



Sustainable Development Report 2007

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Dear Ladies and Gentlemen,

We present the second issue of the sustainable development report; a document, which will acquaint you with the activities of Plzeňský Prazdroj as a responsible brewery company.

In the first issue of the sustainable development report we focused on presenting our sustainable development strategy and the activities we realised last year. In 2006 we were chiefly concerned with identification of the areas that we wished to devote more attention to. We created 10 sustainable development priorities, introduced the company's standpoint for each priority and commenced implementation of the strategy.

In 2007 we placed emphasis on creating and establishing transparent internal assessment processes. We accepted the SABMiller global benchmarking system (the so-called SAM system), which set clear criteria for assessing fulfilment of targets and defines 4 possible levels of achievement for each priority. This process includes a detailed evaluation of the existing situation, setting targets and defining a plan of action on how to fulfil the given objectives and integrating the plan into the company's everyday activities. The comprehensive results of our assessment can be found on pages 36–37.

In the overall evaluation we took forefront within the SABMiller group. Our strongest areas are respect for human rights, benefiting communities and transparent reporting of results. On the contrary our weakest area is our co-operation with supply chains.

In 2007 we not only assessed but also continued with the constant process of improvement of the individual priorities, during which time we placed the greatest emphasis on responsible alcohol consumption and our supply chains.

As a responsible beer producer we continue to participate in discouraging irresponsible consumption of alcohol. We continued monitoring our communication activities and making these comply with the commercial communication code and the Corporate Policy of a responsible producer of alcoholic beverages. As a member of the Responsible Brewers Initiative we supported educational campaigns focusing on the issue of drinking and driving and underage drinking. Our non-alcoholic beer brand, Radegast Birell also devoted effort to the subject of drinking and driving and focused on the issue of safety on the road.

In the area of our supply chains we adopted group responsible sourcing principles in 2007. This concerns principles that define standpoints that we expect from our suppliers and which concern,

Introductory word by the Corporate Affairs Director

for example, human rights issues or safety in the workplace. In 2008 we will acquaint our suppliers with the principles in more detail, and cooperate in their application in everyday activities and monitor adherence to these principles.

We continue to contribute to minimising environmental impact. The environmental management system in all our breweries has been updated in accordance with the acknowledged international ISO 14001 standards. Thanks to technological improvements we have succeeded in reducing the level of CO₂ emissions, our average consumption of water per hl of beer is 4.27 hl compared to the international standard of 5–6 hl, more than 99% waste is reused and we are gradually lightening the bottles in our brand portfolio, making them more ecological.

As one of the leading corporate donors we continue to invest in the communities in which our breweries operate. In 2007 we invested nearly 18 million CZK (according to the SOF assessment method). We focused on improving the quality of life in regions in which we are active through the Citizens' Choice program, we supported development of social enterprise and we became the general partner to the One World – International Human Rights Documentary Film Festival – for the fourth time. This year the festival was awarded a prize by the UNESCO organization.

Our commercial and financial results number us among the first ten leading taxpayers in the Czech Republic. We contribute to development of Czech economics and development of employment. Our company policy and procedures ensure adherence to the strictest standards of corporate governance and business ethics.

Our task for 2008 will be improving monitoring processes as well as achieving the set targets. We will continue to focus on discouraging irresponsible alcohol consumption, we will improve our co-operation with supply chain by establishing sustainable development values, minimise environmental impact, respect human rights and support development of the communities in which we operate. Communication and transparent reporting of our results will continue to be an important part of this area.

I believe that the second issue of the sustainable development report will provide you with the expected information. We will be happy if you send us your suggestions to the address given at the end of this document.

Michal Kačena

Corporate Affairs Director
Plzeňský Prazdroj, a.s.

The principles of sustainable development are part of the company strategy and everyday activities

In the preceding period Plzeňský Prazdroj specified ten basic priorities in this field, the company's standpoint towards them and interlinked its activities with the global strategy of the SABMiller group. In connection with this it concentrated on creation and introduction of transparent internal monitoring processes, which originated from assessment of the existing situation for each priority. Acceptance of the action plan is focused on transferring the strategic objectives into the company's everyday activities. We have determined responsible alcohol consumption and cooperation with our supply chain as the key areas for 2007. A list of activities, levels achieved and an action plan for the upcoming year is given at the end of this report.



Sustainable Development Report



Supporting responsible alcohol consumption



Minimising environmental impact



Benefiting local communities

The main priorities of Plzeňský Prazdroj in the field of sustainable development:

- Discouraging irresponsible drinking
- Minimising environmental impact chiefly by:
 - Making more beer using less water
 - Reducing our energy and carbon footprint
 - Packaging reuse and recycling
 - Working towards zero waste operations
- Having supply chains that reflect our own values and sustainable development commitment
- Respecting human rights
- Benefiting our communities
- Transparency in reporting progress of the sustainable development strategy
- Preservation of the historical brewing legacy of preceding brewery generations
- Contributing to the reduction of HIV/AIDS within our sphere of influence



In 2006 Plzeňský Prazdroj continued actively to promote a responsible approach to alcohol consumption within its own activities as well as on the Czech brewery market.

The main priority was adherence to internal and international codes of commercial communication, increasing awareness of the need for responsible behaviour on the roads and the issue of underage drinking.

We are aware of the serious damage to health, economic and social harm that can be caused by irresponsible alcohol consumption. Therefore we actively aim to prevent irresponsible alcohol consumption and we help in promoting a responsible attitude to alcohol consumption.

Commercial communication of our brands is directed exclusively towards consumers for whom consumption of alcohol is the expression of free choice and only after reaching the age limit set by law.

Plzeňský Prazdroj respects and adheres to regulations set out by the Brewers of Europe, the brewery industry's code and the internal global Alcohol Manifesto. On the basis of a uniform policy Plzeňský Prazdroj liaises with professional associations in the Czech Republic during promotion of the principles and policies of responsible alcohol consumption within the Czech Republic. The Company's corporate policy as a responsible producer of alcoholic beverages is available at www.prazdroj.cz

Plzeňský Prazdroj is an active member of the self-regulating Czech Advertising Council body. Integration of the self-regulation body and brewing industry policies and procedures, and adjustment of the procedure for discussing possible complaints took place in 2006. The target of the agreement is maximum

Discouraging irresponsible drinking

efficiency while preventing possible breach of the code. Within the scope of these internal monitoring processes several communication campaigns were modified in 2006. From the aspect of complaints by consumers no cases or suggestions were recorded with regard to breach of the commercial communication code.

For higher efficiency of internal processes in 2006 we have focused on the following activities:

Commercial Communication

We have continued to promote principles and inform selected Plzeňský Prazdroj marketing, sales & distribution, corporate affairs department employees and external partner agencies of the basic commercial communication principles. This chiefly meant interactive training courses with discussion of specific advertising materials and individual commercial communication resources and cases. We organize training courses approximately once a year.





Internal Ethics Committee

The internal ethics team supervises adherence to the principles of commercial communication. It is made up of specialists in marketing, law, trade marketing and corporate affairs. The objectivity of the results is ensured through assessment by a third, independent party – the Czech Advertising Council, of which Plzeňský Prazdroj is a member.

The ethics team monitors and assesses adherence to the SABMiller Ethics Code and the Ethics Codes of the Responsible Breweries Initiative and the Czech Advertising Council.

An on-line voting system exists to ensure greater efficiency in decision-making, operability in assessment of individual cases and also the impartiality of individual members of the ethics team.

Members of the ethics team assess and approve all company marketing activities, particularly advertising campaigns, social and sponsorship events and activities and also events for sales promotion of individual brands.

Discouraging irresponsible drinking

Partnership with professional associations, networks and state organizations

Plzeňský Prazdroj continues to preside over the Responsible Brewers Initiative with the Czech Beer and Malt Association, of which it is a founding member.

The chief objectives of the Responsible Breweries Initiative are development of an ethical environment in the Czech brewery industry and promotion of cultivated, responsible and moderate consumption of beer. During their activities members of the Initiative promote the principles of self-regulation of marketing activities, support educational programmes for the public focused on the issue of drinking and driving, drinking by minors, consumption of alcohol when pregnant, etc.

Plzeňský Prazdroj also contributes to adherence to ethical principles as a member of the Czech Advertising Council. The principal joint task is self-regulation of the whole advertising branch and adjusting commercial communication activities so that adherence to the ethical principles becomes a matter of course for advertising clients and creators. Ethical principles are also reflected in all activities and forms of cooperation with beer outlets.

A specialist group composed of beer manufacturers and other manufacturers of alcoholic beverages in partnership with state bodies will create a national strategy for the impact of alcohol on society and promotion of relevant and impartial research in 2007. The Czech Republic Ministry of Health and the Czech Republic Food Industry Chamber, who initiated the creation of the group, participate in the partnership.

Field work of promotion teams Designated driver





Projects discouraging irresponsible alcohol consumption

Projects

The activities of Plzeňský Prazdroj

The responsible approach to alcohol consumption is chiefly connected with the Radegast Birell brand within the company's portfolio. Its campaigns contribute to the safety of drivers and also cyclists on the roads. The best selling non-alcoholic beer in the Czech Republic increased awareness of the necessity of responsible behaviour on the roads and Birell patrols also informed of important changes in traffic regulations from 01/07/2006. The objective of these activities was to encourage drivers and cyclists to abstain from consumption of alcoholic beverages before and during driving.

In 2006, warnings informing of the dangers of drink driving, which the individual brands place on beer bottle labels, were introduced as an important preventative measure. We intend to

continue to introduce messages discouraging irresponsible drinking in the future.

The Campaigns of the Responsible Brewers Initiative

Slow down, we don't serve minors.

In cooperation with the HO.RE.KA CZ association the campaign was directed at the issue of underage drinking. The project assists restaurant owners to understand legislation better and react correctly when dealing with minors who may request that alcohol be served or sold to them.

Let's come to an agreement. The Initiative concentrates on young people driving to entertainment together by car. It wishes to encourage them to decide which of them will refrain from consuming alcohol and will drive on the return journey. The campaign includes a song and video clip with the title Take Care.

Discouraging irresponsible drinking

Subsequent steps:

- To make the role of the internal ethics team more effective by introducing a 24-hour on-line system with access through the Plzeňský Prazdroj intranet, so that members of the ethics team can carry out their activities at any time regardless of where they are located.
- To prepare additional training courses focused on adherence to the ethical principles of commercial communication for specialists in the field of marketing, trade and corporate affairs.
- To promote responsible alcohol consumption by creating additional educational and informative programmes for the consumer public, particularly in connection with the Radegast Birell brand.
- To prepare and implement the Employee Alcohol Manifesto.





- Making more beer using less water
- Reducing our energy and carbon footprint
- Packaging reuse and recycling
- Working towards zero waste operations

These principles are further developed in the Plzeňský Prazdroj. Policy for quality and safety of products, safety at work, environmental protection and the systematically covered established quality management and environmental protection systems in compliance with international

ISO 9001, ISO 14001 standards. The Det Norsk Veritas international company regularly inspects the functioning of these systems. In 2006 implementation of the safety at work management system was commenced in accordance with the OHSAS 18 001 standard.

Minimising environmental impact

As a member of the international SABMiller group Plzeňský Prazdroj fully supports the company's approach to sustainable development. Minimisation of negative environmental impact is based on the following key SABMiller principles:



**Mr. Ouhרבka, the man in charge
of the Roudná water well**

99% of former waste is transformed into secondary raw materials today

Make more beer using less water

Water, as one of the basic raw materials during beer production, makes up 85 – 95 % of its contents. Therefore during its activities Plzeňský Prazdroj strives to achieve responsible management of water and water sources. Particularly by reduction of water consumption during the manufacturing process, a caring approach to the ecological and social needs of the given region when handling water sources and promoting the same principles with its suppliers and partners.

In spite of the increase of production volume savings in water have been made. The total consumption for the whole of Plzeňský Prazdroj was 39 million hl; an average of 4.27 hl was necessary to produce 1 hl of beer, during which time consumption according to

international standards ranges from 5 – 6 hl.

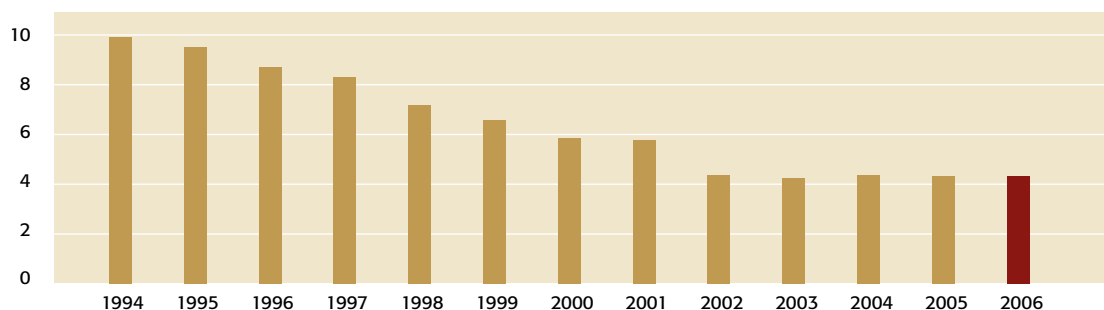
The Velké Popovice brewery reported the lowest consumption with 3.97 hl.

23% of the wastewater arising during beer production is treated in our own facilities (waste water treatment centre) and 77% is treated by a third party, chiefly in the brewery in Pilsen.

The partner we co-operate with must abide by the regulations current in the Czech Republic.

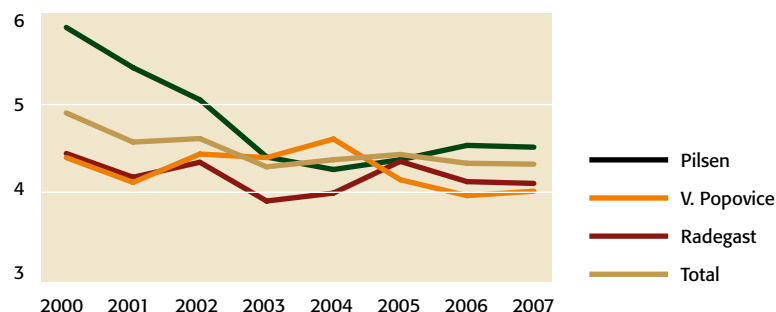
The system for mapping and monitoring water sources was one of the activities for improvement of water management. Plzeňský Prazdroj monitors the accessibility of water sources and the quality of the water in detail. All three breweries have established their own water sources, which do not endanger the supplies of potable water to surrounding communities in any way. For example in Pilsen the brewery water source will

Minimising environmental impact

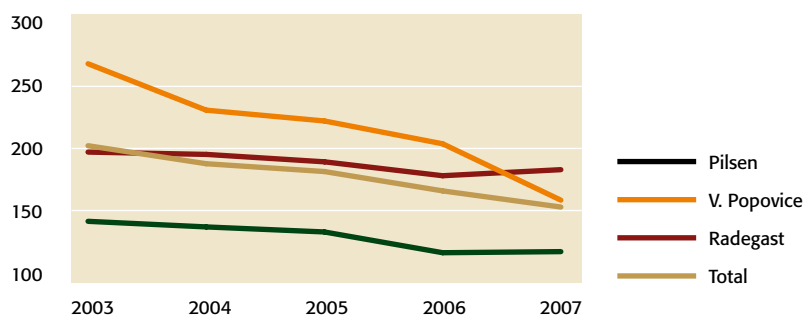


Consumption of water during beer production (hl water/hl beer)

also serve the town in the event of an emergency. Thanks to modern technology and a responsible approach a balance is maintained between the quantity of water drawn from wells and the natural inflow of underground water, guaranteeing that the balance will be kept in the locality of the Pilsen basin while maintaining sufficient water for the wells of local inhabitants. Water for so-called technological purposes at the brewery in Pilsen is supplied in cooperation with the neighbouring company – Plzeňská teplárenská, which also uses waste heat from electricity generation to achieve power potential for refrigeration during malt production. The whole process is based on the principle of absorption refrigeration.



Specific water consumption (hl water/hl beer)



Specific energy consumption (MJ/hl)





Projects

The wastewater treatment plant in Velké Popovice, which treats wastewater not only from the brewery but also from the Velké Popovice community and the surrounding area. The treatment principle is based on the most modern findings on wastewater treatment from the brewery industry and is made up of anaerobic pre-treatment of wastewater and its subsequent final treatment on the aerobic level. It is at the anaerobic level that the organic water pollution is transformed into biogas, using the direct efficient action of methanogenic bacteria, which can then be used to generate power. At present biogas is used as fuel for the thermal needs of the wastewater treatment plant; in the future we are considering independent electricity generation using the whole volume of biogas produced. Power generated in this manner is considered to be "green power" because it does not come from fossil fuels. This power is environmentally friendly,

particularly in connection with greenhouse gas emission and generation of this power does not worsen the situation in relation to global warming. The whole process is not only a benefit in power generation but it also achieves significant reduction in production of waste sediments from the process of aerobic wastewater treatment. The overall power balance of the wastewater treatment plant is also 60% less demanding on power in comparison with the previous operation.

The Roudná water source in Pilsen represents a unique renewal of a historic source of potable water, which was used by the predecessors of today's brewers. The springhead dating from 1900 has been reconstructed. Thanks to modern technologies the water used today for production of Pilsner Urquell and Gambrinus beer is of the same quality as the water one hundred years ago.

The Nošovice brewery – replacement of the refrigeration system using potable water for

Minimising environmental impact

It is important to remember that the state of the environment is affected by our behaviour and we ourselves have the choice of either caring for it or misusing it.

a system using service water in the malt-house and the machine room. Following a thorough survey of possible localities for drawing water, hydro-geological surveys found sources of underground water, the capacity and quality of which fulfils the requirements for supplying selected centres using service water, in the locality of biological ponds and the brewery sports ground. The construction work was completed in May 2007.

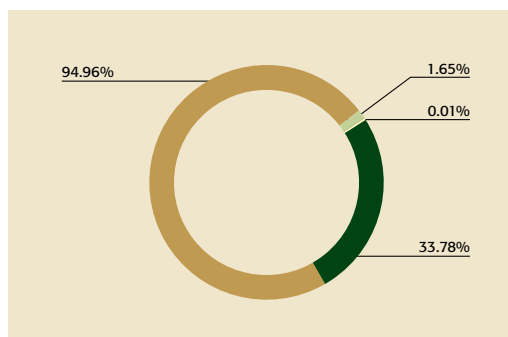
Subsequent steps for reducing water consumption:

All activities within the whole concept of water management at Plzeňský Prazdroj will be directed towards further reducing water consumption during operation of the brewery and the malting-houses. These activities will chiefly be focused on modernisation of internal water pipelines and elimination of the consequences of water losses during water distribution and manufacture of malt and beer. An example of this may be introduction of the procedures of dry pressing in the malt house in Pilsen and preparation of mathematical models for calculation of water supply networks in brewery complexes.



Sources of heat energy

LTO	0.01%
Natural gas	33.78%
Heat	94.96%
Biogas	1.65%
Total	130.40%



Reducing our energy and carbon footprint

In Plzeňský Prazdroj we are aware of the necessity of monitoring the impact of all our activities on climate changes. Consequently we concentrate on effective use of fuels and electricity, improvement of manufacturing technologies, use of renewable resources and preference of technologies with a lower production of CO₂.

The power consumption per one hl of beer within the Plzeňský Prazdroj brewery is 155.61 MJ on average, the least in the brewery in Pilsen (121.16 MJ/hl of beer).

The main sources of power include electricity and thermal energy; 1.65% is produced from renewable power sources, chiefly biogas. Natural gas is preferred as a heating medium. We have succeeded in reducing the volume of NO_x and CH₄ (methane) emissions. This amounts to 0.016 kg per hl and 0.0012 kg per hl respectively.

Brewery production is most demanding of power. On average 120 kWh are used per hl of beer. On the European SABMiller scale the Nošovice brewery is the leader in electricity consumption as well as the Pilsner Urquell brewery with its new boiler room, controlled by a system for monitoring and assessing power consumption, which is capable of predicting production requirements.

Minimising environmental impact

Projects

Investments into the most modern technologies and further reduction of emissions – the most important investment that minimised impact on production of greenhouse gas emissions was modernisation of the Pilsner Urquell boiler room in Pilsen. Thanks to new technologies we have succeeded in reducing emissions from 15 000 tons of CO₂ to 2 000 tons per year, which means a reduction of 87 %. Savings have also taken place in the Radegast brewery in Nošovice, where construction of an anaerobic wastewater treatment plant was projected into reduction of carbon dioxide emissions by 6 – 8 % through processing biogas in the brewery boiler room. This principle is identical to the principle of wastewater treatment in Velké Popovice.

By taking these steps Plzeňský Prazdroj has succeeded in reducing emissions of greenhouse gases by 60 thousand tons of carbon dioxide during the first three years of monitoring greenhouse gas emission into the atmosphere.

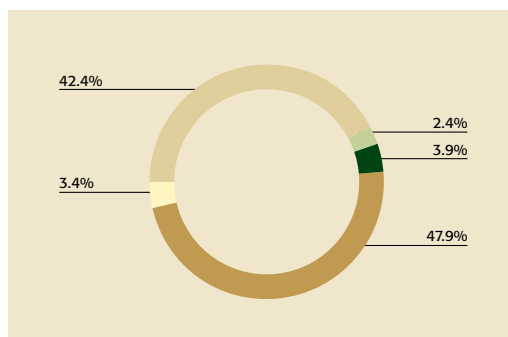
Subsequent steps

Will be directed towards the opportunities of using organic waste from beer production as potential sources of energy by further transformation of these organic materials into biogas to make power and subsequently to generate electricity. This will then be used for the brewery's own needs or will be supplied to the power supply network.



Classification of packaging according to type

refundable bottles	42.4%
non-refundable bottles	2.4%
cans	3.9%
barrels	47.9%
others	3.4%
total	100.0%



Using recycled packaging

The efforts to reduce environmental impact as much as possible are also manifested in reduction of the weight of packaging and reduction of the volume of packaging material. More than 90% of our packaging is refundable. The new refundable Pilsner Urquell and Gambrinus brand bottles, which were introduced onto the market in 2006, weigh 60g less, which when converted represents savings of 2,400 tons of glass a year and a reduction in transport weight during distribution of bottled beer by 18,000 tons a year.

The use of lighter bottles results in decreased fuel consumption during transport of products, emissions from operation of motorised vehicles, power consumption necessary for recycling the bottles as well as reduced raw material demands for the actual manufacture.

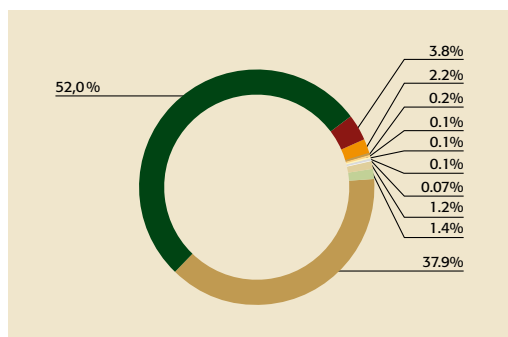
Approx. 1.7 km is driven to transport 1 hl of beer. Although this value is favourable when compared to other industrial companies, fuel consumption still represents production of 2,000 tons of CO₂ during transport per year. Therefore we demand that forwarders transporting beer have a vehicle fleet that satisfies EURO II and higher emission values.

Plzeňský Prazdroj is also a member of EKO-KOM, which deals with the issue of recycling and secondary use of packaging in the Czech Republic. The contributions that Plzeňský Prazdroj regularly gives to EKO-KOM are subsequently distributed for support of municipalities in the Czech Republic when dealing with collection of recycled packaging and effective disposal of other types of waste.

Minimising environmental impact

Classification according to types of waste (used as secondary raw materials)

organic waste (apart from yeasts)	52.0%
yeasts	3.8%
waste glass	2.2%
labels and paper	0.1%
diatomaceous earth	0.1%
plastics	0.1%
metal	0.2%
crates	1.2%
wastewater	1.4%
other	37.9%
hazardous waste	0.07%
total	100.0%



Subsequent steps

- Introduction of new lightweight bottles onto the market for the Gambrinus, Radegast, Radegast Birell and Velkopopovický Kozel brands
- Application of a recycling system for waste labels obtained during washing of refundable bottles, thereby reducing waste designated for dump storage.

Working towards zero waste operations

Plzeňský Prazdroj manufacturing produces approximately 310,025 tons of waste a year; of this 99% has a secondary use. Brewery spent grain, waste yeasts from fermentation and malt waste are in demand as feed in agriculture. The wastewater treatment sediments are added to poor quality soils to increase the proportion of

organic substances and waste diatomaceous earth is ploughed into soils to lighten them.

A limited amount of hazardous waste is also produced during manufacture, for example waste cleaning products, waste oils from machine systems and similar. This waste is collected in secure warehouses and disposed of as soon as possible by a professional partner authorised for this disposal.

The principles of waste recycling are not only promoted in production but have also become a part of responsible behaviour in all administrative sections of the brewery where waste is consistently sorted.

Subsequent steps

- To continue increasing waste utilisation
- Seek methods of utilisation for the remaining one percent of waste





Plzeňský Prazdroj has adopted responsible sourcing principles developed by SABMiller in 2006. The principles include human rights, labour standards, working conditions and environmental impact. The basic rule is not restriction but cooperation during rectification of potential problems and deficiencies. These principles have been introduced to our key suppliers at the SABMiller European supplier workshop. In 2007 we will subsequently introduce the principles to other suppliers and we will apply them in everyday contact.

In cooperation with suppliers we continue to realise the SQM (System Quality Management) programme provided for the supplier. As a producer of beer of the highest quality Plzeňský Prazdroj uses this programme to ensure that it receives only the best quality raw materials, services or products from its suppliers. It uses the system to focus not only on quality control but also on protection of the health of its employees and safety at workplaces. Assessment of responsible principles will form a part of the program in the coming years.

The supply chain

Plzeňský Prazdroj expects not only provision of top quality merchandise and services from its suppliers but also commitment to sustainable development. We liaise with more than 8 000 suppliers in the Czech Republic and abroad. This chiefly concerns suppliers of raw materials, packaging, services, and administrative materials and also suppliers of construction work, etc.

Subsequent steps

- To introduce the responsible sourcing principles to key suppliers and reinforce cooperation and mutual trust between both parties, thereby achieving a permanent partnership
- To incorporate adherence to responsible sourcing principles into the SQM program.





Plzeňský Prazdroj clearly perceives the existence of various national cultures, customs and traditions and advocates adherence to the basic values of international society, in particular the General Declaration of Human Rights. It performs business activities in complete accordance with these principles and we guarantee adherence to them to all our employees. The conditions for observing human rights are a matter of course for our company. They form part of internal guidelines, processes and everyday activities.

These include:

- Freedom of association and recognition of the right to collective bargaining
- Prohibition of forced labour
- Abolition of child labour, which is illegal, socially unacceptable and leads to loss of educational opportunities
- Intolerance of discrimination
- Establishing fair and competitive wages and benefits
- Providing safe and healthy work environments

Trade unions are a long-term partner of the company management. The management informs trade union representatives of company activities, their results and plans and also deals with problem solving at regular meetings every

Respecting human rights

In the area of employee relationships the company focuses on continuous improvement of the working environment, systematic development of professional advance and fair and clear rewards for performance.





three months. Labour unions have all means of internal communication available for informing all their members. Every Plzeňský Prazdroj employee may become a trade union member.

In the field of employee relations the company focuses on continuous improvement of the working environment, systematic development of professional advance and fair rewards for performance. The system of fair rewards has been further developed so that the employee is rated on the basis of results achieved. The bonus regulations and the process for management of performance apply to all company employees.

A healthy and safe working environment is an integral part of everyday activities.

A committee composed of employees and trade union representatives works in the

company and is concerned with supervision of working environment standards and their improvement. Improving the monitoring system for ensuring a healthy work environment is one of the priorities in 2007.

Plzeňský Prazdroj has repeatedly been placed first on the scale of most admired employer in the Pilsen region "AXA employer of the year". In 2006 2 450 employees worked for the company; of these more than 95% were employed full time for an undefined period. Educational programmes are part of the professional advance of each employee, during which each employee receives on average 5 days of education per year.

Respecting human rights



**Beer Missionary,
an educational project
for employees
of Pžeňský Prazdroj**

Projects

The company introduced a form of e-learning, which enables on-line tuition and tests, particularly for statutory types of training.

Employees were trained in connection with putting the new bottling plant into operation. For the first time ever a training programme has become an integral part of the manufacturing project and was systematically managed. What is more, it was supported by a subsidy of 1.7 million CZK from the European Structural Funds, which was one third of the costs necessary to train all line operators.

Subsequent steps

- Ensure that human rights principles become part of all internal guidelines and that these are available and clearly communicated to all employees.
- Improve the monitoring system for ensuring health and safety at work.

**Diploma
„AXA employer of the year“**



Plzeňský Prazdroj continually invests in development of the communities in which its breweries operate. This support provides benefits to employees and their families, partners, local communities and the whole company.

Company community benefit strategy

We understand company investment into communities to be targeted investments aiming to increase the prosperity of the surrounding area, which could not be achieved through the usual activities of the company. This concerns a contribution or investment of cash, knowledge, employee time or equipment to people or communities to enable them to flourish and help improve the environment in which Plzeňský Prazdroj carries out its business activities.

The programmes reflect the visions, missions, values and sustainable development priorities of Plzeňský Prazdroj, and the priorities of local communities and all involved partners.

Supported programmes are not simply short-term donations. They are carefully assessed and monitored with regard to the situation before

commencement and following completion of the project and provide measurable evidence of the benefits to the community and Plzeňský Prazdroj.

We view charitable gifts as short-term support measures for publicly beneficial activities, in particular projects issuing from the needs and objectives of non-profit organizations.

In terms of commercial activities this concerns development of activities that directly support the company's commercial targets and at the same time increase social benefits.

We believe that benefiting communities is long-term strategic involvement of the company in projects and enterprises that are related to our company, its nature of business and its business philosophy.

Benefiting communities

Forming an environment of corporate philanthropy in the Czech Republic

Plzeňský Prazdroj is one of the 20 top corporate donors in the Czech Republic (according to the Top Corporate Philanthropist). As one of the founding members of the DONATOR club for corporate donors at the Czech Donor's Forum, our Company helps to enhance corporate philanthropy.

A universal methodology for systematic assessment, the so-called Responsible Company Standards (SOF), has been introduced to monitor the transparency of processes. The methodology monitors expended costs and efficiency of the impact of expended finances. We have adopted this methodology.

Programmes

Citizens' Choice

Citizens' Choice is a key project supporting the activities of regional self-administration bodies and non-profit organizations in the

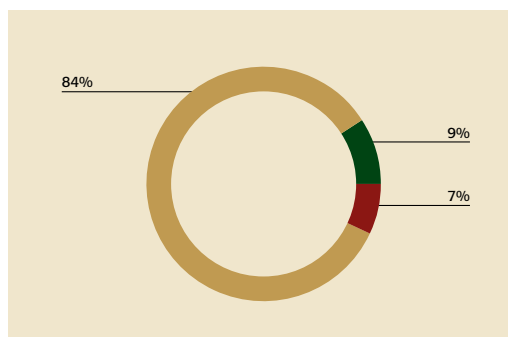
field of development of education, culture, ecology, sport, health care and welfare. In 2006 the company distributed 6 million CZK and supported a total of 28 projects. The public awareness of the programme and its high credibility has inspired further partners. The Pilsen Association of Authorised Brewers increased its grant by 1.2 million CZK. The sum enabled support of another four projects.

**A project supported by Citizens' Choice:
Preservation of historical printing**



Classification of financial support for communities according to categories (the SOF methodology)

Investments into communities	10,494,168 CZK	84%
Commercial initiatives	1,073,808 CZK	9%
Donations to charity	897,000 CZK	7%



Development of Social Enterprise

The social enterprise development programme is a partner enterprise between the Plzeňský Prazdroj Company and the well-known non-profit making organization NESsT (the Group for non-profit making entrepreneurship and for self-sufficiency).

The objective of the programme is to provide assistance to non-profit organisations so that after a time they are able to stabilise and develop thanks to the income from social enterprise. The programme is focused on non-profit making organizations, which are interested in creating new or developing existing enterprises. The educational cycle of the programme culminated in May 2007 when the most successful business plans were submitted for assessment to a specialist committee.

Preservation of natural localities

Plzeňský Prazdroj supported the programme of the Moravian-Silesian Region for Conservation of Floodplain Locations in the area of the Morávka River. This river is an important source of water for the Radegast brewery in Nošovice. We are one of the partners of the project and we have helped acquire grants to the total sum of 20 million CZK guaranteeing the project.

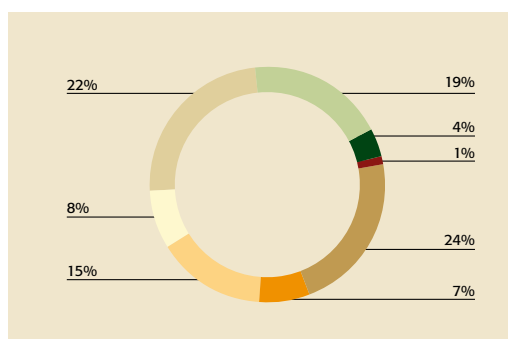
Supporting cycling routes for the public

Plzeňský Prazdroj breweries are sought after tourist destinations. Thanks to the attention they pay to the development of tourist routes, the maintenance of brewery traditions and support of the region in which they operate, the breweries have made their localities even more attractive and they have helped the overall development of tourism in given areas.

Benefiting communities

Classification of financial support for communities according to branch

health care and welfare	24%
culture	22%
ecology	19%
sport	15%
education	8%
human rights	7%
social enterprise	4%
HIV	1%



In cooperation with local municipalities the breweries also support establishment, maintenance and operation of hiking paths and cycling paths for the general public. The signposted path through the Countryside of Baron Ringhoffer in the area surrounding Velké Popovice is one of the most visited routes combining natural, cultural and architectural destinations with a visit to the brewery. The company supports this route together with the Association of Lada's Region Municipalities.

Donation Fund

The Plzeňský Prazdroj Donation Fund commenced cooperation with Dům Světla (the Lighthouse) in 2007. The Lighthouse is part of the Czech AIDS Assistance Association. The Company financially supported a free 24-hour AIDS help line for patients and their families but also for anyone seeking help and advice. The Lighthouse also

provides care and accommodation during the convalescence period and offers free testing, consultancy and social services.

The company's sustainable development strategy also covers activities to promote awareness of this issue and to support preventative programmes. Even though the prevalence in the Czech Republic is lower than in the other countries, we consider it important to contribute to SABMiller's worldwide initiative focused on the HIV issue.

Projects supported by Citizens' Choice



The Nadryby ferry



Bringing greenery to schools



An example of the cooper's trade



A scene in the Brewery Museum

The original brewery museum in Pilsen preserves the brewery heritage that has been established through the generations, and which is common to all our breweries. Part of this heritage is the endeavour to preserve the traditional cooper's craft in the Pilsen brewery. The cooper shop, as the only one and last of its type here and in Europe, is historically unique. However it is also part of the brewery operation in which Pilsner Urquell is manufactured using traditional methods in parallel with the most modern manufacturing equipment.

Plzeňský Prazdroj sets itself the target of preserving the brewery heritage that has been established through the generations particularly through:

- caring about the world-renowned Pilsner Urquell beer legend
- preservation of the cooper's craft
- preservation of the traditional method of producing Pilsner Urquell in the original cellars, the so-called Skanzen
- the historical archive
- the brewery museum
- care for brewery visitors
- development of the complex and maintenance of historically valuable buildings and plants
- informative and educational activities related to the history and present of the Czech brewing industry

Preserving the historical brewing legacy

Looking after our historical legacy of previous generations of brewers and maintaining the ample traditions of beer brewing is an important part of the everyday activities of all company breweries.



Plzeňský Prazdroj carries out business activities responsibly and wishes to inform all the involved parties of this. Emphasis on the full and transparent provision of information also concerns commitments in the field of sustainable development and the results achieved during their fulfilment. This means using methods that enable assessment of the results and subsequent acceptance of qualified decisions.

In 2005 the company accepted SABMiller global principles for sustainable development and in 2006 it continued fulfilment of its objectives and strategies. In connection with specification of the ten basic priorities, emphasis was placed on creation and introduction of transparent internal quality control processes.

Plzeňský Prazdroj accepted the SABMiller global assessment system, which monitors achievement of objectives determined for the priorities of sustainable development and enables determination of new ones for subsequent periods. Assessment of the achieved results takes place once a year. The public is informed by means of the Sustainable Development Report, which is available in an on-line version on the company web pages. The results given in the Sustainable Development

Report are verified by a third party. The goal of this assurance is to evaluate content and the method of reporting, efficiency of the internal assessment system and suitability of selected criteria from the aspect of local needs in the Czech Republic.

The sustainable development team reports to the Corporate Affairs Director. The principles of sustainable development are integrated into the company strategy. The company management is informed of the issues of sustainable development at regular management meetings at least once every six months. The assessment is also the subject of an internal report at six-monthly intervals.

Transparency in reporting our progress

Global assessment system:

This is a process aimed at defining a success rate for achievement of targets for the 10 priorities of sustainable development. Levels

ranging from 1 – 4 are determined where 1 is the minimum standard. On reaching level 4 the Company becomes a know-how provider for SABMiller and passes its experience on to other members of SABMiller in the world.

The four levels



Target, Plzeňský Prazdroj company plan of action in 2006/2007

Priorities	Level achieved in 2006	Priority plan of action in 2006
Discouraging irresponsible alcohol consumption	3.2	Effective internal ethics team. Introduction of messages pointing out the issue of drinking and driving on brand labels. Establishment of independent rules of the company as a responsible producer of alcoholic beverages for company employees. Implementation of educational programs for consumers. Implementation of educational programs for customers. Active promotion of a responsible approach to consumption of alcoholic beverages in the Czech brewing industry.
Reduction of our energy and carbon footprint	3.25	During the first three years of monitoring greenhouse gas emissions (2005 – 2007) 60 thousand tons of carbon dioxide less were released into the atmosphere than the allocation plan estimated. The reduced quantity of CO2 emissions enabled the company to sell 55,000 emission permits on the emission permit market at the value of 14.5 million CZK. Construction of collection facilities for fermentation CO2 in the Velké Popovice brewery will enable use of own fermentation CO2 for production in future years.
Reduction of water consumption	2.7	A slight reduction in water consumption from 4.28 hl to 4.27 hl per hl of beer in spite of the increase in production volumes. Improvement of the system for mapping and monitoring water sources. Full establishment of the anaerobic-aerobic system for wastewater treatment in the Velké Popovice brewery. Reconstruction of the pipelines from the potable water springhead to the brewery in Pilsen. Optimisation of use of water sources by replacement of potable water in the refrigeration system with service water in the malt house and machine house in the Radegast brewery.
Packaging reuse and recycling	1.8	More than 90% of the packaging in the company is refundable. Establishment of new lightweight bottles for the Pilsner Urquell and Gambrinus brands (60g lighter).
Working towards zero waste operation	3	99% of the waste is reused as secondary raw materials. Waste recycling is becoming part of all administrative operations in the breweries.
Having supply chains that share our values	1.1	Acceptance of the global SABMiller responsible sourcing principles. Specification of national priorities. Setting the parameters for regular assessment of the impact of our mutual partnership on economic and social development.
Respect for human rights	4	Conditions for adherence to human rights are part of the internal guidelines. We are an admired employer.
Contributing to reduction of AIDS/HIV in the scope of our potential	3	Regular monitoring of the prevalence in the Czech Republic. Support of projects focusing on increasing awareness of this issue.
Benefiting local communities	3.55	Forming a community investment strategy. Assessment of achieved results using the tested SOF methodology. Partnership with international bodies and institutions in forming an environment of corporate philanthropy in the Czech Republic. Total investments into the field of community support represent more than 18 million CZK, i.e. 0.37% of the profits before tax (note programs for discouraging irresponsible alcohol consumption are not included).
Transparent reporting of the results of sustainable development	3.58	Establishment of transparent internal monitoring processes. Regularly informing company management of the results. Issue of a report on sustainable development verified by a third party.

Transparency in reporting our progress

Priorities	The target for 2007	Priority plan of action for 2007
Discouraging irresponsible alcohol consumption	3.5	Instruct selected employees in adherence to the principles of commercial communication. Improve the efficiency of the decision-making process of the internal ethics team of establishing a 24-hour on-line system. Implementation of employees' alcohol policy. Discourage irresponsible alcohol consumption by creating additional education and informative programmes for the consumers particularly in connection with the Radegast Birell brand and in cooperation with Responsible Brewers Initiative. Take part in forming the national strategy of impact of alcohol on society.
Reduction of our energy and carbon footprint	3.25	Gradually reduce the energy footprint. Utilise organic waste from beer production as potential sources of "green" energy. Reduce purchases of CO ₂ by using internal sources.
Reduction of water consumption	3	Work towards additional reduction of water consumption, chiefly by modernisation of facilities. Eliminate water losses during distribution of water and manufacture of malt and beer. Complete monitoring of water sources in the Velké Popovice brewery.
Packaging reuse and recycling	2.8	Introduce lightweight bottles for the Radegast, Radegast Birell and Velkopopovický Kozel brands.
Working towards zero waste operation	3.5	Apply a system for secondary use of waste labels thereby reducing dump waste.
Having supply chains that shares our values	1.3	Introduce the responsible sourcing principles to key suppliers, reinforce mutual cooperation. Introduce a system for monitoring adherence to the principles of responsible sourcing to selected suppliers. Seek opportunities for mutual cooperation with suppliers of national priorities. Implement monitoring of the impact of mutual cooperation on economic development.
Respect for human rights	4	Make sure that the human-rights principles are part of internal guidelines and are available and clearly communicated to all employees. Ensure a healthy and safe working environment by improving monitoring processes and preventive measures.
Contributing to reduction of AIDS/HIV in the scope of our potential	3	Introduce the company standpoints to the given issue to all employees. Support projects specialising in increasing awareness of this issue.
Benefiting local communities	3.55	Create and realise projects supporting the national needs of the regions and the company. Continue in assessing achieved results using the tested SOF method. Cooperate with national bodies and institutions in forming an environment of corporate philanthropy in the Czech Republic.
Transparent reporting of the results of sustainable development	3.58	Make internal monitoring processes more effective. Regularly, once every six months, report fulfilment of sustainable development targets to the company management, make the results available on-line to all employees. Issue a report on sustainable development verified by a third party.

Comment:

2006 = company financial year from 01/04 /2006 until 31/03/2007

2007 = financial year from 01/04/2007 until 31/03/2008

Verification of the Sustainable Development Report. (Commentary by an external company on the contents of the report)

The Czech Donors Forum is an organization which has specialised in the field of company involvement in socially needy areas for 10 years now and is part of the international network of such agencies. In cooperation with foreign partners we provide consultancy to companies in the field of sustainable development and we have been providing the Plzeňský Prazdroj company with consulting services since 2004. The Plzeňský Prazdroj company asked us to create and provide an independent, individual commentary on their Sustainable Development Report 2007. The management of Plzeňský Prazdroj is responsible for the contents and preparation of the report.

The Plzeňský Prazdroj Sustainable Development Report discusses specific significant areas of corporate responsibility that such a report should contain and in these areas wholly complies with the standards of similar reports issued by industrial companies in the Czech Republic. Economic data, information about the management and administration of the company and employee policy are not part of the Sustainable Development Report (their contents were therefore not the subject of our external assessment and are not taken into account in this commentary). In this report the

Plzeňský Prazdroj company explains its approach to the issue of sustainable development, describes the basic system of assessment and certification of the achieved results according to the global SABMiller system and the method of cooperation with external partners. The structure of the report is divided according to the main priorities of Plzeňský Prazdroj in the field of sustainable development with an emphasis on relations with suppliers and responsible alcohol consumption. The report explains the transition from the situation in 2006 and also discusses the targets in priority areas for 2007.

The report focuses on the issue of responsible alcohol consumption in considerable detail. We are convinced that the presented information is well structured and provides an overview of the main activities of Plzeňský Prazdroj in this area, for example involvement in self-regulation projects within the scope of the industry, particularly within the scope of the Responsible Brewery Initiative. Apart from external activities within the industry, the process of the gradual internal introduction of the rules of a responsible producer is also partially described, such as the internal ethics committee. One of the areas that would have given the report greater evidential value is the integration of the provided information into a more extensive society-wide context; such as the situation and trends in responsible alcohol consumption in the Czech Republic, for example. The inclusion of the methods and results of

Verification of the Sustainable Development Report

assessment of the impact of completed activities in this area would also have been important. We believe that it would also be suitable to reinforce information on establishment of these principles in all areas of company operation, particularly in relation to customers, clients and employees.

The issue of minimising the negative impact of production on the environment forms an important part of this Sustainable Development Report for industrial companies. In its report Plzeňský Prazdroj informs of key areas such as water consumption, reduction of the energy and carbon footprint and waste recycling. For the area of quality management and protection of the environment Plzeňský Prazdroj proceeds according to international standards and certification and function of the system is verified by an independent third party. In the future the established trend should be continued, but in addition some activities and targets could be described in more detail with a more precise description of planned targets, achieved results and the assessment process. Plzeňský Prazdroj invests resources into benefiting communities in the long-term and using the international methods of the Responsible Company Standard it also classifies and values the provided support. What is more, Plzeňský Prazdroj assesses its investments in the community in comparison with other companies in the Czech Republic. We are convinced that the reports on activities in the

field of sustainable development should be reinforced in this area by a description of the benefits and impact of individual initiatives on the community and the company itself.

In terms of Plzeňský Prazdroj's self-assessment of its sustainable development activities the company provides, in an appropriate manner, a description of measures which Plzeňský Prazdroj has taken or plans to achieve with respect to individual principles and priorities. This will undoubtedly provide readers of the report with a clearer idea of how the company will integrate these measures into its business operations.

In conclusion we can say that an important aspect of assessment of this Sustainable Development Report is more detailed information on company dialogue with all chief stakeholders (involved parties) with the target of regularly assessing both the set activities and their fulfilment and also the method of assessment of achieved results. Therefore the report should also include information about employee policy, the involvement of all major stakeholders in the corporate responsibility process and an overview of the company management system, for example. In the future, following the planned expansion of activities in this area, the report should also keep in mind supplier-customer relations, as a key group of stakeholders in the field of sustainable development.

Czech Donors Forum



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Sustainable Development Report for 2007 is
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