

# *Sustainable Development*

**SABMiller plc Sustainable Development Report 2009**

Making a difference through beer

# Contents

---

## Our approach

- 01 About SABMiller plc
- 02 Joint statement by the Chief Executive and the Chairman of the Corporate Accountability and Risk Assurance Committee (CARAC)
- 04 Overview of progress
- 06 Managing sustainable development
- 10 The brewing process

## Our 10 priorities

- 12 Discouraging irresponsible drinking
- 15 Making more beer but using less water
- 18 Reducing our energy and carbon footprint
- 20 Packaging, reuse and recycling
- 22 Working towards zero-waste operations
- 23 Encouraging enterprise development in our value chains
- 26 Benefiting communities
- 28 Contributing to the reduction of HIV/Aids
- 30 Respecting human rights
- 31 Transparency and ethics

## 33 Valuing and empowering our people

## 35 Products and quality

## 36 Operating companies covered in this report

## 37 Assurance statement

---

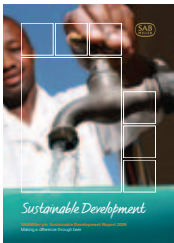
**This report covers the financial year ending 31 March 2009 and is aligned with our Annual Report and Accounts.**

**For more detailed information, please refer to our website at [www.sabmiller.com](http://www.sabmiller.com). This contains further case studies and performance data, the Sustainability Assessment Matrix scorecards for each operation, position papers on each of the sustainable development priorities and reports on specific issues.**

### Please note:

This report contains certain forward-looking statements including those that relate to water management, the implementation of certain reuse and recycling measures, investments in alternative energy and expenditure at operational level. Such statements involve a number of uncertainties because they relate to events and depend on circumstances that will or may occur in the future. As a result, actual results may differ from those anticipated in this report depending on a wide range of factors, including, for example, crop yields, consumer demand, excise duties and taxation policies, worldwide as well as local economic conditions, changes in laws and regulations and the development of new technology.

This report deals with activities of group companies around the world. References in this report to 'SABMiller', 'we', 'us' and 'our' refer collectively to the group of operating companies.



### Front cover

Using water efficiently within the Kgalagadi brewery in Botswana. For further information on our water strategy refer to page 15.



### Annual Report

For an overview of our markets and operations, please refer to our Annual Report which is available at [www.sabmiller.com](http://www.sabmiller.com)

### Global Reporting Initiative (GRI)

This report has been produced in accordance with the GRI G3 guidelines. Our GRI content index is available on our website at [www.sabmiller.com/reporting](http://www.sabmiller.com/reporting). Our reporting meets the requirements of the B+ application level.



### United Nations Global Compact (UNGC)

For more information on our progress against the 10 principles of the UNGC, please go to our website at [www.sabmiller.com/reporting](http://www.sabmiller.com/reporting). This document also forms our progress report against the UNGC CEO Water Mandate.

---

# About SABMiller plc

One of the world's largest brewers, SABMiller has brewing interests and distribution agreements across six continents.

Our wide portfolio of brands includes premium international beers such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch along with leading local brands such as Aguila, Castle, Miller Lite, Snow and Tyskie. Six of our brands are among the top 50 in the world. In a number of our African markets we brew sorghum-based traditional beers. In 2009 our group revenue was US\$25,302 million with earnings before interest, tax and amortisation of US\$4,129 million and lager production of 210 million hectolitres.

We are also one of the world's largest bottlers of Coca-Cola products. In addition to our Coca-Cola operations, we produce and bottle a range of soft drinks including Appletiser. In 2009 we produced 44.3 million hectolitres of soft drinks – sparkling drinks, water, fruit juices and malt beverages – making up 17% of total volumes.

## Boundary of the report

Operations are included in this report on the basis of management control of SABMiller group companies along with our US joint venture MillerCoors. Our economic interest in MillerCoors is represented when reporting quantitative key performance indicators.

We aim to include new acquisitions or market entries within two years. A list of operations covered in this report, which together employ approximately 56,300 people, is provided on page 36.

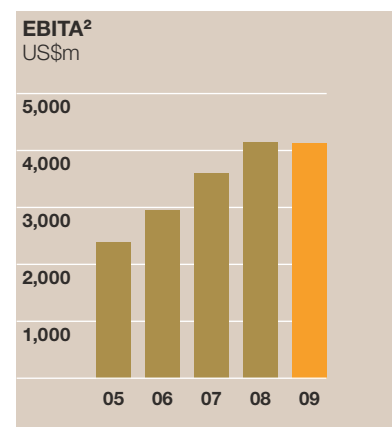
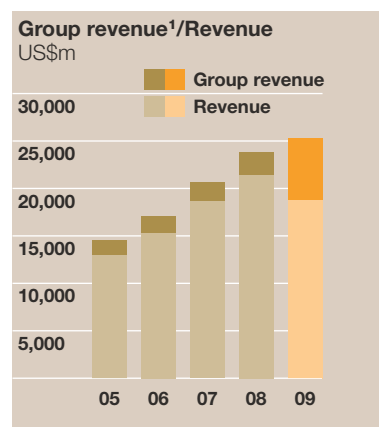
Where we hold a minority share in a joint venture we engage with our partners on sustainable development issues. We report on an example of such an engagement with our Chinese associate CR Snow on page 9.

**200+**

More than 200 brands owned

**210 million**

Total volume of lager sold (hectolitres)<sup>3</sup>



<sup>1</sup> Group revenue includes the attributable share of associates' and joint ventures' revenue of US\$6,599 million (i.e. including MillerCoors' revenue) (2008: US\$2,418 million).

<sup>2</sup> EBITA is defined as operating profit before exceptional items and amortisation of intangible assets (excluding software) but includes the group's share of associates' and joint ventures' operating profit, on a similar basis.

<sup>3</sup> Following the inception of the MillerCoors joint venture on 1 July 2008 the group has revised its volume definition. Further details of these revised definitions can be found in the Annual Report Definitions section on page 156.

# Joint statement by the Chief Executive and the Chairman of the CARAC

Managing sustainable development is an integral part of a successful global business. Our progress in this area is overseen by a committee of the SABMiller Board of Directors, the Corporate Accountability and Risk Assurance Committee (CARAC).



**Robert Fellowes**  
Senior Independent Director  
and Chairman of CARAC



**Graham Mackay**  
Chief Executive

## Sustainable development in challenging times

Despite the difficult prevailing economic conditions we will not compromise our commitment to sustainable development. It is a core part of our business. It underpins our ability to grow and our licence to operate. We understand that our long-term profitability depends on being part of successful economies where jobs are created, incomes grow and quality of life improves.

Therefore we are pushing ahead with plans to improve our water efficiency, create new, affordable products for low-income consumers using locally-grown crops, and improve awareness of the importance of responsible drinking.

## Improving transparency and reporting

Our 10 sustainable development priorities focus SABMiller on the risks and opportunities that the company faces from environmental, social and economic issues. These priorities were developed through extensive internal and external dialogue.

For the past three years we have been using an internal management system, the Sustainability Assessment Matrix (SAM), to measure our sustainable development

performance. Developed with input from a wide range of stakeholders, the system enables us to benchmark each of our operations against all 10 priorities. The results are used to inform action plans which are integrated into our five-year business strategy.

This year, for the first time and as part of our commitment to transparency, we're publishing the group-level SAM scorecard in this report. In addition, the scorecards for each of our operations are available on our website.

## A focused approach

In 2008 we undertook further internal dialogue and analysis with each of our regional CARACs, to understand which of the 10 priorities were most material to our businesses around the world. The exercise highlighted alcohol responsibility, water and enterprise development as the top three. These are now our global focus areas, as described in the diagram on page 3. Other priorities are accorded regional priority and the remaining priorities are identified as incremental improvement areas.

Being focused in this way enables us to pioneer new approaches, form productive partnerships and make a meaningful

## 25% reduction

Our target for reduction in our average water use per hectolitre of beer by 2015

difference on issues material to our business and our stakeholders. In the last 12 months, for example, we've developed new models for managing our water resources and enterprise development and have continued to embed our new Alcohol Framework across the business.

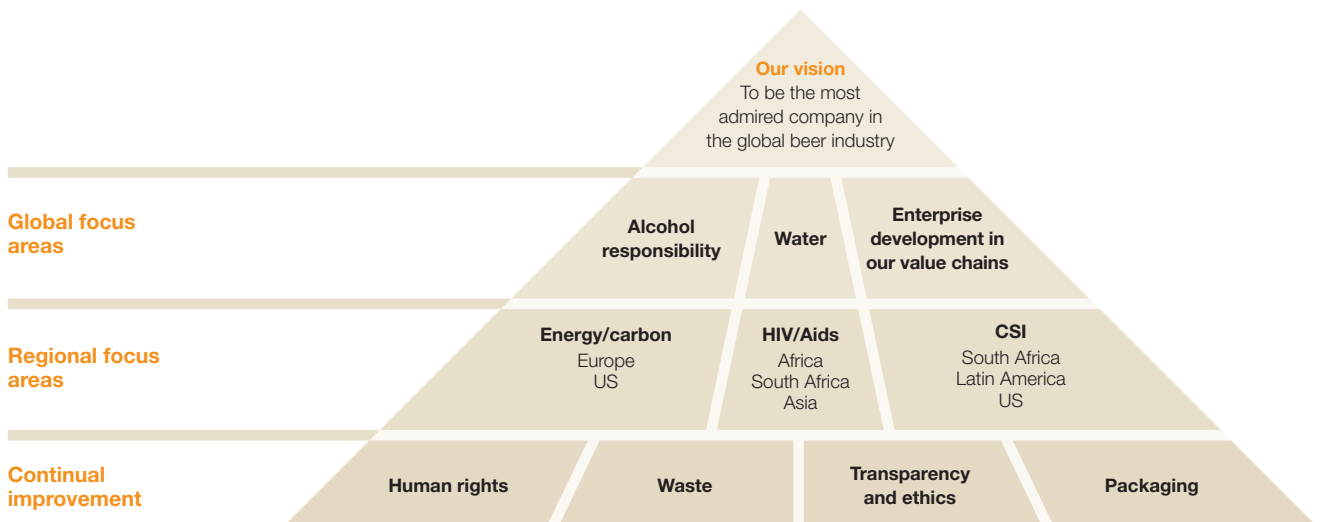
## New commitments on water and carbon

Water is a key raw material for beer. Our analysis suggests 12 markets across all continents will face water scarcity by 2025. During the year we announced a new water strategy which takes a comprehensive approach to managing water risks within our value chain.

At the core of the strategy is a target to improve our own water efficiency by 25% per litre of beer produced, reducing consumption from 4.6 hectolitres of water per hectolitre of beer produced (hl/hl) to 3.5 hl/hl by 2015. We have also made commitments to engage with agricultural suppliers to understand the water risks they face and to work with local communities to provide clean water where we can. In addition, we are building partnerships with NGOs such as WWF and The Nature Conservancy to reduce the water risk in some of the agricultural areas and watersheds where we operate.



## A focused approach to sustainable development management



We have also developed a new strategy in response to the critical issue of climate change. At the heart of this strategy is a target to reduce fossil fuel emissions from energy use on our sites by 50% per hectolitre of beer produced by 2020. We aim to achieve this through greater energy efficiency and by utilising renewable energy opportunities such as spent grains from the brewing process.

### 50% reduction

Our target for fossil fuel emissions from our on-site energy use per hectolitre of beer produced by 2020

#### Enterprise development: working with smallholder farmers

Our value chains can have a major impact on national economies. As we reported last year, independent research showed that while we employed around 9,000 people directly in South Africa, nearly 380,000 depended on our value chains for their jobs – a multiple of nearly 1:40 or 3% of employment in South Africa. This year, Professor Ethan Kapstein of INSEAD Business School researched the impact of our business in Uganda. Here he found that while we employ around 430 people directly, some 44,000 depend on the value chain for employment – a factor of around 1:100. Our challenge is now to further enhance this contribution.

During the year we engaged PricewaterhouseCoopers to review our smallholder farming projects around the world. Typically smallholder farmers own small plots of land, often less than four hectares, on which they grow crops such as barley or sorghum for use in our breweries. Our aim was to understand how these

projects could best be structured, both to deliver business value and to improve their socio-economic impact. Covering five markets in Africa and India, the review concluded that the most successful projects were those based on genuine partnerships in which governments, local NGOs and international agencies played different and important roles.

Our business in Africa is creating new lower-cost beer for consumers who currently buy alcohol produced in the informal sector with all the associated risks of a lack of regulation and dangers to health. We are striving to use locally-sourced crops in our products, creating employment for both farmers and distributors. In Africa we have plans to raise the number of local farmers from whom we buy our raw materials from 12,000 at present up to 44,000 by 2012.

### 100 jobs

supported in the Ugandan economy for every one job at Nile Breweries Ltd

#### Discouraging irresponsible drinking

Following the launch of our Alcohol Framework last year, we have developed a comprehensive internal alcohol education programme, which is currently being rolled out across the business. The programme provides a common platform for all our employees to further understand, debate and embrace their role in promoting alcohol responsibility in the workplace, at home and in the community. It also has a module for employees who work in marketing, trade marketing and sales to ensure that we continue to market and advertise our beers responsibly.

We launched the TalkingAlcohol.com website last year. This provides accurate and balanced information to parents, retailers, medical and health experts, policy-makers and consumers.

#### Partnerships for sustainable growth

Any business that wants to succeed over the long term knows that flourishing, sustainable communities are at the heart of development. We support the principles of the United Nations Global Compact and this report forms part of our annual Communication on Progress. As part of our support of the Millennium Development Goals (MDGs), we're seeking partners from civil society and government to help improve the development impact of our business activities. Through our engagement with the Business Call to Action on the MDGs, as a member of Business Action for Africa and as a partner company of the World Economic Forum, we are learning from civil society and other businesses and sharing our own insights. We also support and promote national priorities such as Broad Based Black Economic Empowerment (BBBEE) in South Africa, where we have been actively involved for over 30 years.

As the following report shows, we at SABMiller are committed to creating economic opportunity and managing our business responsibly at a time when this approach is more critical than ever.

**Robert Fellowes**  
Senior Independent Director  
and Chairman of CARAC

**Graham Mackay**  
Chief Executive

# Overview of progress

Our 10 sustainable development priorities focus on the opportunities and risks resulting from the overall impact of our activities – environmental, social and economic. The table below shows why we consider each to be a priority, the progress we've made and our future direction.

 Page 12	 Page 15	 Page 18	 Page 20	 Page 22
<p><b>Discouraging irresponsible drinking</b></p> <p><b>Why it is a priority</b> Our beer adds to the enjoyment of life for the overwhelming majority of consumers. We care about the harmful effects of irresponsible alcohol consumption and we engage stakeholders and work collectively with them to address irresponsible consumption.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Conduct an alcohol education programme for all SABMiller employees.</li> <li>Continue to engage with key alcohol stakeholders at the local and international level.</li> <li>Launch a website to provide accurate and balanced resources on alcohol for our consumers, employees and other interested stakeholders.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>Strengthened internal capabilities by developing a comprehensive employee alcohol education programme. Training of employees continues.</li> <li>Engaged with a range of stakeholders including the WHO.</li> <li>Launched TalkingAlcohol.com website to provide accurate and balanced information.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Continue with the alcohol education training programme for all SABMiller employees.</li> <li>Continue regular engagement with independent experts on alcohol-related issues.</li> <li>Promote TalkingAlcohol.com to more stakeholders.</li> </ul>	<p><b>Making more beer with less water</b></p> <p><b>Why it is a priority</b> Water quality and availability are under threat in some parts of the world. We aim to be more efficient in our water use, understand our watersheds and engage with our suppliers. This will cut costs, reduce risks and benefit local communities.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Improve water efficiency.</li> <li>Undertake watershed mapping exercises for around 30 sites in areas at risk of long-term water stress.</li> <li>Undertake a detailed water footprinting exercise to evaluate the water use in our supply chain.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>Developed new water strategy (the '5R' model – see page 15).</li> <li>Agreed new global water target i.e. reduce water used per hectolitre of lager by 25% by 2015.</li> <li>Improved water efficiency to 4.5 hl/hl.</li> <li>Undertook watershed mapping in approximately 30 sites.</li> <li>Completed detailed value chain water footprinting exercise in South Africa.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Make progress towards new global water target.</li> <li>Undertake detailed value chain water footprint in the Czech Republic.</li> <li>Develop new stakeholder partnerships to address water supply and quality risks.</li> <li>Invest in a total of four new waste water treatment plants within our African, European and Latin American regions.</li> </ul>	<p><b>Reducing our energy and carbon footprint</b></p> <p><b>Why it is a priority</b> We use energy to produce and transport our products. We must become more efficient, manage our carbon footprint and explore cleaner sources of energy. This will save money and resources and reduce our greenhouse gas emissions.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Improve energy efficiency.</li> <li>Develop a flexible carbon footprinting tool to evaluate the carbon impact of business decisions such as choice of packaging material or distribution method.</li> <li>Partner Coca-Cola to trial 'eKO' low greenhouse gas emission fridges in our soft drinks division in South Africa.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>Established new carbon strategy and target i.e. reduce fossil fuel emissions from our sites per hectolitre of lager by 50% by 2020.</li> <li>Improved energy efficiency to 143 MJ/hl lager.</li> <li>Developed carbon footprinting tool – now deployed throughout European brewing operations.</li> <li>Trialled low-carbon fridges in South Africa.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Make progress towards new carbon target.</li> <li>Develop renewable energy toolkit for our operations.</li> <li>Improve our management of carbon in distribution and retail refrigeration.</li> </ul>	<p><b>Packaging reuse and recycling</b></p> <p><b>Why it is a priority</b> Packaging protects our products but has wider impacts. By reducing the weight of our packaging, reusing bottles and encouraging recycling, we're saving money and raw materials and reducing pressure on local waste services.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Trial biodegradable shrink-wrap in further markets with different climate conditions e.g. South Africa.</li> <li>Identify more sustainable packaging materials and inks.</li> <li>Evaluate recycling and reuse infrastructure for markets which may introduce PET packaging.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>Biodegradable shrink-wrap trial successfully completed in South Africa.</li> <li>PET recycling and reuse infrastructure research begun but not completed.</li> <li>Researched sustainable packaging material and inks to determine their potential.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Extend the evaluation of recycling and reuse PET infrastructure with market reviews in Honduras, Romania, South Africa, USA and Zambia.</li> <li>Develop bottle selection tool to assist lightweighting.</li> </ul>	<p><b>Working towards zero-waste operations</b></p> <p><b>Why it is a priority</b> Much of our waste can be a valuable resource for farmers and food producers as well as a potential energy source. We aim to minimise the amount of waste we send to landfill, so saving money and reducing its environmental impact.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Reduce the percentage of waste going to landfill.</li> <li>Investigate new opportunities for our brewing wastes, including renewable energy.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>Percentage of waste we reuse or recycle has reduced to 89%, this is partly due to improved data collection and reporting.</li> <li>Formed partnership with UK Government and University of Nottingham to look at generating energy from spent grains.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Investigate more ways to reuse brewery waste.</li> <li>Increase percentage of waste recycled/reused in line with aspiration to achieve a zero-waste brewery system.</li> </ul>
<p><a href="http://www.sabmiller.com/alcoholresponsibility">www.sabmiller.com/alcoholresponsibility</a></p>	<p><a href="http://www.sabmiller.com/water">www.sabmiller.com/water</a></p>	<p><a href="http://www.sabmiller.com/energy">www.sabmiller.com/energy</a></p>	<p><a href="http://www.sabmiller.com/packaging">www.sabmiller.com/packaging</a></p>	<p><a href="http://www.sabmiller.com/waste">www.sabmiller.com/waste</a></p>

 <p>Page 23</p>	 <p>Page 26</p>	 <p>Page 28</p>	 <p>Page 30</p>	 <p>Page 31</p>
<p><b>Encouraging enterprise development in our value chains</b></p> <p><b>Why it is a priority</b> We recognise that our influence extends beyond our own immediate operations to include those of our value chain partners – for example, suppliers of raw materials and distributors of our products.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Review our smallholder farmer programmes to understand the business and social value added and expand and improve their impact.</li> <li>Include social, ethical and environmental criteria in evaluating suppliers of raw materials such as packaging.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>PricewaterhouseCoopers (PwC) review of smallholder farmers completed and report published.</li> <li>Created new enterprise development model reflecting best practice.</li> <li>Developed and launched smallholder farming project toolkit.</li> <li>We continued to communicate our Responsible Sourcing Principles to suppliers.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Publish analysis of the economic impact of our activities in the value chain in Honduras and Uganda.</li> <li>Increase number of smallholder farmers within our value chain.</li> </ul>	<p><b>Benefiting communities</b></p> <p><b>Why it is a priority</b> The prosperity of communities and that of our operations are co-dependent. Our corporate social investment (CSI) activities aim to improve the quality of life for local people, helping us to build strong relationships with communities, consumers and our employees.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Improve the focus of our activities on our strategic CSI issues of water, enterprise development and HIV/Aids.</li> <li>Continue to expand our entrepreneurship programmes and identify the value added to improve the quality of these activities.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>Increased our focus on the global priorities of water and enterprise development.</li> <li>Undertook internal review of entrepreneurship programmes and developed best-practice guide.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Expand scope and funding of our entrepreneurship development programmes.</li> <li>Develop water CSI programme for Africa.</li> </ul>	<p><b>Contributing to the reduction of HIV/Aids</b></p> <p><b>Why it is a priority</b> The HIV/Aids pandemic is particularly relevant to our operations in Africa. We have programmes in place for our employees and their families and are developing programmes for local communities and suppliers where appropriate. These initiatives are helping to ensure the wellbeing of our staff and the stability of our workforce.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Increase participation of employees and their spouses in annual voluntary counselling and testing (VCT).</li> <li>Increase the percentage of HIV-positive spouses and dependants on managed healthcare programmes.</li> <li>Increase number of peer educators in our businesses.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>Increased the percentage of employees and spouses participating in annual VCT.</li> <li>Of the spouses forecast to be HIV-positive, 20% are now on managed healthcare programmes.</li> <li>Increased the number of peer educators by 47%.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Further increase percentage of HIV-positive employees and spouses on our managed healthcare programme.</li> <li>Undertake an updated cost/benefit analysis of our HIV/Aids programmes.</li> </ul>	<p><b>Respecting human rights</b></p> <p><b>Why it is a priority</b> We conduct our business with respect for national cultures and different local laws, norms and traditions. We promote the values of the international community, notably the Universal Declaration of Human Rights.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Introduce our new Code of Business Conduct and Ethics.</li> <li>Contribute to human rights dialogues on a national and global level.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>New Code of Business Conduct and Ethics launched and rolled out across the group.</li> <li>Engaged in human rights dialogues in Colombia and elsewhere.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Engage in community impact studies of the value chains of our soft drinks business in El Salvador and Zambia.</li> <li>Participate in international dialogues on the basic right to water through UN CEO Water Mandate.</li> </ul>	<p><b>Transparency and ethics</b></p> <p><b>Why it is a priority</b> There is both a demand and an opportunity for companies to be more transparent about their sustainable development (SD) performance. We're committed both to transparent SD reporting and to high ethical standards in general. To this end, we have a Code of Business Conduct and Ethics which applies to all employees. We also expect all third parties acting on our behalf to comply with this code in all their interactions.</p> <p><b>Targets we set last year</b></p> <ul style="list-style-type: none"> <li>Conduct detailed investigations into sustainable development issues throughout the value chain in four of our emerging markets.</li> <li>Improve qualitative dialogue between operations through training sustainable development champions within each region.</li> </ul> <p><b>Progress we have made</b></p> <ul style="list-style-type: none"> <li>Conducted detailed investigations in 10 markets through internal reviews and PwC farming review.</li> <li>Began training sustainable development champions.</li> </ul> <p><b>Targets for this year</b></p> <ul style="list-style-type: none"> <li>Train regional sustainable development champions through web seminars with leading experts.</li> <li>Continue stakeholder dialogues on alcohol, water and enterprise development.</li> </ul>
<p><a href="http://www.sabmiller.com/enterprisedevelopment">www.sabmiller.com/enterprisedevelopment</a></p>	<p><a href="http://www.sabmiller.com/communities">www.sabmiller.com/communities</a></p>	<p><a href="http://www.sabmiller.com/hivaids">www.sabmiller.com/hivaids</a></p>	<p><a href="http://www.sabmiller.com/humanrights">www.sabmiller.com/humanrights</a></p>	<p><a href="http://www.sabmiller.com/transparency">www.sabmiller.com/transparency</a></p>

# Managing sustainable development

Our sustainable development framework provides a rigorous management approach to meeting our commitments.

## Our strategy

**Our approach to sustainable development centres on 10 priorities that relate to the risks and opportunities our operations face. The priorities take into account our commitment to the 10 principles of the UN Global Compact – which cover human rights, labour, the environment and anti-corruption – as well as our support of the United Nations Millennium Development Goals. Our approach reflects our decentralised corporate structure and style of management, allowing operations to function within a global framework whilst giving them the flexibility to implement programmes that best meet their local circumstances.**

Sustainable development is integrated into business strategy and planning at local, regional and group executive committees. Performance is reviewed by the respective regional and group Corporate Accountability and Risk Assurance Committees (CARACs).

## Developing our approach with stakeholders

The 10 sustainable development priorities were developed through intensive global consultation from 2005 to 2007. We consulted internally across all functional areas of our organisation. We also engaged in external dialogue with national and international stakeholders, including five

workshops in Cape Town, Washington DC, London, Geneva and Bogotá. Representatives from a range of stakeholders including NGOs, academics, UN agencies and business organisations attended and provided valuable input. Opinions were varied, wide-ranging and sometimes conflicting. We took these views into consideration in developing our approach and action plans for the priorities.

The framework is not static; rather we continually evolve our approach. We review the issues that are most important and material to our business and expect the framework to continue developing over time.

Further internal dialogue in 2007/08 resulted in a decision to concentrate our global efforts on three areas where we can make the greatest difference – these being to discourage irresponsible drinking, to make more beer but use less water and to encourage enterprise development in our value chains. During 2009 we've refined our strategies in these three areas as well as in regional focus areas such as HIV/Aids in Africa. In addition, we expect energy and carbon to become a more critical focus area for the group during 2010.

Continuous stakeholder dialogue forms an important element of our strategy and management focus across the 10 priorities. We're increasingly developing partnerships

with a variety of organisations including NGOs, academic institutions, development aid donors and suppliers at a regional and local level. In the past year, for example, we've built local partnerships with WWF in South Africa and The Nature Conservancy in Colombia to help address water issues. In addition, we are members of, or work in partnership with, a range of organisations including the World Economic Forum, the United Nations CEO Water Mandate and Business Action for Africa.

The sustainable development framework is designed to set globally consistent standards and to measure performance. For each of our 10 sustainable development priorities we've defined our position on the issue and made this available in the form of a position paper (see [www.sabmiller.com](http://www.sabmiller.com)). During the year these papers were revised and updated and we developed new internal policies to reflect our strategies and the changing external agenda.

## The Sustainability Assessment Matrix (SAM)

To measure and monitor our progress we've developed the Sustainability Assessment Matrix (SAM), a bespoke management system that provides an in-depth understanding of our sustainability performance. In response to stakeholder feedback and in line with our commitment to transparent reporting, we're now sharing details of this internal performance management system for the first time.

## Sustainability Assessment Matrix (SAM)



The Sustainability Assessment Matrix provides the tool for measuring our performance by operation against the stairway criteria. Each stairway has four levels of performance.



The SAM monitors the performance of the group and its subsidiaries against each of the 10 sustainable development priorities. In particular, it looks at progress up the so-called 'stairway' under each priority. Each stairway consists of four increasing levels of performance based on internal and external benchmarks, independent of any legal requirements. Level 1 represents the minimum standard with best practice at level 4, as illustrated in the diagram on the previous page.

Our operations make progress by meeting the requirements of the next stairway level. To meet the requirement of levels 2 to 4, therefore, the requirements for the level in question and for the level or levels below must be met. Each stairway has a number of focus areas or 'level assessment criteria'. These are summarised in the table on the following page and relate to the key issues we seek to manage under each priority. As part of the same process, we also collect data against other key performance indicators (KPIs).

All operations under management control of SABMiller group companies and MillerCoors must achieve level 1 on each priority or have an action plan to reach level 1 as soon as possible. We aim to include new acquisitions or market entries in the framework within two years. This year Royal Grolsch N.V. was

incorporated into the SAM reporting for the first time, following its acquisition in 2008.

Operations complete the SAM self-assessment every six months as part of our business reporting cycle. The results of the six-monthly assessments are compiled by operation and region and at group level in the form of scorecards against the 10 priorities. The scorecards are assessed internally by the local, regional and group executive committees and reviewed by the respective regional and group CARACs. The results also feed into action plans to improve performance and monitor progress against specific targets. The action plans are integrated into local, regional and group-level strategic plans as well as team and individual goals. Increasingly, the performance criteria are helping to set standards for future business planning – for example, the minimum water and energy-efficiency levels for the construction of new breweries.

Attempting to reach level 3 or 4 in all 10 priorities at the same time is not necessarily realistic. Accordingly, regions and operations have the flexibility to select which of the priorities are the most important over the short term, based on local needs and circumstances. Where operations have achieved level 3 or 4, we can share their learning around the group.

We also use the performance data for external reporting purposes, including the annual KPI data within this report, meeting our commitment to the UN Global Compact and answering questions from external stakeholders such as investors and analysts.

**2009 sustainable development scorecard**

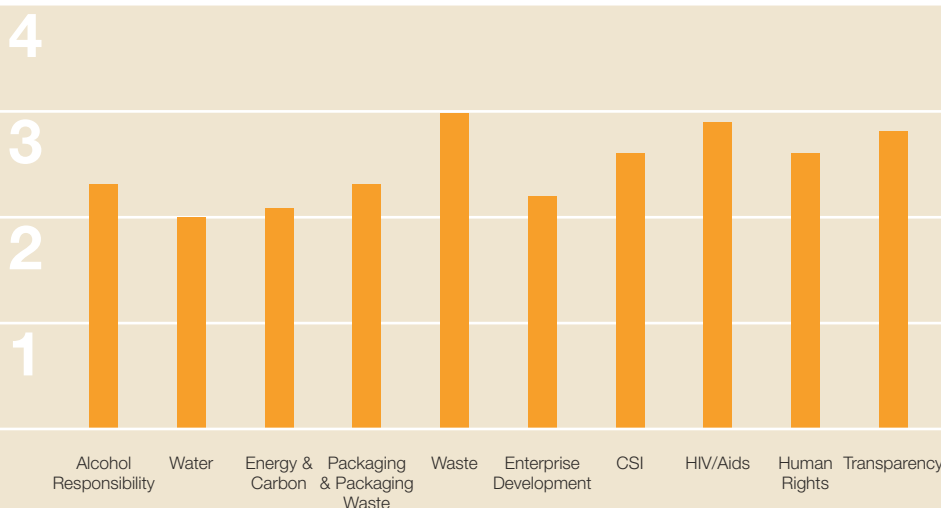
The 2009 SABMiller scorecard provides the SAM results for each of the 10 sustainable development priorities at group level. To be as transparent as possible not only do we communicate the aggregated scores at the group level but we also report the scorecard for each individual operation on our website.

➔ [www.sabmiller.com/sustainabledevelopment](http://www.sabmiller.com/sustainabledevelopment)

Out of the 30 operations reporting 11 have at least three priority scores above level 3 (developing leadership). Over one-third of all priority scores are at level 3 or above.

The results also show that a total of eight sub-level 1 (minimum standard) scores are recorded. All of these relate to water and energy efficiency at operations within our African region. These are now being addressed as a matter of priority.

**SABMiller sustainable development scorecard 2009**



The scorecard aggregates the results from our operations to show the group's position on the stairway for each of the 10 priorities. This is calculated from an average of the number of reporting operations and does not factor the score by production volume.

## Managing sustainable development continued

The Sustainability Assessment Matrix provides a best-practice approach for measuring our performance against specific criteria for each of our 10 priorities.

### Sustainability Assessment Matrix (SAM)

#### Stairway level assessment criteria

The table below shows the key issues we seek to manage under each of the 10 priorities. These are the criteria by which we measure the sustainable development performance of our operations and their progress on each of the stairways across the four performance levels.

<p><b>Discouraging irresponsible drinking</b></p> <ul style="list-style-type: none"> <li>■ Responsible commercial communication*</li> <li>■ Employee behaviour</li> <li>■ Promoting responsible consumption</li> </ul>	<p><b>Encouraging enterprise development in our value chains</b></p> <ul style="list-style-type: none"> <li>■ Supplier interaction with our sustainable development programmes</li> <li>■ Understanding of responsible sourcing issues in the supply chain</li> </ul>
<p><b>Making more beer with less water</b></p> <ul style="list-style-type: none"> <li>■ Waste water management</li> <li>■ Water efficiency for lager</li> <li>■ Water supply assessment</li> <li>■ Value chain water footprinting</li> </ul>	<p><b>Benefiting communities</b></p> <ul style="list-style-type: none"> <li>■ Corporate social investment (CSI) strategy</li> <li>■ Management, monitoring and reporting of CSI projects</li> <li>■ Measuring the value of CSI in enhancing reputation</li> </ul>
<p><b>Reducing our energy and carbon footprint</b></p> <ul style="list-style-type: none"> <li>■ Total energy use for lager</li> <li>■ Renewable energy use</li> <li>■ Value chain carbon footprinting</li> <li>■ Carbon dioxide emissions</li> <li>■ Other greenhouse gas emissions</li> </ul>	<p><b>Contributing to the reduction of HIV/Aids</b></p> <p>Criteria in this case depend on country prevalence levels. Where prevalence is under 5%, the potential epidemic is tracked and the risks managed.</p> <p>Where prevalence is over 5%, operations are required to manage HIV/Aids as a priority covering the following:</p> <ul style="list-style-type: none"> <li>■ HIV policy, goals and targets</li> <li>■ Knowledge Awareness Programme (KAP) surveys</li> <li>■ Awareness, counselling and testing (ACT) participation</li> <li>■ Supply chain intervention</li> <li>■ Peer educator programmes</li> <li>■ Employee and spouse participation in managed healthcare</li> </ul>
<p><b>Packaging, reuse and recycling</b></p> <ul style="list-style-type: none"> <li>■ Recycled content of packaging substrates</li> <li>■ Packaging elimination and light-weighting</li> <li>■ Waste packaging segregation and recycling/reuse</li> <li>■ Presence of heavy metals</li> <li>■ Packaging loss and post-consumer recycling</li> <li>■ Environmental impact analysis</li> </ul>	<p><b>Respecting human rights</b></p> <ul style="list-style-type: none"> <li>■ Policies and employment rights</li> <li>■ Training</li> <li>■ Health and safety management</li> <li>■ Diversity and inclusion</li> </ul>
<p><b>Working towards zero-waste operations</b></p> <ul style="list-style-type: none"> <li>■ Waste generation and disposal</li> <li>■ Waste management</li> <li>■ Upstream waste minimisation</li> </ul>	<p><b>Transparency and ethics</b></p> <ul style="list-style-type: none"> <li>■ Reporting and accountability</li> <li>■ Interaction with third parties</li> <li>■ Communication with employees</li> </ul>

\* Only this one criterion was assessed in 2009, owing to the ongoing implementation of the new Alcohol Framework. The two further measures will be introduced for 2010.

**Developing capability**

The sustainable development framework facilitates the sharing of best practice across the organisation. For example, it was used during the year to assist the development of the new strategies for reducing our water and energy consumption. It allowed the identification of best practice which was then adapted for implementation across the group. For details, see pages 15 and 18 respectively.

We also use the SAM results to create action plans for improving performance and to develop tools and guidance to support the business – examples being new tools for both water and carbon footprinting.

**Further information**

The SABMiller website provides the following additional information:

- The 2009 full SAM scorecard covering all 10 sustainable development priorities for each operation
- Further case studies, including video presentations
- Additional performance data
- A detailed GRI content index
- Further information on our progress against the UNGC's 10 principles
- Position papers for each of the sustainable development priorities



 [www.sabmiller.com/sustainabledevelopment](http://www.sabmiller.com/sustainabledevelopment)

**Engagement with our associate in China, CR Snow**

China Resources Snow Breweries Limited (CR Snow), is our partnership with China Resources Enterprise, Limited. CR Snow is the largest brewer in China with one of the world's largest beer brands by volume, Snow. CR Snow is excluded from the scope of this report. However, reflecting our commitment to transparency, we felt it was important for this report to include information which our associate has shared with us.

**Environmental management**

Although not included in the SAM system CR Snow reports on a number of sustainable development indicators. Their water use efficiency figure of 4.0 hectolitres per hectolitre of beer produced is below our group average, while their energy consumption of 213MJ per hl of beer produced, is higher than our group average. In addition, CR Snow reports that all current breweries treat waste water before it enters the waterway. Eight breweries use local municipality treatment after pre-treatment on site, and the remaining use on-site treatment.

**Shared learning**

China Resources recognises that there is much to be learned from other global businesses. In support of this, in 2009, we hosted a study tour for around 20 China Resources Holdings (CRH) staff representing human resources, finance, strategy and internal auditing. The trip was aimed at sharing best practice and over four days the CRH team met with senior staff to learn about our group processes and systems. Information was shared through a mixture of meetings and working sessions, including our approach to sustainable development. The success of the visit has encouraged the CRH team to continue to internationally benchmark their operations.

**Earthquake disaster relief**

In May 2008 a devastating 7.8-magnitude earthquake struck the Sichuan province. In the aftermath CR Snow worked with a range of stakeholders including local government, other businesses and international organisations to assist disaster relief efforts.

The relief included the donation of 10,000 torches to the Sichuan Mianyang Red Cross and 300 tents, along with two truck-loads of food and drinking water, to hospitals and disaster-relief centres.

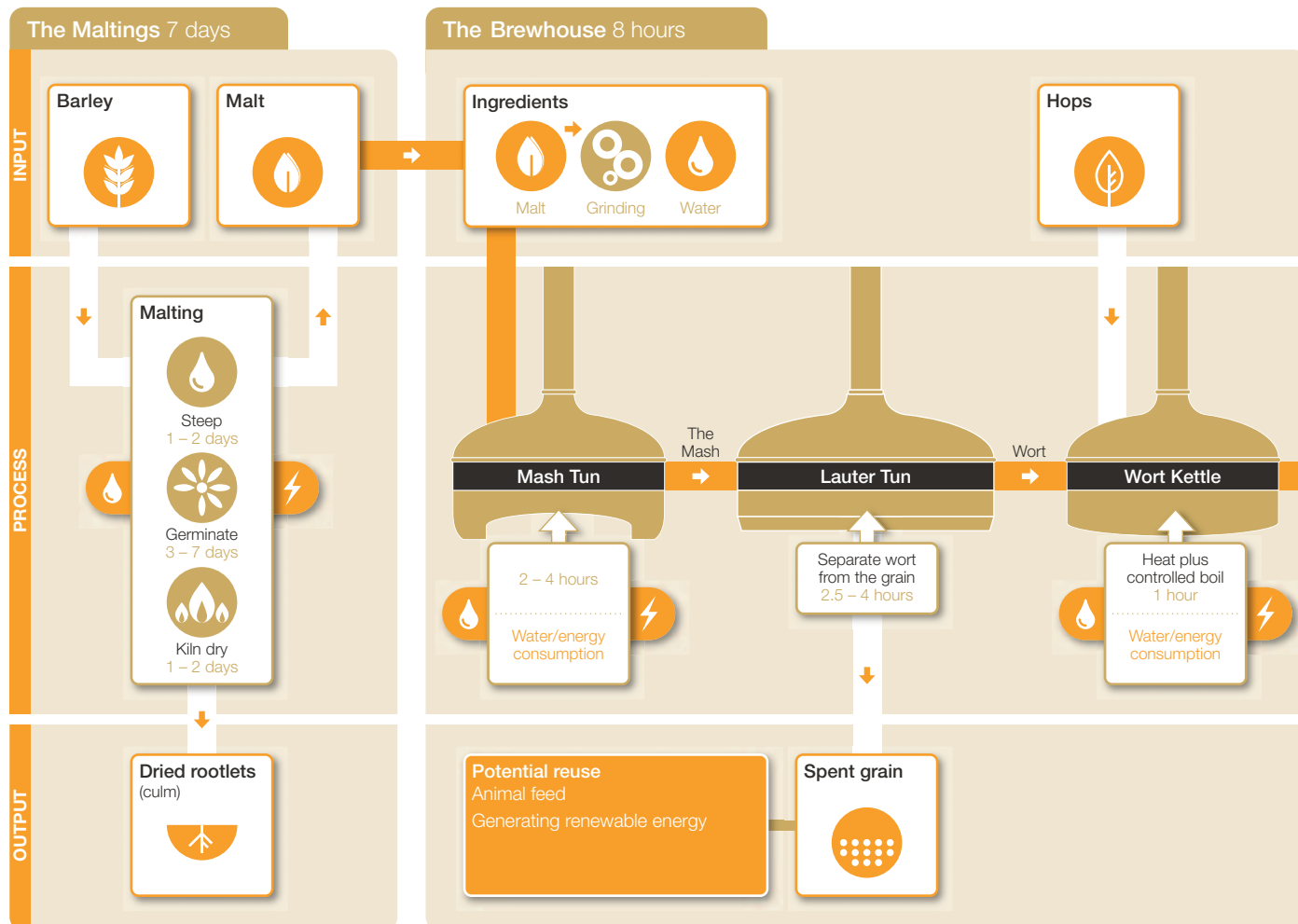
Together with the Sichuan branch of the Emergency Rescue Centre of the PRC Ministry of Civil Administration, CR Snow sent a rescue team to Wolong village with medical supplies and 40 tonnes of rescue materials. In addition, 300 temporary houses, at a total investment of approximately US\$437,000, were built and completed within a month. This provided accommodation for over 2,000 local people.



Relief assistance at Wolong village

# The brewing process

This general overview of the brewing process helps demonstrate our sustainable development priorities in action within our facilities. Brewing is a natural and traditional process with only a few main ingredients such as malted barley, hops, other grains and water.



## The brewing process

The process uses energy for heating and cooling at various stages, and also creates wastes, the vast majority of which are organic and can be used for animal feed or other uses such as renewable energy generation. Water efficiency, waste water quality and energy efficiency are important environmental issues to manage.

This diagram represents a general overview of the brewing process for a 100% malt beer. Some brands may include other inputs, such as maize, rice or other grains, and may use different process methods.

## Step by step:

### The Maltings

Barley is soaked in water to encourage it to germinate, and then dried in a kiln. This process is known as malting. The length of time and temperature at which grain is dried determines its colour and flavour.

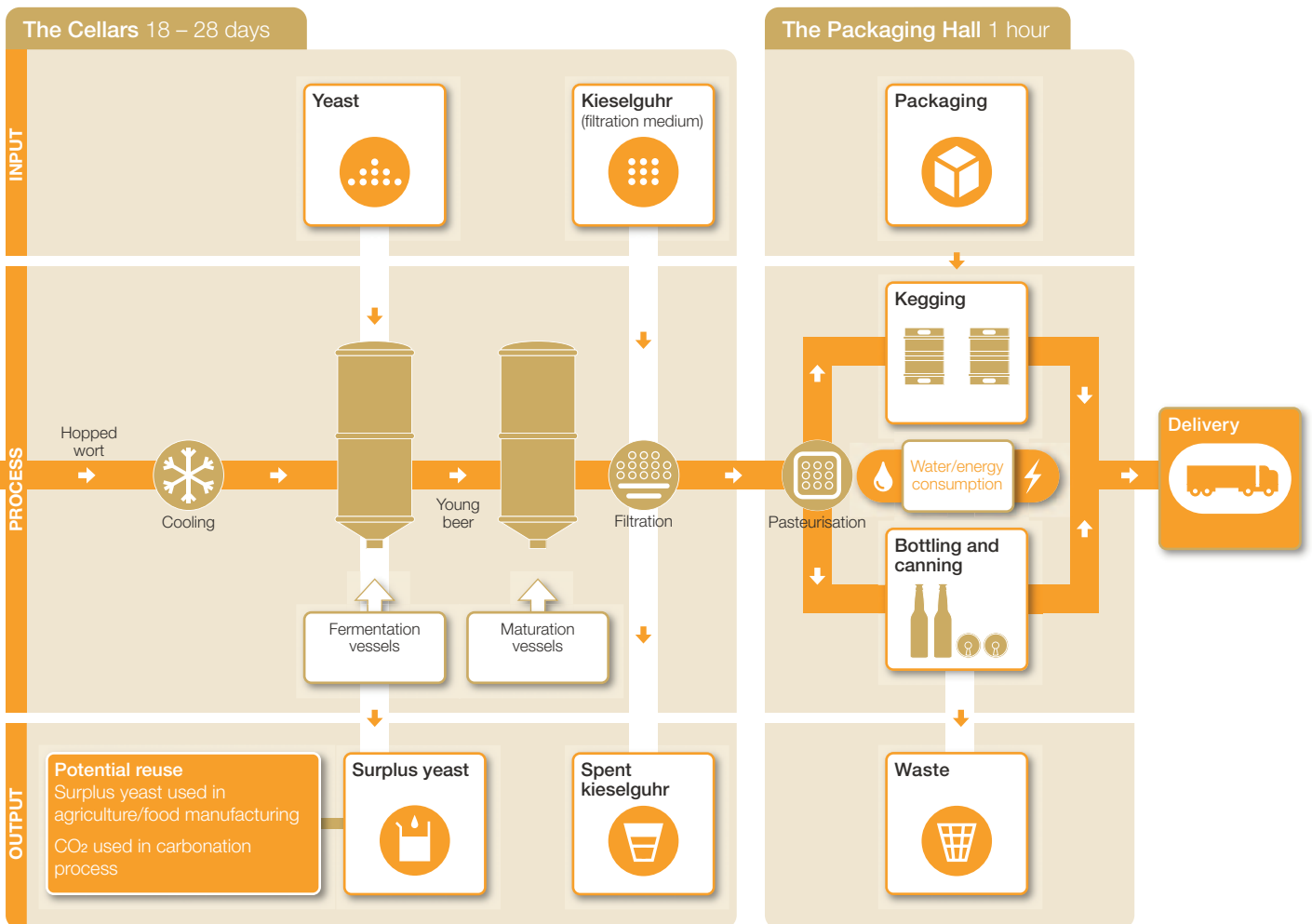
### The Brewhouse

The malted grain is then milled to gently break open the kernel (also known as 'grist'). Our brewmasters next mix the grist with hot water in a process called 'mashing'.

This process converts the starch in the malt into fermentable sugars. The mash is then filtered, leaving a sugar-laden liquid called 'wort'. The spent grains can then be removed and used for animal feed.

The wort is drained into kettles and boiled, at which point hops are added.





**The Cellars**

Next, yeast is added to the wort to turn the sugars into alcohol and carbon dioxide in a process called fermentation. This process plays a key role in establishing the desired flavour of the beer.





After fermentation, the yeast is removed and the beer rests in maturation vessels, building its natural carbonation and further developing the flavour. The yeast can then be reused in the brewing process or sold to create human or animal food products. Carbon dioxide collected can be reused in the carbonation process.

We then filter the beer to remove small particles of yeast or protein that might make it cloudy. The beer is then ready to be packaged in bottles, cans and kegs.

**The Packaging Hall**

The packaging process adheres to stringent quality control measures, including the pasteurisation of bottles and cans to maintain their shelf life.

**Find out more on how we are addressing the environmental issues associated with the brewing process:**

-  **For further information on how we are making more beer but using less water refer to page 15.**
-  **For further information on how we are reducing our energy and carbon footprint refer to page 18.**
-  **For further information on our packaging, reuse and recycling refer to page 20.**
-  **For further information on how we are working towards zero-waste operations refer to page 22.**

# Discouraging irresponsible drinking

Stepping up our efforts with employees and external stakeholders to discourage irresponsible drinking

---

## SABMiller Core Principles on Alcohol

1. Our beer adds to the enjoyment of life for the overwhelming majority of our consumers
2. We care about the harmful effects of irresponsible alcohol consumption
3. We engage stakeholders and work collectively with them to address irresponsible consumption
4. Alcohol consumption is for adults and is a matter of individual judgement and accountability
5. Information provided to consumers about alcohol consumption should be accurate and balanced
6. We expect our employees to aspire to high levels of conduct in relation to alcohol consumption

---

### Background

We know that every day, in markets around the world, the majority of our beers are consumed responsibly by adults. However, we also know that consumers who drink to excess, drink while underage or drink and drive can harm themselves and others.

We are concerned about the harmful effects of irresponsible alcohol consumption. Irresponsible drinking is not in our commercial interests. We're committed to working with international and local stakeholders to address the problem together.

We believe that efforts to address irresponsible drinking are most effective when based on the premise that alcohol consumption is for adults and is a matter of individual judgement and accountability.

### Strengthening our internal capabilities – educating our employees

Our employees are our ambassadors and we expect them to aspire to high levels of conduct in relation to alcohol consumption. Following the launch of our Alcohol Framework last year, we developed a comprehensive, internal alcohol education programme. This programme consists of two modules – Alcohol, Behaviour and Communication (AB&C) and Alcohol Intelligence Quotient (AIQ) – and seeks to embed our principles, policies and best practices on alcohol responsibility into daily business decisions.

Designed by our internal alcohol experts and a learning and development professional, the programme provides a common platform for all our employees to understand, debate and embrace their role in promoting alcohol responsibility in the workplace, at home and in the community. In addition, it has a specific module for employees who work in marketing,

trade marketing and sales to ensure that we continue to market and advertise our beers responsibly. Roll-out of the alcohol education programme has begun in our European and African regions and it will be rolled out in other regions throughout the next year.

### Providing accurate and balanced information – TalkingAlcohol.com

We believe information about alcohol consumption should be accurate and balanced.

This belief lies behind the launch of our TalkingAlcohol.com website last year. The site provides comprehensive, accurate and balanced information to anyone with a personal or professional interest in alcohol including consumers, parents, retailers, medical and health experts, policy-makers and journalists. It's the first website of its kind to be launched by a global brewer and has been translated into six languages – Czech, Hungarian, Italian, Polish, Russian and



### Europe: Alcohol responsibility training

In 2007 SABMiller Europe became a member of the European Commission's EU Alcohol & Health Forum. As part of our membership we made a number of commitments to the Forum, one of which included the launch of a new alcohol responsibility training programme. This was developed to embed the new alcohol responsibility framework.

The training was developed in the form of three tailored modules, ranging from three to eight hours. These targeted different groups including marketing, legal, corporate affairs, sales and senior management. To date over 4,000 employees have been trained with over 600 of those receiving eight hours' training.

All training will be finished by the end of May 2009 with a final report being submitted to the Forum at the end of June. Subsequent to this first stage of training an e-learning package will be rolled out and the training will become part of the induction process in other functions.

## Discouraging irresponsible drinking continued

Dr Alfred I. Neugut, Professor of Medicine and Epidemiology at Columbia University, said of TalkingAlcohol.com: "I was impressed. The content was very readable and relatively simple for a layman, yet not trivial."

Spanish. All these sites have now been launched with the exception of the Italian version which will go online in the next year. The most popular feature of the website is the interactive human body.

### Working with experts

Because we believe in accurate and balanced information, we engage regularly with independent experts on alcohol-related issues in order to stay abreast of the evidence in this area and in tune with the issues that concern our stakeholders. These experts advise us on subjects such as health, adolescent psychology and advertising. We have consulted with these experts on the medical and health features of TalkingAlcohol.com.

### Working with international stakeholders

The World Health Assembly's resolution calling for a global strategy on alcohol in May 2010 has put the issue of alcohol-related harm firmly at the heart of global health policies. This will be especially significant for emerging markets, many of which have larger informal alcohol markets than developed countries and, therefore, present different challenges to curtail alcohol abuse.

To develop this strategy, the World Health Organisation (WHO) has begun an extensive consultation with intergovernmental organisations, health professionals, NGOs and multinational brewers and distillers to identify ways that each could contribute to reducing the harmful use of alcohol. We are part of this process and, in November 2008, presented a paper with our views and recommendations to the WHO Secretariat. Our paper highlighted our experience and

understanding of emerging markets and the challenges they face. It discussed, among other things, the informal alcohol market, which WHO estimates to be at least two-thirds of all alcohol consumption in the Indian subcontinent, about half of consumption in Africa and one-third in Eastern Europe and Latin America. It further reaffirmed our commitment to support the UN Millennium Development Goals as a way of reducing poverty (which, according to the WHO, is the leading cause of poor health and a contributing factor in the abuse of alcohol).

Our paper also expressed our support for the development of health sector tools for the early identification and treatment of alcohol problems in a wide variety of healthcare settings around the world. We further indicated our support for health and/or sensible drinking messages on product labels, provided that the messages are accurate and balanced.

### Supporting the European Union's Alcohol and Health Forum

We are progressing on the five commitments we made to the European Union's Alcohol and Health Forum after joining in 2007. These include updating our training materials on self-regulation and commercial communication, training over 4,000 European employees involved in marketing, sales and legal and corporate affairs, launching a comprehensive responsible drinking programme in Hungary, supporting drink-driving programmes in the Czech Republic and Poland and translating TalkingAlcohol.com into non-English languages.

### www.talkingalcohol.com



TalkingAlcohol.com provides consumers with an easy to understand guide from alcohol production to the human metabolism. It is hoped that people will be encouraged to make informed choices and drink responsibly.

#### The website includes:

- An 'alcohol and your body' section which includes an interactive trip through the body, explaining how alcohol is absorbed and processed.
- 'Social situations' pages which give reminders of things to consider on a night out, including when drinking alcohol is not a good idea.
- Factual information on the alcohol content, cereal grains and carbohydrates found in over 100 of our beer brands.
- Independent alcohol experts who will periodically explore various issues relating to health, parenting, binge-drinking and drinking and driving.



### Colombia: "We can all be parents"

In recent years underage drinking has become a major concern for Colombian society. As the country's largest brewer, SABMiller's Colombian subsidiary, Bavaria, launched a campaign called "Todos podemos ser padre" ("We can all be parents") in January 2006.

The campaign's purpose was to persuade retailers not to sell alcohol to minors. Conducted in partnership with the national retail federation, FENALCO, the country-wide media campaign was supported by point-of-sale materials and training for retailers. A central aim of the campaign was to enforce the laws against selling alcohol to underage people. The national police played an important part in taking the campaign forward.

With further support from the city's mayor, the results were apparent in the capital, Bogotá, within a year. Other local governments are now becoming involved as the campaign extends to different regions of the country.

### Building support to address alcohol harm

Over and above our efforts to improve and expand our responsible drinking campaigns in all our markets, we've also looked at how our African heritage – and our understanding of emerging markets – might help us make a greater contribution to reducing alcohol-related harm in developing countries.

The WHO's African office cites limited research on effective interventions, excessive consumption of home-brewed and illicit beverages and an absence of comprehensive alcohol policies as some of the key challenges that African governments face in dealing with alcohol-related harm. Accordingly, we've consulted with a number of African governments (Lesotho, Malawi, Uganda, Swaziland, Zambia, and others) along with public health experts (including representatives from the WHO and local NGOs) to build political support for the development of national alcohol policies in Africa, which will help to reduce alcohol-related harm on the continent.

Drawing on our deep experience of Africa, and working with an experienced public health practitioner, we've participated in rigorous and independent government multi-stakeholder processes to make these policies reality.

To date, the governments of Lesotho and Swaziland have completed the process and have launched national alcohol policies. Lesotho has moved into the implementation phase and the Ministry of Health has asked Lesotho Brewing Company to be part of the implementation committee.

### The introduction of a social alcohol levy in Botswana

Last year the Botswana government imposed a 30% levy on all alcoholic beverages as part of its campaign to reduce alcohol consumption in the country.

Like the Botswana government, we're concerned about alcohol-related harm. However, we do not believe a social levy is the most effective means to combat irresponsible consumption.

Therefore we have opposed the levy, believing it will have negative social and economic consequences for ordinary Botswana citizens and that the subsequent high cost of alcohol may encourage drinkers to switch to the low-quality, illicitly brewed alcohol that is readily available throughout the country. We have entered into a dialogue with the government and proposed a range of alternative solutions, which have not so far been adopted.

---

#### Targets

- Continue with the education training programme for all employees.
- Continue regular engagement with independent experts on alcohol-related issues.
- Promote TalkingAlcohol.com to a wider group of stakeholders to provide accurate and balanced information on alcohol.



### USA: Free transport schemes from MillerCoors

For 22 years, the MillerCoors Free Rides™ and Plan Ahead Colorado programmes have been paying the fares for bus and light rail passengers on New Year's Eve and St Patrick's Day. The message has been simple: plan ahead, drink responsibly and don't get behind the wheel if you've been drinking.

Since its inception, the MillerCoors Free Rides™ scheme has provided 1.8 million free rides on New Year's Eve. Key to its success has been the collaboration between the company, transit systems, community and civic organisations, law enforcement agencies and the media.

Research indicates that drunk driving is the greatest alcohol-related concern for consumers and offering alternative transport is seen as a real public service. The programmes are fully supported by law enforcement and public safety agencies, state chapters of Mothers Against Drink Driving and community and government organisations.





# Making more beer but using less water

A new water strategy with a target to reduce our average water use per hectolitre of beer by 25% by 2015

## Background

Scarcity of water – and its quality – are increasingly critical issues for our business given the water-intensive nature of the beverage industry, our reliance on water-intensive raw materials and the fact that some of our operations are in water-stressed regions. According to the UN, more than three billion people will be living in water-scarce areas by 2025.

Potential water scarcity will be compounded by increasing demand for water to meet the needs of a growing and wealthier world population, especially in emerging economies such as India and China. But the issue of water scarcity is not confined to developing countries and will become more complex, and less predictable, with the impact of climate change.

Water is one of our top three global sustainable development priorities. As a founding signatory of the United Nations CEO Water Mandate, we recognise our duty to promote responsible water use throughout our operations and to encourage our suppliers to do the same. We've invested significant management time, both locally and globally, in understanding the challenges of water scarcity and quality and what they may mean for our business. We recognise, however, that there's more to do to manage our water use.

## A new global water target

The brewing process accounts for the majority of our water consumption. But we also use water for cooling, for cleaning packaging such as bottles and kegs, for pasteurisation, for rinsing and cleaning process equipment and for flushing filters.

In November 2008 we announced a major new commitment to reduce water consumption across our global operations. We've set ourselves the demanding target of cutting the amount of water we use per hectolitre of beer produced to an average of 3.5 hectolitres by 2015 – a 25% reduction from 2008. This initiative will save around 20 billion litres of water every year by 2015.

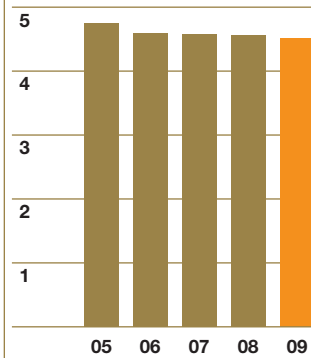
In 2009 our water efficiency was 4.5 hectolitres, an improvement on the 4.6 hectolitres of water per hectolitre of beer produced in 2008. The industry average is around 5.0 hectolitres.

New or refitted breweries are required to achieve minimum performance levels on the SAM water stairway criteria, particularly in regard to their operational water efficiency and treatment of waste water.

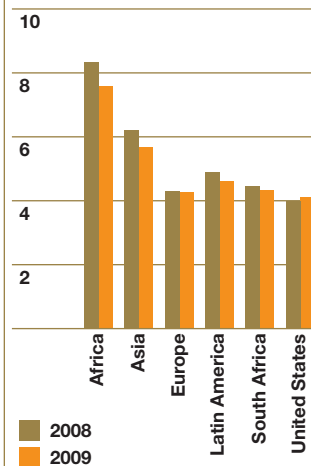
## A new water strategy

The 2015 target is part of a new water strategy which takes a comprehensive risk-based approach to the value chain. Built on the '5R' model of water responsibility developed by SABMiller India (see following page), its aim is to galvanise global operations around a common water strategy.

Water to beer ratio  
hl water/hl beer



Regional water to beer ratio  
hl water/hl beer



## India: Water strategy

Water is an increasingly urgent issue in India with a rising population and decreasing ground water table. In response our Indian business, SABMiller India, launched their '5R' water strategy in 2007 achieving significant reduction in water usage. Overall water consumption has decreased, reducing the amount of water it takes to produce one hectolitre of beer from over 9hl/hl to 5.6hl/hl in five years.

This has been achieved through a wide range of initiatives including reverse osmosis systems to allow waste water to be reused as service water and introducing rainwater harvesting systems to replenish the water table.

SABMiller India is committed to reducing water in its breweries and realise its goal of reducing water usage to 3.5hl/hl by the year 2015.

The '5R' model of water responsibility



**The '5R' model of water responsibility**  
The three 'R's – Reduce, Reuse, Recycle – are a familiar approach. However, we've now added pRotect and Redistribute to create a more complete picture of water use and related risks in our value chain.

The 5 'R's enable each of our businesses around the world to focus on specific issues upstream, downstream and within their operations in order to:

**pRotect:** We seek to engage with suppliers, particularly farmers, to understand the water footprint of our value chains and the water available for critical agricultural uses. We also need to understand the watersheds in which our breweries and bottling plants operate in order to determine whether water scarcity could affect our business in the future. Where appropriate, we will replenish water resources by harvesting rainwater and replenishing groundwater sources.

**Reduce/Reuse/Recycle:** Our focus within our breweries is to achieve our 2015 target of reducing average water use per litre of beer by 25% from a 2008 baseline. Without

compromising the quality of the product, we will employ new processes and ways of working to reduce water consumption; collect waste water within our facilities and reuse it appropriately in secondary processes; and investigate and employ new technologies to recycle water for appropriate uses within the plants.

**Redistribute:** Here we have two areas of focus. Firstly, if there are local communities without access to clean water, we will investigate the opportunities to provide clean water through our community corporate social investment (CSI) programmes. With over one billion people still without access to clean, safe water and 2.2 million people dying each year from diseases associated with dirty water and poor sanitation, the need here is particularly urgent. Indeed it forms part of the Millennium Development Goal to reduce by half the proportion of people without access to safe drinking water by 2015.

Secondly we will treat our waste water so it can be used for irrigation or other value-adding purposes.

**Water scarcity**

Water scarcity is a challenge for our operations in a number of countries. In 2007, therefore, using quantitative global data we evaluated the long-term water availability for each of our facilities and built a site watershed mapping tool for our operations to use. During the year approximately 30 sites undertook watershed mapping exercises to build a more detailed picture of the pressures they face at the local level. In response, they've also developed action plans to address the issues.

**Waste water**

Water scarcity will mean greater focus on the use of waste water as a resource, with more treated waste water being appropriately recycled within our production facilities, for example in cleaning processes. We'll also explore its further potential use for irrigation or other purposes. We are continuing to make investments in new waste water treatment facilities, particularly with the construction of new breweries.

**Understanding our water footprint**

In South Africa we've conducted a detailed water footprinting exercise to evaluate the water used in our value chain. Undertaken with strategic advice from WWF, the work identified not only how much water is used at each stage of the value chain, but also the proportion of available local water resources that this represents. It determined that a net total of 155 litres of water is used to produce one litre of beer in South Africa and that more than 95% of this amount is used in the agricultural phase.



**Colombia: Working in partnership to protect a river basin**

Our Colombian business, Bavaria, is working with The Nature Conservancy (TNC) and Bogotá Water Company to protect the basin that provides water to Bogotá. The basin is being seriously deforested, particularly by cattle breeders wanting to create grazing land to produce milk. Deforestation affects the local ecosystems and, while it doesn't reduce the capacity of the basin to produce water, it means that more sediment is washed into the supply. This in turn means higher costs for the water company and ultimately its customers.

Bavaria has invested US\$145,000 in the project. This money will be used to develop partnerships with the cattle breeders to improve their production methods and reduce sedimentation in the river.



The analysis also determined which of our raw materials are at risk of long-term water scarcity. In response, the results of the water footprint were interpreted and an action plan developed through a discussion with 20 of our senior staff from South Africa as well as WWF and other experts. We are one of the first companies to conduct such a footprinting exercise.

## 4.5 hectolitres

of water used per hectolitre of beer

### Stakeholder partnerships

During the year we have benefited from our engagement with leading thinkers. We are a founding signatory of the CEO Water Mandate, a United Nations initiative designed to help companies in the development, implementation and disclosure of water sustainability policies and practices. We're also a member of the World Economic Forum Water Project and the Water Footprinting Network.

In addition, we are one of the sponsors of a new global water project undertaken by consultants McKinsey. The project aims to identify water supply and demand gaps in key regions of the world. This project featured at the World Economic Forum meeting in Davos in January 2009 and will report later in the year.

## 25% reduction

Our target for water reduction in our average use per hectolitre of beer by 2015

Further partnerships with NGOs are helping to solve water issues that affect both our business and local communities. In Honduras in March 2009 we signed a collaboration agreement with WWF to help preserve the Merendon river basins which supply over 80% of the water to the city of San Pedro Sula. This agreement will strengthen the efforts of other organisations already working in the area, securing an abundant supply of clean water into the future and promoting alternative activities for local communities. We have also developed partnerships with WWF in South Africa and with The Nature Conservancy in Colombia.

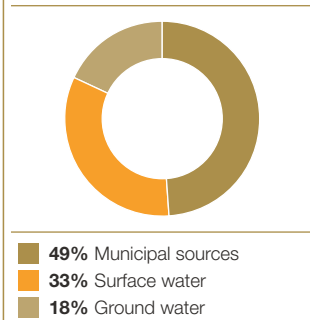
During 2010 we'll continue to develop and strengthen partnerships with different stakeholder groups to address the protection of water sources.

### Targets

- Make progress towards reducing our average water use per hectolitre of beer by 25% by 2015.
- Undertake a detailed value chain water footprint in the Czech Republic.
- Develop new stakeholder partnerships to address water supply and quality risks.
- Invest in a total of four new waste water treatment plants within our African, European and Latin American regions.

### Water sources

percentage breakdown by volume



**“SABMiller is to be commended for its commitment to reduce, by 25%, water use in its breweries and for its developing programme of work to address its entire water footprint, from raw materials to end consumption. In addressing water issues in its supply chain, SABMiller demonstrates the leadership and type of action needed from business to address water scarcity and pollution issues that pose substantial risks to the health of billions of people and ecosystems worldwide. This commitment raises the bar significantly for other companies.”**

**Stuart Orr** WWF International – Freshwater Manager



### South Africa: Water neutral scheme

Two of our South African breweries – Newlands in Cape Town and Ibhayi in Port Elizabeth – are taking part in the pilot phase of the Worldwide Fund for Nature (WWF) Water Neutral Scheme of which SAB Ltd is a partner. The scheme encourages South African businesses to reduce their water consumption and offset what they do use by investing in projects that clear invasive vegetation from river catchment areas. In doing so they release equivalent volumes of water back into the aquatic ecosystem.

The benefits are threefold – job creation through the initial clearing and subsequent maintenance of the vegetation, the rehabilitation of catchment areas, and the release of more water. The pilot phase will be used to develop and refine the scheme before it is made available to other participants.



# Reducing our energy and carbon footprint

## A new global strategy and target

### Background

Climate change is an issue of growing global concern, with likely impacts on weather patterns, water availability and crop yields. This demands action from all sectors of society. In response, we've developed a new strategic approach to reduce our fossil fuel gas emissions per unit of product.

We are also adapting to the climate change already under way by investing in responsible water management and engaging with agricultural suppliers. For further details of our water management approach, see page 15.

### A new global strategy and target

During the year we reviewed our approach to energy and carbon management and consulted across our organisation to determine how best practice and new initiatives can be shared and implemented. This has contributed to a new energy and carbon strategy and target. From a 2008 baseline, we aim to reduce fossil fuel emissions from our on-site energy use by 50% per hectolitre of beer, by 2020. We anticipate this will enable us to contain absolute emissions at their 2008 level by 2020, despite production volume growth around the world.

### Actions within our own operations:

#### 1. Improving energy efficiency

Although some of our breweries are among the most energy-efficient in the world, we still need to improve. This can be done in part by using better measurement systems and investigating new technologies. The construction of new breweries and brewery modernisation presents an opportunity to make a significant step change. In the Czech

Republic, for example, the modernisation of the Pilsen brewhouse has cut carbon dioxide emissions by up to 87% (see case study below).

This year we have improved our energy efficiency reducing our energy consumption from 150MJ to 143MJ per hectolitre of beer. As a result, carbon dioxide emissions have decreased by 5% from 13.7kg to 13.0kg per hectolitre of beer.

Energy efficiency and lower carbon emissions will be key criteria in major capital investments such as new or refitted breweries. These will have to meet minimum performance level requirements within the SAM energy and carbon stairway.

Our people play a vital role in improving efficiency. In South Africa, the 'Super Powers' campaign for staff at SAB Ltd has reduced electricity consumption by up to 10%. A similar initiative is under way in our Lesotho brewery.

Research Council (BBSRC), we're aiming to create more renewable energy from the natural wastes of the brewing process. This is part of a public-private partnership in sustainable bioenergy research at the new BBSRC Sustainable Bioenergy Centre. As spent grain is available at all our breweries, the results could be utilised around the world and could lead to a greater proportion of beer being brewed using renewable energy.

A number of our breweries are already using waste materials, such as biogas, to generate energy (see 'Working towards zero-waste operations' on page 22). An analytical renewable energy toolkit now being developed will help our breweries to select the most appropriate renewable technologies for their own purposes.

#### 3. Switching to cleaner fossil fuels

Where renewable fuels are not a practical option, we're seeking to switch to cleaner fossil fuels over time. In many markets, such as South Africa, which depend on coal, this can be a challenge. Nevertheless, we'll monitor developments in clean coal technology and carbon capture and storage to identify any benefits they might offer.

#### 4. Using carbon trading to reduce risk and create value

Where our facilities are subject to carbon caps, we'll strive to meet these caps through energy efficiency and fuel switching. We'll continue to investigate opportunities for creating carbon credits in developing and emerging markets with a view to creating income and reducing our overall exposure to carbon cap and trade risks.

143MJ

energy/hl beer

#### 2. Investing in renewables

In addition to the use of biomass for heat, such as in India, and the purchase of green power, we're considering other renewable technologies for existing and new facilities. These include photovoltaics and biofuels from spent grain. In partnership with the UK's Biotechnology and Biological Sciences



### Czech Republic: Reducing the carbon footprint

During the first trading period of the EU Emissions Trading Scheme, our Czech business, Plzeňský Prazdroj, reduced its carbon emissions by over 50% against its allocated allowance, despite increasing its beer production. This figure is even more impressive when compared to the equivalent figure for Czech industry as a whole – an average of just 6%.

The main economies were achieved by modernising the brewhouse at the Pilsen brewery. The new facility is able to cut CO<sub>2</sub> emissions from 15,000 tonnes to 2,000 tonnes per annum – a reduction of approximately 87%. In addition, biogas from the waste water treatment plants is now being used as an auxiliary fuel at two other Czech breweries.

Reducing CO<sub>2</sub> emissions enabled Prazdroj to sell surplus allowances at auction in 2006 and invest the money in further environmental projects.





Within Europe, our recent analysis of the financial implications of future carbon scenarios has resulted in a tool to aid business planning on future energy costs.

### 50% reduction

Our target for fossil fuel emissions from our on-site energy use per hectolitre of beer produced by 2020

#### Actions within the value chain:

During the year we built on our 2007 carbon footprint of the Peroni brand to develop a model which covers all European operations and brands. This reinforced the fact that packaging and distribution and transport are significant sources of greenhouse gas emissions in addition to energy use at our breweries. This information is helping us target our efforts to reduce carbon emissions within the value chain.

#### 5. Moving to lower-carbon packaging

In response to the carbon footprint findings, we're seeking to expand our use of packaging materials with a lower footprint and to protect the low-carbon returnable bottle route in countries where this is still preferred by consumers (see 'Packaging, reuse and recycling' on page 20). We also aim to work with our packaging suppliers to encourage them to improve their carbon footprint.

#### 6. Reducing transport emissions

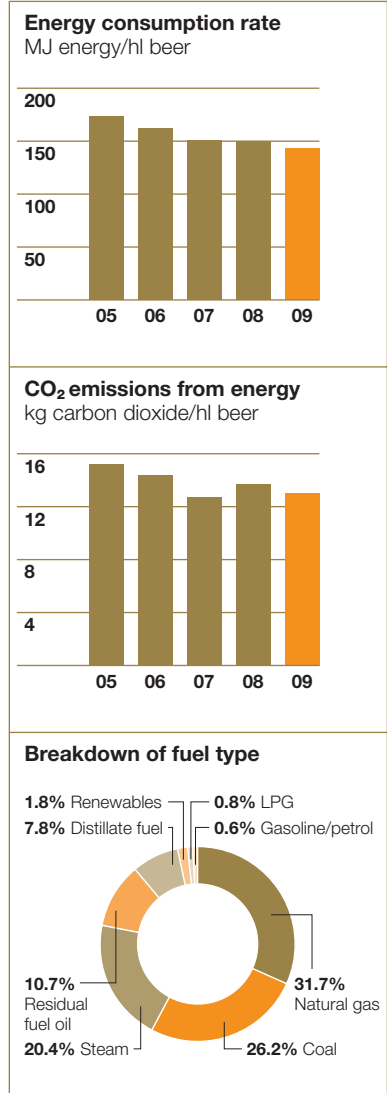
In each market we aim to use efficient transport methods to distribute our products. We're continuing to investigate our transportation impacts, though it's proving a challenge to get complete information on the full transport modes and fuel use of third-party distributors in all our markets. There is progress, nevertheless. In the United States, for example, our new MillerCoors joint venture is anticipating reducing its CO<sub>2</sub> emissions by nearly 75,000 tonnes by the end of 2010 by increasing transport efficiency by almost 20% (see case study below).

#### 7. Encouraging low-emission fridges in our distribution chains

We will move towards the purchase of low-emission refrigeration equipment and encourage our distributors to do the same. Our South African soft drinks business, ABI, is already using point-of-sale refrigeration equipment with zero CFC refrigerants (the 'eKO' fridge), in partnership with Coca-Cola.

#### Targets

- Make progress towards reducing fossil fuel emissions from our on-site energy use per hectolitre of beer by 50% by 2020.
- Develop a renewable energy toolkit for our operations.
- Improve our management of carbon in the distribution and retail refrigeration phases of the supply chain.



#### USA: MillerCoors increases transport efficiency by almost 20%

One result of the MillerCoors joint venture has been to improve transport efficiency by almost 20%.

Before the joint venture, both Miller and Coors were transporting some of their products large distances to reach all areas of the USA. This was particularly the case with Coors, with its brewery in Golden, Colorado. The saving has been achieved by brewing Coors Light and other Coors brands in Miller breweries and Miller products in Coors breweries. It is estimated to equate to 45 million fewer miles travelled, 325,000 barrels of crude oil saved and a reduction in CO<sub>2</sub> emissions of nearly 75,000 tonnes by the end of 2010.

There is further scope to raise efficiency by increasing load weights. This project is still in its early stages but offers considerable savings.

# Packaging, reuse and recycling

## Reducing the carbon impact from packaging

### Background

Packaging plays a vital role in delivering products to our consumers in a manner that preserves the integrity of the product. That said, there is now far greater awareness of the environmental impact of packaging than a few years ago. From the point of view of consumers and the community, litter from packaging is very visible and is, in effect, branded litter.

### Moving to lower-carbon packaging

An analysis of the value chain carbon footprint of our Peroni brand in 2007 showed that one-way glass packaging accounts for the greatest share (44%). Packaging is therefore an important area of focus.

The development of our European footprint model enables us to analyse the carbon impact of different choices of packaging substrates. Under our new energy and carbon strategy, we're seeking to expand our use of packaging materials with a lower carbon footprint.

The model demonstrates that our predominant packaging, returnable glass bottles, is the lower carbon route. However, it was not anticipated that PET packaging was also at the lower end of the scale.

One approach to reducing our carbon emissions is to use less packaging material. This can be done by 'light-weighting' or reducing the amount of glass we use in our bottles. Lighter packaging requires less energy and raw material to produce and costs are therefore lower. By reducing the weight of the goods transported, the

process can also cut fuel consumption. For example in 2008 Grolsch launched a new version of its iconic swing-top bottle reducing the weight of the bottle by over 5%.

**46%**

of production packaged in returnable bottles

### Returnable glass bottles

Where we can, we seek to reuse packaging, which is why we aim to maintain, and where possible grow, the returnable bottle system in countries where this packaging mode is consumers' preferred option. Returnable glass remains our largest packaging method at 46% of production packaged. Returnable bottles are particularly important in a number of developing markets where there is little infrastructure available to collect and process waste packaging, such as in Botswana where the sales of returnable bottles has increased significantly.

In some markets we're using new coating technology to extend the life of returnable bottles. Scuffing significantly affects the appearance of the bottles, which can have an impact on market positioning, market share and brand image. Therefore bottles that are seriously scuffed need to be withdrawn. Extending the life of bottles means that fewer bottles have to be purchased, which helps both financially and in terms of the carbon impact. Coated bottles are stronger, resulting in

fewer breakages and less scuffing caused by bottle-to-bottle contact. In Colombia, for example, we have replaced our returnable bottle stock with new 'Super Returnables' (see case study).

### PET research

Our research in this area focuses on the performance of PET as a packaging substrate of beer as well as the opportunity for post-consumer recycling. We have started a research project to evaluate the recycling and reuse infrastructure for markets where PET packaging has, or could be introduced. PET is a plastic packaging increasingly being considered for our products. For example in Romania consumer preference is driving the growth of PET packaging and in response we introduced it at a second brewery during 2009. The research project will inform current and future decisions on PET use and the technology may then be deployed across our products.

### Sustainable packaging innovations

We're examining a range of innovations to make our packaging more sustainable. Research is continuing on new materials, including sustainable inks. In addition, we're investigating new packaging materials including paper and card from sustainably-managed forests such as those under the Programme for the Endorsement of Forest Certification and Sustainable Forestry Initiative schemes.

We have also continued the trials of biodegradable shrink-wrap with a successful trial in South Africa. We are now analysing the results to determine how we will progress



### Colombia: 'Super Returnables' campaign

During 2008 our Colombian business, Bavaria, launched its 'Super Returnables' campaign with the tag line "The power to defend your pocket, increase sales and protect the planet".

In replacing its returnable bottles, Bavaria has invested US\$145 million to implement the most modern technology. First trialled in the relaunch of the Club Colombia brand in November 2006, super-returnables are lighter than the original returnable bottles. They are more robust: a new shape with flat panels reduces wear in transportation and they have a film to protect the surface of the glass. This means the bottles can be used twice as often – around 40 cycles instead of 20 – which reduces energy consumption.

Super-returnables were introduced alongside new plastic crates that are made out of 73% recycled material. The crates have enabled distributors, shopkeepers and sellers to introduce a new bottle deposit scheme.

the technology. The consideration also includes the wider public scientific debate of the full sustainability cost and benefits of biodegradable plastic packaging.

**Global standards**

Our SmartGate product development process is a good example of how our sustainable development priorities are being integrated into mainstream business processes. SmartGate requires any new product to pass through a series of gates or go/no-go decisions at each stage of its development. The system incorporates a check-list to ensure that any new packaging material or upgrade maintains or improves the product's environmental credentials. The roll-out of SmartGate has continued during the year across the group.

We are also in the process of establishing global standards for all our packaging materials to ensure consistent quality and environmental credentials across our regions. These standards are being developed through best practice working groups involving representatives from all our operations, to ensure that local circumstances are taken into account.

In addition to our focus on standards we endeavour to minimise the packaging loss in our own packaging halls. We monitor performance at all our breweries and have established benchmark targets for packaging loss for all our packaging substrates from bottles to labels.

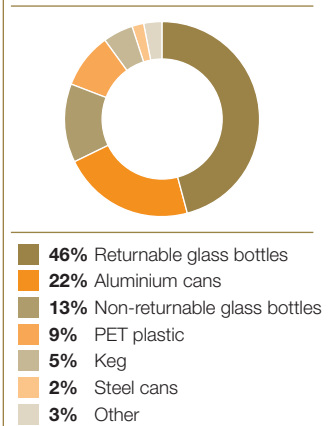
We are also examining the further reuse of our packaging materials. One such example

is waste labels from returnable bottles. These are removed by the bottle washers as part of the packaging process. As the labels are stronger (wet-strength) it is often not possible to send these back to the supplier for recycling as paper. Therefore we have focused on a secondary utilisation of the waste and in the Czech Republic one brewery is trialling the use of waste labels in the production of cement as an additional furnace fuel.

**Targets**

- Extend the evaluation of recycling and reuse PET infrastructure through five deep-dive market reviews in Honduras, Romania, South Africa, the USA and Zambia.
- Develop a bottle selection tool to assist lightweighting.

**Breakdown of packaging type**



**El Salvador: Plastics recycling programme**

Since 2003 our Salvadorian business, Industrias La Constancia (ILC), has been part of the National Recovery and Recycling of Plastics Programme. Working with the Ministry of the Environment and Natural Resources and the Ministry of Public Health and Social Assistance, the aim of the programme is to retrieve and recycle post-consumer plastic packaging waste.

In 2008, ILC provided 45% of the total amount of material recycled in the initiative, which collectively retrieved a total of 2,178.30 tonnes of post-consumer plastics over the year. This amount has prevented the emission of 1,485 tonnes of CO<sub>2</sub>, saved 10,890 barrels of oil and prevented 990 tonnes of landfill waste.

To further reduce the impact of its packaging waste, La Constancia has implemented a post-industrial recycling programme, initially implemented at the brewery. The success of the programme has led to its introduction in the soft drinks plant.



# Working towards zero-waste operations

## Using brewery waste as a valuable resource

### Background

We manage our waste streams with a view to making maximum use of our waste resources. Our aspiration is to achieve a zero-waste brewery system. To this end, we place increasing emphasis on the reduction, reuse and recycling of waste generated by our production process. We try to make sure that any remaining wastes are disposed of in a responsible manner.

Over 66% of our waste consists of organic by-products from the brewing process including spent grains, waste yeast and trub (a residual sludge from the process). The remainder is made up of broken glass from packaging, paper and labels, cartons and cardboard, kieselguhr (a filtration medium), broken crates and other plastic waste, metal bindings and bottle caps, effluent sludge from waste water treatment and boiler ash from the combustion of coal. We also produce a small amount of hazardous waste, the exact definition of which depends on local laws but which might typically include waste oils, fluorescent light bulbs and certain batteries.

By cutting the amount of waste requiring disposal, we reduce our costs and our environmental burden – especially important in countries with less developed waste management services.

### Waste as a source of value

We consider waste to be a potential resource. To minimise the amount going to landfill, therefore, we try to ensure that all waste groups are reused or recycled internally or externally. These include kieselguhr for use in cement or compost, organic waste for animal feed, boiler ash used in road repairs and cullet being turned into new glass bottles.

We've continued to investigate – and invest in – the use of waste as a source of renewable energy. The reuse of spent grains from the brewing process as a source of renewable energy is one of the focus areas of our partnership with the UK's Biotechnology and Biological Sciences Research Council (BBSRC) (for further details refer to page 18).

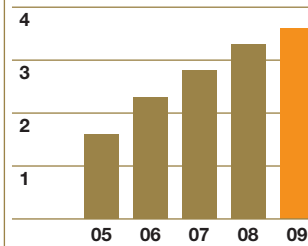
### Recycling and reusing our waste

The number of our operations reporting reuse or recycling rates of over 99% has increased to seven from six in 2008. However, across the group as a whole, the percentage of waste we reuse or recycle has reduced to 89%; this is partly due to improved data collection and reporting. We aim to improve this figure in the year ahead. Where waste is sent to landfill, we minimise its impact by dealing with it in a safe and responsible way.

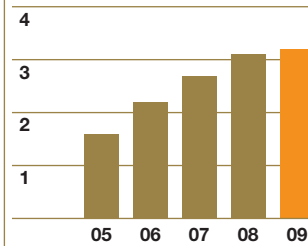
### Targets

- Investigate more ways to reuse brewery waste.
- Increase the percentage of waste recycled/reused in line with our aspiration to achieve a zero-waste brewery system.

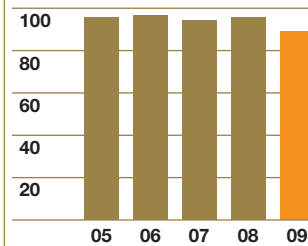
Waste produced  
million tonnes



Waste recycled/reused  
million tonnes



Waste recycling/reuse rate  
percentage recycled/reused



### South Africa: Producing compost from brewery waste

Our Prospecton brewery in Durban, South Africa, illustrates how waste from our operations, in this case effluent, can be reused and processed into soil-boosting compost.

Waste sludge in the effluent balance tanks was tested and found to be suitable for a fertiliser-type additive in compost. The sludge is residue from the malted barley, hops and yeast and was previously removed from the brewery three times a week and disposed of to landfill. As the sludge is now being reused as a source of nutrients for agricultural soil, its removal as waste has reduced to once a week, resulting in savings of approximately US\$39,000 a year.





# Encouraging enterprise development in our value chains

A new enterprise development model to focus our activities

## Background

Encouraging enterprise development in our value chains is one of our global focus areas. Every day our businesses make decisions regarding from whom we buy raw materials, capital equipment and business services and we do so in the context of a globalising economy. In 2009 we spent US\$9,464 million on suppliers around the world. As global trade has increased, so companies have been able to gain efficiencies and to reduce management costs through sourcing at the global level, which creates direct benefits for consumers. However, there are factors that strengthen the case for local sourcing models, such as improved access to quality raw materials.

**US\$9,464**

million spent with suppliers

## A new enterprise development model

We have developed a new model to focus our enterprise development activities (illustrated on the page overleaf). In December 2008 we published our Enterprise Development Report. This explains our motivation, the activities we've undertaken, the benefits (both business and socio-economic) and the lessons we've learned. It's available on our website at [www.sabmiller.com/sustainabledevelopment](http://www.sabmiller.com/sustainabledevelopment)

## Supporting smallholder farmers

Smallholder farmers are central to our sourcing strategies in a number of important markets. Typically smallholder farmers own small plots of land, often less than four

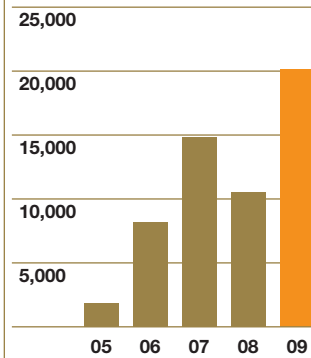
hectares. We work with them to improve the quality of their produce and the reliability of supply and in the process we build employment and help alleviate poverty. During 2009 over 20,000 farmers were engaged in our smallholder programmes in addition to other local agricultural sourcing in Africa.

In 2008 we commissioned PricewaterhouseCoopers (PwC) to carry out an assessment of our smallholder programmes in India, South Africa, Tanzania, Uganda and Zambia. PwC met with a sample of stakeholders including our management, farmer representatives, NGOs and government officials. The review covered the socio-economic impact of the programmes on local farming communities, our benefits and costs, critical success factors in each country and recommendations for further action. We then invited a group of experts to a meeting in London in partnership with Chatham House to discuss the findings and to make suggestions for further activity.

One of the critical outcomes of the assessment was the importance of partnerships in maximising the success of our smallholder projects, as opposed to fully insourcing or fully outsourcing the management of these relationships. The partnership model, under which we retain overall control, whilst partners perform key activities, offers the best mix of relevant participation from other organisations with complementary skills.

Uganda provides one of our most inspiring projects in this area because it led to the launch of a new, innovative product, Eagle Lager, which is now one of the largest African

**Smallholder farmers**  
number of farmers included in our smallholder programmes

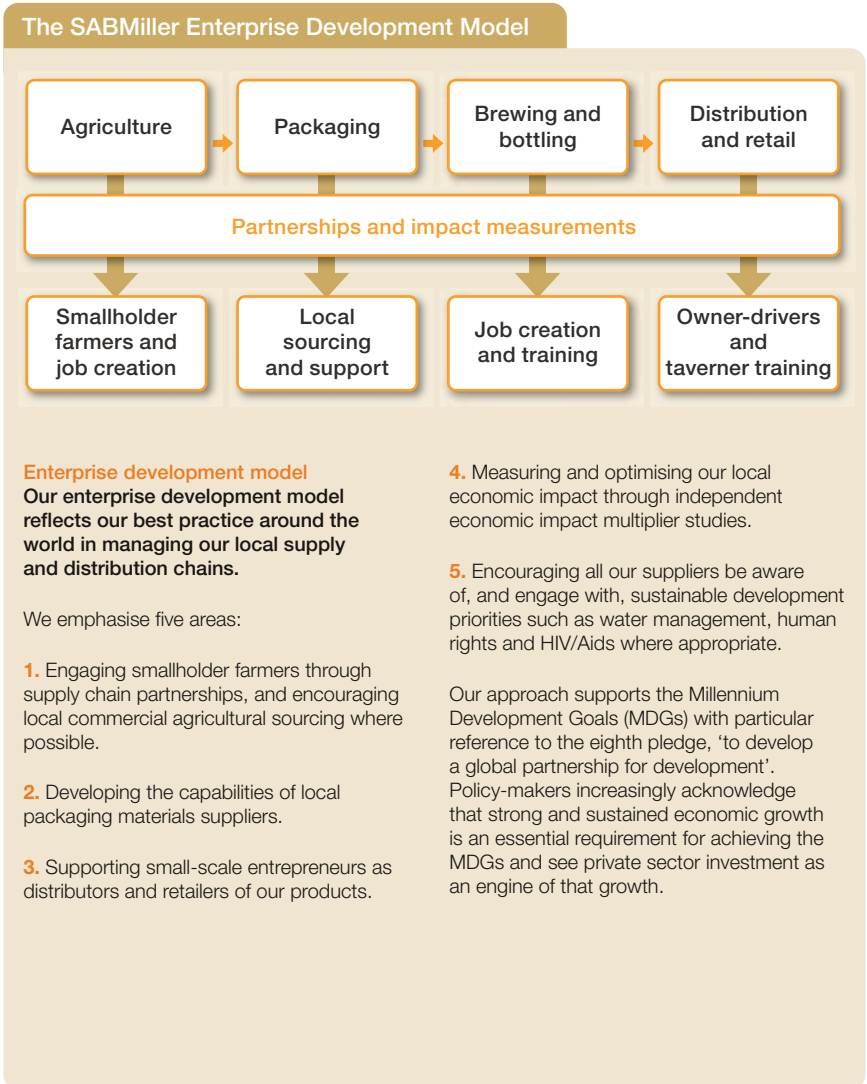


## Peru: Smallholder development

In Peru we are encouraging smallholder development by moving part of our hard yellow maize procurement from imports to local crops grown by smallholder farmers. Our Peruvian business, Backus, has partnered with CEDEPAS (The Ecumenical Centre of Promotion and Social Action) in the project and during the last year it has worked with 96 farmers providing technical assistance. We purchased 1,583 tonnes of maize between December 2008 and March 2009 from 80 of these farmers who met our brewing standards. The smallholders increased their productivity from an average of 7.5 tonnes per hectare to 8.7 tonnes per hectare as part of the project.

CEDEPAS also assists the farmers to set up cooperative associations to improve their buying and selling power. Two associations are now running and selling directly to Backus.

This initiative is part of the 'Progresando Juntos' programme that aims to improve conditions and create opportunities for micro and small enterprises. The goal for the next year is to increase our purchase of maize to around 6,000 tonnes and to provide assistance to approximately 130 smallholders.



beer brands. Our Ugandan experience has also provided some valuable lessons in terms of matching farmers' yields with the requirements of the brewery. In particular it highlights the need for good forward planning when working with smallholder farmers. PwC's review suggested that management issues such as this have frustrated farmers. Possible solutions to remedy this issue include selective distribution of seeds to limit harvests, identifying specific communities for long-term supply relationships and more timely communication with farmers.

Our African business aspires to be buying from up to 44,000 local farmers in 2012 by expanding existing programmes such as our barley production schemes in Uganda and Tanzania and spreading into new territories. We're also evaluating the use of new crops including cassava grown in Angola to replace maize in our brewing operations.

We are also developing smallholder programmes in Latin America. For example, we're developing new programmes for maize production in Peru and rice production in Ecuador.

To complement these new initiatives, we've created a comprehensive smallholder toolkit and guidelines, based on our learning from the PwC review and other resources.



**Zambia: Manual distribution centres**

Zambian Breweries Ltd created its Manual Distribution Centre (MDC) programme for soft drinks distribution in order to give company employees and external entrepreneurs the opportunity of becoming independent business owners.

MDCs serve outlets in high-density areas where normal, motorised delivery methods are not suitable. Relying on push-carts and wheelbarrows, they generally employ two people – a runner who makes the deliveries and a salesman who responds to walk-in sales, supervises the runner, is accountable for stock, sales, operations and distribution and reports directly into the business owner.

On average, each centre has about 60 customers and can expect to sell 90 cases of soft drinks a day with the runner delivering 60 cases and 30 cases sold to walk-in customers. The programme provides employment and business development opportunities for around 190 people serving around 16,000 customers.



**Investing in our value chain**

We also explore other opportunities to source locally, invest in our suppliers and work in partnership with them. This is a 'win-win' relationship. We benefit from lower logistical and inventory costs, zero import duties and shorter, more visible supply chains. Local industries benefit from our investments in our suppliers' capabilities and employment.

From the outset of any project, we seek to work with our suppliers to ensure we share the same expectations – and to secure consistency and quality of supply, service and price. We believe there is much potential still to be unlocked through working with local suppliers, both in direct benefits to our own operations and in helping suppliers to broaden their customer base by becoming better-managed businesses.

We have active programmes in this area in countries such as Angola, El Salvador, South Africa, Tanzania, Uganda and Zambia.

**Responsible sourcing**

Managing a complex global supply chain can be a challenge. We're committed to creating a sustainable supply chain and working with suppliers to improve any practices that are not compatible with our sustainable development framework. We are continuing to incorporate our Responsible Sourcing Principles into supplier contracts. These cover eight key issues including child labour, freedom of association, environmental management and business conduct.

We ensure that we support and promote national priorities such as Broad Based Black Economic Empowerment (BBBEE) in South Africa. We've been actively involved in BBBEE for over 30 years.

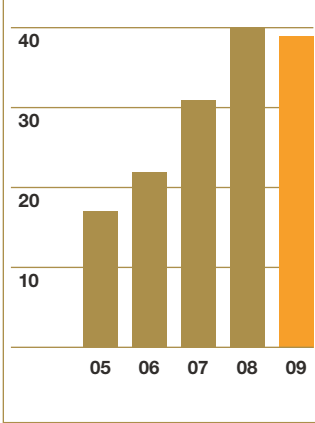
This work continues today and by the end of the 2009 financial year, empowerment suppliers represented 39% of SAB Ltd's total suppliers. In terms of the BEE Codes of Good Practice issued by the South African Department of Trade and Industry in December 2008, SAB Ltd increased its Procurement score to 18.69 points out of a possible 20 points and achieved 12.10 points out of a possible 15 points for Enterprise Development. These contributed to an overall BEE score of 58.35 points, which makes SAB Ltd a level 5 contributor in terms of the codes.

In March 2009 our new US joint venture, MillerCoors, received the Corporation of the Year award from the Rocky Mountain Minority Supplier Development Council. This recognises its contribution to the development of minority and women-owned businesses. Supplier diversity was one of the key issues that was maintained during the joint venture integration process.

**Targets**

- Publish the analysis of the economic impact of our activities in the value chain in two markets, Honduras and Uganda.
- Increase the number of smallholder farmers within our value chain.

**SAB Ltd expenditure with local Broad Based Black Economic Empowerment suppliers as a percentage of total spend**



**Panama: 'Improving Together' supplier programme**

'Mejorando Juntos' ('Improving Together') is a programme to foster and develop micro and small businesses supplying our Panamanian business, Cerveceria Nacional (CN). As well as helping suppliers to become more competitive, it also contributes to the development and sustainability of the community.

The first step is an awareness-raising session based on our Responsible Sourcing Principles. Subsequent training covers topics such as quality and environmental management, looking at improvement opportunities in each case and any support the company may need.

Once the training is complete, companies become accredited CN suppliers and continue to receive help as necessary. The programme has so far involved 35 of CN's small and medium-sized suppliers and is designed to be replicated in other locations in the future.

CN's main partner in the project, The National Centre for Competitiveness, was recently invited by the United Nations Global Compact Network to join a nationwide project to use the company's model as a best practice example of business-supplier relationships.

# Benefiting communities

Our corporate social investment (CSI) programmes reflect the group themes of water and enterprise development as well as local business and stakeholder priorities

## Background

Supporting communities is deeply embedded in the history of our business. We define corporate social investment (CSI) as “a contribution/investment of cash, knowledge, employee time and equipment to people or communities to enable them to flourish and help sustain an environment in which we can be a successful business”. In essence, CSI is anything that we do to help the local community over and above the direct running of our business.

## 2009 investment

During 2009 our operations invested US\$27.2 million cash or 1% of pre-tax profits in CSI programmes. We estimate that our total contribution including time, gifts in kind and charitable donations came to US\$34.8 million or 1.3% of total pre-tax profits. These figures are based on the London Benchmarking Group methodology and exclude our extensive investment in responsible alcohol consumption initiatives, HIV/Aids programmes for employees and their dependants and other activities such as the procurement of goods and services which directly benefit our business. These items are considered part of running our business responsibly and are therefore budgeted for and managed separately. Refer to the respective sections of this report for further details of our wide-ranging alcohol responsibility (page 12) and HIV/Aids activities (page 28).

## Improved strategic CSI focus

Targeted local philanthropy remains an important part of our CSI approach. In 2009 our charitable donations amounted

to US\$8.6 million. However, during the year we've improved our focus on strategic CSI initiatives to reflect our global priorities of managing water sustainably and encouraging enterprise development. We also address local priorities such as HIV/Aids and are increasingly developing partnerships with NGOs, communities and other stakeholders to ensure sustainable and inclusive projects.

## Providing water for the community

High quality water is a critical ingredient for our products and an issue of concern for communities around the world. Given that we operate in many countries where water provision can be poor, we not only manage our use of water internally but also invest in watershed protection schemes and water and sanitation provision for local communities.

Our work in these areas helps to further the Millennium Development Goal to ‘halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation’. It also forms part of our new ‘5R’ water strategy (see ‘Making more beer with less water’ on page 15).

## Developing entrepreneurs

Entrepreneurship is vital if an economy is to grow because entrepreneurs meet the needs of local consumers and larger businesses, create jobs quickly and improve local incomes. In turn, economic growth provides greater market opportunities, better-qualified employees and healthier communities for companies such as ours.

## 1% of pre-tax profits

invested in CSI programmes

Our numerous enterprise development programmes have proved highly successful and we're committed to expanding them. They include KickStart in South Africa and Botswana, Destapa Futuro in Colombia, Young Entrepreneur of the Year in Hungary and REACH in the USA. These programmes alone had a total budget of over US\$3.9 million in 2009. We completed a review of the five main programmes during the year and used the findings to develop an enterprise development toolkit. For further details of the review refer to the Enterprise Development Report available on our website at [www.sabmiller.com/sustainabledevelopment](http://www.sabmiller.com/sustainabledevelopment)

We're now developing further programmes in a number of countries including Peru and El Salvador.

## Targets

- Expand the scope and funding of our entrepreneurship development programmes.
- Develop a water CSI programme for Africa.



## South Africa: Supporting education

Research conducted by the Human Sciences Research Council estimates a shortfall of 32,000 maths and English teachers in South Africa. In partnership with the Independent Schools Association of Southern Africa (ISASA), SAB Ltd is helping to address the shortage through the ISASA Mathematics and English Programme.

Launched in 2007, the programme aims to place 300 promising black learners from disadvantaged backgrounds in ISASA schools. It also recruits trainee teachers and places successful applicants in top schools for the duration of their teaching degree, to expose them to best practice.

The programme supports government initiatives to address skills shortfalls in areas such as mathematics, science and ICT (information communications technology), which are crucial to South Africa's economic growth. SAB Ltd also invests in the development of maths and science educators through the Maths Centre for Professional Teachers.



**El Salvador: Nurturing small bakery businesses**

The neighbouring communities of our Salvadorian business, Industrias La Constancia (ILC), are disadvantaged with over 40% of the inhabitants living in 'champas' (houses made of plastic, boxes and tin). Over 25% of local people are unemployed and education levels are low. In response ILC has developed an entrepreneurship programme and has installed a baking centre for people living near its brewery.

The aim of the centre is to help participants to increase their income by starting their own small bakery businesses. The scheme offers six weeks of training on business-related topics, run by the NGO FUNDES, which has entrepreneurship expertise. During the training, participants learn about cost control, budgets, marketing, market research and other topics that will help them make their small business more successful. FUNDES uses an innovative training approach that helps participants to overcome their fear of failure owing to lack of education.



**South Africa: Supporting Broad Based Black Economic Empowerment**

KickStart is one of the ways SAB Ltd supports Broad Based Black Economic Empowerment (BBBEE), the policy for distributing wealth more fairly across a broad spectrum of South African society. The programme seeks to promote business awareness and develop a culture of entrepreneurship among young people through training, providing grants as start-up capital and mentoring and assistance during the set-up phase.

Antonio Poee entered the KickStart competition in 2007, won a regional grant in Egoli and then went on to win approximately US\$17,000 more as a runner-up in the national competition. An expert in fraud detection, he used his grant to start Exatech, a niche company specialising in fraud protection, detection and computer forensics. Exatech is growing and now employs four full-time and four part-time members of staff. Aside from the monetary award, Antonio found that KickStart encouraged him to go it alone after a tough year trying to break into the market.



**Hungary: 'Young Entrepreneur of the Future'**

Our Hungarian business Dreher Breweries is a firm believer in the country's entrepreneurial spirit and is keen to improve the business skills of young Hungarians. This year is the third time it has run the 'Young Entrepreneur of the Future' competition for students from colleges and universities across Hungary.

Over 100 students entered and the 10 best had the opportunity to present their business ideas to the professional judging panel, demonstrating the uniqueness and feasibility of their enterprise as well as their own ability. The panel then selected the top three: the first place was given to the creator of a special dental technology software; second place went to an enterprise creating innovative solutions; and third place was given to an enterprise designing and building roof gardens.

The three winners shared seed capital totalling over US\$34,000, and received six months' free professional consultation.





# Contributing to the reduction of HIV/Aids

## Addressing the impact of HIV/Aids through our spheres of influence

### Background

HIV/Aids is an issue of immediate relevance to our business, given our extensive presence in countries affected by the pandemic – especially in Africa. Here and elsewhere, HIV/Aids can affect our workforce, our consumers, the supply of our raw materials and the economic development and stability of the societies in which we operate. It is therefore essential that we manage the costs and impact of the disease.

In support of the UN MDGs, we're committed to developing and implementing a comprehensive and multifaceted approach to the challenge of HIV/Aids. Our aim is to track and reduce its impact through our spheres of influence, namely our employees, their families, our supply chains and the communities in which we operate.

### Progress and challenges in Africa

In many of the African countries where we operate, more than 5% of the population is HIV-positive. In some cases the figure is over 20%. In these countries, we seek to provide education and awareness programmes to all our employees, including access to voluntary counselling and testing (VCT). During the last 12 months the number of employee tests carried out has risen by 10% to 44% as a percentage of headcount.

Once diagnosed, HIV-positive employees have access to our managed healthcare system if they have no alternative medical provision. We actively encourage participation and pay for treatment.

The programme is also available to employees' spouses and dependants. By tracking the HIV prevalence rates of our operations we are able to predict the number of spouses who are likely to be HIV-positive. Of this forecast number, 20% are now on managed healthcare programmes. However, registration of spouses remains a challenge as employees may be reluctant to disclose their HIV-positive status.

One of the barriers to effective treatment is the stigma and prejudice surrounding HIV/Aids – a problem we continue to address by the appointment of peer educators who act as agents within the business to change attitudes and behaviour. In Uganda we now have approximately one peer educator per seven employees. During the year we increased the total number of peer educators in Africa, and we aim to train more in the coming year.

### Developing sustainable partnerships

Our work to prevent the spread of HIV/Aids outside our operations has largely concentrated on our supply and distribution chains, extending to the wider community through public-private partnerships. We want to provide as many individuals as possible with prevention information and access to VCT and treatment. In Uganda, for example, we've successfully developed a pilot model which has now significantly expanded. This provides HIV/Aids education, access to VCT and treatment to our immediate supply chain of truck drivers, smallholder farmers and hospitality workers with an NGO partner, the Health Initiative for the Private Sector (HIPS).

As for communities, we've made significant strides in developing sustainable partnerships by piloting a number of projects in South Africa. One example is a development project in a community with a high prevalence of HIV, unemployment and other social problems. By working with local stakeholders we're aiming to support the development of a more sustainable community.

44%

of employees in countries with a prevalence level over 5% have received counselling and testing during the year

Another project helps orphans and vulnerable children who have lost family members to HIV/Aids. This group is often overlooked and a pilot project is testing a model to help young adults from institutions, care centres or child-headed households to become productive members of society. The project currently supports 31 young adults who have attended life-skills training and are now being provided with vocational skills training. We are also supporting an NGO called Men for Development in South Africa (MEDSA) that runs life skills training with men in taverns to address social issues such as HIV, gender violence and alcohol abuse.



200 smallholder farmer peer educators received bicycles to support their work

### Uganda: Tackling HIV/Aids in the value chain

The Nile Breweries Ltd (NBL) HIV/Aids programme in Uganda includes employees, sorghum farmers, the local community, truck drivers and retailers. So far more than 4,800 people have been trained by peer educators and 29% of these people have been through voluntary counselling and testing (VCT). During 2008, 10,000 condoms were distributed to our supply chain.

NBL has also provided training in home-based care to those looking after HIV/Aids patients as well as psycho-social and material support to HIV/Aids orphans and vulnerable children. At present, 99% of HIV-positive employees are on managed healthcare programmes. Since 2007, 248 NBL third-party truck drivers have been trained in HIV/Aids awareness and more than 50% of these reported for VCT at the NBL clinic. In the retail and service trade, 800 workers from across Uganda have taken part in HIV/Aids awareness-raising activities.

NBL's HIV/Aids programme was recognised when the company received the Best Corporate Citizen – Corporate Social Responsibility award at the 2008 Investor of the Year Awards organised by the Uganda Investment Authority.



## Contributing to the reduction of HIV/Aids continued

### A global approach

One of our goals is to take what we have learned from our extensive experience in Africa and apply it in countries at risk of HIV/Aids epidemics. We now run education and awareness programmes in India, Russia and countries in Latin America such as Honduras, Peru and Panama. We are also working with our management teams to introduce and implement HIV/Aids policies and systems – including education programmes and VCT where appropriate. In India we're engaging with employees, spouses and high-risk groups such as truck drivers within our supply chain. We already have a well-established education and awareness programme in India comprising 12 master trainers and 150 peer educators. These employees are highly motivated and are educating their peers and their spouses.

### Engaging with stakeholders

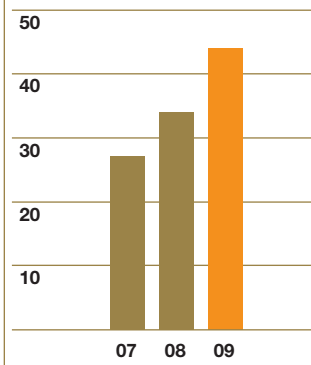
We continue to share our experience and knowledge of tackling HIV/Aids with other private-sector organisations, NGOs, multilateral organisations and local and international governments. During the year we held a stakeholder engagement workshop in Russia. We have also continued a series of stakeholder conversations, including a number of meetings with UK Members of Parliament, on the impact of HIV/AIDS. These conversations allow for a productive sharing of ideas and views, and provide us with a valuable opportunity to hear and respond to stakeholder opinions.

We have engaged with a number of funding organisations including the Global Fund (To Fight Aids, Tuberculosis and Malaria) and the US President's Emergency Plan for Aids Relief (PEPFAR), and plan to undertake further dialogue in the next year.

#### Targets

- Further increase the percentage of HIV-positive employees and spouses on our managed healthcare programmes.
- Undertake an updated cost/benefit analysis of our HIV/Aids programmes.

**HIV/Aids annual testing rate – number of tests undertaken as a percentage of employees (in countries with prevalence rate greater than 5%)**



### Honduras: Raising awareness of HIV/Aids

'Makanudo' is a wellness programme for all employees in Honduras. Recent activities have included an awareness-raising campaign highlighting the causes and prevention of HIV/Aids.

The programme has included regular employee workshops with educational materials provided to attendees. NGOs such as Hogar Renacer, a local charity which works with people at risk from HIV/Aids, and other associations working and caring for people affected by HIV/Aids, have participated in these workshops. The Honduran Ministry of Health is also a key partner in the awareness-raising campaign, providing guidance and assistance for the workshops.

We provide and promote voluntary testing for all employees and, if results return positive, those concerned receive assistance and confidential treatment. This includes counselling, treatment with IHSS, the Honduran social security institution, and options for economic assistance.

# Respecting human rights

## Embedding human rights in the value chain

### Background

We are committed to conducting our business with respect for the human rights of our employees in the workplace and in the communities in which we operate.

We are a signatory to the United Nations Global Compact and are committed to conducting our business in line with the principles of the Universal Declaration on Human Rights, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and the ILO Core Conventions on Labour Standards.

### Our Human Rights Principles

These international principles and additional stakeholder dialogues were used to draft our own Human Rights Principles. The principles cover issues such as freedom of association and collective bargaining, providing safe and healthy working environments, ensuring fair and competitive wages and benefits and intolerance of discrimination. These are held as minimum standards for all our group operations, to be included in their local human resources policies and for use in the assessment and development of new business opportunities. For existing associates and joint ventures, we will promote the adoption of an approach consistent with our Human Rights Principles.

These principles must always be considered in their local context and we acknowledge that some group companies will face more complex issues than others in meeting the commitment to respect human rights. In some countries democracy, respect for the rule of law and economic development are fragile and human rights may be compromised. In these cases, we must operate with sensitivity in order to support rather than undermine the development of stable societies and precautions are taken to ensure that our group companies do not contribute directly or indirectly to human rights abuses.

### Embedding human rights in the value chain

Beyond the scope of our own operations we also have a responsibility to promote human rights within our value chain. This is incorporated into our Responsible Sourcing Principles, which we are continuing to communicate to our suppliers.

Last year we highlighted the tradition of children working alongside their families in the sugar cane harvest in some parts of Latin America including El Salvador and Honduras. In Honduras we've continued to support a comprehensive education programme for the children of sugar cane workers. We remain vigilant and during an audit in June we found child labour in one of our sugar cane fields in Honduras. We took immediate action with our suppliers to prevent further occurrences.

### Contributing to human rights dialogues

During the year we engaged in stakeholder dialogues to consider human rights at both national and global levels. In Colombia, for example, we've initiated a human rights project in partnership with Transparency Colombia to link with the human rights workstream of the Bogotá Chamber of Commerce. We also took part in discussions on the appropriate role of business in supporting the right to water and will continue this engagement in the coming year.

### Community impact studies

In the next year we'll engage in a broad, independent assessment of the economic community impact of the value chains of our soft drinks businesses in El Salvador and Zambia.

---

### Targets

- Engage in community impact studies of the value chains of our soft drinks businesses in El Salvador and Zambia.
- Participate in international dialogues on the basic right to water through the UN CEO Water Mandate.



### El Salvador: Working in partnership to remove underage labour

In El Salvador, and other parts of Latin America, there is a tradition of youths working alongside their families in the sugar cane harvest. The ILO has stated that sugar cane harvesting is hazardous and is not suitable for people under 18 years old. Typically many of the underage cane cutters are boys aged 14 to 17 years old. Our Salvadorian operation, Industrias La Constancia (ILC), whose business includes soft drinks, has been working in partnership with The Coca-Cola Company to remove underage labour in the supply chain.

This multi-stakeholder effort includes our supply chain partner, the sugar mills foundation FUNDAZUCAR. The cane growers and sugar mills have agreed procedures to remove underage labour from their activities. The strategy also incorporated the education of all participants in the industry, especially sugar cane growers and rural families, together with the provision of schooling and recreational opportunities in the rural communities.

This partnership has successfully reduced underage labour by around 70% since 2004. However, despite good progress from all parties working hard to address this issue, the challenge remains as it is culturally embedded in the supply chain.

# Transparency and ethics

## Developing partnerships with stakeholders

### Background

There is a growing demand for companies, especially large ones, to be transparent about the way they do business. We are committed to transparency, both locally and globally, in the way we engage with stakeholders and report our progress.

### Developing stakeholder partnerships

Stakeholder engagement is central to our sustainable development approach, ensuring that we address issues that are both material to our business and important to our key stakeholders.

During the year we have focused our efforts on the three global focus areas identified in our 2008 report – alcohol responsibility, water and enterprise development. Developments include the launch of the new TalkingAlcohol.com website, the Enterprise Development Report and related stakeholder conversations (refer to page 23 for further details) and our engagement with the UN CEO Water Mandate.

We've been a leading supporter of the CEO Water Mandate throughout the year, contributing to the debates at Stockholm Water Week and the World Water Forum in Istanbul. At the latter we actively participated in a working conference to strengthen public policy engagement in water.

We have proactively shared the learning from our enterprise development work widely including at events held by Business Action

for Africa, the Overseas Development Institute and the UK Cambridge Programme for Sustainability Leadership.

Our sharper focus on partnerships is illustrated by a number of water projects undertaken with NGOs including WWF and The Nature Conservancy.

For further information on our stakeholder engagement in creating our sustainable development framework, see 'Managing sustainable development' on page 6.

### Detailed market investigations

To meet one of last year's targets, we've conducted detailed reviews in 10 markets. These have included an assessment of our sustainable development management approach and the use of the Sustainability Assessment Matrix (SAM) system in five markets in Africa and Latin America. A further five markets were investigated through PwC's review of our smallholder farming programmes (refer to the 'Encouraging enterprise development in our value chains' section for further details).

### Our reporting

The most significant development in our sustainability reporting this year is the detailed reporting of the SAM results for the first time. This demonstrates our commitment to transparent reporting and responds directly to stakeholder requests for more information. The SAM system has continued to be refined to drive and monitor

performance and facilitate the sharing of best practice. For further details of the SAM, see the 'Managing sustainable development' section (page 6).

Our reporting is aligned with the GRI G3 guidelines and a table detailing each of the GRI indicators is available on our website at [www.sabmiller.com/sustainabledevelopment](http://www.sabmiller.com/sustainabledevelopment). As a signatory to the UNGC, we use this document as part of our report on progress against the Compact's 10 principles, with an index available on our website. This report is subject to third-party independent review and an assurance statement is included on page 37. We have again used the results of the previous year's assurance process to inform the content of this year's report.

In addition to our annual reporting, we meet with investors and financial analysts and respond to relevant questionnaires and surveys from NGOs and other interested parties. We also provide information to support our membership of FTSE4Good, the Johannesburg Stock Exchange Sustainability Index and other relevant indices.

Our recently published Enterprise Development Report follows other issue-specific reports from previous years on water and HIV/Aids. It shows how we're working to make a difference throughout our beer value chain by creating economic opportunities for small entrepreneurs. The report is available on our website.



### Panama: NGO-enterprise project fair

Facilitated by our Panamanian business, Cerveceria Nacional (CN), the first NGO-enterprise project fair, 'Destapa tu Responsabilidad', took place in October 2008. The event brought together NGOs and the private sector to generate support for the development of social investment projects. More than 40 NGOs took advantage of the opportunity to promote their projects to leading businesses in Panama.

As a result, some proposals that had previously been presented to CN but had not qualified for support were able to find backers. The event also promoted engagement with government and international agencies, furthering CN's vision of being a leader in sustainable development in Panama and emphasising its shift from philanthropy to strategic social investment.



**Subsidiary reporting**

Several of our subsidiary operations are now publishing their own sustainable development reports in print or on their websites. They include Backus (Peru), Bavaria (Colombia), Cervecería Hondureña S.A. (Honduras), Compañía Cervecera de Canarias S.A. (Canary Islands), Dreher (Hungary), Kompania Piwowarska S.A. (Poland), Plzeňský Prazdroj (Czech Republic) and SAB Ltd (South Africa).

**Developing capability**

We have started building a team of sustainable development champions within each region. These champions will be able to advise as experts on sustainable development issues and support further detailed reviews of markets. They will receive training through a series of web seminars with leading experts.

This capability building will be reinforced through new, global, sustainable development competencies and training materials to be used in the induction and continued development of employees. These focus on specific functions such as human resources, manufacturing, corporate affairs and procurement.

**Recognition of our approach**

We have been recognised with a number of awards in different markets across the range of our sustainable development priorities. In February 2009 in Russia we were awarded the highest Public Federal Award in consumer goods production for 'high standards of social responsibility'.

In Uganda Nile Breweries Limited (NBL) received the Best Corporate Citizen – Corporate Social Responsibility award at the 2008 Investor of the Year Awards, an annual competition organised by the Uganda Investment Authority. The award judge's citation stated, "Nile Breweries' programmes have been exceptional in empowering communities within which they operate." This award recognised the focus on HIV/Aids in the supply chain (for further details see page 28) and socio-economic development of rural Uganda by providing a guaranteed market and stable pricing to sorghum farmers. For further details of our smallholder farming programme refer to page 23.

Our environmental management approach in Latin America was recognised with Backus, our Peruvian operation, being awarded the 'Global Compact Peru Recognition: Ethics and Business Leadership'. The award was given by The National Confederation of Private Business in association with the United Nations Development Program and the ILO.

Our operation in El Salvador, Industrias La Constanca, won the Regional Cleaner Production Award from the Central American Environment and Development Committee. This highlighted achievement in waste management by creating waste reduction and recycling programmes. For further details refer to page 21.

**Business ethics and conduct**

Following our commitment last year, we've introduced a new Code of Business Conduct and Ethics which applies to all employees. We also expect all third parties acting on our behalf to comply with this code in all their interactions. We have a whistle-blowing system to alert senior management to any cases where individuals may fall short of legislation and our internal codes and standards.

We are a member of the UK-based Institute of Business Ethics and play an active role in a number of corporate ethics partnerships and working groups around the world.

**Political donations**

It remains the group's policy that political donations are made only by exception, and where permitted by local laws, and must be consistent with building multi-party democracy. For full details of our donations refer to our Annual Report (page 47).

**Non-compliance**

During the year there were no environmental breaches where major fines were incurred.

**Targets**

- Train the regional sustainable development champions through a series of web seminars with leading experts.
- Continue stakeholder dialogues on our global focus areas of alcohol, water and enterprise development.



**Poland: Involving employees**

Like the rest of the group, our Polish operation, Kompania Piwowarska (KP), strives for transparency in its sustainable development reporting. This involves publishing a CSR report, articles in the company's internal magazine and sharing good practice both internally and with partners.

A further development is the 'In Tune with Nature' programme, a pioneering long-term ecological scheme supported by the recycling and environmental protection authorities. Its aim is to educate employees and their families about their daily environmental footprints, emphasising that it pays to consider the environment. The programme's website presents materials submitted by employees and their families, with a special section for children, and has been placed on an external server to ensure access from home.

As part of involving its employees, KP has organised events such as an environmental contest (with the chance of winning bike accessories and other environmental prizes) and the 'Green Wardrobe Scheme', which promotes clothes recycling.



# Valuing and empowering our people

People are our enduring advantage

## Background

We attract, develop and reward people who are passionate about the growth of the business and want to make a significant contribution. We recognise our employees' desire to make a difference and seek to provide a culture of accountability, challenge and opportunity that will enable them to do so.

## Developing our people

Our values and group behaviours highlight the role our people play in ensuring our continued business success, stating that 'our people are our enduring advantage' and that 'we work and win in teams'. We believe the calibre and commitment of our people set us apart, and we strive to develop them to fulfil their potential and their ambitions.

We're committed to offering the right level of career development and training to each and every employee. This is one of the foundations of The Talent Management Way, which ensures that line managers and human resources teams attract, retain and develop motivated people who deliver high performance. The Performance Management Way outlines our philosophy and processes for ensuring superior performance against agreed goals. During the year, these two Ways have been rolled out across the organisation.

We invest in training and development in many forms including structured courses and management and executive learning programmes, delivered through the latest e-learning technologies or facilitated by leading educational institutions. Each

employee received an average of 4.4 training days during the year. We also place value on 'on the job' training to coach employees in the development of new skills.

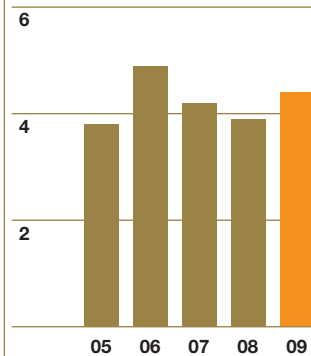
Our training curriculum offers over 400 courses. These include management and leadership development programmes that create effective, engaging managers and leaders for the future. One such course is the Global Action Learning Programme that takes executives out of their roles for three weeks to concentrate on specific projects with formal coaching and training support. In Latin America we run the INCAE Leadership Development Programme, a four-week residential course for senior executives of SABMiller subsidiaries. This takes place at the INCAE Business School and gives participants the skills and knowledge to ensure the future success of their operations and regions. Other executive training conferences are held for our Africa and Asia, and European regions.

We also actively develop and share knowledge across the group, and encourage our people to share best practice both formally and informally, to achieve our goal to build a 'learning and self-refreshing organisation'.

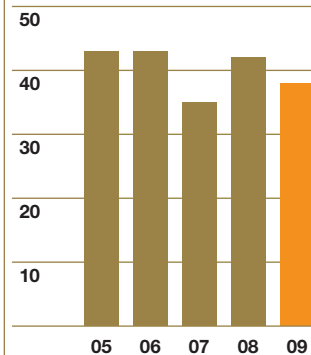
## Listening to our people

We value feedback from our employees. We regularly conduct employee surveys to measure the impact of specific organisational activities and the health, climate and culture of the business. These surveys are tailored to the specific operation to improve the quality of day-to-day business decisions and leadership actions.

**Training days per employee**  
number per employee



**Trade union membership – percentage of employees who are members of a trade union**



## Peru: Pro-bono legal assistance for employees

In November 2008, our Peruvian business, Backus, began a project to provide free legal advice to employees and those supplying services to Backus or one of the group's companies. Under the scheme, which is aimed at the less well-off, a Backus lawyer is available for verbal consultation for four hours every 15 days.

The programme advances Backus' vision of being the most admired company for its management model and ensures access to justice and legal advice for all group members, providing assistance mainly to employees who particularly need the service. It covers topics such as family rights, contracts, succession, taxation, banking debts and indemnification from accidents, though it stops short of providing formal legal representation.

40 employees used the service in 2009. Offered as an additional non-cash employee benefit, the initiative is promoted through the internal electronic communications bulletin and directly to co-workers.

**Health and safety**

It is with regret that we report three employee fatalities in our business during the year. The first involved one of our sales representatives in Honduras who was killed during a robbery. In response we have established a mini-depot to reduce the number of smaller customer visits that we have to make in the area. In Malawi an employee, together with a contractor, were both killed during a robbery when returning from a sales visit. The third occurred in Angola and related to an accident at one of our operations.

We also had a serious fire at our Peroni brewery at Bari in southern Italy in July. Emergency procedures were followed, everyone on the premises was immediately evacuated and this potentially disastrous event was swiftly dealt with. No one was injured.

During the year, we recorded 1,310 industrial injuries, down from the 1,446 reported last year. Overall days lost through injury are down to 11,728 from 12,809.

**Equality and diversity**

Our employees represent a vast mix of cultures, beliefs and backgrounds. We value and respect this diversity and seek to create an inclusive culture where variety is positively encouraged and all employees are genuinely appreciated for what makes them different. We recognise that diversity is applied differently according to local norms and regulations, but we require all operations to establish policies and processes covering ethnicity, gender and disability.

While 19.7% of our total workforce is female, women account for 25.8% of our management and executive grades, no change from last year. In South Africa, Asian, black, and coloured representation in our workforce was 76.3%, up from last year's figure of 75.6%.

**Freedom of association and collective bargaining**

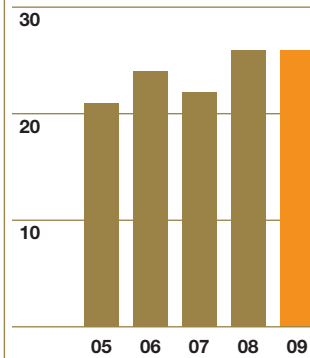
We respect the rights of our employees to union representation and are committed to establishing dialogue with employee representatives. We recognise the value of good labour relations and approach the collective bargaining process in good faith. 38% of our employees are members of a trade union.

During the year we lost a total of 4,621 working days through industrial action. Of these, 2,787 days related to our Honduran operation, Cerveceria Hondureña S.A., owing to industrial action over a two-and-a-half-day period, while 1,275 days were lost in Panama from industrial action over a three-day period. In addition, industrial action led to the loss of 559 days in Angola.

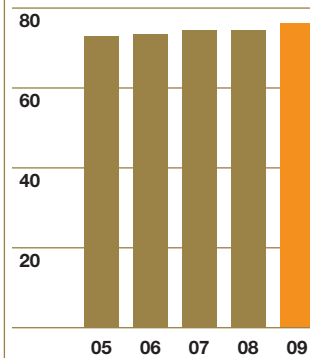
**Changes to our business**

Following the global economic slowdown in the second half of the year, some of our operations in Latin America and Europe are being integrated and restructured. We approach these challenges in a manner that balances business requirements with respectful dignified treatment of employees.

**Female executives and managers**  
percentage of total workforce



**Asian, black and coloured representation in South African operations**  
percentage of total workforce



**Italy: Peroni brewery fire**

On Friday 25 July 2008, a fire broke out at Peroni's Bari brewery in southern Italy at 10.15am. Everyone on the premises was immediately evacuated and this potentially disastrous event was swiftly dealt with. Very soon after the start of the fire, an internal communication confirmed that all staff members were safe.

Disaster was averted by effective procedures and the prompt actions of the staff. The contribution of Bari employees was recognised when the restored areas were reopened. Part of the inauguration was a presentation of awards to allow the company to express its gratitude to its employees and the local community. Commemorative plaques were given to four employees who particularly distinguished themselves by their courageous response. The inauguration was timed to coincide with the Italy vs Ireland football match in Bari to which all 150 employees were invited.

# Products and quality

## A focus on product innovation

### Background

We produce over 200 brands of beer and soft drink across six continents. Our wide portfolio of brands includes premium international beers such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch along with leading local brands such as Aguila and Tyskie. We take pride in each and every one, using only high quality raw materials. Refer to our website for further information on our brands.

### New product innovation

We are continually developing new products to meet or anticipate our consumers' requirements. One important trend has been for low-calorie products. In 2008 in the United States we launched MGD 64, a product reformulation that has just 64 calories per 12-ounce serving, but which retains the flavour and drinkability of the original formula. With only 2.4 grams of carbohydrates, MGD 64 is the lowest carbohydrate beer on the US market. In addition, the first low-carbohydrate beer from Peroni was launched in Australia in February 2009. Peroni Leggera is a light version of Peroni Nastro Azzurro, which is lower in carbohydrates, calories and alcohol.

In India we launched Indus Pride. As a mild beer (defined as 5% ABV or below), this new national brand is differentiated within this growing market segment by its 100% malt content.

We are also researching the potential of new raw materials. Following the success of Eagle Lager, a quality lager made from sorghum grown by smallholder farmers, we are trialling other locally sourced crops. For example, the root vegetable cassava is being grown in Angola to trial a cassava-based beer in the year ahead. For further details of our smallholder farming, see 'Encouraging enterprise development' on page 23.

### Product information

During the year we launched the TalkingAlcohol.com website to provide accurate and balanced information about alcohol. With a searchable database, it is also a detailed source of information on our beers and their contents. For further details, see 'Discouraging irresponsible drinking' on page 12.

### A continuing focus on quality

We have stringent standards in place to ensure that consumers receive high quality products. These apply to our raw materials and manufacturing processes. We also work with, and support, smaller suppliers in our value chains to ensure they can guarantee the quality and quantity of our raw materials.

We continue to evolve our management systems on quality and to sharpen the focus on the consumer. The recently established Global Taste System ensures consistency in the experience our consumers enjoy. We are also developing our manufacturing management systems to focus on consumer

quality and new measures will be implemented during 2010, which aim to measure quality from the consumer's perspective.

### Product testing and recall

It is vital that our products are safe and that each of our operations runs product testing programmes to ensure that this is the case. Under a global product testing programme with the independent Brewing Research Institute, samples from each country are submitted annually for analysis to ensure they meet the stringent standards we have set.

We have systems for the recall of product on those rare occasions where our standards are not met. These form part of our global business continuity policy and are subject to review by our internal audit team. An increasing number of our operations now include contact details on the product label in case of a complaint or query.

There are also stringent quality assurance and control processes in our soft drinks operations.



### Poland: Linking a brand and the environment

Our Polish operation, Kompania Piwowarska, has shown how a brand can be linked to the notion of environmental responsibility, to achieve both commercial and community benefits. Żubr is Poland's second-biggest beer brand, with strong associations with the Białowie, a forest in the Podlasie region of Poland where it is brewed. Since 2004 the Żubr brand has supported the Białowie, a National Park, and a herd of local European bison after which it is named. It also supports ecological initiatives involving local communities all over Poland.

In 2008 Żubr launched its 'wake-up call' – a grant pool of approximately US\$40,000 open to all adults in the region, with ideas on how to change their communities for the better. Winners are decided by a local jury and a public vote. From the 75 ideas submitted in 2008, four initiatives were awarded a grant. The winning ideas included a mobile cinema for small villages, a Jewish cultural festival and a feature film showcasing Podlasie.

# Operating companies covered in this report

The following operations and their subsidiaries under the management control of SABMiller group companies are included in this report, along with our US joint venture MillerCoors LLC.

We aim to include new acquisitions or market entries within two years.

<b>Angola</b>	Coca-Cola Bottling Luanda Ltd; Coca-Cola Bottling Sul de Angola SARL	<b>Panama</b>	Cervecería Nacional S.A.
<b>Botswana</b>	Kgalagadi Breweries (Pty) Ltd; Botswana Breweries Ltd	<b>Peru</b>	Union de Cervecerías Peruanas Backus y Johnston S.A.A.
<b>Canary Islands</b>	Compañía Cervecera de Canarias S.A.	<b>Poland</b>	Kompania Piwowarska S.A.
<b>Colombia</b>	Bavaria S.A.	<b>Romania</b>	Ursus Breweries S.A.
<b>Czech Republic</b>	Pižeňský Prazdroj, a.s.	<b>Russia</b>	SABMiller RUS LLC
<b>Ecuador</b>	Cervecería Nacional CN S.A.	<b>Slovakia</b>	Pivovary Topvar a.s.
<b>El Salvador</b>	Industrias La Constancia, S.A. de C.V.	<b>South Africa</b>	The South African Breweries Ltd
<b>Ghana</b>	Accra Brewery Ltd	<b>Swaziland</b>	Swaziland Beverages Ltd
<b>Honduras</b>	Cervecería Hondureña, S.A. de C.V.	<b>Tanzania</b>	Tanzania Breweries Ltd
<b>Hungary</b>	Dreher Sörgyárak Zrt	<b>The Netherlands</b>	Royal Grolsch N.V.*
<b>India</b>	SABMiller India Ltd	<b>Uganda</b>	Nile Breweries Ltd
<b>Italy</b>	S.p.A. Birra Peroni	<b>United States</b>	MillerCoors LLC
<b>Lesotho</b>	Lesotho Brewing Company (Pty) Ltd	<b>Zambia</b>	Zambian Breweries plc; National Breweries plc
<b>Malawi</b>	Chibuku Products Ltd		
<b>Mozambique</b>	Cervejas de Moçambique SARL		

\* Royal Grolsch is included in the report for the first time. The 2009 group performance data includes Royal Grolsch.

## Administration

### SABMiller plc

(Registration No. 3528416)

### General Counsel and Group Company Secretary

John Davidson

### Registered office

SABMiller House  
Church Street West  
Woking  
Surrey  
England  
GU21 6HS  
Facsimile +44 1483 264103  
Telephone +44 1483 264000

### Head office

One Stanhope Gate  
London  
England  
W1K 1AF  
Facsimile +44 20 7659 0111  
Telephone +44 20 7659 0100

### Internet address

[www.sabmiller.com](http://www.sabmiller.com)

### Investor relations

Telephone +44 20 7659 0100  
[investor.relations@sabmiller.com](mailto:investor.relations@sabmiller.com)

### Sustainable development

Telephone +44 1483 264139  
[sustainable.development@sabmiller.com](mailto:sustainable.development@sabmiller.com)



This paper is made from 75% recycled pulp. It has been certified according to the rules of the Forest Stewardship Council (FSC) and it is produced at a mill that is certified to the ISO 14001 environmental management standards. The mill uses pulps that are elemental chlorine free (ECF). The inks used are all vegetable oil based.

Printed at St Ives Westerham Press Ltd, ISO 14001, FSC certified and CarbonNeutral®

Designed by Likemind [www.likemind.com](http://www.likemind.com)

# Assurance statement and commentary

We engaged Corporate Citizenship to provide an expert view on the quality of our reporting and the progress we've made during the year

SABMiller has commissioned Corporate Citizenship to provide external assurance and a commentary on its Sustainable Development Report 2009.

The assurance provides the reader with an independent, external assessment of the report and, in particular, with how it corresponds with the AA1000 standard. It is intended both for the general reader and for more specialist audiences who have a professional interest in SABMiller's sustainable development performance.

SABMiller has chosen to use the new iteration of the AA1000 standard, AA1000AS (2008). Our assurance is a Type 2 assurance as defined by the standard, in that it evaluates the nature and extent of adherence to the AA1000AS principles of inclusivity, materiality and responsiveness and assures the behaviour of the organisation as reported here. Our assurance used disclosed information as its starting point and then investigated the underlying systems, processes and sustainability performance information to arrive at its conclusions. It has verified the reliability of selected reported sustainability performance information.

The level of assurance offered is high as defined by AA1000AS (2008). That is to say, our work obtained sufficient evidence to support the statement that the risk of our conclusion being in error is reduced to very low but not zero.

SABMiller is entirely and solely responsible for the contents of the report; Corporate Citizenship for its assurance. As noted above, our assurance is confined to the printed Sustainable Development Report 2009. It does not cover SABMiller's other reports or on-line material and coverage.

A detailed statement describing our assurance methodology is available at [www.sabmiller.com](http://www.sabmiller.com)

## Opinion and conclusions

In our opinion the SABMiller Sustainable Development Report 2009 reflects the principles of AA1000 (2008), namely inclusivity, materiality and responsiveness. The specified sustainability performance information is reliable and accurate. The level of assurance is that defined by AA1000 as high.

SABMiller engages with key stakeholder groups, gives balanced consideration to their views and issues, assesses which are material, and responds by altering practice and innovating as appropriate.

## Commentary

SABMiller has developed a model where sustainable development is treated not as a separate activity but as integral to the business. While recognising the importance to society at large of such issues as water, carbon dioxide and smallholder farmers, SABMiller has identified where developments in these areas provide business threats and opportunities. Climate change is a good example. Here SABMiller has identified the potential threats to sourcing, the savings to be

made through fuel efficiency, and its contribution to global efforts to mitigate climate change through reduced fossil fuel emissions targets.

SABMiller uses expert studies and high level stakeholder engagement to form and shape policy. The study of smallholder programmes is a good example of both aspects of this: an expert study accompanied by local and global engagement with stakeholders leading to improvements in approach and performance.

This year's report reflects the further changes brought about in SABMiller's programme of activity on its 10 sustainable development priorities by the implementation of the Sustainability Assessment Matrix system. Concurrently with the publication of the report, SABMiller is making available the full Sustainability Assessment Matrix scores by company. This imparts a high degree of transparency and granularity about sustainable development performance.

During the year SABMiller announced a water consumption reduction target of 25% over the period 2008-2015, and a fossil fuels emissions reduction target of 50% per hectolitre of beer over the period 2008-2020. SABMiller anticipates that the emission reduction target will enable it to contain absolute emissions at their 2008 level by 2020.

In this report, SABMiller has systematically taken account of the feedback received on the Sustainable Development Report 2008. We single out the following instances for special note:

- the inclusion in the body of the report of a succinct summary of how a typical brewery works;
- inclusion in the report of engagement on sustainable development issues with CR Snow, SABMiller's associate in China; and
- further and fuller disclosure of the company's relations with governments; in particular, we note the directness with which SABMiller has covered its opposition to a social alcohol levy in Botswana.

## Recommendations arising from the assurance

We have the following five recommendations for consideration in SABMiller's future reporting.

### Responsiveness and stakeholders

The report provides examples of stakeholder engagement at a local, national and global level. Policy and practice are dealt with in two separate sections on pages 6 and 31. The former leads on stakeholder engagement around the development of the Sustainability Assessment Matrix in 2005-2007. We believe future reporting should refocus on how current stakeholder engagement is managed and the contribution it is making to sustainable development outcomes.

### Context and comparability of performance

Stakeholders' understanding of sustainability impacts would be strengthened, we believe, by more fully and directly addressing the market

contexts in which the company does business and the wider economic impacts that it has, such as jobs sustained across the value chain.

SABMiller is one of the world's largest bottlers of Coca-Cola products. It also produces and bottles a range of soft drinks. In total, non-alcoholic beverages make up 17% of total volumes. This aspect of the business should be more fully addressed in future reporting.

Understanding would also be enhanced by including more comparisons with industry peers and external benchmarks, adding to existing year-on-year comparisons. The Exposure Draft of Guidance for the Use of AA1000AS (2008) cites comparability, also a GRI principle as a test of information quality, as a positive attribute of a report. In particular, the guidance notes that comparability includes: year-on-year comparability, comparability with industry peers, and comparability with appropriate benchmarks.

### Governments and taxation

We note above the further and fuller disclosure of the company's relations with governments in this year's report. However, governments impact SABMiller strongly through regulation and taxation. Further disclosure of the company's relations with governments would strengthen the report.

In particular, taxation of international companies is a matter of growing public interest. Readers would be further assisted by an explanation of SABMiller's overall policy and approach, and the types and amounts of taxation paid. This is most material in countries where alcohol taxes account for a significant proportion of government income.

### Reporting on the Sustainability Assessment Matrix system

Our assurance work, particularly our interviews with managers, made it clear that the Sustainability Assessment Matrix system both challenges and assists operating companies to progress against the 10 sustainable development priorities. Future reporting should show the results delivered by use of the matrix, the difficulties faced and the processes used.

### Business ethics

During the course of the year SABMiller introduced a new Code of Business Conduct and Ethics for all employees. Future reports should show how the code has been embedded, is being adhered to, operated and monitored, and the practical difference it is making.



Corporate Citizenship  
London  
29 May 2009





[www.sabmiller.com](http://www.sabmiller.com)