

The Contribution made by SABMiller to the European Economy



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Key messages

In 2011, Ernst & Young and Regioplan Policy Research jointly carried out, for the second time, a study on the impact of the production and sale of SABMiller beer. This study was commissioned by SABMiller Europe and covered 10 countries: the Czech Republic, Hungary, Italy, the Netherlands, Poland, Romania, Russia, Slovakia, Spain and the United Kingdom. The study focuses on the economic impact of SABMiller in Europe and Russia, on the importance of SABMiller breweries for the regions in which they are located and on policies in the field of social entrepreneurship and sustainable development. Below we have listed the key messages from the survey.

Key messages of the study on the contribution made by SABMiller to the European economy

In 2010, SABMiller Europe represented:

- ▶ A total production of **43 million hl.** of beer produced by **21 breweries** located all over Europe.
- ▶ Domestic sales of **41 million hl.** of SABMiller beers in the 10 countries where SABMiller breweries are located. These sales amount to **8.4 billion euro.**
- ▶ An export volume (intra-EU27 and extra-EU27) of **3.7 million hl.** of beer.

Because of the aforementioned characteristics, the contribution of SABMiller to the economy of Europe is significant:¹

- ▶ Approximately **202,000 jobs** are related directly or indirectly to the production and sale of SABMiller beer.
- ▶ **12,617 persons** are directly employed by SABMiller. The other jobs generated by the production and sales of SABMiller beers are created in the supplying sectors (70,900 jobs), and in the hospitality (98,400 jobs) and off-trade sectors (20,000 jobs). The most important supplying sectors are the packaging industry and the agricultural sector.
- ▶ The total value-added attributed to the production and sales of SABMiller beers in Europe and Russia is estimated at approximately **3.72 billion euro.**
- ▶ Total revenues for the national governments are estimated at **3.76 billion euro.**

SABMiller breweries are of major importance for the economy in the regions where they are situated:

- ▶ 27% of all goods and services (587 million euro) are purchased from regional suppliers.
- ▶ 24,900 supply sector jobs are generated by SABMiller in the home regions of their breweries.
- ▶ 47% of these jobs consist of employment in the agricultural sector.

¹ Since this study only focuses on countries in which SABMiller breweries are located, the effects generated by the consumption of SABMiller beers in other European countries as well as the effects of purchases by SABMiller breweries in these other countries are not included in the figures. Because of this, the real economic impact of SABMiller in Europe and Russia in terms of value-added, employment and government revenues is even higher.



Social entrepreneurship and sustainable development are fully integrated into the business strategy of SABMiller:

- ▶ To focus its efforts in the field of sustainable development, SABMiller has set out 10 sustainable development priorities.
- ▶ On a European scale, SABMiller managed to improve its performance on 6 of the 10 priorities over the last year. Especially on informing and educating on responsible drinking much progress has been made.

The SABMiller operations considered are all active in the field of sustainable development. In most operations sustainable development is integrated into the business strategy and may include investments, modernization, process development and cost-effectiveness programs.



About the study

Second edition

This Contribution Made By SABMiller To The European Economy report is the second edition. The study focuses on the economic, regional and social impact of SABMiller in 2010. The first study was conducted in 2009 and contained figures regarding the year 2008. The report has been compiled by Ernst & Young, Regioplan Policy Research and SABMiller breweries in 9 European countries and Russia.

Methodology

The study focuses on the economic, regional and social impact of SABMiller breweries in 9 European countries and Russia. The methodology used for estimating this economic impact is described in Annexes I to III.

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About Regioplan Policy Research

Since 1983 Regioplan Policy Research has been active in the Netherlands as a policy research agency specializing in social and economic research in a wide field of expertise. Regioplan offers a number of services, such as research studies, monitoring and evaluation, policy advice, product development and secondment for most knowledge areas within policy research. In addition to assignments for Dutch organizations, Regioplan Policy Research is also very active in the international market for policy research. One of Regioplan's large international clients is the European Commission and its various Directorates General. Regioplan was a subsidiary of Ernst & Young until 1 July 2008. For more information and for new requests for proposals please consult our international webpage at <http://www.regioplan.nl/pagina/english>



About SABMiller

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

SABMiller's 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 SABMiller's brands are among the top 50 in the world. SABMiller is also one of the world's largest bottlers of Coca-Cola products. Since listing on the London Stock Exchange 10 years ago SABMiller has grown into a global operation, developing a balanced and attractive portfolio of businesses. SABMiller's markets range from developed economies such as the USA to fast-growing developing markets such as China and India. For more information: www.sabmiller.com.



1 Production and consumption

1.1 Highlights

Highlights of the SABMiller beer market

- ▶ Around 9% of the production (3.7 million hl.) is exported outside national borders, both to other European countries as well as countries outside Europe.
- ▶ European SABMiller breweries sold approximately 41 million hl. of beer in their home countries. This consumption has a value of 8.1 billion euro (including VAT).
- ▶ In value the hospitality sector is the most important outlet for sales by SABMiller. Approximately 52% of total consumer spending on SABMiller beer takes place in bars and restaurants. This equals 29% of the volume of SABMiller beer sales in Europe.²

1.2 Production

In Europe, SABMiller owns 21 breweries situated in 9 countries. Romania has 4 breweries within its borders, while there are 3 breweries in the Czech Republic, Italy, Poland and Russia. Furthermore, there are breweries situated on the Canary Islands in Spain (2), Slovakia (1), the Netherlands (1) and Hungary (1). There are no SABMiller breweries in the UK. Miller Brands UK imports all the beer they sell from SABMiller breweries in other countries.

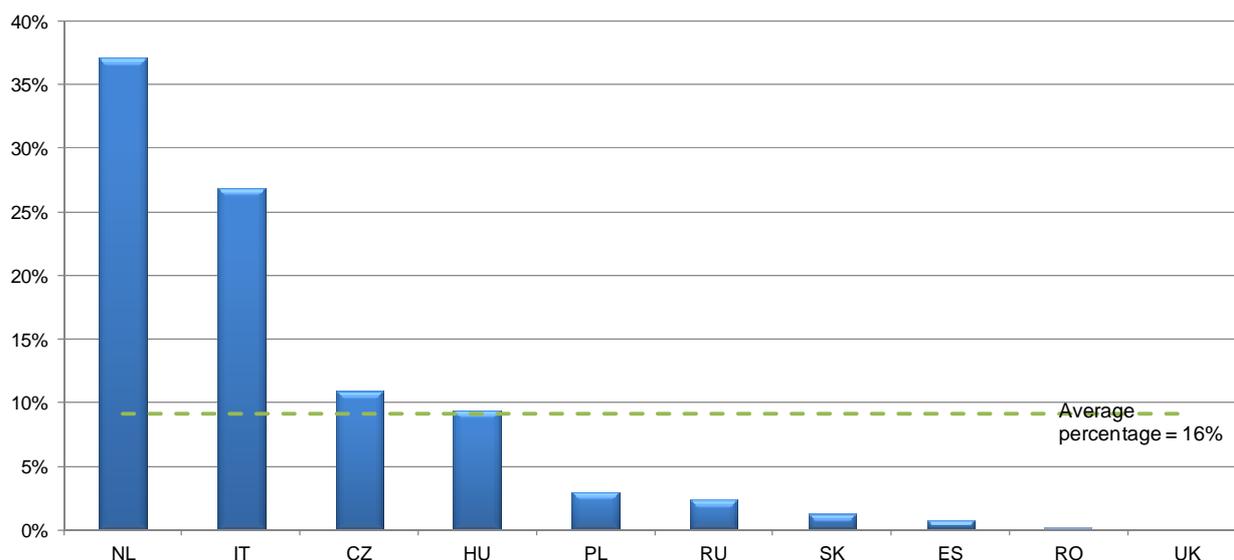
Together, the SABMiller breweries produced approximately 43 million hl. of beer in 2010. This is around 9% of the total European beer production. With an annual production of 504 million hl. Europe (including Russia) is the world's most important beer producer, followed by China (466 million hl.), the United States (207 million hl.), and Brazil (122 million hl.).

Worldwide SABMiller has a portfolio of approximately 200 brands. Some of these brands are produced for local markets only while other brands are produced for export as well. SABMiller has four international premium brands: Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine and Grolsch.

Export

Around 3.7 of the 43 million hl. of SABMiller beer produced are exported outside national borders (around 19% of total production). This export figure, which we received directly from the SABMiller breweries, relates to transport of SABMiller beer between countries. The exact destination of these exports could not be deduced from this figure. However, from previous studies in the European beer sector we know that most of the export partners from breweries are located within Europe. The imports of SABMiller operations amounted to a total of 1.8 million hl. in 2010. The majority of this (1.3 million hl.) was imported by Miller Brands UK, which is an operation that does not have a production facility itself.

² When we speak of Europe in this report, we refer to Europe and Russia.


Graph 1.1 Exports as percentage of production per country in Europe and Russia


Source: Ernst & Young questionnaire among SABMiller breweries (2011)

The export figure illustrates that the beer market is an open and global one. Although consumers in many countries prefer to drink beers brewed domestically and locally, the international brands of SABMiller are appreciated worldwide. Exports are especially important for the Netherlands, which is home to one of the international premium brands of SABMiller (Grolsch). Italy, the Czech Republic and Hungary have high export figures as well. The percentage of exports compared to total SABMiller beer production in these countries varies between 9 and 27%. In other countries this percentage varies from 0% (in Romania) to 3% (in Poland).

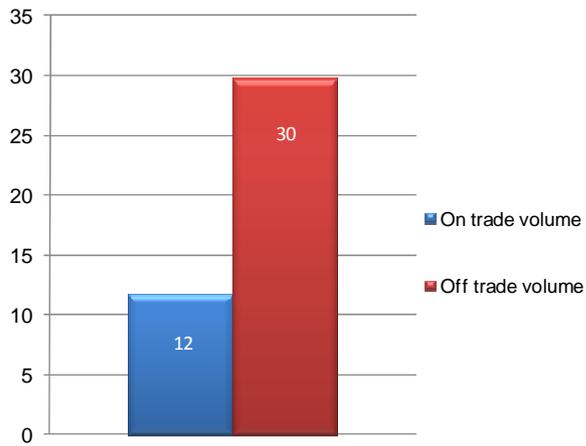
1.3 Consumption

In 2010, SABMiller breweries in Europe sold around 41 million hl. of beer in their home countries. It is estimated that approximately 71% of the consumption volume is purchased in supermarkets and other retail outlets, a sector which is referred to as 'off-trade'. The other 29% is consumed in the hospitality sector (pubs, restaurants et cetera), which is referred to as 'on-trade'.

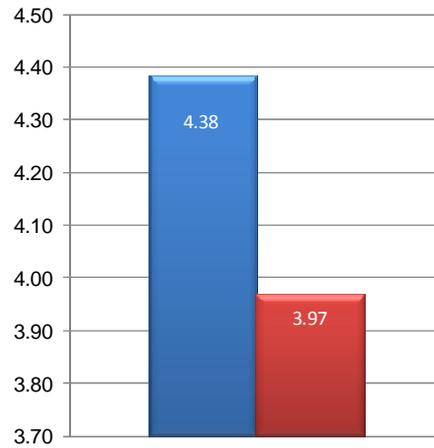
The size of the consumption of SABMiller beer can also be estimated in euro. The total value (paid by consumers) of SABMiller beer consumption in Europe is estimated at approximately 8.4 billion euro (including VAT). Approximately 52% of total consumer spending on SABMiller beer occurs in the hospitality sector. In terms of euro the retail channel the figures are smaller. The consumption figures in this section only include the sales of SABMiller breweries in their home countries. Since SABMiller beer is also consumed in European countries where no SABMiller breweries are situated, the real consumption of SABMiller beer in Europe is even higher than 41 million hl. and 8.4 billion euro.



Graph 1.2 Volume in million hl



Value in billion euro



Source: Ernst & Young questionnaire among SABMiller breweries (2011)



2 Purchases made by SABMiller breweries

2.1 Highlights

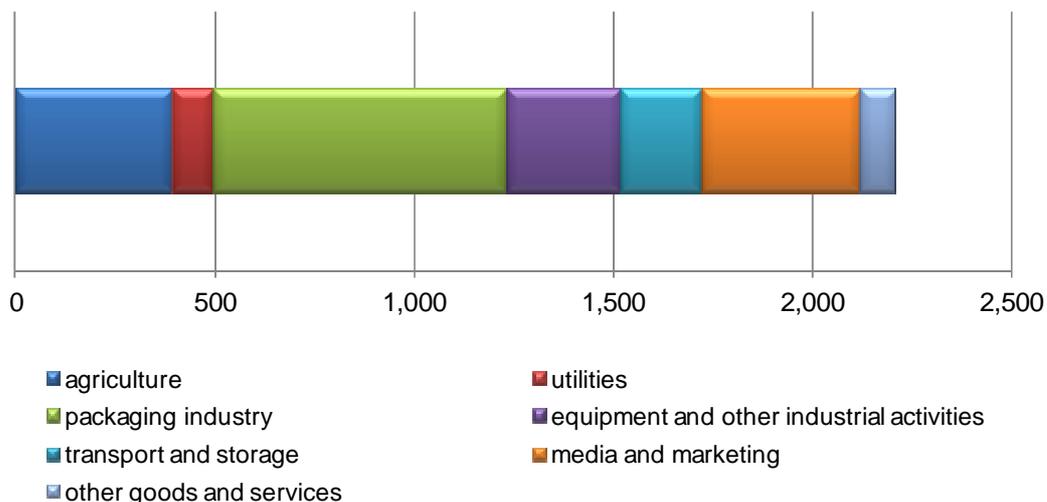
Highlights of purchases made by SABMiller breweries

- ▶ In 2010, the European SABMiller breweries purchased goods and services worth approximately 2.2 billion in countries in which they are located.
- ▶ The packaging industry benefits most. Purchases in the European agricultural sector, media and marketing sector and equipment sector are substantial as well.
- ▶ Beer is mainly an agricultural product and therefore generates substantial purchases and employment in the agricultural sector.

2.2 Purchases by sector

To be able to produce 43 million hl. of beer, SABMiller breweries in Europe have to rely on various sectors to provide them with the necessary goods and services, ranging from barley, hops and malt to energy and transportation capacity, and including a variety of industrial products and services. In total SABMiller purchases goods and services from supplying sectors within the European countries in which they are located with a value of 2.2 billion euro. Since only the purchases of SABMiller breweries in their own countries are included, the real figure is even higher than 2.2 billion euro.

Graph 2.1 Purchases of goods and services (million euro)



Source: Ernst & Young questionnaire among SABMiller breweries (2011)



The packaging industry is the sector in which most money is spent by SABMiller breweries (over 739 million euro). Especially the Polish and the Italian packaging industry benefit substantially. SABMiller breweries have spent approximately 395 million euro on agricultural products such as hops and malt.



3 A high employment effect

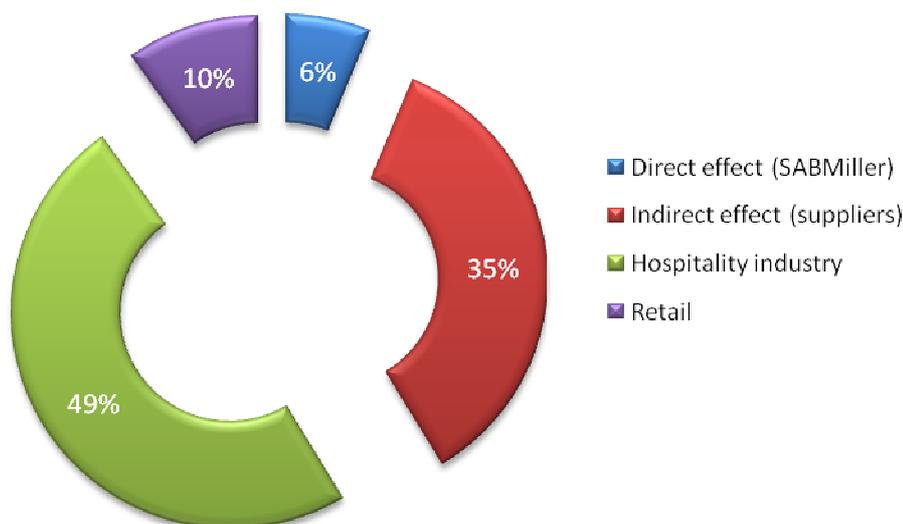
3.1 Highlights

Highlights of employment effect of SABMiller	
▶	The production and sales of SABMiller beers generate approximately 202,000 jobs in Europe.
▶	More than 6% of this employment effect (12,617) consists of employees of SABMiller.
▶	For each job offered by SABMiller, 17 jobs are generated in other sectors (6 jobs in the hospitality sector, 8 in the supplying sectors and 2 in the retail sector).

3.2 Total employment

As pointed out in the previous chapter, SABMiller spends a lot of money on goods and services within Europe. The consumption of SABMiller beer also leads to a large turnover in the retail and hospitality sectors. Therefore, it is not surprising that the contribution of SABMiller to the European economy is considerable. One of the main effects is the employment generated from the production and sale of beer. In total, the production and sale of SABMiller beer leads to 202,000 jobs in the European countries in which SABMiller breweries are located. Most jobs are generated in the hospitality industry (49%) and in the supplying sectors (35%).

Graph 3.1: Total employment



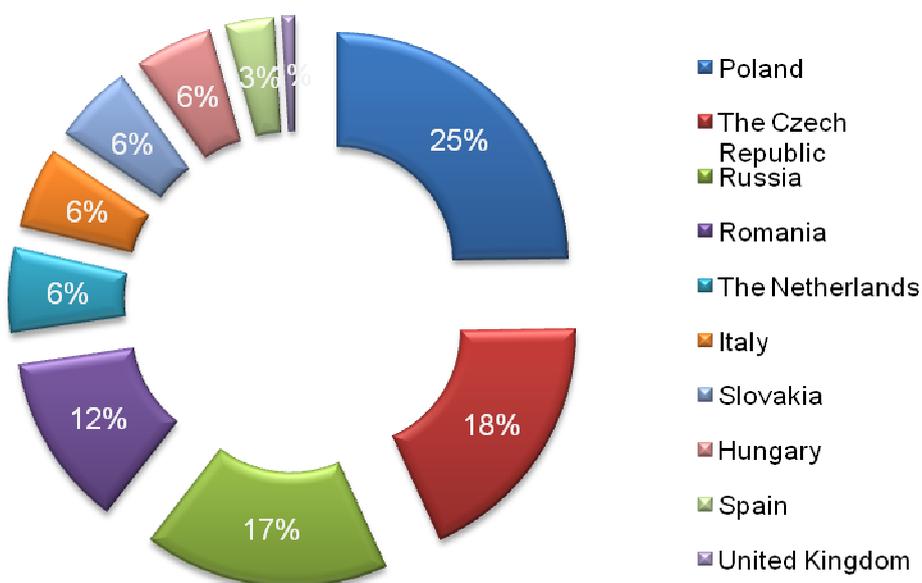
Source: Ernst & Young questionnaire among SABMiller breweries (2011)



3.3 Direct employment

Approximately 12,600 persons are employed at the SABMiller breweries across Europe: this is the so-called direct employment effect. Kompania Piwowarska in Poland has the largest number of employees (3,125 jobs) followed by Plzeňský Prazdroj in the Czech Republic (2,328 jobs) and SABMiller RUS in Russia (2,172 jobs). In other countries the number of employees varies from 116 jobs in the United Kingdom (Miller Brands UK) to 1,539 jobs in Romania (Ursus Breweries).

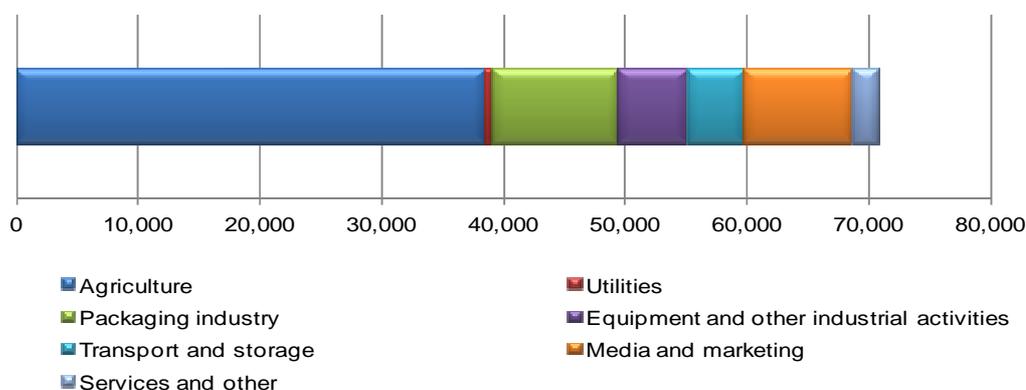
Graph 3.2 Direct employment by SABMiller (12,617 jobs)



Source: Ernst & Young questionnaire among SABMiller breweries (2011)

3.4 Indirect employment

The indirect employment effect, generated by purchases made by SABMiller is also considerable. The production and sale of beer is only possible because various sectors provide the necessary goods and services, ranging from barley, hops and malt to energy and transportation capacity, and including a variety of industrial products and services. Some 70,900 jobs in these supplying sectors can be attributed to the production and sales of beer by SABMiller. The majority of these jobs (54%) consist of jobs in the agricultural sector.


Graph 3.3 Indirect employment


Source: Ernst & Young questionnaire among SABMiller breweries (2011)

For sectoral data NACE codes (classification of economic activities by the European Union) have been used: for agriculture data NACE code A (agriculture, forestry and fishing) was used; for packaging industry and equipment code C (manufacturing); for utilities code E (electricity, gas, water supply); for wholesale and retail³ code G (wholesale and retail trade; repair of motor vehicles and motorcycles); for hospitality code H (hotels and restaurants); for transport code I (transport storage and communication); and for marketing and services and other goods code K (retail renting and business activities).

From the preceding chapter it can be deduced that approximately 33% of the total purchases made by SABMiller breweries involve the packaging industry and 18% involves the agricultural sector. The figure above and table 1 below show that the packaging industry and the agricultural sector together generate 69% of the indirect employment. The share of the agricultural sector in the employment effect is much higher than its share in the total purchases by SABMiller. Although 54% of the total number of jobs generated by SABMiller consists of jobs in agriculture, only 18% of the purchases by SABMiller breweries occurs in this sector. This is explained by the relatively low turnover and labor costs per employee in the agricultural sector in comparison with other sectors. A one million euro impulse in the agricultural sector generates approximately 94 jobs, whereas the same impulse into for example marketing and media or other services generates only 22 jobs. Especially in Eastern European countries, turnover per employee is rather low in the agricultural sector.

Table 1: Number of jobs generated per sector due to purchases by SABMiller breweries

Sectors	Number of jobs	Share in total indirect employment
Agriculture	38,400	54.1%
Utilities	800	1.1%
Packaging industry	10,200	14.4%
Equipment and other industrial activities	5,700	8.1%
Transport and storage	4,600	6.5%
Media and marketing	8,900	12.6%
Services and other goods	2,200	3.1%
Total	70,900	54.1%

Source: Ernst & Young questionnaire among SABMiller breweries (2011)

³ The percentage of value-added on beer in the wholesale and retail sectors differs significantly from other products. For this reason NACE code G5225 (Retail sale of alcoholic and other beverages) has been used for the value-added per employee in wholesale and retail.

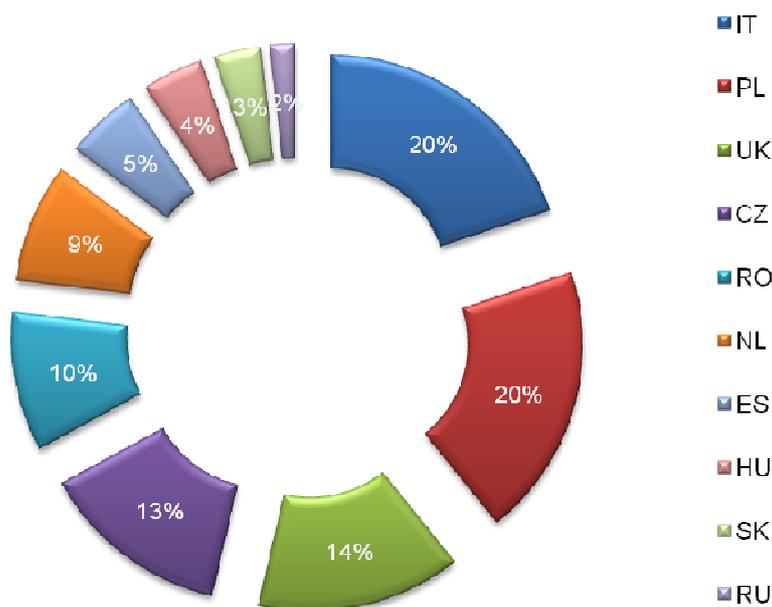


Since beer is mainly an agricultural product, the employment effect of SABMiller in the European agricultural sector is quite large (38,400 jobs). Since the turnover per employee in this sector is rather low in Eastern European countries, the number of agricultural jobs due to SABMiller is the highest in these countries. The employment effect is the largest in Poland (23,400 jobs) followed by the Czech Republic (3,500) and Russia (3,200).

3.5 Induced employment

In addition to the direct and indirect impact of SABMiller, the number of jobs created by beer sales in the hospitality and retail sectors exhibits an even greater effect. Almost 98,400 jobs in hospitality can be attributed to the sale of SABMiller beer. The effect especially strong in countries where the majority of beer is sold in the hospitality sector. In Italy, Poland and the United Kingdom the employment effect in the hospitality sector is the largest. In the retail sector another 20,000 jobs can be attributed entirely to the sales of SABMiller beer.

Graph 3.4: Induced employment in the hospitality sector



Source: Ernst & Young questionnaire among SABMiller breweries (2011)



4 High value-added

4.1 Highlights

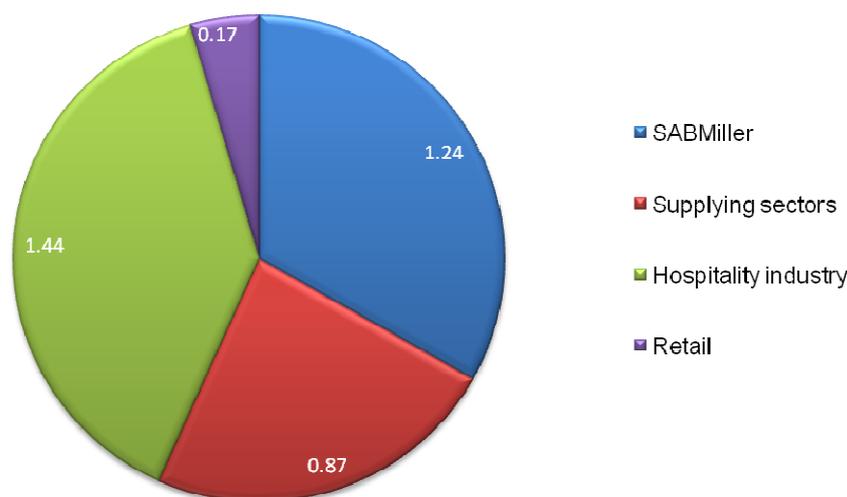
Highlights of value-added

- ▶ The value-added created by the production and sales of SABMiller beers in Europe is estimated at approximately 3.72 billion euro.
- ▶ Compared to other sectors, as well as to other European breweries, the productivity of employees of SABMiller is relatively high, as compared to the average productivity among breweries in Europe (industry average).

4.2 Value-added by sector

One of the contributions of SABMiller to the European economy is the value-added it creates, and the value-added created by the supplying, the retail and the hospitality sectors. Value-added can be defined as the difference between the production value and the value of purchased inputs (goods and services). In economic terminology value-added is also defined as the reward for all production factors (mainly labor, capital, entrepreneurship). For governments value-added is important because they levy a tax on it (VAT, see next chapter). We estimate the total value-added related to the production and sale of SABMiller beer in the European economy at approximately 3.72 billion euro in 2010.

Graph 4.1 Value-added due to SABMiller in Europe and Russia: 3.72 billion euro.



Source: Ernst & Young questionnaire among SABMiller breweries (2011)



This total of 3.72 billion euro of value-added is generated by 202,000 employees working in the breweries, in supplying sectors and in the hospitality and retail sectors. This only includes jobs due to SABMiller; jobs due to other brewing companies or other sectors are not included. The average value-added per employee is therefore some 18,500⁴ euro a year. The average value-added per SABMiller employee is far higher, namely approximately 80,700 euro a year. This illustrates the relatively high productivity of SABMiller in comparison with other sectors.

⁴ This is calculated as follows: 3.72 billion euro divided by 202,000 million employees.



5 Government revenues due to SABMiller

5.1 Highlights

Highlights of government revenues

- ▶ The total government revenues arising from the production and sales of SABMiller beers are estimated at 3.76 billion euro. These revenues consist of VAT, excise, income taxes, payroll taxes and social security contributions.
- ▶ VAT is the most important source of European government revenues, followed by income-related taxes and contributions paid by employers and employees.
- ▶ Excise revenues, estimated at approximately 863 million euro, also contribute significantly.

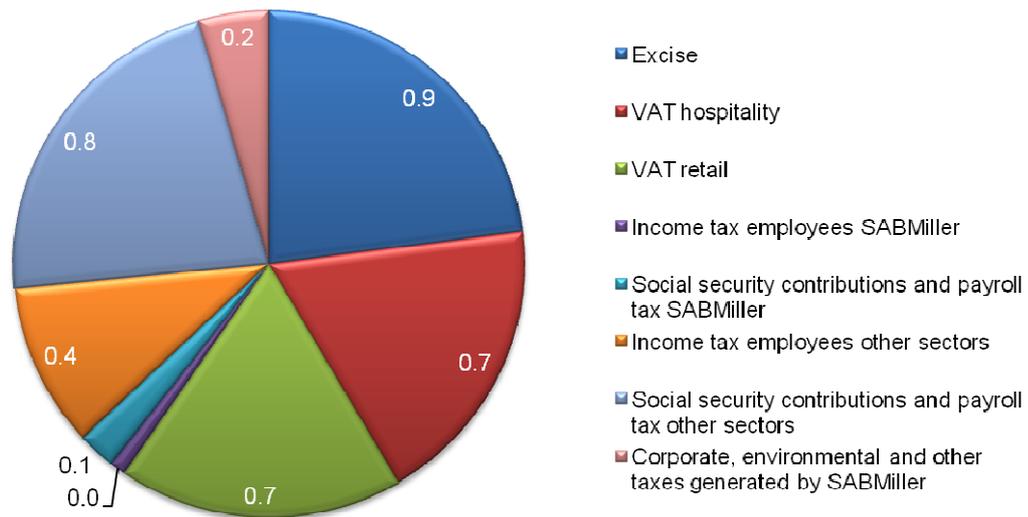
5.2 Government revenues

The production and sales of SABMiller beers generates substantial revenues for national governments. These revenues consist of VAT revenues and income-related taxes and contributions paid by workers and their employers in the brewing sector and workers and employers in other sectors whose jobs can be attributed to SABMiller. Besides the above-mentioned taxes, governments also benefit from other taxes such as corporate taxes, property taxes, community taxes, environmental taxes (such as climate change levy), and vehicle excise duty.

The total revenues for the governments due to SABMiller in the 10 European countries are approximately 3.76 billion euro per year. These revenues include VAT, excises, income taxes, social security contributions, payroll taxes and corporate taxes.



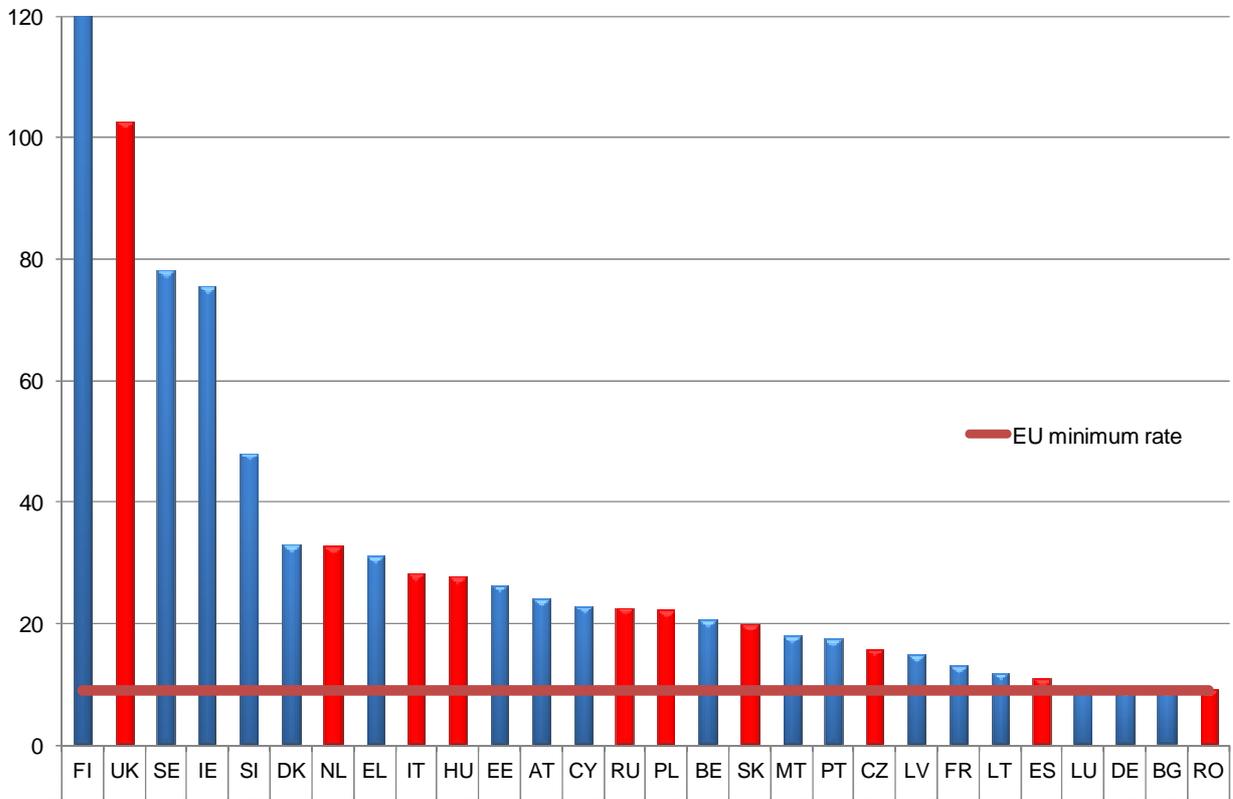
Graph 5.1 Government revenues due to SABMiller in Europe and Russia: 3.76 billion euro



Source: Ernst & Young questionnaire among SABMiller breweries (2011)

Value-added taxes (VAT) are the most important source of European government revenues. European consumers pay an average of 19% VAT on their SABMiller beer. VAT revenues on beer sales in the retail and hospitality sectors are estimated at 1.38 billion euro. Excise revenues also contribute significantly to the national treasuries. In 2010, these revenues are estimated at approximately 863 million euro.

As Member States of the EU-27 have a certain degree of flexibility in setting the levels of taxation, the excise rate differs between countries. Romania has a relatively low excise rate on beer. Breweries in the United Kingdom implement higher excise rates. The variation in excise rates is shown by the following figure, in which the 10 countries that are the subject of this study are shaded red.



Source: Ernst & Young questionnaire among SABMiller breweries (2011)

Governments also receive revenues from income and payroll taxes and social security contributions paid by employers and employees. Employers and employees of SABMiller and in the supplying sector, in the retail sector and the hospitality sector in which jobs can be attributed to the production and sale of SABMiller beer, all pay these taxes and contributions. These income-related taxes and contributions are estimated at 1.35 billion euro. Furthermore, the SABMiller breweries generate another 167 million euro in corporate, environmental and other taxes.



6 Regional impact

6.1 Highlights

Highlights of regional impact

- ▶ SABMiller breweries are of major importance for the economy in the regions where they are situated. 27% of all goods and services (587 million euro) are purchased from regional suppliers.
- ▶ 24,900 supply sector jobs are generated by SABMiller in the home regions of their breweries. 47% of these jobs consist of employment in the agricultural sector.

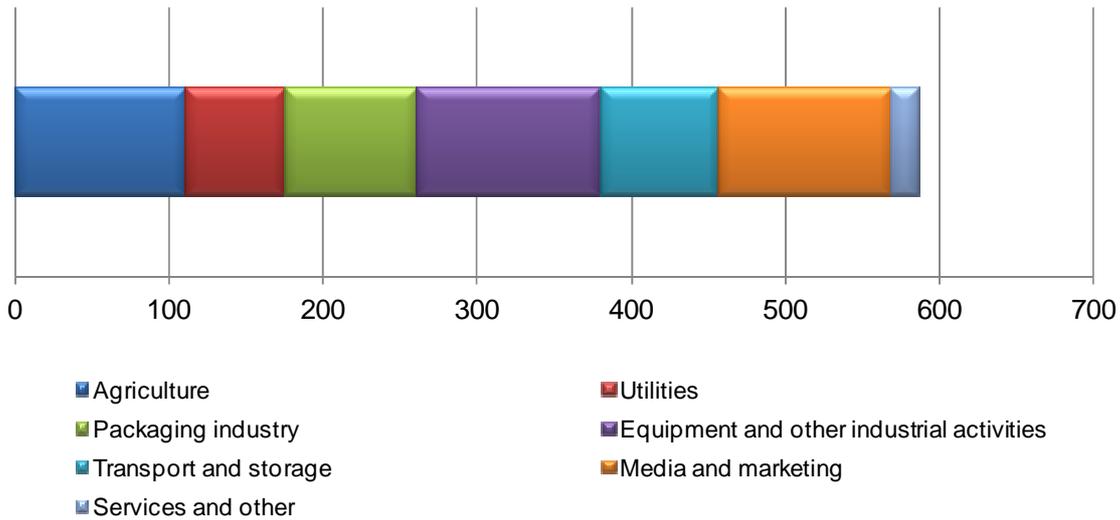
6.2 Purchases of goods and services from regional suppliers

SABMiller breweries are important for the economy of the regions in which they are situated. Being home to one of the 21 SABMiller breweries in Europe and Russia generates a considerable impulse for the regional economy. Some 587 million euro of the total purchases of goods and services by SABMiller in Europe and Russia (2.21 billion euro) are obtained in the regions where the breweries are located. This means that 27% of all goods and services are purchased from regional suppliers.

The agricultural sector benefits substantially from purchases of goods and services by SABMiller breweries in the regions where the breweries are located. Some 19% of all regionally purchased goods and services comes from suppliers in this sector. The regional equipment sector (20%) and media and marketing sector (19%) benefit substantially as well.



Graph 6.1 SABMiller breweries spent 587 million euro on goods and services from suppliers in the regions where they are located



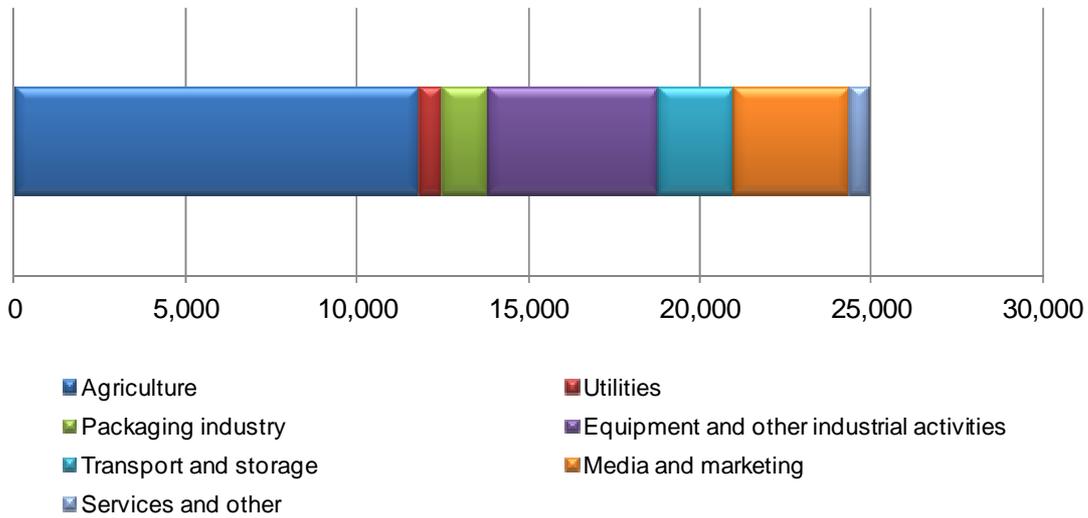
Source: Ernst & Young questionnaire among SABMiller breweries (2011)

6.3 Regional employment

Due to jobs within the breweries as well as jobs generated by purchases from local suppliers, SABMiller breweries are important for the employment in the regions in which they are situated. Around 24,900 of the 70,900 supply sector jobs generated by SABMiller are located within the home regions of the breweries. This means that 35% of all supply sector jobs are situated within the breweries' own regions. Almost half of these regional jobs (47%) consist of employment in the agricultural sector. Especially the Polish region Wielkopolska (5,400 jobs) benefits substantially from the purchases of agricultural goods by SABMiller breweries. Furthermore, a substantial employment effect is generated in the equipment industry in the South-east of Romania (1,500 jobs).



Graph 6.2 SABMiller breweries generate 24,900 supply industry jobs in the regions where they are located



Source: Ernst & Young questionnaire among SABMiller breweries (2011)

In total, around 37,500 jobs are generated by SABMiller in the home regions of their breweries (12,617 SABMiller employees and 24,900 jobs in supplying sectors). Jobs generated in the regional retail and hospitality sectors are not included in this figure.



7 Social and environmental impacts

7.1 Highlights

Highlights of social impact

- ▶ Social entrepreneurship and sustainable development are fully integrated into the business strategy of SABMiller.
- ▶ To focus its efforts in the field of sustainable development, SABMiller has set out 10 sustainable development priorities.
- ▶ SABMiller has developed a Sustainability Assessment Matrix (SAM) in order to measure and monitor its progress on these 10 priorities. SABMiller is completely transparent with regard to its scores on the 10 priorities.
- ▶ On a European scale, SABMiller managed to improve its performance on 6 of the 10 priorities over the last year. Especially on informing and educating on responsible drinking much progress has been made.
- ▶ The considered SABMiller operations are all active in the field of sustainable development. In most operations sustainable development is integrated into the business strategy and may include investments, modernization, process development and cost-effectiveness programs.
- ▶ An important initiative at the European level is an internal training on responsible commercial communication. Initiatives in the field of responsible alcohol consumption are also highly valued. Per operation and per priority, the concrete initiatives of SABMiller subsidiaries vary.
- ▶ SABMiller employees are involved in all kinds of projects in the field of sustainable development and are encouraged to undertake volunteer work.

7.2 Sustainable Development Priorities

Social entrepreneurship and sustainable development are fully integrated into the business strategy of SABMiller. To focus its efforts in the field of sustainable development, SABMiller has set out 10 sustainable development priorities. These priorities demonstrate SABMiller's commitment, provide clarity for SABMiller's operations, shareholders and other stakeholders, and show how SABMiller focuses its efforts and prioritizes its resources. All priorities are continually tested and reviewed at both group level and by local operations to make sure they remain relevant and meaningful. For this purpose, SABMiller consults both internally, across all functional areas of its organization, and externally, across external stakeholders at both global and local level. Hence, the views of national and international stakeholders are all taken into consideration in developing SABMiller's approach of sustainable development.

These 10 sustainable development priorities are:

- ▶ Discouraging irresponsible drinking
- ▶ Making more beer but using less water
- ▶ Reducing its energy and carbon footprint
- ▶ Packaging, reuse and recycling
- ▶ Working towards zero-waste operations



- ▶ Encouraging enterprise development in its value chains
- ▶ Benefiting communities
- ▶ Contributing to the reduction of HIV/AIDS
- ▶ Respecting human rights
- ▶ Transparency in reporting on its progress

Annex VI contains a description of all ten sustainable development priorities, explains why these listed topics are priorities of SABMiller, and shows which targets were set by SABMiller in 2010.

Sustainability Assessment Matrix

In order to measure and monitor its progress on these priorities, SABMiller has developed a monitoring framework, the so-called Sustainability Assessment Matrix (SAM). This management system provides an in-depth understanding of SABMiller’s sustainability performance. Each operation is required to provide both qualitative and quantitative data relating to each of the sustainable development priorities, and this is compared against clearly defined assessment criteria. The progress on these criteria is depicted by means of certain levels on a stairway. For each priority a stairway has been developed, which consists of five increasing levels of performance based on internal and external benchmarks. A course is plotted from level 1 which represents the minimum standard, to level 5 which represents the leading edge standard. Progress can be made by meeting the requirements of the next level. All SABMiller’s operations are expected to meet at least the minimum standard, or to have an action plan in place to ensure they do so by an agreed date.

The 2009 report on the contribution made by SABMiller to the European economy shows only four levels. Level 5 has been introduced in 2011, making use of input from a variety of stakeholders. The aim was to define (what SABMiller and its stakeholders believe represents) genuine global leadership on any given issue, and to provide even greater challenges for SABMiller’s operations (SABMiller plc Sustainable Development Summary Report 2011). The levels are illustrated in the following figure.

Stairway level assessment criteria	
5	Leading edge: Performance that represents genuine global leadership on an issue.
4	Best practice: Achieving what is currently considered to be global best practice in a particular field.
3	Developing leadership: Applying a comprehensive approach including innovative tools and widespread engagement.
2	Progressing: Ensuring consistent performance is achieved in a particular field.
1	Minimum standard: All operations must achieve level 1, or have a plan in place to do so, as it represents management of our key sustainable development risks.

Source: SABMiller, *Sustainable Development*, SABMiller plc Sustainable Development Summary Report 2011

Targets per stairway level

With regard to each level, certain requirements apply. In order to reach level 1, the requirements of level 1 must be met. In order to reach the second level, the requirements of both level 1 and level 2 must be met. These requirements have been specified for all five levels of each priority. For example, for energy and carbon footprint five requirements have been formulated.

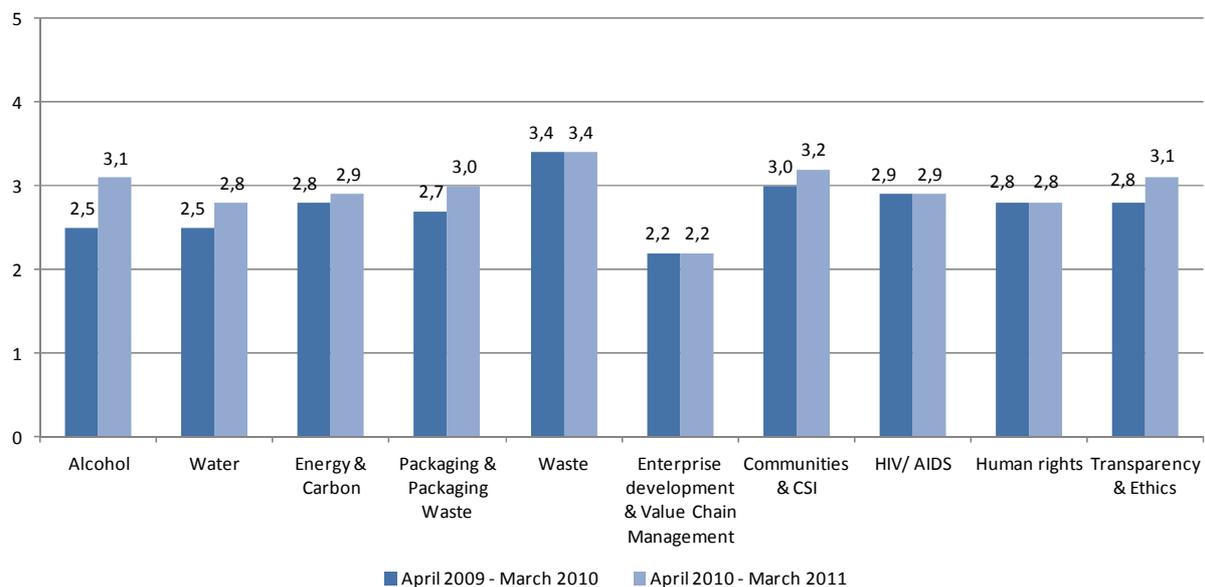


These requirements all have different weights. The most important requirement is a reduction of the total amount of energy used for the production of beer. Therefore, at each level a reduction of energy use is required. SABMiller has set the final target with regard to the reduction of emissions at 50% per hl. of beer. This reduction is to be achieved by 2020. In the last three years, all European SABMiller operations have undertaken projects aimed at reducing their energy use. Examples are Dreher Breweries in Hungary that has put a biogas generation and waste water treatment plant into operation, and Grolsch in the Netherlands, Kompania Piwowarska in Poland and Birra Peroni in Italy which have all three undertaken energy-saving investments, among which actions in the field of technical equipment and improvement of production processes.

SABMiller operations Europe

In order to be completely transparent, SABMiller shows the SAM results for each individual operation on its website (<http://www.sabmiller.com>). The SAM results of SABMiller operations in the Czech Republic, Hungary, Italy, the Netherlands, Poland, Romania, Russia, Spain and Slovakia are included in the country chapters of this report. The figure below shows the SAM results at a European level. This scorecard consequently aggregates the scores of SABMiller operations Plzeňský Prazdroj, Dreher Breweries, Birra Peroni, Grolsch, Kompania Piwowarska, Ursus Breweries, SABMiller RUS, Compañía Cervecería de Canarias and finally Pivovary Topvar.

Average level assessment results: Europe



Source: SABMiller 2011, based on Sustainable Development Priorities reporting tool, scorecard Europe

It is not realistic to attempt to reach level 4 or 5 in all 10 priorities at the same time. Regions and operations have the flexibility to select which of the priorities in a certain period are most important and most necessary for the local situation in terms of needs and circumstances.

7.3 Activities and initiatives undertaken in the field of sustainable development

As stated at the beginning of this chapter, sustainable development is integrated into the business strategy of SABMiller at local, regional and group level and may include investments, modernization, process development and cost-effectiveness programs. At these various levels, all kinds of initiatives and activities have been carried out aimed at contributing to the previously described 10 priorities.



Commercial communication

An example of such an initiative at European level is the training program on responsible commercial communication. This program is an essential part of SABMiller's self-regulatory policy on commercial communication. SABMiller has six core principles that underpin its approach to combating alcohol abuse, and one of them entails that 'providing information to consumers about alcohol consumption should be accurate and balanced'. The main part of this self-regulatory policy, mandatory for all employees, is the company's Code on Commercial Communication. This Code was developed in 2004 (and revised in 2008) by SABMiller and it provides all SABMiller operations with minimum standards for commercial communication. It dictates that SABMiller's communication 'will not impugn human dignity or integrity'. Besides some basic principles, the Code contains 25 principles which address several issues. An example of such a principle is the prohibition to direct commercial communication to people under the legal drinking age. To safeguard this principle, commercial communication may only be placed in print, on the radio, on television, on the internet or in text messaging when at least 70% of the audience is reasonably expected to be of legal drinking age or 18 if there is no legislation with regard to drinking age. Another example is the prohibition to use cartoons that may have appeal to the underaged. SABMiller's policy on commercial communication also requires each operation to have an internal compliance committee that oversees adherence to the framework.

Alcohol and responsible drinking

SABMiller set up a framework that consists of a range of alcohol policies, position papers and guidelines: the so-called Alcohol Policy Framework. Besides commercial communication, issues such as responsible drinking and health aspects are addressed in this framework. To make sure that SABMiller continues to engage with and respond to the expectations of stakeholders and the wider public in relation to alcohol responsibility, the policy has been reviewed in 2010. SABMiller provides a training program (which has also been committed to the European Alcohol and Health Forum), and in 2010, all operations had trained more than 80% of their employees on average in alcohol responsibility and SABMiller's priorities in that field. The table below shows the progress in 2011 against the targets of the alcohol policy framework.

Targets	Progress
Make progress towards including responsible messaging on all SABMiller international brands by 2012.	SABMiller has approved templates for responsible messaging for its four international brands Peroni Nastro Azzurro, Miller Genuine Draft, Pilsner Urquell and Grolsch and these will go into production during 2011. This forms part of SABMiller's commitment to reduce alcohol abuse and to promote responsible consumption.
Extend availability and visibility of low or non-alcoholic beers in relevant markets.	SABMiller now brews 13 low or non-alcoholic beer brands. These include Birrell, a low alcohol brand in the Czech Republic, which was recently recognized as the best Ultra Low Alcohol Beer at the 2011 Brewing Industry International Awards held in February 2011.
Work in partnership with the International Centre for Alcohol Policy (ICAP) and stakeholders on global actions to reduce harmful drinking.	SABMiller has supported ICAP by actively participating in the consultations and work plans relating to the Global Action on Harmful Drinking initiative.

Source: SABMiller 2011, based on Sustainable Development Priorities, 'Responsible Drinking'



Packaging and packaging waste

Finally, it is interesting to mention that in 2010, SABMiller has launched a new global packaging sustainability strategy, which has been further rolled out in 2011. This new strategy has eight core elements: (1) taking a 'cradle to cradle' approach to packaging; (2) promoting sustainable design; (3) ensuring packaging is safe and fit for purpose; (4) seeking opportunities to eliminate or reduce packaging; (5) increasing recycled content of packaging; (6) reduction the amount of transit packaging used; (7) understanding the disposal options of the packaging used; (8) contributing to the achievement of water and carbon savings. SABMiller has also strengthened the way in which packaging selections are managed by bringing together internal stakeholders that are involved in this process, for instance those in technical, procurement, marketing and sustainable development teams (SABMiller plc Sustainable Development Summary Report 2011).

The former sections are meant as examples. More initiatives (per sustainable development priority) at the global or European level can be found on SABMiller's website or in the 2011 Sustainable Development Report.

Activities and initiatives at country level

At country level, all kinds of activities have been carried out over the last years. This study considered the social impact of 9 SABMiller operations, namely: Plzeňský Prazdroj in the Czech Republic, Dreher Breweries in Hungary, Birra Peroni in Italy, Grolsch in the Netherlands, Kompania Piwowarska in Poland, Ursus Breweries in Romania, Pivovary Topvar in Slovakia, SABMiller RUS in Russia and Cervecera de Canarias in Spain (Canary Islands). A questionnaire on social and environmental impact was spread among these 9 operations. In the following table, all priorities with regard to which these operations have undertaken activities or projects in 2008-2010 are presented.

	Plzeňský Prazdroj	Dreher Breweries	Birra Peroni	Grolsch	Kompania Piwowarska	Ursus Breweries	Pivovary Topvar	SAB Miller RUS	Cervecera de Canarias
Responsible drinking	√	√	√	√	√	√	√	√	√
Water	√	√	√	√	√	√	√	√	√
Energy & carbon	√	√	√	√	√	√	√	√	√
Packaging		√	√	√	√	√		√	√
Waste		√		√		√		√	√
Enterprise development		√		√	√	√		√	√
Benefiting communities	√	√	√	√	√	√	√	√	√
HIV/AIDS	√							√	
Human rights		√				√		√	√
Transparency	√	√		√	√	√		√	√

Most operations have undertaken activities on at least half of all the priority areas. SABMiller RUS even undertook actions on all ten of them. It is important to keep in mind that these priorities have been developed for all SABMiller operations worldwide. Some of the priorities are less important for certain operations or regions than others. This is for example true for human rights or for HIV/AIDS. On average and compared to other parts in the world, human rights standards in Europe are relatively high and therefore don't require any extra efforts from European subsidiaries. Furthermore, HIV/AIDS is an issue of immediate relevance to SABMiller in countries affected by the pandemic. As African countries are much more affected than European countries, operations of SABMiller in Africa pay much more attention to this priority than European operations.



This explains why only two operations in Europe have undertaken activities/initiatives on HIV/AIDS, and only four operations have made particular efforts in the field of human rights.

Initiatives that have been undertaken in the field of sustainable development are very diverse. Some seek to improve the production process and try to play a part in combating climate change or improving the environment, whereas other initiatives are set up for the benefit of communities and the well-being of employees and citizens. Hereafter we will give a few examples of initiatives, which have been started within different priorities and set up in different countries. In the country chapters, (chapters 8-17), initiatives per country will be further illustrated.

Alcohol and responsible drinking

In the various European countries, all kinds of initiatives aimed at the promotion of responsible drinking have been set up. An example is the 'Don't Drink and Drive campaign' (implemented in amongst others Slovakia and Poland) and 'Promile info' (implemented in among other countries Slovakia and the Czech Republic). Both initiatives seek to increase consumer awareness of the importance of responsible alcohol consumption, but also of the issue of drinking and driving, by promoting the usage of the special information service 'Promile SMS' and related communication activities. The service Promile info is primarily based on an SMS application that enables mobile phone users to get information on their blood alcohol content (BAC) and on the estimated time to reach the acceptable level of the BAC again (which allows them to drive responsibly).

Dreher Breweries (Hungary) is also highly involved in several alcohol responsibility initiatives. In this regard the company has launched the 'Alcohol Responsibility Program', of which the aim is to encourage social dialogue on responsible alcohol usage, to share information with stakeholders and consumers, and to provide tools to strengthen responsible alcohol consumption and responsible behavior related to alcohol usage. The program focuses on society as well as on individual decision making. Birra Peroni (Italy) has also invested much in alcohol responsibility initiatives. In 2009, SABMiller launched the website www.talkingalcohol.com. Apart from that website, Birra Peroni also has its own local website (www.alcolparliamone.com) and its own forum (www.forumalcolparliamone.it).

Benefiting communities

Cervecera de Canarias has kept a high level of involvement and participation in the organization of cultural and sports events. An example of such an activity is the project 'Sports for everybody', of which the main objective is to support sports for handicapped people. Another example is the 'Warto być za' ('For all it's worth') initiative undertaken in Poland (Kompania Piwowarska). The main objective of this initiative is to improve the quality of life of communities through supporting NGOs in financing programs that combat social exclusion resulting from poverty. Another interesting example is the 'Let's save the springs together!' project of SABMiller RUS. In 2010, certain areas in Russia were confronted with one of the worst droughts in years. This drought was especially problematic in small villages where the water supply and sanitation infrastructure was insufficient. Therefore, the main goal of the project was to renovate springs and to ensure access to clean drinking water to local populations. Six springs and two wells were reconstructed and the surrounding areas were taken care of. Birra Peroni (Italy) has implemented its 'Disability and job' project, of which the main objective is to provide apprenticeships and training to disabled people in serving, with the purpose of giving them the necessary skills and providing them with a permanent job in the hospitality industry.



Water, energy and carbon

Grolsch (the Netherlands) has taken many initiatives aimed at energy, water and emission reduction. To illustrate the efforts of Grolsch: the Dutch government has set the objective for energy use in 2012 at 156 MJ per hl. However, Grolsch has set its objective even sharper: from 136.1 MJ per hl. in 2005 down to 90.1 MJ per hl. in 2015. In 2010, the overall energy use went down from 113.67 MJ per hl. in the beginning of the year to 105.06 in the end. After the building of a new brewery in 2004, Grolsch has made other efforts as well, such as reducing water and electricity use, operating new installations and building a biogas generation plant. The latter has been done by Dreher Breweries (Hungary) as well. Furthermore, Dreher has built a waste water treatment plant in Hungary, which is responsible for cost and energy savings of 8 to 10%.

Entrepreneurship and enterprise development

With the project 'Save the Danube Delta', Ursus Breweries (Romania) seeks to contribute to entrepreneurship and sustainable community development in the Danube Delta Biosphere Reserve (www.salvatidelta.ro). Within the project many activities are undertaken, for instance seminars and trainings are organized on how to put together a solid business plan. Ursus Breweries has also financed projects of local entrepreneurs. All projects have to be related to sustainable development of the area and to using the local resources of the Danube Delta in sustainable ways. An example is a project in which tourist tours were organized with boats that used wind energy instead of other energy sources. Besides resulting in cleaner areas in the Danube Delta and educating local communities and tourists, this initiative resulted in an increased awareness of the importance of sustainable development, especially among the (local) authorities.

SABMiller's employees

Besides the financial investments, SABMiller also invests in sustainability by stimulating employees to spend working hours on sustainable development. It depends on the initiative how much time is spent by an employee on a project. This varies from a couple of days per employee to a couple of months. Furthermore, SABMiller stimulates its employees to participate in all kinds of volunteer programs. For example, every year, Kompania Piwowarska (Poland) undertakes a volunteer project named 'Come Rain or Shine'. This voluntary program started ten years ago in a slightly different form and was previously named 'Santa Claus team'. The project seeks to involve employees who do volunteer work for the benefit of NGOs or legally stipulated institutions.

Financial means and project management

Despite the economic crisis 7 out of 10 European SABMiller operations managed to remain their budget for sustainable development at the same level as in 2008. As the activities have been largely / fully integrated in daily business, it is not possible to estimate how much exactly is spent on sustainable development. With regard to most initiatives SABMiller is the main or only investor and responsible for the financial project management. Often SABMiller works together with external parties such as NGOs, brewers' associations, other companies and (local) (governmental) authorities.



Annex I: Methodology & scope

This study focuses on the **economic impact** of SABMiller in **9 European Union Member States and Russia**. In nine of these ten countries (Czech Republic, Hungary, Italy, Netherlands, Poland, Romania, Russia, Slovakia, Spain) one or more SABMiller breweries are located. Miller Brands UK does not own a brewery and only sells imported beer. Although SABMiller is international in scope, the analyses were carried out at country level. In this manner, the impact on individual national economies could be measured. Besides economic effects, the study focuses on **the social and environmental impacts** (social entrepreneurship and sustainability initiatives) and **regional impact** (on suppliers in the region) of SABMiller breweries in 9 of these countries (with regard to these two topics the United Kingdom is not included).

The base year for the analysis is **2010**. If data was not available for this year, data for 2009 and in some exceptional cases, data for 2008 was used.

The reported outcomes about the economic and regional impact are estimated on the basis of a **model** constructed by Regioplan Policy Research. For this reason these outcomes are not a direct representation and are dependent on decisions made by Regioplan Policy Research. These decisions are elucidated in Annex III.

To represent the economic impact of SABMiller, three different effects can be distinguished:

- ▶ direct impact
- ▶ indirect impact
- ▶ induced impact

The **direct impact** is defined straightforwardly as the effect generated directly by SABMiller.

The **indirect impact** represents the impact of SABMiller on their suppliers. To be able to produce beer, breweries need to purchase a highly diverse range of goods and services. To mention just a selection: barley, malt, hops and water and many types of packaging materials such as glass and aluminum. SABMiller breweries also hire engineers, marketers, communications agencies and many more services. In this study, six supplying sectors are distinguished: agriculture, utilities, packaging industry, transport, media and marketing and other services.

The sale of beer by retail outlets and hospitality firms is an important source of economic benefits. The economic contribution of firms in the retail and hospitality sectors arising from the sale of beer is labeled in this study as SABMiller's **induced impact**.



The abovementioned effects have been measured in three areas (**employment, value-added and government revenues**). Together this results in nine dimensions:

	Direct impact	Indirect impact	Induced impact
Employment	Total number of SABMiller employees	Total number of jobs in supplying sectors resulting from the production and sale of SABMiller beer	Total number of jobs in the hospitality and wholesale/retail sector resulting from the sale of SABMiller beer
Value-added	Value-added by SABMiller	Value-added in supplying sectors resulting from the production and sale of SABMiller beer	Value-added in the hospitality and wholesale/ retail sector resulting from the sale of SABMiller beer
Government Revenues	Excise revenues resulting from the production and sale of beer and income tax and social contributions from employers and employees of SABMiller	Income tax and social contributions from employers and employees in supplying sectors	VAT revenues, income tax and social contributions from employers and employees in the hospitality and wholesale/retail sector resulting from the sale of SABMiller beer



Annex II: Data sources

The social and environmental impacts of SABMiller have been reported on, on the basis of a questionnaire among the nine breweries and nine interviews with the project managers of the most important sustainability and social entrepreneurship initiatives of the companies. The objectives, results and the budget of the initiatives were important topics in this interview. Another important source of data on the social and environmental impacts was the Sustainability Assessment Matrix (SAM). This is a management system that measures the performance of SABMiller breweries on 10 sustainable development priorities. For additional information on the regional impact six suppliers and one business partner of SABMiller have been interviewed about their relationship with SABMiller and the importance of SABMiller for businesses in the region in which the company is situated.

The input for the calculation of the economic and regional impacts derives from multiple data sources. In hierarchical order of importance these sources are:

- a data obtained from a questionnaire completed by the brewing companies which are part of the SABMiller concern;
- b data obtained from the central procurement department of SABMiller;
- c data from Eurostat;
- d data from other (public) sources, such as national statistics agencies;
- e data used in the 2011 study: The Contribution Made by Beer to the European Economy, which was commissioned by the Brewers of Europe and was conducted by Ernst & Young.

Sub a

The **SABMiller companies in the 10 countries** have been a major source of valuable data. All 10 companies completed two detailed questionnaire. Important elements of these questionnaires were:

- ▶ production and consumption volume, imports and exports;
- ▶ number of breweries and employees;
- ▶ consumer prices in the on-trade and off-trade sectors and distribution margins of production sold on-trade and off-trade;
- ▶ procurement and purchase management (amounts of money spent on a variety of goods and services needed to produce beer, and the proportion of purchases made domestically and regionally);
- ▶ information on social entrepreneurship and sustainability programs.

Another important role of the companies was to validate the outcomes of the study. To strengthen the underlying database for this study, Ernst & Young has presented draft country reports on the economic impact of the brewing sector to all 10 companies. The validated reports provide necessary national checks on the European data series used.

Sub b

Not all supplies are purchased by the breweries themselves. **SABMiller Europe** provided us with data on the amount of goods and services they purchase in the countries which are the subject of this study.



Sub d

Whereas specific data on SABMiller was collected through questionnaires completed by the breweries, more general data on individual European economies was obtained from **Eurostat**. Eurostat statistics have provided useful data on labor costs, turnover and value-added per employee generally covering all or most of the countries considered.

Sub e

If data could not be collected through the questionnaires, statistics by SABMiller and Eurostat, **alternative sources** have been used. For general data on national economies this data derives primarily from public sources such as national statistics agencies.

Sub f

In the spring of 2011, Ernst & Young carried out a study on the impact of the production and sale of beer in Europe.⁵ This study was commissioned by The Brewers of Europe and covered 31 countries: the EU-27, Norway, Switzerland, Croatia, and Turkey. Much of the data collected for this study could be used for the study about SABMiller as well.

⁵ Source: E&Y, *The Contribution made by beer to the European Economy 2011*.



Annex III: Variables and estimates

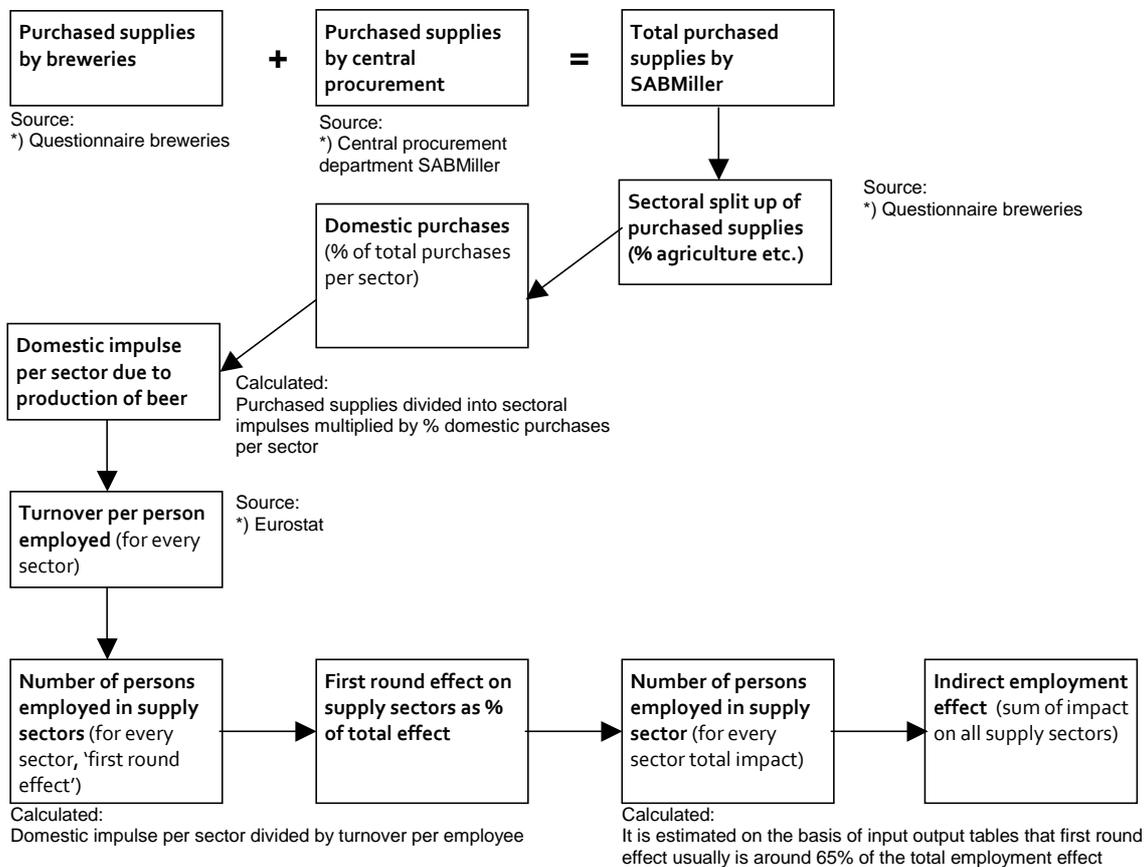
Some of the reported outcomes concerning the economic impact of SABMiller are based on estimates. These estimates derived from a **model** constructed by Ernst & Young. We illustrate here how these variables have been estimated, focusing on:

- ▶ Employment effects
- ▶ Value-added due to the production and sale of SABMiller beer
- ▶ Government revenues due to the production and sale of SABMiller beer

Employment effects

The **direct employment** effect signifies the number of employees of SABMiller. The data on direct employment were obtained from a questionnaire, filled in by the 10 brewing companies of SABMiller in Europe and Russia.

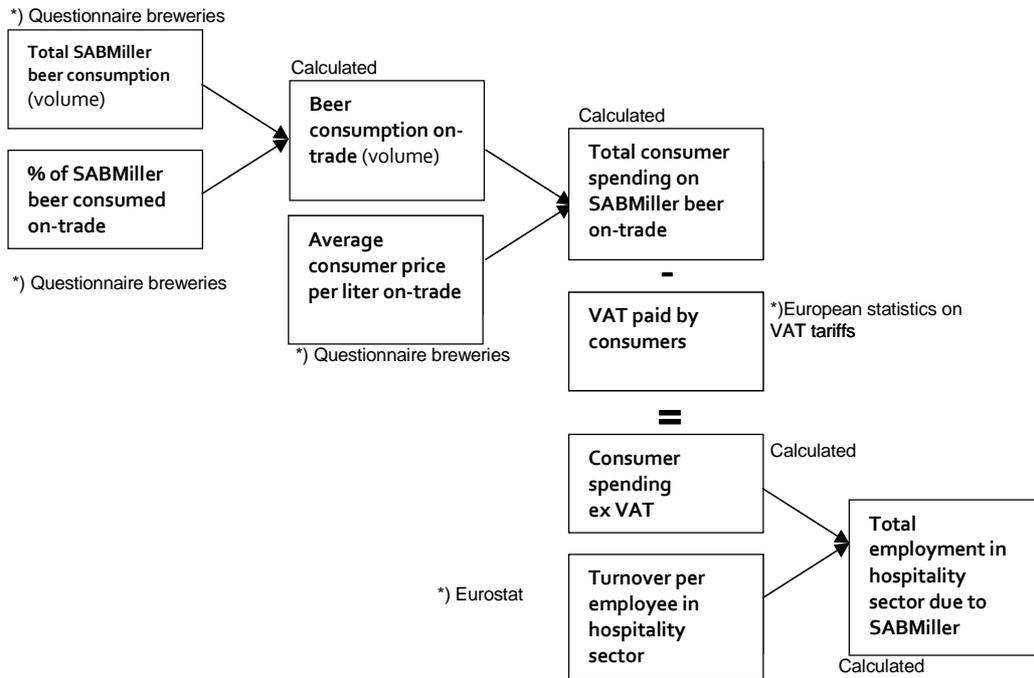
The **indirect employment** effect concerns the employment generated in supplying sectors due to the production and sale of SABMiller beer. The starting point of the estimates on indirect employment is the impulse in supplying sectors resulting from purchases made by SABMiller and the central procurement department in the 10 European countries. Central purchases in the considered countries used by SABMiller companies outside these countries are included as well. This means that for example purchased packaging materials by central procurement in Italy used by SABMiller brewing companies outside Italy are included in the Italian stimulus.



Data on turnover and value-added per employee per sector was obtained from Eurostat or the Beer study 2011 edition. For sector data NACE-codes (2002 rev.1.1, classification of economic activities by the European Union or equivalents by the national statistical institutes) have been used: agriculture (code A agriculture, forestry and fishing); packaging industry and equipment (D manufacturing); utilities (E electricity, gas, and water supply); wholesale and retail⁶ (G wholesale and retail trade; repair of motor vehicles and motorcycles); hospitality (H Hotels and restaurants); transport (I Transport storage, and communication); and other services (O other community, social and personal services activities, K real estate, renting and business activities).

The **induced employment** effect, resulting in employment due to the sale of beer in the hospitality sector and in retail, is estimated as follows:

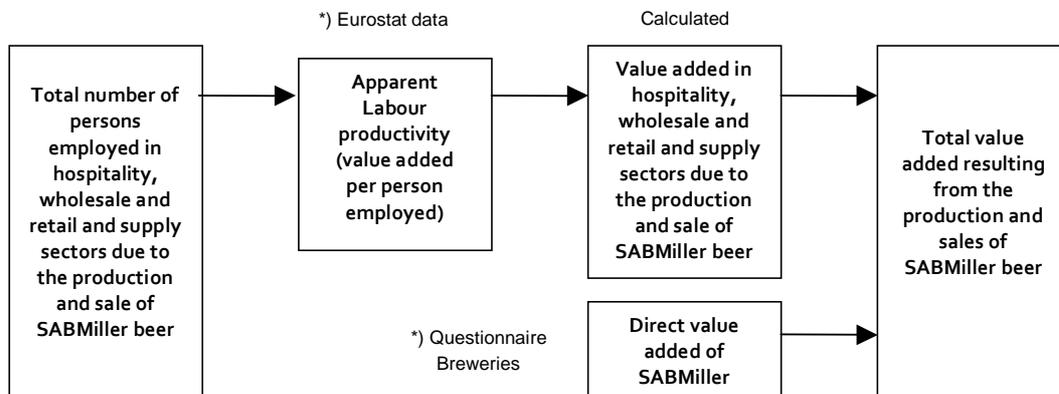
⁶ The percentage of value-added on beer in the wholesale and retail sector differs significantly from other products. For this reason NACE code G5225 (retail sale of alcoholic and other beverages) has been used for the value-added per employee in wholesale and retail.



Depicted is the way the employment impact on the hospitality sector is estimated. Estimates for retail are made in a similar way.

Value-added due to the production and sale of beer

The **direct value-added** of SABMiller is obtained through the questionnaires. The value-added in other sectors resulting from the production and sale of beer (**indirect and induced value-added**) is estimated on the basis of the employment effects. The value-added in a particular sector is estimated by multiplying the employment effect by the apparent labor productivity (Gross value-added per person employed) in the sector. If no data on labor productivity for a particular country was available, estimates were made based on statistics of national statistics agencies.



Government revenues due to the production and sale of SABMiller beer

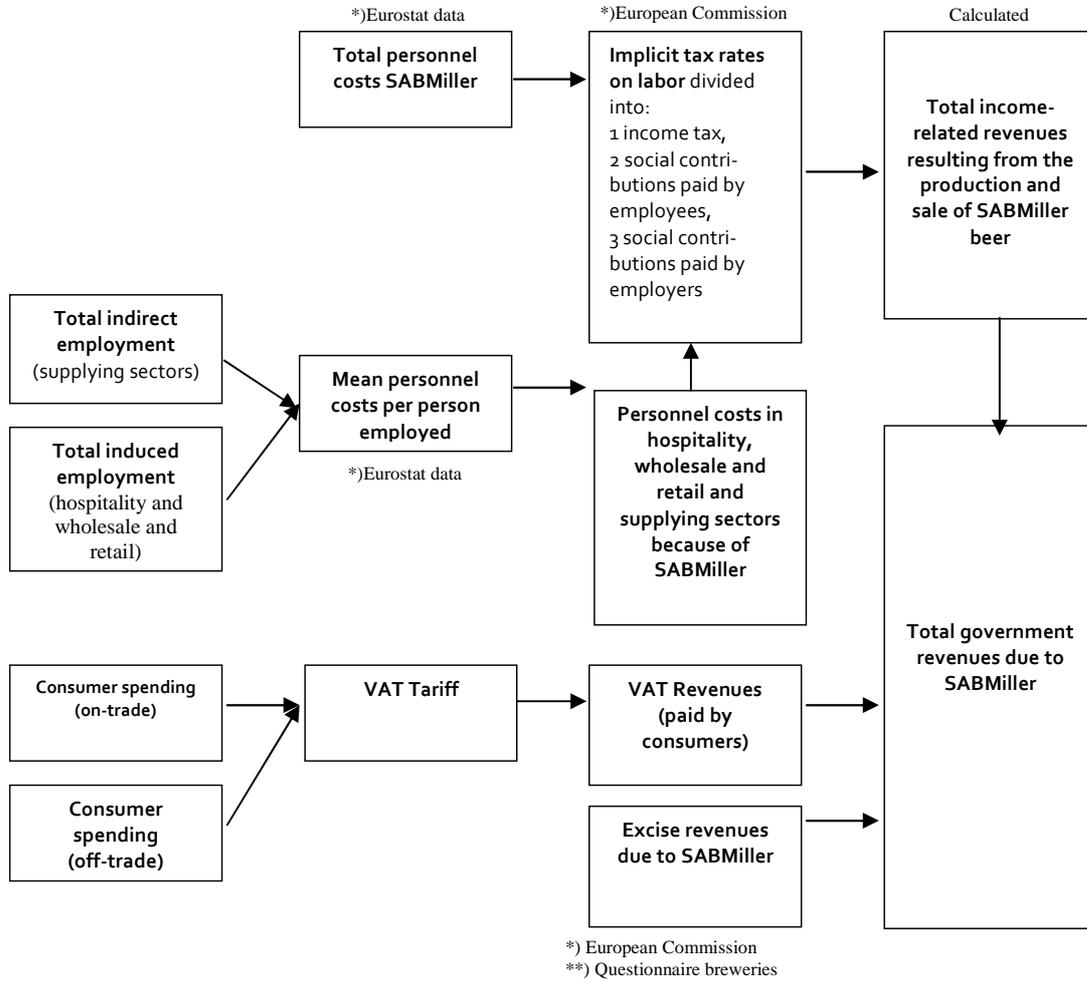
The government revenues due SABMiller consist of three segments:

- ▶ excise revenues
- ▶ VAT revenues
- ▶ income-related revenues

Data on **excise revenues** are obtained from the European Commission and from statistics from SABMiller. **VAT revenues** resulting from the sale of beer are calculated by multiplying the total consumer spending on beer (on-trade and off-trade) in a particular country.

Income-related revenues have been estimated by multiplying personnel costs with implicit tax rates. The personnel costs of SABMiller are obtained from the questionnaire. Personnel costs in supplying sectors, hospitality and wholesale and retail were calculated by multiplying indirect and induced employment by the mean personnel costs per person employed according to Eurostat.

Implicit tax rates on labor were obtained from statistics from the European Commission. The implicit tax rate is the percentage of personnel costs which consists of taxes and social contributions. It consists of three parts: mean ratio of 1) income tax, 2) social contributions paid by employees and 3) social contributions paid by employers. Using implicit tax rates made it possible to report separately on income tax revenues and social contributions.





Annex IV: Exchange rates

Since most data sources used for the study apply to the year 2009, the mean exchange rates of that year have been used for the majority of data calculations. For data that applied to an earlier period, mean exchange rates of 2008 were used.

Table 3: Exchange rates used in the report

Currency	Mean euro exchange rate in 2008	Mean euro exchange rate in 2009
Czech Koruny	24.946	26.435
Hungarian Forint	251.5121	280.3270
Polish Zlotych	3.5121	4.3276
Romanian Lei	3.6826	4.2399
UK Pound Sterling	0.79628	0.89094

Source: www.statistics.dnb.nl



Annex V: Glossary

Brewing sector	All the brewing companies located within a certain geographical area. These companies may also be involved in activities other than brewing beer, such as the production of soft drinks and bottled mineral water.
Brewery	A plant where beer is brewed by fermentation.
Direct employment	Employment, value-added and tax revenues for governments generated directly by SABMiller.
Europe (and Russia)	Czech Republic, Hungary, Italy, Netherlands, Poland, Romania, Russia, Slovakia, Spain and the United Kingdom. The impact of beer sales outside these countries as well as the impact on suppliers in other European countries are not presented in this report.
Excise	A taxation on the production volume, rather than the production value, of a certain good. In the case of beer it is often related to the amount of alcohol released for consumption.
Exports	The annual volume of beer sold and shipped to foreign countries. Both intra-European (within Europe) as well extra-European (to countries outside Europe) transport are included in this figure.
Government revenues	Amount of money received by the government from outside the government entity. In this study they include excise revenues on beer, VAT on beer sold in hospitality and retail sectors and all labor-income-related revenues from employees of SABMiller and jobs in other sectors generated by beer production and sales. These income-related revenues include personal income tax, social security contributions paid by employees and social security contributions and payroll taxes paid by employers.
Hectoliter	One hectoliter equals 100 liters.
Indirect employment	Impact of SABMiller on supplying sectors in terms of employment or value-added. For example: farmers selling hops or barley or manufacturing industry producing bottles, cans, kegs or brewing equipment.
Induced employment	Employment at companies that distribute or sell SABMiller beer, mainly in the wholesale, retail and hospitality sectors. For example: bartenders, waitresses and shopkeepers. For this study the induced employment is confined to the retail and hospitality sectors.



Imports	The annual volume of beer bought and brought in from foreign countries. Both intra European (within Europe) as well extra European (from countries outside Europe) transport are included in this figure.
On-trade	Beer sales through (licensed) pubs, clubs, bars, restaurants and the like.
Off-trade	Beer sales through shops, supermarkets and other retail outlets.
Personal income tax	A tax levied on the personal income of people. In this study taxes on income out of labor generated by SABMiller beer production and sales are included in the figures.
Personnel costs	The total remuneration payable by an employer to an employee in return for work done by the latter during the reference period. Besides salary, personnel costs also include taxes and employees' social security contributions retained as well as the employer's social contributions.
Production Value	The amount actually produced by the unit, based on sales, including changes in stocks and the resale of goods and services. The production value is defined as turnover, plus or minus the changes in stocks of finished products, work in progress and goods and services purchased for resale, minus the purchases of goods and services for resale, plus capitalized production, plus other operating income (excluding subsidies). Income and expenditure classified as financial or extraordinary in company accounts is excluded from production value.
Purchases of goods	The value of all goods and services purchased during the and services accounting period for resale or consumption in the production process, excluding capital goods. It refers to externally bought products and services.
Social security contributions	Financial contributions paid by employees and their employers giving access to the social security system and entitlement to certain benefits in situations of unemployment, sickness, disability or old age
Value-added	Difference between the production value and the value of purchased inputs (goods and services). In economic terminology value-added is also defined as the reward for all production factors (mainly labor, capital, entrepreneurship).
VAT	Value-added Tax



Annex VI: Sustainable development priorities

Below the targets set for 2010 (the base year of our study) are presented. The targets for 2011 and 2012 can be found on the website of SABMiller (www.sabmiller.com) or in the Sustainable Development Report 2011.

Priorities	Why it is a priority	Targets set for 2010
Discouraging irresponsible drinking	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.	<ul style="list-style-type: none"> ▶ Continue with the alcohol education training program for all SABMiller employees. ▶ Continue regular engagement with independent experts on alcohol-related issues. ▶ Promote TalkingAlcohol.com to more stakeholders.
Making more beer but using less water	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.	<ul style="list-style-type: none"> ▶ Make progress towards the new group water target. ▶ Undertake 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 in our African, European and Latin American regions.
Reducing our energy and carbon footprint	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.	<ul style="list-style-type: none"> ▶ Make progress towards the new carbon target. ▶ Develop a renewable energy toolkit for our operations. ▶ Improve our management of carbon in distribution and retail refrigeration.
Packaging reuse and recycling	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.	<ul style="list-style-type: none"> ▶ Extend the evaluation of the recycling and reuse infrastructure for PET (a synthetic material used extensively for beverage containers) with market reviews in Honduras, Romania, South Africa, the USA and Zambia. ▶ Develop a bottle selection tool to assist 'light-weighting' i.e. using



Priorities	Why it is a priority	Targets set for 2010
Working towards zero-waste operations	Much of our waste can be a valuable resource for farmers and food producers as well as a potential energy source. We aim to minimize the amount of waste we send to landfill, so saving money and reducing its environmental impact.	<ul style="list-style-type: none"> ▶ lighter bottles made with less glass. ▶ 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.
Encouraging enterprise development in our value chains	We recognize 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.	<ul style="list-style-type: none"> ▶ Publish an analysis of the economic impact of our activities in the value chain in Honduras and Uganda. ▶ Increase the number of smallholder farmers within our value chain.
Benefiting communities	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.	<ul style="list-style-type: none"> ▶ Expand the scope and funding of our Entrepreneurship development programs. ▶ Develop a water CSI program for Africa.
Contributing to the reduction of HIV/Aids	The HIV/Aids pandemic is particularly relevant to our operations in Africa. We have programs in place for our employees and their families and are developing programs for local communities and suppliers where appropriate. These initiatives are helping to ensure the wellbeing of our staff and the stability of our workforce.	<ul style="list-style-type: none"> ▶ Further increase the percentage of HIV-positive employees and spouses on our managed healthcare program. ▶ Undertake an updated cost/benefit analysis of our HIV/Aids programs.
Respecting human rights	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.	<ul style="list-style-type: none"> ▶ Engage in community-impact studies of the value chains of our soft drinks business in El Salvador and Zambia. ▶ Participate in international dialogues on the basic right to water through the UN CEO Water Mandate.
Transparency in reporting on our progress	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.	<ul style="list-style-type: none"> ▶ Train regional sustainable development champions through web seminars with leading experts. ▶ Continue stakeholder dialogues on alcohol, water and enterprise development.

Source: SABMiller, Sustainable Development, SABMiller plc Sustainable Development Report 2010.



Annex VII: Comparison 2008-2010

The total number of breweries of SABMiller in Europe has decreased from 23 to 21. In this annex a comparison is made between the outcomes of the current study and the previous study on the economic impact of SABMiller in Europe.

Table 1 Development of total production, consumption, employment, value-added and government revenues of the ten countries due to SABMiller, 2008-2010

	2008	2010	%
Production (in million hl)	48838.0	43190.9	-11.6
Consumption (in million hl)	44984.1	41485.3	-7.8
Total employment (in million jobs)	233.7	202.0	-13.6
Total value-added (in million Euros)	4.0	3.7	-7.4
Total government revenues (in million Euros)	3.8	3.8	-1.8

Figure 1 Total production of beer in each country in 2008 and 2010 (in thousands of hectoliters)

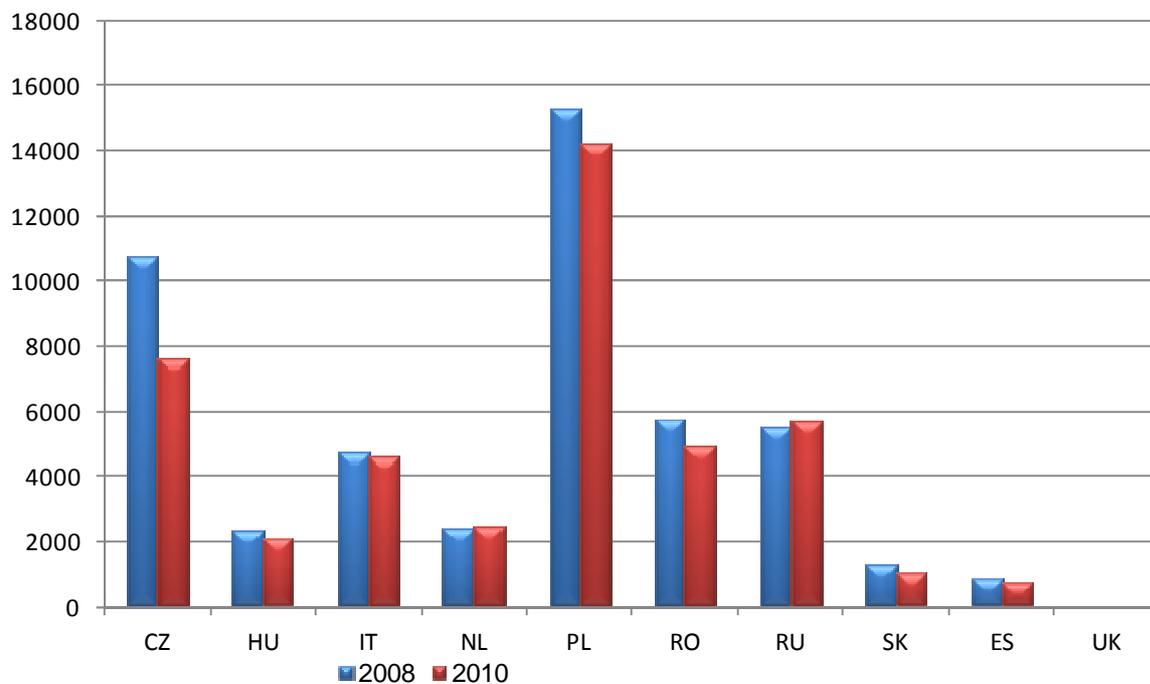




Figure 2 Total consumption in each country in 2008 and 2010 (in thousands of hectoliters)

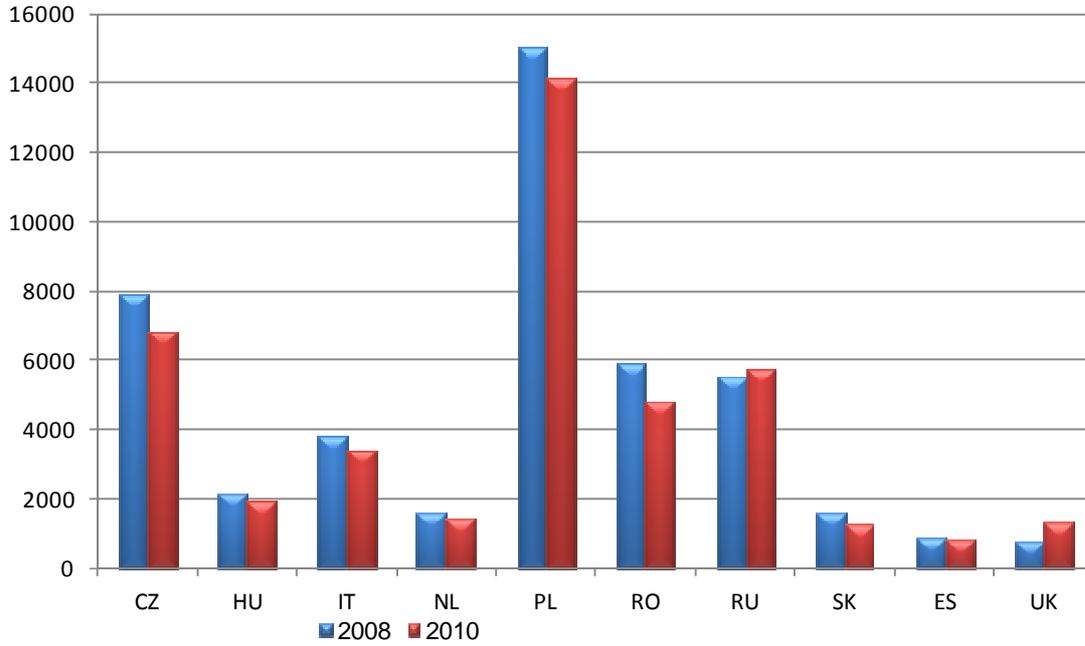


Figure 3 Total employment in each country due to SABMiller in 2008 and 2010 (in thousands of jobs)

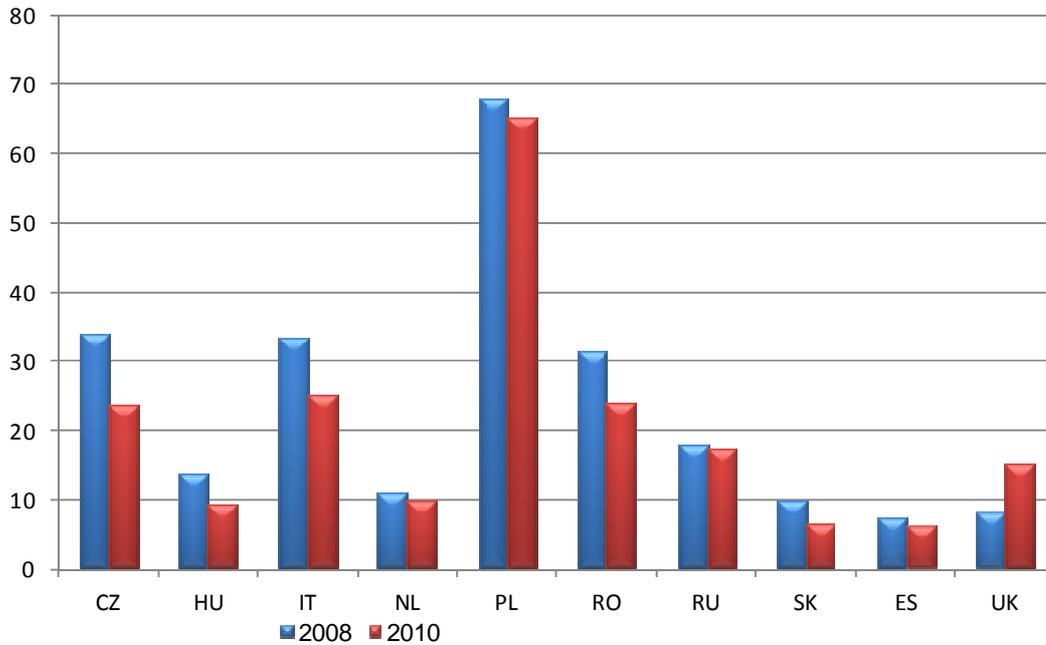
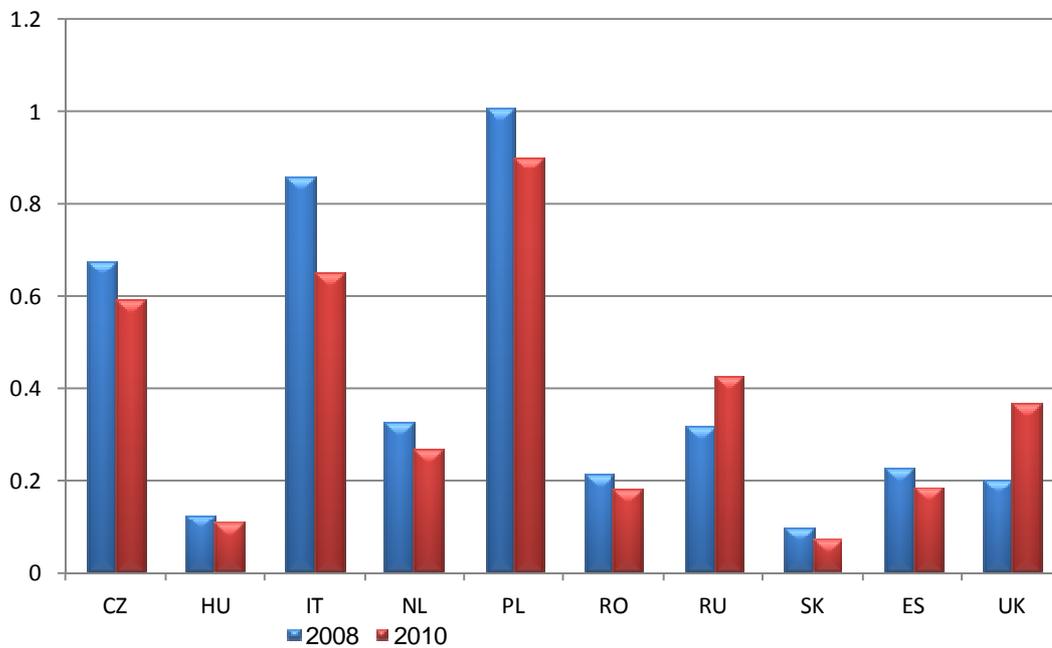



Table 2 Employment breakdown

Employment	2008	2010	%
Direct effect (SABMiller)	15.0	12.6	-16.0
Indirect effect (suppliers)	67.8	70.9	4.5
Hospitality industry	125.3	98.4	-21.5
Retail	25.5	20.0	-21.6
Total	233.7	202.0	-13.6

Figure 4 Total value-added in each country due to SABMiller in 2008 and 2010 (in billion euros)

Table 3 Value-added breakdown

Value-added (in billion euros)	2008	2010	%
SABMiller	1.3	1.2	-4.8%
Supplying sectors	0.9	0.9	-2.9%
Hospitality industry	1.7	1.4	-15.0%
Retail	0.2	0.2	-15.9%
Total	4.0	3.7	-6.9%



Figure 5 Total tax, social security and excise revenues because of beer in each country in 2008 and 2010 (in billion euros)

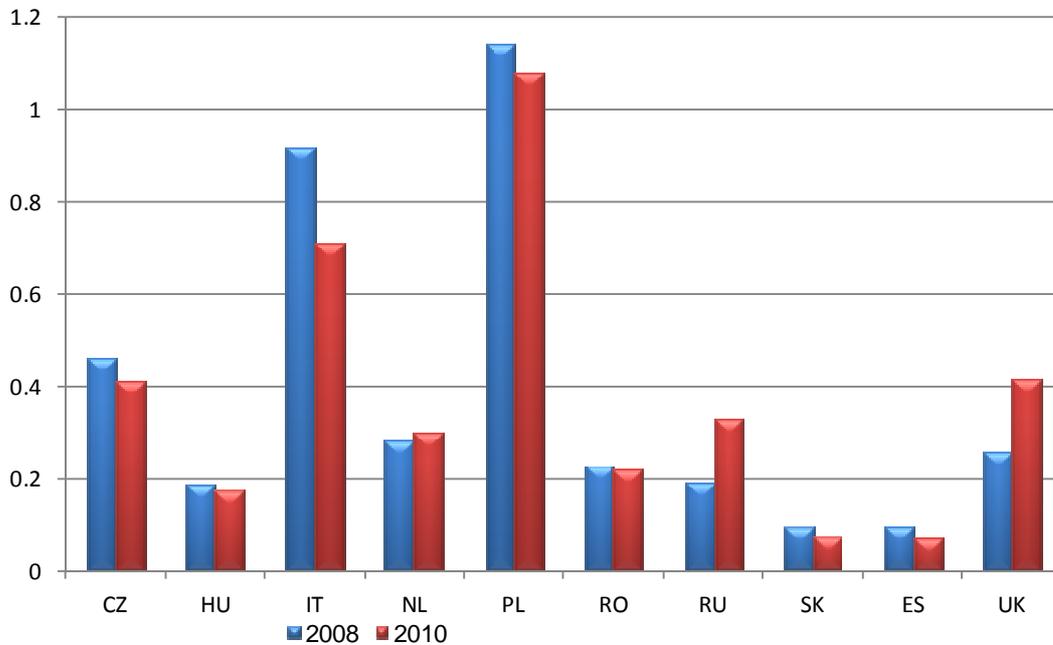
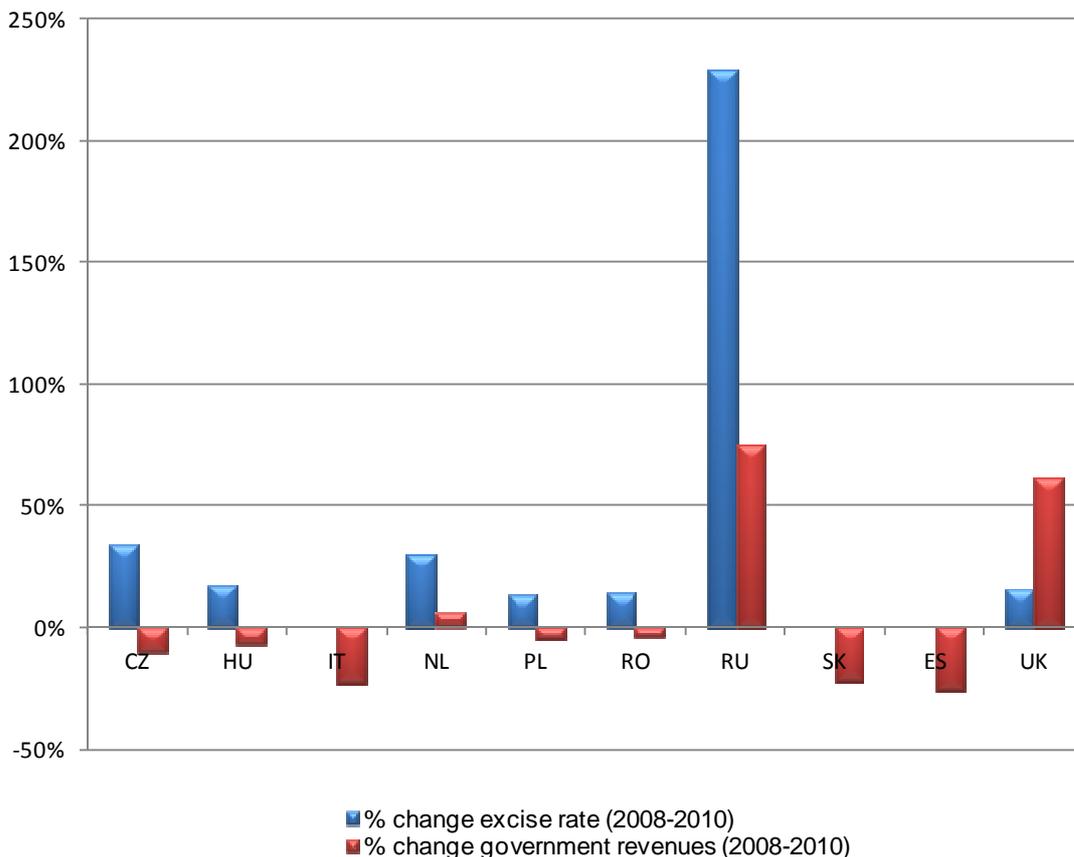


Table 4 Government revenues breakdown

Government revenues (in billion euros)	2008	2010	%
Excise	0.78	0.86	10.7%
VAT hospitality	0.76	0.70	-7.8%
VAT retail	0.67	0.68	1.1%
Income tax employees SABMiller	0.04	0.04	-4.6%
Social security contributions and payroll tax SABMiller	0.11	0.09	-16.9%
Income tax employees other sectors	0.37	0.39	6.1%
Social security contributions and payroll tax other sectors	0.96	0.83	-13.3%
Corporate, environmental and other taxes generated by SABMiller	0.14	0.17	19.5%
Total	3.83	3.76	-1.8%



Figure 6 Comparison between the changes in excise rates and the changes in government revenues in the period 2008-2010.





Annex VIII: Contact information

For more information about this study, please contact us. See below for contact details.

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