

AB InBev Materiality Assessment and Report Development

March 2015

Development of the Materiality Analysis

Materiality analysis is the process used to identify an organization's most significant social, environmental, and economic impacts. The process undertaken for AB InBev involved a combination of extensive research, review of internal reports on key sustainability issues and trends that included wide-ranging stakeholder input, interviews with external and internal (company personnel) stakeholders, and in-depth analysis of each issue according to the significance of its social, environmental, and economic impacts and its ability to influence the assessments and decisions of stakeholders.

Among the key steps in the process was the identification of relevant topics for inclusion in the materiality analysis, and this was accomplished through broad-based research on sustainability issues, interviews with leading experts in various fields, and the assessment of sustainability issues by selected peer companies.

Once the list of relevant topics was compiled, the next step was to prioritize each topic, and this was done through an iterative process both within BSR and in conjunction with the leadership team at AB InBev. This involved assessing each topic against a set of criteria to analyze and determine its significance with respect to social, environmental, and economic conditions, the opinions of stakeholders, and to AB InBev's business operations. The final result was a short list of AB InBev's most material issues from a global perspective, which will be used to orient its sustainability strategy and its corporate global citizenship report.

Determination of the Most Material Issues

The materiality process provided a solid framework for identifying AB InBev's key social, environmental, and economic issues and then prioritizing them based on a well-defined set of criteria. Out of this process, seven issues were ranked as most material: Sustainable Agriculture; Water Stewardship; Energy Use/GHG Emissions;

Responsible Product Use; Responsible Marketing; Ethical Behavior; Occupational Safety & Health. These issues demonstrate the breadth of AB InBev's sustainability impacts and the nature of the stakeholders whose decisions could be influenced.

Given that AB InBev's main products are dependent on agriculture inputs, it is not surprising that a critical issue is the sustainability of agricultural supply chains and the impacts those supply chains have on social and environmental conditions. Agricultural production has significant sustainability impacts and many stakeholders are interested in the nature of these impacts and the efforts that companies are making to manage them responsibly.

An essential ingredient in AB InBev's products is water, and trends around the world suggest that access to water will continue to rise as a critical issue for communities and countries. The company does business in some water-stressed regions where water has already become not only an environmental

issue, but also a social one. Thus, the impacts of water use throughout AB InBev's value chain on the ecosystem and on many stakeholders, and its programs to conserve and protect water resources, resulted in water stewardship being ranked as a most material issue.

As the nature of climate change and its potential negative impacts becomes ever more apparent, the need for companies to proactively manage their impacts to ensure they are doing everything they can to reduce GHG emissions is paramount. For AB InBev, this includes working across its value chain of operations, distributors, suppliers, transportation and refrigeration. The issue of GHG emissions is also important as the company continues to expand its business in markets such as China that have now begun taking measures to require low/no emitting fuels. The overriding global importance of climate change to the future of the earth's ecosystem and the focus on it by many governments and civil society resulted in it being ranked as a most material issue.



Like many other consumer products, alcoholic beverages have the potential to be misused with serious ramifications on individuals and the wider community. In addition, the level of and concern about issues such as underage drinking, drunk driving, and excessive drinking vary by country and culture. Working to address such negative impacts can involve a wide variety of stakeholders. AB InBev has long-standing consumer and retailer education programs in place to discourage irresponsible use and encourage responsible use across the countries where it operates. Helping prevent and reduce the harmful use of alcohol will continue to be of great importance to AB InBev and society at large, particularly in developing markets as some consumers increase their living standard, enabling them to purchase commercially-produced alcoholic beverages for the first time. In turn, governments, NGOs and civil society will continue to focus on the health aspects of alcoholic beverage consumption, making it a most material issue.

Similarly, alcoholic beverage marketing is under continued scrutiny by governments, NGOs, and media. Alcoholic beverage companies, including AB InBev, have taken steps to strive for

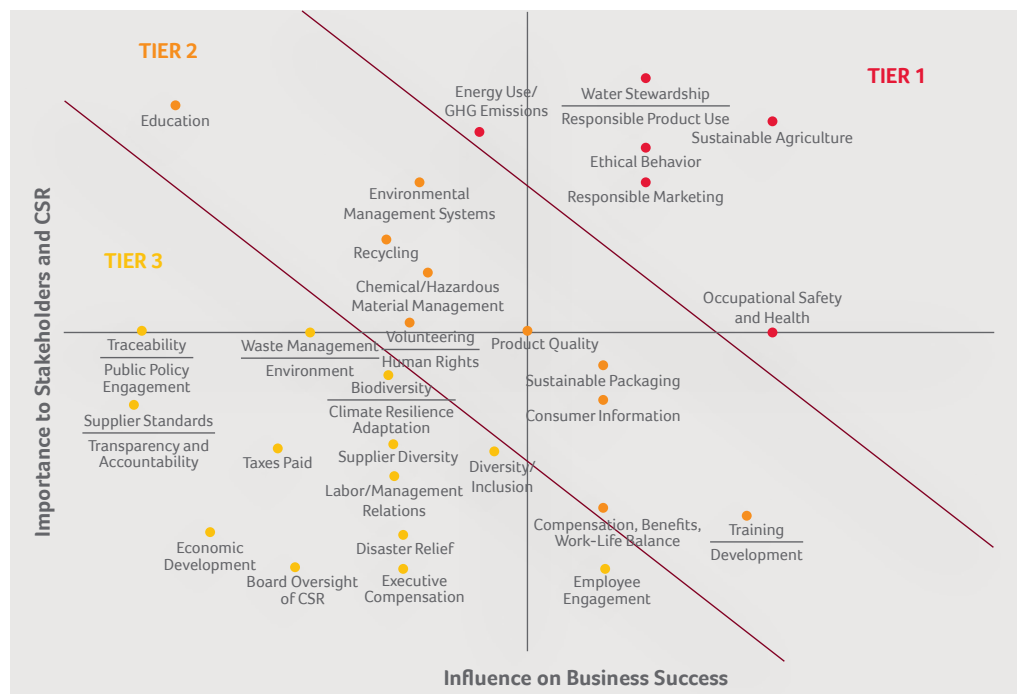
product marketing that is appropriate and in good taste by employing company, industry and cross-industry self-regulatory codes. Because of concerns about underage and excessive drinking and root causes of this behavior, particularly in developing markets, responsible marketing is a most material issue.

Ethical behavior is a cornerstone of corporate sustainability for all companies and industries, and the negative impact of unethical behavior in business is considered a key impediment to economic development as well as company reputation. The challenges faced differ depending on the nature of the industry and the geographic footprint of a company's operations. In addition, government

scrutiny on business practices across both developed and developing countries is increasing, highlighting the growing importance of ethical behavior specifically for global companies that operate in multiple markets. AB InBev operates and sells products in many countries around the world that have different types of political and regulatory systems and cultural and social norms and traditions. Ensuring that its employees and business partners always maintain the highest ethical standards is crucial to AB InBev's long-term growth prospects and to the well-being of its host societies. The company's increasing global presence and the increasing government interest result in ethical behavior being a most material issue.

Ensuring that a workplace is safe and free of unhealthy impacts is a primary element of any company's sustainability performance and a basic expectation of stakeholders. Unsafe workplaces have a negative impact not only on the company and the workers themselves, but also on their families and the wider communities of which they are part, and, thus, what seems like an internal company issue actually has far wider social and economic impacts. AB InBev has a strong record of continual improvement in the safety of its workplaces, and the prioritization of Occupational Safety & Health as a most material issue signifies AB InBev's commitment to its workers and the communities in which it operates.

AB InBev Materiality Assessment Map



Summary of Stakeholder Feedback

Stakeholder input that informed the materiality process in terms of both issue identification and prioritization was gathered through two distinct methods: directly through interviews with external and internal stakeholders, and indirectly through the review of input provided by stakeholders for two extensive reports that examined the landscape of sustainability issues facing AB InBev and its management of its stakeholders.

With respect to direct interviews, a variety of external stakeholders were engaged that focus on environmental, social, agricultural, public policy, consumer, and marketing issues. Each stakeholder was interviewed to assess their perspectives on the

most critical sustainability issues upon which AB InBev has an impact. Most prominent among the issues identified were the supply and use of water, energy efficiency, climate change and adaptation, recycling, responsible marketing, underage drinking, consumer health, public policy engagement, and agricultural producer livelihoods. Interviews with key senior AB InBev staff were also conducted and many of the sustainability issues identified as significant are similar to those put forward by external stakeholders; water supply, energy use, climate change, farmer livelihoods, and public policy. But other issues were also noted, such as packaging material, soil management, increasing farmer yields through technology and enhanced knowledge, and bribery and corruption.

In terms of the two extensive reports, nearly 600 stakeholders were surveyed across key markets in Asia, Europe, and Latin America to assess their perspectives on AB InBev and the most important issues it faces in general and with respect to sustainability. Among the issues identified by stakeholders were public health, responsible marketing, ethical behavior, public policy regulation, water resource management, energy usage, sustainable agriculture, community engagement, and workplace policies and procedures. The importance of these issues varied across geographies. For example, drunk driving was a concern across all markets, while water issues were of highest importance in Asia than other continents. That said, all the material issues identified were considered significant for AB InBev.

Boundary Analysis

When considering the sustainability impacts of a company it is important to understand whether those impacts occur inside or outside the boundaries of the organization, or both. For an overview of where our impacts occur along the value chain, please see page X. With respect to the seven issues that have been prioritized as most material for AB InBev, impacts generally occur across the value chain, both inside and outside the organization, with the exception of Responsible Marketing, which is primarily an external facing issue. Specific boundaries are also stated within the individual data tables, as noted, throughout the report.

Boundary Analysis Table

Material Issue for AB InBev	Aspect Boundary Within AB InBev	Aspect Boundary Outside AB InBev
Sustainable Agriculture	Company-owned agricultural resources worldwide	Growers engaged by AB InBev; retail customers; societal stakeholders
Water Stewardship	Company operations worldwide	Communities in which we operate; retail customers
Energy Use/GHG Emissions	Company operations worldwide	Providers of purchased transportation services; retail customers; societal stakeholders
Responsible Product Use	Company operations worldwide	Consumers of our products; societal stakeholders
Responsible Marketing	Company operations worldwide	Communities in which our products are sold; societal stakeholders
Ethical Behavior	Company operations worldwide	Vendors and service partners engaged by AB InBev; retail customers; societal stakeholders
Occupational Safety & Health	Company operations worldwide	Communities in which we operate