



Karlovačka pivovara

PART OF THE HEINEKEN COMPANY

Sustainability Report 2012

Brewing a Better Future



Improve



Empower



Impact



Welcome

Welcome to our Sustainability Report 2012

359
EMPLOYEES

WE PRODUCE AND MARKET
1.1 MILLION
HECTOLITRES OF BEER
ANNUALLY

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Company profile

Karlovačka pivovara has been a part of HEINEKEN company since 2003. It has a long brewing tradition which dates back to 1854. Today, it is a strong number two brewery on the Croatian beer market. The brewery produces and markets 1.1 million hectolitres of beer annually. Karlovačka pivovara expands its portfolio in order to meet adult consumers' needs. The following brands are in our portfolio: Heineken, Karlovačko, Karlovačko Radler, Karlovačko Crno, Karlovačko Rally (non-alcoholic), Desperados, Edelweiss Snowfresh and Sokol. Karlovačka pivovara exports its products to Australia, Austria, Bosnia and Herzegovina, Canada, Germany, United States of America, Slovenia, Sweden, Switzerland, Hungary and Japan. Being a part of the world's most international brewer over the past ten years, Karlovačka pivovara has confirmed itself as a successful and important brewery within the HEINEKEN family, the world's most international brewer.

Our mission:

Our rich tradition and respect for the highest standards of quality create innovative beer brands which deliver a unique experience and contribute to the enjoyment of life. By being responsible towards our consumers, customers, employees and the local community we ensure the sustainability of our business.

Our vision:

We want to lead the market focusing on value and sustainability through exceptional brand experiences, engaged employees and beer category vision.

Our values:

Winning Spirit
Passion for Quality
Teamwork
Responsibility
Customer Satisfaction
Respect
Integrity
Enjoyment of Life



GM Foreword

Make positive impact

I am glad to present our 4th Sustainability Report. In this report we highlight our progress, achievements and priorities in the field of social and environmental responsibility.

We want to have a positive impact on the environment, our stakeholders and our community.



Alexander Gerschbacher
General Manager of
Karlovačka pivovara

For Karlovačka pivovara 2012 was not an easy year. Croatia still struggles with the economic crisis and unfortunately there are only weak signs of recovery despite EU accession in July 2013. Economic crisis and recession affect the beer market. However we are giving our best and are always searching for ways to come closer to our adult consumers and surprise them. Thus at the beginning of 2012 we launched Karlovačko Radler Grapefruit – the second beer-mix in our portfolio. At the end of the year we surprised them with Karlovačko Crno which has also been very well received.

While conducting our business in a successful way, we take care of the sustainability. This is why we are trying to lessen the negative impact of our operations and reduce use of resources such as energy and water. We are investing in the improvement of our technology and internal procedures especially in the Supply Chain. In that sense, some of the milestones in 2012 were: a new filling line, which uses less energy, plus the acquisition of an environmental licence. We are proud because we are the first brewery in Croatia to acquire

this licence. Concretely, we continue with the progress in reducing our environmental impact: we are constantly reducing our energy consumption (in 2012 our specific total energy consumption was 2.6% lower than in 2011) and 100% of our new refrigerators are green.

The impact of our company is closely connected with the operations of our suppliers. We want to have responsible suppliers so we are putting great effort into ensuring that all our suppliers sign The Supplier Code. At the end of 2012 we had 100% of the registered suppliers in our vendor master database who had signed the Code and we think that this will contribute in spreading the idea of responsible business amongst our suppliers.

In the area of alcohol-related harm, in 2012 we increased the impact of our actions by working in partnership with the Association of Croatian Driving Schools on the education of future drivers. We are proud that a large majority of future drivers had recognised how education was useful and that the experience gained from the education would stop them from driving if they had consumed alcohol.

Another very important part of our corporate social responsibility is a positive contribution to our local community. For many years we are constantly working on the development of good relations with our community. We do this in several ways: through open dialogue with NGO's, the media and the government, through regular meetings with our closest neighbours who live near the brewery and by supporting some of the most important events in the local community and helping various projects and activities which are focused on making our local community become even more enjoyable for different social groups.

As you can see, we are working on the sustainability of our business and we will continue to do so because we want to have a positive impact on the environment, our stakeholders and our community.

Our Sustainability Report is also available online. I invite you to read about how we take care of the environment and how we're Brewing a Better Future.

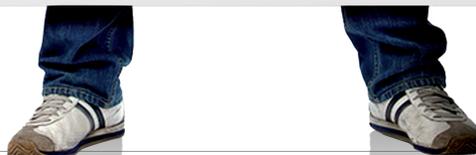
Alexander Gerschbacher
General Manager of Karlovačka pivovara

Overview

Brewing a Better Future

Brewing a Better Future is HEINEKEN's long-term integrated approach to creating genuine shared value for all our stakeholders. Sustainability is a part of how we manage our business.

Brewing a Better Future was introduced in April 2010 and born out of close discussion with our stakeholders. It has provided the Company with our roadmap and reflects our ambition to become an even greener business.



Governance

Brewing a Better Future is governed locally by our Sustainability Team which meets four times a year. Team members cover different parts of the organization: Supply Chain, Human Resources, Commerce and Corporate Relations function. The Team is chaired by Corporate Relations Manager. On a quarterly basis our Sustainability Team reports about the activities and progress relating to Brewing a Better Future agenda through Green Gauge system. Our dedication to sustainability is incorporated in the company and through years it became one of our business priorities. Progress and issues related to Brewing a Better Future are regularly on the agenda of the Management Team.

Strategic imperatives

HEINEKEN's long-term aspiration is to be the world's greenest brewer – an aspiration that we view as a journey to be measured and improved as we progress. This ambition spans three strategic imperatives around which we have built our commitments and programmes:

- To continuously IMPROVE the environmental impact of our brands and business
- To EMPOWER our people and the communities in which we operate
- To positively IMPACT the role of beer in society.

Enabling our business priorities

Brewing a Better Future is integral to our business. As a result, HEINEKEN has spent the past three years building sustainability into its processes, systems and the way the company thinks and acts. Our business priorities are tightly integrated with this sustainability journey:

- Grow the Heineken brand
- Consumer-inspired, consumer-oriented and brand-led
- Capture the opportunity in emerging markets
- Leverage the benefits of HEINEKEN's global scale
- Drive personal leadership

Balancing business with sustainability

HEINEKEN has grown significantly in recent years and we are increasingly leveraging our global scale to drive both cost benefit and the impact of our actions.

We recognise, however, that we cannot grow without reference to and regard for society as well. That's why the responsible consumption element of Brewing a Better Future is critical for our business priorities. Heineken, our core brand on global level, is at the heart of both our commercial activities but we look for opportunities to talk to consumers about enjoying all our brands in moderation.



Looking ahead to Brewing a Better Future in 2013–2015, HEINEKEN has reviewed its priorities and created a more focused sustainability agenda. Read more on pages 22 and 23.

Overview

Value chain

From Barley to Bar, we target improvements throughout the value chain.

Agriculture



Growing crops

Our main raw materials are barley and hops. Out of all the grains that are harvested globally, barley for malting represents about 1.4 per cent. Grains (barley, wheat, corn) are grown in rotating harvest schedules, of which malting barley is also part. HEINEKEN is one of the world's top three users of malting barley. The company co-operates with industry initiatives such as the Sustainable Agriculture Initiative (SAI) to address all angles of sustainable agriculture.

Malting



Malting barley

We malt barley in our own malteries and in those of third parties. In the process, we consume energy and water so we implement active energy and water reduction programmes in our own malteries.

Brewing



Brewing beer

The brewing process also consumes energy and water. Reducing energy consumption means increasing energy efficiency and switching to alternative energy sources. Water reduction is mainly achieved by optimising the brewing process. Every HEINEKEN's brewery has an improvement target.

Packaging materials



Producing bottles, cans and kegs

Beer is packed in cans, bottles and kegs or sold as cellar beer. Improving the impact of packaging can be achieved by optimising the production of the packaging, changing the design and increasing the recycling and reuse rate. For 27 HEINEKEN's Operating Companies we have identified the packaging mix and the opportunities to improve.



Distribution of beer



Distribution

After the beer is packaged, it is distributed to a warehouse or customer using several forms of transport including truck, inland barge, sea freight and train. Globally, distribution is optimised by changing the form of transport, training drivers, more efficient engines and design of vehicles and re-assessment of networks.

Customers



Cooling and recycling

Beer is consumed cold and thus cooled at the point of consumption via fridges (beer in bottles, cans or smaller kegs) or draught equipment (for beer in kegs). For new fridges purchased by HEINEKEN, we have defined green standards with which they have to comply. In addition, we are developing greener draught equipment such as the David (XL) Green.

Consumers



Responsible consumption

We have promoted the responsible consumption of beer for decades. In the 1960s, HEINEKEN introduced self-regulatory codes that banned advertisements that might have appealed to those under the legal drinking age. Today, our standards for Responsible Commercial Communication have evolved from these first few steps towards a far-reaching set of internal rules.

Overview

What we said and what we've done

What we said will be done by 2012	What we've done by 2012
Green Brewer	
Total specific energy consumption < 171.8 MJ/hl.	 Achieved. We achieved 168.5 MJ/hl.
Specific direct and indirect CO ₂ emission < 9.4 kg CO ₂ /hl.	 Achieved. We achieved 9.2 kg CO ₂ /hl.
Specific water consumption < 4.5 hl/hl.	 Not achieved. We achieved 4.8 hl/hl.
New filling line to be finished.	 Achieved. New line started to work in June 2012.
Green Commerce	
All new purchased refrigerators to be based on green technology.	 Achieved. We achieved a compliance rate of 100%.
Start to use the Heineken Sustainable Event Toolkit.	 Partly achieved. At this moment we use it for Heineken brand events only.
Engaging Employees	
Decrease of accident frequency in Supply Chain.	 Achieved.
Renew the Collective Labour Agreement.	 Achieved.
Start with the voluntary activity and include employees.	Achieved. We completed a volunteering activity and included employees in order to make benefits for the local community.
Karlovačka pivovara Cares	
Continue to support local sourcing of raw materials.	 Achieved. 90% of raw materials was sourced locally in 2012.
Continue with Donation Tender with focus on the local community.	 Donation Tender has been successfully conducted in 2012 supporting 14 local projects.
Responsible Consumption	
Conduct e-learning training on the Rules on Responsible Commercial Communication for relevant commercial functions and management.	 Achieved.

What we said will be done by 2012	What we've done by 2012
Partnership for Progress	
Conduct partnership for progress programme focused of drinking and driving problem.	 We successfully conducted project “Tko pije, taj ne vozi” in cooperation with Association of Croatian Driving Schools.
Enablers	
All suppliers to sign a Supplier Code.	 Achieved.
Develop stakeholder dialogue plan and start with the stakeholder dialogue.	 In 2012 we started with stakeholder dialogue. First meeting was with the representatives of neighbours who live near the brewery. Sustainability topics were on the agenda of the meetings with neighbours and Mayor of Karlovac.

Improve

Green Brewer

We put great effort into increasing the total energy efficiency of our brewery. In 2012 we made good progress towards our targets.

As a responsible company, we take care about the environment through constant processes improvements and investments in our technology.



Zvonimir Nemet
Supply Chain Director



REDUCTION
IN THE SPECIFIC
DIRECT AND INDIRECT

CO₂
EMISSIONS



2.6%
LOWER
SPECIFIC TOTAL ENERGY
CONSUMPTION

AROUND
6
MILLION €
INVESTED IN THE
NEW
FILLING LINE

What we said and what we've done



— Total specific energy consumption < 171.8 MJ/hl.
We achieved 168.5 MJ/hl.



— Specific direct and indirect CO₂ emission < 9.4 kg CO₂/hl.
We achieved 9.2 kg CO₂/hl.



— Specific water consumption < 4.5 hl/hl
Not achieved. We achieved 4.8 hl/hl.



— New filling line to be finished.
Achieved - the new line started to work in June 2012.

Energy

The total energy needed to produce 1 hectolitre (hl) of beer improved by 2.6% from 173.1 MJ/hl in 2011 to 168.5 MJ/hl in 2012. The main reason for that is a decrease in the specific thermal energy

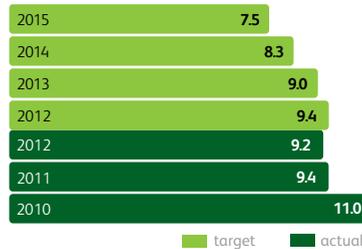
Specific total energy consumption MJ/hl beer + soft drink + cider + water



consumption which was 5% lower than in 2011 (decrease from 100.7 MJ/hl in 2011 to 95.9 MJ/hl in 2012).

At 8.1 kWh/hl, the specific electricity consumption of Karlovačka pivovara has not changed compared to 2011. This result is better than the HEINEKEN Group average of 8.4 kWh/hl. The specific direct and indirect CO₂ emissions decreased from 9.4 kg CO₂/hl in 2011 to 9.2 kg CO₂/hl in 2012. CO₂ emission is directly connected with the consumption of fuel. Thus, the decrease in the specific thermal energy consumption is the main reason for this 2% decrease in specific total CO₂ emission.

Direct and indirect CO₂ emission kg CO₂/hl beer + soft drink + cider + water

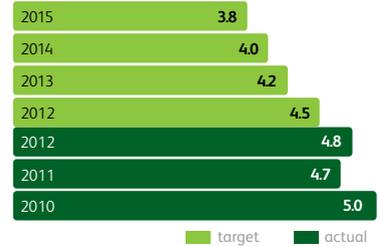


Water

The specific water consumption of Karlovačka pivovara increased from 4.7 hl/hl in 2011 to 4.8 hl/hl in 2012. There have been several reasons for this: a leakage of obsolete pipes which was repaired immediately and the beginning of a test phase of the waste water treatment plant which was an additional load on our water system. Furthermore, in the first quarter of 2012 we were still filling the beer on the old line which was stopped when the new one was opened. It is expected that in the future relative

consumption of water will decrease because new line uses 15 – 20% less water per hectolitre of beer compared to old line.

Specific water consumption hl/hl beer + soft drink + cider + water



New line will in general contribute to our sustainability and responsibility towards the environment because it uses 5 – 10% less electric energy per hectolitre of beer than the old line. Besides the saving of resources, another characteristic is that the new line is nominally faster than the old one – the difference is 20,000 bottles per hour which means higher productivity.

Three environmental complaints were filed in 2012. The complaints were all related to unpleasant smells near the waste water treatment plant during a test phase. We took these complaints seriously and the situation significantly improved. We are constantly monitoring the situation through DCS and immediate reaction programme. Also, we keep regular contacts with our neighbourhood in order to update them regularly on activities in the brewery.



Environmental licence

In July 2012 the Ministry of Environment and Nature Protection brought a decision about the unique conditions for environment protection for Karlovačka pivovara or in short an environmental licence for the operation of the existing industrial plant. We became the first amongst the larger industrial plants in Croatia with this licence as well as the first brewery having the environmental permit. This is an administrative act which covers all areas of environment protection and ensures the usage of the best available techniques and processes in order to be in line with EU directives (Integrated Pollution Prevention and Control Directive).

Improve

Green Commerce

We want to make our commercial activities more sustainable. Small but significant steps have been made: we use the Heineken Sustainable Event Toolkit and we only purchase refrigerators based on green technology.



WE STARTED
TO USE
HEINEKEN
SUSTAINABLE
EVENT TOOLKIT

What we said and what we've done



—All new purchased refrigerators to be based on green technology. **Achieved. We achieved a compliance rate of 100%.**



— To begin to use the Heineken Sustainable Event Toolkit. **Partly achieved. At this moment we use it for Heineken brand events only.**

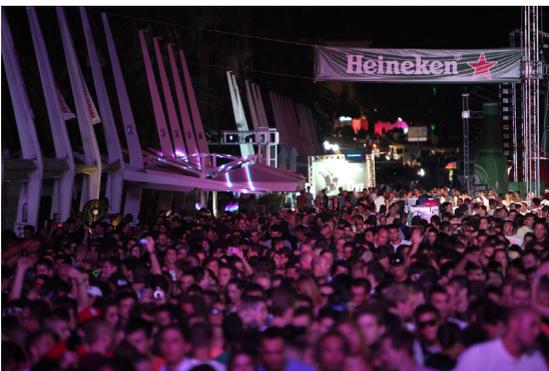
Greener events

In order to make our events greener, we started to use the Heineken Sustainable Event Toolkit. At the moment we use it for Heineken brand events only and we see this as a small but significant step forward. Heineken, the most international beer brand, traditionally sponsors main festivals of electronic music in Croatia. The biggest Heineken event in Croatia in 2012 was Discotheque Riva in the centre of the city of Split on the coast of the Adriatic Sea. In order to stimulate recycling and reduce waste after the event, we had an agreement with the organiser to clean the event area in an environmentally acceptable way.

Green cooling

Cooling is the most important component in providing a real beer experience to our consumers. Our products packed in bottles, cans or smaller kegs, sold in HoReCa and retail, are cooled in refrigerators. In order to contribute to reducing our carbon footprint, we purchase only eco-friendly refrigerators. When purchasing new refrigerators, we follow green standards defined by HEINEKEN. In 2012 all the newly purchased refrigerators were green. Main characteristics of green refrigerators are: the use of hydrocarbon refrigerant, LED illumination and energy management system, wherever legally and technically possible.

The collection and recycling of end-of-life old refrigerators is done by local company registered and licensed for collecting of electronic devices. The collection of end-of-life refrigerators is regulated by national regulations. According to regulations, the company which collects our refrigerators has to separate the Freon gas and store it in an eco-friendly way, disassemble the refrigerator and separate all its components in order to minimise the negative impact on the environment.



Empower

Engaging Employees

Through our internal policies we ensure that our employees have a safe and healthy working environment whilst at the same time respecting their employee and human rights. In 2012 we renewed our collective agreement.

Our employees are the ambassadors of our company. Thus their satisfaction with the working conditions and work in general is crucial for us.



Mirjana Vidaković
Human Resources
Director



83%

DECREASE
IN ACCIDENT
FREQUENCY

359
EMPLOYEES



7,772
TRAINING HOURS
IN 2012



5 m³ OF RUBBISH
COLLECTED ON OUR
1ST DAN V - VOLUNTARY DAY

What we said and what we've done

 — **Decrease of accident frequency in Supply Chain.**
Achieved.

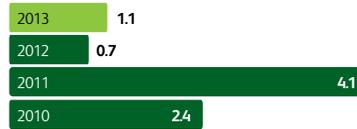
 — **Renew the Collective Labour Agreement.**
Achieved.

 — **Start with the voluntary activity and include employees.**
Achieved.

Health and safety

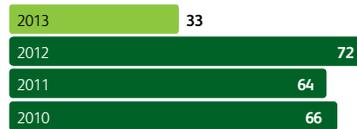
We are focused on ensuring that our employees and contractors work in safe environment. We follow clear and strict rules about protective clothing and equipment inside our production plants as well as on logistic surfaces. Every outside visitor at the brewery's entrance receives safety induction and a leaflet with safety rules. Because of the traffic going through the brewery area, pedestrians' walking paths are clearly marked. Talking about the number of accidents within company personnel, it decreased from seven accidents in 2011 to one accident in 2012. Accident frequency decreased significantly by 83% - from 4.1 cases/100 FTE in 2011 to 0.7 cases/100 FTE in 2012. Great attention is given to improving safety awareness amongst operators, the implementation of safety standards at installations, and improving the quality of personal protective equipment. These activities have resulted in fewer accidents compared to 2011.

Accident frequency cases/100 FTE for all sites



The total number of lost days has decreased from 108 in 2011 to 106 in 2012. On the other hand, the number of lost days per 100 FTE (accident severity) increased from 64 in 2011 to 72 in 2012.

Accident severity lost calendar days/100 FTE for all sites



One accident resulted in long term absence due to sustained fracture after falling on a slippery floor. Corrective actions were taken to reduce the risk of reoccurrence (awareness meeting with operators, internal control, purchase of a new type of rubber boots). In 2011, the most common injury types were cuts but in 2012 no cutting injuries were reported. This shows that the implemented corrective measures seem effective – i.e. we worked on raising awareness, provided special gloves for working with glass and started to control the wearing the gloves.

Collective agreement

A renewed collective agreement at Karlovačka pivovara was signed in October 2012. The collective agreement signed is considered to be above Croatian average

in terms of quality and benefits for the employed. It regulates the rights of the employees from the start to the end of the employment. The agreement is available to employees on the intranet as well in printed form.

Education

Karlovačka pivovara invests in the education of their employees. In 2012 employees participated in various types of training - in total we had 7,772 hours of training. The highest percentage (more than 50%) was related to expert training about various areas of business: the new line, sales improvement/negotiating, customers' management and novelties related to entering the EU. Furthermore, 17% of training hours referred to education related to Change Management and this was a good platform and preparation for implementing TMP WCBO (Total Productive Management – World Class Brewery Organisation) which is one of the key elements of the business strategy of HEINEKEN and Karlovačka pivovara. In 2012 we carried out climate survey among our employees. The results showed significant improvements in comparison with the results of the last climate survey 2010, especially in the area of attitude towards the company and specific questions related to safety at work. The company encourages employees to be innovative and to share ideas which can improve productivity, quality and processes or contribute to savings of energy and resources. We have a reward system in place for employees in the Supply Chain. Awards are financial and non-financial and the awarding procedure is defined in the Idea Policy.



DAN V - Voluntary Day

In 2012 we started with volunteering activities because we want to develop a voluntary culture and encourage employees to become actively involved in their local community. The goal of our first DAN V was to remove wild dump in the forest close the brewery. Employees, the local eco association Eko Pan and citizens of neighbourhood Dubovac joined forces. They collected 5m³ of various waste: plastic bags, bottles, a washing machine and so on. After the activity they placed a sign with the message: 'This area was cleaned by volunteers. Take care of the environment!'

Empower

Karlovačka pivovara Cares

Through local sourcing and financial donations we directly contribute to the community in which we operate. We think that the best investments are those where there is a shared benefit for the company and the community in which it operates.



90%

OF RAW MATERIALS
WAS SOURCED
**LOCALLY
IN 2012**

14

LOCAL PROJECTS
SUPPORTED THROUGH
**DONATION
TENDER**
IN 2012



What we said and what we've done



— Continue to support local sourcing of raw materials. Achieved. 90% of raw materials was sourced locally in 2012.



— Continue with Donation Tender with a focus on the local community. The Donation Tender has been successfully conducted in 2012 supporting 14 local projects.

Local sourcing

Karlovačka pivovara is a strong economic subject in Croatia and in Karlovac County. We aim to increase the raw materials that we source locally because this approach stimulates the local economy which is, at this moment, in a very difficult situation. In 2012 90% of raw materials was sourced locally.

Local community

Karlovačka pivovara is situated in the neighbourhood Dubovac. Since 2007 brewery representatives have been holding regular meetings with neighbours in order to maintain good relations and have a platform for discussions and the exchange of opinions. The idea is to present the activities and projects of the company while neighbours have an opportunity to ask questions and receive answers directly.

Donations and support

Karlovačka pivovara is focused on investing in its closest community – the City of Karlovac and Karlovac County. We invest through financial donations, employee volunteering and local sponsorships. We have launched our yearly Donation Tender every year since 2009. The idea is to make the community more enjoyable for its citizens. Selection criteria include the

importance to local community and contribution to the quality of life. In total 179 projects applied for the Donation Tender in 2012 and 14 of the best projects were selected. Apart of the Donation Tender, we decided to support our neighbourhood. Based on a direct feedback, we agreed to renovate a walking path near the River Kupa and to set new benches and rubbish bins. The project will be realised in 2013. The total financial support of local community through different initiatives (donations etc.) in 2012 was around 540,000 kuna.

We traditionally support some important local events such as John's Bonfire, River Cinema with Karlovačko and International Folklore Festival. In 2012 we continued to support voluntary camps organised by eco association Eko pan. Their goal was the landscaping and renovation of a historic bastion in the centre of Karlovac and the continuation in the building of a sustainable house from used car tyres, a future educational centre.

We continue with our donation policy because we think that the best investments are those where there is a clear shared benefit for both the company and the community in which it operates.



Karlovačka pivovara

DIJELO HEINEKEN KOMPANIJE



**ZAJEDNO
ZA BOLJI
KARLOVAC I
KARLOVAČKU
ŽUPANIJU**

Impact

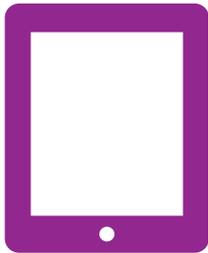
Responsible consumption

Beer is a natural product and it can be a part of a healthy lifestyle when consumed in moderation. Through the IMPACT strategic imperative, we aim to make positive impact with the role of beer in society.



As a beer producer, we have a responsibility to actively promote responsible consumption. By doing so, we contribute to the positive role of beer in society.

Roko Kero
Marketing Director



**WE HAVE A
DEDICATED
RESPONSIBLE
CONSUMPTION
WEBSITE**

www.uzivajukarlovackomodgovorno.com



**ALL OF OUR
BRANDS
CARRY A
RESPONSIBILITY
MESSAGE**



**WE USE
HEINEKEN'S
RULES ON
DIGITAL COMMERCIAL
COMMUNICATION**

What we said and what we've done



—Conduct e-learning training on the Rules on Responsible Commercial Communication for relevant commercial functions and management. **Achieved.**

Responsible consumption

As one of the largest beer producers on the Croatian market, we have the responsibility to promote the responsible consumption of beer. In 2012 we continued to spread our messages about responsible consumption on different levels: by the education of employees, organising free transport for visitors to our events and we worked with our partners in addressing issues around alcohol-related harm.

We see our employees as ambassadors of our brands but at the same time of responsible consumption. We use internal events, presentations, e-learning modules, an employee magazine and HeiPort to inspire enthusiasm for our brands. But we also use the same channels and effort to build awareness and understanding of responsible consumption among our employees. Enjoyment is one of our values but it is crucial that it is responsible.

However, we have Cool@Work, our workplace alcohol information prevention and support programme. Its goal is to ensure that we have the appropriate levels of help and support for employees that might need it.

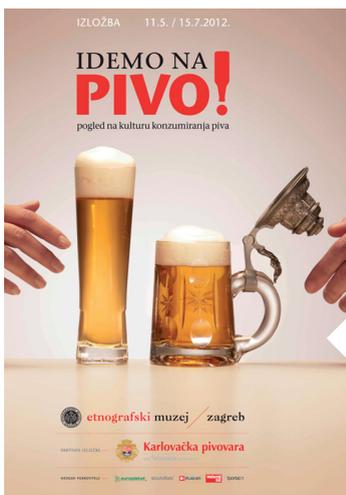
We aim to ensure that all of our commercial communication is responsible, consistent and conforms to our strict rules. In our commercial communication we apply HEINEKEN's Rules on Responsible Commercial Communication which can help

everyone who is involved in the marketing and selling our products to ensure we do not contribute to excessive consumption or misuse.

Recognising the need for more detailed guidance in the digital environment, in June 2012 HEINEKEN introduced new Rules on Digital Commercial Communication. These Rules cover areas such as video use, online privacy and security, with a specific focus on age verification particularly in social media. We follow them when communicating over our Karlovačko Facebook profile.

Responsible transport for our consumers

In 2012 we continue to organise free transport for the visitors of main events sponsored by Karlovačko - Dani piva and Karlovačko Live. We want our adult consumers to enjoy their favourite beer but we also want them to arrive home safely too, therefore we organise special transport for them. For beer lovers coming on Dani piva we provided free buses and trains on weekends. They received leaflets about the manifestation containing the responsibility message. Traditionally, we organise free buses for visitors of Karlovačko Live concert in the capital of Croatia, Zagreb. Message "Uživaj u Karlovačkom odgovorno" was broadcasted on bus displays in order to increase awareness about responsible consumption and responsible behaviour.



Let's have a beer

The message about the responsible consumption was integral part of our successful project "Let's have a beer" - an exhibition about beer culture organised in a partnership with the Ethnographic Museum. The exhibition gave an overview of beer culture in Europe and Croatia and it strongly contributed to improving the image of beer in our country. As a responsible brewer, we included an interactive quiz about responsible consumption in the exhibition so visitors could check their knowledge as well as informing them and letting find out more about alcohol related harm.

Impact

Partnerships for Progress

We have the responsibility to work on the prevention of alcohol abuse and irresponsible behaviour. In order to present our responsibility messages closer to the target groups we cooperate closely with relevant partners. In 2012 our focus was the drinking and driving problem.

90%

OF DRIVING SCHOOL
MEMBERS OF THE
ASSOCIATION
OF CROATIAN DRIVING SCHOOLS
PARTICIPATED
IN THE PROJECT
“TKO PIJE,
TAJ NE VOZI”



6,154
FUTURE DRIVERS
WERE EDUCATED

98%

OF THE FUTURE
DRIVERS
AGREED THAT THE
“TKO PIJE,
TAJ NE VOZI”
EDUCATION
WAS USEFUL



97%

OF THE FUTURE DRIVERS FELT THAT
THE DRIVING EXERCISES WEARING
GOGGLES IMPROVED THEIR UNDERSTANDING
OF THE DANGER OF COMBINING
DRINKING AND DRIVING

What we said and what we've done



—Conduct partnership for progress programme focused on the drinking and driving problem. Achieved. We successfully conducted project “Tko pije, taj ne vozi” in cooperation with the Association of Croatian Driving Schools.

In 2012, Karlovačka pivovara launched “Tko pije, taj ne vozi” initiative as part of its ongoing efforts to promote responsible alcohol consumption. The aim was to spread the message about responsible consumption and behaviour among future drivers.

In March, with support from the Ministry of Interior Affairs, a partnership with the Croatian Driving Schools' Association was set up to activate the initiative. Covering a third of all driving schools in the country, the association is the ideal partner for spreading the message.

The initiative involved co-developing advice and support for future drivers within both the theoretical and practical parts of driving lessons. The key messages were: “don't drink and drive”, “drinking and driving is unacceptable” and “think about the consequences”.

New driving exercises required students to wear goggles, provided by Karlovačka pivovara, which simulated driving under the influence of alcohol. During the exercise, under the watchful eye of their instructors, students tested driving at extremely slow speeds while wearing the goggles that impaired and reduced their field of vision. The goal was for students to remember this experience once they

were qualified drivers. To measure the success of the initiative, instructors and students at all participating driving schools were asked to complete evaluation forms. The results revealed that 90 percent of the Association of Croatian Driving Schools had conducted theoretical and practical education on “Tko pije, taj ne vozi”, reaching 6,154 students. 98 percent of students agreed that the “Tko pije, taj ne vozi” education was useful; 97 percent felt that the driving exercises wearing goggles improved their understanding of the dangers of combining drinking and driving; and 96 percent believed that it would stop them from driving if they had consumed alcohol.

The partnership for the project initiative will continue in 2013 as well and the focus will be on alcohol abuse problems amongst minors.

Industry partnership

Karlovačka pivovara is a member of Croatian Association of Beer, Malt and Hops Producers and we are actively engaged in all initiatives of the Association. The Association is a member of Brewers of Europe. Locally, the Association has conducted programmes oriented on improving the image of beer (beer and health, beer as a natural product).



Other information

Enabling our journey

Brewing a Better Future will only succeed if the preconditions for success are defined and in place. With our enablers, we are making sure that our culture and organisation can support our ambitions.

Supplier Code

We see our suppliers as partners in our sustainability journey and we expect they will support and respect our values when doing business. By signing the Supplier Code, suppliers agree to comply with the key elements of integrity, environment and human rights. At the end of 2012 we had 100% of registered suppliers in our vendor master database who had signed the Code according to the Supplier Code definition. That includes all global and local suppliers that worked (deliver goods/services) with us more than once in 2012.

We will monitor compliance with the Code through audits because we want to check whether the suppliers work according to HEINEKEN's standards and specifications. Audits are conducted for high risk suppliers according to a supplier risk analysis. Risk is calculated based on the classification of the goods/services that suppliers offer to the company and also according to the following parameters: subcontracting practices, supplier country, turnover with HEINEKEN OpCo and usage of the Heineken brand. At this moment we are evaluating the whole vendor master database and we will start with audits in the second part of 2013.

Certificates

As a responsible company we constantly improve our processes and procedures. The certificates we have confirm that: Karlovačka pivovara has ISO 9001 for quality management, ISO 22000 for food safety management and OHSAS 18001 certificate for protection of health and safety. In 2012 we renewed ISO 14001 for environmental management system.

Sustainability in performance plans

HEINEKEN has made sustainability one of the five merit areas in senior managers' annual performance appraisals. This means that sustainability becomes expected behaviour rather than an ad-hoc activity linked to a short-term cash bonus. In 2012, 80% of senior managers, including managers of Karlovačka pivovara, had sustainability targets included in their annual performance appraisal objectives.

Reporting through Green Gauge 2.0

Launched globally in 2011, the Green Gauge scorecard allows to monitor and report quarterly progress on our various sustainability at all levels of the business. To improve efficiency and reporting quality, HEINEKEN rolled out Green Gauge 2.0 in 2012. This electronic

platform is quicker, more accurate and tightly integrated with other existing reporting tools within HEINEKEN.

Regular reporting

Karlovačka pivovara regularly reports about its progress and achievements in the sustainability area. Our very first sustainability report was published in 2010 in which we gave an overview of our business for 2009. This is our fourth sustainability report which can also be seen on HEINEKEN International web site as well as on Karlovačka pivovara's corporate web page.

100% 
OUR LOCAL SUPPLIERS
HAD SIGNED THE
SUPPLIER CODE
IN 2012

THIS IS 4TH
SUSTAINABILITY
REPORT OF
KARLOVAČKA
PIVOVARA

Stakeholder engagement and dialogue

Crucial to our Brewing a Better Future journey are our stakeholders. They help us to stay focused and tell us when they feel we are moving off track. We communicate and engage with stakeholders in three ways: reputation research, meetings and ongoing stakeholder dialogue.

In 2012 Karlovačka pivovara conducted its Reputation Research. The survey gave our stakeholders (including employees, customers, government, media and NGOs) the opportunity to say what they think about us. In total 214 key stakeholders shared their opinion.

Feedback showed that, overall Karlovačka pivovara is seen as a successful business that is well managed and led. Besides that, the quality of Karlovačka pivovara's people drives a strong reputation. We identified areas for improvement based on stakeholders' feedback and opinions: environmental responsibility and also to take stakeholders' inputs more seriously.

We believe that we can achieve more by listening and working with our stakeholders than on our own. In 2012, based on feedback from Reputation Research, we focused on stakeholders from our local community: neighbours and the government. We had meetings with them in order to exchange opinions and insights on our sustainability performance in the local community especially in the area of environmental

impact and supporting the local community through donations.

Even though an open and ongoing dialogue with our stakeholders has been an integral part of our sustainability strategy and our sustainability reports provide an overview of our actions and performance, we found out, based on the Reputation Research feedback, that some stakeholders expect better communication about our Corporate Social Responsibility efforts. Therefore we enhanced external communication related to the Sustainability Report, the new filling line, the environmental licence, ISO certificates as well as our Partnership for Progress project.

In 2013 we will conduct another Reputation Research which will give us a new direction for stakeholder engagement through meetings and stakeholder dialogue.

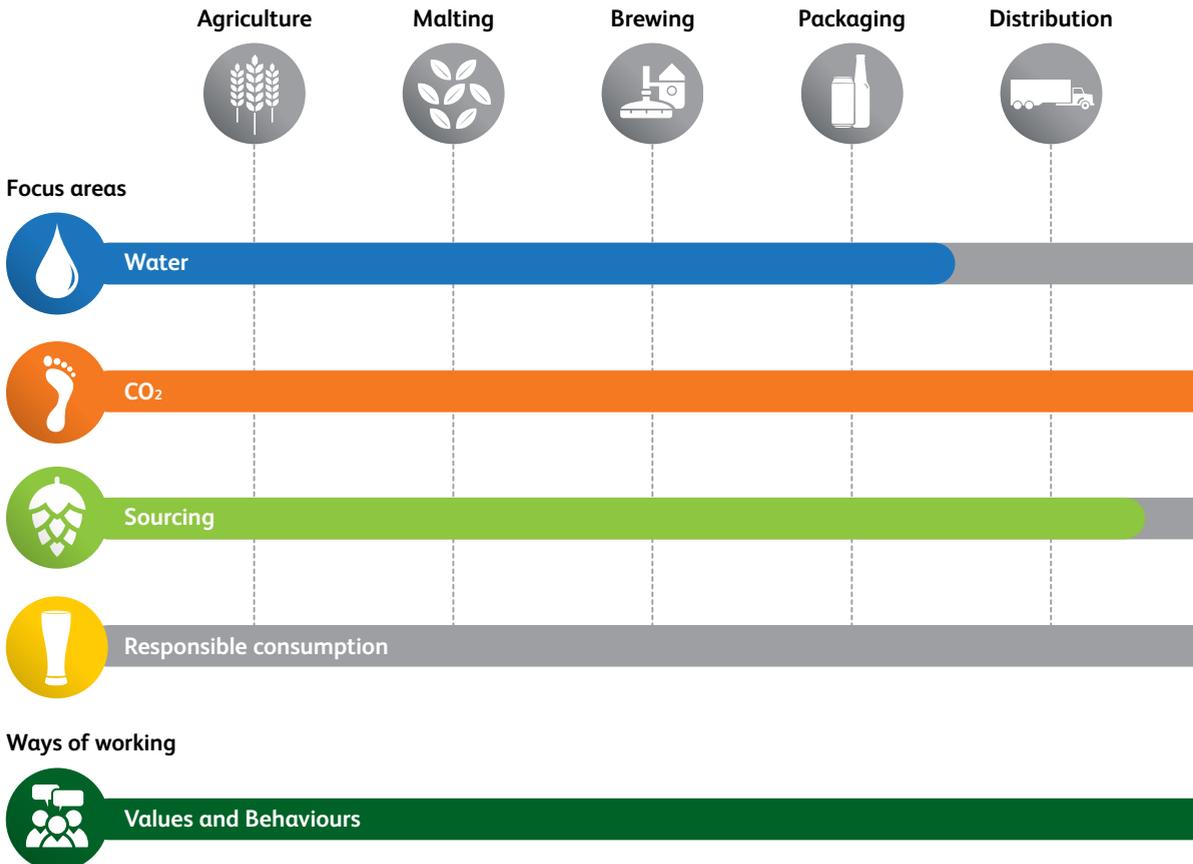


214
KEY STAKEHOLDERS
TOOK PART IN
REPUTATION RESEARCH

Other information

The years ahead

Based on dialogue with our stakeholders and insight into global trends, HEINEKEN has identified four key areas on which we will build a more focused second phase of Brewing a Better Future: water, CO₂, Sourcing and responsible consumption. Each area is underpinned by our ways of working - living by our values, leading by example, and working together to make a difference.



Global trends: how they impact us, how we impact them

The world is facing unprecedented global challenges, chief among them being population growth, climate change, access to natural resources, and food and water scarcity. These challenges will directly and indirectly impact business, both by posing a threat to the future availability of key resources and through increasingly demanding legislation.

HEINEKEN, too, will be affected if we do not act to mitigate the impact of these risks on our own organisation. At the same time, we recognise the economic and social opportunities that lie in creating real, shared value for all our stakeholders.

Defining our priorities

In 2012, we reviewed global trends as basis for defining our priorities. To help us in our assessment, HEINEKEN headquarters hosted a series of 'expert meetings' between February and April 2012. A board group of 22 stakeholders met with internal HEINEKEN specialists to share knowledge and insights on our sustainability performance and how we can develop our thinking and plans.

Materiality analysis

These dialogue sessions were instrumental in helping us to build a prioritised materiality matrix containing the issues, risks and opportunities that are more relevant to our business and stakeholders.

Ultimately, we were able to identify the four key focus areas. Each of the areas is supported by a number of concrete commitments. They state clearly our ambitions that were set in 2010 remain unchanged and are integrated into our focused agenda.

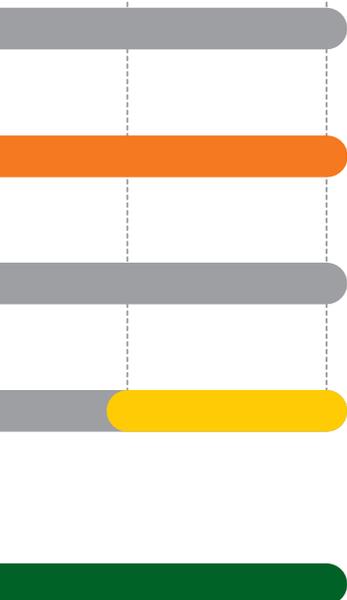
Looking to the future

With our new commitments in place, we are looking proactively to the future to secure our long-term business continuity, while fulfilling our social and environmental obligations.

See for more information about HEINEKEN's global commitments: www.sustainabilityreport.HEINEKEN.com

Customer

Consumer



HEINEKEN global commitments for 2020

Water

- Reducing specific water consumption in the breweries by 25%
- Aiming for water compensation/ balancing by production units in water scarce and distressed areas

CO₂

- Reducing CO₂ emissions:
 - in production by 40%
 - of our fridges by 50%
 - of distribution by 20% in Europe and the Americas

Sourcing

- Deliver 60% of raw materials in Africa via local sourcing
- Aiming for at least 50% of our main raw materials from sustainable sources
- Ongoing compliance with our Supplier Code procedure

Responsible consumption

- Delivering on industry commitments
- Making responsible consumption aspirational through Heineken®
- Every market in scope has and reports publicly on a measurable partnership aimed at addressing alcohol abuse.



Other information

Benchmarks and achievements

In our quest to create real value for all our stakeholders, we are committed to improving the quality and quantity of data on which we report. This requires benchmarking our performance against other companies in the sector and publishing and sharing our findings.

Global benchmarks

- **Dow Jones Sustainability Index**
Although HEINEKEN was not included in the index, the Company received its highest score ever. Specifically, we achieved a significant improvement in the overall performance in packaging and standards for suppliers. We also remained best in class in the areas of water-related risk and responsibility for alcoholic products.
- **FTSE4Good**
HEINEKEN again maintained its inclusion in the index, achieving an absolute score of 4.1 out of 5, and a relative 'food and beverage' supersector score of 94 out of 100.
- **Investors Carbon Disclosure Project**
HEINEKEN again participated in the Investors CDP, to measure and

disclose its carbon-reduction activities. The Company's disclosure score improved by almost 30 points, from 59 to 88 points out of 100. In addition, we achieved a B performance rating versus D previously. Overall, this resulted in a CDP Benelux Leadership Index.

- **CDP Water Disclosure**
For the second time, HEINEKEN took part in the CDP Water Disclosure Global Survey, reporting on water usage, the risks that water presents and responses to that risk. Introduction of incentives for all senior managers linked to sustainability targets, including water, was highlighted as a 'Leading Practice on Governance' in the Consumer Staples category.



FTSE4Good



In May, HEINEKEN received the prestigious GBCHealth Business Leadership Award for its 'enduring commitment to and excellence in its support for health-related programming'.



Let us know
your thoughts

Which aspects of Brewing a
Better Future are working well?

Where do you think we could
do better?

We'd love to hear from you,
because your feedback will
allow us to learn and improve.

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**Global Reporting Guidelines
(GRI)**

HEINEKEN is an Organisational
Stakeholder of the GRI. Our global
Sustainability Report has been
prepared with reference to the
3.1 version of these reporting
guidelines resulting in an
Application Level: B+.

The GRI Reference Table can be
found in the global online report.

Please visit HEINEKEN's global
Sustainability Report 2012 at:
www.sustainabilityreport.HEINEKEN.com

www.karlovacka.com

www.uzivajukarlovackomodgovorno.com
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Production

Karlovačka pivovara
Corporate Relations
Department

Text

Karlovačka pivovara
Corporate Relations
Department
HEINEKEN global
Sustainability Report
2012

Photography

Jan-Ruud de Ruiter
Monne Tuinhout
Karlovačka pivovara's
archive (Robert Fajt,
Mladen Volarić)

Graphic design and electronic publishing

Addison
AB studio dizajn
Barjaković

Printing

ZT ZAGRAF

Paper

Agripina 300 gsm
cover
Agripina 135 gsm
inside pages

Our Sustainability
Report is printed on a
paper which is
produced with 100%
recycled post
consumer fibre and is
produced in a chlorine
free process PCF
(Process Chlorine Free).

