



Karlovačka pivovara

PART OF THE HEINEKEN COMPANY

Sustainability Report 2013

Brewing a Better Future

Welcome

Our Sustainability Report 2013

Karlovačka pivovara is a part of HEINEKEN company. It has a long brewing tradition which dates back to 1854. Today, it is a strong number two on the Croatian beer market and known as the brewery which produces high quality beer.

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

160
YEARS
OF TRADITION

355
EMPLOYEES

6
BRANDS IN
OUR PORTFOLIO

GM Foreword

160 years ago brewery in Karlovac was founded. Its history was turbulent with ups and downs. But the brewery in Karlovac was always known as a brewery which produces excellent beer.



This reputation we have today as well, but in the next 160 years we want to be recognised not only as a brewery which produces high quality beer, but also brewery with sustainable future. We are a proud part of the most international brewer – HEINEKEN and our desire is to create business that is both successful and sustainable. In order to create sustainable future, we follow global strategy Brewing a Better Future. We constantly report about our progress, achievements and priorities in the field of social and environmental responsibility. So, I am glad to present our 5th Sustainability Report. 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 and one of main priorities of our business strategy: on global as well on local level. Water is one of main ingredients of beer so we are focused on protecting water resources: in 2013 Karlovačka pivovara decreased its specific water consumption by 2.5% in comparison to 2012. We also decreased the total specific energy consumption by 2.6%, the specific direct and indirect CO₂ emission by 2%, specific thermal energy consumption by 3.7% while the specific electric consumption stayed on the same level as in 2012.

We take care of the environment but also achieving savings. These positive trends are the result of our investment in technology: new line, new fermentors, modernized brewhouse, waste water treatment plant... These investment are significant for maintaining the high quality of our beer which is another top priority for Karlovačka pivovara. 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, OHSAS 18001 certificate for protection of health and safety and ISO 14001 for environmental management system.

Whatever we do, we do it in a safe way because safety comes first. During the years we have invested a lot of efforts in education and adapting our everyday business to safety first philosophy. This resulted with one great accomplishment: in August 2013 we celebrated one year without the accident in Supply Chain. We are strongly committed and safety is the highest on our agenda.

As a beer producer, we are aware of our responsibility in promoting responsible consumption. In 2013 we increased the impact of our actions in that area. We started with the new initiative I am 18+ on national festival Beer Days. The goal was to raise awareness that minors should not consume alcohol. We think this initiative has a future and we will continue with it. At the end of 2013 we launched online counselling project for parents For responsible youth. The idea is to help parents throughout direct advices form psychologists, to educate and inform parents.

Another very important part of our corporate social responsibility is a positive contribution to our local community. We are actively working on the development of good relations: through open dialogue with our stakeholders and by supporting some of the most important events in the local community and helping various projects and activities throughout our traditional donation tender.

More about our activities you can read in this report which is also available online. I invite you to read it and to send us your feedback because we believe that this can help us to make a further progress.

Branka Slaveska

Managing Director of Karlovačka pivovara

The big picture

Brewing a Better Future

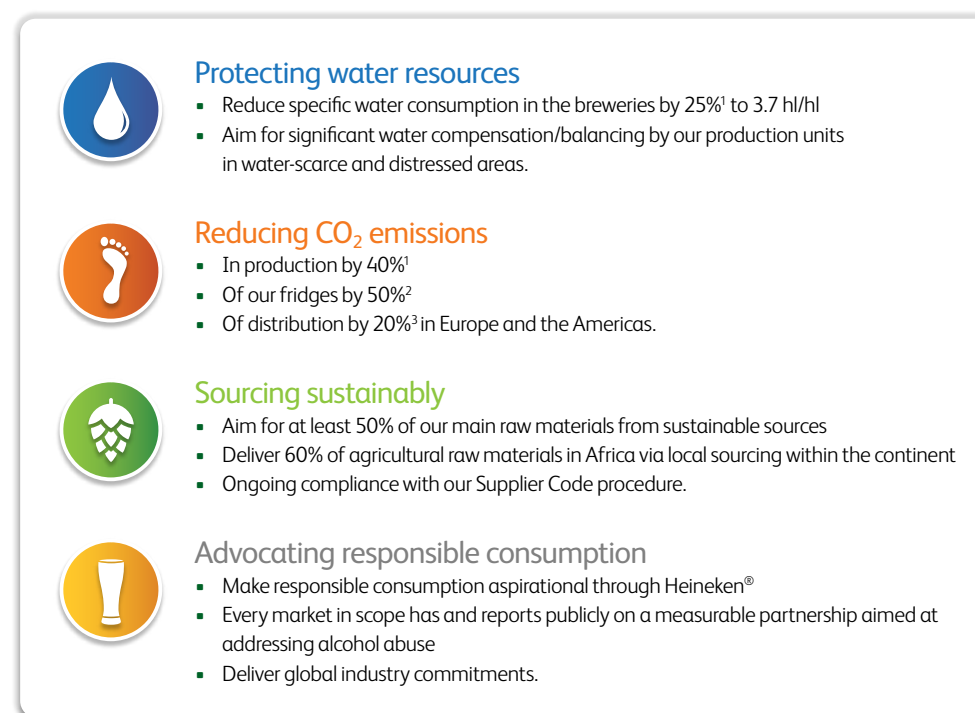
Brewing a Better Future is HEINEKEN's long-term approach to creating shared, sustainable value: for our Company, for society and for the planet.



Sustainability is one of HEINEKEN's six key business priorities. Brewing a Better Future focuses on four key areas where we can make the biggest difference. Each of these areas is highly relevant to our day-to-day business operations, and to our stakeholders. The focus areas are underpinned by our values and behaviours.

HEINEKEN's 2020 global commitments

Each focus area is underpinned by clear commitments that state HEINEKEN's ambitions for 2020, with three-year milestones to be achieved by 2015.



¹ Baseline 2008
² Baseline 2010
³ Baseline 2011

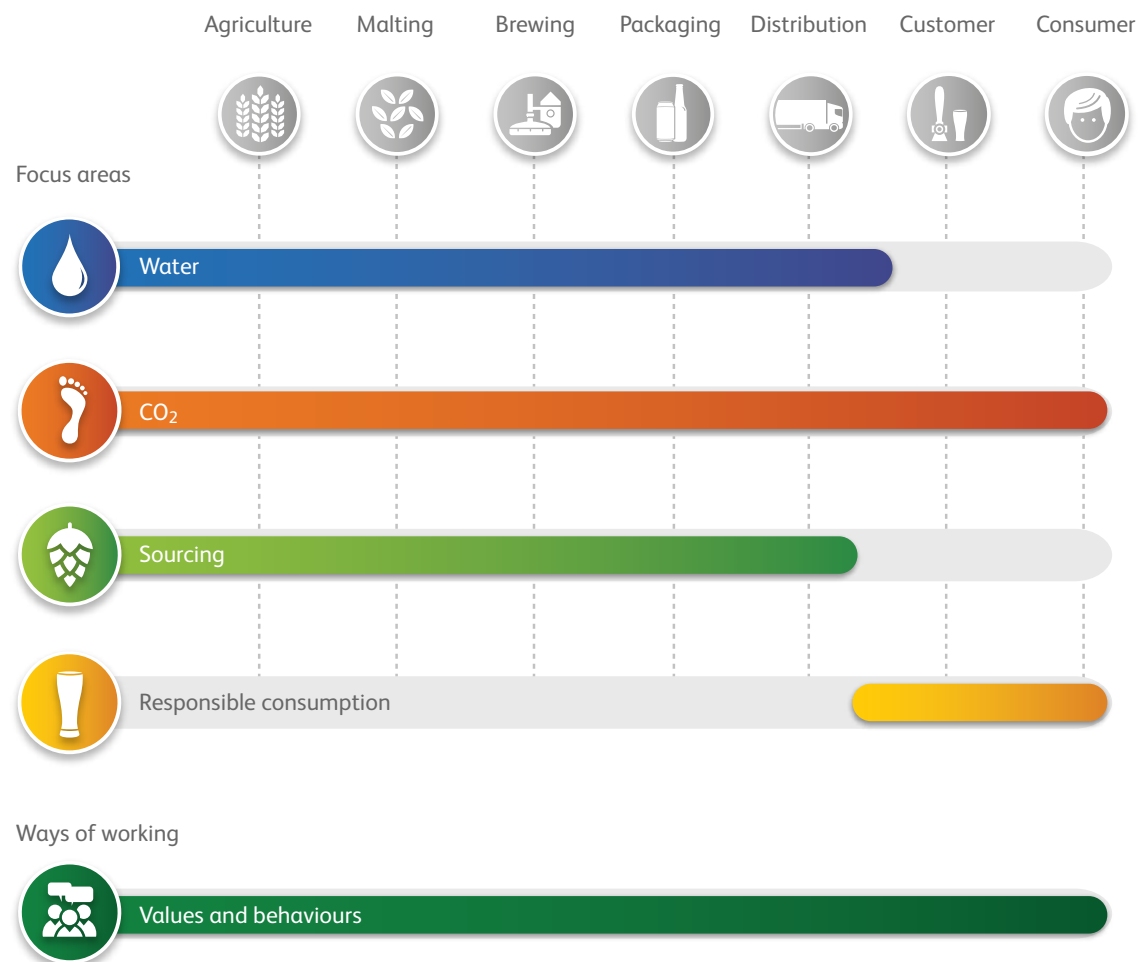


For more information about HEINEKEN's Brewing a Better Future approach, see our global online report.

The big picture

From barley to bar

HEINEKEN's approach to sustainability covers the entire value chain.



Agriculture

Our main raw materials are barley and hops. HEINEKEN is an active member of the Sustainable Agriculture Initiative (SAI) Platform that addresses all aspects of sustainable agriculture. In Africa, local sourcing is a major priority for HEINEKEN. Sourcing crops locally creates shared value in several ways: as a company, we reduce transport costs; environmentally, we reduce the travel distance of crops with less imports; and the local communities become financially empowered and independent with improved livelihoods, jobs and income.

Malting

Malting consumes energy and water and necessitates transport. HEINEKEN implements energy and water reduction programmes in our own malteries and engage our suppliers in discussions in relation to their usage. Where feasible HEINEKEN switches from road to shipping when transporting barley and malt.

Brewing

Each of these processes consumes energy and water. Reducing energy and water consumption means increasing energy and water efficiency and switching to other more environmentally friendly energy sources where feasible. Energy and water reduction is achieved by optimising the production processes. Each HEINEKEN's brewery, cider mill and soft drink production site has a specific target. There is also an interactive, best-in-class IT system that allows companies to share good practices between them.

Packaging material

Our products are packed in cans, bottles and kegs, in the case of beer 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 re-use rate.

Distribution

All HEINEKEN's products need to be transported to our customers using several modes of transport, including road, rail and ocean freight as well as inland barges. Wherever we can, we optimise the distribution by changing the form of transport, training drivers, using more efficient engines, improving the design of vehicles and re-assessing distribution networks.

Customers

Most of HEINEKEN's beers and ciders are 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 across all its brands, we have defined green standards with which they have to comply. Each year the standards are adjusted to ensure that we continue to progress towards our 2020 goals. In addition, HEINEKEN continues to develop greener draught equipment such as the David (XL) Green in recent years and the SmartDispense® system in 2013.

Consumers

HEINEKEN has a clear set of standards and rules for responsible commercial communication, covering both offline and online. In the last two years we have pioneered the creation of advertising that makes responsible consumption aspirational for consumers. In 2013, HEINEKEN committed to invest 10% of our media spend in key markets on the Heineken® brand to support this campaign. The two campaigns – "Sunrise" and the new "Dance More, Drink Slow" (in partnership with world-famous DJ Armin van Buuren) are leading-edge examples of our commitment to this vital area. As an industry, we have put in place a set of binding commitments aimed at reducing alcohol-related harm.



Read HEINEKEN's global online report for more information and related case studies.

The big picture

What we said and
what we've done

Focus area	What HEINEKEN said will do by 2015	What HEINEKEN has done in 2013	What Karlovačka pivovara has done in 2013
	Reduce our specific water consumption in the breweries to 3.9 hl/hl	Water consumption decreased to 4.1 hl/hl	Water consumption decreased to 4.6 hl/hl
	100% of HEINEKEN's production units in water-scarce and water distressed areas will have a Source Water Protection Plan	Ten (43%) of our production units have drafted a Source Water Protection Plan	<i>Global target</i>
	Reduce CO ₂ emissions in production by 27% to 7.6 kg CO ₂ -eq/hl (baseline 2008)	CO ₂ emissions reduced from 8.4 kg CO ₂ -eq/hl in 2012 to 7.7 kg CO ₂ -eq/hl in 2013. This is a reduction of 26% compared with the baseline year 2008	The specific direct and indirect CO ₂ e emission decreased from 9.2 kg CO ₂ e/hl in 2012 to 9 kg CO ₂ e/hl in 2013
	Reduce the CO ₂ emissions of our fridges by 42% (baseline 2010)	99% of the 116,000 fridges that HEINEKEN purchased in 2013 were "green". The average reduction of CO ₂ emissions has improved from 38% to 40% in 2013, compared with the baseline year 2010	All newly purchased refrigerators purchased by Karlovačka pivovara were green
	Reduce the CO ₂ emissions of distribution by 10% in Europe and the Americas (baseline 2010/2011)	Out of 23 operations in scope, 21 operations have now validated results. Fourteen performed better compared with the plan for 2013	<i>Global target</i>
	Aim for sustainable sourcing of raw materials for crop year 2015: 20% (barley), 40% (hops), 60% (bittersweet apples for cider)	Sustainable sourcing procedures approved and being rolled out with our key suppliers Started development of reporting system to monitor progress on commitments, which we will pilot with suppliers in 2014	Karlovačka pivovara sourced 60% of agricultural raw materials locally. Specifically, 49% of malt and 100% of corn girt for our beer was purchased in Croatia.

Focus area	What HEINEKEN said will do by 2015	What HEINEKEN has done in 2013	What Karlovačka pivovara has done in 2013
	50% of agricultural raw materials used in Africa to be locally sourced within the continent	Increased our local sourcing from 45% in 2012 to 46% Started three new Public-Private Partnership projects in Ethiopia, Rwanda and Sierra Leone Appointed a Local Sourcing Director to increase focus and coordination between projects	<i>Not applicable for Croatia</i>
	Four-step Supplier Code Procedure operational within all Operating Companies	All majority-owned Operating Companies, excluding APB, were in scope for the Supplier Code Procedure, the speed of rollout depending on the maturity of the Operating Company	In total 100% of registered suppliers in Karlovačka pivovara's vendor master data base had signed the Code
	HEINEKEN commits to invest a minimum of 10% of its media spend for Heineken® in supporting our dedicated responsible consumption campaign in at least 50% of our market volume	Developed "Dance More, Drink Slow" campaign throughout the year, with official launch held in January 2014. Media investment commitment included as part of 2014 budget	<i>Global target</i>
	Every market in scope has a partnership to address alcohol-related harm. All partnerships meet HEINEKEN's 7-point partnership criteria	Out of 40 markets in scope, 36 now have at least one partnership (33 in 2012)	Karlovačka pivovara started a new partnership to address minors' alcohol abuse.
	Global industry commitments: precise goals for 2015 to be decided in conjunction with industry via ICAP and GAPG organisations	Global commitments KPIs developed and being implemented. In each of the action areas preparatory work was done in 2013	<i>Global target</i>



For full details of HEINEKEN's global 2015 milestones and related progress, read global online report.

Our focus areas



Protecting water resources

Balancing the needs of the community with our needs is at the heart of our approach to water usage.



Why this is important

Global demand for water has doubled during the past 50 years and is expected to increase by another 40% by 2030. In water-scarce areas this may result in increased competition for water among industry, the general population, agriculture and ecosystems.

Water is one of four key ingredients of beer. It is used throughout supply chain, including in the maintenance. We understand the importance of sustainable use and protection of water to safeguard this precious resource.

Our investments in technology contribute to water consumption savings and we believe that progress will be much more visible in the upcoming years.

“We put a lot of effort and invest in technology to achieve water consumption savings. Results are visible although there is still room for improvement so we continue to work on that.”

Zvonimir Nemet
Supply Chain Director

In 2013, Karlovačka pivovara needed 4.6 hectolitre (hl) of water to produce 1 hl of beer which is less than in 2012 when we needed 4.8 hl/hl. This decrease of 2.5% is a result of technology investments and improvements.

Specific water consumption

hl/hl beer + soft drink + cider + water

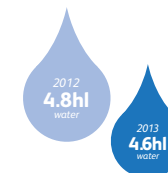


Another factor which contributed to water savings is the optimization of water consumption at the bottle washer. In 2013 a new hot water tank was installed in the brewery. This tank recuperates hot water so it can be used again. New and bigger hot water tank enables higher percentage of recuperated water which is being used in the new brewing process. It also enables better control of water usage. This technological improvement contributed to decrease of water consumption in 2013. However, the specific water consumption of Karlovačka pivovara is still higher than the HEINEKEN company average of 4.1 hl/hl so we will continue to work on further improvements and decrease of water consumption.

In the second half of 2012 the new filling line was installed in Karlovačka pivovara. Savings in water consumption in 2013 are mainly achieved due to new filling line because new line uses 15 – 20% less water per hectolitre of produced beer compared to the old one. In the years to come, we expect further savings in order to help achieve the global commitment for 2015 (water consumption to be 3.9 hl/hl).

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.

WATER CONSUMPTION DECREASED BY 2.5%



For this and more in-depth information about our water stewardship activities, see our global online report.

Our focus areas



Reducing CO₂ emissions

In 2013, Karlovačka pivovara made good progress in reducing our CO₂ emissions. Our focus is to continue with this positive trend.

Why this is important

CO₂ emissions directly contribute to climate change. This in turn has an impact on the availability and cost of raw materials and other resources.

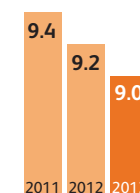
HEINEKEN, as a global company, believes it has the responsibility to play an active role in the reduction of CO₂ emissions across the value chain, from barley to bar.

Karlovačka pivovara is also dedicated to that goal so we've set ambitious targets for reducing CO₂ emissions within the production facilities and cooling.

Actions and results

In 2013 we continue with the positive trends in decreasing of CO₂ emission. The specific direct and indirect CO₂e emission of Karlovačka pivovara decreased from 9.2 kg CO₂e/hl in 2012 to 9.0 kg CO₂e/hl in 2013. This means that the specific total CO₂ emission was 2% lower.

Specific direct and indirect CO₂ emission
kg CO₂e/hl beer + soft drink + cider + water



This decrease is the result of a lower specific direct CO₂ emissions. This was achieved mainly due to the thermal energy savings.

Energy savings

The specific total energy consumption of Karlovačka pivovara decreased by 2.6% - from 122.6 MJ/hl in 2012 to 118.5 MJ/hl in 2013. This was mainly achieved due to the specific thermal energy savings: the consumption decreased from 93.5 MJ/hl in 2012 to 89.2 MJ/hl in 2013. This decrease of 3.7% is related to the impact of a new hot water tank placed in the brewery, new filling line which was installed in the second half of 2012 and reduced evaporation in the brewhouse. Karlovačka pivovara participates in HEINEKEN's global initiative Low evaporation wort boiling. The idea is to reduce the percentage of evaporation during the wort boiling. In 2013 Karlovačka pivovara significantly reduced the percentage of evaporation from 7.5% to 4.5% which directly impacted the decrease in thermal energy consumption.

Talking about the specific electricity consumption, it stayed on the same level as in 2012: 8.1 kWh/hl. The specific electricity consumption of Karlovačka pivovara is lower than the HEINEKEN company average of 8.4 kWh/hl.

Cooling

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 2013 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. On the global level, HEINEKEN purchased 116,000 green fridges (99%) in 2013 resulting in an average energy savings of 40%.



AVERAGE ENERGY SAVING WITH OUR FRIDGES ON GLOBAL LEVEL

Waste

Karlovačka pivovara also made a good progress with the non-recycled industrial waste. The specific non-recycled industrial waste production significantly decreased from 0.5 kg/hl in 2012 to 0.21 kg/hl in 2013. The reason is that more waste could be recycled due to a contract with a new recycling company which is able to recycle more waste streams. Concretely, we improved our waste separation system by introducing new category of waste (labels) which is collected by company licensed and certified for labels recycling.



For this and other global case studies relating to CO₂, see HEINEKEN's global online report.

Our focus areas



Sourcing sustainably

HEINEKEN wants to operate in a way that improves the quality of life for local individuals and communities, helps the environment and ensures a consistent supply of our raw materials.

Why this is important

As global demand for food continues to grow, responsible agriculture and sourcing have never been more important. The key issue facing global agriculture is how to increase productivity in a more sustainable way to meet this rising demand.

Local sourcing benefits Karlovačka pivovara; it eliminates import duties, secures a sustainable supply of raw materials and reduces our transport-related environmental footprint.

Our suppliers are key to helping us reach our sourcing commitments. We are working together to ensure we implement the right practices throughout our value chain, and we ask them to respect and abide by the principles expressed in our Supplier Code.

In 2013, Karlovačka pivovara sourced 60% of agricultural raw materials locally. Specifically, 49% of malt and 100% of corn girt for our beer was purchased in Croatia.

We are dedicated to maintain high quality and safety of our products. All raw materials we purchase are GMO free. This is controlled and ensured by certificates which must be provided by our raw materials suppliers.

Supplier Code governance

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 2013 we had 100% of registered suppliers (in total 446 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 2013. As part of our Supplier Governance Procedure, we monitor compliance with the Code through the EcoVadis collaborative platform and initiate audits when necessary.

Supplier Code signed by

446
SUPPLIERS



60%
OF RAW MATERIALS
IN 2013 WERE SOURCED
LOCALLY



For this and other global case studies relating to local sourcing, sustainable agriculture and Supplier Code governance, see HEINEKEN's global online report.

Our focus areas



Advocating responsible consumption

As one of Croatia's leading brewers we actively promote the enjoyment of beer in moderation.



“By actively promoting responsible consumption, we contribute to the positive role of beer in society.”

Ljudmila Bratko Gašpić,
Corporate Relations Manager

Why this is important

Despite the vast majority of people enjoying our products responsibly, there are still too many people who don't. There are clear health and behavioural risks associated with consuming too much alcohol, either over time or on single occasions.

Karlovačka pivovara actively works on promoting and encouraging responsible consumption – internally and externally.

We think that our employees, government, legislators, NGOs, consumers, retailers, hotel, bar and restaurant owners and media all have a valuable role to play in encouraging responsible consumption.

Our priorities in 2013

- Build measurable partnerships and working closely together with NGO, specialists, retailers and media to encourage responsible consumption and address alcohol-related harm including under-age drinking
- Taking action at industry level, in collaboration with other Croatian breweries.

Actions and results

For responsible youth

At the end of 2013 we started the project addressing under-age drinking. In a partnership with the woman's portal žena.hr and Psychological centre TESA, Karlovačka pivovara launched a dedicated microsite providing information about underage drinking, factors influencing teenage alcohol use, the role of a functional family, how to talk to your child when they are going out, etc. Besides educational articles, the microsite provides online counselling with psychologists as well as forum open for parents to exchange experiences and advices. The majority of planned activities (extensive media campaign, round tables, internal workshop) will take place in 2014.

I am 18+

On Beer Days 2013 we launched an initiative with the goal of raising the awareness. We printed armbands with the message I am 18+ for all legal-age drinkers at Beer Days, a beer event that attracts thousands of beer lovers. More than 3,000 armbands were handed out over the course of ten days. In addition, bar owners at the event attended a special meeting where the concepts of responsible consumption and how to communicate them were presented. Participants were asked to

support Karlovačka pivovara's efforts and to inform their servers about the purpose of the armbands. The message was also communicated beyond the event itself through media. Traditionally, we also organized responsible bus transport for visitors of Beer Days.

Our employees as ambassadors

Karlovačka pivovara in 2013 started with the global ambassadorship programme, 'We Love Beer'. The project encourages our employees to be knowledgeable about our products and about using them in moderation. We had trained five beer ambassadors who will spread the message amongst the colleagues. We also use all our internal communication channels to spread a message about the importance of responsible consumption amongst our employees.

Taking action at the industry level

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. In 2013 Croatian Brewers Association launched the campaign addressing minors' alcohol abuse. This was done in a partnership with the biggest Croatian retailer Konzum and Tisak and supported by the Ministry of science, education and sport, Ministry of health, Croatian institute for public health. Posters containing message *We do not sell alcohol to minors* were placed in stores. In cooperation with Croatian Institute of Public Health and Agency for education, the Association also produced the brochure *Let's talk with young about dangers of alcohol abuse*. It will be used as additional tool and manual for teachers in schools.



During the traditional beer festival Beer Days Karlovačka pivovara, as a general sponsor, organized the awareness raising activity I'm 18+ in order to help caterers and waiters avoid selling beer to minors on the Beer Days.



For this and other global case studies relating to responsible consumption, see our global online report.

Our ways of working



Values and Behaviours

Our values represent what we stand for as a corporate citizen, a business partner and an employer. How we behave and how we work together is key to our success.

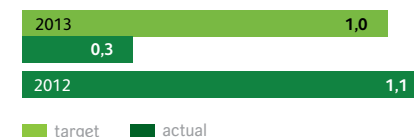
Brewing a Better Future is integral to our way of working. Health, safety, and employees' and human rights are embedded in our business and processes. Through HEINEKEN's Code of Business Conduct we are committed to conducting business with fairness, integrity and respect for the law and our values. We also contribute to the community in which we operate.

Health and Safety

On August 16th 2013 we have achieved 365 days - full year with no accident in Supply Chain of Karlovačka pivovara. This accomplishment reflects one of top priorities of our company: safety first. This was the result of continues effort and drive for safety excellence with outstanding application of TPM (Total Production Management). Unfortunately, in 2013 one accident happened in Commerce. This confirms current trend present in HEINEKEN's companies that the majority of accidents take place outside production. Safety is therefore a high priority in the whole company and all departments. Karlovačka pivovara launched several initiatives to ensure that it is systematically addresses across the whole of the company. In production, the average accident frequency continued to decrease: from 1.1 in 2012 to 0.3 in 2013.

Accident frequency

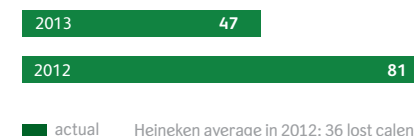
Cases/100 FTE for all sites



The Accident severity has decreased significantly from 81 to 47.

Accident severity

Lost calendar days/100 FTE for all sites



Compared to 2012, the number of accidents amongst contractors remained zero. 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.

Integrity

On January 1st 2013, HEINEKEN launched revised HEINEKEN Code of Business Conduct, marking another step forward in the approach to integrity within our business. Code of Business Conduct was translated on Croatian, communicated and distributed to Karlovačka pivovara employees.

Investing in our communities

DAN V - Voluntary Day

Voluntary Day was initiated by Karlovačka pivovara with the goal to develop voluntary culture especially amongst its employees. Through this activity we also wanted to encourage our employees to engage, to become actively involved in their communities. Apart of employees, we included citizens to participate and we connected with the representatives of city blocks. Around one hundred of volunteers from Karlovačka pivovara, eco association Eko Pan, six city blocks together with divers from Club for underwater activities and members of the Club of sports fisherman, joined forces in cleaning the coasts of river. Volunteers cleaned both coasts of the river while divers and fisherman cleaned the riverbed. During the cleaning activity, volunteers cleaned up the environment from trash. Feedback from all participants as well from media was highly positive.

Investing in our community

Apart of employee volunteering, we invest in our local community through financial donations 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. In total 16 projects were selected as the best ones in 2013. Since 2009, when our first Donation tender was launched, we supported in total 137 local projects.

We traditionally support some important local events such as John's Bonfire, River Cinema with Karlovačko, International Folklore Festival, New Year's Eve in Karlovac and international voluntary camps organised by eco association Eko pan. The total financial support of local community through different initiatives (donations etc.) including our Partnership for progress project in 2013 was around 700,000 HRK.



Karlovačka pivovara launched DAN V to develop voluntary culture – especially amongst the employees. Volunteers cleaned both coasts of the river Kupa in the centre of Karlovac while divers and fisherman cleaned the riverbed. During the activity, two containers of rubbish were collected.



For this and other global case studies relating to our values and behaviours, see HEINEKEN's global online report.

The bigger picture

Embedding sustainability

Brewing a Better Future will only succeed if the preconditions for success are defined and in place. A clear governance model and a system that measures progress are essential.



Global governance

HEINEKEN's governance model for Brewing a Better Future covers both global and local levels. In 2013, the model was updated at the global level. A Corporate Affairs Committee (CAC) was formed to oversee a range of corporate areas, including sustainability. The CAC is chaired by HEINEKEN's CEO and supported by other executive members. The Committee is responsible for delivering plans and establishing clear functional ownership and alignment across the business.

At a local level, each Operating Company, including Karlovačka pivovara, has its own three-year plan and a local sustainability committee responsible for its execution. It is this market-based approach that we believe is fundamental to success.

Building sustainability into performance plans

Sustainability remains an ongoing part of the performance plans of HEINEKEN's senior management. It is one of the five merit areas for senior managers in their Annual Performance Appraisal.

In 2013, almost 75% of HEINEKEN's senior managers had an objective based on sustainability. The basis for the objective setting is the four focus areas and the values and behaviours, which have in turn been created as objectives for each Operating Company and function.

Measuring progress

Brewing a Better Future is one of the six strategic priorities of HEINEKEN. It therefore forms part of the Company Scorecard used for measuring progress on each of these priorities.

This is done via a dedicated measurement system called 'Green Gauge'. The system measures progress on each commitment across all companies and allows us to assess delivery by commitment, Operating Company, region, function and the global Company.

Local sustainability reporting

As part of our commitment to transparency in reporting, in 2013 a total of 39 Operating Companies published a local sustainability report or fact sheet. They can all be viewed on HEINEKEN International web site. 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 fifth sustainability report which can also be seen on HEINEKEN International web site as well as on Karlovačka pivovara's corporate web page.

**39 OPERATING COMPANIES
PUBLISHED A LOCAL
SUSTAINABILITY REPORT**

Stakeholder 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.



HEINEKEN's activities

In 2013, HEINEKEN completed its largest reputation research cycle ever, talking to more than 7,000 stakeholders across 31 markets. The Company also initiated a second series of expert meetings, in which a broad group of stakeholders including scientists, NGOs, suppliers and industry peers met to share knowledge and insights on sustainability performance. In 2013, all HEINEKEN's Executive Committee members actively participated in senior level meetings with relevant external stakeholders including the World Trade Organisation, World Economic Forum, Dutch Sustainable Growth Coalition and ministers and members of national and European parliaments.

Feedback shows that HEINEKEN continues to have a positive overall reputation, and a high level of trust by the majority of our stakeholders. However, it also identifies areas for improvement. Read HEINEKEN's global online report for more information.

In 2013, HEINEKEN continued its active involvement in more than 20 organisations that support the sustainability aims for both business and society. HEINEKEN is an industry partner with the World Economic Forum, a founding member of Green Freight Europe, the first beer company that joined the Sustainable Agriculture Initiative Platform and active participant of the Beverage Industry Environmental Roundtable.

Karlovačka pivovara's activities

Every year Karlovačka pivovara conducts Reputation Research. The survey gives our stakeholders the opportunity to say what they think about us. Reputation research conducted in 2013 showed that Karlovačka pivovara's reputation is strong, with a near universal agreement on its business success. However, many stakeholders call for more emphasis to be placed on fostering relationships with the local community, especially when promoting responsible drinking. Thus we organized stakeholder dialogue meetings with neighbours and the NGOs from Karlovac. Based on NGOs feedback, we decided to upgrade our communication related to responsibility projects. On the other hand, neighbours proposed regular brewery visits as one additional activity to be more close to the local community so in 2014 Karlovačka pivovara will start with regular brewery visits once a month (apart of our regular Open doors day which takes place once a year). In 2014 we will conduct another Reputation Research which will give us a new direction for stakeholder engagement.

Other information

HEINEKEN's global benchmarks and achievements

HEINEKEN is moving closer to the targets set for 2020 in each of the four focus areas. Many objective, external indicators also confirm the Company is making progress.

Benchmarks

Dow Jones Sustainability Index

HEINEKEN received the highest ever score in 2013. The Company qualified for inclusion in the 2014 Sustainability Yearbook and received the RobecoSAM Bronze Class award, which means our score is within the range of 5% to 10% of the Industry Leader.

FTSE4Good

For the 10th consecutive year, we maintained our inclusion in the Index. For the Environmental, Social and Governance (ESG) rating, HEINEKEN achieved an absolute score of 4.1 out of 5, and a relative supersector score of 93 out of 100.

Investors Carbon Disclosure Project

HEINEKEN again participated in the Investors Carbon Disclosure Project (CDP) to measure and disclose carbon-reduction activities. The disclosure score improved to 96 points out of 100 (from 88 in 2012 and 59 in 2011). The Company maintained B performance rating. Overall, this resulted in a ranking in the CDP Benelux Leadership Index.

CDP Water Disclosure

HEINEKEN took part for the third time in the CDP Water Disclosure Global Survey, reporting on water usage, water-related risks and responses to these risks. More than 1,000 companies from around the world have been asked to report vital water-related information to CDP this year, with close to 60% responding. No rankings have yet been provided.

Transparency Benchmark

For the second consecutive year, HEINEKEN was mentioned as a 'frontrunner' in the Dutch Transparency Benchmark with an overall score of 193 out of 200 points. HEINEKEN now ranks 10th out of 500 Dutch companies. The Dutch Transparency Benchmark is conducted by the Ministry of Economic Affairs and assesses the transparency of CSR reporting by the top 500 Dutch companies.



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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About this Summary Sustainability Report

This printed report summarises HEINEKEN's and Karlovačka pivovara's progress on Brewing a Better Future in 2013.

Please visit HEINEKEN's global Sustainability Report 2013 at:
www.sustainabilityreport.HEINEKEN.com
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Text

Karlovačka pivovara
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HEINEKEN global
Sustainability Report 2013

Photography

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Lars van den Brink
Bob van der Vlist
Paul Tolenaar
Roger Dohmen
Karlovačka pivovara's
archive (Mario Pavlović,
Mladen Volarić, Ivan
Pervan)

Graphic design and electronic publishing

Addison Group
www.addison-group.net
AB studio dizajn Barjaković
www.abstudiodizajn.com

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).