



NILE
Breweries Ltd.



Nile Breweries Limited **Sustainable Development**

Report 2011



A subsidiary of SABMiller plc

Making a difference through beer

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Cover photo

We provide clean water by drilling boreholes for the farming communities

Facts About NBL

Founded 60 years ago, Nile Breweries is the leader in Uganda's beer market. Nile Breweries has been a subsidiary of SABMiller, the world's second largest brewer, since 2002.

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The company's brewery and head office, is located on banks of the River Nile and near Uganda's second largest town Jinja.

The marketing, sales & distribution, as well as the corporate affairs offices, however, are based in the capital Kampala.

Nile Breweries Limited has 500 direct and 44,000 indirect employees.

Nile Breweries Limited has installed capacity of 1,800,000 hl per annum. The company portfolio of brands includes the serial international awards winner Nile Special, Uganda's first locally produced premium beer Nile Gold, Uganda's fastest growing brand Club Pilsener and the largest brand on the market; Eagle Extra.

In the financial year ending 31 March 2011, revenue exceeded UGX 287 billion, with operating profit slightly above UGX 43 billion and lager sales in excess of 1.4 million hectoliters.

Nile Breweries Limited has invested in massive expansion of capacity



Joint statement by MD & CAD

A comprehensive TPOF communication plan allowed us to share company Sustainable Development (SD) achievements over the years with internal and external stakeholders in a much more detailed and robust manner.



Nick Jenkinson
Managing Director
Nile Breweries Limited



Onapito Ekomoloit
Corporate Affairs Director
Nile Breweries Limited

At Nile Breweries Limited sustainable development is now more than another to-do thing. It is the way we do business. Our sustainable footprint, internally and in the value chain speaks to our commitment.

During F11 (April 2010 - March 2011) our focus was sharpened even more by the SABMiller group launch of the Ten Priorities One Future (TPOF) SD brand communication.

A comprehensive TPOF communication plan allowed us to share company SD achievements over the years with internal and external stakeholders in a much more detailed and robust manner.

Nile Breweries was honoured to be named the winner of the SABMiller

Africa Sustainable Development Award; in 2010, alongside the Brewery of the Year Award.

Yet even as we celebrated and communicated our achievements, we continued to strive for excellence across all the ten SABMiller SD priorities.

This report highlights what the company has done to entrench sustainability in all aspects of its operation; from training retailers in alcohol responsibility; dramatically lowering the water usage; leveraging enterprise development; taking the HIV/AIDS fight inside the huts of rural farmers; establishing the social return of our CSI investment to earning the commitment of our suppliers to sustainable development.

Economic Contribution

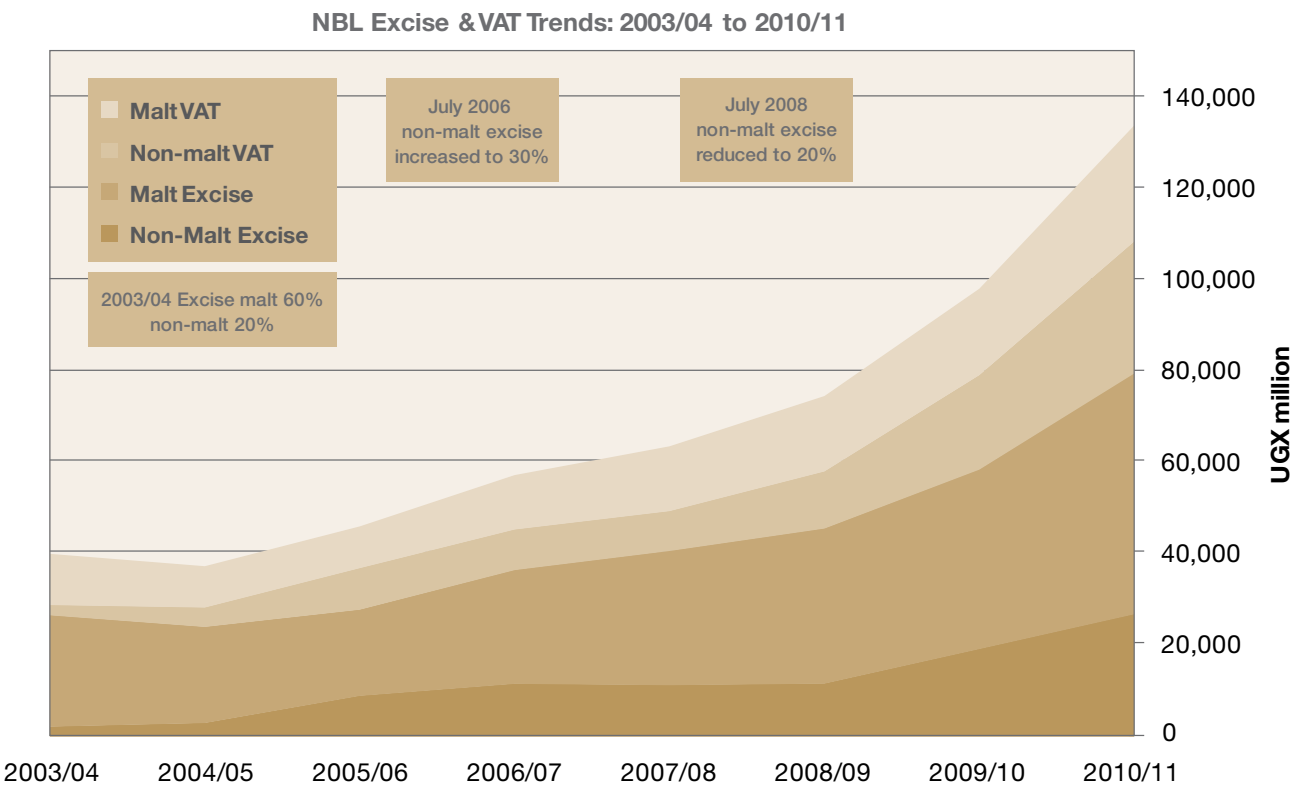
Our business makes a significant contribution to the Ugandan economy and communities.

Our economic contribution includes direct employment, buying from local suppliers, the distribution and retailing of our products, and the return and reuse or recycling of packaging.

We look for opportunities to involve new stakeholders in our operations.

Our local sourcing programmes with sorghum and barley farmers provide them with an income so they can support their dependants, and contribute to the development of their communities.

We are transparent in paying our taxes and have consistently increased our tax contribution to the economy (see chart).



Our Sustainable Development Priorities

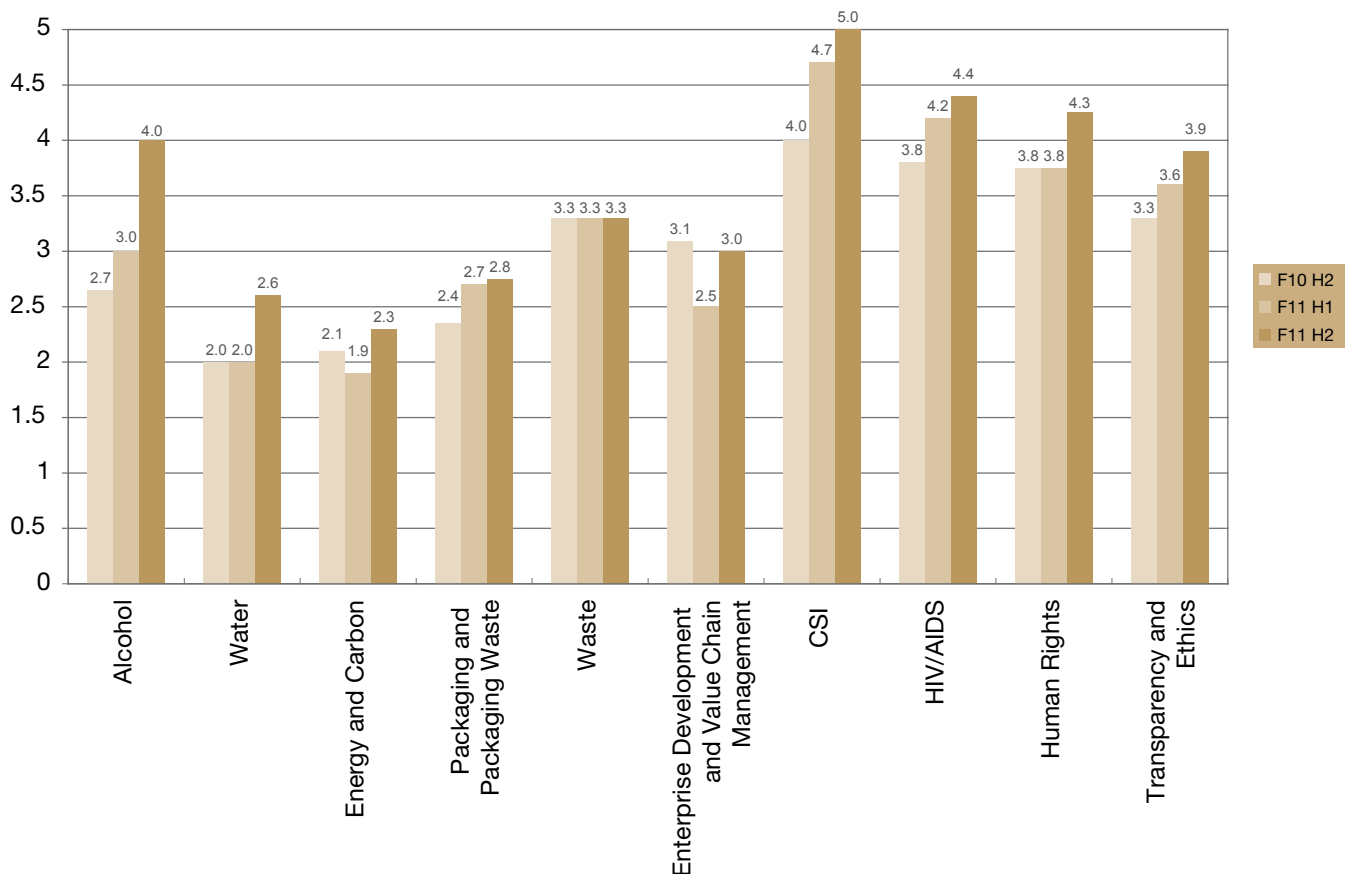
The need to:

	Discourage irresponsible drinking
	Make more beer using less water
	Reduce our energy and carbon footprint
	Have a vibrant packaging reuse and recycling economy
	Work towards zero waste operations
	Have supply chains that reflect our own values and commitment
	Have respect for human rights
	Bring benefit to our communities
	Contribute to the reduction of HIV/Aids within our sphere of influence
	Be transparent in reporting our progress on these sustainable development priorities

NBL Commitment to Sustainable Development

- Every facet of our vision, mission and values has sustainability underpinning it.
- Our vision “To be the leading brewery in Uganda by market share, brand health & product quality; & to be in the top quartile of SABMiller breweries globally by key functional measures” speaks to sustainability.
- Sustainability in SABMiller is measured through the sustainability assessment matrix (SAM). This is one of the key functional measures by which SABMiller companies are ranked. Nile Breweries has in the last three financial years been in the top quartile of SABMiller companies globally in the SAM assessments.

Nile Breweries 2011 SAM SCORES



NBL SAM PROGRESS

FY	SCORE on scale of 1-4 (1-5 since 2011)	SABMiller Africa Ranking	SABMiller Global Ranking
2007	1.63	2nd	11th
2008	2.74	1st	7th
2009	2.88	1st	7th
2010	3.05	1st	6th
2011	3.56	1st	5th



Our mission & values

Similarly, **our mission:**

"To own and nurture local and international brands which are the first choice of the consumer", has been realised for example due to adherence to one of the SABMiller SD priorities - enterprise development of the value chain.

It has allowed NBL to nurture Eagle Extra, a brand made from local sorghum, to become the first choice of Ugandan consumers.

Values:

- Our people are our enduring advantage,
- Accountability is clear and personal,
- We work and win in teams,
- We understand and respect our customers and consumers,

- Our reputation is indivisible;
 - ✦ All have a thread of sustainability running through them.
 - ✦ if you do not believe in human rights, how can you value your people as the "enduring advantage?"

NBL SD & functional priorities integration

Functional Priority	SD Priorities
Corporate Affairs Enhance our reputation	(Responsible drinking, Benefiting communities, HIV/AIDS & Transparency)
Technical Leverage capacity & capability; innovate ahead of competition	(Water, Energy & Carbon, Waste, Packaging & Supply Chains)
Human Resources Leverage capacity & capability	(Responsible drinking, HIV/AIDS, Human Rights & Transparency)
Finance Deliver financial growth	(Ensuring transparency & ethics in reporting and providing budget allocation for implementation of SD)
Marketing, Sales & Distribution Build a full brand portfolio and win at point of purchase	(Discouraging irresponsible drinking through responsible commercial communication)

Measuring progress in adhering to priorities

Discouraging irresponsible drinking

- Adherence to the SABMiller responsibility framework has progressed at Nile Breweries. By the close of F11 a formal process to receive complaints regarding responsible commercial communication was in place. The company's general response to alcohol issues is publicly reported through the SD Report and other communication to stakeholders.
- An employee survey showed there had been an increase to around 90% of employees now believing the company had a high level of commitment to alcohol responsibility.
- The company's commitment to license to trade and alcohol responsibility is outlined in executive committee team goals. The government and civil society now recognise the company as making a real and valuable contribution to reducing alcohol related harm.
- Nile Breweries is a founder and active member of the Uganda Alcohol Industry Association (UAIA), and currently chairs this body. The main objective of UAIA is to promote responsible alcohol marketing and consumption by members and consumers respectively.

Challenges

- The main challenge internally, as shown in the employee survey, is to constantly keep employees informed about company commitment to responsibility in the trade, in the community and with government.
- Externally the company needs to earn more confidence of the government and non-government stakeholders in its commitment to self-regulation.

Key STATS

- 95% employees trained in alcohol responsibility
- 450 retail outlets trained in alcohol responsibility



Making more beer using less water

- Nile Breweries has a strong commitment to reduce the amount of water we use while making beer. This is driven through a series of Profit Improvement Projects (PIPs).
- The water usage during the FY under review was 4.9hl/hl of beer. A PIP is in place to bring this to 4.5hl/hl by March 2015.
- The company has introduced a five year forward looking action plan of water supplies in relation to its geographic location in the Lake Victoria Basin and the Source of River Nile. The plan and overall usage is reviewed annually.
- Based on future production volumes, the company is working to predict the ability of the watershed to meet local water needs.
- The landmark in the area of water management has been the construction of the effluent treatment plant.
- The state-of-the-art ETP will ensure the brewery returns clean water into the Nile River.



Nile Breweries works to ensure proper water usage at the source of the River Nile

Reducing our energy & carbon footprint

- Just like with water, Nile Breweries drives energy usage reduction as a key sustainability priority. So important are these two priorities that they formed key elements of the employee bonus during the period under review.
- Overall total energy usage for the year was 179.8 MJ/hl of beer. The goal for F12 is to bring it down to 165 MJ/hl.
- The brewery carbon footprint is mapped and measured to include emissions within the scope of the plant and information from fleet distribution services.
- The company has begun piloting non HFC fridges, and annual fuel consumption for first tier (wholesale) distribution too is recorded.



We show carbon reduction commitment by maintaining lush greenery around the brewery

Having a vibrant packaging reuse and recycling economy

- Nile Breweries is very conscious of the environmental hazards that can be caused by packaging waste and aggressively implements re-use and recycling.
- The average recycled content of packaging substrates is between 40-50% for glass, and glass returnable bottle weight is between 1.3ml/g-1.5ml/g.
- Packaging substrates have a maximum heavy metal content of <100ppm and post consumer recycling has improved to more than 90% of primary packaging being recycled or reused per unit.
- An action plan is in place to address issues arising from an environmental review of packaging types.
- There still exists opportunity for streamlining cullet recycling to more than the current level.
- The challenge remains on how to recycle labels.

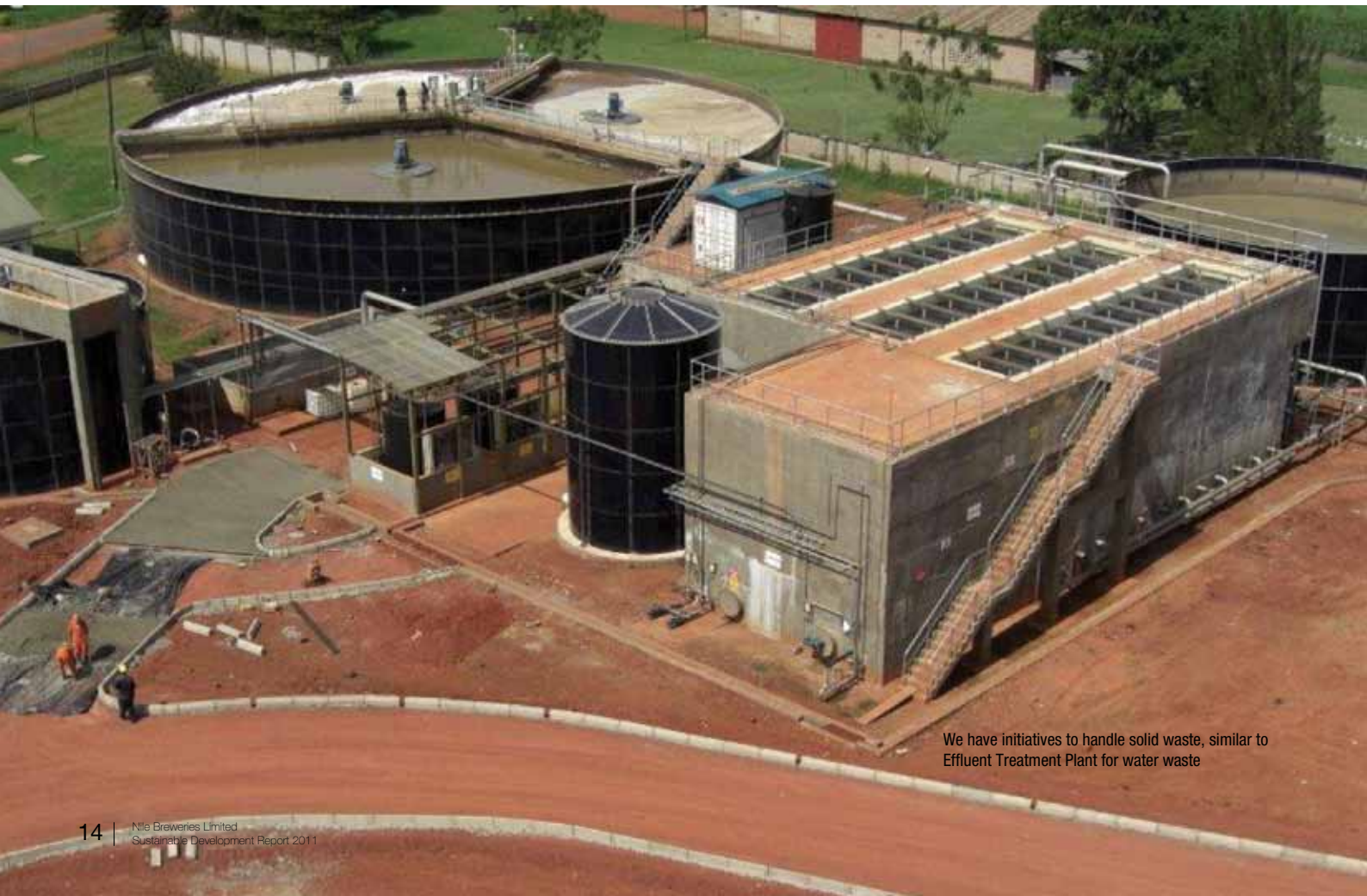


The challenge remains on how to recycle labels once they are removed during bottle washing



We work towards zero waste operations

- Nile Breweries has developed a holistic waste management plan, with at least 85% of site waste (excluding hazardous wastes and refrigerants) recycled or reused.
- There is a strong drive to sort and separate waste at the point of generation and ultimately at the points of disposal.
- Upstream waste reduction activities are undertaken with key suppliers as well as other suppliers to the facility.
- Third party arrangements have been made to recycle or reuse paper, card board by packaging bakery products e.g. bread, cakes etc.
- Records of waste generated have become more accurate since the commissioning of the weigh bridge within the brewery.
- We are in advanced stages of entering into partnership with the Jinja Municipal Council, to utilize their dump site for mainly biodegradable waste and Kieselguhr.



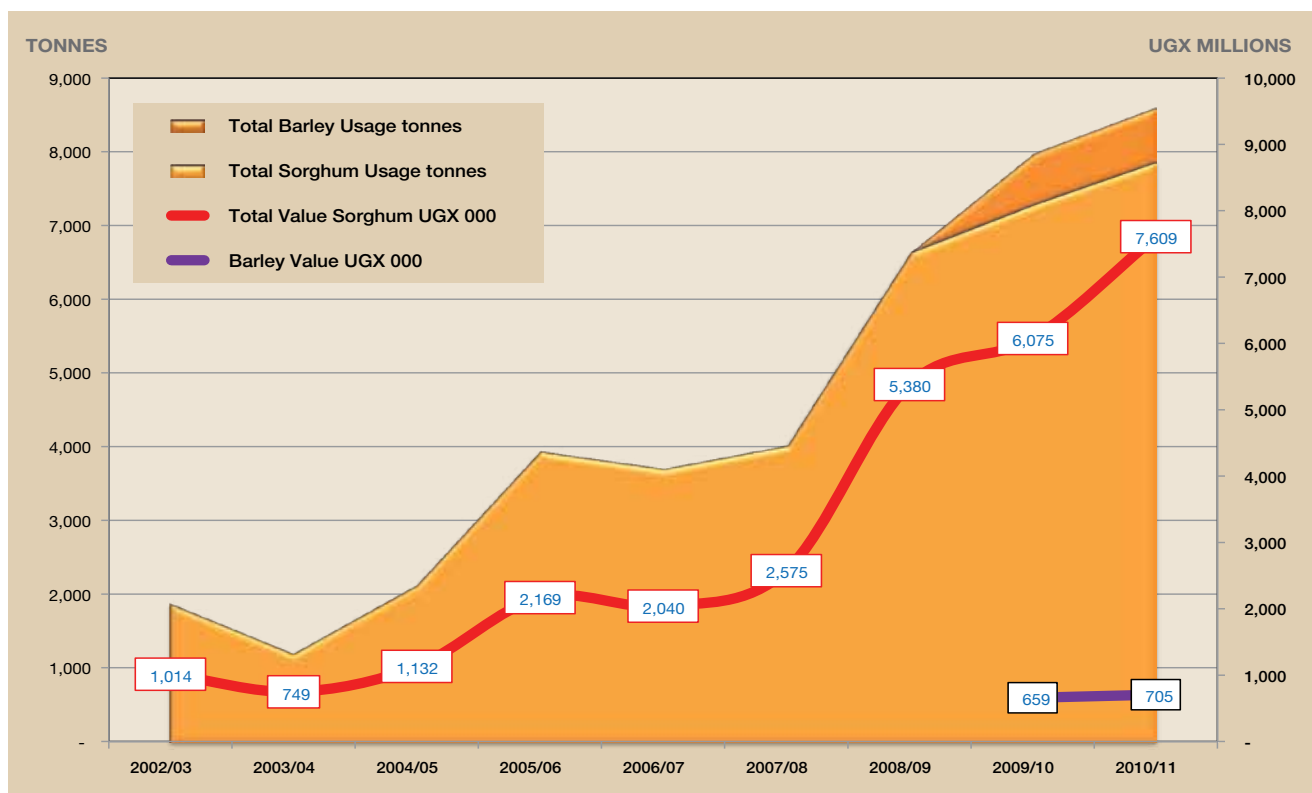
We have initiatives to handle solid waste, similar to Effluent Treatment Plant for water waste

Supply chains that reflect our own values and commitment

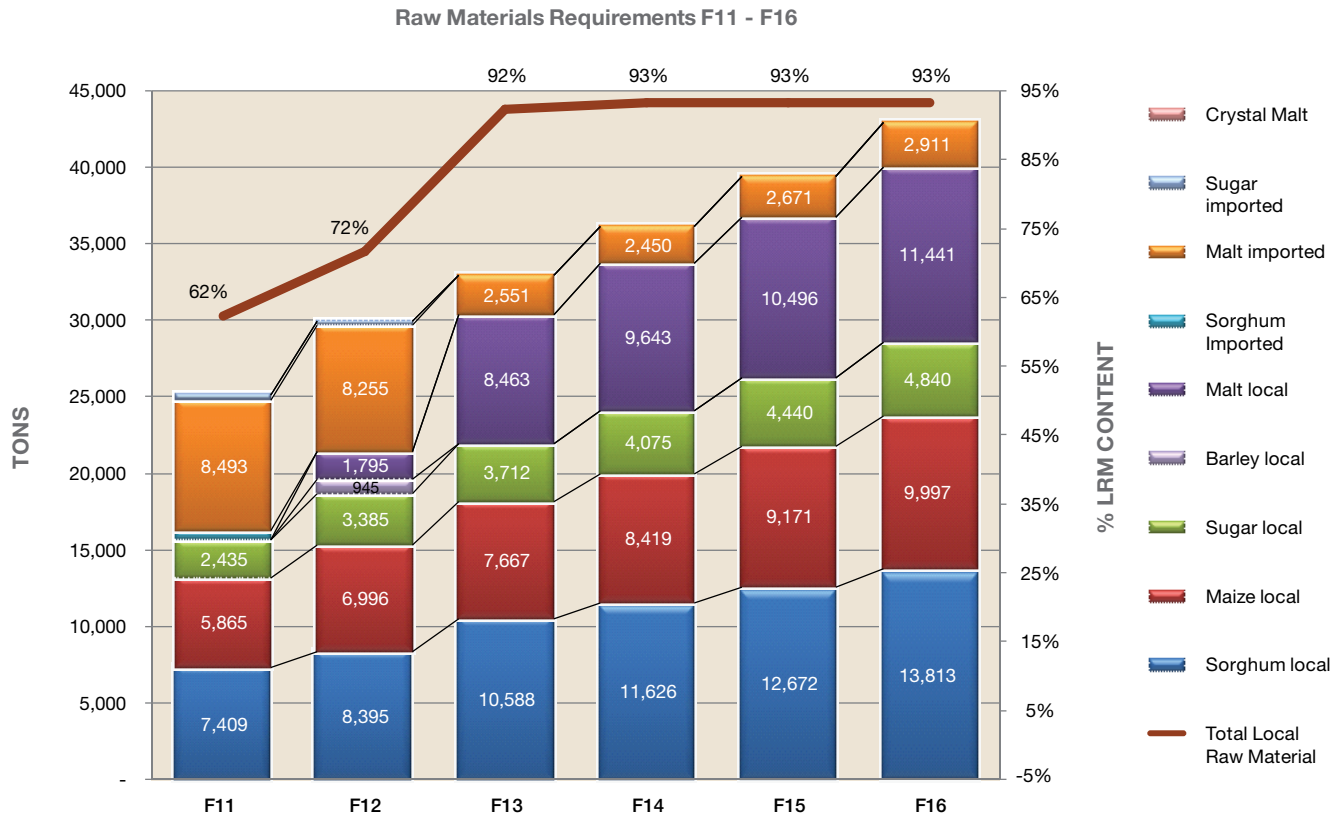
- Developing supply chains that reflect our values and commitment is well entrenched at Nile Breweries.
- The key elements are anchored in our local sourcing of sorghum and barley for brewing requirements. This has benefitted thousands of farmers across Uganda.
- The company is working with international and national policy makers to share learning and experience and to stimulate local enterprise development.
- Sustainable development partnerships with suppliers have demonstrated significant business benefits.
- Top suppliers are engaged on SD policies and ethical issues.
- We have an Annual Suppliers Day, during which suppliers and company share knowledge and ideas on sustainable development.



Nile Breweries Ltd. Annual Sorghum & Barley Usage & Value: 2002/03 to 2010/11



Local Raw Material Progression



Malting Plant Commissioning

- The crowning of the NBL local raw material usage is imminent commissioning of Uganda's first malting plant.
- It will process locally grown barley into brewing malt, ending over 50 years of the country relying exclusively on imported malt.
- The malting investment is US\$ 20 million.
- Capacity is 15,000 tons of malt per annum
- Total full time employees created by the plant is 24.



Bringing benefit to our communities

13,292 farmers have been trained on health awareness;
1,300 hospitality workers trained on HIV/AIDS awareness

- The Nile Breweries Limited Corporate Social Investment (CSI) has continued to register excellent progress in all our priority areas of; health, clean water, environmental protection and the new addition - education.
- In our health programmes in the supply chain, dubbed "From Grain to Glass" we offered additional peer education training, health fairs, and HIV/AIDS voluntary counseling and testing (VCT). At the close of F11 our CSI health KPIs were as follows: 99% of employees had undergone VCT; 375 farmers of sorghum and barley were trained as peer educators for their communities; 13,292 farmers have been trained on health awareness; 1,300 hospitality workers trained on HIV/AIDS awareness; 248 truck drivers trained on HIV/AIDS and provided VCT; 300 orphans and vulnerable children (OVC) due to HIV/AIDS supported; home-based counseling and testing (HBCT) project piloted among farmers in Katakwi; 4,120 farmers provided with VCT under the HBCT project and a total 7,083 people received VCT in our supply chain.



Nile Breweries board chair Dr. James Mulwana speaks to pioneers of the Equality scholarship

- The number of boreholes drilled under our clean water for farmers initiative rose to 8, providing 30 million litres of water per annum to 4,000 people at a cost of Shs.160 million.
- Under the environmental protection programme in the supply chain, the total number of trees planted among sorghum farmers and the "Green Towns Project" rose to 6,716.
- We added the "Equality Scholarship" to enable academically gifted

children from poor rural communities that grow for us sorghum and barley enroll for quality secondary education.

- There was widespread employee engagement in CSI, with more than 10% of employees volunteering for more than half a day in areas like cleaning hospitals, painting zebra crossings on busy streets and planting trees.
- The company has begun to evaluate the financial impact of its CSI on the community and the environment

and this is defined as the social return on its investment (SROI). The study specifically revealed that the Shs. 160 million we invested in boreholes returned 4.95 fold in other benefits, such as health cost reduction for the farmers.

Reducing HIV/Aids

Management fully supports VCT by way of active participation in VCT campaigns and also through advocacy and logistical support.

- HIV/AIDS has been a public health problem in Uganda for the last three decades, it is estimated that since the onset of the pandemic up to 1 million people have died and by 2009 it was estimated that up to 1.2 million Ugandans were living with HIV/AIDS. The pandemic has impacted on the national economy because HIV /AIDS kills mostly young and productive adults. Nile Breweries has a total of 27 of its employees living with HIV/AIDS; all these employees are on antiretroviral treatment and are working diligently for the company.

The company HIV AIDS interventions target the company employees, their families and the community around the brewery. The company conducts routine counseling and testing which is voluntary, employees are always asked to test together as a family in order to strengthen prevention at the family level, and access care and support when required.

Management fully supports VCT by way of active participation in VCT campaigns and also through advocacy and logistical support.

VCT FOR EMPLOYEES AND SPOUSES

- VCT Services and programs are the pillar of our HIV /AIDS Programs, our model for VCT is varied and tailor-made to suit our different client groups, the onsite program is the oldest model and the most utilized and this targets all employees in the brewery including contract workers. In F11 a total of 79% of our employees participated in VCT, along with 18% of our spouses and 14% of contract spouses (total 32%). The other model is home based counseling and testing which promotes family testing, this has enabled us to improve access to testing at a family level. Health fairs in the community are another model we use to provide integrated health care services to communities where we operate. The sales and distribution infrastructure is leveraged to provide synergies to our community VCT mostly through social mobilization.

KAP SURVEYS

- The company regularly carries out Knowledge Attitude and Practice (KAP) surveys on HIV/AIDS and



the findings are disseminated to all employees. The key findings and action points are reviewed annually through the peer educator's platform, which drives innovation in controlling the pandemic

CHALLENGES

- Some employees are complacent about the problem of HIV/AIDS and they tend to shun HIV/AIDS activities. How do we reach such employees to ensure that they test and contribute to HIV prevention?
- Lack of training opportunity within the business may undermine access to new knowledge by the health team
- How do we sustain some of our community programs?
- For community VCTS, clients always ask what next?



Nile Breweries has registered tremendous progress in extending HIV/AIDS control to the supply chain

Respecting human rights

Nile Breweries is a member of the board of the Executive Council of Federation of Uganda Employers body. This body actively supports members to comply with labour laws and promotes good employment practice.

- To support human rights, the company has taken part in national initiatives on the wider sector and partnership projects.
- Nile Breweries is a member of the board of the Executive Council of Federation of Uganda Employers body. This body actively supports members to comply with labour laws and promotes good employment practice. These practices as a minimum emphasize the need to support Human rights in the workplace. This body also lobbies government and other key stakeholders to create a legal environment that is conducive to employment related human rights as stated in the ILO charter. Our procurement practices require that we review our suppliers annually and one of the criteria applied is compliance with human rights as a basis for review and outcome.
- Employees have attended annual presentations about potentially significant human rights risks.
- Accident rates are consistently below the sector average. DIFR is 0.72 YTD which is below our sector average of 1.
- Diversity and inclusion training is provided for those involved in recruitment and development. This has been embedded as a principle in the Talent Management training. This training has been run for all HR practitioners involved in recruitment in 2010 - 2011.



Respecting workers' rights is among the strengths that have earned Nile Breweries the mark of Uganda's best employer

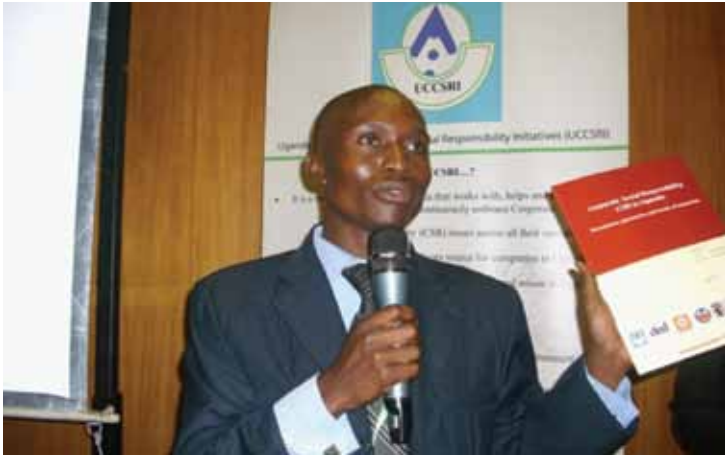
Transparency in reporting our progress

- Nile Breweries is fully committed to transparency and ethical conduct in reporting its progress in sustainable development.
- We are open to and have good relations with the media
- The company's sustainable development report has been communicated locally to media and other stakeholders.
- Feedback is sought from external stakeholders annually and generates action plans for the following year.
- The company has started to provide employees with resources to promote sustainable practices at home and actively encourages consumers and customer involvement in sustainable development.



External commentary

David Katamba, Chairman, Uganda Chapter of Corporate Social Responsibility Initiatives (UCCSRI)



Mr. Katamba trained at the World Bank Institute, New York and is a corporate social responsibility (CSR) Management professional with over six years experience. He is currently pursuing a Doctorate (PhD) in CSR Management.

The report presents a relatively unbiased and true opinion of what NBL has done in the recent past regarding contributing to sustainable development in Uganda.

Your report presents the 10 areas of sustainability that you have rigorously pursued. In our opinion these 10 areas are fundamentally aligned with your core business and we indeed find the report read-worthy for the stakeholders of your business sector.

Rosemary N. Ssenabulya, Consultant



Rosemary is the Executive Director of the Federation of Uganda Employers (FUE). She was before a Director Industrial Relations and Human Resource Development, Senior Industrial Relations/ Training Officer, Manager FUE Small Enterprise Development Project in the same organization.

Reading through your sustainable development report, I was not surprised with the level of success you have achieved, drawing from the performance and strategic ability of your parent company SABMiller.

I am pleased to note a number of good projects, specifically those focusing on human rights issues, transparency & ethics, which are in conformity with the UN Global Compact ten principles of sustainable business.

Having launched the UN Global Compact local network Uganda, I call upon NBL to participate actively in the activities of this local network and to share its approach with other local participants.

Sustainability related awards

During the year ending 2011, Nile Breweries won several awards within Uganda, SABMiller Africa and globally too, which had a significant sustainability aspect to them.

These awards included:

- **Sustainable Development Award, 2010**
- **Brewery of the Year Award, SABMiller Africa, 2010**
- **Mercatus Award** - Regional award (Africa)
 - > Club - Strengthening mainstream brands through distinctive positioning and integrated commercial programs
- **Mercatus Award** - Global
 - > Eagle Lager- Expanding categories by capturing new consumer segments and occasions - Gold Medal
 - > Nile Breweries Uganda - winning with customers across channels and regions through differentiated and segmented execution - Silver Medal
- **Two Monde Selection Gold Medals:** Nile Special and Nile Gold
- **Abacus Award** for financial excellence in budgeting, treasury, reporting, management information, tax planning, customer care, internal controls, credit management, IT and information system management
- **Corporate Affairs Excellence Award**
- **SABMiller Africa MD's Sales Award**
- **Healthy Workforce and Community Award** by USAID and HIPs



Sustainable development of the value chain through the Eagle brand was one of the criteria for Nile Breweries to scoop two Mercatus awards during the year at a London ceremony.



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