

**External comments on the 2017 Sustainable Development Report issued by the
Plzeňský Prazdroj, a.s. Company**

Scope of assessment

Plzeňský Prazdroj's 2017 Sustainable Development Report is a key document intended for the general public and the stakeholders in which the company reviews its activities in the area of sustainable development completed in line with the company's strategy during the period concerned. We were asked by Plzeňský Prazdroj to produce external comments on the Report and have done this also through our cooperation with independent experts. Our assessment was based on the comparison of the level of non-financial reporting, both in the respective industry and with regard to the new standards and statutory obligations related to non-financial reporting which apply to large companies in the Czech Republic.

Our independent assessment focused only on the area of sustainable development; this means that it does not take into account information which the Report does not contain or which it does not comment on, such as financial statements, data on the company's ownership interests, economic and statistical data or corporate governance information. These parameters were not the subject of our external assessment and are not dealt with in our comments. The scope of the assessment concerns the calendar year beginning on 1 January 2017 and ending on 31 December 2017.

The Report gives an overview of key priority areas, as well as activities conducted and measures taken by Plzeňský Prazdroj over the reported period. The Report also provides an assessment of the progress made using measurable indicators and comments on the key comparisons.

Our comments contain an independent and appropriate assessment of the Sustainable Development Report and include an evaluation of the conformity of the information with the standards for compiling such reports applied by peer companies in the same field of business. In our comments we worked with the data provided which have been verified by an independent third party or by Plzeňský Prazdroj.

Plzeňský Prazdroj compiled its Report based on an internal monitoring and measurement system (SAM) while also using, for individual areas of sustainable development, other standardised or certified auxiliary instruments, which are outlined in the document.

Conclusions and findings

In comparison with the situation on the Czech market, Plzeňský Prazdroj's Sustainable Development report meets the highest standards for non-financial reporting applied to this area. The Report successfully links global goals to local priorities, being drawn up based on the local monitoring of results and the definitions of local targets.

This year, the Company decided to present its Report in a new, modern and engaging on-line format, which has the potential to attract stakeholders and introduce them to the Company's approach and the results achieved. For all the key areas, the Company provides an explanation of the approach taken and the data sources.

In its Report, Plzeňský Prazdroj provides an overview of the results achieved in individual priority areas of the Company's sustainable development strategy. In addition to describing its strategic goals, Plzeňský Prazdroj outlines a selection of the results achieved for the reported period. The Report has been compiled to introduce stakeholders to the company's long-term goals and gives an overview of the specific achievements.

For each of the key areas, Plzeňský Prazdroj either refers to specific case studies or demonstrates the progress made in the given area, openly commenting on those set goals which could not be met, such as decreasing energy demand. In addition, all the key results achieved have been certified by an independent third party or verified through an independent process, and discussed with the stakeholders.

Another thing of key importance is the description of the way Plzeňský Prazdroj cooperates with its business partners, including pubs which the company provides with consultancy in order to contribute to keeping their businesses financially sustainable while reducing the impact the establishments have on the environment. Plzeňský Prazdroj holds a leading position as concerns the issue of responsible alcohol consumption, detailing in its Report both the activities conducted by the Company and those completed within the industry, measuring the target group impact.

For the sake of comprehensiveness, we recommend that the Report be amended with an overview of all the key non-financial indicators, compared on a year-on-year basis, for instance, in the form of a summary.

Specific findings

- The Report covers the area of environmental impacts with the emphasis on the production area. It would be advisable to consider assessing the impacts on the environment not only throughout the operations but also throughout the entire supply chain, in particular as concerns the company's strategic suppliers.
- For some of the indicators, our recommendation is to compare the approved long-term goals against the data reported (e.g., CO2 emissions), with the figures presented in graphs (tables).
- For packaging materials, we recommend that information regarding packaging composition and weight be taken into consideration, inclusive of the activities conducted in support of the recycling of packaging (incl. non-returnable packaging).
- For strategic topics of the non-financial reporting section, such as diversity, we recommend that, similarly to other areas, the company always presents references to its strategy or a strategic document related to this area, including the targets set. It would also be advisable to report the progress made against the targets, specifying the measures taken or activities completed. We also recommend that progress against targets be reported in the given year, inclusive of the measures taken and activities conducted. As concerns diversity specifically, it would be advisable to also include an overview of the overall representation of employees, i.e., by gender, age and other parameters.
- As concerns the area of education and training, it would be advisable to illustrate some sections using more detailed indicators, such as the number of training hours, etc.
- As concerns sponsorship, it would be advisable to present the overall approach taken by the Company, inclusive of the individual instruments used in the field of corporate donations, such as corporate volunteering and the level of employee engagement.
- The standard non-financial reporting areas include human rights, inclusive of cooperation with trade unions; therefore, our recommendation is to include these areas in the non-financial reporting section.
- It would be advisable to better link the relevance matrix with the topics described in the form of a stakeholder dialogue to clearly indicate whether and (where applicable) which topics were part of the stakeholder dialogues and which have been reflected in the materiality matrix, while stating more clearly the period for which the matrix is drawn up.
- Our recommendation for the area of ethics and integrity is to also include quantitative indicators, such as reporting on the number of incidents / issues.

Business for Society (an alliance of sustainable companies)

***Business for Society** promotes responsible and sustainable business in the Czech Republic. Its purpose is to mobilise and motivate firms and other key institutions to address social issues, achieve responsible business conduct and help improve the quality of life in society. Plzeňský Prazdroj asked us to draw up and provide separate and independent comments on its 2017 Sustainable Development Report. The responsibility for the content and the compilation of the Report rests with the management of Plzeňský Prazdroj.*