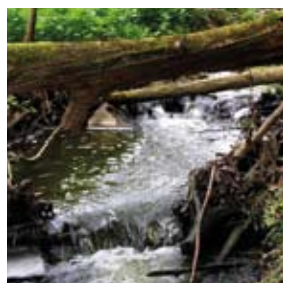


# Sustainable development report 2008



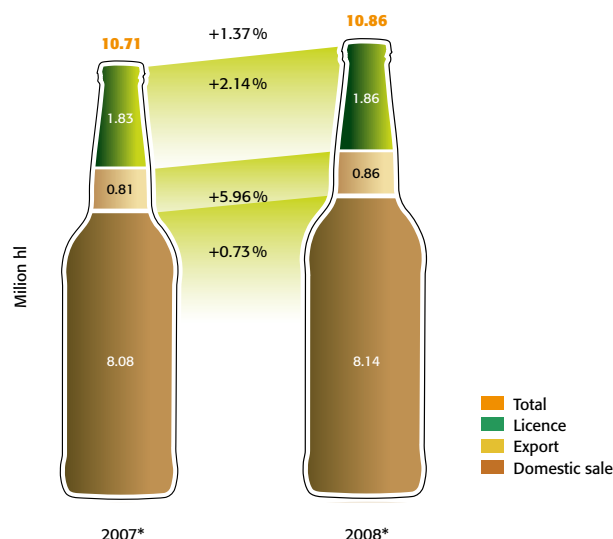
The Company	2
Foreword by the Chief Executive	4
2008 Overview of progress	6
Discouraging irresponsible drinking	8
Minimising environmental impact	12
Making more beer but using less water	14
Reducing our energy and carbon footprint	16
Packaging reuse and recycling	19
Working towards zero waste operations	21
Working with supply chains that reflect our own values	22
Respecting human rights	24
Benefiting local communities & contributing to the reduction of HIV/AIDS	28
Preserving the historical brewing legacy	32
Transparency in reporting our progress	34
Assurance statement	36

## Contents





## Beer sales are on the increase. Export has seen the highest growth



## We cherish the culture of selling beer



Plzeňský Prazdroj is one of the leading beer producers both in the Czech Republic and in Central Europe as a whole and is the largest exporter of Czech beer. It employs 2,448 people in its breweries in Plzeň, Nošovice and Velké Popovice and in 13 sales and distribution centres throughout the Czech Republic. The company is a member of the SABMiller plc since 2001.

In 2008\* Plzeňský Prazdroj, running a portfolio of 9 brands, produced 10.9 millions of hectolitres of beer, of which 34% intended for foreign markets in more than 55 countries worldwide. The flagship is the Pilsner Urquell brand, a bottom-brewed lager which gave its name to the largest category of beers in the world. In its business and all other activities the company respects the principles of sustainable development, fair business practice and transparency. These principles are laid down in company documents, guidelines

and internal procedures in compliance with Czech and EU legislation and international principles for corporate governance.

Plzeňský Prazdroj is also integral to the economic and social development of the whole of society. As the sixteenth top corporate taxpayer, it paid CZK 4,25 billion in the calendar year 2007. It is a support to the activity of suppliers and in 2008 alone this cooperation was responsible for turnover of more than CZK 8,7 billion, of which 80% involved domestic suppliers. The company is also a beneficial force for employment, both by directly employing 2,448 people and indirectly by creating business and work opportunities for more than 30,000 business partners and 4,000 suppliers.

\* 2008 is a fiscal year of the company that begins in April 2007 and ends in March 2008

\* 2007 is a fiscal year of the company that begins in April 2006 and ends in March 2007

## The Company

**Our vast brand portfolio  
enriches the beer market**



Dear ladies and gentlemen,

I would like to introduce the 3rd Plzensky Prazdroj report on our progress in the field of Sustainable Development. The report covers our areas of focus during 2008, the results we have achieved and our plans for the next period.

---

**CZK 4,250 m**

paid in taxes

---

**34,000**

customers and suppliers

---

From an economic perspective, Plzeňský Prazdroj performed well last year, despite difficult market conditions. This led us to pay CZK 4.25 billion in tax, placing us among the top taxpayers in the Czech economy.

Our business activities caused us to spend in excess of CZK 8.7 billion with our suppliers, of which 80% was spent in the Czech Republic. Thus the business activity of Plzeňský Prazdroj provides significant support to the development of the Czech economy.

Last year, our Sustainable Development strategy required us to implement transparent internal assessment processes, whereas this year we worked to improve performance and results in the fields of discouraging irresponsible consumption, minimising the impact

we have on the environment and working with our suppliers.

We monitor closely our commercial communication to ensure that it conforms to our principles as a responsible producer of alcoholic beverages and the principles of the brewing industry in general. We introduced internal guidelines for employees and continued to support education campaigns which address the issue of drinking and driving. As a part of SABMiller, we joined with the European Alcohol and Health initiative, which aims to reduce the harmful effects of irresponsible drinking.

As part of our responsible approach, we apply contractually the SABMiller Group Responsible Sourcing Principles with our suppliers. We aim to ensure that not only will they supply high quality products, but that they will enforce and apply those principles. The changing market for raw materials is a challenge for our suppliers as well as for us and we are fully aware of the need to face these challenges in a responsible way together.

Regarding our efforts to preserve the environment, we have recorded several improvements. We reduced our year-on-year energy consumption by 29% and we have been steadily reducing the level of CO<sub>2</sub> emission over the last few years. In the first National Allocation Plan (2005-2007) we managed, despite increased production, to reduce CO<sub>2</sub> emissions by more than 50% against the permitted amount.

We completed our bottle upgrade process, with all bottles now being 20% lighter, saving both energy consumed in their production as well as fuel needed for transport.

## Foreword by the Chief Executive

We recycle or reuse more than 99% of our waste. Organic waste, for example, is utilised as a source of renewable energy for our own consumption.

The company employs almost 2,500 employees and the appropriate level of care of our employees is very important to us. This year we upgraded our bonus system to ensure fair remuneration. We prepared new training and development programmes and improved the processes that ensure compliance with our ethics and human rights policies and our health and safety standards.

---

**CZK 8,700 m**

**total annual turnover of suppliers**

---

**10,86 m hl**

**of beer produced in 2008**

---

We continue to support local community development and are investing in programs that improve the quality of life for needy people in those areas where our breweries operate. Our Citizens' Choice program received the "Outstanding Projects" award in the contest for the 2007 TOP Corporate Philanthropist, organised by the Czech Donors Forum.

With our total social investment of almost CZK 20 million, Plzeňský Prazdroj ranks amongst the top 15 corporate donors in the Czech Republic.



In the forthcoming period, our priority focus remains on discouraging irresponsible drinking, cooperating with suppliers and minimizing the impact of our business on the environment. In addition, we will continue to strive for fair and long-term relations with business partners who are prepared to share our values and commitment.

**Mike Short**  
Chief Executive





In 2008, Plzeňský Prazdroj focused on fulfilling action plan of the sustainable development priorities in the company. We have placed emphasis especially on the promotion of the responsible consumption of alcohol and cooperation with our suppliers.

### Our results

In the overall evaluation we have achieved improvement and amounted to several important targets:

- We are actively participating on prevention programs addressing irresponsible alcohol consumption, and we are strictly monitoring our commercial communication.
- We have introduced the "Group Responsible Sourcing Principles" (GRSP) which are binding for all suppliers, and we have launched a system to assess the compliance to the Principles with selected supply chain partners.
- The increased volume of produced beer notwithstanding, we are keeping our water consumption (4.2 hl water/ 1 hl beer) below the global average (5 hl water/1 hl beer).

- Having applied modern technology, we have reduced the year-to-date energy footprint of our plants by 29% and CO<sub>2</sub> emissions by 6.4%.
- We have finalised the complete changeover of our bottles for the new lightweight Gold type. The changeover has saved both energy and 5,350 tons of quartz sand.
- We continue in the utilisation or reusing of 99% of waste.
- Plzeňský Prazdroj has again been selected as the "Employer of the Year" in the Pilsen area.
- Plzeňský Prazdroj is ranked as the fourth most respected company (Czech Top 100) and belongs to Czech Republic's Top 15 Corporate Donors (Top Corporate Philanthropist).
- The Citizens' Choice Program has been awarded in the Top Corporate Philanthropist ranking list as an "Outstanding Project".

A detailed overview of activities and the plan for the next period are given in the final section of this document.

## 2008 Overview of progress



## The key sustainable development priorities of the company

<b>1</b> Discouraging irresponsible drinking	<b>7</b> Respecting human rights
<b>2</b> Making more beer but using less water	<b>8</b> Contributing to the reduction of HIV/Aids within our sphere of influence
<b>3</b> Reducing our energy and carbon footprint	<b>9</b> Benefiting communities
<b>4</b> Packaging, reuse and recycling	<b>10</b> Transparency in reporting our progress
<b>5</b> Working towards zero waste operations	<b>11</b> Preserving the historical brewing legacy
<b>6</b> Building supply chains that reflect our own values and commitment	



**We strive to ensure that our product is consumed in reasonable volumes, that it doesn't have an adverse effect on consumers or society. On the contrary, that it plays an appropriate and enjoyable part of adult social experiences (over the legally stipulated age limit) who decided to consume our product voluntarily.**

### **Alcohol and society**

Alcohol can have both a positive and a negative influence on people's health. Independent studies and convincing evidence suggest that the harm caused by alcohol is linked to excessive drinking. Prevention should therefore target excessive alcohol consumption and focus on providing objective information on the positive and negative effects that alcohol has on people's health.

### **Formulating a national position**

Together with state institutions and independent experts the brewing industry plays an active role in providing objective information and discouraging irresponsible drinking.

- The Czech Breweries and Malt Houses Association has introduced a code of conduct, set up self-regulating procedures and issued commercial communication principles binding for all its members. Its Responsible Brewers Initiative creates an ethical environment for Czech brewing, especially by supporting and setting up education programs. These deal with drink driving, underage drinking and many other related subjects.

## **Discouraging irresponsible drinking**

- Independent experts, leading doctors and dieticians develop, along with their studies, information materials for the professional and general public.
- Together with independent experts and the European Union, state institutions are formulating a joint national plan to combat the negative effects of irresponsible drinking.

## Our position

As beer producers we know that our product is not suitable for everyone and that its excessive consumption can be harmful for consumers and their surroundings. It is important for us to know where, when and by whom our product is consumed. Our task is to provide adequate objective information to help consumers make their own decision and for it to be the right one.

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.

## Activity in 2008

In 2008 we continued to monitor observance of our commercial communication principles. The internal ethics team ensures that commercial communication materials comply with



**Birell patrols in action**



SABMiller principles, the Responsible Brewers Initiative statutes, and the Advertising Council's code of ethics. Any uncertainty is resolved by a third, independent party – the Advertising Council, of which Plzeňský Prazdroj is a member.

We issued internal guidelines of responsible alcohol consumption which inform our employees of the company's position on this subject and the principles governing alcohol consumption in the workplace.

In 2009 employees from selected departments will undergo in-house training in commercial communication. By moving the original date it will be possible for more employees to take part than was initially planned in 2008.

Plzeňský Prazdroj continued to support a raft of educational programs. It became the main partner of the Promile Info service, and backs the Responsible Brewers Initiative's

"Designated Driver" and "Put the break on" projects, which target the problem of drink driving and underage drinking. Responsible consumption is also supported by the Radegast Birell brand, whose communication programs emphasise the importance of observing road safety rules and encourage people not to drink and drive.

## Projects

### Strict supervision that principles are observed

The internal ethics team monitors observance of commercial communication principles. There were no violations in 2008.

### Promile Info

Plzeňský Prazdroj supports the SANANIM association program entitled "Promile Info". The service offers general information mostly to drivers and cyclists on their current blood alcohol level and how long it will take to fall to zero.



## Discouraging irresponsible drinking

Users of the service will also receive support from the SANANIM prevention and addiction treatment programs. For more information on the service go to [www.promile.info](http://www.promile.info). The service is used mostly by men (80%) and users' average alcohol content is 0.79‰. This means that most cases involve moderate alcohol consumption.

### Radegast Birell for road safety

In our brand portfolio the chief component in discouraging irresponsible drinking is Radegast Birell. Its campaigns contribute to road safety by targeting not only drivers but also cyclists. For example, the so-called Birell patrols provide information on important changes in transport regulations. Activities urge drivers and cyclists to refrain from consuming alcoholic beverages before and during trips.

### Notices on labels

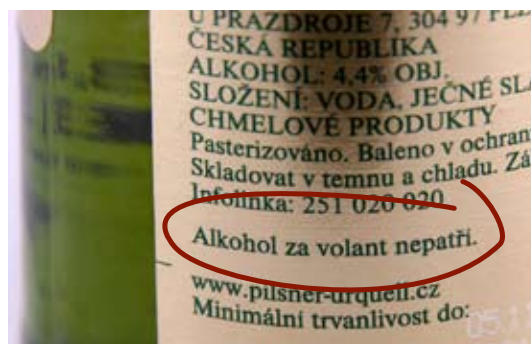
The warning "Alcohol does not belong behind the wheel" is attached to all our portfolio's beer brands.

### 2009 Targets

In 2009 we will continue to apply principles of discouraging irresponsible drinking. In-house training programs will be held on commercial communication principles and the ongoing education and preventive programs will be continued. We will also help formulate an ethical environment in the brewing sector and be involved in preparing the so-called national prevention plan.



Controlling the current blood alcohol level



Notice on labels



Field work of the „Designated driver“ promotion teams



Our drive to minimise the environmental impact is based on the following principles:

- Make more beer using less water
- Reduce our energy and carbon footprint
- Have a vibrant packaging, reuse and recycling economy
- Working towards zero waste operations

Minimising the impact our business has on the environment is one of our primary principles. For several years Plzeňský Prazdroj has followed a policy guaranteeing the quality and health and safety of its products, work safety and environmental protection. All the breweries have established an environmental management system in conformity with the internationally

acknowledged standards ISO 14001, quality management system ISO 9001, and the HACCAP health and sanitation safety system for food products. A work safety management system is currently established in compliance with the norm OHSAS 18 001. All production operations comply with strict EU legislative requirements.

## Minimising environmental impact





**Since 2000 we have reduced water consumption by 12.5%.  
At current production levels this represents an annual saving  
of 5.8 million hl of water.**

## **Making more beer but using less water**

### **Our position**

Water is one of the basic raw materials used in beer production. It forms approximately 95% of the content and on average it takes 5hl of water to produce 1hl of beer anywhere in the world. Careful water management is therefore part of the company's sustainable development strategy.

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 2008**

Despite increasing the volume of beer produced we were able to maintain the consumption level at 4.2hl of water for every 1 hl of beer produced. The lowest consumption, of 3.93 hl/1 hl, was recorded by the Radegast brewery, followed by the Velké Popovice brewery with 4.1 hl/1 hl.

## **4.24 hl of water**

**consumption for every 1 hl of beer produced  
(world average = 5hl/hl)**

In 2008 we sought to improve company technology. By modernising the internal water mains we eliminated losses in the production and distribution of beer and malt. The Velké Popovice brewery completed its project for monitoring water sources. Thanks to a modern remote system for managing wells we can prevent any unwanted interruption to the water-table and bring about better water management. In recent years we have invested in the water treatment plants and in 2008 made further strides in upgrading their functions. Water drained into the surroundings thus meets the strictest criteria. We are currently seeking to improve our own procedures, although in future we will be glad to share our skills with our partners in an attempt to minimise the environmental impact at all stages of our product's preparation.

## **Minimising environmental impact**



## Projects

### Velké Popovice brewery monitors water resources

In 2008 the Velké Popovice brewery completed a project monitoring water resources. The brewery draws water from its own system of wells. Control and monitoring of the wells produce better management in the ten existing wells and helps avoid disturbing the water-table. A remote system controls the individual wells and water management buildings and ensures optimal water management and immediately draws attention to a defect in the machinery. Water-table probes also help reduce the energy used in pumping water and protect water resources against damage.

### Drinking-water pumping station in Plzeň supply the brewery, but in exceptional circumstances also the city

In March 2008 a pressurised drinking-water pumping station was commissioned. This is located in the brewery complex and normally

supplies the central packaging hall with treated water from five underground wells in Plzeň-Roudná. In crisis situations, such as floods, long-term outages or a water-management accident, the station is prepared to supply drinking water to part of Plzeň city. In a crisis the station can supply up to 380 thousand cubic litres of drinking water an hour.

### Investing in water resources

The historic spring in Roudná is the main water resource for the Plzeň brewery and from 2000 to 2007 Plzeňský Prazdroj invested more than 10 million crowns in its reconstruction.

## 2009 Targets

In 2009 we will concentrate on reducing water loss in the Plzeň distribution system and the more effective use of water by the fire system. We will also begin water management talks with selected suppliers.

### Consumption of water during beer production (hl water/1 hl of beer)



\*A fiscal year of the company that begins in April of the previous year and ends in March of the year given





## Reducing our energy and carbon footprint

### Our position

Brewing is one of the highest energy-consuming operations in the food industry. Brewing operations use a variety of energy sources, but chiefly electricity and heat. For a typical Czech brewery most energy is required in the actual production process; the brew house, for example, is responsible for 46% of total heat consumption and 18% of electricity, the packaging hall for 19% of heat and 21% of electricity.

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 CO<sub>2</sub> production
- perfect knowledge of emission levels and their management

### Activity in 2008

In 2008, Plzeňský Prazdroj continued its drive to reduce energy consumption and CO<sub>2</sub> purchases and to use organic waste as an alternative energy source. It succeeded in reducing energy consumption year-on-year by 29% from 155.61 MJ/1 hl to 111.04 MJ/1 hl of beer. This was partly attributable to the modernisation of heat distribution systems in the Velké Popovice brewery (which brought savings in heat), as well as the investment in an economiser, which uses waste heat and economises on the consumption of natural gas. Over the last 10 years we have reduced CO<sub>2</sub> consumption by 46% and year-on-year by 6.4%. In 2008 the chief reduction came from introducing the process of fermentation CO<sub>2</sub> entrapment directly

## Minimising environmental impact

### Energy consumption rate (Mj/hl)



\* A fiscal year of the company that begins in April of the previous year and ends in March of the year given

**Over the last 10 years  
we have reduced CO<sub>2</sub>  
consumption  
by almost 50%.**

from production in the Velké Popovice brewery. The project results in annual savings of 6,000 tons of carbon dioxide.

In 2008 renewable energy sources made up 1% of the company's total energy mix. Organic waste is the main renewable energy source used in operations. Biogas, which is created in the anaerobic treatment of waste water, can go on to be used as a heat medium. The project is environmentally friendly and also results in financial savings for the company.

---

## 29%

**year-on-year reduction of energy consumption**

---

### Projects

#### Economiser – saving energy

In September 2007 the Velké Popovice brewery completed the assembly of an economiser for the steam production boiler. The total investment was 1.65 million crowns. This is a heat exchanger which uses waste heat that would otherwise end up in the chimney. But the brewery uses it to pre-heat water for the boiler. By doing so it annually saves the same amount of natural gas that a normal family home in the Czech Republic would consume over roughly 100 years.

### **Fermentation CO<sub>2</sub> ends in production, not in the atmosphere**

The Velké Popovice brewery invested CZK 13.3 million in the entrapment of fermentation CO<sub>2</sub>. The system is already used in the Plzeň and Nošovice breweries, while Popovice now has the most up-to-date and most economical system on the market. This works on the following principle: carbon dioxide generated in the fermentation process in beer production was previously expelled into the atmosphere. It was also necessary to buy another, chemically created carbon dioxide for the production process. The new system is able to entrap fermentation CO<sub>2</sub> and use it in the brewery's production operations. In the first year alone, it won't be necessary to produce about 2,000 tons of carbon dioxide using natural resources and the same volume won't end up in the atmosphere as a brewery waste product.

---

## 6.4%

year-on-year reduction of CO<sub>2</sub> production

---

### **Radegast brewery uses 99% of biogas**

In total, the Radegast brewery uses 99% of all biogas generated in treating waste water from the brewery. Originally, the natural gas and part of the biogas were burned, but thanks to investment in energy the brewery used up almost all the biogas. The project thus saves on natural gas and has also brought the brewery financial savings of at least 1 million crowns.

### **CO<sub>2</sub> economies in transport**

Last year, logistical changes cut our company's mileage by a third, making it possible to reduce CO<sub>2</sub> emissions by 8,200 tons, or roughly the same amount generated by the annual consumption of fossil fuels in a town with a population of five thousand. We also ensure that our shipper's car pool meets European emission norms.

### **2009 Targets**

Next year we will continue to increase the proportion of renewable energy resources and the amount of fermentation CO<sub>2</sub> used for production purposes. We have also undertaken to exchange all freon cooling equipment by 2009.

## **Minimising environmental impact**



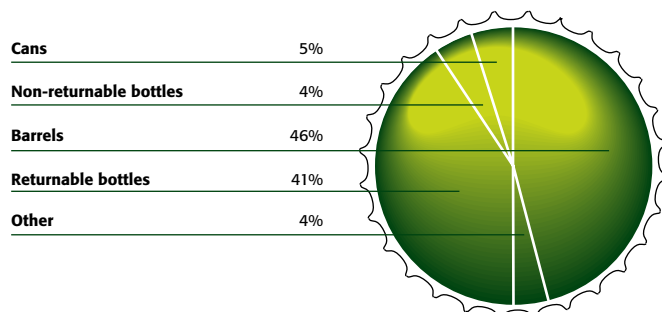
## Packaging reuse and recycling

### 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 over its whole life cycle

### Packaging by type



### Activity for 2008

For several years more than 90% of our packaging has been returnable or recyclable. In 2008 we continued to decrease the packaging weight, monitor the content of heavy metals and eliminate risks from working with packaging. Plzeňský Prazdroj is a member of the EKO-KOM association which in the Czech Republic deals with the issue of packaging recycling and reuse.

---

> 90% of packaging  
is returnable or recycling

---

In 2008 we introduced lighter bottles for the Radegast, Radegast Birell and Velkopopovický Kozel brands. The company's entire brand portfolio is thus packaged in bottles 60g lighter than before. By saving on packaging weight we consume less energy both in distributing the products and in producing the bottles themselves. The new Pilsner Urquell crates are also lighter by 200 g.



**The company's entire brand portfolio is packaged in bottles 60 g lighter than before.**

In 2008 it wasn't possible to develop a system for reusing waste labels from washing returnable bottles. We will continue to seek a workable system and a partner for secondary processing.

## Projects

### New environmentally-friendly bottles

In April 2007 we concluded the complete changeover to the new Gold type bottles. These are 60g lighter, meaning that the required number of bottles consumed 5,350 tons of glass sand less than the "old" versions. Producing the gold bottles also results in energy economies. By changing the bottles for Plzeňský Prazdroj brands we saved more than 40,000 tons of coal and around 50,000 tons of CO<sub>2</sub> in the glass industry.

By reusing scrap glass from discarded bottles we managed to supply glass works with 5,737 tons of glass for recycling.

### Recycling crates

The recycling of crates begins directly in brewing operations. Crates are pulverised and the bits then taken for further processing.

---

**50,000t CO<sub>2</sub>**  
saved in the bottle changeover

---

### 2009 Targets

The company will monitor the packaging production process with regard to its harmful effect on the environment. The result will help define possible areas for improvement.

## Minimising environmental impact

## Working towards zero waste operations

### Our position

In our production procedures we place great emphasis on minimising the volume of waste produced and support its reuse or recycling. We are helped by the fact that the vast majority of waste generated in beer production derives from secondary products of organic origin which can be reused or recycled. That's why our target is to have operations with zero waste.

### Activity in 2008

Ninety-nine percent of the 175 thousand tons of waste generated in 2008 from the plants in Plzeň, Velké Popovice and Nošovice is used. Agricultural production utilises 161 thousand tons of yeast and malt-house waste. Water treatment sludge, of which more than 4,000 tons is produced, is mixed with soil as fertiliser. Every year 430 tons of waste kieselguhr is used to plough and lighten soil for recultivated areas. If there is waste we can't use we make sure that it is eliminated by designated and authorised subjects and that they deposit it in set-aside dumps.

### Projects

#### Waste segregation in the breweries

All three breweries have introduced a waste segregation system both in operational and administrative fields. Waste segregation will be introduced in all sales and distribution centres in 2009.

---

< 1%  
of waste

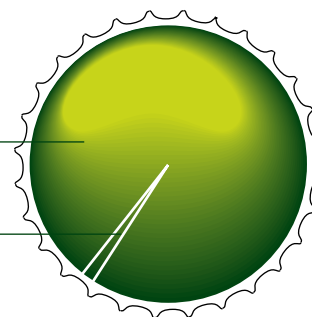
---

### 2009 Targets

Next year we will introduce a waste segregation system in all sales and distribution centres.

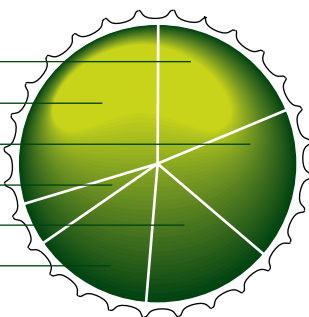
#### More than 99% of the company waste has a secondary use.

Waste reused/recycled	
174 963 tons	99,79%
Waste not reused/recycled	
368 tons	0,21%



## Cooperation with suppliers – overview of the top industries based on turnover

Raw material	19%
Other	30%
Packaging	18%
Energy & water	5%
Marketing & promotion	15%
Transportation	14%



**Our business activities with suppliers caused us to spend CZK 8.7 billion annually, of which 80% was spent in the Czech Republic**

## Our position

We pay close attention to understanding the impact our activities have on our supply chain partners. In our relations with suppliers we act openly and follow the rules of responsible business conduct. We implement the so-called “Responsible Sourcing Principles” formulated by our parent company SABMiller and we expect the same from our suppliers.

## Activity in 2008

In 2008 we acquainted all our suppliers with our responsible sourcing principles which, together with the ethical rules, form an annex to contractual conditions. They concern subjects such as business conduct, employment conditions, forced or child labour and discrimination, but also environmental protection. Observance of these principles by key suppliers is monitored within the existing quality control company program. In the course of standardised

monitoring processes we have not registered any breaches or shortcomings.

## Projects

### Quality management, responsible approach principles

In cooperation with our suppliers we follow the SQM (System Quality Management) program, which controls the quality provided by the supplier. In this way Plzeňský Prazdroj ensures that it receives from its suppliers only the very best raw materials, services or products. The system not only focuses on quality control but also checks that the responsible sourcing principles are observed. An important element of these principles is the protection of employees’ health and safety at work.

### Dialogue with partners, an important part of cooperation

Dialogue is an important part of our long-term cooperation with partners. That’s why for several years we’ve organised meetings and seminars for our suppliers, and especially

**Working with supply chains that reflect our own values**





for hop and barley suppliers. The aim of the meetings is to assess cooperation, the mutual exchange of information, and to present new trends and consolidate mutual relations.

### 2009 Targets

In the coming year we will continue to work with our suppliers to ensure that the 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. We will continue to consolidate long-term cooperation.

## Our group responsible sourcing 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 organizations

---

Environmental protection

---



### Our position

As a member of the SABMiller global company 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, primarily:

- freedom of association and collective bargaining
- prohibition on forced labour and child labour
- prohibition on any type of discrimination
- a fair remuneration policy
- a safe and health work environment

### Activity in 2008

The company continued to improve the work environment for its employees. The system that appraises compliance with ethical principles created new control bodies and adapted the procedures which monitor compliance. Employees have recourse to 3 ombudsmen, who they elect themselves in an employee vote. The procedure includes an anonymous telephone line which every employee can use to report violations of human rights and ethical principles.

In 2008 a concerted effort was made to improve workplace health and safety. The company has a committee which performs regular controls to ensure that health and safety standards are upheld at work and investigates ways to improve them. In 2008 there were no serious violations of workplace health and safety on the part of employees.

## Respecting human rights



**Although the brewing industry is considered to be dominated by men, 32% of the company's employees are women**

The fair remuneration and education system offered new benefits which, among other things, include above-average health services, financial consultancy, advice on solving housing matters, or on healthy living. In education the "university system" was introduced, offering employees the chance to study selected specialised subjects.

In 2008 Plzeňský Prazdroj was again named "Employer of the Year" for the Plzeň region.

## **Projects**

### **Health and safety protection in the workplace is a priority**

Good working conditions, a healthy work environment and effective accident prevention are factors highly appreciated in brewing operations. We have established clear internal rules and monitoring procedures. A committee comprising the risk manager, the employees relations manager,

a union representative and the relevant departmental head check that standards are upheld and supervise employee working conditions. The results are evaluated by company management. Every employee owns a document with basic principles setting out acceptable and unacceptable conditions.

### **Company ethics**

Discrimination, forced or child labour and unfair working conditions are dealt with using a procedure which oversees the company's ethical principles and monitors the observance of ethical rules and basic human rights. In 2008 communication media and a staff training system were defined and control procedures set up. The highest control body is the ethics committee, which supervises the procedure, a team that resolves ethical behaviour questions, and finally 3 ombudsmen. These are elected by company employees for a term of 3 years. Their tasks include advising employees in cases where they are uncertain of the ethical correctness of their behaviour, upholding



and enforcing the presumption of innocence, or helping implement measures which eliminate unethical behaviour.

#### **Pilsner Urquell university**

In 2008 the company introduced an internal university education system. This offers packages of training, courses or programs which provide employees with a specialisation in a selected subject (e.g. brewing, or financing). The program plans gradually to introduce accredited programs and develop its own education centre.

#### **Transparent and fair performance evaluation**

The performance management procedure helps define fair remuneration based on work performance. The system is installed throughout the company and is available both in print and in an electronic version. The procedure includes the evaluation by employees of their own performance, the stipulation of targets for the subsequent period, and discussion of their future professional development.

#### **2009 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.

## **Our human rights principles in brief**

---

Free association and the right to collective bargaining

---

Prohibition on forced labour

---

Rejection of child labour

---

Rejection of any form of discrimination, whether according to gender, origin, religious creed or political persuasion, age or sexual orientation

---

Fair remuneration

---

Safe and healthy work environment

---

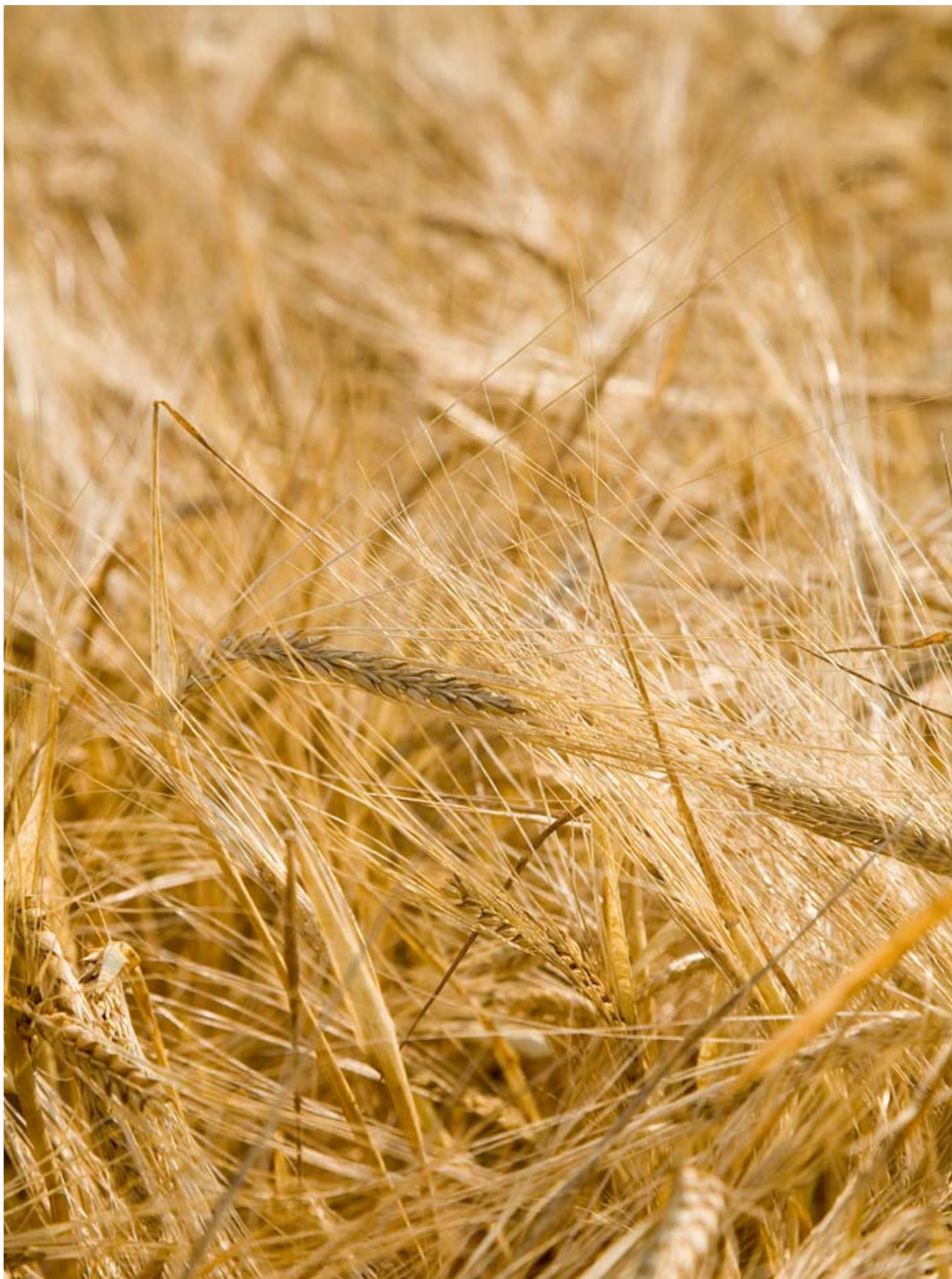
Employee safety

---

Cooperation with partners who share the same principles

---

### **Respecting human rights**



**The key to long-term success consists not only in responsible business, but also in supporting the quality of life in places where the company operates.**

### **Our position**

The prosperity of companies and communities is closely intertwined: a large proportion of employees, suppliers and customers come from local communities, while on the other side communities benefit from the employment and tax that companies provide.

---

## **CZK 19 m**

**invested into communities in 2008**

---

Plzeňský Prazdroj believes supporting the local community to be an important part of its sustainable development strategy. It invests in raising prosperity levels in the places it does business through financial contributions, expert know-how and the time of its employees. The programs reflect Plzeňský Prazdroj's vision, mission and values, but also 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 the sufficient awareness of risks and risk behaviours, possibility of spreading and protection, prevention and curative methods. 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.

### **Activity in 2008**

Over the year the company invested around 19 million crowns in the community development. Investment covered several projects, for example the Citizens' Choice program, support for The Lighthouse, an asylum centre for victims of Aids, backing for the One World International Film Festival, or the planting of new trees in Beskydy.

**Benefiting local communities & contributing to the reduction of HIV/Aids**





The company is also 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 (SOF) to systematically measure effectiveness of invested means. We were judged to be among the top 15 corporate donors in the 2007 TOP Corporate Philanthropist list. The Citizens' Choice program was praised in the "Outstanding Project" category for its transparent approach to donorship by integrating the public and employees, and its systematic approach to the development of non-profit organisations in the region.

We are now in the second year of monitoring the prevalence of HIV/Aids in the Czech Republic. In 2008, the Plzeňský Prazdroj Donation Fund started its cooperation with The Lighthouse, a member organisation of the Czech Help Aids association. The support focuses on a toll-free 24-hour Aids help line for the patients, their families, and anyone seeking help or advice.

## Projects

### Citizens Choice

One of the main community projects of the company is the Citizens' Choice program. It was established in 2002, seeking to improve the quality of life in the communities where our three breweries are present. In 2008, the program provided support to 22 individual projects with an overall amount of CZK 6 million; four other projects received assistance from the donation made by the Association of Licensed Brewers in an amount of CZK 744 thousand. The program has contributed to the improvement of conditions and healthcare in the home for handicapped children in Třinec, equipped sport centres and children's playgrounds in the three regions, improved the living conditions in homes for the elderly and for patients with terminal diseases; it has also furnished the playroom of the children's ward of the psychiatric clinic, and brought higher quality to stem cell treatment in Pilsen. Moreover, the program has brought support to both Boy and Girl Scouts in Pilsen, allowed the extension of an emergency centre for animals, and assisted in the realisation



of an awareness program for 1,200 members of the Association of Patients with Civilisation Diseases in Pilsen. In the field of culture, the support so far includes several events, two listed monuments, and restoration of a historic print.

### Education programs for non-profit sector partners

In 2008, the Citizens' Choice program also included a set of training courses for non-profit organisations. The courses were held in Pilsen and Ostrava, on the topic "Using business experience and methods in NPO". The Czech Donors Forum participated in the inception of the event. The training focused on professionalisation of NPOs in terms of management, effective communication, and cooperation with the corporate sector. The participants were then asked to evaluate the quality of the workshop and the added value of the information on a 0 to 5 scale. None of the parameters received a rating lower than 4; this shows outstanding satisfaction with the organisation of the workshops and with their content as well. The best ratings were awarded to "Professional management/business methodology for NPO management" in Ostrava and "PR and communication in NPO/NGO" in Pilsen.

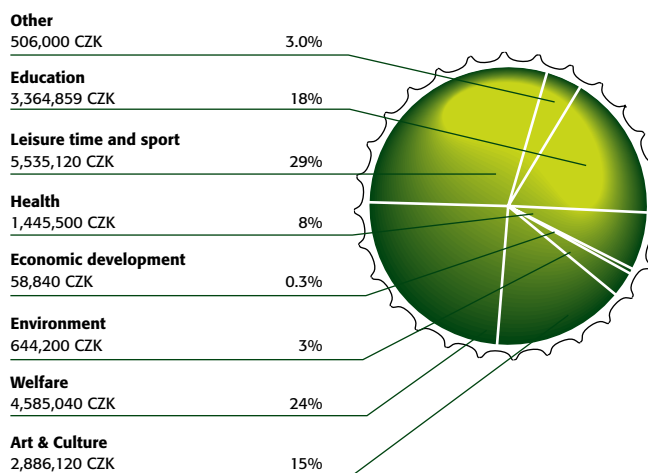
### One World for human rights

For several years Plzeňský Prazdroj has been the main partner of the One World International Documentary Film Festival on human rights. In 2007 the Festival celebrated its tenth anniversary. Over the course of its existence the Festival, which is organised by the People in Need association, has developed into the largest human rights film festival in Europe and has become one of the most important cultural events in the Czech Republic. In 2007, One World received a UNESCO Honourable Mention for education on human rights.

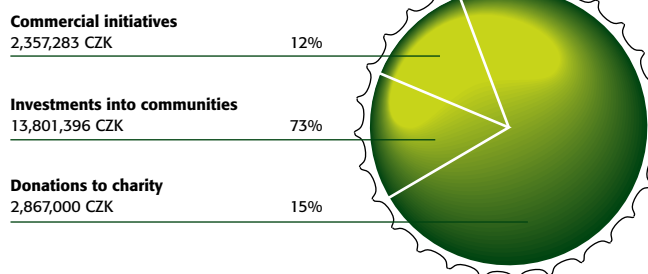
## 2009 Targets

In 2009, we shall continue our mission in community support and collaborate with our partners on positive influences to the corporate philanthropy environment in the Czech Republic. By the means of the Citizens' Choice, we will focus on more effective utilisation of the invested funds and on support to projects with long-term and clearly defined community benefits.

### Community investment based on areas



### Community investment based on categories (LBG methodology)



**Benefiting local communities & contributing to the reduction of HIV/Aids**





**In 2006, the Club of Licensed Brewers and fans of Plzeňský Prazdroj was founded. Members of the club are the descendants of the former owners of the Burghers' Brewery in Pilsen and the people who have contributed to the development of the company**

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

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

### Activities in 2008

The number of visitors to the company in the last year has increased by more than 15%. The Pilsen brewery and the Brewery Museum in Pilsen alone had a turnover of more than 180,000 visitors.

The promotion of the brewing industry tradition thus generates substantial effect for the benefit of the entire region. Year 2008 also saw major redevelopment of the visitors' tour in breweries in Pilsen and Velké Popovice. A new coopers' workshop has been prepared for cooper craftsmen.

### Coopers' Workshop

The new coopers' workshop came to existence through the refurbishment of the historical, Art Nouveau water treatment plant of the brewery. The coopers' trade today includes production of oaken barrels for the maturation of Pilsner Urquell beer. The beer that matures in these barrels is not only a part of the tasting for visitors; its primary role is to create a benchmark for continuous comparison of the beer which is today made in modern technology equipment.

### Care for brewery visitors

The visitors' tour of the Pilsen brewery has undergone major redevelopment. Above all, it has been extended to include the refurbished old brewhouse and an interesting exhibition of raw materials. Starting in 2008, the tour is fully accessible to handicapped visitors. Apart from the technical modifications in the tour lines, the guides have received extensive training in order to assist handicapped visitors. This applies not only to the organisation of the tour, but also to the modification of the commentary.

### Brewery Museum

The brewery museum represents the only specialised institution of its kind in the Czech Republic. The museum provides details on the history of the brewing industry from its inception in ancient times, holds historic evidence and picture documentation of the history of Czech brewing.

## Preserving the historical brewing legacy









## 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 obligations 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 2008

In 2008 we worked hard to improve the internal control procedures. Under the SABMiller sustainability assessment matrix (SAM) the company monitors progress in achieving

targets for 10 sustainable development priorities. Evaluation now takes place twice a year. The half-yearly measurement assesses the ongoing fulfilment of targets and makes it possible to implement corrective measures, while the assessment at the end of the fiscal year offers a final evaluation of the year's activity. The results are subject to approval by company management.

Employees are informed of activities in the Annual Report for employees or on-line through the company intranet. The public is informed of our activities via the Sustainable Development Report, which is available on the company website. The results recorded in the Report are verified by a third party. The purpose of verification is to judge the method and content of reporting, and the suitability of the priorities to local needs in the Czech Republic.

# Transparency in reporting our progress

## 10 sustainable development priorities of the company. Overview of the targets fulfilled and 2009 action plan

Priorities	Priority plan of action for 2008	Priority plan of action for 2009
Discouraging irresponsible drinking	Instruct selected employees in adherence to the principles of commercial communication. Improve the efficiency of the decision-making process of the internal ethics team by establishing a 24-hour on-line system. Implementation of Corporate Policy of a Responsible Producer of Alcoholic Beverages to all employees of the company. Discourage irresponsible alcohol consumption by creating additional education and informative programmes for consumers particularly in connection with Radegast Birell and in cooperation with RBI. Take part in forming the national strategy for the impact of alcohol on society.	<div>×</div> <div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>
Reducing our energy and carbon footprint	Gradually reduce the energy footprint. Utilise organic waste from beer production as potential sources of "green" energy. Increase the utilisation of fermentation CO <sub>2</sub> in the production.	<div>✓</div> <div>✓</div> <div>✓</div>
Using less water	Work towards an additional reduction of water consumption, chiefly by modernising facilities. Eliminate water loss during distribution of water and manufacture of malt and beer. Finalise watershed mapping in brewery Velké Popovice.	<div>✓</div> <div>✓</div>
Packaging reuse and recycling	Introduce lightweight bottles for the Radegast, Radegast Birell and Velkopopovický Kozel brands.	<div>✓</div>
Working towards zero waste operation	Apply a system for secondary use of waste labels thereby reducing dump waste.	<div>×</div>
Having supply chains that reflect our values	Introduce the responsible sourcing principles to key suppliers, reinforce mutual cooperation. Introduce a system for monitoring adherence to the principles of responsible sourcing to selected suppliers. Seek opportunities for mutual cooperation with suppliers of national priorities.  Implement monitoring of the impact of mutual cooperation on economic and social development.	<div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>
Respecting human rights	Ensure that the human-rights principles are part of internal guidelines and are available and clearly communicated to all employees. Provide a healthy and safe working environment by improving verification processes and preventive measures.	<div>✓</div> <div>✓</div>
Contributing to reduction of AIDS/HIV within our sphere of influence	Introduce company standpoints on the issue to all employees. Support projects that specialise in increasing awareness of this issue.	<div>✓</div> <div>✓</div>
Benefiting local communities	Create and realise projects supporting the national needs of the regions and the company. Continue in assessing achieved results using the proven SOF method. Cooperate with national bodies and institutions in forming the corporate philanthropy environment in the Czech Republic.	<div>✓</div> <div>✓</div> <div>✓</div>
Transparent reporting of the results of sustainable development	Make internal monitoring processes more effective. Regularly, once every six months, report fulfilment of sustainable development targets to company management, make the results available on-line to all employees. Issue a report on sustainable development verified by a third party.	<div>✓</div> <div>✓</div> <div>✓</div>

Year 2008: the fiscal year that begins in April 2007 and ends in March 2008

Year 2009: the fiscal year that begins in April 2008 and ends in March 2009

## Commentary by an external company on the contents of the report

The Czech Donors Forum is an organisation which has specialised in the field of company involvement in areas of social need and is part of the international network of such agencies. In cooperation with foreign partners we provide consultancy to companies in the field of sustainable development and we provide the Plzeňský Prazdroj with consultancy. The Plzeňský Prazdroj asked us to create and provide an independent, individual commentary on their Sustainable Development Report 2008. The management of Plzeňský Prazdroj is responsible for the contents and preparation of the report.

The sustainable development report of the Plzeňský Prazdroj for the year 2008 provides a clear analysis of the current situation in the company, and summarises all the important processes in this field. The sustainable development report meets the standards for compilation of such reports by companies in the industry. Other information on the company, such as economic figures and information on management of the company and corporate governance, does not constitute part of the sustainable development report (the refore, the contents of the latter information was not subject to our external assessment and is not taken into account in this commentary).

In its report, Plzeňský Prazdroj explains its priorities in terms of sustainable development, and it applies a structural approach based on those priorities whereby

it describes its important achievements. The report depicts the transition from the situation in 2008 and focuses on targets in the priority areas for the upcoming year as well. In general, we recognise this report as progress from other reports of this sort through providing a more coherent description of company activities and the results it has attained.

In the area of responsible consumption of alcohol, the report of Plzeňský Prazdroj also includes the general social context of work in this area, as well as its participation in the activities the industry has implemented. We are convinced that the specific examples of the company's external commitment and individual campaigns are presented clearly. Importance is assumed also to the aspect of implementation and control of self-regulatory principles in the area of responsible consumption of alcohol, such as the rules of commercial communication. Plzeňský Prazdroj also focuses on the evaluation of its activities in this area; however, we believe that it would have been beneficial to supplement some of the presented information with the attained results or findings of discussion with relevant stakeholders, as is in other parts of the report.

The issue of minimising the negative impact of production on the environment forms an important part of sustainable development reports for all industrial companies. In the area of quality management and protection of the environment, Plzeňský Prazdroj follows international standards and certificates; the function of the systems is verified by an independent third party. In its report, Plzeňský Prazdroj provides information on

## Assurance statement

the primary areas such as water consumption, reduction of the energy footprint and waste recycling. The activities oriented on the environment are depicted in sufficient detail; they are well quantified with results. The impacts of implementation of individual measures are also presented well. In the area of waste recycling, Plzeňský Prazdroj mostly focuses on environmentally-friendly containers and recycling in the production plant and operations. In future reports, this part may benefit from being complemented with information on recycling in the administrative operations of the company.

The key part of the report deals with the supply chain partnerships. Plzeňský Prazdroj describes the implementation of responsible sourcing principles and the manner of management and verification thereof, and activities that promote responsible cooperation with the suppliers. We believe it would have been beneficial to focus also on other activities Plzeňský Prazdroj exercises in this area, including an explanation of the specific processes the company has introduced in this aspect and what impact those activities generate.

Plzeňský Prazdroj also heads the area of human rights and employee development, and describes the processes and activities it introduced during the preceding year, such as its long-term system of employee training and the manner of communication of ethics principles. This area also follows the reporting standards of similar reports; inclusion of this section to the report has been beneficial for the assessed document. We suggest that the company might want to consider focusing

on the area of diversity management and work with individual groups of its employees, or, as the case may be, on activities that lead to their effective training and education or integration.

Plzeňský Prazdroj has been long investing funds into the support and development of local communities. Not only does the company support selected communities where it serves, it also dedicates funds to areas of importance across the society, such as HIV/Aids or human rights awareness. For the purpose of measurement and assessment of its activities, Plzeňský Prazdroj applies the international methodology of Standard Responsible Company, SRC, also known as LBG. It is our conviction that this part of the report should also venture to describe the impact of realised activities on the community, or, possibly, the manner of employee engagement in those projects.

In conclusion, we can say that the report mentions all key areas and in important aspects brings assessment of achieved results as well. We are convinced that the manner of describing the activities for the subject period and steps planned for the future have been set correctly. It is important, however, to focus on the more prominent communication of selected activities and the achieved results with key stakeholders, aiming to continuously verify the processes which have been implemented.

#### **Czech Donors Forum**







Plzeňský Prazdroj, a.s.  
U Prazdroje 7  
304 97 Pilsen  
Tel.: +420 377 061 111  
Fax: +420 377 062 230

**Sustainable Development:**

firemni.odpovednost@pilsner.sabmiller.com  
corporate.accountability@pilsner.sabmiller.com

The electronic version of the Plzeňský Prazdroj  
Sustainable Development Report is located  
at [www.prazdroj.cz](http://www.prazdroj.cz)

## Contact information

© 2008, Processed: Plzeňský Prazdroj, a.s., consultancy and design: ENTRE s.r.o.

