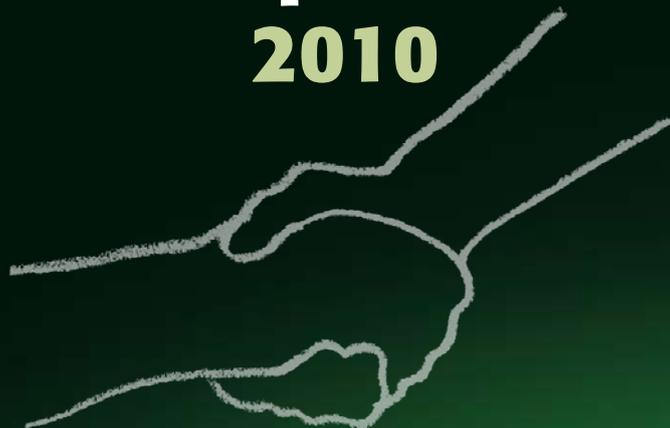


Sustainable Development Report 2010



“Sustainable development can be defined simply as a better quality of life for everyone today and for generations to come. It is a vision of progress that links economic development, protection of the environment and social justice. Values which are recognized all over the world.”

European Commission for Sustainable Development

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Our vision and values

5 October 1842 was the date on which the first brew of the world-famous bottom fermented Pilsner Urquell beer was produced.



Pišeňský Prazdroj is one of the leading beer producers in the Czech Republic and Central Europe as a whole. As such it encapsulates the proud traditions of an industry whose development it can claim to have led since 1842. In that year, our predecessors made the first brew of the so-called bottom-fermented Pilsner Urquell lager. This became the forerunner and inspiration of the beers now known all over the world quite simply as "Pils".



Throughout the years, Pišeňský Prazdroj has inherited and developed the skills of its brewing masters, and in so doing has created the beer that exists today, the beer that makes it the largest producer and exporter of beer both in the Czech Republic and in the entire Central European region. It is an important member of the SABMiller Group, the second largest beer producer in the world, with brewing activities in more than 50 countries in all continents. SABMiller's flagship is Pilsner Urquell, the brand that inspired all pils pale lager beers throughout the world. Of all the beer consumed worldwide, 70 % is pils-type beer.

The company's products are produced from the highest quality Czech raw materials according to traditional recipes and brewing procedures using the most modern technologies.

Pišeňský Prazdroj has long been one of the most admired companies in the Czech Republic. In all its business and other activities it adheres to the principles of transparency, correct business competition and sustainable development.

Our vision

We are Prazdroj, the undisputed leaders driven by a passion for beer!

Our group values

Our people are our enduring advantage

If we weren't still hiring great people and pushing ahead at full speed, it would be easy to fall behind and become a mediocre company. (Bill Gates)

Accountability is clear and personal

Let him that would move the world, first move himself. (Socrates)

We work and win in teams

In a good team, everyone is a star. In a bad team, even the greatest talent is extinguished. (Pelé)

We understand and respect our customers and consumers

A customer is the most important visitor on our premises, he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so. (Mahatmá Gandhi)

Our reputation is indivisible

It is not only for what we do that we are held responsible, but also for what we do not do. (Molière)

We nurture our tradition and historical legacy

Pilsner Urquell beer has made the Czechs famous throughout the whole world. Today, 70 % of the world's beer production is brewed in its tradition. . (fakt)



Foreword by the Managing Director



Our company enjoys an unrivalled reputation for many reasons: the efforts of our predecessors, the hard work of our employees and the loyalty of beer lovers. For some, Plzeňský Prazdroj or Pilsner Urquell is quite simply the best beer in the world; for many the name is synonymous with that of an admired employer and a responsible producer. Some say simply that it is a Czech classic and a Czech tradition. Plzeňský Prazdroj is the leader on the domestic beer market and helps create the good name of Czech beer on more than fifty markets worldwide. And yet our renown does not only bring satisfaction from work done well, it is also an undertaking for future generations. This is why sustainable development forms an indivisible part of our business activities.

Our beer is produced from natural resources. To brew it we use the best raw materials to be found in Czech nature: Czech hops, barley and spring water. In using them we understand that we must replenish nature. Therefore, we embed a responsible approach throughout the value chain, from natural resources to post consumer recycling.

Based on the "Contribution made by SABMiller to the European Economy" study, the Company's economic & social impact in the Czech Republic is as follows: Direct employment is 2,353 jobs. Total indirect employment consists of 33,600 jobs related to beer production and sales, mainly created in the supply, hospitality and retail sectors. Prazdroj is recognised as one of the 10 biggest tax payers in the country. Our company spends in

total around CZK 6,2 milliards a year in purchasing goods and services in the Czech Republic. Local purchases represent 83% of the company's total procurements.

We have proved ourselves effective at handling water resources so that the natural equilibrium in the future remains preserved. Our water efficiency is greater than both the world and national average and we continue to reduce our water consumption. The vast majority of our packaging material consists of returnable glass bottles, whose low carbon footprint makes them one of the most environmentally friendly forms of packaging. We recycle or reuse almost one hundred percent of our waste.

Discouraging irresponsible drinking is at the top of our agenda. Plzeňský Prazdroj has an integrated concept with clear policies and communication guidelines in place. By introducing www.napivosrozumem.cz we have



supplemented the Promile INFO service with a website that helps consumers to make informed decisions about alcohol, and so drink more responsibly. The website was promoted on 240 million of our beer labels and within its 1st year has registered 35 thousand visitors.

We seek to initiate further dialogue with experts and stakeholders on Czech markets. A conference entitled Alcohol behind the Wheel, organised by the SANANIM organisation and co-hosted by Plzeňský Prazdroj in Prague, encouraged a variety of organisations to work to reduce drinking and driving across Europe. The platform provided a forum for the opinions of domestic and foreign experts, representatives of the state administration, the brewing industry and the non-government sector.

Other pillar of our responsible approach is bringing benefits to the communities where we operate. Our key

program, Prazdroj to the People, has now entered its ninth year. Over the last eight years we have granted over CZK 53 million and supported a total of 245 projects aimed at improving the quality of people's lives. Employees demonstrated a great degree of solidarity in last year's floods in Moravia. Their fund-raising efforts, matched Crown for Crown by the company's financial contribution, amounted to almost one million Czech crowns and helped to remove damage and repair public facilities.

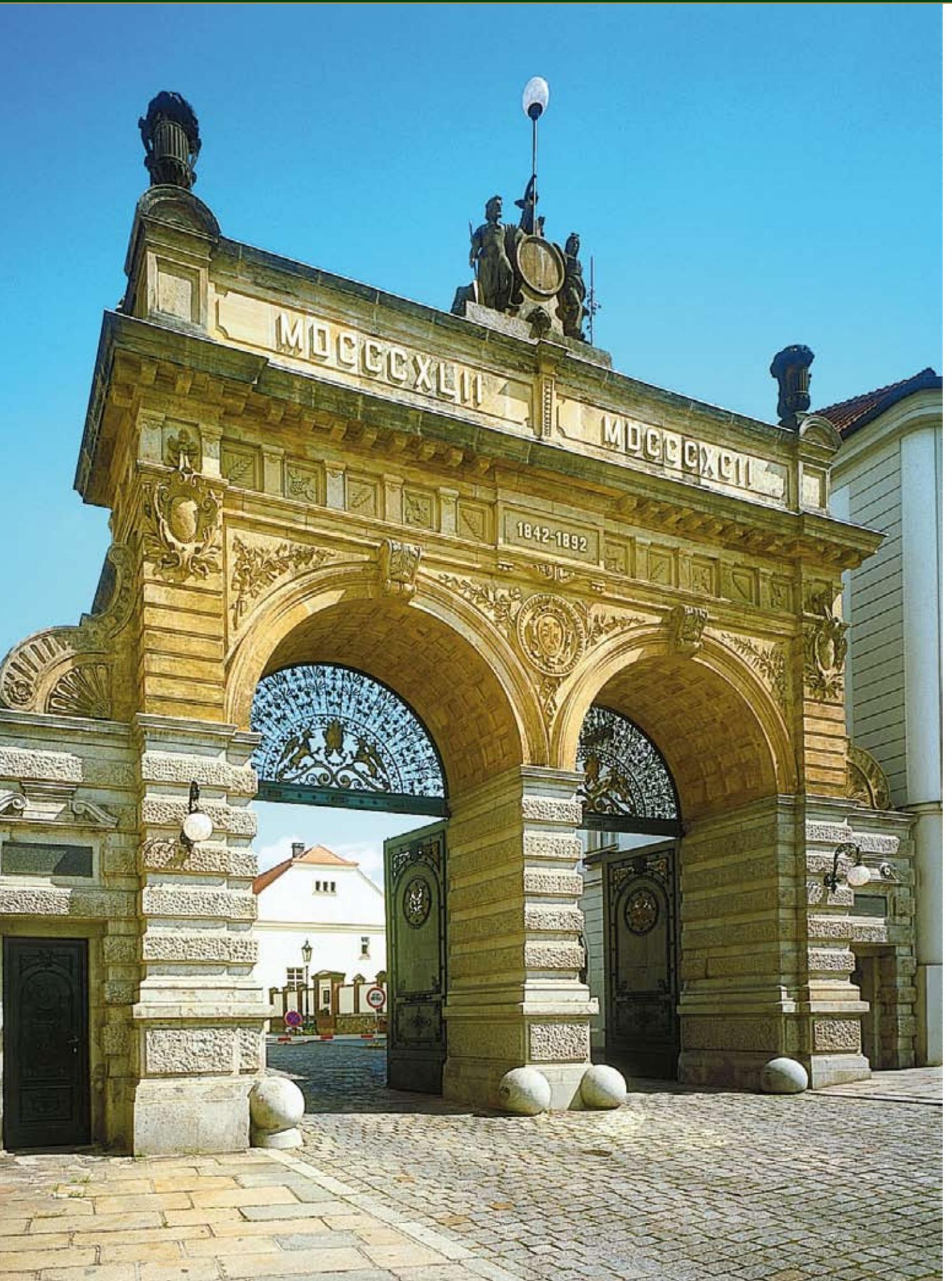
We report our progress in a transparent way. Plzeňský Prazdroj has published the fifth edition of its Sustainable Development report. The report provides information about the activities and progress we have made in recent years as well as setting our future commitments, which will be evaluated in the report's next edition. Despite tightening our performance criteria, we are pleased to report that our overall results have improved again.

We remain committed to growing our business in a sustainable way. We are not alone. My appreciation goes to our business partners, non-government organisations, employees, authorities and individuals who have been co-operating with us and who with us pull together to ensure sustainable development.



Douglas Brodman,
*Managing Director and Chairman
of the Board of Directors
Plzeňský Prazdroj*





The Company

Plzeňský Prazdroj is the leading brewery and the largest beer producer in the Czech Republic and Central Europe as a whole. It has long occupied the leading position among Czech beer exporters. In 2010 it employed 2,353 employees in three breweries in Pilsen, Nošovice and Velké Popovice, as well as in 13 sales and distribution centres throughout the Czech Republic. Plzeňský Prazdroj has been part of the global SABMiller Group since 2001.

In 2010*, Plzeňský Prazdroj produced and sold 10.5 million hectolitres of beer, of which more than 20% was intended for foreign markets in more than 50 countries worldwide. The flagship is the Pilsner Urquell brand, the bottom-fermented beer which gave its name to the largest category of beers in the world. Our brands have long been acknowledged as beers of the highest quality and as representing the summit of Czech brewing's legacy. We are proud that four of our brands bear the České pivo (Czech Beer) geographical indication, a sign of quality respected worldwide. Pilsner Urquell and other of our brands were a partner to the Czech Presidency of the European Union in 2009. They regularly receive the top prizes in leading domestic and foreign beer and gastronomic shows and competitions.

In its business and all other activities Plzeňský Prazdroj respects the principles of sustainable development, fair business practice and transparency. These principles are enshrined in company documents and internal procedures in compliance with relevant Czech and EU legislation and international principles for corporate governance. In many cases they have actually preceded these principles.

Plzeňský Prazdroj contributes significantly to the Czech economy's balance of payments and its public finances. Among the ten top corporate taxpayers, it paid CZK 4.4 billion in the calendar year 2009. Cooperation with the suppliers led to turnover of 6.2 billion CZK, of which 83% was represented by domestic suppliers. The company is also a beneficial force for employment, both directly (it has repeatedly been declared the best employer of the region), and indirectly by creating business and work opportunities for more than 30,000 business partners and 3,400 suppliers.



* In the Sustainable Development Report, 2010 is the corporate financial year beginning 1. 4. 2009 and ending 31. 3. 2010 and 2011 is the corporate financial year beginning 1. 4. 2010 and ending 31. 3. 2011

Overview of progress



All the company's economic, social and environmental activities are underpinned by its determination to consolidate the economic growth and success of the company, its partners and its local communities. We know that our responsible approach to sustainability can enhance the development of areas that affect the lives of our employees, their families, the neighbourhood in the immediate proximity of the breweries, and of the Czech Republic as a whole.

Our membership of the SABMiller Group and the nature of our business activities have led us to adopt the ten priorities of sustainable development that reflect this approach. We take an active and responsible approach in addressing these priorities.

Plzeňský Prazdroj's sales and financial results make it one of the leading taxpayers in the Czech Republic. This means that the company has a major influence on the state budget and public finances. It also affects the business results of its partners, customers and suppliers, including employment and the Czech people's living standard.

In 2009, Ernst&Young produced the study *Contribution made by SABMiller to the European Economy*. According to the study's data, the impact of SABMiller's business activity can be summarised in the following points:

- Plzeňský Prazdroj directly creates 2,464 jobs and indirectly **33,600 jobs**. These are linked to the production and sale of beer, especially as relates to suppliers (7,400 jobs), the restaurant trade (22,400) and retail (1,700).
- Prazdroj is ranked one of the **10 largest taxpayers** in the country.
- In the Czech Republic, the company annually spends CZK 6,2 milliards for goods and services. **Purchases on the local market account for 83 %** of the total volume of company purchases. (These are spent chiefly on raw materials, transport and marketing.)



In 2010 we continued to pursue activities and projects designed to implement the Sustainable Development strategy and action plan. We concentrated chiefly on discouraging irresponsible drinking, establishing closer cooperation with our key partners, increasing access to information and engaging our employees.

Overview of Progress:

Almost 100 % of employees have attended in-house training in the guidelines and rules of commercial communication, all of which is evaluated by the internal sustainability committee headed by an independent chairman. The communication with consumers has been strengthened by the widespread use of the responsibility message on the website napivosrozumem.cz.

Plzeňský Prazdroj participates in SABMiller's activities within the European Alcohol and Health Forum. Since 2006 it has supported the SANANIM association's Promile INFO program, which aims to reduce drink driving. Last year the service was

visited more than 44,000 times, an 85 % increase in the unique visitors commitment at the Alcohol and Health Forum for the calendar year 2009. Users can now download the service on their mobile and use it through the Java application. Together with the participation of experts and Plzeňský Prazdroj, SANANIM has organised the first expert discussion in the Czech Republic on the subject of drink driving entitled "Alcohol behind the wheel".

Water consumption in our plants (4.4 hl of water for every 1 hl of beer) is below the international and Czech average (the Radegast brewery consumed 3.84 hl.) We instituted a month-long internal communication campaign encouraging sustainable development and energy effectiveness both in the work place and at home. The campaign's success is documented by joint savings of 46,017 kWh. We also expanded the transport of our products by rail, leading to monthly savings of around 100,000 in terms of kilometres travelled and 85 tons of CO₂. In packaging, 93 % is recycled or reused. We segregate waste in all the company's operations. Almost 100 % of waste, which last year stood at 169,190 tons, was put to secondary use.

Through using the protected geographical indication, which we obtained for all four main brands, we have provided generous support to local agriculture. With the cooperation of suppliers we created turnover of CZK 6.2 billion in 2010, 83 % of which is produced by suppliers with a registered office in the Czech Republic.

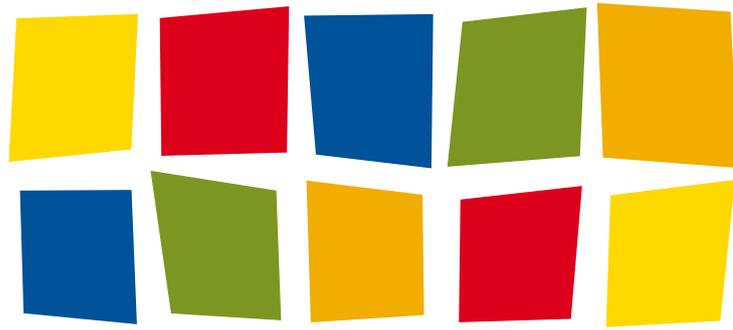
In 2010, Plzeňský Prazdroj provided almost CZK 17.5 million for charitable projects and in support of the regions where it operates. In Plzeň and the area surrounding the Radegast brewery it instituted the eighth consecutive year of the Prazdroj to the People program. This succeeded in raising a further CZK 200,000 for 25 organisations, in addition to a charitable donation from the company, by public donations using SMS. The company's employees also took part in the firm's activities on several occasions in 2010. In addition to voting in the Prazdroj to the People program, they also contributed to public collections for the 2009 Floods SOS and the Red Ribbon campaign.

Plzeňský Prazdroj was again named Employer of the Year in the Plzeň region.

You can find a survey of the plan and projects for the next period on page 40 – 41 of this document.

A company can only be successful when everyone in its community benefits.

Ten Priorities. One Future.



Making a difference through beer

Ten Sustainable Development Priorities



Discouraging irresponsible drinking



Making more beer but using less water



Reducing our energy and carbon footprint



Packaging reuse and recycling



Working towards zero-waste operations



Building supply chains that reflect our own values and commitment



Respecting human rights



Bringing benefits to the communities we serve



Contributing to the reduction of HIV/AIDS



Transparency in reporting our progress

Discouraging irresponsible drinking



Our position

As one of the largest beer producers we know that for the vast majority of our customers who drink responsibly beer is a pleasant addition to their lives. We are also aware, however, of the harmful effects that irresponsible drinking can have on individuals and society as a whole. It's important for us to know where, when and by whom our product is consumed. Our task is to help people make qualified decisions when drinking alcohol. To do so we have to provide objective information so that they can decide for themselves. That's why it's important for us to know where, why and by whom our product is consumed. In discouraging irresponsible drinking we abide by the following principles:

- In commercial communication we provide objective information
- We monitor the observance of clear rules through internal self-regulating procedures
- We support programs which aim to prevent drink driving and underage drinking in order to draw attention to the risks of excessive alcohol consumption and to support responsible decision-making.

You can access our complete position at www.prazdroj.cz/responsible-company

Activity in 2010

All commercial communication in 2010 was governed by internal regulations and was evaluated by the internal sustainability committee. Chaired by an independent executive director of the Czech Advertising Council, the committee did not receive any complaints from consumers on Plzeňský Prazdroj's commercial communications, or that of its brands. Neither did the committee have to resolve any complaints concerning commercial communication and activity in support of sales.

Plzeňský Prazdroj also complied with the provisions of the Advertising Council's ([Rada pro reklamu](#)) Code of Ethics, and the Position and the Code of Ethics of the Responsible Brewers Initiative ([Iniciativa zodpovědných pivovarů](#)) acting within the [Czech Brewers and Maltsters Association](#).

"The Advertising Council did not record any complaints in Plzeňský Prazdroj's commercial activity. Plzeňský Prazdroj actively uses COPY ADVICE. This is a service that the Advertising Council provides to advertisers as a way to prevent incompatibility with the Ethical Code."

Ladislav Šťastný, Advertising Council

Our task is to help people make qualified decisions when drinking alcohol. To do so we have to provide objective information so that they can decide for themselves. That's why it's important for us to know where, why and by whom our product is consumed.



Commercial communication with consumers has been improved by the responsibility message napivosrozumem.cz. This also functions as a reference to the web site and to all the commercial communication of Plzeňský Prazdroj and its brands. The web site provides comprehensive information in Czech and six other languages for beer drinkers and visitors to the site over the age of 18. It gives information on alcohol's effects on a person's health and on the occasions when drinking should be curtailed or rejected entirely, either for social or health reasons. It also contains information on the responsible approach taken not only by Plzeňský Prazdroj but by all SABMiller companies throughout the world.

In its first year of operations the web site registered over 35 thousand visitors. Plzeňský Prazdroj also promoted it on 240 million beer labels and in all its advertising in the press, on television, radio and billboards. Visitors spent most time in the section "Alcohol and the Human Body – What Happens When You Drink". The reach of the responsibility report is documented by the example of the Pilsner Urquell television commercial for the 2010 Winter Olympics in Vancouver. 60 million viewings were recorded.

Plzeňský Prazdroj continued to support educational programs in the field of responsible alcohol consumption and discouraging irresponsible drinking. The program was aimed at the general public and the company's own employees.

The in-house training, which focused chiefly on applying the principles contained in the internal guideline, has been in place across the whole SABMiller group for two years and was attended by almost 100 % of the company's employees last year. Special regular training is also organised for employees in marketing and for external agency workers who take part in our commercial communication. Regular training on discouraging irresponsible drinking is attended by new employees. Existing graduates of the training are subsequently retrained once a year by e-learning.

Plzeňský Prazdroj remains the main partner of the Promile INFO service and works to promote it in conjunction with the SANANIM association. This centres mainly on music festivals and in points of sale on beer mats, of which we distributed 1.2 million last year. In total, the service was used more than 44,000 times in the 2009 calendar year.

The Radegast Birrell brand plays a leading role in discouraging irresponsible drinking. In its commercial communication, Birrell concentrates on compliance with road safety rules, particularly drink driving. It supports an active lifestyle, to which it is an ideal adjunct as the most popular Czech non-alcoholic beer Birell. It has been a consistent supporter of professional and recreational cyclists and now also blood donors.

Promile INFO has been used 82,025 times from 30,361 mobile telephones and 22,755 times on the internet. Two-thirds of users have used the service once, one-third repeatedly; 66 % of users had an alcohol blood content below 1‰. The average age was 30.



Projects

Promile INFO

Plzeňský Prazdroj has contributed to the activities of the European Alcohol and Health Forum and has for four years supported the SANANIM association's "Promile INFO" project. The service offers people general information on their current blood alcohol level and how long it will take to fall to zero. After promising results in the Czech Republic, the service has now also been implemented in Slovakia and Poland.

The Promile INFO service is promoted chiefly at music festivals, which typically attract large numbers of young people. These are able to download the new JAVA application on their mobile phones free of charge using bluetooth technology, and then send DMSs through the application.

The company has made use of the Promile INFO service free for its employees using service telephones.

We declare our long-term support for the Promile INFO project publicly at the European Alcohol and Health Forum through our commitments. The project's success is

evident by our having exceeded the commitment in using the service by 85 % (number of unique users). Use of the service rose by 267 % during the monitored period. Over the 2009 calendar year the service was used more than 44,000 times.

"Our cooperation makes it possible for us to actively participate in improving alcohol use safety. It's wonderful to have the chance to use the experience of professionals who are able to fundamentally enrich the implementation of our activities – through their experience, practical knowledge and above all their approach from a sphere different to ours as a not-for-profit organisation."

Josef Šedivý, SANANIM

"I consider this service to be a publicly beneficial activity which meets the targets of the Action Plan set in place to realise the Anti-Drug Policy National Strategy for 2007 – 2009, for whose coordination I am responsible."

Kamil Kalina, executive chairman and director of the secretariat for the Anti-Drug Policy Coordination Council

You can access more information at www.promile.info

Working together to reduce drink driving

Together with Plzeňský Prazdroj, the SANANIM association organised the first ever expert discussion in Prague devoted to the question of drink driving. The discussion Alcohol behind the Wheel: Jointly to reduce drinking & driving was attended by domestic and foreign representatives of state administration, road safety experts, doctors, representatives of the brewing industry and NGOs. Participants sought joint platforms for effective cooperation on larger programs which would bring partners together with different ideas on how to reduce drink driving. The expert discussion was held under the auspices of Senator of the Czech Parliament Jiří Žák.

For more information go to: www.promile.info

"I'm very grateful that Plzeňský Prazdroj, even though it is an alcohol producer, can in its sustainable development program devote such close attention to the subject of its responsible consumption. It is important to realise that it is the actual amount of alcohol drunk that decides on whether consumption is harmful or beneficial for human health. For me, the art of drinking in moderation also means being able to govern the art of driving without alcohol in your body."

Jaroslav Švehla, president of the Mobility Club

Birell – staying in the game

In Plzeňský Prazdroj's brand portfolio, the chief component in discouraging irresponsible drinking is Radevast Birell. Radevast is a brand that is associated with beers of a higher alcohol content and therefore, in order to emphasise the brand's dedication to discouraging irresponsible drinking, the decision was taken in May 2009 to remove the name Radevast from the brand. Since spring 2010 the Birell brand has been presented in a new design.

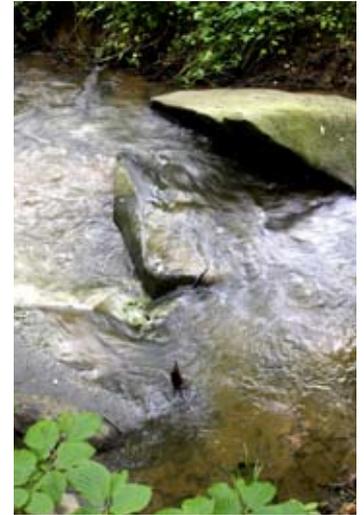
Birell's campaigns contribute to road safety by targeting not only drivers but cyclists in particular. Its partnership with the Czech cycling team, the Rubena Specialized Cycling Team, resulted in the filming of Jaroslav Kulhavý's Cycling School, an instructional and methodological series. Birell also supports a raft of activities for recreational cyclists. It is the partner of the Cycle for Life competition and also backs other major cycling races. Birell also cooperated in developing bicycle paths in north Moravia, and added further cycling maps for the most popular and best-visited areas.

2011 targets

In 2011 we will continue to discourage irresponsible drinking by consumers on the updated version of the web site napivosrozumem.cz, and in the in-house training in the principles of commercial communication. In keeping with our undertaking to the Alcohol and Health Forum, we will also support the Promile INFO education and preventive program. We will also help formulate an ethical environment to brewing in the Responsible Brewers Initiative among the Czech Brewers and Maltsters Association. The responsibility message for all communication will be amended so that the reference to napivosrozumem.cz is more visible on the packaging for all our brands.



Minimising environmental impact



Plzeňský Prazdroj is very aware of its responsibility towards the environment. As one of its business principles it adopted a policy of environmental protection. In Czech and world brewing it is a pioneer, with the highest standards of quality and environmental protection represented by ISO norm certifications.

Four of the ten sustainable development priorities emphasise minimising the impact that our activities have on the environment:

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

Production operations in all three breweries are managed, documented and maintained in conformity with international norms. Certification has led to order and clear rules being introduced in all the company's internal activities, the detection and description of risk and its systematic reduction and prevention. An environmental management system has been implemented in accordance with norm ISO 14001, which confirms that the company minimises the environmental impact of its activities, products and services. The quality management system adheres to ISO 9001, the HACCAP health and sanitation system applies for food products, and the work safety management system is in compliance with the norm OHSAS 18001. All production operations comply with EU legislative requirements.

Plzeňský Prazdroj is the only Czech brewer to hold international certification for work safety and its environmental protection system in all of the company's departments. In 2010 it successfully had another regular annual external audit for individual systems. In some of these, the differing data used to implement procedures and the expiry of the validity for three-year certification led to recertification audits and the renewal of certificates. Plzeňský Prazdroj complies with the rules and principles laid down by international standards for environmental protection and requires all its business partners and suppliers to do the same.

2011 targets

We shall consolidate the criteria for the recertification audits for all environmental management systems so that in future they take place in the same period.



Mokřanský stream
 – 14 years of WTP operations and the return of endangered species

It has now been 14 years since the water treatment plant (WTP) began operations in Velké Popovice. Have we already forgotten how the Mokřanský stream used to look: a grey, stinking sewer barren of any life except for bacteria and tubifex. In truth, the Mokřanský stream contains several very attractive stretches and it was these that benefited most from the treatment plant operations.

Right in the first year of operations it was possible to observe the mass migration of fish from the Sázava river against the stream current. As time passed the stream began to show an increasing proliferation of fish. The gently running waters became home to green frogs, including the critically endangered croaking frog. After the fish and frogs, followed their predators - the dice grass snake and ringed grass snake. The Mokřanský stream basin has already been colonised by quite a stable population of kingfishers and white-throated dippers; otters occur less regularly. Recently I detected another critically endangered species – the river crayfish, which almost died out in the country in 1900.

František Brabec, Czech Nature Guard (Velkopopovice Newsletter 2010)

Making more beer but using less water

Plzeňský Prazdroj has adopted its parent company SABMiller's undertaking to achieve consumption of 3.5 hl of water for every 1 hl of beer by 2015.

Our position

Water forms approximately 95% of beer's content and on average it takes 5 hl of water to produce 1 hl of beer anywhere in the world. In its careful water management Plzeňský Prazdroj places special emphasis on:

- reducing water consumption in the production process
- monitoring water resources and treating water with consideration to the relevant region's needs
- applying principles of responsible treatment for water resources, including those of our partners
- minimising the negative impacts on the environment in waste water management

Activity in 2010

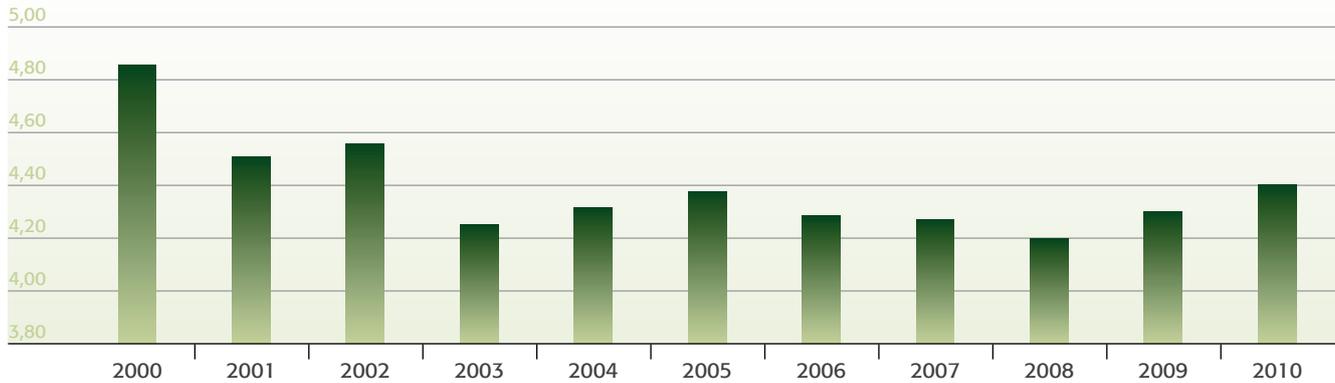
Water consumption in our breweries in 2010 was 4.4 hl for every 1 hl of beer produced. The Radegast brewery consumed 3.84 hl of water for every beer produced – a record low. In 2010, Czech breweries maintained a standard of 4.6 - 7.3 hl of water for every 1 hl of beer; the world average is 5 hl of water.

We used the conclusions of the 2009 study mapping water resources to maximise waste water drainage and for an international audit on energy and water consumption in our breweries. Its conclusions suggested certain areas where improvements could be made.

We concentrated on removing the critical points resulting from the study monitoring water resources and on optimising the water losses defined by the mathematical model. The Plzeň brewery exchanged the frequency-controlled pump used to regulate the amount of water pumped from the Na Roudné wells, from which drinking water is supplied for the production of beer. On-line monitoring of the underground water level allowed us to optimise the priorities for pumping water from specific Na Roudné wells. This enabled us to exert the maximum care in pumping from the oldest well which dates back to 1905.

Water consumption

Water ratio (1 hl of beer / x hl of water)



Our experience and high standard of waste water treatment have been put to use by our SABMiller sister brewery in Dreher in Hungary. A Plzeňský Prazdroj technologist visited to pass on the company's know-how.

To improve our water and water resources management, SABMiller and independent expert WWF-UK have worked together on water footprinting. The water footprint provides detailed information about the quantity of the water used to produce beer, about its efficient usage and the geographical map of water resources. This insight has enabled us to make qualified decisions concerning the development and implementation of targeted programmes to improve water management.

A water footprint encompasses the entire value chain, from crop cultivation and processing through to the brewing process and beer distribution. It details the total water input required. A detailed report on water footprinting for Plzeňský Prazdroj is available on the SABMiller website. This demonstrates our commitment and willingness to share our understanding, as well as make a valuable contribution to the ongoing debate on the issues of responsible water treatment and reduction of water consumption.

Projects

Optimising waste water drainage

At the Plzeň brewery we have implemented a study optimising waste water drainage from the brewery to the City waste water treatment plant. We shall include the study's conclusions in measures for the more efficient use of this water as a "green energy" resource.

2011 targets

In 2011 we will concentrate on improving the quality of waste water drainage from the Plzeň brewery to the City waste water treatment plant. This will allow us to garner green energy from biomass.



4.4 hl of water - consumption for the production of 1 hl of beer (world average is 5 hl/1 hl).

3.84 hl of water - consumption for the production of 1 hl of beer in Radegast brewery.

Reducing our energy and carbon footprint

Just like other SABMiller companies we intend by 2020 to reduce emission levels from our operations by 50 %. At present the share of renewable energy sources in the total energy mix ranges between 1 and 2 %.

Our position

Plzeňský Prazdroj seeks to minimise the impact on climate quality from its business and adopts a raft of measures aimed at:

- The effective use of fuels and electricity
- Improving production technologies
- Greater integration of renewable energy sources
- Transferring to fuels and technology with lower CO₂ production
- Perfect knowledge of emission levels and their management

We understand that the use of energy sources and the whole production process have consequences that are experienced beyond our breweries. This is why we seek to map as best we can the effects of our business on climate quality.

Activity in 2010

Activity in 2010

In 2010 Plzeňský Prazdroj continued its drive to reduce energy consumption and CO₂ purchases and to use organic waste as an alternative energy source. Organic waste is in fact the principal renewable energy source used in the company's operations. Biogas, which is created in the anaerobic treatment of waste water, can continue to be used as a heat medium. In the Radegast brewery we use almost 100 % of biogas produced from the waste water treatment plant as a heat medium.

As part of the National Allocation Plan we continued to reduce the level of CO₂ emissions. Plzeňský Prazdroj was authorised to trade in SABMiller's surfeit of emissions permits in Europe. It was thus possible to raise CZK 21,5 mil. - for Plzeňský Prazdroj CZK 1 million, which was used for environmental protection procedures in Plzeňský Prazdroj.

We increased the transport of our products by rail. This is more environmentally friendly than road transport and cuts costs. In 2010 our products covered 450,000 km by rail. On European railways we transported 47,000 hl of beer and in doing so replaced the 345 truck journeys (= 490 thousand kilometres

not travelled) that would otherwise have been made across the whole of Europe. We continue to investigate the possibility of expanding the number of destinations to which beer can be transported by rail.



Projects

Changing biological waste into green energy

The transformation of biological waste into biogas to be used for energy continued in the Radegast brewery. The data and experience gained from the pilot operations are accessible within SABMiller. Completion of the project would see the Velké Popovice brewery begin to use the co-generational unit for processing biogas in the waste water treatment plant. This would be used to produce electricity and heat. The production of electricity could reach 500,000 kWh per annum, which would be sufficient for 9.8 % of the electricity consumption needed to produce beer, and 7.4 % of the electricity consumed by the entire plant.

Saving kilometres, costs and nature

Large savings in transport costs were made by upgrading the planning of packaging collection from the sales and distribution centres to Plzeňský Prazdroj's breweries. This made it possible to reduce the number of journeys by trucks in the Czech Republic, which improved environmental protection and reduced greenhouse gas emissions.

On average we reduced trucks and van transports by around 100,000 kilometres, the equivalent of 85 tons of CO₂ a month. Planning for the distribution of "tank" beer transported in cisterns should represent savings in transport costs of at least 2 % annually, or around CZK 1 million.

Logistical support for barley purchases

To minimise logistical costs and further our environmentally friendly approach we have adopted a new strategy in logistical support for barley purchases. Barley purchased from north and central Moravia is now designated for the Nošovice plant. To store the barley, silos have been chosen as close as possible to the production plants.

2011 targets

We will continue to work on reducing energy consumption and increasing the amount of fermentation CO₂ used for production purposes. A study is being conducted on the feasibility of the transformation of biological waste into biogas as a source of energy. If its conclusions are positive the Radegast brewery intends to commission a cogenerational unit to process biogas in a waste water treatment plant in the Velká Popovice brewery, produce green energy in the Plzeň brewery, and build a fermentation station in the Radegast brewery to process biowaste. This would enable the Plzeňský Prazdroj energy mix to achieve a 50 % share of energy from renewable resources.

Packaging reuse and recycling



**More than 93 %
of our packaging
is returnable or recyclable.**

Our position

We want our packaging to have the minimum negative impact on the environment and its reuse to be as easy as possible. The target here is to limit the environmental burden, particularly by:

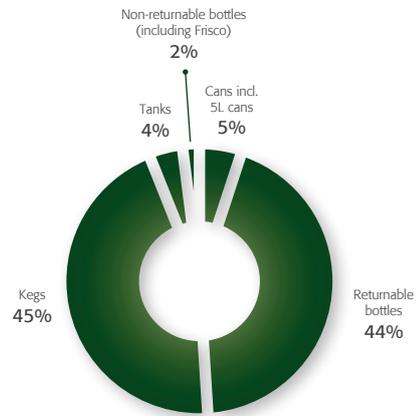
- reducing the weight of packaging
- eliminating the presence of heavy metals in packaging
- reducing the volume of packaging material, chiefly by its reuse and recycling optimisation over its whole life cycle

Activity in 2010

More than 93 % of our packaging is returnable or recyclable. We completely renewed the packaging for all our products across the entire portfolio. The decreased packaging weight was manifested in savings in transport costs and fuel, and led to more environmentally friendly operations in general. We closely monitor the content of heavy metals in our packaging, and are fully in line with Czech law on this matter. Plzeňský Prazdroj is a member of the EKO-KOM association, which in the Czech Republic provides for re-collection and reuse of waste from packaging according to Czech legislation.

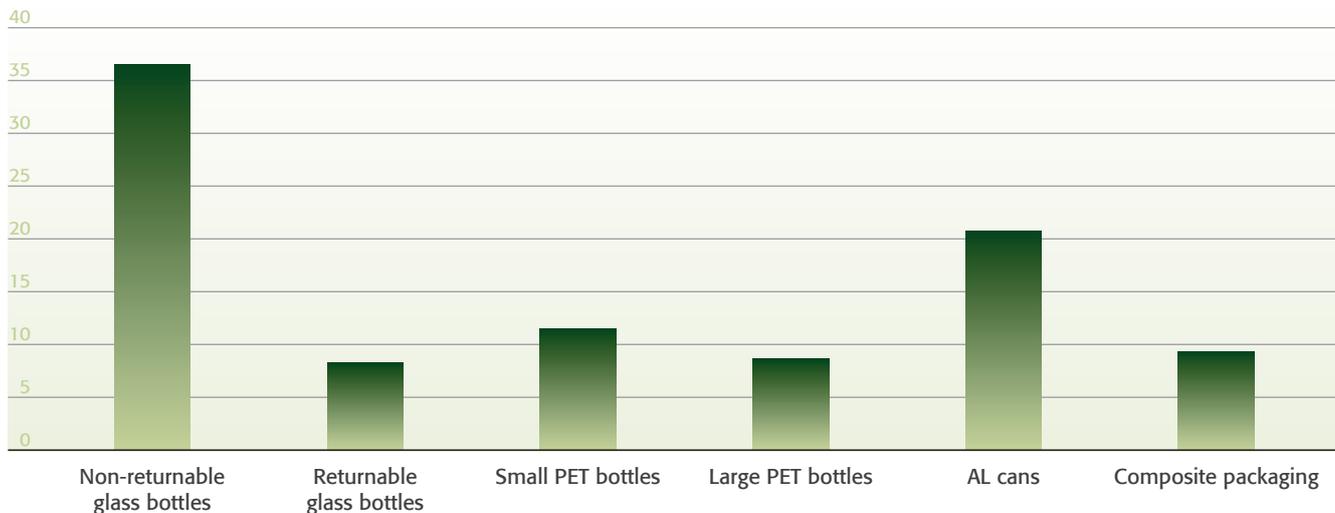
With the participation of Plzeňský Prazdroj, the Czech Ministry for the Environment conducted a study which concluded that the entire packaging portfolio for the company's brands is environmentally friendly, including PET packaging with a volume of 1.5 litres. The results of the study confirmed the accuracy of our approach to environmentally friendly packaging.

Packaging split by type (%)



Water consumption in beverage packaging life cycles

Water consumption (%)



Source: Czech Ministry of the Environment Study on the LCA of Beverage Packaging, 2009

2011 targets

We will continue to prioritise recyclable and reusable packaging. We will use the packaging life cycle study results to define possibilities for improvement.

Ministry of the Environment study:
Plzeňský Prazdroj packaging is environmentally friendly.

Working towards zero-waste operations

99.7 % of waste from our operations is reused.

Our position

It is not only in our production procedures that we attempt to minimise the environmental impact by reducing the volume of waste produced and supporting its reuse or recycling. The vast majority of waste generated in beer production derives from secondary products of organic origin which can be reused or recycled. Indeed, 99.7 % of waste from our productions and activities is reusable. Our long-term objective is to have operations with zero waste.

Activity in 2010

In 2010 we generated 169,190 tons of waste, of which almost 100 % was put to secondary use. Agricultural production utilises especially yeast and malt house waste. Water treatment sludge is mixed with soil as fertiliser. Waste filter kieselguhr is ploughed under to soften the soil for recultivated areas.

Plzeňský Prazdroj has long been able to convert waste into secondary resources. Of the waste produced by our three breweries, only 0.3 % is hazardous waste and waste deposited in dumps. We strictly make sure that this waste is eliminated by designated and authorised subjects only.

2011 targets

To continue to minimize industrial waste in the breweries and sales and distribution centres.



Building supply chains that reflect our own values and commitment

On the Czech market Plzeňský Prazdroj is the second largest consumer of malt barley and the main consumer of barley varieties approved for the production of Czech beer

Our position

We pay close attention to understanding the impact our activities have on our supply chain partners. Our intention is to ensure that the result of our cooperation is a positive one, and to this end we expect our partners to adopt an equally responsible approach and ethical behaviour. We implement the so-called "Responsible Supplier Principles" formulated by the SABMiller group and we expect the same from our suppliers.

Our group responsible supplier principles in brief

- Business conduct based on open and transparent dealings
- Safe and healthy working conditions
- Prohibition of forced, involuntary and child labour
- Wages in accordance with legal regulations
- Respecting the principle of equal opportunity, regardless of gender, origin, sexual orientation, religious creed or political persuasion
- Freedom of association in union organisations
- Environmental protection

Activity in 2010

In working with the supply chain partners from whom we purchase goods and services, we implement the "Responsible Supplier Principles" formulated by SABMiller. These principles cover company management, working conditions, child labour, diversity and environmental protection. We are committed to the fulfilment and promotion of these principles in our relations with supply chain partners.

We have closely monitored the quality of raw materials supplied to us through the SQM (system of quality management) program. Our intention is to establish long-standing relations with suppliers based on mutual trust and support, and on the fact that Plzeňský Prazdroj wants to be a good, yet demanding, client.

In 2010 our activities with suppliers generated turnover of CZK 6.2 billion, of which 83 % is created by suppliers based in the Czech Republic.



In the company quality control program we monitor not only quality but also a responsible approach to the environment, human rights and work safety. Dialogue forms an important part of our long-term cooperation with partners; it is a basis for creating fair business conditions and the mutual exchange of information. For several years we have organised meetings and seminars for our key suppliers, especially for suppliers of hops and barley.

Projects

Czech beer – supporting local agriculture and suppliers

Our use of the “České pivo” (Czech beer) indication means we can provide significant support to local agriculture by deliberately limiting imports of barley from other countries. Most investments in barley therefore go to agricultural subjects in the Czech Republic. Use of the “České pivo” indication has led to closer contact between Plzeňský Prazdroj and Czech agriculture. On the Czech market we are the second largest customer for malt barley and the main customer of barley varieties approved for Czech beer production.

We purchase barley locally: 50 % of the barley we need is bought from farmers and 50 % from business associations and dealers. We also provide support and long-term motivation for growers to produce varieties suitable for Czech beer.

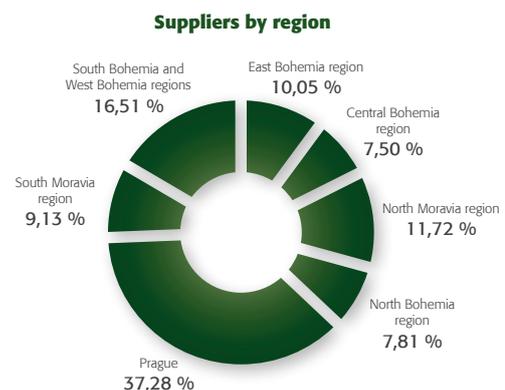
The Czech beer indication enabled our malt barley suppliers in the Czech Republic to obtain a competitive advantage against imports of barley from abroad.

2011 targets

We will continue to work with our supply chain partners to ensure that responsible sourcing principles and quality levels are observed. With those suppliers who fail to fulfil the conditions we will jointly formulate a corrective action plan. Correct relations, long-term cooperation and fairness in establishing business principles will continue to form the basis of our business partnerships.



The annual value of barley purchased is approximately CZK 530 million.



Respecting human rights

We conduct our business in compliance with the principles of an international company. This means primarily observing the Universal Declaration of Human Rights and guaranteeing to our employees that they will be fulfilled.

Our position

As a member of the SABMiller global group we are particularly aware of the existence of different national cultures, customs and traditions and we subscribe to the fundamental values of international society, above all the Universal Declaration of Human Rights. We conduct our business in complete accordance with these principles and we guarantee that they will be upheld for all our employees. As part of SABMiller we undertake to observe human rights principles.

Our human rights principles in brief:

- Freedom of association and collective bargaining
- Prohibition on forced labour
- Prohibition on child labour
- Prohibition on any type of discrimination, regardless of gender, origin, religious creed or political persuasion, age or sexual orientation
- A fair remuneration policy
- Safe and healthy working conditions
- Employee safety
- Cooperation with partners who share the same principles

Activity in 2010

In 2010, 2,353 employees worked in the company. The observance of human rights continued to follow the procedures already laid down. The majority of employees complete annual training courses on ethical matters.

Compliance with ethical principles is overseen by control bodies comprising three ombudsmen elected by employees. When settling complaints the ombudsmen have gained the trust of employees who turn to them as an independent authority in cases when they are unsure of the ethical rectitude of a proposed procedure. The ombudsmen also uphold the presumption of innocence or take part in implementing remedial measures. The inclusion of ombudsmen in Plzeňský Prazdroj's wider system of ethical principles has thus without question been justified. The procedure includes an anonymous telephone line which every employee can use to report violations of human rights and ethical principles. In 2010 the anonymous line did not record a single complaint. The 2010 Employee Commitment Survey sought employees' views on the definition of ethical principles, as well as the instruments and institutions used to ensure their compliance. Questions on ethical principles and human rights were uppermost in the research.



Compliance with workplace health and safety standards is overseen by a committee. In 2010, the regular controls did not find any serious violations of workplace health and safety on the part of employees.

In 2010, Plzeňský Prazdroj was judged "Employer of the Year" for the Plzeň region (Employer of the Region). The expert jury repeatedly praised the level of wages, benefits, work conditions and care for employees. This decision will inspire us to keep making further improvements in our care for employees.

Where exactly do our employees come from?

In 2010 Plzeňský Prazdroj employed people from 10 foreign states

Angola	1
Belgium	1
Bosnia	1
Cuba	1
Hungary	1
Peru	1
Poland	2
Slovakia	30
South Africa	1
The Ukraine	3



Projects

Rises in remuneration

Despite the effects of the worldwide economic recession, the dialogue between the employer and the union organisations led to an increase in remuneration for 2011. The collective agreement set a rise in wages at an average of 1.3 %, although in line with work performance employees can gain a 2.5 % increase. The total sum of employee benefits also rose. Loyalty remuneration was retained.



The possibility of greater flexibility was the main change arising from the Employee Commitment Survey. Some benefits were thus transferred to the e-Benefits application, which helps employees to set up their own package from the benefits available. The benefits most appreciated by employees include supplementary pension insurance contributions, subsidised canteen meals, the extra week's holiday, contribution to health, culture and sport, and beer for employees or advertising items.

Employee committee for the work place

Compliance with health and safety conditions in the workplace will be overseen not only by an expert committee but also a committee composed of employees from the individual plants. Its purpose is to identify proposals and operations by which it is possible to improve working conditions with regard to safety, comfort and hygiene.

2011 targets

In the coming year the company will continue to enforce the principles of basic human rights, with particular attention paid to health and safety protection at work and the promotion of the company's ethical principles. Our human rights principles will be included in the company's regular in-house training in ethical principles. Employees will again elect three ombudsmen for another three-year term. In order to increase employee satisfaction the company will promote certain principles to achieve a work life balance.

Bringing benefits to the communities we serve and contributing to the reduction of HIV/AIDS

We see supporting the quality of life in communities where our company operates to be an important element of sustainable development.

Our position

We understand that the key to long-term success lies not only in responsible business activity, but also in supporting the quality of life in the places where we operate. Plzeňský Prazdroj believes supporting local communities to be an important part of its sustainable development strategy.

The support should be in the form of targeted investment in improving the prosperity of the local communities and their well-being, neither of which are achieved through the company's standard activities. Contributions are made in the form of financial support or the provision of expert know-how, time shared by employees, and products or facilities which benefit local communities and the living environment in which Plzeňský Prazdroj operates. The projects supported should meet the vision, mission, values and priorities of Plzeňský Prazdroj's sustainable development, as well as the priorities of the local communities and all interested parties.

Being a member of an international group with strong representation in Africa, our company very strongly perceives the social and economic consequences of HIV/Aids. We are convinced that the basic prerequisites of successful combat with any disease are found in sufficient awareness of risks, possibility of spreading and the means of protection. As a member of a global group we stand ready to contribute to the fight against this disease, be it through utilisation of our intellectual and technical resources, or our extensive international experience and access to valuable information.

"Since 1989 the Czech Aids Help association has been providing direct help and prevention to people who are HIV positive and ill with AIDS. Plzeňský Prazdroj is one of the few companies that has broken the barrier of corporate sponsorship in this field and has helped us over the long-term in backing our activities. Our sincerest gratitude is deserved for the help and cooperation given by the whole company and all its employees. Without it our position and work would be put at risk, not to mention all those people who need our help".

Miroslav Hlavatý, Lighthouse director

Activity in 2010

The company is still a member of DONATOR, the club of corporate donors, which was established in the Czech Donors' Forum with the aim of cultivating corporate philanthropy in the Czech Republic. We also use Standard Responsible Company methodology (LBG) to systematically measure the effectiveness of invested means. This defines the costs spent on donor activity and measures the impact of these funds.

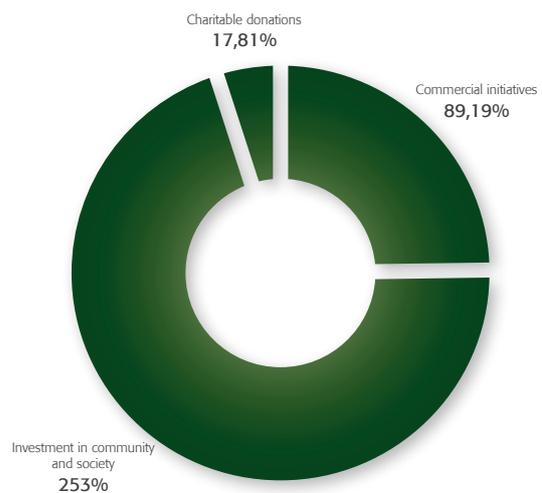
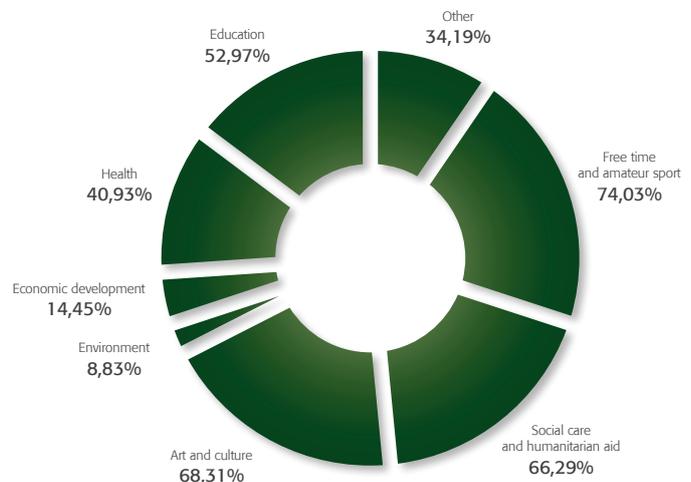
We were judged to be 12th among the top corporate donors in the 2009 TOP Corporate Philanthropist list, of which Plzeňský Prazdroj is a general partner. We were evaluated in the categories: Work Benefiting the Community, Partnership with Clients, Partnership with Employees.

Over the year 2010, Plzeňský Prazdroj invested almost CZK 17.5 million in supporting communities and other charitable projects.

Since 2008 we have monitored the prevalence of HIV/Aids in the Czech Republic. The Plzeňský Prazdroj Donation Fund supported Lighthouse, a member organisation of the Czech Help Aids association. Funds were used to buy facilities for the new Lighthouse conference hall, to start an awareness campaign and for the Red Ribbon collection.

Education	CZK 2 565 890.00
Health	CZK 1 982 520.00
Economic development	CZK 700 000.00
Environment	CZK 427 523.75
Art and culture	CZK 3 308 628.25
Social care and humanitarian aid	CZK 3 210 668.50
Free time and amateur sport	CZK 3 585 942.75
Other	CZK 1 656 233.75
Charitable donations	CZK 862 819.00
Investment in community and society	CZK 12 254 688.00
Commercial initiatives	CZK 4 319 900.00

Distribution of financial support



Prazdroj for the People donated a total of CZK 5.5 million among 25 projects. The public gave CZK 198,693 to the projects. This they donated by 7,359 DMS.

Projects

Eighth year of Prazdroj to the People

Prazdroj to the People is the most important project for community support. In its eighth year the program provided substantial help to people living in areas where our breweries operate. We donated CZK 5.5 million to the regions of Plzeň, Ostrava, Frýdek – Místeka Třinec and Jablunkov. For the second year running, members of the public could vote not only by the Internet and press coupons, but also by mobile phone. They could also make financial contributions by DMS texting. The number of DMS texts rose year-on-year by almost 150 %. The total amount raised by DMS which went to projects supported by Prazdroj donations was CZK 198,693.

In Plzeň, 22 projects, voted for by 10,265 members of the public, applied for a grant of CZK 3 million. Most public support went to the Ledovec Therapeutic Centre, which helps the mentally ill or people suffering from a mental handicap. Plzeňský Prazdroj employees favoured the project to equip the MáTa refuge for mothers with children in difficult circumstances. The project adopted by the Council of Representatives was the Pilsen Region Study and Scientific Library for the restoration of the Melantrich Bible of 1549.

More than 13,000 votes were cast in the Radegast brewery area to decide on how the CZK 2.5 million should be allocated. The public had 26 projects to choose from and opted for the "2010 Baška International Choir Festival". The Council of Representatives backed the reconstruction of the Skalice fire station, while Plzeňský Prazdroj employees selected the TJ Radegast Nošovice plan to buy a snow scooter.



2009 Floods SOS

Plzeňský Prazdroj and employees raised CZK 900,000 by voluntary collection to clear damage after the summer floods in Moravia. The company doubled the amount collected by employees of all three breweries and 13 sales and distribution centres. Our corporate donation made it possible for two nurseries to resume operations in the Šenov near Nový Jičín and Kunín communities. Repairs were made to the school in Jeseňík nad Odrou. A large sum of the money collected was used to renew full operations of the care home in Nový Jičín.





Red Ribbon Public Collection

In the Red Ribbon charitable collection employees raised CZK 8,963 by buying Red Ribbon badges, the symbol of the fight against AIDS. We organised the collection in all company localities in cooperation with the Czech organisation Aids Help. Plzeňský Prazdroj doubled the sum raised by employees to CZK 18,000 for the free testing provided by Lighthouse.

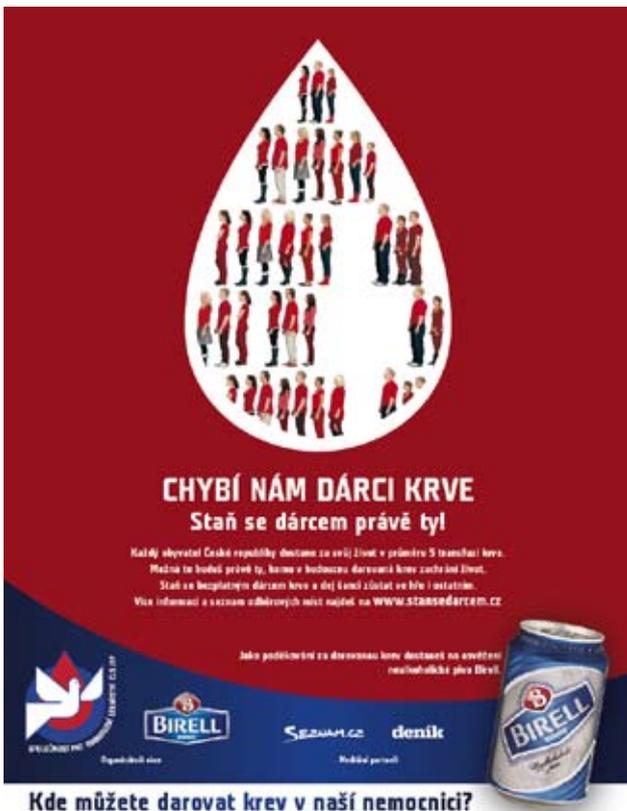
Join up and become a donor!

Birell became a partner to the ČLS JEP Association for Transfusion Medication campaign promoting non-contributory blood donorship. The aim of the campaign was to raise awareness of blood donorship and inform the public of the critical lack of active charitable donors and attract new donors, so-called first-time donors. The event was joined by 47 hospitals throughout the Czech Republic and succeeded in accessing 379 first-time donors. Everyone who donated blood in a hospital attached to the project received one of 50 thousand Birell cans.

For more about the campaign go to: www.stansedarcem.cz

2011 targets

We will continue in the ninth year of Prazdroj to the People to support community development. A detailed mapping will be made of the needs of individual communities and the not-for-profit sector, and dialogue will be strengthened so as to enable us to provide targeted and effective support in the future. We will also carefully review all our activities, especially as concerns the return on investment, with the aim of maximising the benefit for a supported community and Plzeňský Prazdroj.



Thanks for your long-term support

Plzeňský Prazdroj is one of the companies which has given long-term support to the People in Need organisation. The main focus of our cooperation is to support the One World documentary film festival and through it human rights. Prazdroj was also one of the three leading corporate donors to the 2009 Floods SOS collection. Projects to reconstruct civic infrastructure were helped by the company's and its employees' donations. Priority was given to renewing buildings which are used for teaching purposes, or to care for our disadvantaged fellow citizens. Plzeňský Prazdroj set aside funds specifically for this purpose. For its long-term cooperation and support, Plzeňský Prazdroj deserves our thanks and also the gratitude of the supported communities.

*Šimon Pánek,
director of the People in Need organisation*

Transparency in reporting our progress

A responsible approach
is the responsibility of all of us.

Our position

Plzeňský Prazdroj conducts its business responsibly and wants this to be known to all interested parties. The desire for full and transparent information also applies to sustainable development operations and the results that Plzeňský Prazdroj achieves in fulfilling them. We want to inform all our stakeholders in a way that makes it possible for them to evaluate our results in sustainable development and then to take qualified decisions.

Activity in 2010

We closely scrutinised all forms of sustainable development and means of internal communication. The company achieved particular success under the SABMiller sustainability assessment matrix (SAM). This monitors progress in achieving targets for 10 sustainable development priorities and received an honorary mention by the leading international periodical, Ethical Corporation.



In an evaluation of the ten sustainable development priorities within SABMiller, Plzeňský Prazdroj was for the third time ranked the world's best. Every priority has clear criteria and four levels, of which 1 is the lowest. A company that achieves a level 4 marking is qualified to provide know-how in SABMiller and to transfer its experience to other SABMiller members. Our overall ranking in the assessment was 3.30, giving us another "gold".

Priority	Mark
Alcohol	3,0
Water	3,2
Reducing our energy and carbon footprint	3,6
Packaging	3,0
Waste	3,7
Building supply chains that reflect our values	1,7
Human rights	3,3
Benefiting local communities	3,7
HIV/AIDS	3,0
Transparency in reporting our progress	3,7

In 2010, for example, we implemented rules of responsible communication and continued to reduce water and energy consumption. We also looked closely at using renewable resources, improving waste management and integrating employees in our sustainable development activities.

Employees are currently informed of our activities via the company intranet in the special "sustainable development" section. This year attention focused mainly on the internal campaign to save energy. The Plzeňský Prazdroj internal newspaper *Za branou* now carries a regular column on sustainable development.

Responsible behaviour permeates Plzeňský Prazdroj's core values. Special steps have been taken to fulfil them and these now serve as the motto for the Golden Prazdroj Award. By these means employees have been informed transparently of actions which go beyond the forms used for remuneration and the assessment of performance.

The Sustainable Development Report is available on-line on the company's web site. In it we inform the general public of our position regarding sustainable development, our activities and results. The results stated in the report are verified by a third party. The purpose of verification is to assess the means and content of reporting and the suitability of selection for priorities affecting local needs in the Czech Republic.

Projects

Golden Prazdroj Award

The new Golden Prazdroj Award acknowledges an employee and a work team for outstanding performance and behaviour rooted in the company's values and work performance. Proposals for the prize are made in the form of nominations by employees. Holders of the Golden Prazdroj Award are inaugurated in the Plzeňský Prazdroj Hall of Fame.



Economic use of energy

The Economic Use of Energy (Mr. Economic Bulb) internal campaign and competition were organised with the aim of proving that the principles of sustainable development are not only "paper" strategic priorities. In August 2009 a competition was held between non-production workplaces (economic use of IT technology, lighting or air conditioning). The Jihlava sales and distribution centre won for energy savings of 26.09 %. Collectively, a total of 46017 kWh was saved, which represents approximately CZK 115 thousand.



Julian Patton, Plzeňský Prazdroj Technical Director calls for the economic use of energy and minimising the environmental impact

Preserving the historical brewing legacy

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

- care of the world-renowned Pilsner Urquell brewing legend
- preservation of the cooper 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 of brewery visitors
- development of the site and maintenance of historically valuable buildings and plants
- informative and educational activities related to the history and present of the Czech brewing industry

Activities in 2010

Plzeňský Prazdroj runs and continues to develop tour routes in all the breweries. These are:

- Pilsen - Plzeňský Prazdroj Brewery, Brewery Museum, Pilsen historical underground,
- Velké Popovice Brewery,
- Nošovice Brewery.



Tour routes in all the breweries were visited last year by 235,659 people from the Czech Republic and the entire world. These came to learn about the history and current status of Czech beer's production. Visitor numbers grew year-on-year by 24.75 %, a figure that, given the effects of the economic crisis on tourism and the unfavourable winter weather, can be deemed a success. The growth in visitor numbers can largely be ascribed to innovations in tour routes and new visitor circuits. Most visitors traditionally gravitate to the tour routes in Plzeň. Czechs make up 37 % of visitor numbers, while foreign visitors most frequently come from Germany, Russia and Taiwan.

In the **historical water tower** in Plzeňský Prazdroj we placed boxes containing production documentation for Pilsner Urquell beer and analyses confirming that its taste has remained unchanged over 112 years.

The **cooper craft** lives on thanks to the care and attention of Plzeňský Prazdroj and its 10 coopers, who look after 50 barrels and 70 vats. The brewery is thus able to maintain a small volume

Our beers are produced using traditional recipes and brewing procedures and top-quality equipment. Their quality and taste thus remain unchanged, in some cases for centuries. We are proud of our rich past, our traditions of brewing beer and the success that we have achieved, to which we are bound, and which we will continue to develop.

(450 hl a year) of unfiltered and unpasteurised Pilsner Urquell beer. The beer, matured in oak barrels, is not just part of the offer for visitors but is used to evaluate the taste profile, quality and other characteristics of Pilsner Urquell beer in comparison with its industrial production. This is why Plzeňský Prazdroj trains new co-operators who are expected gradually to replace the former masters and nurture the age-old craft for future generations.

Brewery Museum – a specialist workplace, unique of its type in the Czech Republic, the museum celebrated 50 years of existence. It documents the history of beer from its very beginning and preserves historical items and pictorial documentation of the history of Czech brewing.

We have introduced aural guides and technical aids in the Brewery Museum and Pilsen historical underground to make it easier for tourists to appreciate the commentary.

Run for Paraple in Pilsen

The charity event was held for the second time in the Pilsen brewery grounds and is designed to support the Paraple Centre (charity organisation for handicapped people). The run was combined with the launch of the Summer in Prazdroj cycle of concerts and cultural events. Over 150 runners took part in the run. Thanks to participants and Plzeňský Prazdroj's support, the Paraple Centre received CZK 36,840.



Velké Popovice brewery opened a new tour route with a wider range of exhibits on its history and the production process. Thanks to these exhibits, the traditional Czech brand Velkopopovický Kozel is presented in an entertaining and innovative way. In addition, the route was expanded to include a new visitor centre and Kozel shop. 15,432 people visited the brewery.

Projects

Tour route expanded in the Pilsen historical underground
Plzeňský Prazdroj has operated the Pilsen historical underground tour route since April 2009. Last year, it decided to link it to the brewery museum building and saw a rise in visitor numbers of 17 %. Visitors can learn here about the history of Pilsen city and the brewery. The increase in numbers shows that our experience in running the tourist routes has raised awareness of this tourist goal. We reinvest all profits from the tours in improving the exhibits and for marketing purposes.

Gambrinus – 140 years

In 2009, Gambrinus celebrated its 140th anniversary since the brewery's foundation in 1869. The brewery in Pilsen opened the Gambrinus Visitor and Training Centre, which arose from a sensitive reconstruction of the original brew house from 1870. The Centre is first intended for selected groups of consumers and clients; later it will be expanded to include visitors to the brewery who had chosen a new tour circuit. The aim is for guests of the Gambrinus Centre to learn more about the brand's rich history and traditions as well as the most modern technology employed to produce the beer according to traditional recipes. Not to forget the crucial, inseparable side to Gambrinus – fun with friends.

2011 targets

All new visitor routes in the Plzeňský Prazdroj breweries will be completed. On Radegast's 40th anniversary, a new visitor centre will be opened in the Nošovice brewery with an exhibition containing a new souvenir shop. In Plzeň, the Gambrinus Visitor and Training Centre will be opened to the public and expanded to include a modern multi-media and interactive exhibition with the Gambrinus Experience Hall.

Ten Sustainable Development Priorities. Fulfilment of our targets and the action plan for 2011

Priorities	Action plan for 2010
Discouraging irresponsible drinking	Train employees in discouraging irresponsible drinking.
	Continue to ensure employees have sufficient knowledge of the subject.
	Continue supporting education and awareness programs for consumers.
	Participate in the development of a national alcohol policy on the influence of alcohol in society.
	Observe the principles of the "Alcohol and Health" European initiative.
Reducing our energy and carbon footprint	Where possible continue to increase the company's use of renewable energy.
	Increase the utilisation of fermentation CO ₂ in production.
	Complete the replacement of freon cooling equipment by the end of 2009. <i>*Move the deadline for drawdown of financial funds from EU structural funds.</i>
Using less water	Continue to optimise water loss, prepare feasibility study for other ways of reducing water loss.
	Continue dialogue with selected suppliers.
Packaging recycling	Use analysis of packaging production cycle to prepare an action plan in order to reduce the environmental impact. <i>*Analysis completed in December 2009.</i>
Working towards zero waste operations	Minimise industrial waste.
Having supply chains that reflect our values	Cooperate with suppliers on adherence to Group Responsible Sourcing Principles (GRSP).
	Seek opportunities for cooperation with key suppliers.
	Monitor the impact of mutual cooperation on economic and social development.
Respecting human rights	Continue to manage the occupational health safety and protection system and the ethical principles process.
Contributing to reduction of AIDS/HIV within our sphere of influence	Support a project which increases awareness of this issue and assess its impact.
Benefiting local communities	Create and implement projects supporting the needs of the region and company.
	In the Prazdroj for the People program support projects with a long-term contribution, optimise communication and support voting by DMS.
	Participate in forming a corporate philanthropy environment in the Czech Republic.
Transparent reporting of the results of sustainable development	Increase employee awareness of company activities in sustainable development.
	Regularly report fulfilment of targets, inform management and make results accessible to all employees.
	Issue a Report on Sustainable Development verified by a third party.

Note: Year 2010 = financial year beginning April 2008 and ending March 2009

Year 2011 = financial year beginning April 2009 and ending March 2010

✓ = fulfilled

Action plan for 2011	
✓	Train new employees in discouraging irresponsible drinking. Continue to ensure employees have sufficient knowledge of the subject.
✓	Continue supporting education and awareness programs for consumers.
✓	Meet PPAS and SABMiller commitments at the European Alcohol and Health Forum.
✓	Update the napivosrozumem.cz web site and make it interactive.
✓	Ensure that all the company's commercial communications comply with rules and ethical codes. Amend the form of the responsibility messages.
✓	Where possible continue to increase the company's use of renewable energy.
✓	Increase the utilisation of fermentation CO ₂ in production.
*	Complete the replacement of Freon cooling equipment. Increase the proportion of biogas used in the Velké Popovice brewery.
✓	Continue to optimise water loss. Use the conclusions of a feasibility study to prepare an action plan for other ways to reduce water consumption.
✓	Continue dialogue with selected hop suppliers (e.g. with hop suppliers).
*	Use analysis of packaging production cycle to prepare an action plan in order to reduce the environmental impact.
✓	Minimise industrial waste. Continue to segregate waste in all company operations.
✓	Motivate suppliers to observe responsible supplier principles.
✓	Set up close cooperation with key suppliers.
✓	Define opportunities to support regional business development and prepare an action plan.
✓	Continue to manage the occupational health safety and protection system.
✓	Continue to ensure that employees are sufficiently aware of the company's ethical principles and human rights principles.
	Define work life balance possibilities and prepare an action plan.
✓	Continue to monitor developments in the Czech Republic and help raise awareness on the subject.
✓	Create and implement projects supporting the needs of the region and company. Continue to assess social investments using the Responsible Company Standard.
✓	In the Prazdroj to the People program support projects with a long-term contribution which improve people's lives. Optimise online communication and support online and voting by DMS. Assess the program's impact by analysing the return on investments and prepare an action plan.
✓	Expand cooperation with the not-for-profit sector and key partners.
✓	Raise awareness on the company's position and activities in sustainable development both internally and externally.
✓	Regularly report fulfilment of targets, inform management and make results accessible to all employees and the public.
✓	Issue a Report on Sustainable Development verified by a third party and supplemented by the commentaries of third parties.

Assurance statement for the Sustainability Development Report

Commentary on the Report's Contents by an External Company

Plzeňský Prazdroj's Sustainable Development Report for 2010 provides a comprehensive analysis of the firm's fulfilment of undertakings in sustainable development and summarises all material activities in this field for the relevant period. The sustainable development report does not contain data on the firm's property holdings, subsidiary companies, or economic data and information on the firm's management and administration; neither are its contents subject to our external assessment and are not dealt with in this commentary. The commentary's assessment deals with the financial year ending 31.3.2010 for Plzeňský Prazdroj.

Our commentary contains an independent assessment of the Sustainable Development Report and addresses the compliance of information in the Report with internal procedures for compiling data and standards for compiling these Reports among firms in the same sector. Plzeňský Prazdroj compiles its report using the SABMiller global measurement system (SAM).

When assessing the contents of the Sustainable Development Report we did not find anything that would lead us to believe that the information contained in the Report is incorrect.

In its Report, Plzeňský Prazdroj describes the results achieved in the relevant period and its approach to the relevant priorities in sustainable development and structures its Report according to these priorities. Alongside this approach it describes the results to be pursued and its goals for the 2011 financial year. The company has also included the opinions of external stakeholders in the Report.

In its endeavour to discourage irresponsible drinking, Plzeňský Prazdroj includes in its Report the results achieved by activities that it directly supported or initiated. The engagement of employees is processed thoroughly. We believe that concrete

examples of activities and their results in this section are clearly set out. The treatment of this subject and the related information for consumers and preventive campaigns is dealt with beneficially. The Report for 2010 has improved its coverage of the specific measurable results of its activities. This applies particularly to napivosrozumem.cz and Promile INFO. For this year the Report was also supplemented with the opinion of external stakeholders on the results achieved.

To minimise the environmental impacts of production the company uses the international standards ISO 14001 and ISO 9001, HACCAP, OHSAS 18001. In 2010, certification was renewed after an audit by external companies. In its Report Plzeňský Prazdroj provides information on the main areas in which there is an environmental impact, such as water consumption, reducing the energy and carbon footprint and packaging reuse and recycling. The results in the Report are described clearly; most of them are measured and commented on. Some activities and targets are drawn from the results of external specialist studies. We believe that greater comment could be given to certain indicators such as the measurement of water consumption, and especially any inter-yearly changes.

The Report also describes working with supply chains and implementing "Responsible Sourcing Principles", as well as the method for monitoring selected suppliers.

In the Report special attention is given to work and its quantity with Czech supply chains. Plzeňský Prazdroj's contribution to the local economy is also recorded. The purchase of local raw materials is also covered. We believe that in future it would be appropriate to focus on the more active engagement of suppliers in evaluating the results of activities and overall programs in sustainable development.

Plzeňský Prazdroj also pays close attention to respecting hu-

man rights and its benefit program for employees. The Report provides a general description of adherence to human rights principles and the process by which such compliance is monitored. The Report describes the company's activities in its relations with employees; these include motivational programs and campaigns. We believe that it would be appropriate to provide a clearer definition of this subject for compiling the Report and to incorporate this in the overall concept of employee relations. The Report could also be supplemented by other data such as the monitoring of employment for women and men and their participation in the company's management.

In terms of benefitting local communities, Plzeňský Prazdroj describes all existing important activities and records funds invested using the international LBG standard for a responsible firm. In its profiled program PRAZDROJ TO THE PEOPLE it also defines the strategic changes in the 2010 financial year. The Report also covers the method by which employees are integrated in the program. The Report illustrates other projects in which the Company is involved. The Company clearly describes the attention it gives to its historical legacy and related activities for the public. We believe that here also the Company should place greater emphasis on describing the longer-term impact of its activities on the community.

In conclusion we may say that the Report captures all key areas of sustainable development for Plzeňský Prazdroj, it captures the progression from the previous report and in key areas also evaluates the results achieved. Compared to the 2009 Report there has been a material progress in the extent of facts reported, the way these are measured and the integration of the context and external commentaries. To provide a comprehensive overview of this trend we would recommend considering the more active involvement of stakeholders in evaluating the Company's priorities.

Business for the Society

Business for the Society develops the sustainable development of companies and their role in society. It aims to mobilise and motivate companies and other key institutions in social questions, responsible business conduct and the nurturing of quality of life in the companies. Business for the Society is a platform for corporate cooperation, expert know-how, the exchange of experience and the search for new approaches to sustainable development. In cooperation with Czech and foreign partners it provides concrete services in sustainable development and advises companies in reporting and measuring sustainable development. Plzeňský Prazdroj has asked us to create and provide an independent commentary for its 2010 Report on Sustainable Development. Plzeňský Prazdroj's management is responsible for the content and compilation of the Report.

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Elektronic version
The Report on Sustainable Development 2010
is saved at www.prazdroj.cz



