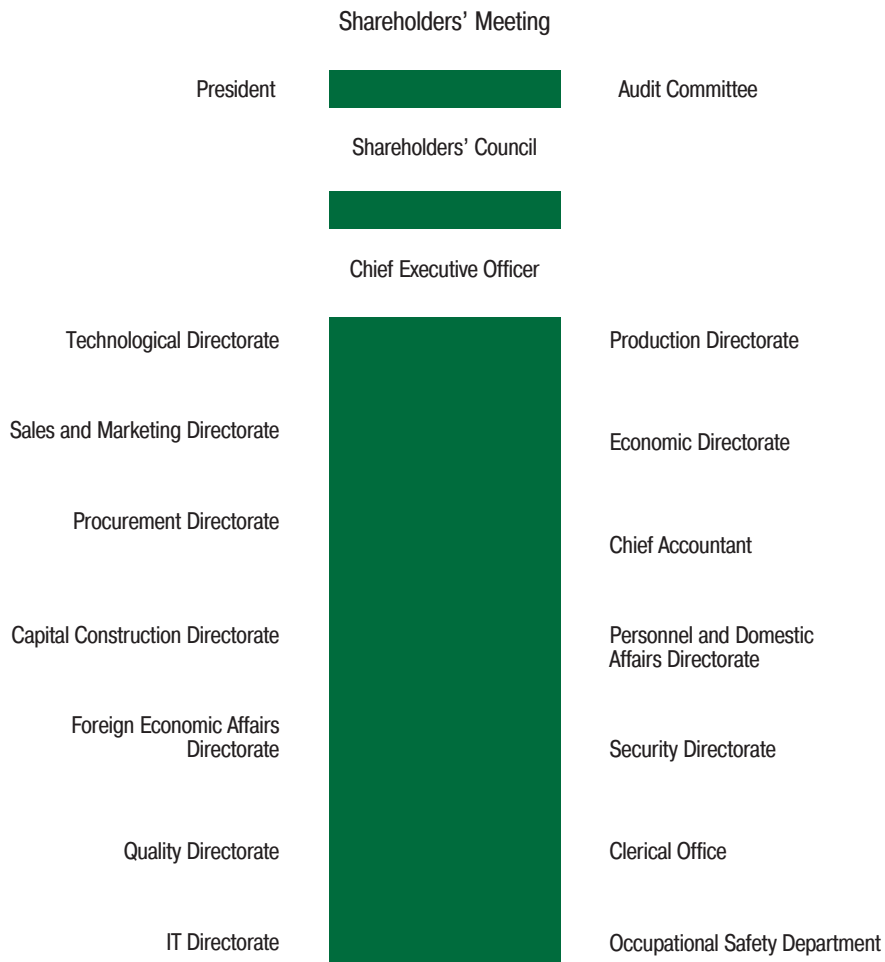
* – with respect to nominal production capacity

** – Obolon Company owns a significant, but not majority interest in "Rokytnivsky Glass Plant" CJSC



**Pilot plant
in Kyiv
is the
largest
brewery in
Europe**

FUNCTIONAL STRUCTURE OF OBOLON CJSC





**PERFORMANCE OF THE OBOLON COMPANY
IN THE ACCOUNTING PERIOD**

PERFORMANCE OF THE OBOLON COMPANY IN THE ACCOUNTING PERIOD

The Obolon Company, as the industry leader, is introducing the culture of financial reporting to the brewery and soft drinks market in Ukraine. The company always publishes annual financial statements and broadly covers its activities. "Obolon" fully indicates the sources of cash income, expenses, profits and liabilities that form the image of a transparent and open company.

It's no secret that last year was a hard one for both the beer market and the Ukrainian economy in general. In 2008, a reduction of beer sales in comparison with the previous year was observed in the brewing industry of Ukraine (as distinct from market growth in 2007). But a decrease in demand was observed not only for beer, but for other groups of goods as well. The main reason for this was high inflation that led to an increase in price of product components and a reduction of actual purchasing power of the population. Despite this, amid reduction of the actual size of many domestic markets, the beer market grew by 1.5% in 2008 in comparison with 2007 in physical terms. The Obolon Company had leading dynamics – brewing in 2008 increased by 3.9%.

This allowed Obolon to retain the leadership in overall beer production (along with exports) with a share of 35.4%.

In 2008, the Obolon Company implemented several large-scale capital projects that have already started to return dividends. In particular, the launch of a modern malt plant in Chmerivtsi (Khmelnysky Region), where total investment was about \$100 million. This project successfully fulfills a corporate function – reduction of dependence on external malt markets – and a social one – to create about a thousand new jobs. In addition, Obolon makes considerable investments in modernization of production both at the pilot plant in Kyiv and at the subsidiaries and affiliated companies.

Brewery output of Obolon CJSC in 2008 was 113.338 million decalitres (increase of 3.9% in a one-year period), sales revenue – 4 176 million hrn. (increase of 19.8% in a one-year period)

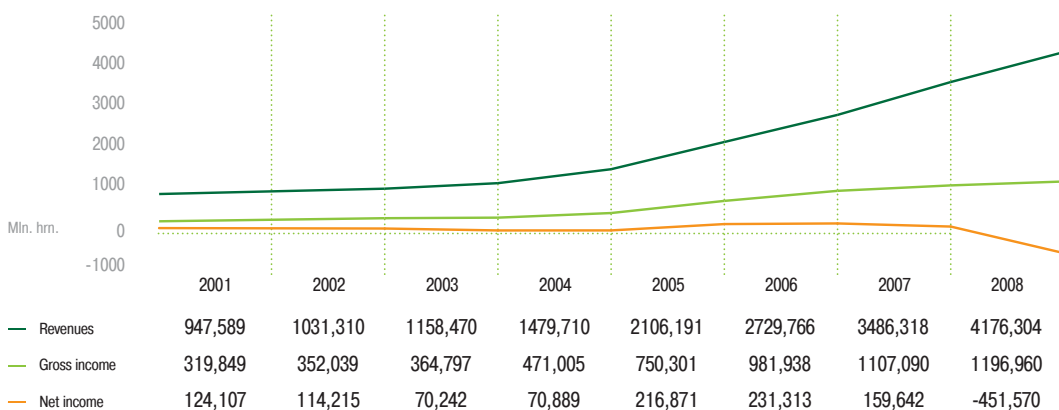
Main financial results of Obolon CJSC's activity

| Indicator | 2007 | 2008 | Change in a year |
|--------------------------|-------|-------|------------------|
| Revenues, mln. hrn. | 3 486 | 4 176 | +19,8% |
| Gross revenue, mln. hrn. | 1 109 | 1 200 | +8,2% |
| Net revenue, mln. hrn. | 160 | -452* | — |

* the decrease occurred due to the difference in exchange rates

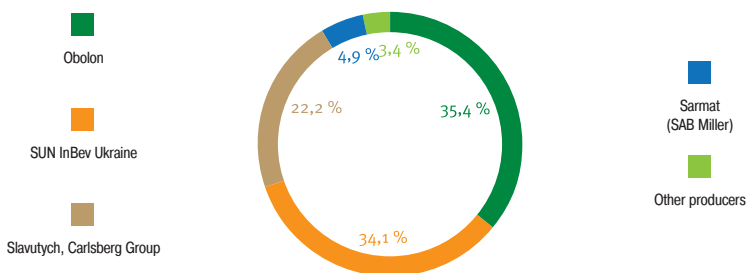


Dynamics of revenues and income of Obolon CJSC in 2001-2008



Main production results of Obolon CJSC's activity

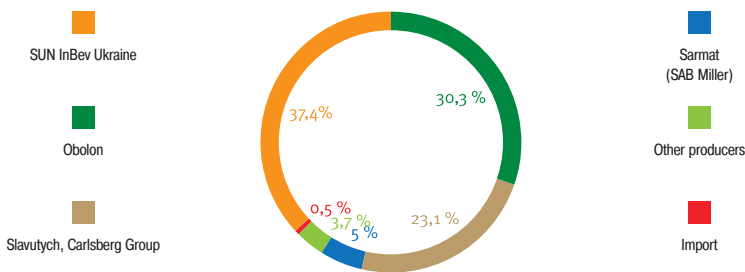
| Indicator | 2007 | 2008 | Change in a year |
|---|-------|-------|------------------|
| End products production, mln. decalitres | 144,0 | 147,4 | +2,4% |
| Brewing, mln. decalitres | 109,1 | 113,3 | +3,9% |
| Low-alcohol beverages production, mln. decalitres | 4,2 | 4,1 | -2,4% |
| Soft drinks production, mln. decalitres | 20,7 | 21,7 | +4,8% |
| Mineral water production, mln. decalitres | 10,0 | 8,3 | -17% |



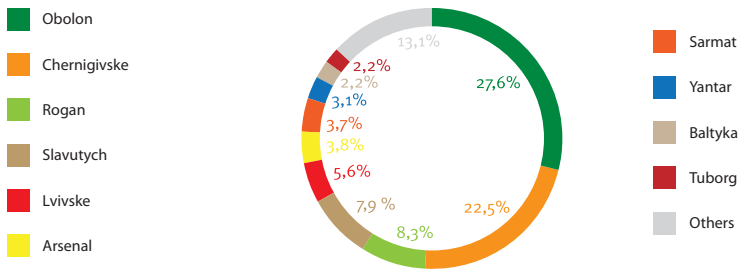
Share of the companies in production of beer in Ukraine, %

Obolon's position in the domestic market of Ukraine

| Indicator | 2007 | | 2008 | |
|------------------------------|-------|----------|-------|----------|
| | Share | Position | Share | Position |
| Brewery market | 30,1% | 2 | 30,3% | 2 |
| Low-alcohol beverages market | 41,5% | 1 | 34,9% | 2 |
| Soft drinks market | 10,8% | 2 | 12,5% | 2 |



Division of the beer market in Ukraine according to the results of 2008, %



Shares of the market (according to the volume) on Ukrainian market among the main brands of beer, % (2008)

FOREIGN ECONOMIC ACTIVITY OF THE OBOLON COMPANY



FOREIGN ECONOMIC ACTIVITY OF THE OBOLON COMPANY

The Obolon Trademark is one of the brightest business cards of Ukraine in foreign markets. The company's share in Ukrainian beer exports in 2008 amounted to 75%. At the same time, in the domestic market Obolon brands took more than 30%.

The Obolon Company independently made its way to Western markets and was the first in the former USSR to start to export beer abroad. The first ones to taste Ukrainian beer were the people of Great Britain, where our products gained the

high opinion of consumers. Today, 33 countries around the world are familiar with the unique taste of Ukrainian traditions, reproduced by Obolon's brewers.

For 2008 as a whole, the company's export volumes grew by 10.7% in comparison with 2007 in quantitative terms (27 653.2 thousand dal. sold) and by 30% in value terms. In Russia, products of Obolon CJSC occupy about 2% of the market. In Belarus, Obolon's share on the beer market is 5%; on the import market - 20%.

**The share of the
Obolon Company in
the export of
Ukrainian beer was
75%**

Exports of the Obolon Company

| Indicator | Volume, 2007 | Volume, 2008 |
|---------------------------------|--------------|--------------|
| Beer, mln. decalitres | 23,269 | 25,487 |
| Soft drinks, mln. decalitres | 0,733 | 0,783 |
| Mineral waters, mln. decalitres | 0,045 | 0,037 |

List of the main countries to which products of the Obolon Company are exported:

Russia, Belarus, Moldova, Australia, Estonia, Latvia, Lithuania, USA, Poland, Britain, Israel, Spain, Germany, Kazakhstan, Greece, Armenia, Georgia, Italy, France, Canada, Cyprus, Croatia

List of the main countries from which the Obolon Company imports raw materials and supplies:

Russia, Belarus, Germany, Slovenia, France, Poland, Belgium





**CORPORATE SOCIAL RESPONSIBILITY
OF THE OBOLON COMPANY**

CORPORATE SOCIAL RESPONSIBILITY OF THE OBOLON COMPANY

Corporate social responsibility

Obolon is a national company that worthily represents Ukraine in the world. Such high status is not only about prestige, it's about a responsible attitude to its products, consumers, staff and partners. Corporate responsibility of the Obolon Company lies in harmonious coexistence, cooperation and continuous dialogue with society. Thus, Obolon strictly adheres to the principles of openness, transparency, consistency, precise planning and effectiveness.

The company's sphere of corporate responsibility includes management of its activities in the areas of ecology, industrial safety, occupational safety, staff development, and mutually beneficial relationships with all stakeholders.

Policy of OBOLON CJSC

Obolon CJSC's strategy is aimed at meeting the demands and expectations of customers and, by means of this, maintaining a leading position in the beer and soft drinks market, with constant attention to prevention of contamination and preservation of the environment and taking into consideration the interests of stakeholders. An integral part of the strategy is continuous improvement of a management system that meets international standards, and correct anticipation of market trends.

The focus of Obolon CJSC on improving the management system means that:

- We are a reliable partner for our suppliers and customers, with clear fulfillment of standards and legal requirements, as well as contractual obligations;
- We place emphasis on the fact that tomorrow we have to be the best in the sphere of quality, product safety, treatment of the environment and reduction of occupational risks for staff and people present on the company's property;

- We consider continuously meeting customers' expectations concerning taste qualities, external design, product range and service as our obligation;

- Management's actions are aimed at improving the management system's effectiveness;
- Increased employee motivation and level of customers' and other stakeholders' satisfaction is ensured.

Employees and other stakeholders have been informed of Obolon CJSC's policy.

Responsible conduct of business

The Obolon Company is engaged in continuous dialogue with interested groups of the population and observes standard obligations as provided by effective legislation of Ukraine.

Obolon CJSC promptly and fully pays taxes and charges to the budget and salaries, and creates new jobs. The company is one of the largest taxpayers in Kyiv and Ukraine. Obolon has the reputation of one of the best employers in Ukraine. Today, the Company employs about 7500 people.

Corporate principles:

- relationship with the state: prompt and full tax and charge payments to the budget, creation of new jobs;
- openness and transparency in the company's activities;
- reliability in relationships with partners and customers;
- meeting customers' expectations concerning taste qualities, external design, product range and service.



WORKING CONDITIONS

WORKING CONDITIONS

About 7500 people work at all the enterprises of the Obolon Company, and at one pilot plant in Kiev alone, there are over 3800 employees. The company's activities are aimed at improving the professionalism of workers, working conditions, safety processes and providing social security for them. Therefore, Obolon CJSC has introduced and certified the DSTU - P OHSAS 18001:2006 system of occupational safety and labour health. In addition, the Company provides regular salary increases of at least 10-15% per year under the terms of a long-term collective labour agreement.

Working conditions, remuneration and compensation

The Obolon Company provides employees with adequate working and living conditions. Each year, it is required to upgrade employees' qualifications, to provide a medical examination, first aid, preventive treatment, and development of the social sphere.

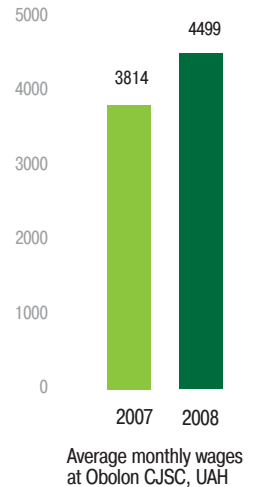
The Obolon Company is one of the best employers in Ukraine. Average salaries in the company are higher than the average ones in the country and industry; and in 2008, it amounted to 4500 hrn. All salaries and bonuses are paid officially; that is, the company fully pays all required taxes and charges to pension and other funds.

Salary at Obolon CJSC is paid promptly and increases each year by not less than 10-15%.

Social policy of Obolon CJSC for staff is aimed at ensuring the necessary level of labour productivity, reducing staff turnover and improving social security for workers.

Social benefits for retired employees include: non-recurring material aid for rehabilitation, vouchers for children, money bonuses on holidays, material aid at birth, retirement, in the event of marriage, and in critical situations. At the enterprise, there is a modern well-equipped first aid post and gym.

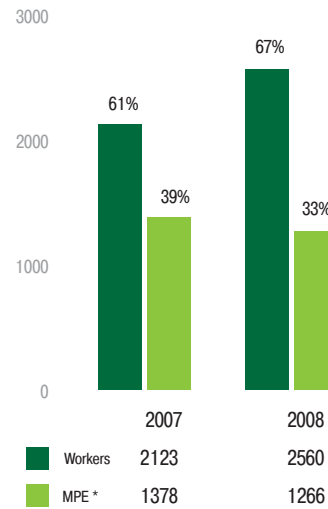
The staff is provided with decent working conditions: observance of OHSAS labour safety standard, assessment of work places, timely equipment repair and upgrades, and monitoring the state of work and living conditions.



Employee composition of OBOLON CJSC

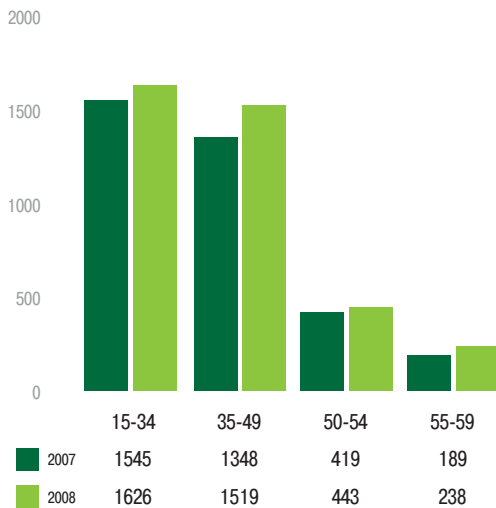


Obolon CJSC staff by sex

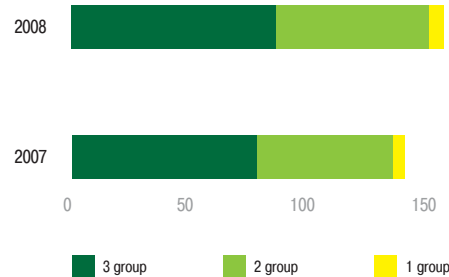


Obolon CJSC staff by groups

* MPE – managers, professionals, experts, technical staff and specialists.



Obolon CJSC staff by age



Obolon CJSC staff members belonging to a disability group

In accordance with the law, approximately 5% of the total number of employees at Obolon CJSC are disabled persons. Obolon CJSC employs a large number of people who have a degree of disability, 153 people of whom were employed in 2008. Of these, 122 people work in marketing management and 31 in other structural units. It should also be noted that 90 of them are men, and 63 are women.

Personnel training and development

Every employee of the Obolon Company has the opportunity to receive additional occupational education and upgrade qualifications according to the personnel development and training program.

At Obolon CJSC, there is constant occupational training, skill improvement and training of all personnel. For this purpose, staff competency assessment, development and education, training, company instruction programs, etc. are conducted.

Training measures of Obolon CJSC for 2007 – 2008

| Type of training | Number of trained employees | |
|---|-----------------------------|----------------|
| | 2007 | 2008 |
| Retraining (individual educational form) | 21 employees | 42 employees |
| Professional development of workers | 503 employees | 350 employees |
| Professional development of management and experts | 241 employees | 307 employees |
| Professional development of management and experts of wholesale centers and plants | 24 employees | 74 employees |
| Fieldwork at the enterprise | 173 students | 195 students |
| Selected for laboratory examination period | 101 students | 103 students |
| Excursions held by the enterprise | 380 excursions | 332 excursions |
| Visited Obolon CJSC | 10 280 persons | 9 439 persons |
| Employees that were trained in policies and processes related to matters of importance for the enterprise | 100 % | 100 % |

Occupational safety

The company's policy is aimed not only at maintaining a leading position in the beer and soft drinks market, but also at giving priority to the life and health of the people who produce these products.

In order to reduce occupational risks of production and improve working conditions at Obolon CJSC, DSTU - P OHSAS 18001:2006 system of occupational safety and health was introduced and certified.

Registers of hazard identification and risk assessment have been developed in all structural units, which involve not only staff of the plant, but also people who are present on company property.

According to the risk registers, preventive measures to reduce risks to the allowable level have been adopted to achieve the objectives and are under continuous monitoring by top management.

In addition, the company has a collective agreement, where safety measures that are planned for 3 years are specified in a separate chapter.

For public control over observance of occupational safety legislation at the plant, authorized persons to deal with occupational safety matters are elected from the staff of each department.

System of monitoring occupational safety and health

In order to maintain the system of monitoring occupational safety and health at the enterprise under working conditions, monitoring of occupational safety and health has been carried out since October 18, 2007.

Monitoring of occupational safety and health is systematic and continuous auditing of conformance of the state of occupational safety to regulatory documents during any production process at every work place, at all levels – from the worker to the Chief Executive Officer of the plant.

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Efficiency indicators of occupational safety at Obolon CJSC

| Indicators | 2007 | 2008 |
|---|-------------------|-------------------|
| Comprehensive engineering and technical and organizational measures | UAH 1299 thousand | UAH 1216 thousand |
| Assessment of workplaces | 56 | 190 |
| Expenses for workplace assessment | UAH 42 thousand | UAH 156 thousand |
| Carried out training and knowledge assessment | 2478 employees | 2754 employees |
| Accidents | 8 | 6 |
| Fatal accidents | 0 | 0 |

Comprehensive technical and organizational measures in the amount of USD1,216,184 were carried out in 2008; 190 workplaces were assessed with related expenses of USD156 200. Training and testing of the skills of 2754 employees were carried out. Based on the results of inspections, the safety service suggested 97 measures to improve safety

and health at work to the heads of structural units. The inspection of new bottling lines and production facilities for compliance with safety regulations was carried out. Twenty-eight proposals to improve working conditions and occupational safety were introduced.

Occupational safety objectives for 2009

There were 6 accidents in 2008 (in 2007 – 8 accidents). There were no fatal accidents in this period. A total of 358 days were lost due to injuries.

One of the main reasons for injuries in the past year was unsatisfactory awareness of safe methods of work; therefore for 2009, such an objective concerning occupational safety matters was defined for accident prevention measures at the enterprise:

– raising awareness (training, skill assessment) of occupational safety and health of 300 engineers and technicians and 700 employees of the plant involved in hazardous work.

Corporate culture

The Obolon Company corporate magazine

One of the components of internal corporate communications of the Obolon Company is the release of a corporate publication – the magazine “The Obolon Company Reporter”, which is aimed, first of all, at the development of corporate culture and increasing employees’ and stakeholders’ awareness.

Dress code

Obolon has old traditions, which influence the culture of employees’ appearance. After all, each Obolon employee is the bearer of traditions and culture. The company never rests on its laurels, increasing its size, production infrastructure, production, number of employees.

Accordingly, last year the Obolon Dress Code Regulations were approved - a document that summarized and systematized Obolon’s acquired traditions and amplified them with modern requirements for the appearance of employees.

For Obolon Company, it is important that every employee understands that the specific features of its activities make demands on employees’ appearance. Therefore, every employee of Obolon CJSC should be aware of and observe generally accepted world dress code standards as the situation requires.

Football tournaments

Regular corporate sporting events, including football, have become a good tradition in the Obolon Company. Such measures not only improve the physical fitness of employees, but raise the level of informal communication within the groups.

Green office

One of the elements of modern corporate culture is the introduction of the “green office”. Green office is a management concept that helps reduce its negative impact on the environment by saving resources and energy and reducing waste.

The Obolon Company is guided by these very principles of production and expert work. Energy-saving technologies have been introduced in all office premises - flexible light control (especially with motion sensors), insulation materials, and energy-efficient equipment.

Corporate culture objectives of the Obolon Company for 2009:

- development of a corporate code for the company;
- development of internal communications (by means of a corporate magazine, various internal events);
- promotion of corporate values and rules at all the company’s enterprises.



**QUALITY OF PRODUCTS
AND RESPONSIBLE CONSUMPTION**

QUALITY OF PRODUCTS AND RESPONSIBLE CONSUMPTION

Products of OBOLON CJSC

Основними видами продукції компанії «Оболонь» є пиво, безалкогольні напої, слабоалкогольні напої, мінеральна вода.

OBOLON – beer #1 in Ukraine

The Obolon Company had created its own brand long before international competitors appeared in the Ukrainian beer market. In modern Ukrainian textbooks on marketing there are many cases about the Obolon brand. In 1992, together with the beginning of Obolon Light beer production, our company set the standards of bottle design: it developed a unique form of the bottle, label, collar label, counter label and a coloured cap. This is how the first beer brand appeared in the Ukrainian market. The necessity of this was dictated by the desire of distinguishing our own production from the range of other beer manufacturers and purposefully ramping up consumer loyalty.

The company's principal efforts and means were always directed towards potential development of production. And since 2004, special attention has been paid to marketing support of goods and of beer, above all. During this period, the share of the Obolon TM in the market grew from 20% in 2004 to 27.6% in 2008.

Today the Obolon TM is a powerful domestic brand and the chief Ukrainian beer abroad. Ukrainians consider Obolon to be the symbol of Ukraine and national pride. The Obolon TM is positioned as "Your Motherland's Beer". A lot of commercials have been shot and many designs for external advertising have been invented using this concept. In 2007-2008, the advertising agency that serves the main brand had the primary task of supporting the Obolon TM's positions. Because of this, the key direction of the brand's communication was the development of positioning of "Your Motherland's Beer" and measures to prove the implicit leadership of the Obolon trademark. We set the task of focusing customers' attention on the key values of the brand. To carry it out, we addressed the sense of patriotism and pride in our country. The best reason for being proud in this case is Obolon beer, which is sold in 33 countries around the world. Ukraine is known and valued owing to Obolon beer, because this is the original Ukrainian taste!



BRANDS OF THE OBOLON COMPANY (as of 01.05.2009)

BEER

SUPERPREMIUM

Magnat

Light beer
Mass fraction of solids - 12%
Volume concentration of alcohol – 5.3%

hike premium

Light beer
Mass fraction of solids – 11.5%
Volume concentration of alcohol – 5.0%

hike premium light

Light beer
Mass fraction of solids – 10.7%
Volume concentration of alcohol – 4.5%

hike premium non-alcoholic energy beer

Special beer with energy drink
Mass fraction of solids - 12%
Volume concentration of alcohol – 0.5%

UPPER MAINSTREAM

Obolon Premium

Light beer
Mass fraction of solids - 12%
Volume concentration of alcohol – 5.2 %

Obolon Lager

(for export only)
Light beer
Mass fraction of solids - 12%
Volume concentration of alcohol – 5.2%

Obolon Soborne

Light beer
Mass fraction of solids – 11.5%
Volume concentration of alcohol – 4.7%

Obolon Strong

Light beer
Mass fraction of solids - 16%
Volume concentration of alcohol – 7.4%

Obolon Velvet

Dark beer
Mass fraction of solids – 14.5%
Volume concentration of alcohol – 5.3%

Obolon White

(for export only)
White unfiltered beer
Mass fraction of solids – 11.5%
Volume concentration of alcohol – 5.0%

Obolon Weizen

(for export only)
Unfiltered wheat beer
Mass fraction of solids – 12.5%
Volume concentration of alcohol – 5.0%

Obolon Non-Alcoholic

Light beer
Mass fraction of solids - 12%
Volume concentration of alcohol – 0.5%



MAINSTREAM**Obolon Light**

Light beer
 Mass fraction of solids - 11%
 Volume concentration of alcohol – 4.5%

Obolon Unfiltered

(beer is sold in the company store only)
 Light unpasteurized beer
 Mass fraction of solids - 14%
 Volume concentration of alcohol – 6.0%

DISCOUNT**Desant DMB**

Light beer
 Mass fraction of solids – 10.5%
 Volume concentration of alcohol – 4.3%

Desant Specnaz

Light beer
 Mass fraction of solids – 15.5%
 Volume concentration of alcohol – 7.2%

Zibert Баварське

Light beer
 Mass fraction of solids - 13%
 Volume concentration of alcohol – 5.6%

Zibert Svitle

Light beer
 Mass fraction of solids – 4.9%
 Volume concentration of alcohol – 11.5%

Okhtyrske Svitle

Light beer
 Mass fraction of solids - 11%
 Volume concentration of alcohol – 4.4%

Okhtyrske Kozacke

Light beer
 Mass fraction of solids - 17%
 Volume concentration of alcohol – 6.8%

SPECIAL BEER**Obolon BeerMix**

Special beer with lemon, orange, cherry, raspberry, and cola flavours
 Mass fraction of solids – 12.2%
 Volume concentration of alcohol – 2.6%

Obolon BeerMix Energy

Special beer with energy drink
 Mass fraction of solids – 12.2%
 Volume concentration of alcohol – 2.4%



Mineral water

Prozora

Natural mineral table water with unique properties that are confirmed by the results of physical, chemical and microbiological research carried out by the Ukrainian Institute of Human Ecology. According to the research results, Prozora. Vershyna Yakosti mineral water has the structure that best conforms to the water in the body, and therefore is better digested.

Obolonska

Natural mineral hydrocarbonate chloride table water with a complex cationic composition. It is extracted from artesian wells 290 m deep, and then is purified by gravel-sand filters, carbonated and bottled. The combination of essential mineral elements of Obolonska contributes to normalization of water-salt metabolism in the human body, and the natural purity of this deep-seated mineral water facilitates removal of radionuclides and other harmful substances.

Obolonska + lemon

Natural mineral hydrocarbonate chloride table water with a complex cationic composition, enriched with natural lemon flavour. The balance of essential mineral elements and natural purity contributes to normalization of water-salt metabolism in the human body.

Obolonska-2

Mineral natural carbonated hydrocarbonate table water with a complex cationic composition. It is extracted from artesian well in Krasyliv, Khmelnytsky Region. This water is silica-enriched; therefore, drinking it contributes to improved immunity.



Drinks

ZHYVCHYK

A family drink with a unique taste, which brings health and mutual understanding, filling children with energy for interesting studies and fun games, allowing generations to speak the same language. This is why it's the best companion for family holidays and everyday life.

Zhyvchyk

Juice-containing soft drink, with apple juice, tincture of purple echinacea and vitamin C, which contributes to improvement of host defenses and gives it radioprotective properties.

Zhyvchyk Lemon

Contains lemon juice, pure water from deep in the Earth's interior, beta carotene, and vitamins E and C. Slows aging, contributes to removal of radionuclides, improves eyesight, and normalizes the immune system.

Zhyvchyk Pear

Crystal clear water, apple juice, pear juice, vitamin C and dog rose juice contributes to improved immunity, relieves nervous tension and removes radionuclides.

Zhyvchyk Unique

Ukraine's first soft drink that contains premium fructose instead of sugar; it is easily digested and helps to restore lost moisture. That is why this drink satisfies thirst well. Apple juice and echinacea tincture have unique radioprotective properties and improve immunity.



LEMONADES

Orange ACE

Juice-containing drink, which includes artesian water and concentrates of orange, carrot and apple juice. It has delectable orange flavor and contains all the substances essential for humans. The drink is enriched with vitamins A, C, and E, which regulate metabolism and increase body resistance.

Lime

Soft drink with delectable flavour. Lemon-lime – a special sort of green lemon with an unusual bitter taste that wonderfully refreshes and satisfies thirst.

New Cola

Drink with cola flavour, consisting of artesian water and a natural aromatic base. Owing to the latter, the drink is enriched with lemon, orange, muscat-nut flavours and caffeine, which give New Cola a tonic, refreshing effect.

Kvas "Bogatyrskiy"

Soft drink produced on the basis of artesian water and kvass wort concentrate with the addition of natural flavours and which has the smell of rye bread. Developed according to a unique multi-component recipe that guarantees the absence of fakes in the market.

Nostalgia series

Lemonade

Contains natural concentrated apple juice, enriched with vitamin C. The drink is notable for its delectable lemon-apple flavour and has the aroma of fruit caramel.

Sitro

Produced from artesian water and natural flavour with the delectable flavour and aroma of fruit caramel. The addition of soap bark tree extract gives a rich flavour and stable foam.

Cream Soda

Soft drink produced on the basis of artesian water and natural flavors. Cream Soda from Obolon is known for its unique sweet taste, where you can taste notes of cream.

Dyushes

Carbonated soft drink with the traditional taste of ripe pears. Made on the basis of artesian water with the addition of natural duchess pear flavorings known from childhood.

ACTIVATED DRINKS

Frest Fire

Active components are laurel and walnut that tone up the nervous system and improve carbohydrate metabolism, resulting in extra energy release.

Frest Fresh

This drink contains L-carnitine, a unique substance of natural origin that transforms fats into energy, thus activating new potentials of the organism.

Frest Crystal

Contains Chorny Coral – a cocktail of 29 Crimean herbs that removes stress, fills up vitamin and amino-acid deficits, and helps to burn fat and lose weight.



Low-alcohol beverages

Brandy-Cola

Pure artesian water, pure ethyl alcohol of best quality, mature brandy flavouring with typical tonic cola flavour. Alcohol content 8%.

Rum-Cola

Artesian water, pure ethyl alcohol of best quality, tonic cola flavour, light rum flavour. Alcohol content 8%.

Gin-Tonic

Artesian water, pure ethyl alcohol of best quality, gin flavour. Alcohol content 8%.

Series of "Gins"

Gin Pineapple, Gin Lemon, Gin Orange and Gin Dragonfruit

Machitos

Artesian water, pure ethyl alcohol of best quality, flavours of white rum, fresh lemon and mint. Alcohol content 7%.

Tekiza

Artesian water, flavours of dragonfruit, tequila and ripe lime. Alcohol content 7%.

ICELIFE – SERIES OF PREMIUM LOW-ALCOHOL DRINKS

Icelife extreme

With the flavour of an energy drink and natural guarana extract

Icelife lime

Contains a special ingredient that gives a feeling of freshness

Icelife grapefruit

With the exotic flavour of grapefruit



Quality management systems

The Obolon Company was the first among food industry enterprises to certify four management systems at once.

During the audit, which was carried out by representatives of the German firm DEKRA-ITS in 2008, the Obolon Company confirmed conformance to the requirements of SSTC ISO 9001:2001 (Quality Management Systems), SSTC ISO 22000:2007 (Food Safety Management Systems), SSTC ISO 14001:2006 (Environmental Management Systems), and SSTC -L OHSAS 18001:2006 (Occupational Safety and Health Management Systems).

The introduction of these management systems proves that Obolon cares about customers, society, the environmental situation and its own staff. Due to the observance of all the requirements, the

customer can be sure about the quality and safety of the company's products.

Together with the pilot plant, two subsidiaries were certified: "Krasylivske" Subsidiary of Obolon CJSC received a certificate according to the requirements of SSTC ISO 9001-2001 and SSTC ISO 22 000:2007, and "Zibert's Brewery" Subsidiary of Obolon CJSC in Fastiv received an SSTC ISO 9001:2001 certificate.

The international certification of the Obolon Company according to the four management systems means admission to the sales markets of the member states of the World Trade Organization. The majority of WTO member states consider observance of the requirements of ISO 22000 standard to be mandatory; otherwise the products are forbidden to be sold. The integrated management system at the company's plants ensures the company's responsibility to staff, customers, society and the country in general.

The Obolon Company was the first among food industry enterprises to certify four management systems at once

For reference use

processes oriented toward customer satisfaction that are constantly being improved due to the leadership of management and winning the staff round, as well as mutually beneficial relationships with suppliers.

Food safety management system (DSTU ISO 22 000:2007) – a prevention system for ensuring food safety (constant analysis of dangerous factors and the verification of critical key points at the stages of production).

Environmental management system (DSTU ISO 14 001:2006) – the development and introduction of the company's environmental policy and control of its ecological aspects.

Occupational safety and health management system (DSTU-L OHSAS 18 001:2006) – gives the organization the opportunity to control the risks in the field of occupational safety and health and to improve its indicators in this sphere.

Quality principles

The top management and managers of Obolon subdivisions are guided by the following quality principles:

1. Orientation to the customer

Obolon CJSC depends on customers, and thus understands their current and future needs, observes their requirements and tries to exceed their expectations.

2. Management

The people who head the organization and establish uniformity of its objectives and direction. They develop and support an internal climate in which the workers are fully involved in performing the tasks of the organization.

3. Involvement of the staff

Employees of any level are the essence of Obolon as an organization, and their full involvement allows them to use their skills for the organization's welfare.

4. Process positions approach

The desired result is achieved more effectively when managing an activity and the appropriate resources are carried out in the form of a process.

5. Systematic approach to management

The establishment, understanding and management of the interconnected processes as a system promote efficiency and effectiveness of organization's performance when fulfilling its tasks.

6. Constant Improvement

The unchanging task of the organization is constant improvement of its general performance indexes.

7. Decision-making on the basis of facts

Effective decisions are based on the analysis of data and information.

8. Mutually beneficial relationships with suppliers.

The organization and its suppliers are interrelated, and mutually beneficial relations between them expand the possibilities of added value on each side.

Procurement, supply and distribution policy

Obolon CJSC ensures observance of set requirements concerning the quality and safety of raw materials, supplies, equipment and technology, as well as services that are procured to prevent the use of inappropriate and dangerous products.

This is achieved by determining and establishing the requirements for suppliers and a system for assessing and monitoring them that allows us to clearly define and document the processes of selection and involvement of suppliers in cooperation.

Procurement process

The Obolon Company ensures conformity of a purchased product to the set requirements, in particular, in the field of ecology.

The type and extent of control of the supplier and the procured product/service depend on the influence of the latter on the subsequent production of goods or the end product.

The Obolon Company evaluates and selects suppliers on the basis of their ability to supply the product/service according to the set requirements of the Obolon Company.

For this purpose, there are criteria for the selection, primary assessment and reassessment of suppliers.

Procurement information

Before starting procurement, the Obolon Company defines the requirements for the product/service that will be purchased. These requirements are registered in a document in the form of Procurement Information.

To check the procured goods, the Obolon Company has set and established incoming control and other measures.

Supply policy

The main line of the policy carried out by the department of supply is conclusion of contracts on dispatching of raw materials and supplies with the domestic manufacturers. The contracts are concluded with those manufacturers that are located most closely to the customer (production, processing or purveying plants) under conditions of equal competitive price and quality. This makes it possible to reduce transport charges and mediation fees and demonstrates the responsible attitude of the Obolon Company to the regions of its operation.

Example

The procurement of barley necessary for producing malt at the plant in Chemerivtsi (Khmelnysky Region) is carried out in an area of 50-150 km around the plant's location.

Hop supply at Obolon CJSC is carried out directly from the districts of Zhytomyr Region where hops grow.

High quality maltose treacle and glucose-fructose syrup are supplied by a manufacturer in the Ukrainian town of Verhnyodniprovsk. This makes it possible to avoid supplies from abroad (Russia and Europe).

The volume of basic raw materials used for production of end products at Obolon CJSC for 2007-2008

| Item | 2007 | 2008 |
|-------------------|---------|----------|
| Brewery barley, t | 60 489 | 141 812* |
| Malt, t | 150 464 | 153 020 |

* – the increase in brewing barley consumption occurred because of startup of production at its own malt plant in Chemerivtsi

Orientation to customers when distributing products

Orientation to the customers of Obolon CJSC is ensured due to:

- 1) Defining actual and prospective needs and expectations of the customers,
- 2) Stating actual and prospective needs and expectations of the customers in the form of clearly set requirements,
- 3) Observance of set requirements in order to increase customer satisfaction,
- 4) Measuring the level of customer satisfaction.

Orientation to customers at Obolon CJSC occupies all spheres of its activities and the processes.

Promotion of responsible consumption

The responsible marketing of Obolon Company consists of special attention to particular audiences (for example, to the so-called risk group – people under 18) and conducting a dialogue with consumers (spreading truthful information about the products and instilling responsible consumption).

In its marketing communications the Obolon Company not only observes all the legislative requirements, but also consciously orients itself to consumers over 18. For example, placement of outside advertisements (billboards, banners, etc.) does not contradict the law – the relevant means of advertising alcoholic products are located at a considerable distance from educational institutions.

The Obolon TM initiated holding of the Beer Sports Championship. One of the important elements of these large-scale events is promoting responsible consumption of malt beverages.

The public position of top management also lies in consistent promotion of the principles of responsible beer consumption, which is an element of the communications policy of the Obolon Company.

ENVIRONMENTALLY FRIENDLY APPROACH



ENVIRONMENTALLY FRIENDLY APPROACH

Environmental investments in production

Production facilities of the Obolon brewery were brought into service in 1980. In the mid 1990s the equipment became obsolete, lost the necessary production indexes and wore out. That's why, when the enterprise became private and began production of its first products for foreign markets, the problem of lack of modern production facilities appeared.

The stage of major investment programs at the plant began in the mid 1990s. The first funds for the modernization of production were obtained from European banks.

In 2008, an environment management system that meets the requirements of DSTU ISO 14001:2006 (environmental management systems) was introduced at the enterprise. The enterprise developed environmental programs aimed at reducing the environmental impact.

In the 2007-2008 reporting years, the Obolon Company implemented major investment projects aimed at the reducing of environmental impact – collecting and recycling of PET bottles, recycling of

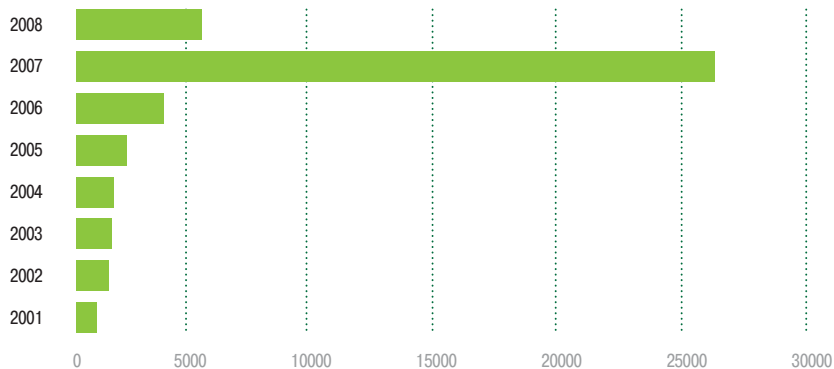
raw malt spent grains into the feeds for agricultural needs, reduction of harmful emissions into the atmosphere and ensuring the economical use (reuse) of resources.

In general, in 2007-2008, UAH 45 713 000 were spent on environmental programs and environmental protection by the Obolon Company.

Environmental programs and investments take into account not only the requirements of environmental legislation, but also the most progressive global technological solutions. For example, the aspiration (sewage disposal) systems introduced at the elevator of Obolon CJSC reduced emissions of grain dust to the level of 9.0 mg/m³ at a norm of 50-150 mg/m³.

Considerable environmental costs in 2007 were caused by replacement of the elevator aspiration systems, assembly of equipment for drying malt spent grains and launching of a brewing floor with new aspiration systems (bag-type filter).

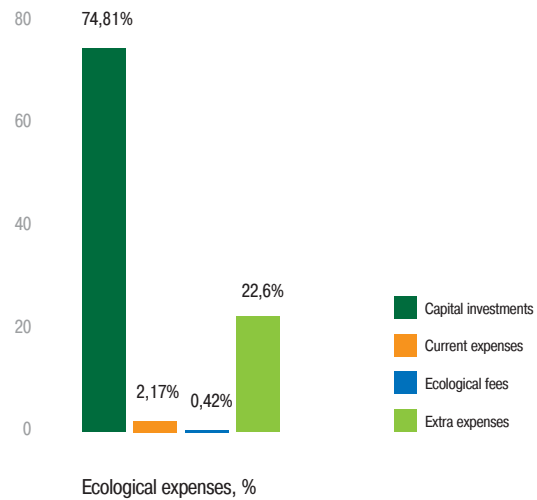
In 2007-2008, the Obolon Company spent UAH 46 mln. on environmental programs and environmental protection



Ecological expenses of Obolon CJSC in 2001-2008, thous. hm.

Structure of environmental protection expenses in 2008

| Indicator | Expenses in 2008 | % out of total |
|--|--------------------|----------------|
| Капітальні інвестиції | 19 177 thous. грн. | 74,81% |
| Current expenses on environmental protection | 557 thous. грн. | 2,17% |
| Environmental payments | 110 thous. грн. | 0,42% |
| Extra expenses (materials recovery, purification of waste water) | 5 790 thous. грн. | 22,6% |

**Example**

After increasing capacities for providing steam, a modern boiler house was constructed at the enterprise. Its emissions are much lower than the adopted figures for maximum permissible emissions. The normative standard of maximum permissible emissions is 500.0 mg/m³, whereas in the new boiler house, this indicator amounts to just 80.0 mg/m³; the normative standard of carbon monoxide emissions amounts to 250.0 mg/m³, while in the boiler house a level of 30.0 mg/m³ is reached.



Use of resources

Of direct sources of energy Obolon CJSC utilizes natural gas, which is the most ecologically clean among non-renewable resources (coal, oil products, gas, etc.) and fuel for transportation services (diesel, gasoline, liquefied gas). Indirect sources of energy that are utilized at Obolon CJSC's pilot plant are electrical energy and thermal energy (steam and heating).

Obolon's pilot plant also fully supplies itself with water by operating a water diversion facility that consists of 14 boreholes. In addition, the pilot plant has improved the efficiency of water resources use, creating the conditions for reuse of water. The water diversion facility of Obolon CJSC supplies water resources for more than ten industrial enterprises in Kyiv.

The share of reused water at Obolon CJSC in 2008 increased by 89% as compared to 2007. Thus, 67% of the water at the enterprise is reused.

Utilization of resources at Obolon CJSC

| Aspect | Resource | Year | Expenses | Change | |
|------------------------|-------------------|-----------------------------------|---------------------------------|---------------------------------|-------|
| Direct use of energy | Natural gas | 2007 | 18 532 thous. m ³ | +25% | |
| | | 2008 | 23 160 thous. m ³ | | |
| | Fuel | Diesel | 2007 | 1488,8 t | +3,3% |
| | | | 2008 | 1537,8 t | |
| | | Gasoline | 2007 | 402,0 t | +5,5% |
| | | | 2008 | 424,0 t | |
| Liquefied gas | 2007 | 215,5 t | +10,6% | | |
| | 2008 | 238,3 t | | | |
| Indirect use of energy | Electrical energy | 2007 | 78 165 420 kWh | +6,5% | |
| | | 2008 | 83 254 615 kWh | | |
| | Thermal energy | Steam | 2007 | 263 056 Gcal | +6,8% |
| | | | 2008 | 281 044 Gcal | |
| Heating | 2008 | 11 439 Gcal | – | | |
| | Water resources | Water from own diversion facility | 2007 | 4 603,744 thous. m ³ | –3,9% |
| 2008 | | | 4 422,279 thous. m ³ | | |
| Volume of reused water | | 2007 | 1 577,500 thous. m ³ | +89% | |
| | | 2008 | 2 976,000 thous. m ³ | | |

Average water discharge for production of 1 liter of product at Obolon CJSC is about 3 liters. On average, 5 liters of water per 1 liter of end product are spent in the industry worldwide.

Fuel consumption

Owing to optimization of logistics and renewal of the vehicle fleet, Obolon CJSC reduced specific utilization of fuel for transportation purposes.

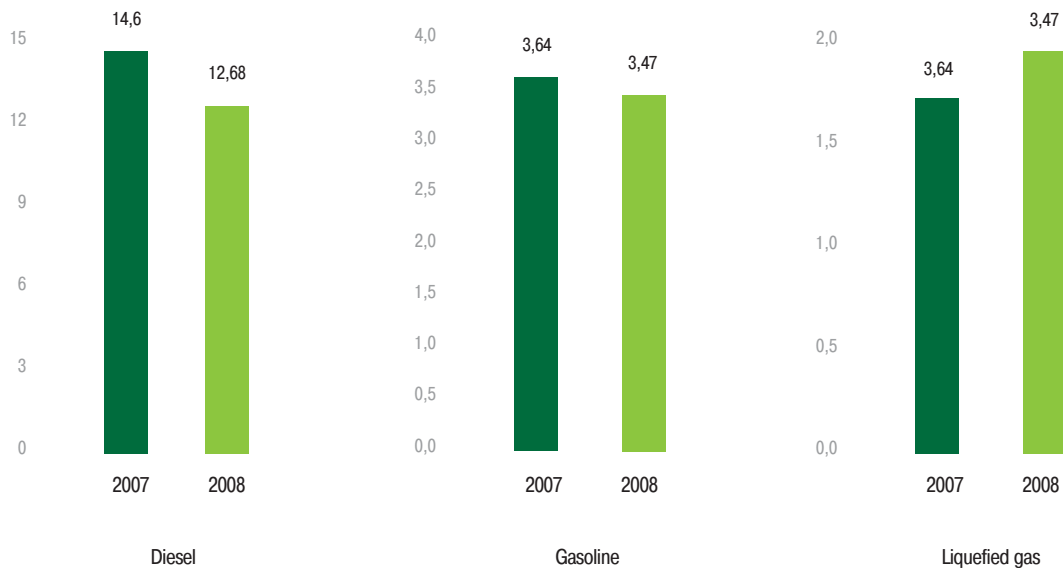
In particular, emissions of harmful substances from loading machines have been reduced due to the transition to liquefied gas. Currently, 60% gas and 39% diesel loading machines work at the enterprise. A considerable proportion of transportation is carried by means of railway transport.

Obolon Company has its own PET bottle recycling plant in Oleksandria (Kirovograd Region) with a capacity of 500 kg per hour, where there are over 100 employees. In 2008, the plastic tare recycling process was significantly improved: Obolon launched Ukraine's first line for production of rim bands from PET bottles. This is a super modern German line that allows the company not only to recycle PET wastes without harming the environment, but also to produce rim bands for close fitting of pile pallets.

Utilization and recovery of packaging

In accordance with legislative norms on the introduction of a system for collecting, sorting, transportation, recycling and removal of secondary raw materials (tares) for the purpose of minimizing environmental impact, Obolon CJSC ensures safe reuse of tares. Glass bottles, polyethylene boxes and pallets belong to such tares.

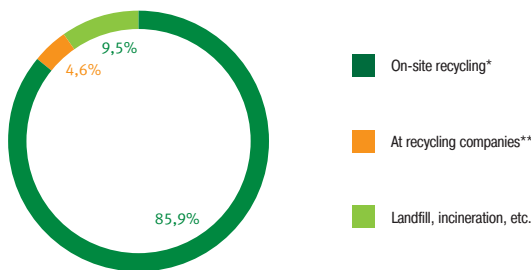
Use of fuel (tonne/mln. decaliters)



Environmental impact

With growth of production, the Obolon Company is reducing environment impact. In particular, in the last several years (from 2000 to 2008) atmospheric emissions have been reduced by 42% and waste production by 48%. Meanwhile, Obolon sells, recycles and reuses over 86% of its own produced wastes, demonstrating a responsible attitude to environmental problems in Ukraine.

In general, in 2008, despite an increase in goods production, the Obolon Company achieved significant results in reducing environmental impact: it reduced emissions of grain dust from the elevator by 33%, production of wet malt spent grains waste by 43%, specific production of wastes was reduced by 36%, and figures for harmful atmospheric emissions remained at a low level – a total of 3.8 t per 10 mln. decalitres of products.



Waste disposal of Obolon CJSC by recycling type

* In-house recycling and use as secondary raw materials and sale of organic waste for fattening domestic animals

** Transfer for recycling to other enterprises for further use as secondary raw materials

Total volume of waste production at Obolon CJSC according to hazard class

| Volume of wastes, tons | 2007 | 2008 | Dynamics |
|------------------------|------------|------------|----------|
| 1st class (M1) | 1,076 | 1,039 | -3,4% |
| 2nd class (M2) | 0,350 | 0,129 | -63,1% |
| 3rd class (M3) | 550,94 | 276,74 | -49,8% |
| 4th class (M4) | 195 528,72 | 115 596,64 | -40,9% |

According to the results of work in 2008, a 26.4% reduction in special emissions occurred in comparison with the same figures in 2007.

A reduction in wet malt spent grain wastes occurred due to the introduction of equipment for

drying and granulating brewing malt spent grains and other production wastes. Thus, in 2007, production of wet malt spent grain wastes amounted to 163689 tons, and 92863 tons in 2008. Thus, there was a 43.27% reduction in production of this waste group.

For reference use

Industrial production and consumption wastes are divided into four hazard classes depending on the physical, chemical and biological characteristics of total waste amounts or their separate ingredients in the classification system:

- 1st class — extremely hazardous substances (wastes);
- 2nd class — highly hazardous substances (wastes);
- 3rd class — moderately hazardous substances (wastes);
- 4th class — low hazardous substances (wastes).

Dynamics of the environmental impact of Obolon CJSC, 2007-2008

| Volume of wastes, tons | 2007 | 2008 | Dynamics |
|------------------------|---------|--------|----------|
| Wet malt spent grains | 163 689 | 92 863 | -43,3% |
| Grain dust* | 11,835 | 7,914 | -33,1% |
| Nitrogen compounds* | 13,688 | 18,199 | +33,0% |
| Carbon dioxide* | 5,373 | 6,626 | +23,3% |

* atmosphere emissions

In 2007, the elevator equipment and aspiration systems at the enterprise were replaced with new clean-up systems – bag-type filters that give a high degree of purity – around 99.3%. Owing to this modernization, replacement of 18 elevators aspiration systems with 2 bag-type filters took place.

According to the results of aspiration system performance, in 2008, grain dust wastes from the elevator were reduced by 33.13% (3.92 tons) in comparison with the figures of the same period in 2007.

Emission of greenhouse gases from production of heat and steam at Obolon CJSC, 2007-2008

| Volume of wastes, tons | 2007 | 2008 | Dynamics |
|---------------------------------|--------|--------|----------|
| Carbon dioxide, CO ₂ | 35 167 | 46 922 | +33,4% |
| Methane, CH ₄ | 0,626 | 0,833 | +33,1% |
| Nitrogen oxides, NO | 0,063 | 0,083 | +31,8% |

For reference use

Carbon dioxide, CO₂. Non-poisonous gas without colour and odour that is a natural component of the atmosphere. Carbonic acid gas is the product of combustion of extracted fuel. It has greenhouse properties; that is, it contributes to retention of heat on the Earth's surface and has a major role in global warming. Insignificant quantities of CO₂ are harmless for people and animals; but if its concentration in the air exceeds 3% by volume, it becomes poisonous, and at 10% and more — fatal.

Methane, CH₄. Elementary organic compound of carbon and hydrogen, natural colourless gas without odour. Together with air, methane produces a flammable explosive mixture. If methane is heated without air access to a temperature that exceeds 1000°C, it decomposes into carbon (black pigment) and hydrogen.

Nitrogen oxide, NO. Compound of nitrogen and oxygen. Colourless gas, high concentration of which can be found only near the sources of emission. During combustion of fuel in cars and at thermal power stations about 90% of nitrogen oxide is produced in the form of nitrogen monoxide, and other 10% – as nitrogen dioxide. Limit standard (nitrogen oxide in terms of NO₂) is 5.0 mg/m³.

An increase in emissions occurred in 2008 due to the additional introduction of new boilers at the enterprise, but their efficiency is higher than that of the old ones.

Greenhouse gases are produced in the process of fermentation. Special equipment for collecting, purification and storage of carbon dioxide at the enterprise allows it to be used further when bottling drinks.

Connections with foreign stakeholders

Top management takes into consideration the interests of stakeholders during development of policy and strategy.

All notifications and requests from our foreign stakeholders (legal entities or individuals) are registered. If necessary received information is transferred for response and preparation of answers for sending according to the "List of people in charge according to headings".

Foreign stakeholders interested in the environmental impact of Obolon CJSC include:

- government authorities, regulatory inspection organizations,
- neighbouring enterprises,
- residents of Obolon District and the Kyiv community.

The chief environmental protection engineer occasionally provides information on environmental impact to foreign regulatory authorities.

In case of assignments and requests from foreign stakeholders, the occupational safety service works out measures to eliminate of non-conformities and monitors their performance. According to performance results, the assistant director for occupational safety reports to foreign stakeholders. A report on the situation with occupational safety at the enterprise is submitted to the State Statistical Office once a year.

Foreign stakeholders interested in occupational safety and health include:

- government regulatory authorities,
- regulatory authorities at the city and district levels,
- contracting organizations,
- subcontracting organizations,
- persons that are temporarily on the property of the enterprise.

SOCIAL INVESTMENTS OF THE OBOLON COMPANY



SOCIAL INVESTMENTS OF THE OBOLON COMPANY

For over a decade and a half, the Obolon Company has been actively engaged in charity. This line of the company's activity is many-sided and includes: educational projects, assistance to vulnerable sections of the population, promotion of a spiritual and historical and cultural heritage revival, and the development of sports. Every year, Obolon develops a social budget and allots part of its products for charity and patronage projects.

Assistance to areas that suffered from a natural disaster

The Obolon Company took an active part in national measures to eliminate the destructive results of a natural disaster that occurred on the 23-27 July 2008. The enterprise provided assistance to the affected areas of Vinnytsya Region amounting to 1 million hryvnias.

The Obolon Company took an active part in national measures to eliminate the destructive results of a natural disaster that occurred on the 23-27 July 2008. The enterprise provided assistance to the affected areas of Vinnytsya Region amounting to 1 million hryvnias.

In particular, the company transferred 100 thous. hrn. to Murovano-Kurylovetsky district administration, 300 thous. hrn. – to Mogyliv-Podilsky municipal executive committee, 250 thous. hrn. – to Mogyliv-Podilsky district administration, 250 thous. hrn. – to Yampilsky Labor and Social Welfare District Office. In addition, Prozora potable water in six-liter tanks worth 100 thous. hrn. was sent to Mogyliv-Podilsky for the needs of the affected city residents.

The transferred funds were used for renewing the infrastructure of these areas.

Social projects competition

The All-Ukrainian social projects competition "Let's improve the quality of Ukrainian life together!" was held in 2007. The Donetsk city charity fund "Dobrota" ("Kindness") and "Plast Kozak village in Kyiv – Ukrainian national scout organization" – were the winners.

These public associations were given funds amounting to nearly 150 000 hryvnias for the implementation of social initiatives. In particular,

the Donetsk fund "Kindness" founded the region's first tape library "Sun in the palms" – developing a complex of games, audio- and video materials for children with visual impairments. A major portion of the developmental games, toys, audio books and furniture for the centre of intellectual, emotional and physical development of children with special needs was bought at the expense of the Obolon Company. In addition, an effective informational campaign to attract charitable resources of the Donetsk community was started.

"Plast Kozak village in Kyiv – Ukrainian national scout organization", which conducts educational work with children and youth, promotes a healthy way of life, and organizes tourist expeditions and competitions, spent part of the provided funds on celebrating the 18th anniversary of Kozak village in Kyiv. Events such as "In memory of the Kruty heroes", Kozak village Spring Holiday (a 3-day training expedition), All-Ukrainian camp "Native land's chronicle" for children 6-11 years old are being held.

Educational projects

For a number of years, Obolon CJSC has been the patron of the International Petro Yatsik Ukrainian language competition held by the League of Ukrainian Patrons. Each year, the company establishes awards for the winners of the competitions – children from all the corners of Ukraine and the Diaspora.

Obolon CJSC supports Art School №5 in Kyiv, where gifted children study. In 2007, two modern electronic organs priced at 40 000 hrn. were purchased for the development of music courses at the school at Obolon's expense.

Assistance to vulnerable sections of the population

Every year Obolon establishes a social budget and allots part of its products to charity and patronage projects. The company maintains partnerships with public organizations that unite orphan children, disabled people and people with special needs, and veterans. Assistance is also provided to separate persons, large families, and four family-type orphanages caring for 48 children.

Promotion of spiritual and historical and cultural heritage revival

Program for popularizing of historical and cultural sites "Nameless Ukraine" – guidebook from Obolon Company

This all-Ukrainian project is being implemented under the auspices of the International Charity Fund of National Memory of Ukraine and is aimed at popularizing travel across Ukraine and maintaining the historical and cultural heritage of our country. "Nameless Ukraine" site was created – a guidebook from the Obolon Company that includes the best stories from readers and participants of a contest on the site.

Program of support for national cinematography

The first project was the Ukrainian movie "Bohdan-Zynoviy Khmelnytskyi", for the presentation and promotion of which Obolon allotted 250 000 hrn. The next step will be the production of licensed discs of Ukrainian classics, such as "Shadows of Forgotten Ancestors", "Stone Cross", "Flower on the Stone", "Babylon XX", "Annychka", and "Lost charter". In addition, the company plans to take an active part in film festivals and to support Ukrainian movies at various cinema forums in Ukraine and abroad.

Program of development of the Ukrainian book publishing industry

For the last 13 years, the Obolon Company has assisted in the publication of nearly two hundred textbooks, manuals, collections, catalogues,

reference books, belles-letters, and scientific, historic and children's literature. Special emphasis is placed on supporting books that contribute to nurturing national identity, Ukrainian textbooks, and historical literature.

Restoration of historical and architectural monuments

The Obolon Company is involved in the restoration of historical and architectural monument, in particular, T.G. Shevchenko Central Museum, St. Mykola's (Prytyska) Church in Kyiv, Cathedral of the Holy Protection of the Holy Mother in Mariupol, the Church of Volodymyr the Great in Vyshgorod, the Holy Trinity Cathedral in Lutsk, the Palace of Kyrylo Rozumovsky in Baturyn, museum preserve Lychakivskyy Cemetery in Lviv, and the Church of Holy Martyr Lyudmyla in Gorodok. The Company also assists the Museum of the Hetmanate the Museum of Applied and Decorative Arts, and the Museum of Ivan Honchar; it is supporting the construction of monuments to Mother Ukraine in Sambir and to ZUNR President Ivan Petrushevych in Sokol.

The development of Ukrainian sports

Obolon contributes to the development of children's football at the Junior school of Olympic Reserve SDYuShOR Zmina, where children from 7 to 18 years old are trained. The Company is also the sponsor of international sports competitions, in particular, the International Tournament for Children and Teenagers, which has already been held for 14 years on the basis of school № 170 in Kyiv and Zmina sports school.

The Company supports the Obolon professional football club, which plays in the Premier League. At the company's expense, a modern stadium was constructed for the club in Obolon District in Kyiv. This football complex can hold sporting events of the highest level, and will become one of the training arenas for Euro-2012.



Путівник від компанії «Оболонь»



Partner organizations that are constantly given charitable aid and products of Obolon CJSC:

- Ukrainian Institute of National Memory
- International Charity Fund "The League of Ukrainian Patrons"
- National Ivan Franko Academic Drama Theatre
- Junior school of Olympic Reserve SDYuShOR Zmina
- School №170 in Kyiv
- Children's Art School №5 in Kyiv
- Kyiv Municipal Center of Social Services for Family, Children and Youth
- Ukrainian Chess Federation
- "Sunray" Association of Mothers of Disabled of Obolon District in Kyiv
- "Dimfo" Creative Association of Disabled Children and Youth, Kyiv
- "Dytynstvo" Association of Rehabilitation of Disabled Children, Kyiv
- Obolon Municipal Organization "Children of Chernobyl"
- Public organization "Revival Center for Rehabilitation of People with Spinal Disabilities"
- The Center for Rehabilitation of Juvenile Criminals
- Reception Center for Juveniles of the Main Administration of the Ministry of Internal Affairs of Ukraine in Kyiv
- Donetsk Charity Fund "Dobrota"
- International Charity Fund of Holy Maria
- Kyiv Kozak village of PLAST NSOU
- Shyshatska regional gymnasium-boarding school for gifted children (Poltava Region)
- Department of Family and Youth Affairs of Obolon DSA
- Kyiv Organization of UBPS
- Boyarskyy municipal cultural sports club for disabled people "Ikar"
- Public organization "Ukrainian Chronicle"
- Saint-George's monastery on Kozaks' Graves in Plyasheva (Rivne Region)

**AWARDS WON BY THE
OBOLON COMPANY**



AWARDS WON BY THE OBOLON COMPANY

in 2007-2008

| Year, place | Name of contest, exhibition | Nominee | Award |
|-----------------------|--|--|--|
| 2008 Kyiv, Ukraine | City social campaign "Star of Hope" | Obolon CJSC | Honorable mention of KCPA for promotion and assistance in solving problems of disabled people |
| 2008 Kyiv, Ukraine | "Safe Facility" Honours of the State Sanitary and Epidemiological Service of Ukraine | Obolon CJSC | Diploma, Cup |
| 2008 Kyiv, Ukraine | Рейтинг «Гвардія брендів» | Obolon CJSC in "Most Expensive Brand of the Beer and Soft Drinks Market" category in 2008 | Diploma |
| | | Obolon TM (for the largest volume of beer production) | Amber Star, Diploma |
| | | Zhyvchyk TM (for the largest volume of soft drink production) | Amber Star, Diploma |
| | | Zhyvchyk TM (for the best external design) | Honorary Diploma |
| | | Zhyvchyk | Grand Prix, Diploma |
| | | Magnat | Grand Prix, Diploma |
| | | Obolon Strong | Grand Prix, Diploma |
| | | BeerMix Lemon, BeerMix Cherry | Grand Prix, Diploma |
| | | Obolon Premium | Gold medal, Diploma |
| | | Obolon Soborne | Gold medal, Diploma |
| | | Hike Premium TM | Gold medal, Diploma |
| 2008 Kyiv, Ukraine | "Beer and Soft Drinks Industry 2008" Beer Holiday | Hike Premium Light TM | Gold medal, Diploma |
| | | BeerMix Cola | Gold medal, Diploma |
| | | Obolon Pils | Gold medal, Diploma |
| | | Obolonska mineral water | Gold medal, Diploma |
| | | Obolon Non-Alcoholic | Silver medal, Diploma |
| | | Obolon Lager | Silver medal, Diploma |
| | | King Danylo | Silver medal, Diploma |
| | | Obolon Velvet | Gold medal, Diploma |
| | | Desant Spetsnaz | Gold medal, Diploma |
| | | Desant DMB | Silver medal, Diploma |
| | | Prozora non-carbonated | Gold medal, Diploma |
| | | Frest Crystal | Silver medal, Diploma |
| | | Obolon Lime | Silver medal, Diploma |

| | | | |
|---|---|---|----------------------------|
| 2008, Moscow, Russia | X Great Moscow Beer Festival | Obolon Wheat in the “Best Wheat Beer” category | Platinum Osiris, Diploma |
| | | Obolon Velvet in the “Best Dark” category | Gold Osiris, Diploma |
| | | Obolon Magnat in the “Best Light 11-14%” category | Silver Osiris, Diploma |
| | | Obolon White in the “Best Unfiltered” category | Crystal grace cup, Diploma |
| | | Obolon Lager in the “Most Popular” category | Crystal grace cup, Diploma |
| 2007 Kyiv, Ukraine | “Company Guard” Rating | Obolon CJSC in the “Leader of the Beer and Soft Drinks Market” category in 2007 | Diploma |
| 2007 Kyiv, Ukraine | “Beer and Soft Drinks Industry 2007” Beer Holiday | Obolon TM (for the largest volume of beer production) | Amber Star, Diploma |
| | | Zhyvchyk TM (for the largest volume of soft drink production) | Amber Star, Diploma |
| | | Obolon Velvet | Grand Prix, Diploma |
| | | Obolon Premium | Grand Prix, Diploma |
| | | Obolon Strong | Grand Prix, Diploma |
| | | Desant Spetsnaz | Grand Prix, Diploma |
| | | Classic Flemish White | Grand Prix, Diploma |
| | | Zhyvchyk Lemon | Grand Prix, Diploma |
| | | Prozora Vershyna Yakosti | Grand Prix, Diploma |
| | | Zibert Collection Line TM (design) | Grand Prix, Diploma |
| | | Magnat TM | Gold medal, Diploma |
| | | Obolon Lager | Gold medal, Diploma |
| | | Obolon Soborne | Gold medal, Diploma |
| | | Obolon Premium | Gold medal, Diploma |
| | | Obolon Pils | Gold medal, Diploma |
| | | Desant Combat | Gold medal, Diploma |
| | | Hike Premium TM | Gold medal, Diploma |
| Hike Premium Light TM | Gold medal, Diploma | | |
| Zibert Collection TM Classic German Wheat | Gold medal, Diploma | | |
| Zibert Collection TM Classic English Porter | Gold medal, Diploma | | |
| Zhyvchyk Pear | Gold medal, Diploma | | |

| | | | |
|------------------------------|---|--------------------------------|-----------------------|
| 2007 Kyiv, Ukraine | “Beer and Soft Drinks Industry 2007” Beer Holiday | Obolon Lime | Gold medal, Diploma |
| | | Obolonska 2 | Gold medal, Diploma |
| | | Obolon Non-alcoholic | Silver medal, Diploma |
| | | Okhtyrskе Svitlе | Silver medal, Diploma |
| | | Beermix Raspberry special beer | Silver medal, Diploma |
| | | Beermix Orange special beer | Silver medal, Diploma |
| 2007 Vancouver, Canada | “Canada Cup of Beer” | Obolon Lager | Certificate |
| 2007 Kyiv, Ukraine | TOP-100 Ratings “Best Companies” | Obolon CJSC | Stella, Charter |
| 2007 Kyiv, Ukraine | TOP-100 Ratings “Best Managers of Ukraine” | Obolon CJSC | Stella, Charter |
| 2007 Kyiv, Ukraine | “Best Taxpayer in Kyiv” | Obolon CJSC | Stella, Charter |

OBJECTIVES OF OBOLON CJSC for 2009

| Stakeholders | Description of objectives | Figures | |
|---|---|--------------------------|--------------------------|
| Customers | Share of domestic market of Obolon TM | 28,0% | |
| | Share of domestic market of soft drinks | 13,5% | |
| | Increased in volumes of product exports in comparison with 2008 | 4% | |
| | Realization of the annual sales targets of Obolon CJSC in the domestic market | Beer | 87 658 thous. decalitres |
| | | Soft drinks | 21 000 thous. decalitres |
| | | Low-alcohol beverages | 5 270 thous. decalitres |
| Mineral water | | 13 950 thous. decalitres | |
| Conformity of end products to safety indicators | 100% | | |
| Personnel | Improving awareness (training, knowledge assessment) of occupational safety and health of 300 engineers and technicians at the plant for the purpose of preventing injuries | 100% | |
| | To ensure an increase in the general salary level according to the results of the year of no less than | 10% | |
| Society | Reaching norms of waste water disposal from the bottle-washing machine in bottling plant #5 | pH 6,5 –9,0 | |

CONTACT INFORMATION

Name of the company: Obolon Closed Joint Stock Company
Address: Bohatyrskya St. 3, Kyiv, 04655, Ukraine

The date of joining Global Compact: 24 April-, 2007
Contact person: Oleksiy Yatsyuk, Expert on corporate social responsibility
Subdivision: Public Relations Department
Phone: +38 (044) 201-47-81
E-mail: csr@kiev.obolon.ua

Information resources in the internet

| | |
|-------------------------------|---|
| Official Internet resource | http://www.obolon.ua/ |
| Export Internet resource | http://www.obolon.com/ |
| Notebook of Company's news | http://obolon-in-ua.livejournal.com/ |
| Video notebook of the company | http://www.youtube.com/user/obolonpr |

Feedback questionnaire

Dear Readers!

You have read the Social Report of the Obolon Company.

Your opinion on this document is very important for us, and we will be very grateful if you help us to improve the quality of the Obolon Company's reporting and answer the questions in the questionnaire.

You may send the completed questionnaire via fax :

+38 (044) 201-47-81 (public relations department of Obolon CJSC)

or to the address:

Obolon CJSC, Bohatyrska St. 1, Kyiv, 04655, Ukraine

marked "Social Report"

or by E-mail to:

csr@kiev.obolon.ua

1. Specify to which group of stakeholders you belong:

- Employee
- Customer / consumer
- Government official
- Public representative
- Representative of mass media
- Representative of business
- Other: _____

2. Evaluate the Social Report of the Obolon Company in terms of completeness of information provided:

- Excellent
- Good
- Satisfactory
- Unsatisfactory

3. Evaluate the Social Report of the Obolon Company in terms of fidelity of information provided:

- Excellent
- Good
- Satisfactory
- Unsatisfactory

4. Evaluate the Social Report of the Obolon Company in terms of convenience of information searching:

- Excellent
- Good
- Satisfactory
- Unsatisfactory

5. Evaluate the design and appearance of the Social Report of the Obolon Company :

- Excellent
- Good
- Satisfactory
- Unsatisfactory

6. Has the Social Report made you understand the activities of the Obolon Company?

- Fully
- Partially
- Do not understand

7. How has the Social Report influenced your attitude towards the Obolon Company?

- Got better
- Hasn't changed
- Got worse

8. What information from the Social Report was the most useful and interesting for you?

9. What information, in your opinion, should the company give full coverage in the next Social Report?

10. Your contact information

Name Surname _____

Phone _____

E-mail _____

Company _____

Thank you!
Obolon CJSC

Ecological balance sheet of Obolon CJCS 2008



OBOLON Company

Ecological balance sheet of Obolon CJCS

| INPUT | | OUTPUT |
|------------------------------|--|---|
| Primary raw materials | | End product |
| Brewing barley | | Beer |
| 141 812 t | | 113,3 mln.decalitres |
| Malt | | Low-alcohol drinks |
| 153 020 t | | 4,1 mln.decalitres |
| Sand sugar | | Soft drinks |
| 16 590 t | | 21,7 mln.decalitres |
| Hop products | | Mineral water |
| 661 t | | 8,3 mln.decalitres |
| Natural juices | | |
| 486 t | | Wastes according to hazard class |
| Direct energy usage | | Low hazard |
| Natural gas | | 115 597 t |
| 23 160 тыс. м ³ | | Moderate hazard |
| Diesel | | 277 t |
| 1537,8 t | | High hazard |
| Gasoline | | 0,129 t |
| 424,0 t | | Extreme hazard |
| Liquefied gas | | 1,039 t |
| 238,3 t | | Atmospheric emissions |
| Indirect energy usage | | Grain dust |
| Electrical energy | | 18,161 t |
| 83 254 mWt/h | | Nitrogen compounds |
| Steam | | 18,199 t |
| 281 044 Gcal | | Carbon dioxide |
| Heating | | 6,626 t |
| 11 439 Gcal | | Other |
| Water resources | | Wet malt spent grains |
| Diversion water | | 6,626 t |
| 4 604 thous.m ³ | | |
| Reused | | |
| 2 976 thous.m ³ | | |

GRI V.3 Compliance Table and fulfillment of UN Global Treaty

| GRI indicators | Indicator statement | Information in the report, page | Notes / comments |
|-------------------------------|---|---------------------------------|--|
| GENERAL POSITION | | | |
| STRATEGY AND ANALYSIS | | | |
| 1.1 | Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy | 7 | |
| 1.2 | Description of key impacts, risks, and opportunities | 12 | |
| ORGANIZATIONAL PROFILE | | | |
| 2.1 | Name of the organization | 53 | |
| 2.2 | Primary brands, products, and/or services | 26 | |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures | 9 | |
| 2.4 | Location of organization's headquarters | 53 | |
| 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report | 15 | |
| 2.6 | Nature of ownership and legal form | 54 | |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | 15 | |
| 2.8 | Scale of the reporting organization | | <i>National corporation that is the market leader in Ukraine and works in other countries of the world</i> |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership | | <i>For 2007-2008, there were no significant changes in size, structure and property</i> |
| 2.10 | Awards won by the Obolon company | 48 | |
| REPORT PARAMETERS | | | |
| Report Profile | | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | | 2007-2008 |
| 3.2 | Date of most recent previous report | | <i>This is the first report</i> |
| 3.3 | Reporting cycle (annual, biennial, etc.) | | <i>The first report is for two years, others will be annual</i> |

| | | |
|-----|---|----|
| 3.4 | Contact point for questions regarding the report or its contents. | 54 |
|-----|---|----|

Report Scope and Boundary

| | | | |
|------|--|---|---|
| 3.5 | Process for defining report content. | 5 | |
| 3.6 | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance. | | <i>Social Report of the Obolon Company includes all the essential aspects of its activities. Some figures do not contain data from subsidiaries, but this doesn't make much difference for the characterization of the company's scope of activities.</i> |
| 3.7 | State any specific limitations on the scope or boundary of the report. | 5 | |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | 5 | |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. | | <i>The methods of data measurements and making calculations, if they are different from those provided by GRI, meet internal corporate standards.</i> |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods). | | <i>This is the first report</i> |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | | <i>This is the first report</i> |

GRI Content Index

| | | |
|------|---|----|
| 3.12 | Table identifying the location Disclosures in the report. | 57 |
|------|---|----|

Assurance

| | | | |
|------|---|--|--|
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s). | | <i>The company deliberately did not carry out an external audit of the first report, being guided by the desire to work out internal reporting processes first. We will conduct internal analysis of the process of preparation and realization of the report for the purposes of carrying out an audit in the future.</i> |
|------|---|--|--|

GOVERNANCE, COMMITMENTS, AND ENGAGEMENT

Assurance

| | | | |
|-----|--|---|--|
| 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | 9 | |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement). | | <i>The Chairman of the Board is the Personnel and Welfare Director</i> |

| | | | |
|------|--|----|---|
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement). | | <i>The Chairman of the Board is the Personnel and Welfare Director</i> |
| 4.3 | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. | | <i>The Obolon Company is a closed joint stock company, major shareholders of which are members of its staff</i> |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | | <i>Shareholders - at the shareholders' meeting and by means of submitting proposals via E-mail; employees – through immediate supervisor, via mail to the President of the company, at meetings of top management with employees.</i> |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance). | | <i>Salary is paid by the hour – award fees. Salary rates are according to the approved staff schedule. Bonuses are paid according to performance results.</i> |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | | <i>Wage rates and skills system have been introduced that prevents conflict of interests</i> |
| 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics, and environmental performance). | | <i>Competency of company management is developed through participation in training seminars and conferences on corporate social responsibility and elements of sustainable development.</i> |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | 24 | |
| 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | | <i>Audit Committee has been established</i> |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | | <i>Assessment is carried out on the basis of non-financial reports.</i> |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | | Yes |

Comm itments to External Initiatives

| | | | |
|------|---|--|--|
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | | <i>1) Signing of UN Global Compact 2) Signing of Appeal on the occasion of the 60th anniversary of the Human Rights Declaration, which is evidence of support for the principles of the document</i> |
|------|---|--|--|

| | | | |
|------|---|--|--|
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations. | | <p><i>Member of the Ukrainian Association for Quality since 1994.</i></p> <p><i>Member of the Club of Quality Leaders of Ukraine since 1998.</i></p> <p><i>Member of the Club of Quality Leaders of Central and Eastern Europe since 2007.</i></p> <p><i>Member of UN Global Compact since 2007.</i></p> <p><i>Member of UN Initiative "Go Green".</i></p> |
|------|---|--|--|

Stakeholder Engagement

| | | | |
|------|---|--------|---|
| 4.14 | List of stakeholder groups engaged by the organization. | 43, 52 | <i>In the process of reporting, basic analysis of stakeholders on the basis of "Guidelines on stakeholders involvement" AA1000SES) of the Institute of Social and Ethical Reports (AccountAbility, UK) was conducted.</i> |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | | <i>Stakeholders and forms of cooperation with them are specified by the working group for preparation of the Social Report.</i> |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | 43 | |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | 43 | |

ECONOMIC PERFORMANCE INDICATORS

Aspect: Economic Performance

| | | | |
|-----|---|----|---------------|
| EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | 12 | |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | – | |
| EC3 | Coverage of the organization's defined benefit plan obligations. | 20 | |
| EC4 | Significant financial assistance received from government. | – | <i>Absent</i> |

Aspect: Market Presence

| | | | |
|------------|---|----|---|
| EC5 (add.) | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. | 12 | <i>Initial salary in the company exceeds initial salary in the industry by 20%.</i> |
| EC6 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | 34 | |
| EC7 | Coverage of the organization's defined benefit plan obligations. | 20 | <i>The employment algorithm is regulated by a special document that does not discredit local population or visitors</i> |

Aspect: Indirect Economic Impacts Core

| | | | |
|-----|--|----|--|
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | 44 | |
|-----|--|----|--|

EC9
(add.)

Understanding and describing significant indirect economic impacts, including the extent of impacts.

The Obolon Company ensures performance of work places in related industries (1 work place in beer and soft drinks production leads to the creation of 10-15 jobs in related industries and the agricultural sector). The company also develops facilities in depressed regions of the country, for instance, in Khmelnytsky, Sumy, Kirovograd regions, providing jobs for local people, as well as funds to the budget from taxes.

ENVIRONMENTAL PERFORMANCE INDICATORS

Aspect: Materials

| | | | |
|-----|---|----|--|
| EN1 | Materials used by weight or volume. | 34 | |
| EN2 | Percentage of materials used that are recycled input materials. | 41 | |

Aspect: Energy

| | | | |
|---------------|--|----|--|
| EN3 | Direct energy consumption by primary energy source. | 39 | |
| EN4 | Indirect energy consumption by primary source. | 39 | |
| EN5 (add.) | Energy saved due to conservation and efficiency improvements. | – | |
| EN6 (add.) | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | – | |
| EN7 (add.) | Initiatives to reduce indirect energy consumption and reductions achieved. | – | |

Aspect: Water

| | | | |
|----------------|--|----|---|
| EN8 | Total water withdrawal by source. | 39 | |
| EN9 (add.) | Water sources significantly affected by withdrawal of water. | | <i>Absent, as Obolon CJSC has its own water diversion facility from bore holes.</i> |
| EN10 (add.) | Percentage and total volume of water recycled and reused. | 39 | |

Aspect: Biodiversity

| | | | |
|----------------|---|----|---------------|
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | | <i>Absent</i> |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | | <i>Absent</i> |
| EN13 (add.) | Habitats protected or restored. | | <i>Absent</i> |
| EN14 (add.) | Strategies, current actions, and future plans for managing impacts on biodiversity. | | <i>Absent</i> |
| EN15 (add.) | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | 39 | |

Emissions, Effluents, and Waste

| | | | |
|------|---|----|--|
| EN16 | Total direct and indirect greenhouse gas emissions by weight. | 39 | |
|------|---|----|--|

| | | | |
|-------------|---|----|--|
| EC17 | Other relevant indirect greenhouse gas emissions by weight. | 41 | |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | 41 | |
| EC19 | Emissions of ozone-depleting substances by weight. | 41 | <i>There are no emissions of ozone-depleting substances from production.</i> |
| EN20 | NO, SO, and other significant air emissions by type and weight. | 41 | |
| EC21 | Total water discharge by quality and destination. | 39 | |
| EN22 | Total weight of waste by type and disposal method. | 41 | |
| EN23 | Total number and volume of significant spills. | | <i>Absent</i> |
| EN24 (add.) | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | | <i>Absent</i> |
| EN25 (add.) | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | | <i>Absent</i> |

Aspect: Products and Services

| | | | |
|------|--|----|--|
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | 39 | |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | 39 | |

Aspect: Compliance

| | | | |
|------|---|--|----------------------|
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. | | <i>For 2008– 136</i> |
|------|---|--|----------------------|

Aspect: Transport

| | | | |
|-------------|---|----|--|
| EN29 (add.) | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | 39 | <i>Owing to optimization of logistics and renewal of the vehicle fleet of Obolon CJSC, fuel consumption for transportation purposes was reduced.</i> |
|-------------|---|----|--|

Aspect: Overall

| | | | |
|-------------|--|----|--|
| EN29 (add.) | Total environmental protection expenditures and investments by type. | 37 | |
|-------------|--|----|--|

LABOR PRACTICES AND DECENT WORK

Aspect: Employment

| | | | |
|------------|--|----|--|
| LA1 | Total workforce by employment type, employment contract, and region. | 21 | |
| LA2 | Total number and rate of employee turnover by age group, gender, and region. | 21 | |
| LA3 (add.) | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | 20 | |

Aspect: Labor/Management Relations

| | | | |
|-----|---|--|--------------------|
| LA4 | Percentage of employees covered by collective bargaining agreements. | | 100% |
| LA5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements. | | 2 months (8 weeks) |

Aspect: Occupational Health and Safety

| | | | |
|------------|---|----|--|
| LA6 (add.) | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | 23 | |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region. | 23 | |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | 23 | |
| LA9 (add.) | Health and safety topics covered in formal agreements with trade unions. | - | |

Aspect: Training and Education

| | | | |
|-------------|--|----|--|
| LA10 | Average hours of training per year per employee by employee category. | 22 | |
| LA11 (add.) | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | 22 | |
| LA12 (add.) | Percentage of employees receiving regular performance and career development reviews. | 22 | |

Aspect: Diversity and Equal Opportunity

| | | | |
|------|--|----|--|
| LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. | 21 | |
| LA14 | Ratio of basic salary of men to women by employee category. | 22 | Basic salary rate is identical irrespective of gender (for both men and women) |

HUMAN RIGHTS PERFORMANCE INDICATORS**Aspect: Investment and Procurement Practices**

| | | | |
|------------|--|---|--|
| HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. | - | Reporting was not conducted |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. | - | Reporting was not conducted |
| HR3 (add.) | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | | Employee training in human rights policies and processes is included in the general process of training and learning documentation. Hourly accountability of such training is not carried out. |

Aspect: Non-discrimination

| | | | |
|-----|--|--|--|
| HR4 | Total number of incidents of discrimination and actions taken. | | There were no cases of discrimination. |
|-----|--|--|--|

Aspect: Freedom of Association and Collective Bargaining

| | | |
|-----|--|---|
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. | <i>The right to use the right to freedom and holding collective bargaining are under no risks in the corporation.</i> |
|-----|--|---|

Aspect: Child Labor

| | | |
|-----|--|---|
| HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. | <i>Child labour is not used in the corporation.</i> |
|-----|--|---|

Aspect: Forced and Compulsory Labor

| | | |
|-----|--|---|
| HR7 | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. | <i>Forced labour is not used in the corporation; any labour in the corporation is specified by official duties.</i> |
|-----|--|---|

Aspect: Security Practices

| | | |
|---------------|---|------|
| HR8 (add.) | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | 100% |
|---------------|---|------|

Aspect: Indigenous Rights

| | | |
|---------------|--|--|
| HR9 (add.) | Total number of incidents of violations involving rights of indigenous people and actions taken. | <i>There are no cases of infringement of rights and freedoms that involve rights and freedoms of the indigenous population and minorities.</i> |
|---------------|--|--|

SOCIETY PERFORMANCE INDICATORS**Aspect: Community**

| | | |
|-----|---|---|
| SO1 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. | – |
|-----|---|---|

Aspect: Corruption

| | | |
|-----|--|---|
| SO2 | Percentage and total number of business units analyzed for risks related to corruption. | <i>Analysis concerning risks related to corruption is not conducted.</i> |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures. | <i>All employees are made aware of the company's anticorruption policy at the time of employment.</i> |
| SO4 | Actions taken in response to incidents of corruption. | <i>No cases of corruption in the reporting period were recorded.</i> |

Aspect: Public Policy

| | | |
|---------------|--|---|
| SO5 | Public policy positions and participation in public policy development and lobbying. | – |
| SO6 (add.) | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | – |

Aspect: Anti-Competitive Behavior

| | | |
|---------------|--|---|
| SO7 (add.) | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | <i>The company did not have exclusive status in any of the markets in which it is present. In the reporting period there were no conclusions of the Antimonopoly Committee of Ukraine concerning Obolon CJSC.</i> |
|---------------|--|---|

Aspect: Compliance Core

| | | |
|-----|---|---|
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. | – |
|-----|---|---|

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS**Aspect: Customer Health and Safety**

| | | |
|------------|--|---|
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | 33 |
| PR2 (add.) | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | <i>All the products of the company conform to legislative requirements, norms and standards. There were no cases of non-conformities in the reporting period.</i> |

Aspect: Product and Service Labeling

| | | |
|------------|--|--|
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | <i>All the products of the company contain the necessary and mandatory information about composition and contents.</i> |
| PR4 (add.) | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | <i>Specified non-conformities were not found.</i> |
| PR5 (add.) | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | <i>Authorized departments of the company carry out assessment of consumer satisfaction. In addition, there are numerous studies carried out by independent agencies. In particular, according to one of the studies, the Obolon TM was named as the favourite beer of football fans.</i> |

Aspect: Marketing Communications

| | | |
|------------|--|---|
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | 35 |
| PR7 (add.) | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. | <i>Specified non-conformities were not found.</i> |

Aspect: Customer Privacy

| | | |
|------------|--|--|
| PR8 (add.) | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | <i>Specified complaints were not recorded.</i> |
|------------|--|--|

Aspect: Compliance

| | | |
|-----|--|---------------|
| PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. | <i>Absent</i> |
|-----|--|---------------|