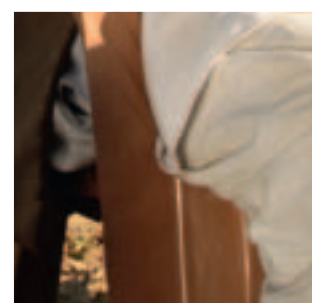




# *Sustainable Development Report 2008*

Making a difference through beer



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For more detailed information on case studies included in this report and additional performance data, please go to our website at [www.sabmiller.com](http://www.sabmiller.com)

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

Checking barley quality in Rajasthan. For more on our work with barley farmers in India, please go to page 20.



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

This report has been produced in accordance with the GRI G3 guidelines. The disclosures that we make and the performance data reported meet the requirement of the B+ application level. More detailed information and a GRI content index is available on our website at [www.sabmiller.com](http://www.sabmiller.com)



## United Nations Global Compact

For more information on our progress against the UNGC, please go to our website at [www.sabmiller.com](http://www.sabmiller.com)



## About SABMiller

SABMiller is one of the world's largest brewers with brewing interests and distribution agreements across six continents.

# 139

Total number of breweries

# 35

Total number of bottling plants

# 69,116

Total average number of employees

# 239 million

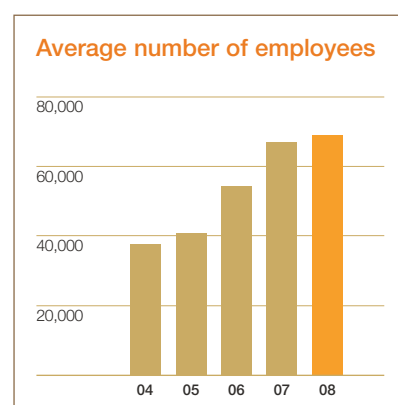
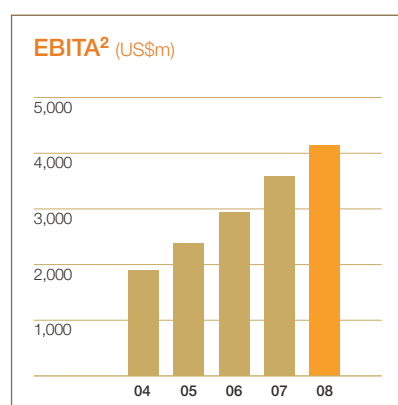
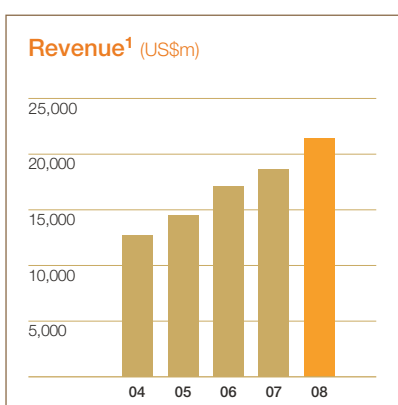
Total volume of lager sold (hectolitres)

Our brands include premium international beers such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and the recently acquired Grolsch. We also produce an exceptional range of market-leading local brands such as Aguila in Colombia, Miller Lite in the USA, Snow in China and Tyskie in Poland. In a number of our African markets we brew sorghum-based traditional beers. In 2007/08 our turnover was US\$21,410 million with earnings before interest tax and amortisation of US\$4,141 million.

Our interests extend beyond brewing as we bottle and distribute some of the most famous soft drink brands including Coca-Cola, Fanta, Sprite and Appletiser. We are one of the biggest franchise bottlers and distributors of Coca-Cola products outside the USA, bottling its products in 10 of our markets.

In addition to our Coca-Cola operations, we produce and bottle a range of soft drinks in a further eight of our markets. In total, non-alcoholic beverages – sparkling drinks, water, fruit juices and malt beverages – make up 15% of total volumes. We operate 35 bottling plants, producing 42 million hectolitres of soft drinks per annum.

Operations are included in this report on the basis of management control. This includes 53,400 employees and 175 million hectolitres of lager. A list of operations covered in this report is provided on page 33.



<sup>1</sup> Revenue excludes the attributable share of associates' revenue of US\$2,418 million (2007: US\$2,025 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' operating profit, on a similar basis.

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

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



Robert Fellowes, Senior Non-Executive Director, SABMiller plc and Chairman of CARAC



Graham Mackay, Chief Executive, SABMiller plc

### Sustainability and business

With a heritage rooted in Africa – a continent with 66% of the world's poor and 315 million people living on less than a dollar a day – we are very conscious of our responsibilities to society. In itself, business activity serves a social purpose – to provide the goods and services that society wants. As long as markets are competitive and free, companies will succeed and make profits only when they manage relationships effectively, use resources efficiently and meet society's needs.

Business is also part of society with a comprehensive set of relationships with the many individuals involved in its activities. Business is at one and the same time an employer, a customer, a supplier and a taxpayer and the interests of business and the wider community are inextricably linked. This is perhaps truer for our business than for many multinational companies as beer is typically a local product: brewed locally, sold locally and consumed locally.

Accordingly, the health and prosperity of the communities in which we operate is intimately linked to our ability to grow profitably. But this only holds true if we operate in a responsible and accountable way. Behaving responsibly towards all our stakeholders is part of our beliefs and fundamental to building sustainable markets.

### Making a difference through beer

The main way in which we add value to economies, communities and environments is by being a responsible and profitable business. Through employment, taxation and the purchasing of goods and services, we make a significant contribution to local economic development. In 2007/08 we directly employed 69,116 people with total remuneration of US\$2,353 million. We paid US\$5,291 million in direct taxes and excise duties and US\$10,185 million to suppliers of goods and services.

Cash value added, the cash remaining after operating cash requirements have been met, was just over US\$1,200 million.

**US \$1,237m**

cash value added

One example of our influence on the economy comes from South Africa where, during the year, we recalculated our impact using the government's economic data. Here, we directly employ more than 9,000 permanent employees, creating an estimated 48,000 jobs among direct suppliers and as many as 378,000 full-time jobs (3% of total employment) in South Africa as a whole. Total remuneration directly and indirectly related to SAB Ltd's operations, amounts to just over US\$1 billion.

But the picture is broader than providing jobs or income. For example, the United Nations has estimated that a lack of access to basic water and sanitation services alone deprives sub-Saharan Africa of a further 5% of GDP. Programmes linked to our sustainable development priorities – in particular, engaging with communities in responsible water management, HIV/Aids testing and treatment, enterprise development through supply chain management and corporate social investment – also contribute indirectly to economic development.

Through running a successful business and taking these issues seriously, we are contributing to development and to meeting the United Nations Millennium Development Goals (MDGs). In 2007, we underlined our commitment by becoming a signatory to the Declaration on the Millennium Development Goals. This recognised the role business has to play in meeting the MDGs and acknowledged that while progress has been made, the international community must accelerate its efforts if they are to be met by 2015.

We also remain committed to the 10 principles of the United Nations Global Compact. This report, with accompanying material on our website, represents our annual 'Communication on Progress'.

During the year we identified three opportunities for leadership where we will focus our global efforts: discouraging irresponsible drinking, making more beer but using less water, and enterprise development.

### Discouraging irresponsible drinking

In the last year we have established a comprehensive Alcohol Framework. This builds on our previous Alcohol Manifesto and provides a globally consistent understanding of our beliefs on alcohol to ensure a consistent philosophy that underpins our work and guides our everyday decisions.

In June we joined more than 40 other businesses and non-governmental organisations (NGOs) to become a charter member of the European Alcohol and Health Forum. This focuses on concrete actions to reduce harmful drinking in the



## Key events and milestones in 2007/08

<b>May 2007</b> Debated our sustainable development framework with stakeholders in Geneva	<b>September 2007</b> Bavaria co-hosted the first national business ethics conference in Colombia	<b>January 2008</b> Approved our new Alcohol Framework
<b>June 2007</b> Made a commitment to the European Union Alcohol and Health Forum	<b>October 2007</b> Convened first round of new regional Corporate Accountability and Risk Assurance (CARAC) board meetings	<b>February 2008</b> Senior managers at our biennial conference in Delhi visited NGOs to understand challenges facing Indian society
<b>July 2007</b> Signed the United Nations CEO Water Mandate and Declaration on the Millennium Development Goals	<b>November 2007</b> Joined a multi-stakeholder dialogue on alcohol self-regulation in Latin America	<b>March 2008</b> Held stakeholder engagement session on HIV/Aids in Washington DC

European Union, including the prevention of underage drinking. Through our involvement in the International Center for Alcohol Policies, we have also contributed to the advancement of responsible marketing practices around the world.

**US \$5,291m**

paid in direct and excise taxes

In Africa we are working with several governments, NGOs and public health organisations to develop national alcohol policies to reduce alcohol-related harm. As a result of these efforts, Lesotho adopted its first national policy in October 2007. Policies are nearing completion in Swaziland, Uganda, Zambia, Malawi and Ghana.

### Making more beer but using less water

In July 2007 we signed the CEO Water Mandate, an initiative of the United Nations Global Compact, which committed us to leadership in water management. The principles of the Mandate fit well with our own approach to water management and we look forward to working further with other companies to make progress in this area.

We are committed to high standards of environmental performance in all new capital investments. During the year we

established a clear set of guidelines for all major capital investments. These state that all new breweries will aim to be within 10% of the current group best in terms of their performance on water, energy and carbon and waste. In this way, we are making sure we consider the long-term sustainability of all new plants.

### Enterprise development

One of the dilemmas of a globalising world is the increasing dependence on global supply chains which offer economies of scale through a smaller number of higher volume suppliers. While this has its advantages, it also has a downside for smaller, national suppliers of goods and services.

We believe that genuinely free trade benefits all, especially the developing world. However, there are factors which strengthen the case for local sourcing models, such as improved access to quality raw materials. We manage our supply chains with a view to the long-term benefits to our operations. These encompass the availability of key brewing inputs such as malted barley and the stimulus such purchasing gives to local economic growth. On this basis, we have invested extensively in small-scale supplier relationships where these are possible, particularly with smallholder farmers in Africa, India and, increasingly, Latin America, in order to build local agricultural capacity and secure supplies of critical raw materials.

### Sustainable development governance

During the year our sustainable development framework has been further embedded into our operations. Our local managing directors are responsible for integrating sustainable development considerations into their business plans, as appropriate for their own markets. In particular, we encourage our local operations to consider how their business can add value to our three global focus areas, namely discouraging irresponsible drinking, managing water responsibly and promoting enterprise development.

In March 2008 we agreed a new Code of Business Conduct and Ethics to which all employees must adhere. This Code represents a clear, conscious and personal commitment to doing what is right. The Code will be introduced across the group in the coming year.

**Robert Fellowes, Senior Non-Executive Director, SABMiller plc and Chairman of CARAC**

**Graham Mackay, Chief Executive, SABMiller plc**

# Overview of progress

Our 10 sustainable development priorities focus us on the opportunities and risks that arise from our environmental, social and economic footprints. The table below shows why we consider each to be a priority, the progress we have made and our future direction.

Priority	Why it is a priority	Targets we set last year	Progress we have made	Targets for this year
 <b>Discouraging irresponsible drinking</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.	<ul style="list-style-type: none"> <li>• Evolve the Alcohol Manifesto.</li> <li>• Help selected employees to become more fluent on alcohol matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Further developed our Alcohol Manifesto into our new Alcohol Framework.</li> <li>• Published a revised Code of Commercial Communications.</li> <li>• Revised Employee Alcohol Policy.</li> <li>• Established position papers on key alcohol issues.</li> <li>• Helped several African governments to produce national alcohol policies.</li> </ul>	<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>
 <b>Making more beer with less water</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.	<ul style="list-style-type: none"> <li>• Develop a watershed mapping tool to evaluate the risks and opportunities associated with water availability and quality.</li> </ul>	<ul style="list-style-type: none"> <li>• Undertook high-level study into long-term water availability for all sites.</li> <li>• Developed and introduced a watershed mapping tool.</li> <li>• Established guidelines for new capital projects.</li> <li>• Signed CEO Water Mandate.</li> </ul>	<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>
 <b>Reducing our energy and carbon footprint</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.	<ul style="list-style-type: none"> <li>• Develop carbon footprint methodology to understand and manage emissions.</li> <li>• Further evaluate the options for using renewable energy.</li> </ul>	<ul style="list-style-type: none"> <li>• Quantified the carbon footprint of one international brand.</li> <li>• Established guidelines for new capital projects.</li> <li>• Renewable energy investments continued, for example our Hungarian business, Dreher, inaugurated its biogas plant, cutting traditional energy consumption by 10%.</li> </ul>	<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 ABI operations in South Africa.</li> </ul>
 <b>Packaging reuse and recycling</b>	Packaging protects our products but has wider impacts. We are reducing the weight of our packaging, reusing bottles and encouraging recycling, thereby saving money and raw materials and reducing pressure on local waste services.	<ul style="list-style-type: none"> <li>• Evaluate where existing packaging materials can be substituted with better alternatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduced lighter bottles, including the European bottle for Miller Genuine Draft.</li> <li>• Integrated minimum standards for materials into our product development process to ensure quality and good environmental credentials.</li> <li>• Undertook successful trials of biodegradable shrink-film in Romania and Poland.</li> </ul>	<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>
 <b>Working towards zero waste operations</b>	Much of our waste can be a valuable resource for farmers and food producers as well as being a potential energy source. We aim to minimise the amount of waste we send to landfill, so saving money and reducing its environmental impact.	<ul style="list-style-type: none"> <li>• Review best options for the reuse and recycling of brewery waste streams, initially with Miller in the USA.</li> </ul>	<ul style="list-style-type: none"> <li>• Completed review and several operations, including Miller, are now approaching 'zero-waste' to landfill.</li> </ul>	<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>

## Priority

## Why it is a priority

## Targets we set last year

## Progress we have made

## Targets for this year



### Building supply chains that reflect our own commitment

The effects of our purchasing are felt around the world. We engage with our suppliers to secure supplies of quality goods and services, reduce reputational risks, provide employment and improve standards of living in developing communities.

- Incorporate Responsible Sourcing Principles into supplier contracts.
- Field-test good practice agricultural principles.
- Extend the coverage of our supplier engagement workshops.

- Responsible Sourcing Principles becoming part of the supplier evaluation process.
- Reviewed and tested guidance on agricultural practice. Now carrying out wider review of smallholder farmer activity.
- Held regional workshops with key European suppliers.
- 10,500 farmers involved in smallholder programmes.

- Review our smallholder farmer programmes to understand the business and social value added and expand and improve their impact.
- Include social, ethical and environmental criteria in evaluating suppliers of raw materials such as packaging.



### Benefiting communities

The prosperity of communities and that of our operations are codependent. Our corporate social investment activities aim to improve the quality of life for local people, helping to build strong relationships with suppliers, consumers and our employees.

- Ensure that every operation has a formal corporate social investment strategy.
- Improve the measurement and evaluation of strategic community investment.
- SAB Ltd to increase employee involvement in community volunteering to 65%.

- All operations now have a formal strategy in place.
- Continued to embed our systems for data collection.
- US\$30 million cash invested in corporate social investment.
- Employee volunteering at SAB Ltd estimated to have reached 65%, although data capture needs to be improved.

- Improve the focus of our activities on our strategic CSI issues of water, enterprise development and HIV/Aids.
- Continue to expand our entrepreneurship programmes and identify the value added to improve the quality of these activities.



### Contributing to the reduction of HIV/Aids

The HIV/Aids pandemic is particularly relevant to our operations in Africa. We have programmes in place for our employees, their families, local communities and suppliers and we share our experiences with our operations around the world. This helps us to ensure the wellbeing of our staff and the stability of our workforce.

- Improve the percentage of spouses and dependants on treatment by continuing to address the fear and stigma engendered by the disease.
- Run education workshops for community organisations and suppliers in Tanzania and Zimbabwe.
- Introduce awareness initiatives in two operations outside Africa.

- Held education workshops in Tanzania, Zimbabwe, Uganda and Zambia.
- Published a briefing paper 'Living and working with HIV/Aids'.
- Supported and presented at the first 'Business against Aids' round table in Russia.
- Percentage of spouses and dependants on treatment rose from 11% to 14%, with further improvement needed.

- Increase participation of employees and their spouses in annual voluntary counselling and testing.
- Increase the percentage of HIV positive spouses and dependants on managed healthcare programme.
- Increase number of peer educators in our businesses.



### 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.

- Ensure that all group companies have embedded our human rights principles in their local human resources policies.

- All group operations have incorporated human rights principles into their local policies.
- Principles now being introduced into the value chain.

- Introduce our new Code of Business Conduct and Ethics.
- Contribute to human rights dialogues on a national and global level.



### Transparency in reporting our progress

External stakeholders should be able to access information easily to enable them to assess our performance against stated values and to make informed judgements about the business. We aim to improve our reporting in response to stakeholder needs.

- Increase frequency of internal reporting by operations to every six months.
- Encourage the production of local sustainable development reports.

- Held stakeholder dialogue sessions on our approach to sustainable development.
- Instituted twice-yearly reporting on progress on the 10 priorities.
- Local sustainable development reports becoming more consistent, using our 10 priorities as a framework.

- Conduct detailed 'deep dive' investigations on sustainable development issues throughout the value chain in four of our emerging markets.
- Improve qualitative dialogue between operations through training sustainable development champions within each region.

## Global framework, local action

Our approach to sustainable development provides our operations with the flexibility they need to respond to the social and environmental contexts they face.

### Our strategic approach

Our business has established a clear strategic focus founded on four key priorities. The first is to create a balanced and attractive global spread of businesses – one that is well distributed geographically across both developed and developing markets. Secondly, we aim to create a portfolio of brands that matches the aspirations and preferences of consumers within each market. Our third and fourth priorities are to keep raising the performance of local operations and to gain maximum value from our global scale.

Our approach to sustainable development complements this overarching business strategy. The global nature of our business allows us to take what we have learned in one market and share it in another, whether it is transferring our African experience in tackling HIV/Aids to India and Russia or applying our model for developing entrepreneurs in Latin America. Through further cross-company training, engagement with the operations and better software tools, we continue to improve the collaboration and sharing between our operations in different parts of the world.

### Global framework, local action

This sense of decentralised collaboration also runs through our approach to sustainable development and we have developed what we believe to be a unique approach – one that provides an overall

framework but gives our operations the flexibility to implement programmes that best meet their local circumstances. For each of our 10 sustainable development priorities, we have set four levels of performance, independent of any legal requirements, from Level 1 (minimum standard) to Level 4 (being admired). All companies under our management control have to achieve Level 1 or to have established a plan to reach Level 1 as a matter of priority.

Operations complete a six-monthly self-assessment which benchmarks each one against its peers in its region and globally. Progress against the four levels is discussed at the meetings of the local, regional and plc Executive Committees and is reviewed by the regional and plc Corporate Accountability and Risk Assurance Committees (CARACs).

With so much global debate on the contribution of business to a vast range of social and environmental issues, it is vital that we concentrate our efforts on where we can make the greatest impact. During 2007/08 we identified the three priorities on which we plan to focus our efforts – discouraging irresponsible drinking, making more beer but using less water and encouraging enterprise development in our value chains. In 2008/09 we will be refining our strategies in these areas to make better use of our scale and ensure a greater positive impact.

Other issues are high on the agenda of certain businesses (energy and carbon in Europe and the USA, for example) but are still rising up the agenda in other markets. At the same time, the challenge of HIV/Aids, a critical human resources and community issue for operations in Africa, is becoming increasingly important in Russia, India and some Latin American markets.

### A focused approach to sustainable development leadership

Opportunity for global leadership	Water	Enterprise development in our supply chains		Alcohol	
Regional leadership areas	Energy/Carbon	HIV/Aids		Corporate social investment	
	Europe US	Africa South Africa Asia		South Africa Latin America US	
Continual improvement	Human rights	Waste	Transparency		Packaging



We have held stakeholder workshops around the world to discuss our approach to sustainable development.

#### Testing our approach with stakeholders

Our approach has evolved in dialogue with national and international stakeholders. In the last two years, for example, we have held workshops in Cape Town, Washington DC, London, Geneva and Bogotá to discuss our overall approach to sustainable development. Stakeholders attending included a range of NGOs, academics, UN agencies and business organisations. Opinions have been varied, wide-ranging and sometimes conflicting. However, the areas in which we have received the clearest messages have been water, enterprise development, HIV/Aids and transparency with a smaller number of less consistent views on alcohol. We have taken these views into account in developing the action plans for the relevant priorities.

#### Water

In London and Washington DC, participants were impressed by the extent to which we had made water a priority. However, stakeholders in London asked for greater recognition of the water stressed countries in which we operate. In Bogotá, participants requested a clearer connection between our water sources and the wider ecosystem, while in Washington DC, some participants recommended we get involved in catchment management initiatives and help suppliers to reduce their consumption.

#### Enterprise development

Participants in London felt that our approach was innovative and reflected a move from traditional philanthropy towards a greater focus on core business strengths. However, there was a view that we should make a clearer connection between corporate social investment and our supply chain. Participants in Bogotá wanted us to increase our work with smallholder farmers and to promote employment.

#### Transparency

In Bogotá and London we received positive feedback for hosting the stakeholder workshops and for our commitment to transparency. Participants in Geneva said we should begin dialogue with stakeholders earlier (a sentiment echoed in Cape Town) and emphasised that we should be even more open on tough issues such as irresponsible drinking

in areas of high HIV/Aids prevalence. Stakeholders in Bogotá thought we should establish strategic partnerships to achieve a greater impact and should influence public policy through sharing of best practice.

#### HIV/Aids

Participants were impressed by the high levels of participation in voluntary counselling and testing programmes and our commitment to treating employees and their dependants. Some in Cape Town suggested that our approach 'doesn't inspire, stretch or challenge', while others in London suggested it was too local and cautioned us against separating HIV/Aids from the other priorities. They also said our position paper should better reflect our work in the supply chain and local communities.

#### Other comments

Feedback from Cape Town and Geneva suggested we might have too many 'priorities' and questioned whether we could, or should, take a leadership position across all 10. Other issues that stakeholders identified and felt should be included were, for example, corruption, malaria, workforce skills and a stronger connection to the Millennium Development Goals. Finally, in London, participants thought we should continue to question and review what it would take to be considered truly sustainable.

These are all important points. While we have not fully integrated all of them, many are reflected in this report. We have conducted further issue-specific stakeholder dialogues which are discussed throughout this report, for example, on water and HIV/Aids.

#### Cape Town

30 May 2006

#### Washington DC

20 October 2006

#### London

23 November 2006

#### Geneva

3 May 2007

#### Bogotá

26 September 2007

**Embedding our approach.** The real test of our approach is the difference it makes on the ground. In response to feedback from stakeholders and our assurance providers on last year's report, the following example shows how our key priorities are being implemented in one operation, Backus in Peru.



### Local action in Peru

**Guided by our Alcohol Framework, and working with other producers, NGOs and government ministries, Backus is involved with the formulation of a national code on self-regulation for commercial communication on alcohol. Having implemented its own code of communication, the business includes reminders on irresponsible drinking in its marketing material and has developed a consumer campaign to discourage irresponsible consumption.**

During 2007 the company established a corporate ethics programme supported by a whistle-blowing line that allows any breach of its ethical codes to be reported in confidence. This commitment to high standards of ethical behaviour extends into the supply chain and Backus has engaged with suppliers on the group's Responsible Sourcing Principles, holding workshops to discuss issues such as human rights and quality certification. A key next step is to work with these companies to understand Backus' extended energy and water footprints.

Backus has a strong record of environmental management, first receiving certification to the ISO14001 standard in 1999. Over 95% of its waste is recycled or reused and 90% of its beer is sold in returnable packaging. Several brands have been 'lightweighted', achieving glass savings of up to 7% per bottle, and the business is involved in a national campaign to promote recycling. Boilers at the Ate brewery have been converted to run on natural gas, several breweries have been upgraded to reuse more carbon dioxide in production processes and emissions from the new trucks are lower than legal requirements. Breweries in Motupe, Malteria and Pucallpa and the malting plant in Lima have installed treatment plants that allow waste water to be reused for cleaning and irrigation.

Backus is creating more jobs through its 'Progresando Juntos' programme to support the development of small businesses, including suppliers, customers, maize producers and craftsmen. Under its corporate social investment programme, Backus has invested over US\$2.5 million in different

social projects during the year. These include the digital educational programme, 'Virtual Schools', and disaster relief to communities affected by the earthquake in Ica in August and floods in Aguaytia in February.

Employing more than 4,000 people, Backus works hard to offer an excellent working environment and monitors progress through six-monthly 'satisfaction surveys'. While it has developed an HIV/Aids policy, given Peru's low prevalence rate of 0.6%, Backus does not have a specific HIV/Aids programme in place. However, it does provide healthcare benefits to employees and access to a vaccination programme. Backus promotes freedom of association and collective bargaining and works with unions to ensure strong employee relations. In September 2007, Backus was recognised for 'excellence in human resources management' by the Universidad Ricardo Palma.

[www.backus.com.pe](http://www.backus.com.pe)



## Continuing to embed globally consistent standards

### Background

**Our beers are enjoyed responsibly by millions of adults around the world every day. However, there is no simple solution to the problems caused by irresponsible consumption. While alcohol consumption is ultimately a matter of individual judgement and accountability, we believe that irresponsible drinking is minimised when the facts about alcohol are presented in an accurate and balanced way, when governments enforce existing alcohol laws such as those on drinking and driving, and when efforts are targeted to those most at risk, including underage drinkers.**

### Our Alcohol Framework

Building on our previous Alcohol Manifesto, we have, in the last year, developed a comprehensive Alcohol Framework. This is founded on six principles, formally agreed by the Executive Committee in January 2008. By providing a globally consistent understanding of our beliefs on alcohol, it underpins our work in this area and guides everyday decisions throughout the business.

Within this framework, we have prepared position statements covering key aspects of the alcohol policy debate. Each is supported by detailed papers explaining the third-party evidence and research on the topic. Other position papers will

be added and the existing ones regularly refreshed as new scientific evidence becomes available. These are outlined on page 11.

### Marketing our brands

Alcohol advertising is one of the most regulated forms of advertising in the world. In addition to regulatory compliance, we follow voluntary marketing standards in order to strike a balance between society's right to responsible advertising, our right to advertise and adult consumers' right to product information.

Our commitment to responsible marketing is most clearly demonstrated by the way we communicate with our customers. During the year we refreshed our Code of Commercial Communication, first launched in 2004, extending it to cover not only marketing but also sales and distribution materials. This Code has also been incorporated into a broader Policy on Commercial Communication which sets out minimum standards for the sales and marketing compliance committees that operate in each of our businesses.

Through involvement in annual cross-sector workshops conducted by the International Center for Alcohol Policies (ICAP), we have also contributed to the advancement of effective marketing practices around the world. In November 2007, we joined other producers,

government representatives, trade associations and universities in Chile to share best practices on marketing self-regulation. The event concluded with the adoption of the Santiago Declaration in which participants committed themselves to developing an industry-wide marketing code in parts of Latin America.

### Working with others to encourage responsible attitudes to drinking

We define 'responsible drinking' as consumption that does not harm the drinker or lead to behaviour that could harm others or society. Promoting the responsible consumption of our beers therefore benefits consumers, society and our business.

During the year, we have continued our outreach efforts at the World Health Organisation and many of its member states. In June we joined more than 40 other businesses and NGOs to become a charter member of the European Alcohol and Health Forum (EAHF) which seeks to reduce harmful drinking in European Union countries. As part of our involvement, we have committed ourselves to conducting comprehensive training in the SABMiller Code of Commercial Communication for all European employees with functional responsibility for the marketing, sales and distribution of our products as well as for all senior managers.

## 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

## Discouraging irresponsible drinking continued

*“Respect 21 shows that responsible retailing can be achieved by assisting establishments to identify and adopt measures to improve age-verification. And it shows that distributors are perfectly poised to engage retail establishments in this process and to provide them with the resources and mechanisms to do a better job.”*

Dr Brad Krevor, Senior Research Associate, Brandeis University

We are working with several governments, NGOs and public health organisations in Africa to develop national alcohol policies to reduce alcohol-related harm. As a result of these efforts, Lesotho adopted its first national policy in October 2007. Policies are nearing completion in Swaziland, Uganda, Zambia, Malawi and Ghana while in Botswana a policy is also under development.

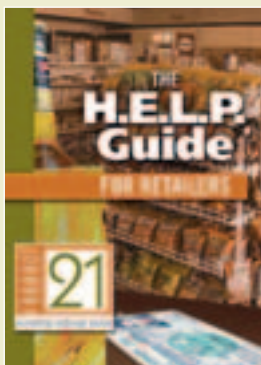
Drawing heavily on our Alcohol Framework, our Colombian operation, Bavaria, has established an industry-wide approach to responsible consumption including an in-depth study of consumption patterns. Under its ‘Todos Podemos ser Padres’ programme (‘We can all be parents’) Bavaria distributed more than 300,000 free booklets entitled ‘Talk to your kids about alcohol’. It is now working with a range of stakeholders including the Ministry of Education, the Ministry of Health, the NGO Red Papaz and the National Police to tackle the issue of underage drinking.

As well as liaising with governments and policy organisations, we invest in education programmes and marketing campaigns to remind distributors and consumers of the role they play in preventing harm to themselves and to society. In El Salvador, for example, during the year we have held workshops for 450 bartenders and waiters which covered, among other things, the responsible sale of alcohol. Meanwhile Kompania Piwowarska is working with the Polish Brewing Industry Association on a campaign to help reduce injuries and fatalities caused by drink driving.

Our operations in Hungary and Slovakia are working on drink driving programmes while Miller in the USA has joined forces with the American Motorcyclist Association to launch the ‘Keep Your Balance’ campaign. Our ‘Draw the Line’ programme continues in South Africa. Birra Peroni, meanwhile, is working with the Italian Brewers Association and the Gynaecologist and Obstetrics Association to remind women of the risks of drinking during pregnancy. We have also taken the first steps in establishing an expert advisory council on alcohol to provide advice on the latest alcohol research and give insight into our policies and our overall approach.

### Targets

- Conduct an alcohol education programme on the SABMiller Alcohol Framework for all SABMiller employees.
- Continue to engage with key alcohol stakeholders at the local and international level.
- Launch a website to provide accurate and balanced resources on alcohol for our consumers, employees and other interested stakeholders.



### Extending our work with retailers

Miller’s ‘Respect 21’ programme is intended to prevent the sale of alcohol to underage consumers. The programme is designed for our retail partners and administered by Miller’s distributors and has been developed in partnership with Brandeis University providing measurable results on behavioural change, evaluated by a third party.

In 2007 ‘Respect 21’ was extended to three new locations including Miami, Florida. Participating licensees received signage, training material, and a H.E.L.P. guide containing guidance and best practice recommendations. Mystery shoppers, of legal age, determined the number of times retailers asked young people for age verification before and after a programme of training and awareness raising. Work showed a dramatic improvement – up from 46% in the first visit to 96% at the end of the project. Miller now plans to expand the programme in the coming year, taking ‘Respect 21’ to 10 new communities.





*"Like most developing countries in sub-Saharan Africa, Lesotho is faced with serious social and economic challenges. The recently adopted National Alcohol Policy will certainly help us address and protect the rights of different sections of the community and Lesotho Brewing Company is to be commended on the role it has played."*

Honourable Lebohlang Nts'inyi, Lesotho Minister of Tourism, Environment and Culture

## Our position on key issues

### Alcohol and health

Our beer adds to the enjoyment of life for the overwhelming majority of consumers. In addition to bringing social pleasure, alcohol may provide physical health benefits for some people when consumed in moderation. On the other hand, alcohol is associated with certain diseases, health conditions, and negative social consequences, especially when consumed excessively or irresponsibly. Though we recognise that consumers are ultimately responsible for their own drinking decisions, our advertising will not present refusal, abstinence or moderate consumption in a negative light; suggest that alcohol has curative qualities; depict pregnant women; or be targeted to underage people.

### Binge drinking

Whether labelled as 'binge drinking' or 'alcohol abuse', any pattern of drinking that involves rapid intoxication or intoxication for an extended period of time carries the potential for considerable social, psychological, and physical harm and should be avoided. Though we recognise that consumers are ultimately responsible for their own drinking decisions, we will work to create an environment through our marketing where alcohol consumption is depicted in socially responsible settings and quantities. Information provided to consumers about alcohol consumption should be accurate and balanced, and we will take steps to engage stakeholders to help prevent irresponsible consumption.

### Consumer information

Consumers should make informed decisions about alcohol consumption based on accurate and balanced information. Consumers are in the best position to judge the personal risks and benefits of drinking alcohol and the need to adjust their drinking when personal circumstances change. We will be truthful and not mislead consumers in our advertising about the risks of alcohol consumption. We will further engage with stakeholders to promote alcohol responsibility.

### Drinking and driving

People who are drunk should not drive. We respect the rights of countries to establish drink driving laws, including maximum blood alcohol concentration (BAC) limits for drivers, and we encourage enforcement of those laws. We encourage targeted education and intervention programmes that encourage people not to drive drunk. We will support these programmes by not portraying drinking and driving as acceptable behaviour in our marketing.

### Pregnancy and alcohol

Pregnant women should either not drink alcohol or seek medical advice before they do. Physicians, midwives, and other medical providers play an important role in providing detailed advice to women. We engage with governments and other stakeholders to support the delivery of this advice, which may include mandatory pregnancy warnings on product labels. Though we recognise that consumers are ultimately responsible for their own drinking decisions, our advertising will not suggest that drinking during pregnancy is acceptable behaviour.

### Underage drinking

People who are under the legal drinking age should not drink alcohol. Laws preventing the access of alcohol to underage people should be strictly enforced. We respect differences in national values regarding alcohol consumption, including the minimum age at which someone can drink legally; however, we will encourage the adoption of minimum age laws where they do not exist. We support efforts to raise awareness among parents, retailers, and other adults about the risks of underage drinking and giving alcohol to young people. Although to our knowledge studies indicate that advertising has a negligible, if any, influence on underage drinking, we do not and will not target our marketing to anyone under the legal drinking age, or in countries without a legal drinking age, to anyone under 18.



## Supporting the introduction of national alcohol policies

In October 2007 the government of Lesotho adopted its first national alcohol policy. The Lesotho Brewing Company was instrumental in the process, bringing together a wide range of local stakeholders to discuss issues of alcohol use and misuse at Lesotho's first National Alcohol Policy workshop in Maseru. Through this and subsequent discussions, the group developed a comprehensive policy that fits the local culture and will benefit the people of Lesotho by providing an approach to alcohol that seeks to encourage moderate consumption while minimising the harm from abuse.



# Making more beer but using less water

## Water is a precious resource and we take an holistic approach to ensure responsible water management

### Background

By 2025 it is estimated that more than three billion people will be living in water-scarce areas. The challenge of water availability will be compounded by rising demand from the growing and increasingly wealthy populations of India, China and other emerging economies as well as by climate change.

Each year we consume over 890 million hectolitres of water in our brewing, soft drinks and malt operations. The majority is used in the production process for the beers and other drinks we produce. Additionally, we use water for cooling, cleaning of packaging materials such as bottles and kegs, pasteurisation, rinsing and cleaning process equipment and flushing of filters.

Water availability is critical to the future of our business and we have identified water as one of our top three global sustainable development priorities. In June 2007 we published a new report, 'Water – the challenges for the future'. This discusses the questions posed by the issues of water quality and availability around the world, acknowledging that it is not just a matter of the water we use in our breweries: we must also know more about the wider footprint of our value chain.

### An integrated approach at the global and local level

In July 2007 we became a founding signatory of the United Nations CEO Water Mandate. Through this voluntary initiative we have committed ourselves to becoming more water efficient, working with suppliers to improve their water efficiency, entering into dialogue with local communities and transparently reporting progress on water.

We aim to take an integrated approach to water management at both the global and the local level. For example, SABMiller India has developed a comprehensive approach to water management through its '5 Rs' framework (reduce, reuse, recycle water within the plant, and replenish and redistribute community water resources). Meanwhile, in March 2008, Tanzania Breweries Ltd convened a meeting for stakeholders to discuss the short, medium and long-term challenges faced by the capital, Dar es Salaam, in terms of the quality, quantity and reliability of its water supply.

### Operational efficiency

The water efficiency of brewing operations has improved markedly over the last 25 years, before which it was common for breweries to use up to 30 hectolitres of water to produce a single hectolitre of beer. According to the United Nations Environmental Programme (UNEP), a typical figure for an efficient brewery is

5.0 hectolitres of water per hectolitre of beer produced. At 4.6 hectolitres of water per hectolitre of beer, the average for SABMiller compares favourably with this figure and with our competitors.

Although in recent years our overall average performance has been relatively static, in the coming year we aim to improve performance. In the last 12 months we agreed a set of guidelines for major capital investments which means that all new breweries should aim to be within 10% of the current group best.

It is also important that we maximise options for reuse and recycling with any residual water being cleaned and returned to the environment. In Honduras, for example, Cervecería Hondureña recovers biogas from the waste water treatment process and burns it to supply nearly 15% of the brewery's energy needs. The business also supports a local nursery through the supply of treated water and dried sludge for use as a fertiliser.



### Continuous improvement in water efficiency

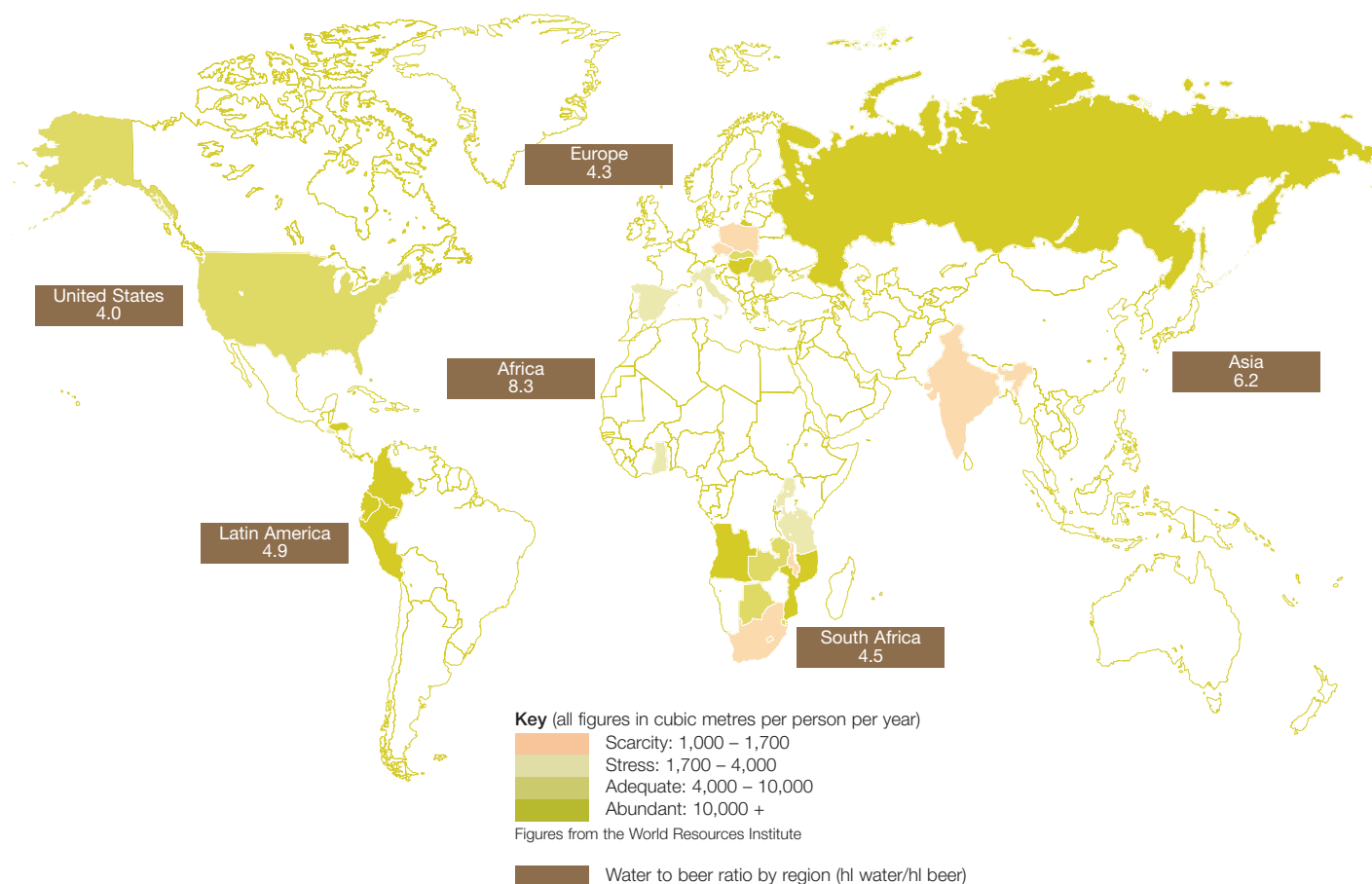
Over the past five years, our operations in Slovakia have reduced consumption by 10% to 4.67 hectolitres of water per hectolitre of beer produced, comparing favourably to the industry average.

During this time, at our brewhouse in Saris we have replaced our lauter tun, wort kettle and heat recuperation system to reduce water use. We have also installed a more efficient bottle washer and now use the same water to clean the inside and then the outside of our kegs, so reducing water and chemical use.

Improvements in efficiency are not just about investing in new technology and improving our processes. We are also working hard to make sure all our employees are aware of why we are looking to reduce our consumption and the part they can play.



## Water availability and efficiency by region for our brewing operations



### Stakeholder dialogue in Tanzania

Dar es Salaam, the capital of Tanzania, is facing long-term water shortages, exacerbated by problems with the distribution network. Water quality can be poor with high levels of groundwater salinity.

In March 2008, Tanzania Breweries Ltd brought together a range of stakeholders to discuss the short, medium and long-term water challenges facing the city. The output from the day was a statement of priorities detailing actions that should be taken to secure and enhance water resources in the area. This will now be used as a basis for further dialogue with government and donor agencies.



*"SABMiller shows a clear understanding of water issues that only a handful of multinationals have demonstrated. The watershed risk mapping of operations being undertaken is a step that other companies would do well to emulate. WWF would like to encourage SABMiller in future to set 5-10 year targets for its water programme, and to proceed with a commitment to measure, manage and report on a total water footprint."*

WWF UK

## Supply chain footprinting

The majority of water used in the production of beer is not in the brewery itself but in malting, the manufacture of packaging and, most significantly, agriculture. Contrast, for example, the 4.6 hectolitres of water we use per hectolitre of beer we produce against our estimate of 55 hectolitres required to grow the irrigated barley for the same volume of beer. Over the coming 12 months we will be looking into supply chain footprinting in more depth to understand to what extent this varies between our different operations and what improvements we can put in place.

We encourage all our operations to understand more about the water footprint of their supply chains. As a minimum they must understand which crops come from irrigated sources with the ultimate aim of building a complete water footprint for the supply chain. During the year, 13 of our operations have been working with their immediate suppliers in this area.

## Watershed mapping

Competition for scarce water resources is likely to lead to tighter water allocations for industrial use along with a greater risk of supply interruptions and declining water quality in some of our markets. It is therefore essential that we build up a detailed picture of the watersheds on which our operations depend. During the year we engaged a specialist consultancy

to evaluate the high level, long-term water availability for each of our facilities. Using proprietary databases along with the new World Business Council for Sustainable Development water tool, we mapped all our breweries, malt operations, and soft drinks plants against the water challenges they face now and through to 2025.

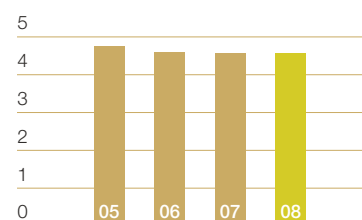
Following on from this work, our sustainable development and group technical teams have built a watershed mapping tool to enable each of our plants to build a more detailed picture of the pressures they face at a local level. Using this tool, during 2008/09 we will be completing watershed mapping exercises at around 30 breweries facing potential long-term water stress, developing detailed action plans for each.

## Targets

- **Improve water efficiency.**
- **Undertake watershed mapping exercises for around 30 sites in areas at risk of long-term water stress.**
- **Undertake a detailed water footprinting exercise to evaluate the water use in our supply chain.**

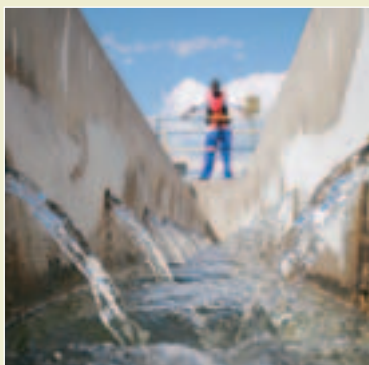
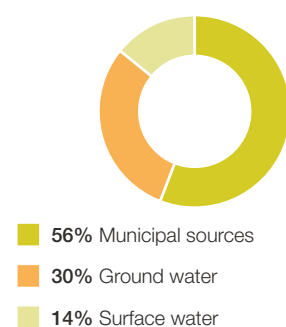
## Water to beer ratio

hl water/hl beer



## Water sources

percentage breakdown by volume



## 'Save Water – Save Lives'

In a water-stressed country like Botswana, water efficiency and mapping key activities are essential in ensuring the long-term viability of our operations.

Kgalagadi Breweries has considered a number of alternatives to municipal supplies of water. However, groundwater levels are too low for a borehole to be viable and the small size of the brewery means it is not feasible to harvest rainwater. The focus, therefore, has been on adapting manufacturing processes to reduce water consumption – for example, recovering water from a pasteurizer for secondary operations like cleaning floors and quenching coal ash. The business is also educating employees on the importance of water conservation through its 'Save Water – Save Lives' campaign. Meanwhile, it continues to work closely with the government, the water provider and other stakeholders to understand more about the sources, quality and supply of the operation's water.

**We are beginning to understand which parts of our value chain create the most emissions, helping to target our reduction programmes**

## Background

In November last year, the Intergovernmental Panel on Climate Change released its Fourth Assessment Report stating that climate change is indisputable and that human activity is a key contributing factor. It is predicted that this will lead to impacts on weather patterns, water availability and crop yields around the world.

To cut our operational carbon emissions, we are working both to reduce our energy consumption and to improve our energy mix. This year we have set guidelines for all new capital projects with all new breweries aiming to be within 10% of current best practice within the group. We also want to understand more about the energy used in our supply chain.

## Energy and carbon dioxide

The majority of our carbon dioxide emissions come from our use of electricity and the burning of fossil fuels in boilers at our breweries. Most of our electricity comes from public supplies, though we use some on-site generators where these supplies are unreliable. In 2007/08 we consumed 150 megajoules of energy per hectolitre of beer, a slight improvement on the previous year. This amounted to emissions of 2.3 million tonnes of carbon dioxide, equivalent to 13.7kg of carbon dioxide per hectolitre of clear beer. Emissions per hectolitre have increased partially as a result of increased consumption in South

Africa, which uses a greater proportion of coal than the average for the group.

Aside from the use of energy in our breweries and bottling operations, the other significant source of carbon emissions comes from the transportation of our products. During the year we have collected data on distances travelled by vans, lorries and trains in our US and European regions. Together this amounted to nearly 335 million kilometres. Over the coming year we will be working to extend coverage to the remaining regions. Other emissions come from the point-of-sale chillers used in merchandising our products – we will be looking at this area in more detail in the coming year.

## Plant efficiency

Improved plant efficiency and reduced energy use makes sound financial sense and not only through lower energy bills. Many of our plants in Europe are subject to the EU Emissions Trading Scheme. By continuing to reduce their energy consumption our operations are able to generate carbon credits which can then be sold to other businesses to help them meet their targets.

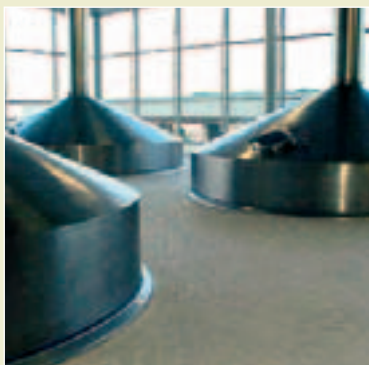
In other parts of the world, the need to preserve energy is even more acute. For example, in South Africa SAB Ltd has signed up to a voluntary agreement with the Department of Minerals and Energy to reduce electricity consumption by 15% between 2000 and 2015. In response

to the recent energy crisis SAB Ltd is separately targetting a 10% saving by September this year.

## Renewable energy

One way we are reducing greenhouse gas emissions is through greater use of renewable energy. The amounts involved are small but growing: during 2007/08, our use of renewables increased to 1.5% of total plant energy use, up from 0.9% reported last year. Much of this comes from burning biogas produced by water treatment processes in our breweries. We now have biogas recovery plants in place in the USA, Italy, the Canary Islands, Hungary, the Czech Republic, Poland and Honduras which contribute up to 15% of individual breweries' energy use.

Another example of energy reduction was evident during the expansion of Rochees Brewery. SABMiller India took the opportunity to upgrade the boiler, with the objective of decreasing thermal energy demand by 42%. It also switched to renewable rice husks for fuel, a move that is expected to save some 4,000 tonnes of carbon dioxide per year. In Honduras, meanwhile, the sugar mill in Azunosa is now partly fuelled by waste from the sugar cane itself and in South Africa we are commissioning a study into the potential of using spent grains to generate electricity.



## Improving energy efficiency at Birra Peroni

Given that Italy's energy prices are among the highest in the world, the reduction and conservation of energy are key priorities. Since 1999, Birra Peroni has more than halved its energy consumption and now uses 110 MJ per hectolitre of beer produced. Much of this saving has come from capital investment such as installing a new brewhouse and pasteurizer line, improving the waste water treatment plant and increasing the recovery of biogas.

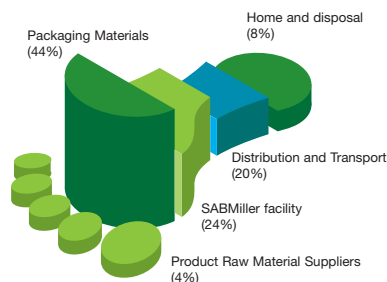
We are now working with engineering consultants, Danfoss, to raise awareness and improve energy efficiency through small-scale interventions. Danfoss has audited our plants, processes and systems and having identified further potential savings, collated baseline data and finalised the costs, we are now working to implement these improvements.

*“Dreher sets a good example with its environmentally conscious activity... this investment is not only environmentally sound, but also makes it possible to realise considerable savings.”*

Dr Gábor Fodor, Minister for Environment and Water, Hungary

## Carbon footprinting

Last year we set a target of developing a carbon footprint methodology to help us understand and manage the impacts of our extended supply chain. Working with specialist consultancy ERM, we have explored the greenhouse gas emissions associated with raw material production, transport, processing, product manufacture and the disposal of packaging, as they relate to our Peroni brand, imported from Italy into the UK. This showed that our facilities accounted for around 24% of the carbon footprint, while packaging materials constituted nearly half the total figure. We have subsequently expanded the scope of the project to cover all our European operations to allow us to compare carbon footprints according to brand, transport type, packaging choice and final destination amongst other variables.



**The carbon footprint of bottled Peroni (sold in the UK)**

## Providing information on carbon emissions to our customers

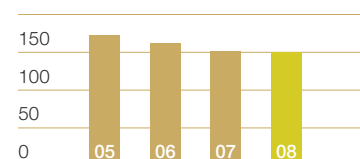
Growing numbers of retailers are taking an interest in carbon labelling. In the last 12 months several of our customers in Europe and the USA have been investigating the issue. For example, Miller in the USA has taken part in a carbon footprinting exercise with Wal-Mart, providing detailed information on the carbon footprint of beer supplied to the retailer. It will now be engaging with other suppliers and sharing information to stimulate discussion on the opportunities for savings.

### Targets

- Improve average energy efficiency.
- Develop a flexible carbon footprinting tool to evaluate the carbon impact of business decisions such as choice of packaging material or distribution method.
- Partner Cola-Cola to trial 'eKO' low greenhouse gas emission fridges in our ABI operations in South Africa.

## Energy consumption rate

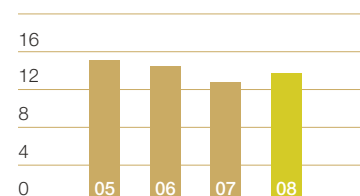
MJ energy/hl beer



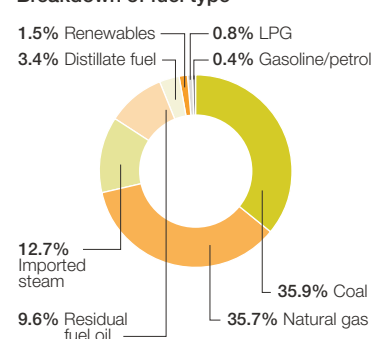
Figures for 2006 and 2007 have been restated to improve data quality.

## CO<sub>2</sub> emissions from energy

kg carbon dioxide/hl beer



## Breakdown of fuel type



## Dreher – our latest plant to use biogas

In January 2008, Dreher in Hungary became one of the growing number of breweries in the group to introduce a waste water treatment and biogas generation plant. Biogas is a by-product of anaerobic waste water treatment and can be burned to produce energy.

Energy produced from burning the biogas should allow the company to reduce its traditional annual energy consumption and the related carbon dioxide emissions by 10%. It also leads to a reduction in the amount of organic matter released to the environment.





## High levels of reusable packaging and continued progress in lightweighting

### Background

Packaging is an essential part of our products and performs several functions, for example, protecting the product on its journey from the brewery to the customer, marketing the brand and providing information to our consumers. Our choice of materials is influenced by many factors including the move some retailers are making towards shelf-ready packaging to reduce handling costs. Too much packaging means unnecessary use of materials, higher carbon emissions and extra cost. Our efforts in this area focus on reducing material use through lightweighting, reusing containers where possible and increasing recycled content.

### Lightweighting

As a first step, we seek to use less packaging material. This has obvious benefits in terms of the raw materials and energy we consume and the financial savings we can make. As part of GlassRite, (an initiative from the UK Government backed Waste and Resources Action Programme), we recently redesigned the European bottle for Miller Genuine Draft, one of our international brands, introducing a new-look, 330ml bottle. This has saved more than 1,000 tonnes of glass and reduced our carbon dioxide emissions by around 650 tonnes per year.

Work by Miller in the USA also shows how small differences can result in big savings.

By reducing the diameter of the ends of its cans from 2.125 to 2.063 inches, Miller has saved over 560 tonnes of aluminium per year, equivalent to the aluminium contained in 2.2 million cases of beer. In a parallel exercise, a redesign of bottles has reduced the amount of glass used by more than 17,000 tonnes. Plastic bottles have also been redesigned to use less resin. Thanks to these combined measures, Miller has lightened shipping loads by 446 truckloads of beer, saving nearly 95,000 litres of fuel and 250 tonnes of carbon dioxide every year.

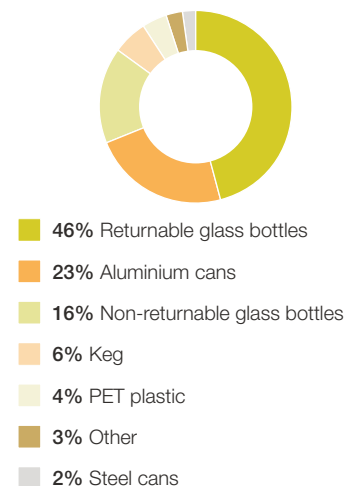
**52%**

of our beers are sold in returnable packaging

### High levels of reuse

In many of our markets, a significant amount of our product is delivered in reusable glass bottles that can be used for as many as 40 round trips. Numerous studies have been carried out into the relative benefits of reusable versus one-way packaging. Results vary, but in a number of our markets we consider reuse to be an environmentally preferable option although it does to a large extent depend on the assistance of retailers and consumers.

### Breakdown of packaging type



Reuse reduces the amount of material requiring disposal, preserves raw materials and saves the energy used in the manufacture and transport of virgin bottles or cans.



### Lightweighting in Honduras

Our lightweighting work in Honduras has, on average, achieved a 12.1% reduction in primary packaging weight over a 10 year period.

During that time, Cervecería Hondureña has reduced the glass in its returnable soft drink and lager bottles by 21% and 18% respectively. In the last year, it has reduced its usage of PET plastic by 13% to 1 kg of PET plastic per 0.49 hectolitres of beer produced.

It has also increased the amount of recycled material used in its packaging. For example, 30% of the plastic crates used to distribute its products are now made of 100% recycled material.



*"We welcome the recent lightweighting of the UK Miller Genuine Draft bottle... this is good news for reducing packaging and a positive step forward in tackling climate change."*

Nicola Jenkin, Waste and Resources Action Programme, UK

In El Salvador, La Constancia has introduced a new campaign under the slogan of 'La Retornable' aimed at protecting the environment. Through this initiative, the company is encouraging customers to recycle glass bottles by returning them to the company in exchange for cash or other products.

In some countries we use plastic sleeves to prevent damage to our bottles and maximise the number of return trips they take. We have been trialling a biodegradable plastic for shrink wrapping our products in Hungary and Poland. This has so far been successful and we are now testing it in the very different climatic conditions of South Africa.

### Recycling

There are technical limits to how far we can lightweight our packaging and reuse is not always appropriate for the market. In these circumstances, it is particularly important that we seek to maximise the recycled content of our containers. In many parts of the world most waste ends up in landfill sites and litter can also be a real nuisance, particularly in developing countries. We are working to facilitate the recycling of our waste, provide an end-market for recycled material and encourage appropriate disposal.

In Honduras, we are working with local authorities, national government, local communities and volunteers to collect and recycle packaging waste. This started in

1994 with recycling cans and has been expanding ever since, most recently to include PET plastic, most visibly in the Bay Islands. These efforts are particularly important as the islands are located on the world's second largest coral reef.

As part of its corporate social investment programme, Cervecería Nacional in Panama has been working with an environmental NGO, the Foundation for Social Action, to preserve a public landmark and recreational park in Panama City. Employees have cleaned up Parque Omar and introduced recycling stations to reduce litter and encourage recycling. The business held a recycling fair which received great public support and wide press coverage and also held workshops on recycling practices for workers at its plant. It is hoped that this example will be followed in other parts of the country.

### New product development

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. SmartGate has so far been rolled out across SAB Ltd, Miller and some

of our European operations and during 2008/09 it is intended to extend it to the rest of the business.

We are also in the process of establishing global standards for all our packaging materials to ensure consistent quality and environmental credentials across all our operations. Using recently introduced collaboration software on the group intranet, we are involving representatives from all of our businesses to ensure that local circumstances are taken into account. We now have global standards for glass and PET bottles and for the plastic crates used by local and central procurement teams.

### Targets

- Trial biodegradable shrink-wrap in further markets with different climate conditions e.g. South Africa.
- Identify more sustainable packaging materials and inks.
- Evaluate recycling and reuse infrastructure for markets which may introduce PET packaging.



### Fighting litter in Zambia

Litter has become a common problem in many communities in Zambia, a situation compounded by the inability of most local authorities to collect and manage it. In June 2007 the Zambian president, Levy Patrick Mwanawasa, launched a 'Keep Zambia Clean' campaign, calling on all citizens and businesses to find ways of curbing the problem.

National Breweries supplies over five million one-way traditional beer cartons every month and these are often thrown into the streets once the beer has been consumed. National Breweries has partnered with its packaging supplier, Nampak Zambia Ltd, to sponsor anti-litter campaigns in the three major cities of Zambia, raising awareness in local communities and encouraging the proper disposal of waste packaging. Programmes have included using local theatre groups to take the message onto the streets and have so far reached over 11,000 people.



## Zero-waste from our breweries is now becoming a possibility

### Background

Over 75% 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 reducing the amount of waste requiring disposal we reduce our costs and our environmental burden – especially important in countries with less developed waste management services.

The first step is to make better use of the raw materials we purchase and reduce the amount of waste we create. We have made some progress in this area. For example, in partnership with our suppliers in Honduras, we have switched to reusable containers for the delivery of our crown caps and PET pre-forms, while sugar from our sugar mill is now being delivered in one tonne returnable bags.

### Waste as a resource

For any waste that we do produce, we actively seek out markets for the reuse or recycling of the material. We are proud of the high level of recycling/reuse we are achieving in some of our operations – six now report rates of over 99%. This is largely down to hard work and innovative thinking at a plant level in identifying alternative markets for materials and developing partnerships with suppliers and local businesses. Across the group as a whole, we recycle or reuse 96% of the waste we produce.

Our waste is a potential resource, whether it is keiselguhr for use in cement or compost, organic waste for animal feed, boiler ash used in road repairs or cullet being turned into new glass bottles. We use wastewater to generate energy and produce a fertiliser for agriculture. In India we are using waste rice husks as fuel and in some countries we are investigating spent grains as a possible future energy source.

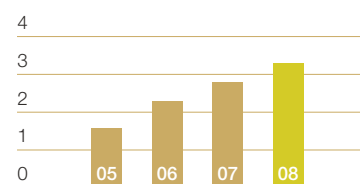
Finally, we must aim to ensure that anything requiring disposal is dealt with in a safe, responsible and legal way.

### Targets

- Reduce the percentage of waste going to landfill.
- Investigate new opportunities for our brewing waste, including renewable energy.

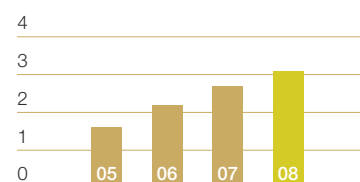
### Waste produced

million tonnes



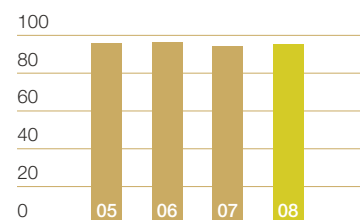
### Waste recycled/reused

million tonnes



### Waste recycling/reuse rate

percentage recycled/reused



### Approaching zero-waste operations

Miller has long been working towards becoming a zero-waste business and reuses or recycles 99% of all leftover material.

Spent grains are used for cattle feed and spent yeast is used in soup bases and dog food. The honey buckets used to make Leinenkugel's Honey Weiss are returned to the supplier for reuse. Effluent sludge is used as a soil improver, kieselguhr is used in making cement and ash from our boilers goes into concrete. Our brewery in Texas collaborates with a neighbouring business that recycles empty plastic drums into outdoor landscaping products. In Milwaukee, Miller sends empty plastic flavouring drums to the local sewerage company which turns them into rain barrels. Each brewery runs its own recycling centre and wood, cardboard, plastic strapping, keg caps and the air bags that cushion bottles as they arrive at our breweries are all eventually recycled or reused.

# Building supply chains that reflect our own values and commitment

## An increasing focus on smallholder farmers and enterprise development

### Background

**Relationships with suppliers are key, not only to our business success but also to achieving our sustainable development priorities in areas such as energy and carbon, water, waste and HIV/Aids.**

We recognise that our impact, and therefore our accountability, extends beyond our own immediate operations to include those of our supply chain partners. We not only have an economic impact, spending over US\$10,000 million, we also have a social and environmental impact resulting from our purchasing decisions, for example, the jobs created in our supply chain through the sourcing of agricultural raw materials such as barley, hops and sorghum and the procurement of manufactured goods and services.

**US \$10,185**

million spent on suppliers

### Smallholder farming projects

The eighth pledge of the Millennium Development Goals, to 'develop a global partnership for development', is particularly relevant to our supply chain work. One of our key supply chain priorities is to work with local farmers to improve the quality and security of supply of raw materials, to create additional employment and to help alleviate poverty in local communities.

Since 2002, for example, we have been creating long-term relationships with sorghum farmers in northern Uganda. More recently, we have been providing sustained and reliable markets for a smaller number of farmers in Zambia (sorghum) and Tanzania (barley).

In 2005, building on the success of these African initiatives and using the same business principles, we launched a new project in Rajasthan in India to improve the quality of locally grown barley and provide opportunities for small-scale barley farmers to enter our supply chain.

In total we have created or improved 10,500 jobs for farmers working in these countries. The schemes have also provided SABMiller with business benefits. In India, for example, the smallholder sourcing model is an important element of SABMiller India's procurement policy in this high-potential market.

In Uganda and Zambia, extra duty reductions, achieved through the smallholder sourcing model, have enabled our respective operations to grow the market share of our brand considerably.

**10,500**

farmers engaged in our smallholder programmes

Meanwhile the South African programme is part of SAB Ltd's commitment to the government's Black Economic Empowerment Programme.

We believe such programmes have important lessons and relevance for other SABMiller operations in developing markets such as Latin America. With this in mind, we are currently reviewing all our small-scale farming initiatives in Africa and India to support the development of similar projects in other countries.



### Working with barley farmers in India

SABMiller India has been working with the government and Cargill India Inc since 2005, and more recently with the Morarka Foundation, to improve the barley supply chain in India. Saanjhi Unnati ('Progress through Partnership') is a project with farmers in Rajasthan that provides the company with a reliable source of good quality barley, while guaranteeing a market for the crop at a price in excess of the 'Mandi' (the wholesale market price). This benefits farmers and the local community in maximising land use and securing income.

During 2008 the number of farmers enrolled in the project has increased to 6,024 and the amount of barley sourced locally has grown to 16,000 tonnes. The project has proved encouraging and the next steps are to finalise the details of a new micro-finance scheme, begin a social impact exercise and start a new round of seed trials.



*The eighth pledge of the Millennium Development Goals is to 'develop a global partnership for development'. We are working with smallholder farmers to improve the quality and security of supply of raw materials, create additional employment and help alleviate poverty.*

#### Supplier development

Our regional procurement team in Africa has been working hard to find and work with local suppliers for packaging and other raw materials. Through formal trainings, country visits and regular meetings, we have been building the team's competence to help it identify companies with the potential to be further integrated into our supplier partnering and development programme.

There have already been a number of successes with suppliers of cans, malt, hops, sugar, bottles, crowns and labels. In Zimbabwe, for example, we are supporting malt supplier Kwe Kwe Maltings by offering prepayment to assist with foreign exchange and cash flow, up to a value of US\$1.7 million. We are also providing technical and commercial support in the form of a study into expanding the company's production capacity and by extending its customer base to other African states.

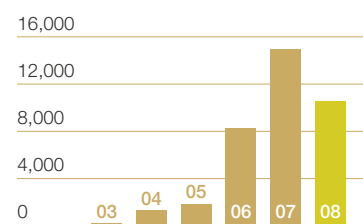
We are also working with glass bottle suppliers Vidrul in Angola. As well as placing a significant amount of business with Vidrul, we are offering technical, procurement, logistic and commercial support and working with them to ensure they receive accreditation from Coca-Cola.

In Uganda and Tanzania, we have helped two small label suppliers to establish themselves. Graphic System in Uganda and Tanzania Printers now receive the majority of our business in these countries in place of foreign imports, even though imports were historically perceived as being of better quality. Building on our advice, support and commitment, both companies have now secured business from other customers and become successful enterprises.

We are also helping to secure the future of a hops plant and farms in South Africa by increasing the amount of South African hops used in our African operations and reducing the amount imported from Europe. In addition, Cervejas de Moçambique and Tanzania Breweries Ltd were among the first industrial sugar users in their respective countries to move from imported to locally sourced sugars. We are also promoting Coleus, our supplier of crowns in Johannesburg, securing extra business for the company via our French business partners, BGI – Castel.

#### Smallholder farmers

number of farmers included in our smallholder programme



Note: Fall in 2007/08 relates to the oversupply of sorghum in Uganda. Please refer to the case study below for more details.



Sorghum growing in Uganda

#### The challenge of sustainable smallholder models

Eagle Lager has long been an SABMiller success story and a source of company pride. It is the result of extensive collaboration between Nile Breweries Ltd and the Government of Uganda to develop a high quality clear beer, affordable to lower income consumers and made from home-grown raw materials. It is now an award-winning product and top-selling brand offering, at its peak, direct financial benefits to over 8,000 farming families. However, this has not been without its challenges. It can be difficult to match harvest yields with the brewery's requirements – a problem exacerbated currently by an increase in excise duty, which has led to a fall in sales. During 2007/08 we collaborated with farmers, our seed supplier and the government to come up with a sustainable solution to this issue and to establish mechanisms to help manage the relationships.





## Human rights in the supply chain

We recognise that job creation is not the only measure by which stakeholders judge our relationship with suppliers. There are many potentially sensitive areas, not least the working conditions that our suppliers offer to their workforce.

The Responsible Sourcing Principles we outlined in last year's report comprise eight key principles covering issues such as child labour, freedom of association, environmental management and business conduct. Over the last 12 months we have begun to incorporate these principles into our supplier contracts. In June we trained our European supplier auditors so that they now measure suppliers against the new supplier audit templates which incorporate the principles. We have provided guidance, tools and training so that other parts of our business can now take risk-based approaches to managing their suppliers. During the year we also ran a training workshop on sustainable development issues for our African procurement teams.

In the USA, Miller recognises that relationships with minority owned enterprises are important and aims to increase this expenditure in the coming year.

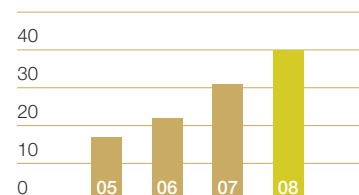
## Black Economic Empowerment (BEE)

In South Africa, SAB Ltd has been actively involved in black economic empowerment for over 30 years. During the 1980s the business embarked on an ambitious preferential procurement campaign to place an increasing portion of SAB Ltd's business with black suppliers in order to alleviate historical inequalities and foster skills among previously disadvantaged individuals. This work continues today and by the end of the 2008 financial year, the company had engaged with over 4,000 empowerment suppliers, representing 40% of its total suppliers. In terms of the BEE Codes of Good Practice issued by the South African Department of Trade and Industry in February 2007, SAB Ltd achieved a procurement score of 13.7 from a possible 20 points. This ranked it third in the FMCG listed companies and in the top third of the 180 top listed companies on the Johannesburg Stock Exchange.

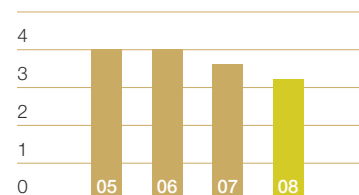
### Targets

- Review our smallholder farmer programmes to understand the business and social value added and expand and improve their impacts.
- Include social, ethical and environmental criteria in evaluating suppliers of raw materials such as packaging.

**SAB Ltd expenditure with local black economic empowerment suppliers as a percentage of total spend**



**Miller – expenditure on minority-owned businesses as a percentage of total spend**



## Local purchasing in Ecuador

Ecuador is seeing significant changes to its agricultural patterns as a result of intensive exports, production deficits in neighbouring countries and a demand for crops such as maize for biofuel. As a consequence, the availability of rice – one of the main ingredients in the beer produced by Cervecería Nacional – has fallen.

Working with the Ecuadorean government the business has established a smallholder programme that provides the company with a stable source of rice for its beer while offering farmers the security of a ready market and a predetermined price. Over 30 farmers have joined the scheme and 1,700 labourers have directly benefited from employment. The aim is to increase the numbers involved sixfold and provide a level of income in excess of the minimum agricultural wage set by the government.



## A more strategic approach to community investment

### Background

**Brewing beer is principally a local activity and there is a strong connection between our operations and the communities in which they operate. We generate employment, taxes and investment for the local and national communities in which our employees, suppliers and consumers live. In turn, there is often a strong sense of loyalty to the company and its brands.**

We define corporate social investment (CSI) as 'a contribution or investment of cash, knowledge, employee time and equipment to people or communities to help them to flourish and help sustain an environment in which we can be a successful business'. In essence, CSI is anything we do to help the local community over and above the direct running of our business. During 2007/08 we strengthened our measurement system to capture this data more effectively and we also provided training and guidance material to our operations to clarify our requirements.

During the year our operations invested US\$30 million cash in CSI programmes, 0.9% of pre-tax profits. We estimate our total contribution including time, gifts in kind and charitable donations totalled US\$44.8 million or 1.4% of total pre-tax profits. These figures are based on the London Benchmarking Group methodology and exclude investment in responsible alcohol consumption initiatives and HIV/Aids programmes for employees and their dependants.

### A more strategic approach

We recognise that there will always be a place for philanthropy and, during the year, charitable donations in themselves amounted to some US\$10.9 million. A number of operations including Nile Breweries in Uganda and Backus in Peru also provided humanitarian relief to victims of natural disasters. That said, our operations are increasingly developing more strategic CSI initiatives which encourage the creation of sustainable enterprise and improved quality of life in the communities where we are present.

We encourage our operations to build projects around the key issues of developing entrepreneurs, managing water sustainably and tackling HIV/Aids. However, this list is not exclusive and any project that helps to embed sustainable development into our value chain is worthy of consideration as part of our CSI activities.

### Developing entrepreneurs

Our operations in South Africa have been supporting entrepreneurs for over 10 years. KickStart is a project that promotes business awareness and aims to instil a culture of entrepreneurship among young people by providing training, grants, mentorship and assistance during the set-up phase of a new business. Since its inception, SAB Ltd has invested over US\$5 million in KickStart, equipping almost 22,700 young adults with business skills and helping them to start up nearly 3,300 businesses.

This approach is now being applied elsewhere – in Botswana for over four years and, more recently, in Colombia. In March 2008, our Hungarian operation, Dreher, announced the results of its second annual 'Young entrepreneur of the future' competition with the winners receiving business support and a share of over US\$37,000 in prize money. Speaking at the event, Dreher's Managing Director, Hector Gorosabel, commented: "Dreher Breweries believes in the Hungarian entrepreneurial spirit, and as a responsible enterprise it considers it important to improve the business skills of university and college students."

We continue to encourage the sharing of our knowledge and experience. During the year, representatives from SAB Ltd shared learnings on managing CSI with our other operations in Africa and Asia.

### Targets

- **Improve the focus of our activities on our strategic CSI issues of water, enterprise development and HIV/Aids.**
- **Continue to expand our entrepreneurship programmes and identify the value added to improve the quality of these activities.**



### Destapa Futuro in Colombia

Our programme of enterprise development which started in South Africa and has since been adopted by many of our businesses has been launched in Colombia by our Bavaria operation under the title, 'Destapa Futuro' (Uncover the Future).

In the last two years, Destapa Futuro has benefited 120 emerging entrepreneurs with an average investment of US\$60,000. The business is committed to a multi-year programme which aims to have a positive, cumulative effect on poverty. So far over 400 jobs have been created and 600 entrepreneurs have been trained in the preparation of business plans. The beneficiaries include Adriana Chavarro and Margarita Reyes from Bogotá who founded the lingerie manufacturing company, Coloretta, after receiving financial support and training from Destapa Futuro.



### Clean water for the community in Mozambique

In many parts of Africa, Asia and Latin America, access to drinking water can often be a challenge. In partnership with the Mozambique Foundation for Community Development, Cervejas de Moçambique has funded two projects in Maputo with the aim of providing clean water for over 13,000 people.

Both projects involve constructing a borehole, installing water tanks and solar powered pumps and providing water and sanitation education to the community. The aim is not only to improve access to clean water but also to reduce illnesses such as malaria, diarrhoea and cholera. Separately, a further 6,000 people in Beira should benefit from the provision of drinking water fountains.



### Caring for children affected by HIV/Aids in South Africa

SAB Ltd is working with The StarFish Foundation in nine organisations that care for adults and orphans affected by HIV/Aids. As South Africa's biggest killer, HIV/Aids has left many children orphaned and vulnerable.

The work seeks to give local people the knowledge and expertise to run these organisations effectively. Ultimately, the aim is to develop a large number of stable and well run community-based organisations that are capable of working with the government to deliver care, resources and services to children orphaned by the pandemic. By training 117 caregivers and funding nine such organisations to take part in the programme for 18 months, SAB Ltd will benefit an estimated 2,700 children.



### Supporting the community in El Salvador

The Coca-Cola Company's 'Water for my School' programme is supported by La Constancia as part of its commitment to water stewardship. This has funded three rainwater harvesting systems in schools in El Salvador bringing year-round running water to 1,400 under-privileged children.

Running in parallel with this project has been the creation of a computer centre in the community of San Francisco de Asis adjacent to La Constancia's brewery. This has provided over 1,000 families with access to IT facilities that would otherwise have been beyond their reach. Able to take 360 students a year, the centre gives 176 hours of classes a month with the teacher paid by the company. Four former students are now working in private companies, utilising the skills that they learned in the computer centre.



## Going further in Africa and sharing our experience in Asia

### Background

**HIV/Aids is an issue of immediate relevance to our business, especially in Africa. Here and elsewhere, HIV/Aids has the potential to affect our workforce, our customers, 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.**

### Our work in Africa

In many of the African countries in which we operate, more than 5% of the population has contracted HIV/Aids. In some cases this figure is over 30% and Africa continues to be the main focus of our work to fight the disease. All our operations in countries with an HIV/Aids prevalence of over 5% provide employees with education and awareness programmes including access to voluntary counselling and testing (VCT). Our companies actively encourage participation in these programmes and pay for treatment for employees, their spouses and dependants. We are making progress. In Uganda, for example, 92% of employees have so far participated in VCT while 94% of HIV positive employees are receiving antiretroviral treatment. Across all businesses in countries with a prevalence of over 5%, 62% of employees have been tested. In the last 12 months the number of employee tests carried out, as a percentage of headcount, was 34%.

In some countries, however, the figures are much lower, largely because of the stigma associated with the disease. During the year we have continued to break down these barriers and promote HIV/Aids testing. We face other challenges, for example, in providing care for the spouses and dependants of our employees – essential if our work is to yield sustainable results. As many as 1,864 of these individuals could be HIV positive and to date, 264 are being treated on a managed healthcare programme. This is lower than we would like and is a difficulty faced by all businesses. We are determined to increase this number.

62%

of employees have received counselling and testing

Overall, our programmes have achieved some real successes. In South Africa, for example, we have monitored and predicted actual deaths from the disease over the last six years. These figures indicate that our VCT and managed healthcare programmes have made a real difference, preventing a number of deaths during this time.

### Taking our work into the supply chain

We are now extending our activities to raise awareness of HIV/Aids with the families of our employees, our suppliers and the wider community. In one instance, Nile Breweries in Uganda has been running a successful HIV/Aids programme since 2001 and makes it available both to employees and to the local community. During 2007, it extended the programme to its supply chain including sorghum farmers and their families and the third-party truck drivers who transport Nile Breweries' beer across Uganda.

### Building capacity in Africa

During 2007 we held capacity-building workshops in Tanzania, Zimbabwe, Uganda and Zambia. These were part of a series of sessions in partnership with the Global Business Coalition on HIV/Aids, Tuberculosis and Malaria (GBC). The aim was to share our knowledge and learning with the private sector, local NGOs, multilateral organisations, aid agencies, local and international governments and suppliers and so lay the foundations for a broader contribution to public-private sector initiatives to help stem the spread of HIV/Aids.



### Intervention in India

Our HIV/Aids work has traditionally focused on African countries with high prevalence rates. Last year, however, we focused increasingly on other countries with potential emerging epidemics.

Although India has a low prevalence of HIV/Aids as a percentage of its population, as many as three million people are affected. Using our experience and expertise from Africa, we have trained 20 'master trainers' who in turn have passed on their knowledge to 150 peer educators within our workforce. Supported by a range of media, these people have ensured that key messages about HIV/Aids are communicated to colleagues accurately and effectively. To maximise the impact and ensure greater acceptance of those affected, we have invited people living with the disease into the workplace to share their experience.

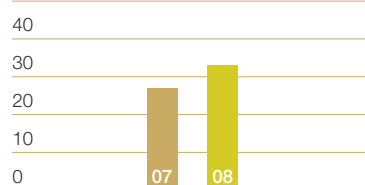




*"We are happy to have SABMiller India as one of the 10 corporate group partners of ILO India's HIV/Aids Project... I congratulate the company for taking this initiative and hope that it will become a good model for other corporates."*

S. Mohammad Afsar, International Labour Organisation

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



## Intervention outside Africa

HIV/Aids is not only an African phenomenon and we continue to broaden our geographic focus to areas where the issue is less pressing but of growing concern. Following the success of our capacity-building workshops in Africa, we plan to replicate them in India, Russia and Latin America during the next financial year.

## Sharing our experiences and pressing for change

In December last year we supported the launch of a new report, 'Business and HIV/Aids: what have we learnt?' published by Business Action for Africa. This was the result of a fact-finding trip to South Africa by three British MPs who visited our bottling and distribution operation in Johannesburg and met affected workers, peer educators and healthcare professionals. They also toured our 'Friends for Life' community project that supports orphans and vulnerable children living with HIV/Aids in Alexandra township and talked to local business representatives.

The report highlights the role that the private sector plays in tackling the impact of HIV and Aids in developing countries and argues that the lessons learned in sub-Saharan Africa should be applied to other countries where prevalence rates are increasing. The MPs presented their conclusions in November to John Hutton,

Secretary of State for the Department of Business, Enterprise and Regulatory Reform (BERR), who expressed his support.

In March this year we held a stakeholder-dialogue workshop in Washington DC. This focused on the issue of stigma and the vital role of private sector partnerships in addressing the pandemic.

In June 2007 we also published 'Living and Working with HIV/Aids'. This briefing paper presents a more detailed overview of the HIV/Aids pandemic and our programmes and plans and is available on our website at [www.sabmiller.com](http://www.sabmiller.com)

# 78%

of HIV positive staff on managed healthcare programme

## Targets

- Increase participation of employees and their spouses in annual voluntary counselling and testing.
- Increase the percentage of HIV positive spouses on managed healthcare programme.
- Increase number of peer educators in our businesses.



Staff at our on-site clinic in Botswana

## Breaking down barriers

Botswana suffers an extraordinarily high HIV prevalence rate, yet a major obstacle to combating the disease is the prejudice and stigma that mean that individuals are reluctant to admit publicly that they are infected.

When Leso, an employee in Botswana, discovered he was HIV positive, he made the brave decision to tell his colleagues. His story has now been made into a series of presentations. The aim is not only to raise HIV awareness and encourage people to go for testing, but to ensure greater acceptance and empathy toward those living with HIV and Aids. Leso's story proves that HIV is not a bar to living a full, active life and shows that, with testing and treatment, HIV is manageable rather than a death sentence. Since Leso declared his status, over 90% of people in his workplace have volunteered to be tested.





## Further embedding our human rights policies throughout the business

### 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 – an aim reflected in our ongoing commitment to the United Nations Global Compact. In some countries, democracy, respect for the rule of law and economic development are fragile, and human rights may be compromised. In these circumstances, we must operate with sensitivity in order to support rather than undermine the development of stable societies and ensure that our operations do not contribute directly or indirectly to human rights abuses.

Last year we set ourselves the target of ensuring that all group operations embed our human rights principles in their local human resources policies. These 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. By the end of the year, our last remaining operation had achieved this minimum standard.

### Ensuring human rights standards in our supply chain

We have an opportunity and a responsibility to promote human rights within our supply chain. This is incorporated into the Responsible Sourcing Principles referred to in the supply chain section of this report.

The task is not always easy. For example, in Honduras, El Salvador and other parts of Latin America, there is a tradition of children working alongside their families in the sugar cane harvest. In El Salvador, Industrias La Constancia in partnership with The Coca-Cola Company, has been supporting a multi-stakeholder effort led by the El Salvador Sugar Association and the local government, to ensure that these children receive schooling and appropriate, less hazardous work opportunities in line with internationally agreed standards. In Honduras, meanwhile, our business provides an holistic education programme for the children of sugar cane workers. This includes academic training and the development of technical skills for the harvesting of new crops besides sugar cane.

### Whistle-blowing

Regrettably, and notwithstanding our efforts to ensure that every aspect of our operations is conducted in line with relevant legislation and our internal codes and standards, there may be occasions where individuals fall short of what we expect of them. In such cases, it is important that other employees have a means of bringing inappropriate behaviour to the attention of senior management.

To this end, each of our operations has in place appropriate confidential reporting mechanisms. For example, ABI, our soft drinks operation in South Africa, has

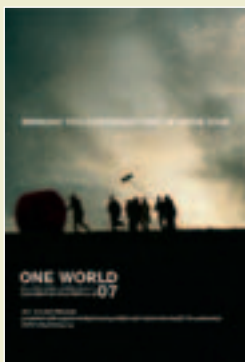
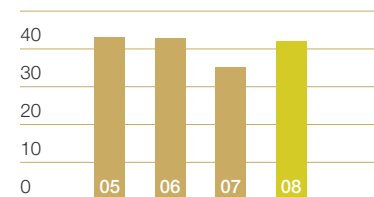
operated a confidential whistle-blowing line for a number of years and its existence is highlighted on the local intranet and in the employee magazine. We believe the facility provides an essential mechanism for safeguarding our reputation for openness and transparency.

As part of our developing work in this area, during the year we joined the Institute of Business Ethics.

### Targets

- Introduce our new Code of Business Conduct and Ethics.
- Contribute to human rights dialogues on a national and global level.

Trade Union membership – percentage of employees that are members of a trade union



### Human rights in the Czech Republic

Plzeňský Prazdroj is an 'employer of choice' in the Czech Republic. Underpinning this recognition is its ethics policy, compliance with which is overseen by a senior level Ethics Committee. This is supported by a whistle-blowing line and response team which investigates unethical behaviour. Employee-elected ombudsmen proactively monitor for potential ethical and human rights issues and represent the employees' interests.

The business has developed close working relationships with trade unions; as well as the annual collective bargaining negotiations, management meets with union representatives quarterly. In addition, a Health and Safety committee composed of employees and trade union representatives supervises working environment standards and their improvement. The business promotes human rights beyond its own operations and is the general partner of the 'One World' international documentary film festival which aims to foster cross-cultural understanding and increase public awareness of human rights.



## More operations now producing standalone sustainable development reports

### Background

There is a growing expectation for companies, especially large ones, to be transparent about the way they do business. It is important that transparency occurs not just at the global level but also locally. We have mapped our key stakeholders and frequently engage with them on a formal and informal basis, from telephone surveys to a more structured partnership approach.

### Stakeholder engagement

During the last three years we have met with stakeholders to discuss our approach to sustainable development. More detailed commentary on this consultation is included on page 7 and in the relevant sections of this report. Some of our activities this year reflect the feedback we have received. For example, our move to focusing on three global leadership areas, greater recognition of the impact of water shortage on our operations, increased consistency in reporting around the world, intervention in HIV/Aids outside of Africa, more work with smallholder farmers and a stronger link to the Millennium Development Goals.

### Reporting

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.

We have aligned our reporting with the Global Reporting Initiative (GRI) G3 guidelines and a detailed table referencing each of the GRI indicators is available on our website at [www.sabmiller.com](http://www.sabmiller.com). As a signatory to the United Nations Global Compact, we also report on progress against the Compact's 10 principles, also available on our website. This report is subject to third-party independent review and an assurance statement is included on page 32. We have used the results of last year's assurance process to inform this year's report.

Over the course of the year we have invested considerable time and effort in refining and embedding our measurement system for collating sustainable development data from around the business. The result has been much greater transparency on the relative performance of each of our businesses and our people have been able to share learning and best practice with colleagues in other parts of the world.

A growing number of our subsidiary operations now have sections of their websites dedicated to sustainable development and a growing number, including Miller, Plzeňský Prazdroj, SAB Ltd and Bavaria are now producing their own sustainable development reports.

### Political donations

It remains the group's policy that political donations are only made by exception, and where permitted by local laws, and must be consistent with building multi-party democracy.

Miller made contributions to individual candidates for political office and to party committees in the USA, where permitted by applicable campaign finance laws. Political donations in the USA are an accepted part of the local socio-political environment. These contributions amounted to US\$603,940 in aggregate.

The board has reaffirmed the group's policy not to make donations to political organisations in the European Union.

### Non-compliance

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

### Targets

- Conduct detailed 'deep dive' investigations on sustainable development issues throughout the value chain in four of our emerging markets.
- Improve qualitative dialogue between operations by training sustainable development champions within each region.



## A new approach to ethics in Colombia

During 2007, Bavaria and the Bogotá Chamber of Commerce hosted the first ethics conference for business leaders in Colombia. It brought together public and private companies as well as local and international experts, including Michael Hoffman, executive director of the Business Ethics Centre at Bentley College in the US.

The topic is of great relevance to Colombia – while companies are aware of corporate ethics, co-operation and the sharing of best practice are limited. At the end of the conference, participants agreed to work together to develop a new code of corporate ethics and to place such standards at the heart of their businesses.

Bavaria has since invited 50 stakeholders to work with Transparency Colombia, the Bogotá Chamber of Commerce and the Colombian think-tank, Fundación Ideas Para La Paz, to further the debate on corruption, management best practice, the challenges of operating in zones of conflict and freedom of association and human rights.

# Valuing and empowering our people

## Creating a learning and self-refreshing working environment

### Background

We employ 69,116 people around the world with total remuneration of US\$2,353 million. It is these individuals who determine the success of the business and our progress against the 10 sustainable development priorities. We have a strong culture of accountability and empower our people to take personal ownership of their goals, to make the most of their abilities and to expect more of themselves and each other. In turn we work hard to reward employees for their contribution and aim to provide a safe, fair and rewarding working environment.

US \$2,353m

paid to staff in total remuneration

### Supporting collaboration

In the last year we have invested heavily in our IT systems to enable and promote collaboration across our operations. We have now established web conference capabilities, 'collaboration rooms', an e-learning platform, knowledge warehousing and a tool to locate experts within the business. This has improved considerably the sharing of knowledge and dissemination of best practice and we expect to develop it further over the next 12 months.

These tools have enabled each of our businesses to engage in and contribute to the continued development of the SABMiller 'Ways'. We have developed eight of these 'Ways' covering key aspects of our business, from Talent Management to Mergers and Acquisition, Corporate Affairs to Operational Finance. Their purpose is to bring together existing ways of working from around the business, highlight best practice and introduce greater consistency across all our operations, improving the way we work together and learn from each other.

### Attracting and developing our people

Attracting and retaining good people remains a critical component of supporting our growth and bringing new skills and knowledge to the organisation. During the year, we developed the Talent Management Way to ensure that line management and human resources teams optimise all aspects of talent acquisition, career development and retention. Just under half of all our workforce have been with the business for five years or more and employee turnover was 10% for the year.

If we are to build a true 'learning and self-refreshing organisation' we must invest in the training and development of our employees. During the year, staff each received an average of 3.9 days training. Our training programmes are managed within the local businesses but are co-ordinated across the world through our

global learning strategy. This helps us to make the most of our scale by, for example, sharing global e-learning programmes and developing common competency frameworks.

### Health and Safety

It is with regret that we report two fatalities in our business during 2007/08. The first occurred in SABMiller India and related to an accident at our Haryana brewery. The regional manufacturing team in north India has conducted an investigation and has further strengthened standard operating procedures to prevent such a reoccurrence in the future.

The other involved one of our truck drivers in South Africa who died as a result of gunshot wounds from an attempted hijack.

During the year we recorded 1,446 industrial injuries, up from 1,091 reported last year. Overall days lost through injury is down to 12,809 from 13,720.

We have revised last year's figure for days lost to improve accuracy. Over the next 12 months we intend to further improve the consistency of health and safety data reported from around the group.



### Leading with a longer term view

During the year our European business established a new development programme for senior executives with the Saïd business school in Oxford.

Drawing on expertise from Oxford University faculties and other specialists, the tailor-made programme focused on long-term strategic issues that will be affecting society over the next five to 10 years. Subjects covered were varied and wide ranging including climate change, alternative energy sources, stem cell research, water resources, the ageing population and the rise of China and India.

Rather than focusing on short-term return on investment, this innovative programme is intended to shift attention from day-to-day operational pressures to inform, challenge, provoke debate and develop critical thinking that will pay off over the long term. The programme will be extended to other senior managers over the coming year.

## Equality and diversity

Our employees cover a vast mix of cultures, beliefs and backgrounds and we both value and respect this diversity. We recognise that diversity is applied differently according to local norms and regulations but we encourage all operations to establish policies and processes covering ethnicity, gender and disability.

While 19% of our total workforce is female, women account for 26% of our management and executive grades, up from 22% reported last year. In South Africa, Asian, black, and coloured representation in our workforce was 75.6%, up from 74.5% reported last year. At management and executive levels this figure is 52.3% and 32.9% respectively. During the year, Kgalagadi Breweries in Botswana has been working to 'localise' its management teams, upskilling local people and contributing more to the economy – the percentage of local employees in management has grown from 18% to 64% in 18 months.

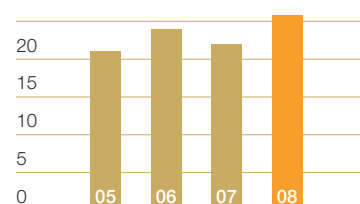
## Freedom of association and collective bargaining

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. 42% of our employees are members of a trade union.

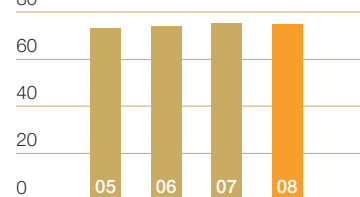
During the year we lost a total of 124 working days in industrial action. These all related to Ursus, our operation in Romania.

Last year we reported 138 days of industrial action at Backus in Peru. Over the last year the business has become more proactive in engaging with the unions. It has established a process of partnering between members of the human resources team and union representatives, debating labour topics and undertaking joint training programmes to increase cooperation and understanding.

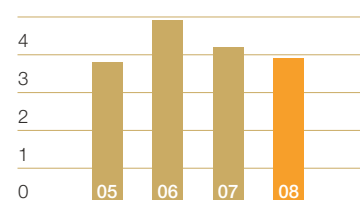
**Female executives and managers**  
percentage of total workforce



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



**Training days per employee**  
number per employee



## Transforming our business in Botswana

In the last two years Kgalagadi Breweries Limited (KBL) has faced a number of challenges. Changes to the country's economy meant KBL was faced with falling sales, falling profitability and falling morale.

A year ago the business embarked on a transformation plan, a key component of which has been a series of Action Learning Programmes. Employees have worked together to understand the challenges and tackle specific issues, making recommendations to the executive team and adding to their own skills and experience in the process.

Twenty of these exercises have been undertaken and many of the recommendations are being implemented. The business has now turned things round, employee turnover is down from 18% to 10% and sales have turned from a 16% decline to a 6% growth over a two-year period.

# Products and quality

## Ensuring our products meet our customers' expectations

### Background

**We produce over 200 brands of beers and soft drinks across six continents. These range from internationally recognised beers such as Peroni, Pilsner Urquell, Miller Genuine Draft and the recently acquired Grolsch to brands with a strong regional connection such as Leinenkugel's in the United States and Castle Lager in South Africa. We take pride in each and every one, using only the best quality raw materials and refuse to compromise with inferior materials.**

This demand for a consistent supply of good quality raw materials underpins our work with smallholders such as barley farmers in India and sorghum growers in Uganda (see pages 20 and 21). These projects are both examples of how we combine business benefit with adding value to the economies in which we operate.

### Brand-led, customer-focused

The best way for us to add value to our communities is to continue to build a successful business. To do this, we need to keep delivering the products our consumers want and we have consciously shifted our emphasis over the last two years towards a brand-led, consumer-focused approach. Today our marketing and technical teams work closely together, understanding what our customers want and then establishing the processes by which the demand will be met.

We start by building a clear understanding of what a brand means to a consumer – the 'brand proposition'. We then define the key technical criteria required to support the proposition. From here we put together an in-depth brewing manual – essentially the recipe for the beer – and the technical standards which specify the equipment and processes to be used. These blueprints have helped to instil a real sense of pride in the technical fundamentals of our brands and enable us to ensure that consumers around the world receive a consistent experience from each of our beers, even when personnel change or equipment is upgraded.

### Global taste system

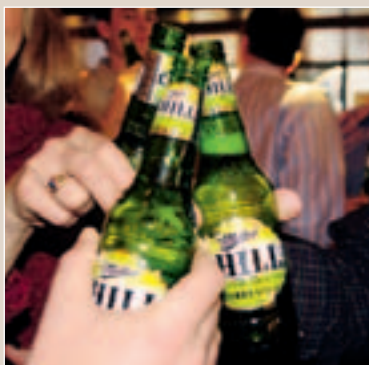
As well as setting standards for the raw materials we procure and the manufacturing processes we follow, we have also developed a 'global taste system' to ensure consistency in the experience our customers enjoy. Now rolled out across all our regions and operating companies the system has established a consistent training programme and common lexicon for the qualified beer tasters in each of our operations. It guides the monthly taste panels where our beers are evaluated for 'trueness to type' and how close they are on a ten point scale to the criteria laid out in the brand technical footprint.

### Product testing and recall

It is essential that our products are safe and each of our operations runs product testing programmes to ensure that this is the case. In the last year we established a global product testing programme with the independent laboratory of the Brewing Research Institute in the UK. Every month, samples from each hub are submitted for analysis to ensure they meet the stringent health and safety 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 in case of a complaint or query.

There are stringent quality assurance and control processes in our soft drinks operations. As a licensee of Coca-Cola, we have to follow its rigorous product stewardship standards. This includes meeting product-testing requirements, providing monthly reports and passing an in-depth annual audit of our systems. We have now extended this approach to all our soft drinks operations.



## Reflecting cultural diversity and changing tastes

As the business becomes more consumer-focused, we are better able to reflect cultural diversity and the changing tastes of our customers.

Launched in June last year in recognition of the rapid latinisation of US culture, Miller Chill is a modern American take on a long-standing Mexican recipe, the chelada. This light beer is brewed with a hint of lime and a pinch of salt to provide a uniquely refreshing experience.

Miller Chill has proved very successful. The product has received a number of industry awards and US sales in the first six months of national distribution hit six million cases, rivalling other, established brands.



# Assurance statement

We engage 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 it with external assurance and commentary on its Sustainable Development Report 2008. SABMiller's management has prepared the report and is responsible for its contents. Our objectives were to review its content, to conduct selected checks to underlying documentation and corporate systems and to provide this assurance statement and commentary for which we have sole responsibility.

Corporate Citizenship is a specialist management consultancy advising corporations that seek to improve their economic, social and environmental performance around the world. A detailed statement describing our relationship with SABMiller and the assurance processes we have adopted is available at [www.sabmiller.com](http://www.sabmiller.com)

## Our opinion

In our opinion, the report provides a fair and balanced representation of material aspects of SABMiller's performance for the reporting period. Where we believe significant gaps in performance data and stakeholder views on material issues exist, they are identified below.

In forming our opinion and making our comments, we have had regard to the principles underlying the assurance standard AA1000 ([www.accountability21.net](http://www.accountability21.net)) notably concerning materiality, completeness and responsiveness. We have also had regard to reporting guidance for content and the principles for defining quality contained in GRI's G3 guidelines ([www.globalreporting.org](http://www.globalreporting.org)).

## Commentary

SABMiller has been reporting externally on its non-financial performance for nearly a decade. This year's report reflects the step change made two years ago that put centre-stage the company's contribution to sustainable development, focusing on ten priority issues identified by the board as its most important impact areas.

During the year SABMiller concentrated its efforts further by focusing on discouraging irresponsible drinking, on making more beer but using less water and on enterprise development. Also in 2007, SABMiller signed the CEO Water Mandate, an initiative of the UN Global Compact, showing a public, external commitment on a key topic.

In this report, SABMiller has systematically taken account of the feedback received on the Sustainable Development Report 2007. We single out three instances for special note:

- the clear tabulation of the rationale for and progress on current and future targets for the ten sustainable development priorities;
- engagement with stakeholders more fully covered than last year, with key topics outlined with negative as well as positive feedback;

- global governance and local application of SABMiller's sustainable development approach more fully explained; the case study on Backus in Peru is particularly helpful.

## Materiality

**Does the report include the information about performance that stakeholders need?**

The report shows that SABMiller has a clear process for determining what is material and the 10 priorities form the basis for the report. In addition, the extra coverage this year on employees and products, reflecting feedback received, broadens the presentation. With increased focus on responsible drinking, water and enterprise development, future years' reporting should, we believe, provide relatively greater coverage to these three themes.

To make effective judgments stakeholders need examples and data. The examples and case studies in this year's report are more comprehensive and balanced than in previous years. This welcome development reflects the embedding of the sustainable development priorities in the operating companies. We saw evidence of this in our assurance work, notably how the performance level system was being used across the business to drive improved sustainable development performance. We believe stakeholders would be more able to make informed judgments if this data was shared with them in future.

Stakeholders may also have other needs for performance data, which consultation would help establish. Some indicators, such as annual testing rates for HIV/Aids, have been added to the report; others, such as taxes paid by division and type, are no longer included. We believe stakeholders' ability to make informed judgements would be enhanced if SABMiller's targets for key indicators were also provided, along with relevant industry benchmarks. In addition, segmental breakdowns, including for the soft drinks business which accounts for approximately a fifth of operations, would help enhance understanding.

## Completeness

**Has SABMiller identified and understood all aspects of its performance?**

The Sustainable Development Report is part of a wider suite of information available on [www.sabmiller.com](http://www.sabmiller.com). For instance, the Report specifically cites the Annual Report, the on-line GRI index and the UN Global Compact progress report as part of that suite. As a result, a complete understanding of SABMiller's impacts relies on material outside the scope of our report assurance.

The Report does set clear boundaries for operations included, as stated on page 33. Given the structure of the brewing industry, we believe readers would benefit from a full explanation of why SABMiller chose that reporting perimeter. In the fast growing Chinese beer market, for example, SABMiller has a joint venture interest, whereby it gains economic benefits without exercising management control. To achieve completeness, SABMiller should signpost readers to coverage of the sustainable development aspects of companies not included in the Report.

The completeness of the Report has been improved this year by the clear exposition of the group's business strategy on page 6. It could be further strengthened by including within the body of the report a succinct summary of how a typical brewery works and its economic, social and environmental impacts, along with a description of the variable nature of local beer markets and the global structure of the brewing industry.

The coverage of SABMiller's work with governments, such as in Lesotho on national alcohol policy, is welcome. However SABMiller is so strongly impacted by regulation and with public authorities receiving the largest share of cash value added by SABMiller worldwide, we believe further disclosure of the company's relations with governments and related topics would strengthen the completeness of reporting.

## Responsiveness

**How has SABMiller responded to stakeholder concern, policies and relevant standards?**

This year's report includes increased volume and clarity of coverage given to stakeholder engagement. The challenge now is for SABMiller to show how it has taken account of the feedback received, the difficulties and dilemmas it has encountered and the difference made.

## Looking forward

We look forward to future reports showing more fully the interconnectedness of SABMiller's separate priorities, building on this year's presentation. This would demonstrate how the economic, social and environmental impacts of local operations and the group as a whole are contributing to a more sustainable world. The challenges and dilemmas that arise are at the heart of sustainable development reporting. This year's report demonstrates clear progress towards that goal.



Corporate Citizenship  
30 May 2008  
[www.corporate-citizenship.com](http://www.corporate-citizenship.com)

## 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.

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

## Administration

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