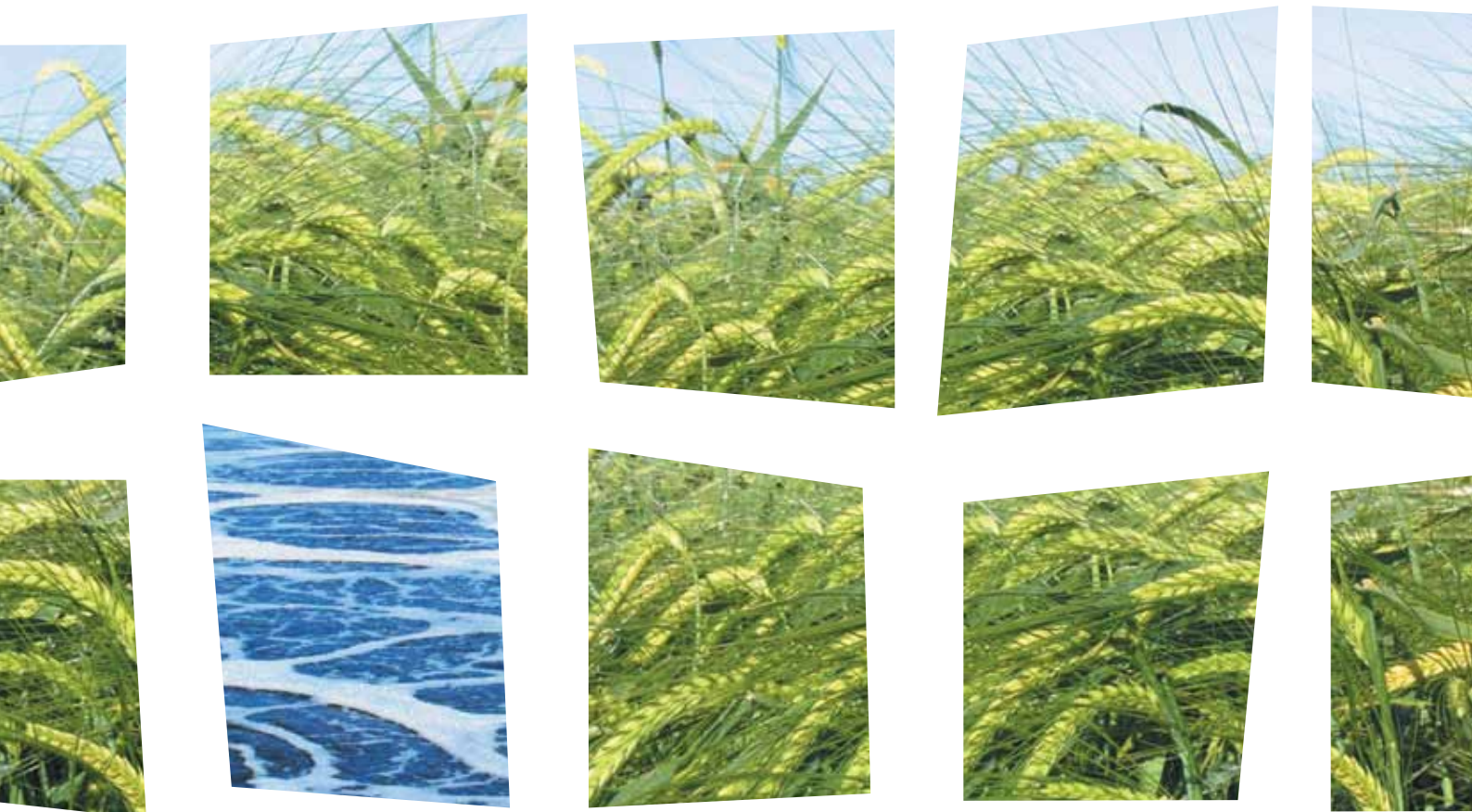




# COMMITTED TO SUSTAINABLE DEVELOPMENT



Ten Priorities. One Future.





## SAB's approach to sustainable development

SABMiller, SAB's parent company, has a clear and well-embedded approach to sustainable development, developed through extensive consultation internally and with external stakeholders. In June 2010 the company brought all aspects of its sustainable development projects and priorities together in a global programme launched under the banner 'Ten Priorities, One Future'.

These Ten Priorities are:

- Making more beer using less water
- Discouraging irresponsible drinking
- Reducing energy and carbon footprints
- Reducing the weight of packaging, reusing bottles and encouraging recycling
- Working towards zero waste operations
- Building supply chains that reflect the company's values and commitment
- Benefiting communities
- Contributing to the reduction of HIV/Aids
- Respecting human rights
- Transparency in reporting the company's progress

## SAB and the Ten Priorities

The South African Breweries (SAB) has long played a role as one of South Africa's most socially progressive and innovative enterprises. The company understands that its business is not separate from society - it is an employer, a customer, a supplier and a taxpayer. The long-term interests of SAB and the wider community are therefore inextricably linked.

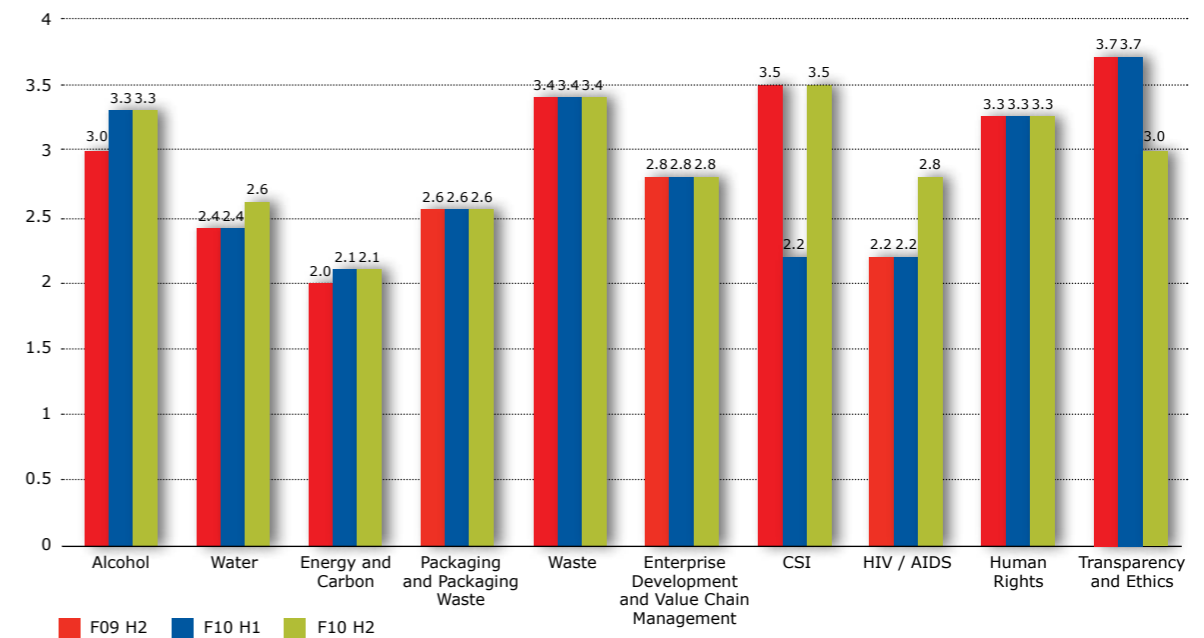
The company looks beyond traditional business approaches, searches for sustainable, pioneering solutions to new challenges and sees sustainable development as fundamental to its success.

In South Africa, SAB fully supports the Ten Priorities set out by SABMiller. Using less energy and less water, and engaging meaningfully with employees, customers, suppliers and communities, makes good business sense. There is also a strong business case for developing a constructive dialogue with government and helping disadvantaged South Africans to reach their economic aspirations.

The management of SAB's sustainable development priorities is fully integrated into its operations. Overall accountability rests with the Managing Director's Committee (MDC), which meets quarterly and considers sustainable development issues as part of its ongoing management of the business. Accountability for

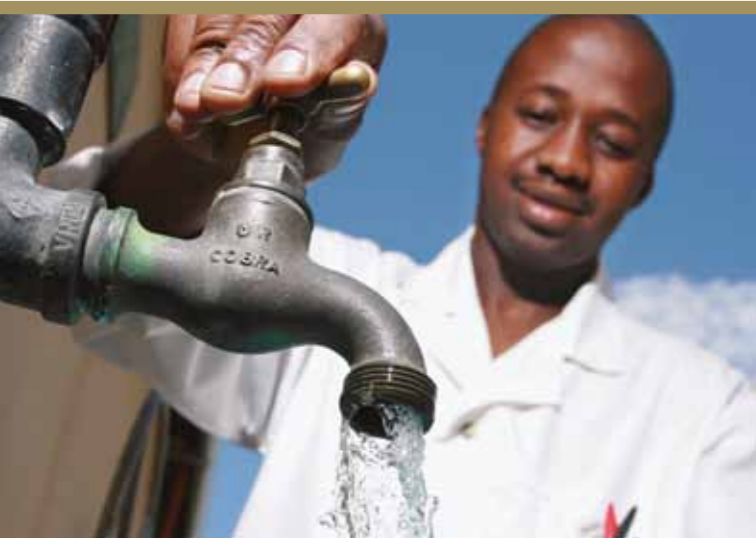
individual priorities is allocated to appropriate departments within SAB. The company uses the SABMiller Sustainability Assessment Matrix (SAM) as a management tool to measure its performance against the ten sustainable development priorities, and to assess its position relative to other companies within the group.

Management of sustainable development priorities extends beyond the day-to-day running of SAB. The company regularly convenes master class sessions, which involves inviting external experts to provide its senior executives and key decision makers with a long-term view of local and international trends on a particular sustainable development priority. These provide a basis for developing proactive business strategies, which are monitored and reviewed on an ongoing basis to ensure that they are delivering tangible benefits to the business and the communities in which it operates.



## WATER: Making more beer using less water

By its nature, brewing is a water-intensive process. Making more beer, but using less water, is one of SABMiller's three global focus areas for sustainable development, and is of particular importance for SAB's operations in South Africa, a semi-arid, water-scarce country.



SAB's water strategy is based on the 5Rs (Protect, Reduce, Reuse, Recycle and Redistribute), a comprehensive, risk-based approach to managing water in its business and in the value chain.

SAB has already made good progress. The company's water efficiency has improved by 8% over the past two years to an average water efficiency of 4.1 litres of water per litre of beer produced.

Key imperatives in driving water efficiency include:

- Reducing water ratio from 4.13 to 3.6 by 2015, a 13% reduction
- Improving effluent discharge quality to meet legislation by investing at a brewery level or improving municipal operations
- Engaging with key suppliers to understand their manufacturing water efficiency relative to best-in-class and their improvement plans

In addition, SAB has revised its guidelines to farmers providing grains for brewing – in collaboration with The World Wildlife Fund (WWF) – to promote better farm management practices with regard to water use, and a pilot has been

undertaken on drylands. A similar exercise is planned for irrigated farms. Once the pilot is complete, this guidance will be rolled out to all the commercial farms as a sustainable grain farming framework.

Local water challenges are usually best solved in partnership with NGOs, local governments and other local businesses. In the regions where SAB operates, it aims to foster a collaborative approach to ensure the best outcome both for its business and for the local community.

One of the problems faced nationally is the high rate of water loss at municipal level. Some municipalities lose up to 30% of the water in their systems. SAB has taken the lead in engaging with local authorities on possible assistance to ensure better water governance and management at the municipal level.

Where SAB has control over water management practices, that is, inside its brewery gates, it ranks amongst the world's leaders in terms of responsible water management during the brewing process. Additionally, SAB exercises strict control and management of the quality of discharged water at the end of the production cycle.

Efficiency targets are continually increased and new technology is explored and introduced to effect changes where they are required. When a new brewery is built, its efficiency is much higher due to the advantage of the installation of a modern infrastructure.

Key initiatives include the Water Neutral partnership with the WWF, which sees the Ibahyi and Newlands breweries becoming 'water neutral'; and the 'Let the River Flow' project, a partnership with the Mafube municipality, the Department of Water Affairs and The River Trust to rehabilitate the Wilge River in the Free State.

## RESPONSIBLE CONSUMPTION: Promoting responsible consumption

SAB promotes responsible consumption throughout its business as part of day-to-day activities, such as designing marketing campaigns, developing new products or out in the market selling beers.

The majority of South Africans consume alcohol in a responsible manner. However, a relatively small percentage of consumers abuse alcohol and this has a disproportionately negative impact on South African society. SAB views this as unacceptable. As a result, at the beginning of 2009, the company embarked on an in-depth study both locally and internationally in order to understand the issues and the facts around the abuse of alcohol. By tapping into the company's local and global network to understand what had worked elsewhere, SAB adopted a strategy that sought to have a significant and sustained impact on alcohol abuse.

### **SAB invests R40 million annually in its strategy to tackle alcohol abuse**

The alcohol strategy is framed around three key dimensions, namely: living the example; leading co-regulation; and investing in real impact programmes.

- 1. Living the example** includes commercial codes of good practice for employees, trade partners and consumers to encourage more responsible trading practices (not selling to minors, for example).
- 2. Leading co-regulation** is centred on increasing resources to build partnerships with government and the industry. It also focuses on driving real advances in the normalisation of the industry through supporting and incentivising shebeens to come into the formally regulated industry.
- 3. A number of real impact programmes** have been instigated in key areas where SAB believes it can make a real impact, namely alcohol related road deaths, responsible trading, foetal alcohol syndrome (FAS) and underage drinking.



SAB also launched a hard-hitting advertising campaign called Reality Check, at a cost of R15 million, to raise awareness of the anti-social and life-threatening effects of drinking and driving and FAS.

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SAB strives to ensure its employees understand the risks that arise from irresponsible drinking and it expects them to meet high levels of conduct in relation to alcohol consumption.

## ENERGY AND CARBON: Reducing energy and carbon footprints

Climate change is an issue of global concern. Aside from its broader economic and societal impacts, climate change could directly affect many aspects of SAB's business in the coming years, including the availability of water and crops – the essential inputs of the brewing process.



SAB's climate change strategy goes beyond energy efficiency and switching to renewable energy sources. It also embraces the question of how SAB can help reduce greenhouse gas emissions across the entire value chain in relation to packaging, manufacture, transport and refrigeration.

SAB takes its role as a responsible corporate citizen very seriously. The company therefore is committed to:

- Minimising the impact of the energy constraints on operations, customers and consumers through practical, proactive and strategic interventions
- Meeting Eskom and government's reduction targets within the set time frames and, where possible, exceeding the minimum required savings
- Educating and empowering people to become passionate energy-conserving champions

- Adopting energy-savings measures and reporting on the savings achieved transparently and timeously
- Ensuring that energy-saving initiatives are in line with existing sustainable development objectives

***SAB's climate change strategy goes beyond energy efficiency and switching to renewable energy sources***

SAB has implemented a number of measures aimed at reducing electricity use. These include proactively engaging relevant authorities on a regional and national basis to reduce the impact on the business; reviewing a number of self-generation opportunities at key breweries; evaluating opportunities to achieve the required 10% usage reduction; and engaging with suppliers to understand the impact of the electricity constraints on their operations.

## PACKAGING, REUSE AND RECYCLING: Reducing the weight of packaging, reusing bottles and encouraging recycling

Promoting a vibrant packaging reuse and recycling economy, and working towards zero waste operations, are key components of SAB's sustainability strategy. SAB has both a vested and philanthropic interest in preserving the environment from which it draws its natural ingredients.

In 2010 SABMiller developed a new packaging sustainability strategy for its global operations, based around eight core elements:

- Taking a 'cradle to grave' approach to packaging
- Promoting sustainable design
- Ensuring packaging is safe and fit for purpose
- Seeking opportunities to eliminate or reduce packaging
- Increasing the recycled content of packaging
- Reducing the amount of transit packaging used
- Understanding disposal options for its packaging
- Contributing to the achievement of water and energy savings

In South Africa, SAB has reduced the weight of its packaging, reuses bottles and encourages recycling, thereby saving money and raw materials and reducing pressure on local waste services.

More than 80% of all the beer sold by SAB in South Africa is packaged in returnable containers. The remaining 20% is sold in convenience packs, in order to meet consumer demand.

SAB is also 'light-weighting' existing product packaging by reducing the amount of material used while maintaining the integrity of the packaging itself. Lighter packaging uses fewer raw materials and less energy to manufacture. In recent years the 340 ml 'Giraffe' bottle used in South Africa was redesigned to reduce its weight by almost 10%.

Though beverage containers overall make up only 10% of total litter, the company nevertheless actively promotes education programmes and recycling through organisations like The Glass Recycling Association and Collect-a-Can.

## WASTE: Working towards zero waste operations

SAB aims to use its resources efficiently and limit the disposal of waste to landfill. It follows the principles of the waste hierarchy to reduce, reuse and recycle its waste in a more efficient and ultimately value-enhancing way. Much of SAB's waste is a valuable resource for farmers and food producers, as well as a potential energy source. SAB aims to ensure that anything requiring disposal is dealt with in a safe, responsible and legal way. By minimising the amount of waste sent to landfill, the company saves money and reduces its environmental impact.

Just under two-thirds of SAB's waste is organic material produced as a by-product of the brewing process. This includes spent grains, waste yeast and trub (a residual created from brewing). The remaining waste is made up of damaged packaging (broken bottles, caps, cardboard and

so on), filtration medium, effluent sludge from waste water treatment, boiler ash and other non-recyclable waste.

SAB processes solid waste on a cradle-to-grave basis, and opportunities for waste to be reused or recycled are actively sought. By way of example, spent yeast is sold to manufacturers of health foods and savoury spreads; farmers purchase spent grain for animal feed; SAB's at Ibhayi brewery in the Eastern Cape spent grains are donated to local black farmers every month; kieselguhr (a filtration medium) is recycled in cement and compost; malt dust, spent grains and other organic waste is sold for pet food; segregated broken glass bottles are recycled and turned into new bottles; and waste water is used to generate energy and produce fertiliser.

## ENTERPRISE DEVELOPMENT: Building supply chains that reflect the company's values and commitment

SAB is a large business with a reach that extends well beyond its own operations. The decisions it makes about where it buys its raw materials, capital equipment and business services can have a materially positive effect on the communities in which it operates.

There are also advantages to be gained by working in partnership with suppliers to deliver more cost-effective and better quality materials.

*A number of key initiatives have been instigated by SAB over the years which support enterprise development and entrepreneurship*

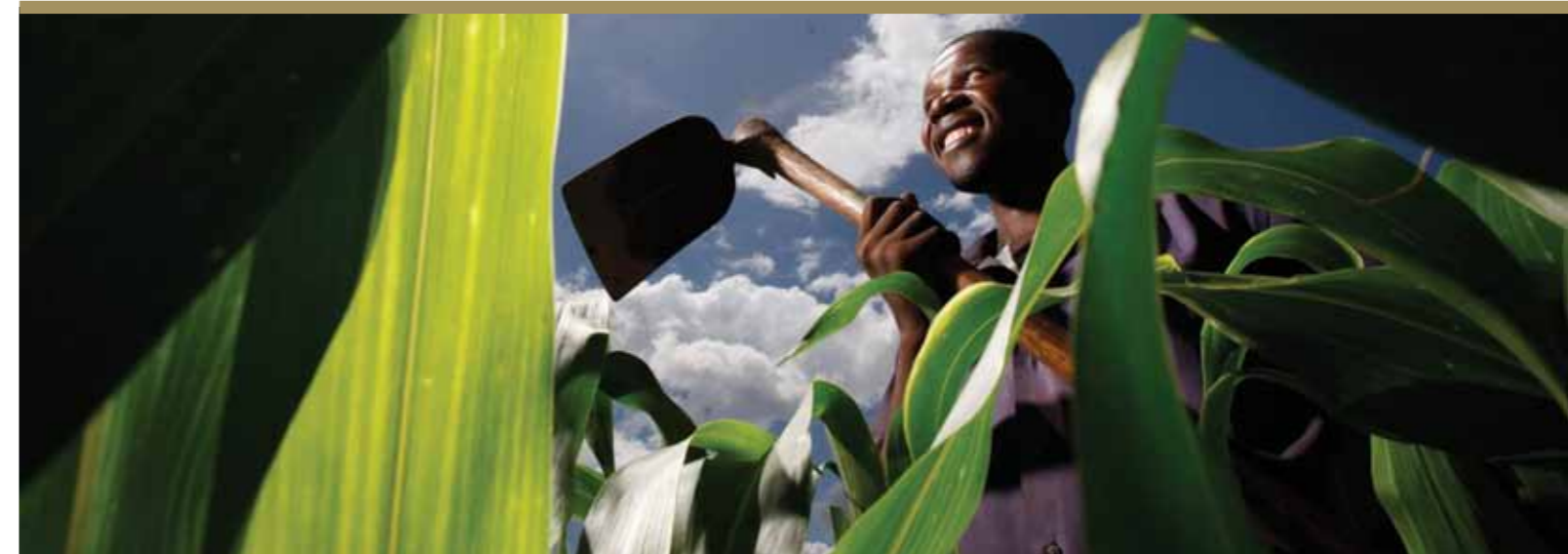
SAB manages its supply chains with a view to the long-term benefits to its operations. These include the availability of key brewing ingredients, such as malted barley, and the stimulus such purchasing gives to local economic growth.

A number of key initiatives have been instigated by SAB over the years which support enterprise development and entrepreneurship. The owner-driver initiative sees about 70% of SAB's deliveries carried out by former employees who have been supported in setting up their own distribution companies. The Taung Barley project, established in the early 1990s, encourages local barley production and supports about 120 smallholding farmers to generate an income and improve their lives. SAB KickStart is an initiative which supports young entrepreneurs through mentorships and grants, and in the 15 years of its existence, has benefited over 22,900 people.



## COMMUNITIES: Bringing benefits to the communities we serve

SAB believes that the prosperity of its operations and the communities in which it operates are co-dependent. Businesses need healthy and prosperous communities, because they offer the opportunity for profitable growth.



SAB's corporate social investment (CSI) activities aim to improve the quality of life of local people, helping to build strong relationships with suppliers, consumers and employees. SAB is acutely conscious of its role in supporting economic development to help alleviate poverty and has allocated over R14 million to environment, sports development and welfare projects for the 2011 financial year.

Flagship CSI projects focus on sports development and supporting communities. The SAB Under 21 Regional Soccer League identifies and harnesses new soccer talent. The Tavern Intervention Programme is a mentoring initiative for men who have been identified by communities as perpetrators of crimes linked to alcohol and focuses on changing their perceptions and behaviour around gender violence, child abuse, HIV/Aids and alcohol consumption.

## HIV/AIDS: Contributing to the reduction of HIV/Aids

SAB is committed to the fight against HIV/Aids, as it affects its workforce, erodes the disposable income of its consumers, damages the supply of raw materials, and ultimately weakens the economic development and stability of communities in which it operates. The extent and consequences of the HIV/Aids pandemic make managing the issue an operational priority. SAB's goal is to reduce the impact of HIV/Aids through its spheres of influence, namely its employees

and their families, its supply chain and the communities in which it operates.

SAB believes in a comprehensive and multifaceted approach to the challenge of HIV/Aids. It provides education and awareness programmes to all its employees, including access to voluntary counselling and testing. SAB also partners with the Department of Health and SABCOHA to utilise its distribution network to distribute free condoms to taverns.

## HUMAN RIGHTS: Respecting human rights

SAB conducts its business with respect for different cultures, laws, norms and traditions. It promotes the values of the international community as encompassed in the Universal Declaration of Human Rights.



SAB's Human Rights Principles cover all employees and contract workers, and are incorporated into its policies and practices.

They cover:

- Freedom of association and recognition of the right of collective bargaining
- Prohibition of forced and compulsory labour
- Abolition of child labour
- Intolerance of discrimination
- Establishing fair and competitive wages and benefits
- Providing a safe and healthy work environment
- Employee security
- Community commitment
- Guiding principles for suppliers

SAB also promotes its Human Rights Principles throughout its value chain. This is done through its Responsible Sourcing Principles which it communicates to all suppliers. Respecting human rights is not merely a passive responsibility, but entails positive steps within the company, such as staff training and developing compliance systems. SAB promotes a culture of honesty, pragmatism and openness and has robust whistleblowing policies to help prevent breaches and abuse of the principles.

Ten Priorities. One Future.



## TRANSPARENCY AND ETHICS: Transparency in reporting the company's progress

SAB is committed both to transparent sustainable development reporting and to high ethical standards in general.

### ***Transparency and open reporting on its activities are important to SAB***

The company believes external stakeholders should be able to access information easily to enable them to assess the company's performance against stated values and to make informed judgements about the business.

Transparency and open reporting on its activities are important to SAB because consumers want to know that its beers and soft drinks are of consistently high quality; its employees want to work for a company that they know is honest and committed to behaving responsibly; its suppliers and business partners want a fair relationship; and the communities in which SAB works want to know that it operates in a way that will not damage their environment or quality of life.





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