

Plzeňský Prazdroj

Sustainable Development Report

2014



Plzeňský Prazdroj

Ten Priorities. One Future.



Making a difference through beer



Foreword

The objective of Plzeňský Prazdroj in the field of sustainable development is to be successful and to share such success with its partners and communities. We believe that we can only conduct our business successfully if we manage to align our business interests with the expectations of our consumers, customers, suppliers and people from the regions where we operate. Not only are the sustainability principles included in our strategy but they are also an inseparable part of our daily work, where we seek to implement these principles in everything we do. Our breweries strive to meet the highest environmental standards, and we respect nature and seek to use natural resources effectively. Our programs in support of communities have given birth to a number of useful projects mainly in the social sphere. We have also performed well in our approach to the reuse of waste. And we have continued in our efforts to promote responsible alcohol consumption.

With the new financial year we have moved even further with this approach, introducing a new sustainable development concept called Prosper. For us, to prosper is about making new commitments in all spheres of our conduct, in particular in the field of water and energy usage savings, where we have managed to reach the targets set. The Prosper ambition also means greater engagement of our partners, from farmers to retailers, whom we wish to work with towards success, and to share it with. At roughly the same time next year we will inform you about how successful we have been in fulfilling this new concept.

Now you are presented with the opportunity to find out how successful we have been in sustainable development and what our achievements have been.

I hope that you find this report interesting and inspiring to read.



Paolo Lanzarotti

Plzeňský Prazdroj's Chief Executive Officer

Marie Tojlová
Sustainable Development Specialist



Discouraging Irresponsible Drinking



Marie Tojflová

Sustainable Development Specialist

“Beer is one of the most popular beverages in the Czech Republic, contributing to the enjoyment of life for the majority of people who drink it responsibly. At Plzeňský Prazdroj, we believe it is specifically this manner of enjoying our products that brings joy to an overwhelming majority of consumers.

At the same time, we are aware of the potential impacts of irresponsible consumption of alcohol. In this context, I am entrusted with the task to develop activities related to enforcing this approach, not only to drinking, but also to presentation and sales of our products. This concerns, among other things, self-regulation of marketing communication so as to ensure it is targeted at adults only, without encouraging excessive alcohol consumption.

I also design educational and prevention projects. One of them is the very important ‘**Respect the 18**’ project. The purpose of the ‘Eighteen’ is to appeal to adults not to tolerate alcohol abuse by children and youth.”

Our commitments

In order to demonstrate the solidity of our attitude to responsible beer consumption, we have become one of the signatories of the commitment undertaken by the largest beer producers under the European Alcohol and Health Forum.

By doing so, we have undertaken to self-regulate the advertising associated with our products, which includes, among other things, restriction of access, by youth, to websites and profiles of our brands in social networks; transparent restriction of access, by youth, to the advertising of alcoholic beverages on TV, on the Internet and other media; use of responsibility notices on the packaging of our products and elsewhere in our marketing communication; as well as assessing the advertisements and other promotion used by our brands in terms of ethics, starting with the initial concept.

FURTHERMORE WE DEMAND:



All of advertisement to avoid elements which could address underage consumers.



Actors in our advertisement to be at least 25 years of age.

2x

We annually update a list of nonconforming media that we will not use, because they fail to satisfy our advertisement standards.

OUR ADVERTISING
IS TARGETED.



“

“I often face questions as to whether alcohol advertising should be subject to even stricter regulation. My considered opinion is that it should not. Self-regulation codes and implementing guidelines are in place concerning alcohol advertising across the EU, at the national, regional and corporate levels. The propositions to introduce stricter alcohol advertising regulation are frequently motivated by concerns that the advertising may be targeted at minors, both through its content and the choice of media (magazines for adolescents), and its timing (TV advertising). Referring to my long-standing experience, I can say Plzeňský Prazdroj’s advertising campaigns are not targeted at minors and they do not encourage them to consume alcohol, and are therefore in line with the law and the Advertising Code. The absence of complaints regarding Plzeňský Prazdroj’s commercial communication in recent years is a testament to the responsible conduct of this particular advertising commissioner.”

Ladislav Štastný | Executive Director, Advertising Council

Respect the 18

Change the attitude to consumption of alcohol by the youth and promote restrictions on the sale and serving of alcohol to minors. That was the aim with which we launched the ‘Respect the 18’ campaign, along with our partners, Plzeň Municipal Authorities and the Centre for Drug Prevention and Therapy. The project is targeted mainly at pub staff and adults, parents and friends of minor children, who are over the age of 18 and either tolerate or even actively enable alcohol consumption by minors. The youth therefore form merely an indirect target group under the project.

We got the project underway in June 2013 in Plzeň, unleashing a massive communication campaign and launching a dedicated website (www.respektuj18.cz). Through our trade development specialists, we also distributed promotional materials to restaurants, pubs and retail stores. The purpose was both to bring the attention to the given topic and provide the staff of the said establishments with guidelines as to what they should do if a minor intends to buy alcohol from them.

During the summer vacation, we organised an outdoor exhibition entitled ‘Respect’, inviting famous people to comment on the topic of alcohol and youth. In March 2014, we held a follow-up conference for



RESPEKTUJ18.cz

the entire project, inviting representatives of other regions to participate in order for us to share both positive and negative experience obtained from the campaign to offer a concept that works.

The results of a public survey conducted by an independent third party more than half a year after the commencement of the project showed that every third inhabitant of Plzeň remembered the campaign, 75 % of them agreed that drinking of alcohol by minors was an issue, and 74 % thought the campaign had been useful.

“In the long run, the Czech Republic reports one of the highest rates of alcohol consumption by minors of all countries in Europe. The research results available show that children who start consuming alcohol prematurely face a much higher risk of developing all types of addictions. I highly appreciate the efforts of representatives of the brewing industry who realise the risks associated with alcohol consumption and look for specific ways to draw attention to the issue and reach out to the public, namely the end sellers of alcohol.”

Mgr. Jindřich Vobořil

| National Drug Policy Coordinator and Executive Vice-President of the Government Council for Drug Policy Coordination

75%

Agreed that drinking alcohol adolescents is a problem



31%

Pilseners remembers campaign



95%

Understood the meaning of campaign



Petr Čapek
výčepní restaurace
U Salzmannů

„KAŽDÝ DEN DĚLÁM
SPRÁVNOU VĚC.
NENALÉVÁM MLADŠÍM 18 LET.“

18!

Respektuj 18 a respekt ostatních je tvůj.

2018 Plzeň

COŠOVIT GARANT
COŠOVIT GARANT
COŠOVIT GARANT

KLAVES PARTNER
KLAVES PARTNER
KLAVES PARTNER

Bezpečné město

RESPEKTUJ18.cz

K-lee-deck and Promile INFO

Plzeňský Prazdroj supports projects developed by the SANANIM civic association targeted at responsible alcohol consumption. These include the [Promile INFO](#) service, which contributes to minimising drinking and driving by informing drivers about their reference levels of residual alcohol, and the K-LEE-DECK chill-out zone, which has been frequenting summer festivals for two years now.

In 2013, the blue K-LEE-DECK tent could be seen at a total of 19 events such as Colours of Ostrava, Pilsner Fest, Radegast Den, České hrady, etc., which were visited by over 200,000 people altogether. Over 6,500 people voluntarily submitted to an alcohol breath test, with the blue tent specialists completing over 430 expert consultations on alcohol and its effects on the body.

“The purpose of both the chill-out zone and the Promile INFO stand is to be there when there is a risk of drinking and driving. In addition, we registered an increased level of interest in expert consultations in 2013. The purpose of those consultations was to convey to the visitors, in a credible form, true information on alcohol and its effects and to encourage them to think about the way in which they use it. We repeatedly encountered a situation where, especially young people, had little or no idea as to the quantity of alcohol corresponding to one promile. While some of them knew that was the level at which they should stop drinking, they had no idea how to work with the information.”

Josef Šedivý | SANANIM z.ú. civic association

Objectives up to 2016

We will persist in enforcing a responsible attitude to consumption and presentation of alcohol and in developing educational and prevention projects such as Respect the 18 or K-LEE-DECK. We believe similar events and projects contribute to the moulding of an ethical environment within the brewing industry and bring about specific results in reducing the number of youth consuming alcohol or the number of people who drink and drive. We will do anything to fully meet our Commitment established within the European Alcohol and Health Forum.



Jakub Novotný

Packaging Process Engineer,
Velké Popovice



**Making more
beer with less
water**



Jakub Novotný

Packaging Process Engineer, Velké Popovice

“We respect nature and believe that we must use natural resources efficiently. For water, this is even more true. After all, it is the most precious liquid both for humans and for the brewing industry. We are aware of the need to maintain a balanced water cycle in nature and to preserve the quality and capacity of water resources, not only for us, but also with regard to the needs of future generations.”

How do we minimise water usage?

Thanks to joint efforts of 84 SABMiller breweries worldwide, we succeeded in reaching the water consumption target of 3.5 hl per 1 hectolitre of beer produced already in July 2013. Since the programme to reduce water usage was commenced at SABMiller in 2008, when the specific demand was at 4.6 hl/hl, the group has succeeded in reducing the value by 25 %, thus saving an amount of water corresponding to the standing supply of potable water for a town roughly as big as Plzeň. Our overall water usage amounted to 3.28 hl of water per hectolitre of beer (a year ago, the value was 3.33 hl per hectolitre of beer) with all of our breweries successfully reducing the value. The results reported by the Radegast brewery were especially

impressive, reporting a value of 2.82 hl of water for a hectolitre of beer, thus emerging as the global Number One brewery in water usage. Within the entire SABMiller group, it came fourth. The overall water usage target in the Czech Republic, 3.21 hl of water per hectolitre of beer has been met. The credit for this must be given primarily to the projects resulting from initiatives of our operators, maintenance employees, heads of departments, technologists and specialists.



Companies and Water 2014+ Statement

Along with six other large companies operating in the Czech Republic, members of the Business for Society expert platform, we subscribed to the Companies and Water 2014+ Statement.

We have undertaken to abide by the following principles:

- 1.** Introduce economically and environmentally legitimate methods of reducing water offtake from the water supply system, or usage of ground and surface water. Apply methods that permit minimising pollution by the waste water discharged. Reflect and eliminate any negative impacts on the local climate while constructing and leasing buildings.
- 2.** Monitor, measure and evaluate water usage on a long-term basis and the water management methods employed within the company.
- 3.** Raise the employees' awareness of economical water management procedures and inform the public thereof.

Optimisation of CIP (Clean-in-Place) rinsing and CCT washing

Vladimír Šťovíček, *Utilities and Investments Manager*

One of the projects focusing on water savings involved optimisation of the rinsing and washing of cylindro-conical tanks (fermenters) at the Gambrinus brewery. The tanks are used for beer fermenting and lagering. At the end of fermentation or lagering, the entire tank must be thoroughly cleaned in order to preserve a high standard of sanitary cleanliness for the next brew. Hygiene has a crucial role to play in preserving the high quality of our beer. Therefore, extreme caution must be exercised. Thanks to the installation of new measurement systems we can monitor the course of each tank sanitation/rinse. Measuring and evaluating individual sanitation cycles allow us to identify further opportunities for optimising the process. Further water and product savings may be achieved through more precise settings of the flow rate meters and software.



Vacuum pump optimisation at the Plzeň bottling plant

Jaroslav Rosa, *Packaging Process Engineer, Plzeň*

One of the stages preceding the actual filling of the beer in packaging involves sucking the air out of the packaging and generating a relatively deep vacuum level. This stage facilitates the bottling process without causing the beer to foam excessively and to come into undesired contact with air. As a result, the bottled beer exhibits a longer shelf life and better quality. A vacuum is generated using vacuum pumps connected to each line's bottler. The vacuum pumps need to be water cooled so as to prevent their overheating. The water cooling is provided by a cooling flow, with the flow rate of the cooling water controlled based on temperature. In the past, we faced the issue of excessive cooling water consumption. Thanks to long-term testing, we succeeded in fine-tuning the settings of the control temperature thus comprehensively optimising the water ratio. Based on the positive experience obtained from the Plzeň plant, we deployed a similar system at other breweries.

Installation of economy nozzles within the last section of the bottle washing line

Jakub Novotný, Packaging Process Engineer, Velké Popovice

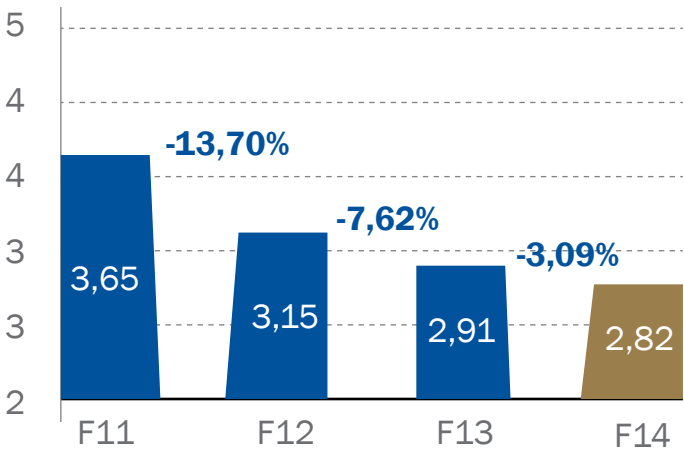
The bottle washing line is one of the largest water consumers within the bottling plant, and any savings achieved for this installation will therefore have a huge role to play in the overall water ratio. The Velké Popovice brewery staff focused specifically on this piece of equipment. Thanks to the results of extensive market research for new technology, and thanks to concentrated efforts in this area, major water savings were generated for the installation. Water savings were mainly achieved thanks to the application of smaller and more efficient water sprays within the last section of the washer line, which were thoroughly tested and optimised. Even in this case, the tried-and-true approach was carried over to other breweries.

Objectives up to 2015

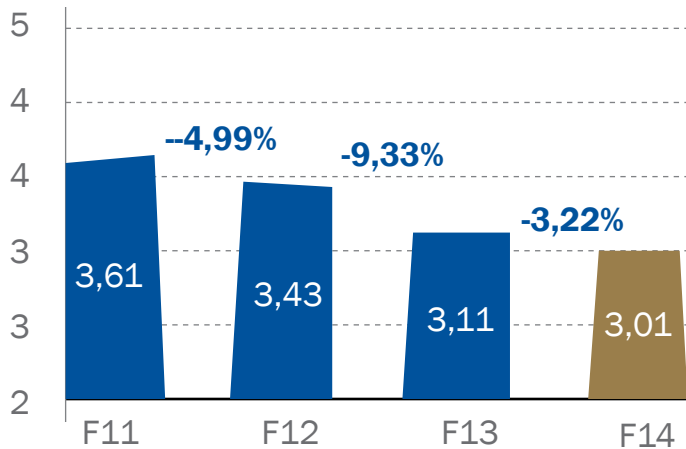
Let us now focus on other water savings achieved and on projects to reduce the limits of water consumption undertaken in order to contribute to the achievement of the pan-European water consumption target (3.14). Our target for the upcoming year was set at 3.23 hl of water per hectolitre of beer produced. We will continue to minimise our water consumption while preserving the high quality of our beers. The feasibility of this target is based on using our own water resources, without causing any negative environmental impacts; on application of the latest technology, which involves minimal use of water; as well as on consistently looking for new opportunities for reducing water consumption. Environmental friendliness of our operations is attested to, among other things, by the water management methods we apply.

Water consumption at our breweries

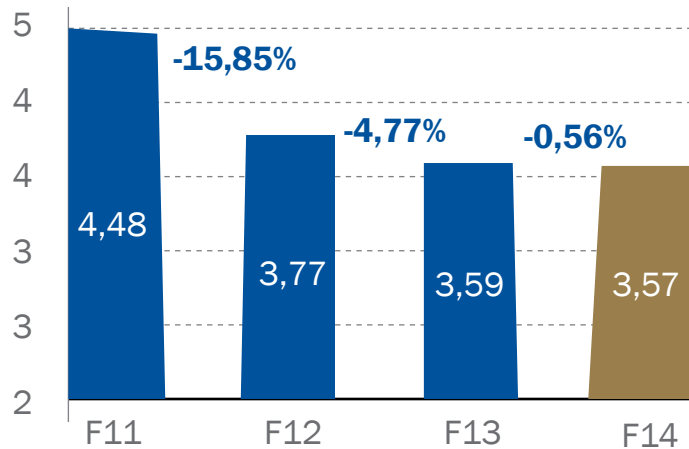
Nošovice (hl/hl)



Velké Popovice (hl/hl)



Plzeň (hl/hl)



Jiří Schneider

Plzeň Plant
Development
Specialist

Břetislav Vlášil

Radegast Plant
Service & Facility Manager

CO₂

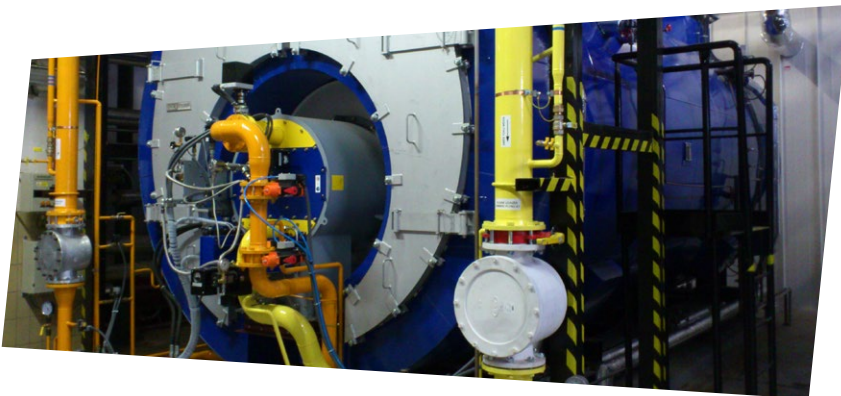
**Reducing Our
Energy and
Carbon Footprint**



Břetislav Vlášil

Radegast Plant Service
& Facility Manager

“Our production depends on the use of energy and we are fully aware of the fact that the impact of our manufacturing processes does not end at the gates of our breweries. Therefore, we strive to minimise energy consumption and thereby ensure that our activities have minimal impact on the quality of life not only in our immediate surroundings, but also on the environment as a whole. In this respect, we focus on the efficient use of fuel and electric power and continuous improvement of production technologies, and on employing a higher proportion of renewable energy sources.”



How can we achieve lower energy consumption and a reduced carbon footprint?

Over the past 5 years, SABMiller reported 23% energy savings, which is equivalent to USD 8.5 million for energy alone. At the end of 2008, the overall direct energy consumption of our breweries was 150 MJ per hectolitre of beer. By the end of July 2013, we succeeded in reducing the value to 115.6 MJ per hectolitre of beer. Meeting our long-term objective - achieving 50% energy savings by 2020 - is realistic.

We have continued not only in reducing our energy consumption, but also in using organic waste as an alternative energy source. One of the heating media used is biogas generated during the anaerobic wastewater treatment process at our own facilities. In addition, we continued in reducing CO² emissions in order to contribute to our commitment to reduce, by 2020, the emissions resulting from the use of energy from fossil fuels in our operations by 50% compared to the 2008 levels, measured per hectolitre of beer produced. Last year, the emissions dropped from 8.61 kg of CO²/hl of beer to 8.55 kg of CO²/hl of beer. The main driving forces behind those reductions have been efficiency projects designed to improve the energy efficiency of the production process.

Our overall energy consumption during last year was 102.46 MJ/hl with reductions in the amount of energy consumed reported for all breweries. The best results were reported by the Velké Popovice brewery, namely 85.89 MJ/hl. The overall energy consumption target for the entire Czech Republic amounted to 102.3 MJ/hl.

Projects implemented:

New LED lighting of the Plzeň bottling plant

Jiří Schneider, Plzeň Plant Development Specialist

At the onset of 2014 we launched the 'Central Bottling Plant Lighting Upgrade' at the Plzeň brewery. The existing lighting system no longer met the lighting intensity requirements due to outdated lamps characterised by their poor technical condition. We also took the energy efficiency aspect into account, and the LED technology was regarded as the most suitable scenario, in comparison with fluorescent lighting. The total cost of the upgrade was CZK 5.6 million.

The overall project was co-financed by the European Regional Development Fund - Enterprise and Innovation Operational Programme, with the contribution from the Fund covering 30 % of the overall costs. With the new lighting system in place, we hope to save 224 MWh of electric power on an annual basis in the future, thus also increasing the plant's carbon footprint by 132 tonnes of CO². The above values translate into a reduction of electric power consumption by 0.05 kWh and of fossil emissions by 0.03 kg of CO²/hectolitre of beer.

In total, we used 475 LED lamps with an input power of 87 W, luminous flux of 7700 lm and a colour rendering index of over 80. The lamps are characterised by a solid light intensity, adequate coverage and resistance to sanitation products.

Bandage Insulation

Petr Bílek, Plzeň Plant Utilities Specialist

At the Plzeň plant, we concentrated on further energy efficiency options using insulation applied to valves and heat exchangers. The traditional insulation technology was found inadequate for the said purpose. Therefore, we surveyed novel technological procedures and suppliers who could provide us with an adequate insulation system. We had to go all the way to the Netherlands to find a supplier who would accommodate our needs. Using a thermo-camera, they measured selected spots singled out for insulation and tailored a so-called bandage insulation system, whose parts are attached using stainless steel wire. They are easily removable, thanks to which they do not interfere with any maintenance work undertaken on the insulated equipment. Based on the positive experience obtained at the Plzeň plant, we deployed a similar system at other breweries.

Nový plynový kotel v pivovaru Radegast

Břetislav Vlášil, manažer služeb pivovaru Radegast

The K1 steam boiler was replaced last summer, the project involving a strategic energy investment at our brewery. The newly installed boiler has a nominal hourly capacity of 14 tonnes of steam, replacing the former outdated low-efficiency boiler. It is fitted with a triple-fuel burner designed for burning natural gas, biogas generated at our own waste water pre-treatment plant, and, alternatively, light heating oil. It is the first steam boiler installed, which may burn three types of fuel, either separately in a mix of natural gas and biogas, or light heating

oil only. The option to add biogas generated at the waste water pre-treatment plant to natural gas results in natural gas savings at 11 % of the overall annual natural gas consumption.

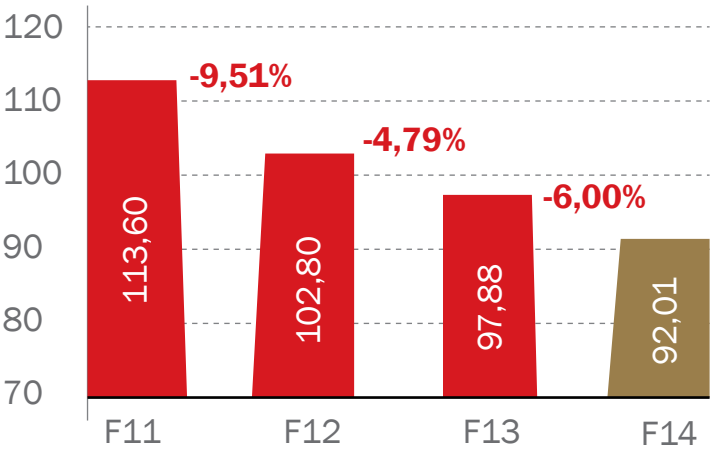
The anticipated annual heat savings amount to 9 000 GJ, while the plant’s emission footprint is reduced by 505 tonnes of CO2, which, in terms of specific consumption values, represents a reduction, for heat, by 4.5MJ and for fossil fuels, by 0.3 kg of CO2/hectolitre of bottled beer. We succeeded in converting a forced investment into one with a solid return, using an EU grant under the Eco-energy 3 grant programme. This represents a practical example of capitalising on EU grants while pursuing sustainable development-related interests. The boiler has been fully functional since mid March 2014.

Objectives up to 2015

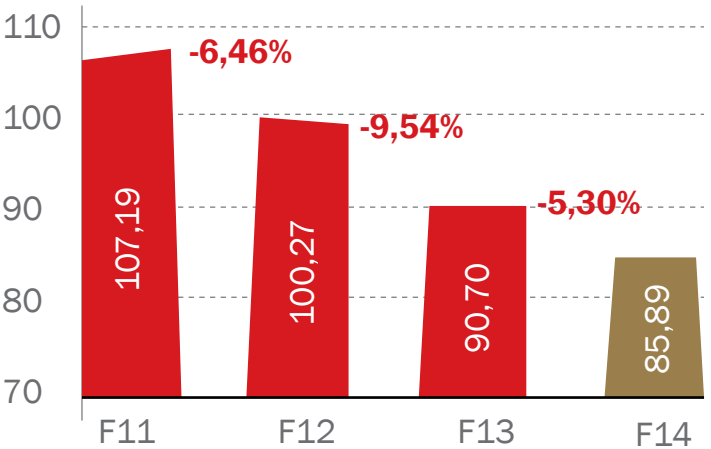
We will continue to minimise energy consumption and increase the share of renewables in our energy mix. In this manner, we intend to contribute to the 2015 pan-European target of 90.6 MJ/hl. As regards our own breweries, our energy target was set at 99.8 MJ/hl.

Energy consumption at our breweries

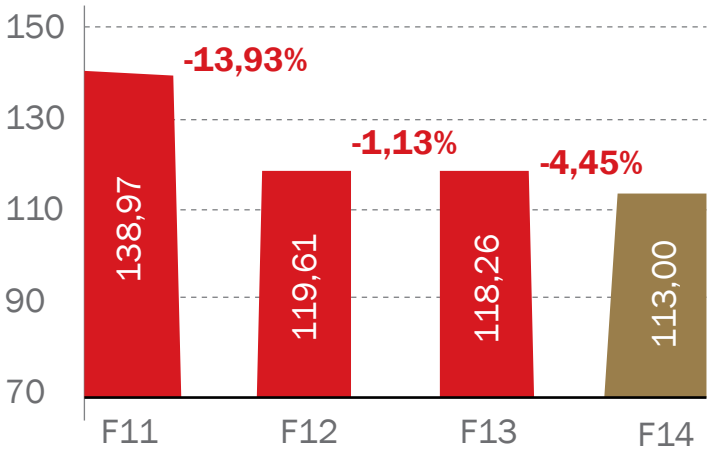
Nošovice (MJ/hl)



Velké Popovice (MJ/hl)



Plzeň (MJ/hl)



Milan Heřman

Technical Service Tank
Management Specialist



Packaging Reuse and Recycling



Milan Heřman

Technical Service Tank
Management Specialist

“We strive to ensure that the packaging of our products is as environmentally friendly as possible, and at the same time, that its further use is as easy as possible. Minimising the environmental burden is primarily achieved by giving preference to returnable containers and packaging made of recyclable or reusable materials for non-returnable containers.”

How do we reduce the environmental burden?

We try to use containers that involve the least environmental burden. We succeed in achieving this long-term goal even amidst the current market conditions, where, over recent years, consumers have significantly changed their purchasing behaviour and preferences,

shifting from drinking beer in pubs, restaurants and bars to home consumption of beer bought at retail outlets. This trend is most evident in an increased interest in the convenient PET bottles and aluminium cans. We package our brands in PET bottles, which are completely recyclable. Recently we have increased the number of brands and variants bottled in PET.

Glass bottles account for almost half of all returnable packaging we use. In addition, our returnable containers include barrels, which are used to package all our brands for the On-Trade market, that is, for customers offering draught beer in their outlets. The so-called ‘kegs’ are stainless steel and 100% recyclable barrels, with a long life span. In order to achieve maximum variability in the composition of our brands on tap, and given the different throughput volumes in various outlets, we package our brands in 15-, 30- and 50-litre kegs, while some other brands are filled in 5l casks, which are intended for supermarket customers.

In addition, we have succeeded in sustaining an agreeable share of returnable containers (43.3 %) in the composition of our packaging material despite a growth in the share of non-returnable bottles and cans. The latter growth is related to our efforts to offer to customers certain brands and their variants in unconventional containers, which increase their convenience of use. That is why the share of recyclable and returnable containers have dropped during the recent period with regard to the growth of products filled in cans and PET bottles and, most importantly, in non-returnable containers.

Beer tanks

Milan Heřman, *Technical Service Tank Management Specialist*

Once again, last year saw a rise in the number of On-Trade customers (restaurants and pubs) to whom we supply tank beer. The number of outlets using the so-called tank beer management is now rising every year as a result of our efforts to ensure the finest quality of draught beer. Tank beer does not have to be pasteurised and is distributed in a very environmentally-friendly way, since it is transported to the point of sale in tanker trucks and once at the place of destination, is pumped directly into 500- or 1,000-litre beer tanks with volumes of 500 or 1,000 litres. In total, we possess 709 tank outlets, including 508 outlets operating beer tanks with a volume of 500 l and 201 outlets operating 1,000-litre beer tanks. Tank outlets we supply beer to are starting to emerge abroad as well. We continue to take a proactive approach in persuading restaurant and pub owners who, over a specified period, achieve a throughput of beer meeting our requirements, to switch to beer tank management. At the same time, these efforts attest to our support to bringing consumers back to the On-Trade segment, attracting them by beer which is brought to them directly from the brewery at its freshest and in the best condition.

Plech jede

Vesselin Barliev, *Public Affairs and Sustainable Development Manager*

Canned beverages do not account for a major part of our production but their share may be expected to grow. That is why we launched the “**Plech jede**” campaign. The purpose of the campaign is to alter

the behaviour of the public when handling empty cans. The public mistakenly assign empty cans to mixed waste although cans are already bought back at selected collection sites. The campaign is organised by our company along with REXAM, the largest producer of cans in Central Europe, as a partner. The campaign was named after an unconventional giant can-shaped bicycle. Its purpose is to raise awareness of the need to sort cans, or aluminium as a valuable secondary raw material, and of the importance of the venture.



Aluminium is a very valuable material, much coveted in industry, especially due to its practically limitless life span and unchanging quality. Up to 100 % of dumped empty beverages cans can be recycled. The material collected under the campaign will be subsequently used to produce functional and useful bicycle stands. This is a pilot project under a call to sort cans, in which it is our plan to involve the general public in Plzeň and the surrounding regions. We also launched a website at www.plechjede.cz where those interested may find a list of locations in Plzeň where empty cans are collected, in addition to a range of other entertaining and educational materials. Also, two can presses have been deposited at the campus of the Western Bohemian University.

“ We would like to help to disseminate information about cans being valuable raw material. As a matter of fact, each returned can saves an amount of energy equivalent to that consumed by a TV during three hours of service.

Drahomíra Mandíková
| Plzeňský Prazdroj’s Corporate Affairs and Communications Director

Objectives up to 2015

We will continue to implement the strategy of preferring recyclable and returnable containers, along with the development of new packaging materials, in order to keep the recycling and re-use of our packaging at least at current levels. We intend to taken an active part in expanding the possibilities of buying back empty cans and raising public awareness of these methods of their use.

Types of packaging

Returnable bottles	3 095 140	—	43,3 %
Non-returnable bottles	200 851	—	2,8 %
KEG	2 849 419	—	40,5 %
Cans - Al	554 348	—	7,7 %
Cans - kov	13 708	—	0,2 %
PET	394 485	—	5,5 %
Total	7 152 951	—	100 %
Recycled packaging		—	89,3 %

Dagmar Lohrová
Risk and Environment
Protection Specialist



Working Towards Zero Waste Operations



Dagmar Lohrová

Risk and Environment Protection Specialist

“The vast majority of waste generated in the production of beer is a by-product of organic origin, which is biodegradable; it is therefore our long-term goal to achieve zero waste operation. Not only in beer production, but also in other operations, we endeavour to minimise the environmental impact of our activities, to reduce the total volume of waste produced while supporting re-use of waste primarily in agriculture and recycling.

How do we handle waste?

In 2013 we generated 161,369 tons of waste in total at our plants. Out of this amount, we managed to reuse 98.97%. We strive to ensure that waste is carefully separated in all our operations, i.e., at Plzeňský Prazdroj’s manufacturing, administrative and commercial facilities. In our value chain policy we prefer those partners and suppliers whose activities guarantee that the volume of non-reusable waste that ends up in landfills is minimised.

We are a member of the EKO-KOM association, which has been working with Plzeňský Prazdroj for ten years now in the area of recycling and reusing packaging waste in line with the applicable Czech legislation. Through our participation in the EKO-KOM system, and by fulfilling the duties of comprehensive re-use and recycling of packaging, we directly contribute to achieving energy savings, reducing greenhouse gas emissions, mitigating negative environmental impact and reducing our carbon footprint. Plzeňský Prazdroj already meets the targets of the European Parliament and Council Directive (EC) No. 98/2008 on waste, which requires EU Member States to increase their overall readiness for the reuse and recycling of waste as well as other ways of material recovery to a minimum of 70% of weight by 2020.

How do we handle the sorting and recycling?

We contributed to one of the largest environmental projects in the Czech Republic - the EKO-COM system for the sorting and recycling of packaging waste. The overall rate of recycling of waste in the Czech Republic was 71.8%, with 635,982 tonnes of waste and packaging recycled throughout the Czech Republic. Through waste

separation and recycling, the EKO-KOM system helped to reduce the generation of CO₂ greenhouse gas emissions in 2013 by the equivalent of 1,176,339 tonnes thus saving 27,953,183 GJ in energy. Plzeňský Prazdroj's contribution to the reuse and recycling efforts was 9,598 tonnes of packaging material. As waste the material would have otherwise filled 4,367 waste collection vehicles. Our share corresponds to the annual operation and servicing of 4,355 colour containers for separated waste and 221 collection points for metal packaging materials. Our contribution, therefore, allowed 291,742 inhabitants of the Czech Republic to separate their waste.

Our share in reducing the generation of greenhouse gases amounted to 13,263 tonnes of CO₂, which translates to the savings of 317,497 GJ of energy. This is equivalent to emissions produced by 6,234 mid-size passenger cars used over a year. The energy we saved is equivalent to the energy consumption of Prague's public lighting during 617 days.

Pilsner Fest - A Clean Festival

Pilsner Fest, a beer and musical event held within the site of the Plzeň-based plant once again subscribed to the principles of environmental activity focusing on waste sorting. As a result, the festival has been awarded the **Clean Festival** for three consecutive years now. The certificate is awarded by EKO-KOM, an authorised packaging company. As the festival belongs to the biggest events of its kind organised in the Czech Republic, it was a major opportunity in

terms of collecting recyclable waste: draught beer and other beverages were served in returnable cups. Thanks to using them, we managed to prevent the environment from being littered with a tonne of waste in the form of single-serving cups, which were used in the past. As a matter of fact, Pilsner Fest reported record-breaking attendance of over 45,000 people, who, in total, consumed over 83,000 litres of beer in returnable cups. Those may be washed and used again. If the beverages had been served in single-serving cups and if lovers of Pilsner beer had erected a tower out of them, the latter would have risen to a height of over 500 m.



Objectives up to 2015

We will continue to minimise industrial waste produced in our plants, separate waste in all our operations and seek new ways to reuse waste so as to continually reduce the amount ending up in landfills.

Cost of disposal and sale of waste

F14	Recycled wastes (t)	Landfilling waste (t)	Feed (t)	Hazardous waste (t)	Otherwise usable wastes (t)	Total (t)
PP	2 869	892	91 814	7	613	96 196
PRN	750	424	27 818	4	1 503	30 499
PVP	505	185	30 857	68	3 058	34 674
Total	4124	1 502	150 490	79	5 174	161 369

Prices for the liquidation and sale of waste

F14	The price paid for disposal NO (CZK)	Price paid for otherwise disposal waste (CZK)	Gain on sale of feed and waste (CZK)
PP	74 855	1 589 754	47 683 677
PRN	24 809	1 420 043	19 053 404
PVP	130 149	1 573 840	17 794 620
Total	229 813	4 586 637	84 531 700

Václav Abrahám
Commodity Manager



Encouraging Enterprise Development in Our Value Chains



Václav Abrahám

Commodity Manager

“We value cooperation with our suppliers and consumers. Our intention is to ensure that the result of our cooperation is positive for us and the society as such. We have undertaken to apply the ‘Responsible Supplier Principles’ created by our parent company, SABMiller. We believe that sound relations, long-term cooperation, and the quality of goods and services delivered will elevate our business relations to a durable partnership. We expect our partners to adopt an equally responsible approach and ethical behaviour.”

How did we cooperate with our suppliers?

Cooperating with our suppliers, we generated a turnover at an overall amount of CZK 5.5 billion in the fiscal year of 2014*. Suppliers established in the Czech Republic accounted for 89.4 % of the turnover value. Plzeňský Prazdroj is the domestic market’s second

largest buyer of malting barley and the biggest consumer of barley varieties approved for products bearing the České pivo (Czech beer) Protected Geographical Indication. These varieties accounted for 90 % of the sourced barley. The remaining barley, too, came from Czech growers. Every year we buy barley at a value of approx. CZK 720 million, of which at least 68 % comes directly from farmers, with the remaining part is supplied by other economic operators. Another strategic move is to support long-term cooperation with our partners, which is why, among other things, we enter into three-year contracts with them.

Barley sourced under the three-year contracts accounted for 11% of the total volume purchased. Thanks to this mutually beneficial cooperation, Czech farmers can fully develop their skills and experience and grow crops of the highest quality, which we can use for brewing our beers and thus meet the demands required of the Czech beer trademark.

In respect of the suppliers, we seek to maintain a fair price policy, we organise meetings for them in the presence of ministry officials, where we inform them of market developments, discuss the current market trends and quality requirements. We also support the Research Institute of Brewing and Malting in cultivating and distributing new varieties of malting barley. We have been instrumental in ensuring that a significant share of sales of domestic varieties are made in the Czech Republic.

** Individually listed years are PPAS financial years.*

Financial year 2014 refers to period from 1. 4. 2013 until 31. 3. 2014.

Projects implemented

Specialised meetings with barley growers

Václav Abraham, Commodity Manager

In order to streamline collaboration and strengthen partnerships we held other regular professional meetings with Czech growers of barley during which the latest trends were introduced and experiences exchanged. Barley days are held in Plzeň and Nošovice, i.e. where we operate our own malt-houses. In order to render the event more attractive we organised a workshop in Velké Popovice for the growers to get a better picture of our brewery. During the spring, we organised a field day for them in Vrané in the Kladno region.

The purpose of the workshops is for the growers of specific varieties of malt barley to showcase their production. We speak about the development achieved and of the trends that may be expected in the future. Not only do these events allow growers to obtain information on the overall trends in the markets for agricultural commodities directly from representatives of the Ministry of Agriculture of the Czech Republic, but also to get professional opinions from representatives of the Research Institute of Brewing and Malting. Representatives of our malt-houses introduce the suppliers to the issue of the actual processing of malting barley. By the time the workshops took place, the results of the latest harvest were already known and they could therefore be compared to those recorded the year before that.

The agenda of the meeting included a ceremony where the best suppliers were announced and awarded, with the supplier emerging victorious being invited to take part in a tour of the brewery. As a result our breweries will be visited by a group of employees of one of the supplier companies, who will have a chance to get to know the visitor routes, but also the operation of the malt-house, and to see how the barley they have grown is used in practice.

Objectives up to 2015



The scope of our company's collaboration with suppliers will change in 2015. It is specifically this area we would like to develop and support in the future. As a novelty, we are going to support small enterprises directly linked to our line of business, whether they are small-scale retailers or pub and restaurant owners. We intend to help them develop their respective businesses and to contribute, with our services and know-how, to their success. In addition, we will continue to develop collaboration with suppliers and partners subject to the Responsible Supplier Principles. As part of the collaboration, we will encourage our partners to adopt a responsible attitude via personal meetings, educational workshops and other instruments.

Pavla Mášková

Sustainable Development Manager



**Benefiting
communities**



Pavla Mášková

Sustainable Development Manager

“The key to long-term success of the company does not only lie in conducting business responsibly but also in supporting quality of life in the areas where the company operates. Therefore, Plzeňský Prazdroj regards support to the community as an important element of its sustainable development strategy and seeks to build good relations with the towns, municipalities and communities in which it operates.”

How do we support local communities?

Supporting local communities is one of the priorities in our sustainable development strategy. The quality of life in the localities where we operate is therefore important to us. We build values over time that play an important role in our business, especially our perception of responsibility and sustainability. This is why we continuously work on developing good relations with the municipalities and communities in which we operate. Plzeňský Prazdroj, one of the founders of the “Business for Society”

platform under the Doner’s Forum, is doing its part to cultivate corporate philanthropy both regionally and throughout the Czech Republic. The measurement results carried out using the Standard Responsible Company methodology (LBG) prove that Plzeňský Prazdroj uses the funds for donor activities effectively. In 2013, we contributed an amount of almost CZK 10 million (9,980,647) to the development and support of communities.

Projects implemented

PRAZDROJ TO THE PEOPLE

We care about the quality of life in regions where we operate, supporting projects that share the same goal under our very own PRAZDROJ TO THE PEOPLE grant program. Over the twelve years of the program’s existence, we have supported 312 projects to a total amount of more than CZK 68.5 million.

Last year, it was already for the twelfth time that community projects of public significance were supported under the **PRAZDROJ TO THE PEOPLE** program. In the Plzeň and Moravian and Silesian Regions we supported 22 non-profit making organisations last year, dividing an amount of CZK 5.5 million between them. Our own employees and inhabitants of the regions concerned had a chance to play a central role in the selection of the projects, with almost 15,000 votes received from them. The name given to the 12th edition of the program was “For the Generations to Come”. More than ever before, the selection focused on projects of a more lasting nature.

Our priority is sustainable development, which means, among other things, that in addition to developing the values that existed before us, we further intend to create new values to outlive us. The candidates could thus apply for grants both to cover investments in long-term projects and projects to establish new events.

A total of 31 project grant applications were submitted in the Plzeň Region, 16 of which were selected by the Council of Representatives for the public vote stage. Almost 8,000 votes eventually decided about the distribution of the grants in Plzeň. The most successful candidate emerging victorious out of the public vote held in Plzeň was the 'Centrum Hájek' project, which helps disabled people. The employees also picked their favourite project, namely that proposed by the Roman Catholic Parish in Plzeň entitled 'The Bells of Plzeň', which contributed to the manufacture and installation of bells for the St. Bartholomew Cathedral. The Council of Representatives picked its project, too. The venture they chose was that submitted by the Plzeň Regional Research and Scientific Library, which proposed to use the grant in restoring two Czech bibles originating from the 16th century.

In Moravia, a total of 45 grant applications were received, 20 of which were eventually picked by the Council of Representatives to advance to the public vote stage. The full required amount was obtained by three organisations, including Lašský smíšený pěvecký sbor Baška and the Odrášek Mobile Hospice, which became the pick of the Moravian staff. With the contribution, the hospice will be able to help dying people and their relatives. The Council of Representatives decided to support the Children's Bee Farm in Kozlovice. For a list of all successful projects, go to www.prazdrojlidem.cz

“*I would like to thank the management of Plzeňský Prazdroj for their support of the development of our Region through this donor program. I also highly appreciate the manner in which the overall amount is distributed based on the results of a public vote and I believe the sound collaboration will continue during the coming years.*”

Ing. Eva Richtrová

| Senator and Member of the Frýdek-Místek Assembly

Support to the Paraple Centre

In December 2014, a joint auction of unique Pilsner Urquell bottles from the world famous designer Lars Kemper was held, with the overall proceeds of CZK 526,069. The auction proceeds will be used by the Paraple Centre, which helps people with spinal cord injuries, to retrofit its premises with rehabilitation, treatment, compensatory and sports equipment. The new owners of the items auctioned off, whose design was inspired by lager barrels, were given the opportunity to fill their bottles with Pilsner Urquell lager in the cellars of the Plzeň brewery.

The Paraple Centre also supported charitable ventures of the Anděl Pilsner Restaurant and Plzeňský Prazdroj. During the so-called Week of Unfiltered Joy, the guests, by consuming unfiltered Pilsner Urquell beer, helped to raise an amount of CZK 27,660, which was transferred to the account of the Paraple Centre. Another event that supported the Paraple Centre's activities was an auction of unique artistic Pilsner Urquell coasters showing the motifs of the Golden

Olympic Games, going on for several days at the Aukro.cz portal. The overall amount raised was CZK 11,100.

“Our friends from Plzeňský Prazdroj and iDNES could not possibly present us with a nicer gift than the traditional bottle auction. I was happy to find out the proceeds of the auction went to the Paraple Centre for the second consecutive year. Thanks to the generous auctioneers, we may prepare better to help wheelchair users during the coming year.”

Zdeněk Svěrák

Radegast for the Restoration of Libušín

Through the Prazdroj to the People program, the Radegast brewery supported restoration works on the Libušín cottage at Pustevny, which had been destroyed by fire. The program's Council of Representatives allocated an amount of CZK 300,000 for the project to restore the valuable cultural monument at Pustevny. This already became one of the Council's projects for the upcoming 13th edition of PRAZDROJ TO THE PEOPLE.

“The restoration of Libušín will require an immense effort and considerable funds. The brewery's donation is of great assistance, while at once demonstrating that in Moravia, we stick together.”

Jindřich Ondruš | Director, Wallachian Open Air Museum in Rožnov



Objectives up to 2015

We will continue to address the needs of the regions in which we operate, and of the non-profit sector as a whole, to strengthen our mutual dialogue in order to properly and effectively target our support in the coming years. Our activities will be carefully evaluated and we will be specifically adjusted to align with the strategic priorities of the company. At the same time, the objectives will be reflected in the coming editions of the program.

Milan Koza

Employee Relations Manager



**Contributing to
the Reduction of
HIV/AIDS**



Milan Koza

Employee Relations Manager

“We recognise that, in addition to its health impacts, HIV/AIDS has serious social and economic consequences. While its incidence in the Czech Republic is low compared to the rest of the world, it is by no means negligible. As a member of the SABMiller global group, we are convinced of the importance of prevention, HIV not being an issue for the risk groups concerned only, but rather for all of us.”

How did we contribute to the prevention of HIV/AIDS?

While, according to experts, both within Europe and globally, the Czech Republic ranks among countries with a lower incidence of the infection, the steep increase in the number of patients is alarming. Representatives of non-profit making organisations and doctors highlight the fact that the original fear of the disease has subsided and people have stopped protecting themselves. Moreover, certain loosening was observed in sexual behaviour.

Owing to modern-day treatment, the patients may live for a substantially longer period. Physicians stress that while modern therapies may have fewer side effects, the disease continues to be a nuisance and is largely incurable. Last year saw the steepest increase in the number of patients since the mid 1980s, with 235 people newly contracting the disease. During the first months of 2014 alone, the number of new patients exceeded the value reported for the entire year 2006 - 100. The total number of HIV positive people in the Czech Republic is now at 2,221. Prague dominates the statistics with 68 %. It is followed by the Central Bohemian, Ústí and Vysočina Regions. In terms of age, most people who contracted the disease were at the age of 25 to 29; this specifically concerned eight men. Men account for almost 84 percent of all HIV patients.

Our company exerts global efforts to contribute to the promotion of preventive programmes and dissemination of information, among the general public, on how the disease is spread, on methods of prevention and potential risks.



Objectives up to 2015

We will continue doing the best we can to contribute to efficient prevention of the HIV infection and the AIDS disease, especially by participating in prevention programmes. As a member of the international SABMiller Group, we stand ready to contribute as needed in combating the disease, using our intellectual and technical resources, as well as our extensive international experience and access to relevant information.

Tatiana Bálintová
HR Business Partner



Respecting Human Rights



Tatiana Bálintová
HR Business Partner

“Plzeňský Prazdroj values its people and their work and is open to all those who want, and are ready, to participate with us in the success of our company. To this end, not only do we create adequate conditions for them, but also respect and consistently adhere to human rights principles. Fair remuneration, equal opportunities for men and women and a safe, healthy and anti-discriminatory work environment are matters of priority for us.”

How do we encourage respect for human rights?

During the fiscal year 2014, the production plants (in Plzeň, Nošovice and Velké Popovice), the Prague-based headquarters and distribution centres scattered across the Czech Republic gave jobs to 1,983 people.

Women’s representation in the company management and at managerial positions has risen thanks to increased attention to gender diversity. As regards representation of women in the TOP management, we meet SABMiller’s standards in this area. The number of employees who participate in corporate volunteering events and contributed, through their work, to the advancement of the communities in the vicinity of our breweries has grown tremendously.

Plzeňský Prazdroj became the 2013/2014 Employer of the Year in the consumer industry category, winning the major award, for the second time in history, in a survey held annually by the Czech Students’ Union. Our company was selected as the the Most Desired Company under a survey of coveted employers conducted among university students in the Plzeň Region. By advancing as a valued company under the 2014 Employer of the Region Award, we confirmed that we belong among the region’s best employers.

Most our employees completed an e-learning course to refresh their knowledge on complying with human rights and ethical principles. This ethical process as adopted at our company includes adherence to anticorruption measures that allow us to help reduce the risk of corrupt dealings. Any infringements of ethical and human rights principles are dealt with by Plzeňský Prazdroj’s Ethical Committee and three Ethics Ombudsmen who were consulted, during last year,

with several instances of suspected infringement of the company's ethical principles. Our anonymous phone line did not record any ethics complaints or any complaints alleging a breach of the principles of ethical behaviour, human-rights principles or corruption.

Promoting gender diversity and pro-family policy

Milan Koza, Employee Relations Manager

We were awarded the Full Family and Work Audit Certificate by defending our Basic Certificate awarded to us the year before. This was accomplished thanks to our meeting the action plan we subscribed to at the onset of the entire audit in 2012. The Family and Work Audit looked into a wide range of activities and covered a number of areas such as corporate culture, working hours, work organisation, professional development, etc. The certificate awarded confirms as correct the path we have decided to take, on which we intend to harmonise as much as possible the professional and personal lives of our employees.

We confirmed our readiness to create equal opportunities by subscribing to the Diversity 2013+ Memorandum announced by 18 leading companies. Along with others, we decided to adopt specific steps in fulfilling the rule of equal opportunities in our corporate strategy and to actively apply the principle of gender balance. Not only should this attitude allow us to rise up to new challenges, but also help us sustain our business and competitiveness in the future.

We have become members of the Age Management Thematic Expert Group under our membership in the Business for Society platform,

The aim of the group is to support introduction of good practices in the area of employment and human resources management with regard to the age structure of the staff and to work with and encourage HR managers to take practical steps in this area.

Corporate volunteering

Pavla Mášková, Sustainable Development Manager

In total, 311 Plzeňský Prazdroj employees (16 % of the total staff count) took part in various corporate volunteering programmes last year. For the second time, we took part in the 2013 Give&Gain International Volunteering Day providing everybody with the freedom to select where they want to help. We chose from dozens of organisations across the Czech Republic and several non-profit making organisations we supported via our Prazdroj to the People program. All employees who decided to participate were granted a day off compensated to the amount of their average wage.

The fifth edition of the event was characterised by an international corporate volunteering agenda entitled ENGAGE in the Czech Republic. Seventy-nine of our volunteering employees took part in the programme at various places throughout the Czech Republic. Assistance was provided via the total of 40 public benefit organisations, and 2,208 hours of volunteering work were served in total. We worked with the handicapped, seniors and children. We contributed to nature conservation projects and projects to save cultural monuments; we did window cleaning, painting and coating jobs; some of the volunteers even helped the organisations with their expertise. 'Come to the forest with us' was the title of a volunteering

event organised by the Radegast brewery staff. The event mainly aimed to help with the planting of new vegetation by collecting beechnuts (beech tree fruits), which constitute crucial and much-coveted material, using which beech tree seedlings are grown in tree nurseries. In total, 73 Radegast employees contributed to the formation of a new forest. Members of the top management joined the corporate volunteering activities as well, devoting one day of their time to the cleaning of the banks of the Morávka river, which supplies potable water to the Radegast brewery. During the pre-Christmas period, the Corporate Relations and Communication Team produced juggling balls for the Paciento Circus organised by the Ledovec civic association.



Objectives up to 2015

The company will continue to advocate strict respect for human rights, promotion of ethical principles, a safe work environment and equal opportunities for men and women. We will also continue to develop corporate volunteering as one of the forms of direct support to communities. Our adherence to the principles in these areas will be upheld by ombudsmen who will, in a transparent manner, resolve any instances of their violation. Information and recommendations derived from previous projects, activities and studies will be used to fulfil action plans in equal opportunities and merging of family and work interests.



Vesselin Barliev

Public Affairs and Sustainable
Development Manager



Transparency & Ethics



Vesselin Barliev

Public Affairs and Sustainable
Development Manager

“The sustainable development priorities define the way we conduct our business. They have become a natural part of our daily work and decision making, as have complete openness and transparency in communicating our activities and results to our stakeholders, our employees and the public.”

How did we fulfil the ten priorities?

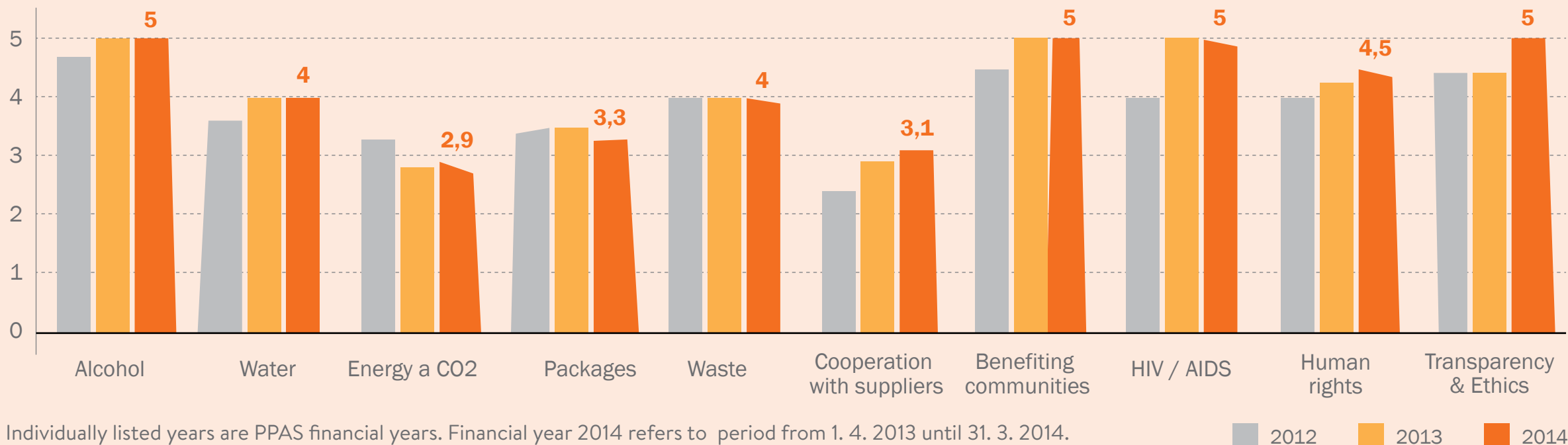
Active participation and involvement of our people is the prerequisite to successful implementation of the objectives arising from our ten priorities in the field of sustainable development. Information on these activities are provided to the employees via company portal and a regular website is dedicated to sustainable development, with information on its priorities provided in the “Za branou” (Behind the Gate) company magazine. We also implement our own campaigns on selected sustainable development priorities. The latest campaign, entitled “Nebud’ plejtvák domácí” (Don’t Be Wasteful) brought practical advice on how to save

energy and water at home. The philosophy of sustainable development is intertwined within all of our activities. It is a part of our business which all our employees are involved in. This is also reflected by proposals made by our own employees to improve technical solutions in the breweries, which have made it possible to save a large amount of energy and water. Corporate Social Responsibility (CSR) activities are conducted by employees at marketing and sales positions. In addition, all employees have the opportunity to participate in deciding which projects will benefit from the PRAZDROJ TO THE PEOPLE grant program.

Though its active cooperation, Plzeňský Prazdroj, one of the founders of the “[Business for Society](#)” platform under the Doner’s Forum, is doing its part to cultivate corporate philanthropy regionally and throughout the Czech Republic. Results of the measurement carried out using the Standard Responsible Company methodology (LBG) attest to the efficiency of the manner in which Plzeňský Prazdroj uses the funds under its donor activities.



Our proactive approach is reflected in the overall assessment within the global internal measurement system (SAM). In fulfilling the objectives under the ten sustainable development priorities we achieved the overall level of 4.18.



How do we inform the public and our partners?

We regularly inform the public of our achievements in fulfilling sustainable development objectives through the media and at our website, www.prazdroj.cz. Responsible conduct is also demanded from our partners and suppliers. Therefore, we see it as our duty to consult our activities with them. Our Sustainable Development Report is regularly forwarded to our close partners and the media.

TOP Responsible Company – Environmental leader

Plzeňský Prazdroj managed to hold on to its **TOP Responsible Company Award** in the annual Top Responsible Company survey organised by Business for Society. In competition with the largest and most renowned companies we rank among the best in the long run, being the main partner of this unique official ranking of responsible companies in the Czech Republic. We are happy to observe responsibility in business is becoming an ever more important part of strategy not only for large companies but also for small-sized enterprises. In 2013, almost 80 companies competed for the responsibility award. Once again, our company managed to succeed in the area of responsible business, coming 3rd in the Leader in the environmental field category. It was our Water Efficient Project launched at the Nošovice brewery that got us the award.

European CSR Award

At the **European CSR Award** competition – the first European award for corporate social responsibility at the national and pan-European level – we came second out of 29 projects in total. What won us the award was our long-term collaboration with the SANANIM non-profit organisation and the social merit of the K-LEE-DECK programme in the area of responsible alcohol consumption. At the same time, the success in the competition was a testament to our responsible attitude to the ten priorities in sustainable development.



The competition is organised by CSR Europe and Business in the Community with the support of the European Commission. The national partner and organiser of the competition in the Czech Republic is the Business for Society organisation.

Governor's Social Responsibility Award

Further, we were awarded the 2013 Plzeň Region Governor Social Responsibility Award, which was to be awarded for the first time in history of the Plzeň Region.



It was organised by the Council of the Plzeň Region, the Association of Socially Responsible Companies, the Plzeň Regional Chamber of Economy and the Quality Council of the Czech Republic. Its aim was to recognise efforts of companies and organisations active in the field of corporate social responsibility.

Sustainable Development Report

‘For the eighth year, we informed the public and our stakeholders about our approach, activities, results and plans through the annual Sustainable Development Report. The report includes references of third parties and independent experts and personalities confirming the impartiality of the report’s contents.

Objectives up to 2015

During the coming year, we are going to hold on to our responsible attitude in business. As has already been mentioned in the introduction, we are going face a number of changes in this domain, which, as we all believe, will have positive effects, with a new concept in the field of sustainable development entitled “Prosperity” allowing the company to more comprehensively fulfil the main idea underlying the concept, namely: If our business prospers, the people, communities and our surroundings will as well.

Vlastislav Štrunc

Tourist Events Specialist



Preserving the Historical Brewing Legacy



Vlastislav Štrunc

Tourist Events Specialist

“We have inherited a Czech national treasure from our forefathers. We are proud to continue their tradition by looking after our traditional beer brands, breweries and their surroundings, so that we can pass the legacy on to future generations.”

How do we preserve our brewing tradition and legacy?

We preserve and develop the brewing heritage built over generations for our successors. The craft of our coopers and cellar-men allows us to produce the legendary Pilsner Urquell beer in the traditional way, in oak vats and lager barrels in our cellars. Visitors to our breweries are presented not only with those traditional crafts, but also with some historically valuable sites as part of the tour, at the Brewing Museum, or in Plzeň's Historical Underground.

Record tourist attendance

Exactly **317,000** visitors completed at least one of the seven tours in the Plzeň, Nošovice, Velké Popovice breweries. The ratio of individual to group visitors has somewhat changed in favour of the latter. Their share grew, compared to last year, by almost 11 %.

More than 275,000 visitors enjoyed a tour at the Prazdroj or Gambrinus brewery, the Brewery Museum and Plzeň's Historical Underground, which amounts to a growth by 2 %. What is more, the Pilsner Urquell site tour was highlighted at TripAdvisor.com where it was awarded the prestigious Certificate of Excellence.

Our tour thus ranked among 10 % of the best rated tourist destinations worldwide.

At the Velké Popovice brewery, our visitors have been able to enjoy a unique tunnel for two years now and, in addition, an exposition completed last year. Almost 28,000 visitors from all over the world came to see the new abode of Olda the billy-goat.

The tour route at the Nošovice brewery was added to, last year, by new information panels and audio visual technology which brings visitors even closer to the brewing process and the brewery's operations. At the Radegast brewery, the tour route has become part of the “Techno-route” of the Moravia-Silesia region and welcomed 13,500 visitors. As an expression of respect to the traditions,

Radegast's brewhouse was named after its first brew-master and the spiritual father of Radegast beer, Josef Franzl.

“*Mr. Franzl showed a great deal of courage, which stemmed from his extensive practical and professional experience. In 1970, in a newly established brewery, then the largest in Moravia, he ventured to brew beer that was characterised by an entirely unusual taste, namely by its marked bitterness. Unfortunately, he did not withstand the pressure applied by his critics. Eventually, however, history proved him right. Our bitter beer is brewed to his recipe to the present day.*”

Ivo Kaňák | Radegast Brewery Manager

Developing the cooper craft

Plzeňský Prazdroj's cooper gang is unique in Europe. In Plzeň, this rare craft was preserved although, with the contemporary methods of beer consumption, it has lost its purpose. In order to preserve the taste of Pilsner Urquell beer, our brew-masters regularly compare the quality and taste of the maturing beer exposed to the original conditions in oak vats and barrels in our cellars. The purpose of the traditional rolling and pitching of large lager barrels with a volume of up to 50 hl is to replicate the beer fermenting and maturing conditions that applied 172 years ago. The cooper craft includes taking care of the oak vats, maintaining the barrels, replacing the wood, i.e. the pulp, and manufacturing new

barrels, this year intended mostly for export, with a volume of 25 l-50 l. The uniqueness and fame of the cooper craft at Plzeňský Prazdroj was brought back thanks to interns from France staying at the brewery. A secondary school training coopers who will eventually work in production of wine barrels asked us last year whether they could send six students over to learn the craft of manual production of beer barrels, which differs, in certain aspects, from that of wine barrels. As a result, for two weeks, French could be heard within Plzeňský Prazdroj's barrel workshop. A wide array of events and activities, during which our coopers had a chance to showcase their craft to the public is a clear testament of the effort we invest in taking care of our legacy and confirms that the craft itself has a number of supporters and admirers.

Objectives up to 2015

Since its establishment, over 1 million visitors have come to see the exposition in the Plzeň brewery. Therefore, 2014 will see adjustments to and a partial replacement of this most popular visitor tour. In 2015, Plzeň will become the European Capital of Culture and we intend to get ready for the event and to present our brewery in a manner worthy of the Pilsner Urquell brand. In addition, we will continue to devise efforts to keep the highest possible quality of services provided to our visitors and to maintain historical crafts so as to preserve them for the generations to come.

Comments on the content of the 2014 Sustainable Development Report by an external company for the Management of the Plzeňský Prazdroj company

Scope of the assessment

Plzeňský Prazdroj's 2014 Sustainable Development Report is a central document intended for the general public and the partners, evaluating the activities the company develops in the area of sustainable development and outlining the plans for the coming period. The Report contains an overview of the main areas and information on activities and processes completed Plzeňský Prazdroj during the period concerned, added to by comments raised by both internal and external stakeholders.

We have been asked by Plzeňský Prazdroj to produce an external comment on the Report and have done this through our partnership with independent experts. We based our assessment also on an analysis of the environment in the Czech Republic and the attitudes adopted by other companies in Plzeňský Prazdroj's area of interest. Our independent assessment only focused on the area of sustainable

development; this means that it does not analyse the information which the Report does not contain and to which it does not allude, such as financial statements, data on the company's ownership interest, economic and statistical data, information on the management and administration of the company. 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 fiscal year beginning on 1 April 2013 and ending on 31 March 2014.

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 companies in the same field of business. The assessment does not verify the accuracy of the data reported. Plzeňský Prazdroj compiles its Report based on SABMiller's global internal monitoring and measurement (SAM) system while also using other standardised or certified auxiliary instruments.

Conclusions and findings

In its Report, Plzeňský Prazdroj provides a clear overview of the results achieved during the period under consideration. In addition to evaluating the degree to which its approach is fulfilled, the Report describes the important results achieved, processes initiated and goals set for future periods. Some of the areas are added to by easy-to-follow information and result comparisons. Considering the market situation, the Report exceeds the reporting standards

normally applied by firms operating in the Czech market in the area of sustainable development. The Report is fully localised and compiled entirely based on local reporting. It may be further opportune to incorporate a description of the dialogue with key stakeholders as an important element in defining the strategic aims and setting the content of the Report and scope of the data reported. On the other hand, Plzeňský Prazdroj adds comments by both external and internal stakeholders to individual parts of the Report. The possibility to assess the scope of the activities reported could be boosted with the inclusion of a description of the manner in which the principle of materiality is applied in compiling the company's Report. We also recommend that the Report present basic information on the company and a set of indicators relevant to specific strategic areas.

Specific findings

■ As an instrument in informing the public of the company's views, the Report markedly exceeds the reporting standard normally applied in the area of sustainable development by firms operating in the Czech market. The steps adopted during the period concerned in the selected key areas are well elaborated and clear. Clear and easy-to-follow data on the results achieved are available for some of them. It could be helpful if all of the key areas and indicators were accompanied with an indication as to how successfully they are being fulfilled and if the Report presented, as far as possible, the measurable results and impacts.

■ In selected areas, Plzeňský Prazdroj transparently comments on the results achieved, in others, such as diversity, the provided data might need to be supplemented with information on the overall context and the data obtained or aims set. We believe that it would be appropriate for the reported information to be accompanied by concrete data on women's representation at specific levels of the company's management and the setting of specific diversity goals within the company's employment policy.

■ Sustainable development reports compiled by production companies customarily include data on the employee structure, occupational health and safety, accident rates and employee development. We believe, in the future, the Sustainable Development Report should also be supplemented by further data in this field.

■ Considering the nature of the company and its line of business, in terms of the Report's completeness, more attention should be given to supplier/customer relationships including business ethics and other systemic measures promoting value-orientation within the supplier chain.

Business for Society, Czech Republic

***Business for Society** develops responsible and sustainable business in the Czech Republic. Its purpose is to mobilise and motivate firms and other key institutions in social issues, responsible business conduct and the development of the quality of life in society. Plzeňský Prazdroj has asked us to formulate and provide a separate and independent comment on its 2014 Sustainable Development Report. The responsibility for the content and the compilation of the present Report rests with the management of Plzeňský Prazdroj.*



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