

SAB (Pty) Ltd Sustainable Development Report 2012



Ten Priorities. One Future.



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About this report

This dedicated Sustainable Development Report is one component of the overall SAB stakeholder engagement process. We have on-going dialogues with shareholders, government, customers, consumers, suppliers and partners about key aspects affecting our business performance and the quality of our relationships.



This report is aligned to the Sustainable Development Reporting process of our holding company, SABMiller plc, which reports in accordance with the commonly used global sustainability reporting standards, namely:

- Global Reporting Initiative (GRI)
- United Nations Global Compact (UNGC)
- UN Millennium Development Goals (MDGs)
- Johannesburg Stock Exchange Socially Responsible Investment Index

Further information on the SABMiller sustainable development report can be found at http://www.sabmiller.com/files/reports/2012_SD_report.pdf

Scope

Our 2012 report covers the progress we have made on our ten sustainable development priorities and details the key achievements to date. The report covers SAB's beer division and also reports on progress made by its soft drinks division Amalgamated Beverage Industries (ABI).

The beer division incorporates seven breweries and 42 depots. ABI has five state-of-the-art manufacturing plants in South Africa. The information in this report relates to the 2011 fiscal year, referred to in the report as F12, which began on 1 April 2011 and ended 31 March 2012.

Feedback

We believe stakeholder dialogue is critical to improving sustainability. We welcome your views on our report and the way we approach our priorities.

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Message from the Chairman and Managing Director

A few years ago, our operating environment changed dramatically, as our long-time partner decided to become our competitor. So, we took a hard look at every dimension of our business, and came to the conclusion that in order to win in the new environment, we would need to lift our game and deliver superior value to South African consumers, retailers and society.

Consequently, we do not view sustainability as a side-effort, but instead we see it as core to everything we do. It starts with our ability to produce top-quality beverages at a good value for consumers, and it includes our role as a significant tax-payer, a progressive employer, a reliable customer and supplier to thousands of large and small South African businesses, the provider of good returns for our shareholders, and a responsible corporate citizen.

We have a strong conviction that it is good for our business for us to engage meaningfully with our employees, customers, suppliers and communities; and consistently work on our relationships with government in finding the most effective solutions in addressing socio-economic problems, such as poverty, unemployment and alcohol abuse.

Given our size, we know our actions can have real impact. Most notably, we anchor one of the largest supply chains in the country, and are determined to make sure we leverage this influence as a major force for good. We are deeply aware

of the looming threats of food and water security, and we are taking proactive steps to secure the resources we require to brew top quality beers over the coming decades. We also know that we can only achieve this through partnerships and engagement with all our stakeholders.

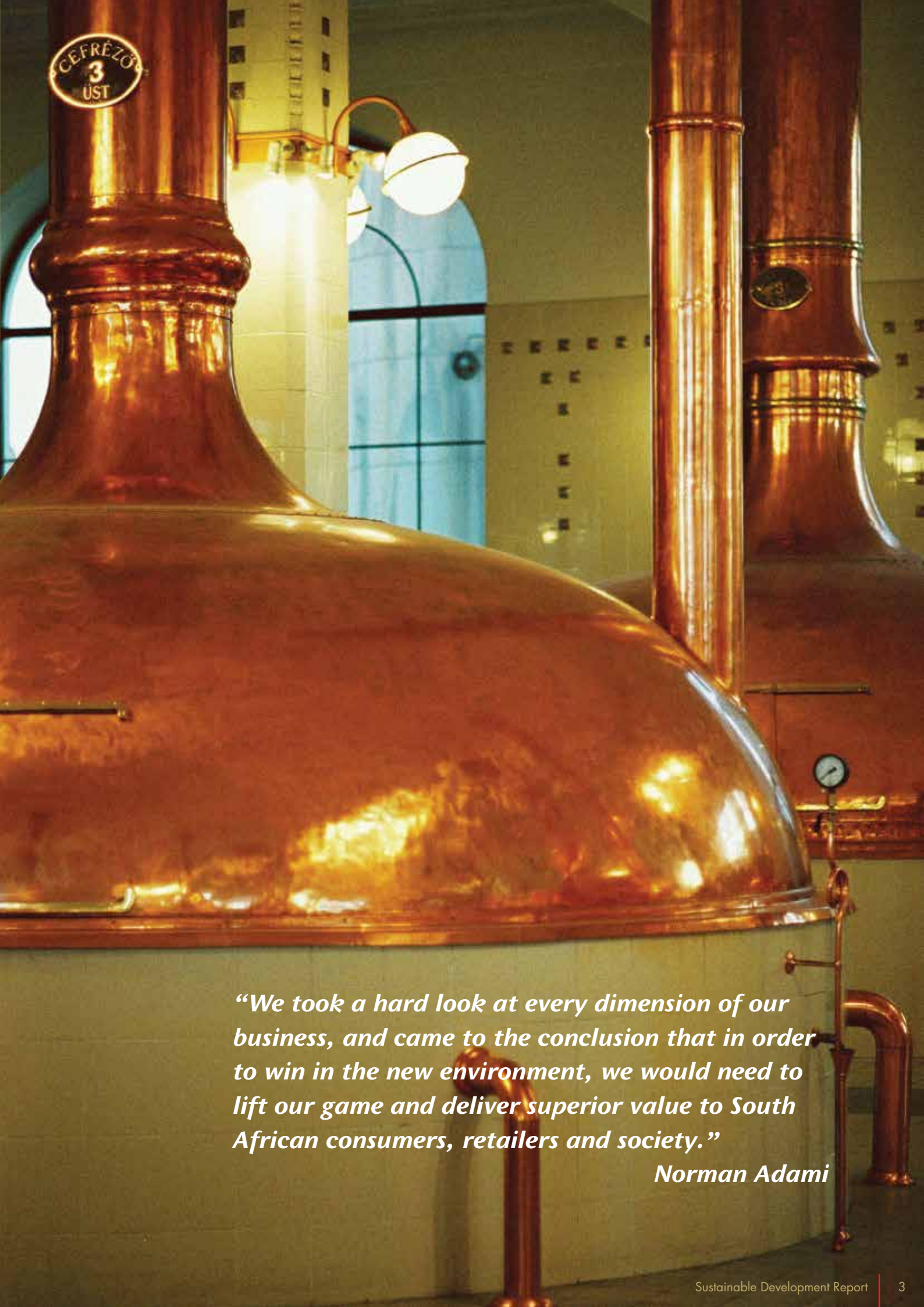
In an effort to focus on key actions that will make a big difference, we have mapped out ten sustainable development priorities, which are detailed in this report.

Looking at our performance over the past three years, we have made important strides in eight of the ten sustainable development priority areas with the scores for Enterprise Development and Value Chain Management as well as Human Rights remaining at the same levels. Overall our score improved from 2.9 to 3.4 during this period. Despite last year's gains, we are far from satisfied, and determined to accelerate our progress on all fronts.

We want to encourage all who work with us to help us integrate sustainable thinking into our daily business activities, so that it becomes a 'way of life' for us into the future as we seek to build off of our position as one of South Africa's leading and most trusted corporations.

We take our leadership role in South Africa quite personally. Because for us, South Africa is not a market. South Africa is our home, and part of who we are.

Norman Adami



“We took a hard look at every dimension of our business, and came to the conclusion that in order to win in the new environment, we would need to lift our game and deliver superior value to South African consumers, retailers and society.”

Norman Adami



Independent Commentary

An effective sustainable development report should seek to achieve at least three things: it should provide a meaningful account of the organisation's performance on issues of material interest to its stakeholders; it should reflect (and ideally inform) the organisation's strategic engagement on sustainability challenges; and it should contribute to building trust with its stakeholders. At a global level, SABMiller's annual and sustainability reporting process delivers on all three of these expectations, and is up there amongst the best. SAB's 2012 Sustainable Development Report forms a valuable contribution to this broader reporting process by their holding company.

This report is an engaging read that strikes a good balance between comprehensiveness and accessibility. Refreshingly, the report is structured around the company's ten priority areas rather than the more conventional 'triple-bottom-line', suggesting a more strategic appreciation of sustainability. There is a clear link between these ten priority areas and the five thrusts of their overall corporate strategy, a useful account of how these focus areas are managed, and a good articulation of the associated business drivers. Recognising the significant leverage they exert in operating one of the largest supply chains in the country, it is encouraging to see supply chain considerations effectively integrated within these ten priorities. The performance reporting on each area is complemented by relevant case studies that give useful context and added personality.

Ambitious targets are reported at the operational level, with specific milestone

targets for each operation; this not only enhances accountability, but suggests that these targets have been informed by meaningful baseline assessments. It is encouraging to see progress against many of these targets. Compelling evidence is provided of SAB's collaborative approach to addressing societal challenges through their partnerships with suppliers, community organisations, academic institutions and even local sporting heroes.

SAB clearly acknowledges the problem of alcohol abuse in South Africa, both in the Q&A with the Executive Director and in listing this as the first of their ten priority focus areas. Although some stakeholders may still question whether SAB is doing enough, the company has been transparent in outlining its thinking and approach on this issue, and frank in identifying the position that they are taking in engaging with government on alcohol advertising.

While this is a commendable report, there nevertheless remain opportunities for further improvement. An important feature of the performance reporting is the SABMiller Sustainability Assessment Matrix (SAM) rating system. While this looks to be an excellent internal management tool, it is arguably less useful in communicating performance to an external audience. Without accessing the website to understand how the company has defined 'best practice' (level 4) or 'genuine global leadership' (level 5), it is difficult to make a sufficiently informed assessment of the performance graphs provided in the report other than for the purposes of tracking trends. On this issue, it is suggested that the report would benefit in providing

a consolidated data table that brings together the material performance data for the past few years. This would enable a more informed understanding of the actual impacts and resource requirements of SAB's operations. For certain parameters there would be further benefit in including a benchmark of performance against peers. Some stakeholders might question the lack of more explicit reference to a separate GRI table. While very wary of the potential dangers of a paint-by-numbers approach to reporting, ready access to a separate table outlining the company's response to the GRI criteria can be useful in enabling comparability. Further clarity is also needed regarding SAB's approach to providing independent assurance of its data.

While some of the reviews on the ten material issues are excellent, others are a little less persuasive. The account on waste issues, for instance, lacks the level of detail provided on water or energy, raising questions about the feasibility and timing of the stated goal of "zero

waste". Similarly the issue of safety seems to be rather an add-on and is short on performance data on employee and contractor safety, particularly given the high potential for transport-related incidents within their sphere of influence.

This report really delivers on its potential – and addresses some of the concerns raised above – when it is read in conjunction with SABMiller plc's 2012 Annual and Sustainable Development Reports, and in particular with their world-class sustainable development website. It is hoped that readers of this report will be drawn to this website to fully appreciate – and interrogate – the extent of SAB's response to societal challenges. SABMiller and SAB are demonstrating leadership in addressing sustainability challenge, and deserve the active and informed engagement of their stakeholders.

Jonathon Hanks is the Managing Director of Incite, a leading consultancy firm in the Sustainable Development field.

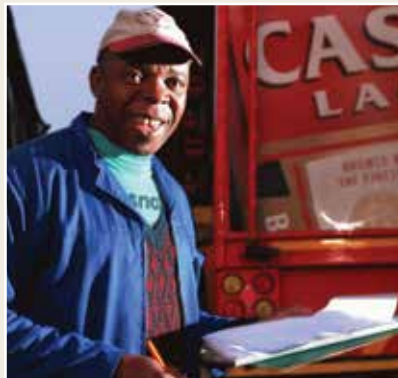
Sustainable Development – ..

“development that meets the needs of the present without compromising the ability of future generations to meet their own needs..”

United Nations



Company Overview



History

The South African Breweries (Pty) Ltd (SAB) was established in 1895 and is the South African subsidiary and historical birthplace of SABMiller plc, the world's second largest brewer by volume.

SABMiller is also the second largest listed company on the JSE Securities Exchange. SAB is South Africa's leading producer and distributor of alcoholic and non-alcoholic beverages and one of the nation's largest manufacturing firms. During the last financial year SAB sold 26 859 000 hl of beer and 17 979 000 hl of soft drinks.

Vision

SAB's vision is to be the most admired company in South Africa; a partner of choice, an investment of choice and an employer of choice.

Mission

To own and nurture local and international brands which are the first choice of the consumer.

Our Values

Our people are our enduring advantage

- The calibre, passion and commitment of our people sets us apart
- We value and encourage diversity
- We select and develop people for the long-term
- Performance is what counts

Accountability is clear and personal

- We favour decentralised management and a practical maximum of local autonomy
- Goals and objectives are aligned and clearly articulated
- We prize both intellectual rigour and emotional engagement
- We are honest about performance
- We require and enable self-management

We work and win in teams

- We actively develop and share knowledge within the group
- We consciously balance local and group interests
- We foster trust and integrity in internal relationships
- We encourage camaraderie and a sense of fun

We understand and respect our customers and consumers

- We are endlessly concerned with our customers' needs and perceptions
- We build lasting relationships, based on trust
- We aspire to offer the preferred choices of product and service
- We innovate and lead in a changing world

Our reputation is indivisible

- Our reputation relies on the actions and statements of every employee
 - We build our reputation for the long-term
 - We are fair and ethical in all our dealings
 - We benefit the local communities in which we operate
-



CORPORATE STRATEGY

A new business strategy for a new era

In early 2009, we unveiled a new business strategy, determined to show strong leadership as the South African beer industry opened up to global competition. That strategy consists of five key thrusts that are designed to help us deliver superior value to South African consumers, retailers and society.

FIVE THRUST STRATEGY

1. **Stabilise the foundation:** Stabilise the operational foundation and restore the productivity edge in order to fuel the ability to translate scale into market-facing competitiveness
2. **Engage the competitor:** Execute our strategy well, capitalise on our strengths and ensure targeted engagement
3. **Ensure key brands resonate:** Create the portfolio needed to win now and over the long-term by strengthening our large power brands while properly seeding premium brands for the future
4. **Shape superior routes to market:** Create the sales capability required to capitalise on the current market structures and out-execute the competitor
5. **Ensure societal leadership:** Create a positive operating environment by reversing key vulnerabilities, harnessing the business for grassroots impact, building best-in-class functionality in communication and stakeholder relations, and delivering value through sustainable development.

Economic and social impact

SAB IN NUMBERS

6.7	Number of jobs created in the wider South African economy through each job created by SAB and its direct suppliers
9 390	SAB employees, including ABI
22 936	South African youth between the ages of 18 and 35 provided with business skills through SAB KickStart
355 000	Jobs supported by SAB in the wider economy
R60 million+	SAB's annual investment in CSI and responsible alcohol use campaigns
R3 billion	Invested by SAB in its owner-driver project since inception
R7.3 billion	Value of SAB's BBBEE 'Deal of the Year' – SAB Zenzele
R10.2 billion+	paid by SAB annually in company tax and excise
R70+ billion	Value of SAB's economy wide contribution to South Africa's gross domestic product

Facilities and capabilities

1	Hop production plant
2	Malting plants
3	Franchise distribution centres
6	Bottling plants
7	Breweries
14	Independent or appointed distributors
40	Distribution depots
70	Percentage of total beer delivered by owner-drivers
150	Trips to the moon – or 57 million kilometres – the equivalent distance driven by SAB's distribution fleet each year
287	Independent owner-driver businesses
160 000	Tons of maize procured by SAB annually
280 000	Tons of barley procured by SAB annually
3.1 billion litres.	The annual production capacity of SAB

Report highlights

- Achieved a joint top score of 4.7/5 in the SABMiller Group for Encouraging Responsible Drinking, representing international leading edge practice
- Reduced water to beer ratio to 3.8 litres for every litre of beer produced from an average of 4.05 litres in 2011
- Reduced annual electricity consumption across all seven SAB breweries by 17%
- Significant increase in the average recycled glass content and reduction in the weight of returnable bottles
- The SAB Responsible Trader Programme has reached more than 17 000 liquor traders educating them on more responsible trading practices
- 60% of SAB employees participated in CSI activities, helping to improve SAB's commitment to benefiting communities
- Despite higher targets for Preferential Procurement and Employment Equity, SAB improves its BBBEE score and retains its Level 4 BBBEE contributor status
- The SAB Foundation invested into 45 micro-, small- and medium-size enterprises- a combined total of 352 jobs created
- Zenzele Employee Trust has allocated shares to 10 000 employees who have received a cumulative R107.72 million in dividends
- Shares were allocated to 29 542 SAB Zenzele retailers who have received a cumulative R115.78 million in dividends to date
- SAB has distributed more than 8 million condoms through its distribution system as part of the national condom distribution programme, Project Promote
- Sponsored Foundation of Alcohol Related Research (FARR) programme designed and implemented to determine how incidences of Foetal Alcohol Syndrome (FAS) can be reduced. The programme has received recognition from the World Health Organisation (WHO)
- SAB appointed to co-chair the Strategic Water Partners Network with the Department of Water Affairs- a public private partnership to address the water deficit projected in the country by 2030
- SAB actively participating in an intergovernmental committee to strengthen legislation governing breathalyser testing to reduce drunk driving
- SAB and WWF developed a world-leading water risk analysis in the hops industry to deepen understanding of the shared water risks facing the industry



Societal leadership in the alcohol industry

Q&A with Vincent Maphai, SAB Executive Director Corporate Affairs and Transformation

SAB understands that the privilege of operating as one of South Africa's leading companies carries an inherent obligation to demonstrate leadership in every dimension of the business, including the role it must play in supporting the progress of South African society. We ask Dr Vincent Maphai, SAB Executive Director Corporate Affairs and Transformation, to elaborate on the company's ambition for societal leadership while facing major challenges as part of the alcohol industry.

Q: Societal leadership forms part of SAB's identity in South Africa. Why has this been important to the organisation throughout its existence?

We know that the success of our business depends largely on our ability to deliver superior value to our fellow South Africans, particularly South African consumers, retailers and society. At SAB we take our social responsibility both seriously and personally. We are acutely aware of the impact our operations have on the communities in which we operate and it is therefore important for us to actively tackle social challenges faced by those communities. It is one way in which we are able to contribute towards protecting and securing a sustainable future for the business and the country's people. Driving societal leadership is at the core of SAB's business strategy and is an indispensable component of our business success and sustainable development plays a key role in this.

Q: SAB has a strong portfolio of social responsibility programmes. Why have these been targeted specifically?

The programmes that we implement are aimed at addressing socio-economic challenges faced by local communities. Underlining many of these programmes is our comprehensive Alcohol Strategy, which seeks to effectively and sustainably address the problem of alcohol abuse in South Africa.

Q: Many of SAB's social responsibility programmes are run in conjunction with several partners. Why is this and who do you work with?

We do not believe that social challenges, in particular, alcohol abuse, can be dealt with by a single sector or company. A multi-stakeholder approach, which includes industry, government, communities, academia and law enforcement agencies combining their expertise and resources, has the potential to bring positive change that is meaningful and has impact.

Q: A few of Government Ministers have taken a tough stance on alcohol abuse and made it clear that they will fight the industry, particularly in terms of banning alcohol advertising as a means of tackling abuse.

SAB was deeply concerned by news of the existence of a draft bill, proposing a complete ban on the responsible marketing

and promotion of alcohol products in South Africa. This draft bill was drafted without input from industry. A collaborative approach, we believe, is the most effective in combating alcohol abuse. We will seek to work with those ministries that appreciate the work SAB is doing with regard to tackling alcohol abuse. It is important to distinguish between superficial actions that attract a lot of attention but do nothing in reality to combat alcohol abuse, such as banning advertising of alcohol, and those difficult but essential steps we need to take to root out the abuse of alcohol at the level of the community, family and individual.

Q. How does SAB believe the matter of alcohol abuse should be dealt with?

SAB, together with the alcohol industry, shares the concerns of society and government around alcohol abuse. We remain convinced that a partnership with government, civil society, industry and traders is the best way forward in tackling the harm that results from abuse of alcohol in South Africa. Where we have worked with government departments and provincial government, we have seen visible results.

We remain open to discussions with government at all levels to find tangible ways to reduce the levels of alcohol abuse in the country. If there is an inability or unwillingness to work with industry, we will continue working with communities and those spheres of government committed to finding joint solutions.

Q. What is SAB doing about alcohol abuse?

We believe that the more effective way to address alcohol abuse is through targeted interventions focusing on those drinking patterns that are associated with harm. Proven approaches include improved education, good enforcement and strong self-regulation. These are approaches that SAB seeks to drive through its on-going alcohol strategy. We are consistently implementing our alcohol strategy developed in 2009. To date, the focus has

been on three key dimensions, namely Leading by example with responsible marketing and employee education; Leading co-regulation by committing to the normalisation of the alcohol industry and supporting the ARA (Industry Association for Responsible Alcohol Use); and investing in real impact programmes such as Alcohol Evidence Centres to discourage drinking and driving and the advertising campaign supporting this initiative, Reality Check.

Q. What are SAB's brands doing to support responsible consumption? Will they cut down on their advertising?

We have committed to removing brand advertising in areas where alcohol abuse is prevalent and our brands are already supporting this. To date, we have removed 10% of our total billboards. SAB does not believe that advertising drives abuse, however, it does respect the views of the community which is the reason why, as a corporate company, we have invested so heavily in initiatives to reduce the abuse of alcohol.

Q. Some provinces are clamping down on licensing. What impact will this have on your business?

SAB has always advocated for the normalisation of the liquor retail, which is aimed at ensuring sustainable numbers of liquor retailers are legalised. Contrary to popular belief, South Africa does not have too many licenses. What we see is an unacceptable number of outlets that are forced to trade illegally because of the difficulty in obtaining a liquor license. This situation has inevitably created opportunities for criminal elements with which many shebeens and taverns are associated with.

SAB continues to engage with provincial governments and liquor boards to address backlogs in the licensing process. We have also invested substantial resources to contribute to normalise the licensing situation on the ground.

Sustainable Development Approach

Ten Priorities, One Future

At SAB we pride ourselves on looking beyond traditional business approaches and search for sustainable, pioneering solutions to new challenges facing the business and our stakeholders. We see sustainable development as fundamental to our success.

SABMiller, SAB's parent company, has a clear and well-embedded approach to sustainable development, developed through extensive consultation internally and with external stakeholders. The Ten Sustainable Development Priorities are fully integrated in SAB's business processes and

considered part of its daily operations. To us, it makes business sense.

More recently, we brought all aspects of our sustainable development projects and priorities together in a global programme called 'Ten Priorities. One Future'.

Ten Priorities. One Future.



Ten Priorities

	Discourage irresponsible drinking
	Making more beer using less water
	Reducing our energy and carbon footprint
	Packaging reuse and recycling
	Working towards zero waste operations
	Encouraging enterprise development in our value chains
	Benefiting communities
	Contributing to the reduction of HIV/Aids
	Respecting human rights
	Transparency and ethics

Management

The management of our sustainable development priorities is fully integrated into our operations. Within SAB, overall accountability rests with the Managing Director's Committee (MDC). Accountability for individual priorities is allocated to appropriate directors and departments within SAB.

Sustainability Assessment Matrix

The Sustainability Assessment Matrix (SAM) is a very useful management tool to measure our performance against the Ten Sustainable Development Priorities, and to assess our position relative to other companies within the SABMiller Group. There are five levels of performance defined for each of the Ten Priorities, independent of any legal requirements, ranging from Level 1 (minimum standard) to Level 5 (leading edge). (See SAM stairway diagram below).

The SAM includes key performance indicators (KPIs) at country level, and sub-KPIs at brewery or manufacturing plant level. As well as helping individual subsidiaries to identify where corrective or improvement action is most needed, the SAM enables different operations and subsidiaries to share and benefit from each other's learning experiences. The SAM also facilitates consistency in our reporting across the Group. Management of sustainable development priorities extends beyond the day-to-day running of the company. At SAB, we convene master class sessions, which involve inviting external experts to provide our 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 strategic business responses to issues, which can be monitored and reviewed on an on-going basis.

Governance

Oversight for sustainable development priorities at SABMiller is provided by the Corporate Accountability and Risk Assurance Committee (CARAC) – a committee of the SABMiller plc Board of Directors, which considers the potential impact of social, environmental and ethical issues on the short and long-term value of the company. Each regional hub within the Group reports to a regional CARAC. The SAB CARAC includes the SABMiller plc Group Chairman and Chief Executive, the Group Corporate Affairs Director, the Group Head of Sustainable Development as well as the SAB Managing Director and relevant SAB directors. The SAB CARAC meets twice a year to discuss progress, challenges and strategies for success. In 2012, SAB established a Sustainability Leadership Forum (SLF), which meets twice a year and is co-chaired by the SAB Executive Director: Corporate Affairs and Transformation and the Executive Director: Technical and Manufacturing. The purpose of the SLF is to review and manage sustainable development as an integrated process across different business units that are responsible for sustainable development implementation, as well as act as a 'think tank' for creative sustainable development solutions.

Mobilising employees

In an effort to recognise employees serving South African society through the company's sustainable development priorities, an internal competition was launched to find SAB's SD Heroes. Employees nominated their colleagues who they believed go the extra mile to make a difference in our communities, our environment and our country. A themed desk calendar was designed to recognise celebrate the 12 SD Heroes selected from nominations received from across the business. The heroes and their sustainable development stories are featured over the 12 months of the 2012 calendar.



The five performance levels of the SAM stairway



Sustainable Development Performance

This section covers the SAB sustainable development performance results for the period 2011/2012 period, providing details of the Sustainable Development initiatives that were undertaken by the company.

The overall SAB Hub (SAB and ABI combined) SAM score has improved from 3.2 in F11 to 3.4 in F12 (see fig. 1). This compares well with the average SABMiller score of 3.2 (see fig. 2).

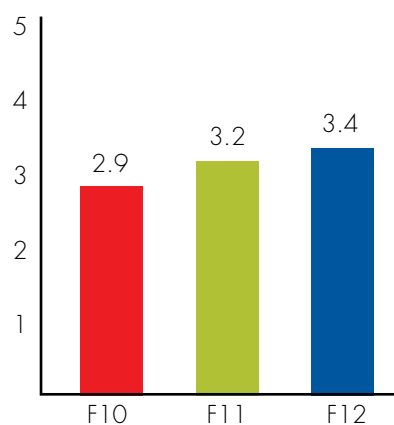


Fig. 1: SAB Pty Ltd hub SAM score

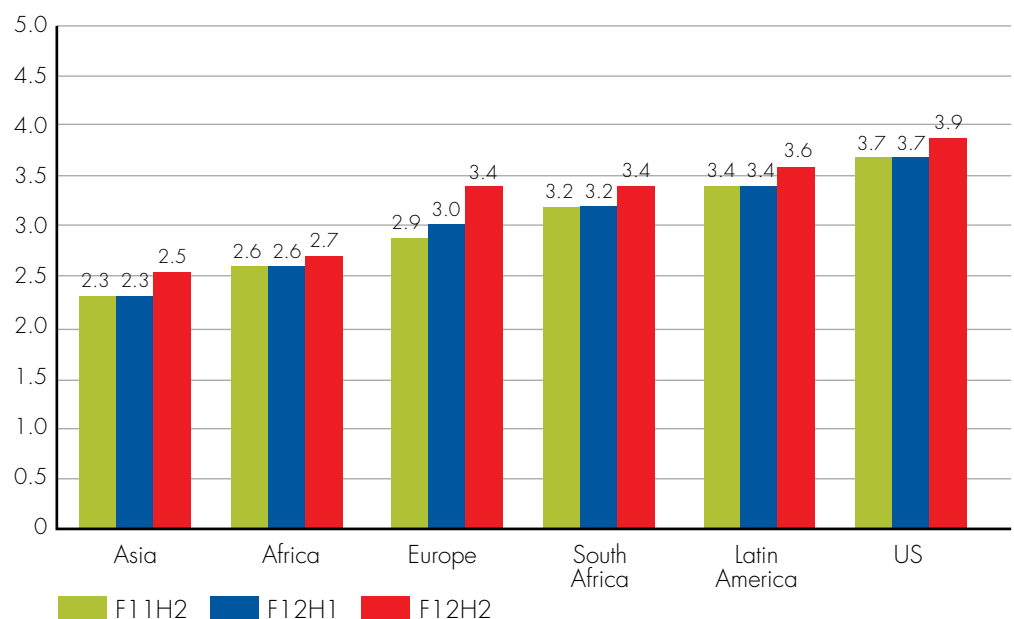


Fig. 2: SABMiller comparative SAM scores



The results for the period under review show stability in performance with Alcohol, Waste, Enterprise Development and Value Chain Management, HIV/AIDS, and Transparency and Ethics scores remaining unchanged. Improvements in scores were recorded for Energy and Carbon, Packaging and Packaging Waste, CSI and Human Rights, while the water score decreased slightly.

Priority Area	SAM Score								
	F10			F11			F12		
SAB Overall	2.9			3.2			3.4		
	HUB	BEER	ABI	HUB	BEER	ABI	HUB	BEER	ABI
Alcohol	3.3	3.3	N/A	4.7	4.7	N/A	4.7	4.7	N/A
Water	2.6	2.6	2.6	3.0	3.2	2.8	2.9	3.4	2.4
Energy and Carbon	2.1	2.1	2.2	2.4	2.5	2.2	2.8	2.6	2.9
Packaging and Packaging Waste	2.4	2.6	2.2	2.4	2.7	2.1	2.7	3.2	2.2
Waste	3.3	3.4	3.1	3.6	3.4	3.8	3.6	3.4	3.8
Enterprise Development and Value Chain Management	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
CSI	3.3	3.5	2.0	4.0	4.2	3.7	4.5	4.7	4.2
HIV/AIDS	2.9	2.8	2.9	3.5	3.7	3.2	3.5	3.7	3.3
Human Rights	3.3	3.3	3.3	2.8	2.8	2.8	3.3	3.3	3.3
Transparency and Ethics	3.4	3.0	3.7	3.8	3.6	4.0	3.8	3.6	3.9

The above table shows the overall hub score, as well as the score breakdown between SAB and ABI



DISCOURAGING IRRESPONSIBLE DRINKING

Alcohol abuse in South Africa is a great concern for SAB, as much as it is for society and government. The company believes that while those who abuse alcohol are in the minority, any excessive or irresponsible consumption of alcohol can result in personal, social and health costs for individuals, their families and society. Alcohol beverages, often at the centre of social unity and celebration, make a positive contribution to the quality of those who choose to consume them in a responsible manner. As a leading alcohol beverage producer, SAB has a responsibility to lead the attack on alcohol abuse and as a business is uniquely equipped to make a real and sustainable impact. In 2009 SAB developed a comprehensive alcohol strategy to help tackle alcohol abuse that takes into account key local and international learnings. It is designed to promote responsible consumption amongst SAB employees, traders and communities. The Alcohol Strategy is part of SAB's "license to trade". It dictates that SAB behaves and acts at all times as a responsible producer, seller and marketer of beer. It incorporates targeted interventions focusing on those drinking patterns that are associated with harm in combination with improved education, good enforcement and strong self-regulation. Supporting this approach is the critical need to partner with key stakeholders to make an effective impact. SAB is convinced that a partnership with government, civil society, industry and traders is the best way forward in dealing with the abuse of alcohol in South Africa. Where we have worked with government departments and provincial government, we have seen visible and sustainable results.

The SAB Responsible Alcohol Strategy is framed around 3 key dimensions:

1. Leading by example

- Codes for employee conduct, marketing programmes and commercial partnerships aimed at setting new standards in responsible

marketing and trading and shaping new standards of behaviour of employees, trade partners and the industry

- Focus on zero tolerance of drunk driving by employees and a significant reduction in outdoor advertising in areas of high abuse
 - To bring further awareness of what is expected of employees, an online Alcohol Employee Policy and Alcohol Employee Behaviour Policy course was introduced
 - An overhaul of the SAB Sales and Marketing Communications Committee process supports the Marketing team in effectively engaging with customers remaining compliant to Responsible Communication codes
- #### *2. Championing co-regulation*
- Increased resources to build partnerships with government and the industry
 - Driving real advances in the normalisation of the industry through:
 - Supporting and incentivising shebeens to come into the formally regulated industry
 - Supporting regulators to build capacity and capability
 - Renewed commitment to collaboration and self-regulation in the industry

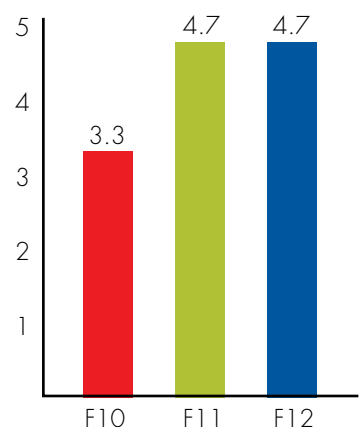
3. Investing in high-impact programmes

- Underage Drinking (see case study)
- Foetal Alcohol Syndrome (FAS) – SAB, through the ARA (Industry Association for Responsible Alcohol Use), has sponsored a programme designed and implemented by the Foundation of Alcohol Related Research (FARR) to determine how incidences of FAS can be reduced. The programme has received recognition from the World Health Organisation (WHO)
- Drink Driving – SAB is the first and only private sector company included in an intergovernmental committee to review legislation overseeing breathalyser testing in South Africa

SAB is convinced that a partnership with government, civil society, industry and traders is the best way forward in dealing with the abuse of alcohol in South Africa.



SAM Performance



SAM Performance:

The Alcohol stairway measures performance on responsible management of commercial communications, employee training in relation to alcohol and activities to promote responsible consumption in the community. SAB maintained a score of 4.7. This is a joint top score in the SABMiller group and represents international leading edge practice.

SAB achieved full scores on responsible commercial communication, for its role in industry co-regulation and the fact that none of the company's commercial communication was referred for independent review. The employee behaviour score is based on an internal survey indicating that staff members perceive the company to be doing an excellent job on responsible behaviour. No managers violated the company alcohol policy during the period. SAB maintains its Level 4 score on promoting responsible consumption through various internal and externally focused interventions and programmes. The key programmes are the Alcohol Evidence Centres, the "You Decide" youth oriented programme (see case study), the Responsible Trader Programme, the Tavern Intervention Programme and the Reality Check campaign. SAB does not offer a non-alcoholic beer product and thus cannot achieve the full score of 5.

Looking forward

- SAB will strengthen its partnership with FARR in finding ways to reduce incidences of FAS in SA. FARR has a proven track record of successful interventions in areas with a high prevalence of FAS
- Explore programmes to tackle drunk driving and ensure the safety of pedestrians through partnerships with the Department of Transport and National Prosecuting Authority (NPA)
- Actively work with and support government and other relevant stakeholders to tackle alcohol abuse

Case study:

You Decide – tackling underage drinking



Underage drinking is one of the most serious forms of alcohol abuse in South Africa.

Research shows that teens who consume alcohol are three times more likely to be involved in violent crime, and far more likely to try illegal drugs. A recent study amongst high school students indicated that 60% of Grade 8 to Grade 11 learners who abuse alcohol repeat their grades.

The You Decide campaign, developed to tackle underage drinking in South Africa is a partnership between SAB, the National Department of Trade and Industry (DTI), National Youth Development Agency (NYDA) and provincial departments of Education. This ground breaking programme is a multi-faceted intervention based on the latest clinical and psychological thinking around this complex problem. The programme involves a series of activities designed to demonstrate to teens that the choices they make now can positively or negatively impact on their future prospects. The campaign includes a series of school visits featuring an interactive road show on underage drinking; an inter-school competition to consolidate and drive home key messaging; a curriculum aligned lesson plan for teachers; a practical guide for parents and resources for teens including counselling, reading material, a website, a Facebook page and a teen ambassador programme. Teachers' material provided helps teens understand the harmful effects and consequences of underage drinking and offers them resistance techniques to withstand peer pressure. Workshops are also being held with parents and communities to raise awareness of and identify ways to discourage underage drinking. In addition, SAB is engaging with tavern owners about the critical role they play in preventing underage drinking.

For more information visit www.youdecide.org.za or www.facebook.com/YouDecide



MAKING MORE BEER USING LESS WATER

In South Africa, water is currently high on the public agenda. Commentators have made serious predictions of imminent systems collapse and water shortages. According to the National Water Resource Strategy, South Africa will face a supply-demand deficit of -17% by 2030 under current efficiency levels.

SAB needs to be prepared for this changing situation. As a leading corporation SAB is increasingly developing strategies for identifying water risks. Investors are also becoming more interested in understanding water risks and implications for the future competitiveness of corporations.

By its nature, beer brewing is a water-intensive process. SAB's business case for securing water is based on:

- Securing adequate supply to brew beer into the future
- Ensure good quality water for our operations
- Maintain the integrity of the country's water architecture
- Respond to changing concerns of investors, customers and regulators
- Maintain our licence to operate at local level
- Manage the future cost of water
- Secure long term access to the water

and agricultural resources such as barley and hops required to brew top quality beers

Our water strategy is a comprehensive and risk-based approach guided by the 5 'R's' - pRotect, Reduce, Reuse, Recycle and Redistribute. Our water game plan focuses on four strategic thrusts: in the brewery, in the supply chain, in communities and water governance.

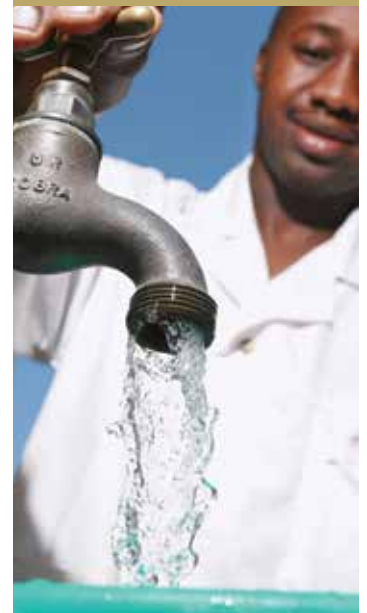
In the brewery:

The first area in the business where we can make a difference in terms of water is in our operation at the breweries, which is within our direct control. Our efforts here are concentrated on using less water to make more beer and to manage our effluent standards. On average, SAB uses 3.9 litres of water to produce one litre of beer, an improvement of 8% over the past two years. As part of the SABMiller group, we are committed to reducing our water consumption in the brewing environment by 25% to 3.5 litres per litre of beer by 2015.

In the supply chain:

In a leading initiative, SAB has brought together farmers and key stakeholders to identify shared water risks facing the hops industry (see case study).

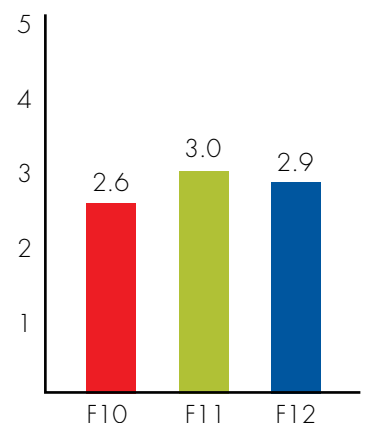
Commentators have made serious predictions of imminent systems collapse and water shortages. SAB needs to be prepared for this changing situation. As a leading corporation SAB is increasingly developing strategies for identifying water risks.



Water Targets F13 - F15

	2008 Baseline	F12 YTD Actual	F13	F14	F15	F15PLC Target
SAB	4.46	3.91	3.61	3.40	3.25	3.50
Alrode	4.82	3.96	3.63	3.26	3.12	
Chamdor	5.53	4.81	3.90	3.75	3.48	
Ibhayi	3.74	3.54	3.50	3.31	3.14	
Newlands	4.18	3.60	3.60	3.47	3.16	
Polokwane	4.43	3.45	3.40	3.18	3.06	
Prospecton	4.17	3.83	3.50	3.40	3.23	
Rosslyn	4.41	4.05	3.65	3.52	3.44	

SAM Performance



Secondly, we are looking at saving water through better barley irrigation. SAB is working closely with barley farmers to explore optimal irrigation through measurement of soil moisture. We are also undertaking research with the University of the Free State to determine a crop irrigation factor for barley and develop a computerised irrigation strategy exclusively for barley. Improved irrigation scheduling for barley will enhance the sustainability of producers by cutting costs of unnecessary irrigation water and electricity. The added value this brings is an increase in yields, straw strength, quality and profitability of barley. A long term approach is to breed more drought resistant barley.

And finally, SAB has begun engaging its major suppliers of bottles, cans and packaging on understanding their water use, efficiency and risks they face. We believe there is potential for collaborative efforts with our suppliers to develop and implement joint strategies and plans for a secure water future.

In communities:

SAB identifies appropriate corporate social investment projects that will provide safe drinking water to communities or enhance local water courses.

Let the River Flow: Wilge River

In 2009 Let the River Flow was launched with the aim to clear the 315 kilometre long Wilge River in the Free State of massive debris blocking its flow and preventing local communities from accessing safe and healthy drinking water. The river rehabilitation programme is a combined effort by the National Department of Water Affairs who adopted the river along with local NGO, The River Trust; Free State local government, and SAB.

Millions of South Africans rely on water from the Katse Dam in the Lesotho Highlands feeding into the Vaal River basin via the Wilge River. The supply of water from the Wilge River therefore has long term consequences on the South African economy and SAB's breweries and bottling plants in Gauteng. To date, approximately 20 kilometres of the river has been cleared of debris. The added benefit of this is that wood collected

from the river is cut and delivered to nearby communities for their day-to-day domestic use, including heating and cooking.

Solar-powered borehole: Tshirunzini

In December 2011, SAB launched a sustainable water provision project in the community of Tshirunzini, a remote rural village in Thohoyandou, Venda, providing residents with clean running water using solar energy. SAB donated a solar-powered borehole, and a 108 000 litre steel tank which is an addition to the community's existing borehole, previously the sole source of water in the village.

The project was launched in conjunction with the Tshikundamalema Royal Council in Venda and officially announced by the Minister in the Presidency for Performance Monitoring and Evaluation, Collins Chabane.

Tshirunzini is home to approximately 300 people, and has a 95% unemployment rate. In the absence of a municipal water supply, and prior to SAB's intervention, residents of Tshirunzini and their livestock were solely dependent on an unreliable diesel driven mono-pump borehole. Residents were forced to raise funds to purchase diesel in order to pump water from the borehole. The solar powered borehole comes with a larger water storage tank, allowing residents access to water on a sustainable basis.

Water governance:

It is clear that the water challenges facing SAB are bigger than any corporation can address on its own. Companies need to work together and partner with Government and other stakeholders to address the key issues facing the country such as potential municipal infrastructure failure (leading to supply disruptions for manufacturing and consumer companies) and the impact of increasingly polluted water resources. The Water Disclosure Report 2011, undertaken by the National Business Initiative and Carbon Disclosure Report, recommended that companies work together in partnership with other role players to solve pressing water issues. SAB has partnered with some key public and private stakeholders to address pertinent areas of water concern.

Water Futures Partnership: Corporate stewardship

This is a strategic alliance between SAB, Worldwide Fund for Nature South Africa (WWF-SA) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. The partnership aims to assess and reduce shared water risks to strengthen water stewardship and governance in specific watersheds.

Strategic Water Partnership Network

The SWPN is an innovative public-private sector partnership announced by the Minister of Environment and Water Affairs, Edna Molewa, at COP17 2011 during a session of the World Economic Forum on water as a key focus area of adapting to climate change in South Africa.

The SWPN is co-chaired by the Department of Environment and Water Affairs and SAB and partners include Eskom, Anglo American, Sasol, Coca-Cola and Nestle. The aim of the partnership is to combine efforts to close the water gap facing the country by 2030. The network is organised into three working groups responsible for **Water Use Efficiency and Leakage Reduction; Supply Chain and Agriculture; and Effluent Partnerships**, with secretariat support from the Nepad Business Foundation. Within these three groups, the SWPN is identifying projects, best practices and recommending strategies to overcome challenges to replicate projects and improve widespread adoption of water solutions. These strategies aim to use water resources more efficiently, adapt to the impact of climate change and meet needs to sustain economic growth and social development.

SAM Performance:

The Water stairway measures performance on water efficiency, waste water quality, water footprint and assessment of water risks to our operations and within the supply chain.

The regional score for water has decreased slightly from 3.0 to 2.9 for the period under review. This was due to a decrease in ABI scores from 2.8 to 2.4, while SAB beer division score remained unchanged at 3.4. The decrease in the ABI score is due a restatement of previous assessments.

Case study: *Treating effluent using ecological technology*



SAB partnered with Rhodes University's Department of Ichthyology and Fisheries Science to introduce an innovative programme to treat brewery waste water or effluent for reuse. Project Eden, a pilot scale programme established at SAB's iBhayi Brewery in Port Elizabeth, treats brewery waste water for reuse in irrigation and other secondary water uses through a simplistic and environmentally sound approach. The programme is a first for the local brewing industry and is a big step forward for the preservation of water reserves in the country. At least 75% of water used by breweries ends up as effluent. Its disposal has financial and economic implications and leaves a large energy footprint. During the innovative process, water is recovered from brewery effluent using High Rate Algal Ponding (HRAP) built within a greenhouse and a Constructed Wetland, downstream of the brewery's anaerobic digestive (AD) treatment plant. Once the effluent has undergone AD, it enters the HRAP where algae absorb nutrients from it. The effluent is then transferred to the Constructed Wetland in which indigenous plants further absorb nutrients. To demonstrate the treated water quality, it is transferred back to the HRAP and used to grow hydroponic lettuce and fish. Although there are no immediate plans to scale the pilot up to industrial level, SAB believes that support for innovative research is essential in designing eco-friendly water solutions into the future.

Case study: SAB Water Ambassador

South African national cricketer and the world's No: 1 bowler, Dale Steyn, has teamed up with SAB to bring awareness of South Africa's growing water concerns. Other than his sporting abilities, Dale is known for having strong views on environmental protection.

As the SAB Water Ambassador, Dale uses his passion for the environment to promote water saving at household level; use his profile as an international cricketer to encourage the broader public and sports enthusiasts to take water stewardship more seriously; inspire other sport stars to take on the cause of water responsibility; encourage SAB staff, customers and consumers to minimise water use and re-use water where possible; and remind political leaders of the importance of minimising water wastage at municipal level and to invest in the required infrastructure to ensure clean water into the future.



Water – a government priority

The National Department of Water Affairs is undertaking reconciliation strategies to compare supply and demand in each town across South Africa. The Water Efficiency Directorate is considering guidelines to companies on water efficiency ratios in different industries. The Water for Growth Development report makes high level recommendations on diversifying the water mix, balancing supply and demand (reducing water loss, improving efficiency and strengthening demand-side management), addressing service backlogs and changing behaviour (unlawful extraction and pollution of water).

Six of SAB's 7 breweries are situated in water stressed areas within SA.

Hops water risk in George, Western Cape

- world leading study

SAB was one of the first companies to undertake a detailed water footprinting study. The footprint revealed that more than 85% of water used across the value chain of a beer rests in the agricultural supply chain. For SAB this relates primarily to the barley and hops used in brewing its beer. The hops grown by SAB and others near George supply about 80% of its hops requirements.

The first step was to identify the possible risks facing SAB in the hops industry. This was an ideal first project for the Water Futures Partnership of SAB with WWF and GIZ SAB decided to initiate the water risk process in this industry as it is a relatively small part of the value chain and ideal to test its approach and assumptions about water stewardship.

The hops farms, which are dependent on irrigation, are located in the Gouritz Water Management Area which is in a water deficit (demand exceeds assured supply) that is predicted to at least double by 2025, and there are few options for closing this gap.

One of the greatest threats to ecological integrity and water resources in this area is the spread of invasive alien trees, which reduce water availability by virtue of the fact that they utilise more water than the naturally occurring vegetation.

Working closely with the CSIR (Council for Scientific and Industrial Research) and local stakeholders and implications arising from the likely future scenarios were developed. A thorough process of consultation and relationship building with the farmers and other stakeholders was then undertaken, leading to the establishment of a multi stakeholder steering committee and an agreement on a plan of action. Potential response strategies being considered are removing alien vegetation, improving irrigation efficiency, management of dams, dealing with water leakages, engaging with other water users in the area and the monitoring of ground water with data loggers fitted in boreholes.

Polokwane municipal partnership

A source vulnerability study undertaken by SAB identified a possible problem with effluent quality at the Polokwane waste water treatment plant, to where SAB discharges effluent from its local brewery. There was a need to undertake detailed studies to confirm the risk and propose solutions.

The project strategy has been to take a phased approach, starting with a quick desktop, "walk through" analysis of the

brewery effluent treatment plant and the broader municipal waste water treatment plan to enable the terms of reference for a more detailed study to be drawn up, as a second phase. The second phase study, involving a detailed flow analysis, with chemical tests of the effluent at different points in the system, has been completed. The third phase, involving more detailed studies and the designing of solutions, is currently underway.

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

SAB takes its role as a responsible corporate citizen very seriously. We are committed to:

- Minimising 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 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 usage reduction and engaging with suppliers to understand the impact of the electricity constraints on their operations.

SAM Performance

The Energy and Carbon stairway measures performance on energy efficiency, use of renewable energy, carbon emissions and footprint and other emissions such as CFCs.

The South African hub energy score has improved from 2.4 to 2.8. This was due to a significant improvement in the ABI score from 2.2 to 2.9, which is based on improved efficiencies in the SAM reporting process. The beer division score also increased slightly from 2.5 to 2.6 due to an increase in renewable energy usage from being less than 1% to above 1% of total plant energy mix. This was a result of increase of bio-gas usage in Alrode and Newlands breweries.

SAB has implemented a number of measures aimed at reducing electricity use.

SAB is working on reducing carbon emissions from onsite energy use by 50% per hectolitre of beer by 2020.

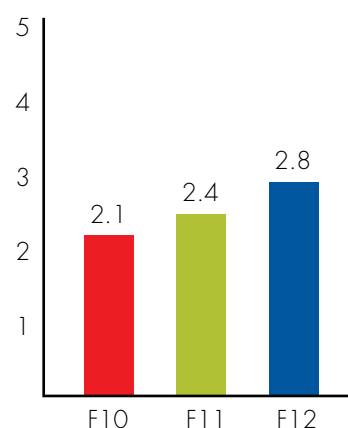
The company has begun this process by investing in renewable energy sources.



Energy Reduction F13 - F15 Targets

	2008 Baseline	F12 YTD	F13	F14	F15	PLC 2020 Indicative Target
	(MJ/hl)					
SAB	164.00	142.90	133.72	125.29	120.90	84
Alrode	186.25	148.71	140.45	132.91	127.58	73
Chamdor	211.90	193.66	161.50	155.25	150.10	124
Ibhayi	120.80	116.40	106.43	101.87	98.12	74
Newlands	128.28	113.59	109.93	106.18	102.43	77
Polokwane	199.30	142.44	140.46	133.51	129.21	117
Prospecton	121.42	122.97	116.48	110.59	108.09	88
Rossllyn	189.92	157.56	143.89	128.53	123.88	79

SAM Performance



Carbon Emission Reduction F13 - F15 Targets

	2008 Baseline	F12 YTD	F13	F14	F15	PLC 2020 Target
(KgCO ₂ /hl)						
SAB (KgCO₂/hl)	25.7	21.26	18.18	16.44	16.09	11.9
Alrode	23.0	17.40	16.68	16.07	15.76	8.3
Chamdor	26.3	25.45	21.57	20.93	20.29	15.2
Ibhayi	27.9	25.92	25.70	25.14	24.83	13.5
Newlands	29.0	25.80	23.06	22.69	22.39	14.1
Polokwane	24.5	17.54	17.18	16.56	16.39	13.8
Prospecton	30.4	25.64	19.03	15.46	15.30	16.5
Rosslyn	23.3	19.13	14.43	10.73	10.27	8.8

Looking forward

SAB is working on reducing carbon emissions from onsite energy use by 50% per hectolitre of beer by 2020. This is a global SABMiller target. The company has begun this process by investing in renewable energy sources. A biogas recovery plant was developed at SAB's Alrode Brewery in Johannesburg to reduce its traditional dependence

on coal. Wastewater is treated using an Anaerobic digestion (AD) process, which generates a biogas, methane. It has successfully reduced the sites energy footprint by 7%. The second AD gas boiler installed at SAB's Newlands Brewery in Cape Town, not only contributes to the company's emissions reduction initiative, but reduces electricity demand as well.

Case study:

Contributing to the national electricity saving effort

Since SA's national electricity crisis in 2008, SAB has reduced its annual electricity consumption throughout its 7 breweries by a total of 17%, well above the initial targeted reduction of 10%. This reduced consumption equates to less than 1%, or approximately 85 million kilowatt hours, of Eskom's total required savings of 9 terawatt hours. Eskom has called on industry to contribute to this saving in order to maintain stability of the country's electricity availability. SAB's electricity consumption reduction drive was implemented shortly before the SA government called on business to cut electricity use.

A comprehensive assessment of electricity usage across SAB's breweries was undertaken at the start of the programme and more than R40 million invested in savings initiatives.

A primary focus was and continues to be the improvement of operational efficiencies. Much of these efforts have been concentrated on reducing air and steam in the manufacturing process. Air and steam are large consumers of electricity.





PACKAGING REUSE AND RECYCLING

SABMiller has developed a new packaging sustainability strategy for its global operations, based on 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
- 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.

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 340ml 'Giraffe' bottle used in South Africa was redesigned to reduce its weight by almost 10%.



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

The increase in beer division scores is attributed to an increase in the average recycled glass content, as well as a reduction in the average weight for returnable glass bottles. A number of light weighting initiatives were undertaken during the reporting period - Brutal Fruit from 215g to 195g, Sarita from 270g to 220g and Carling Black Label from 195g to 185g. There was also an increase in the percentage of recycled post-consumer non-returnable primary packaging.

SAM Performance

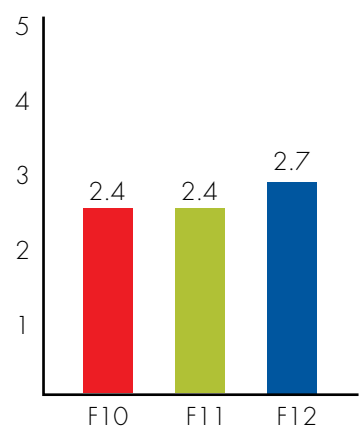
The Packaging and Packaging Waste stairway measures performance on the proportion of recycled material and also heavy metals in cans and bottles. It covers weight reduction and environmental impact of the packaging and the percentage of cans and bottles recycled or reused.

The SA Hub score for Packaging and Packaging Waste increased from 2.4 to 2.7 due to a significant increase in the SAB score from 2.7 to 3.2 and the ABI score also increasing from 2.1 to 2.2.

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.



SAM Performance





WORKING TOWARDS ZERO WASTE OPERATIONS

SAB aims to use resources efficiently and limit the disposal of waste to landfill.

Much of our 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.

Just under two-thirds of SAB's waste is organic material produced as a by-product of the brewing process. During the period under review SAB recycled and reused 96.6% of its waste (excluding hazardous waste). The remaining waste is made up of damaged packaging, filtration medium, effluent sludge, 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 Ibhayi brewery donates spent grain to farmers every month; 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.

SAB reused or recycled 96.6% waste, excluding hazardous waste.

SAB encourages staff to sort their general waste before disposing it, both at the office as well as at home. During this process waste is segregated into different streams at the source thus allowing for recovery of recyclable materials and therefore limiting what goes into landfill sites. Less and less land is available to deposit refuse, but the volume of waste is growing all time. As a result, segregating waste is not just of environmental importance, but of economic concern, too. At SAB sites recycling bins are provided to facilitate the separation of waste into different categories i.e. paper, plastics, cans and general waste.

SAM Performance

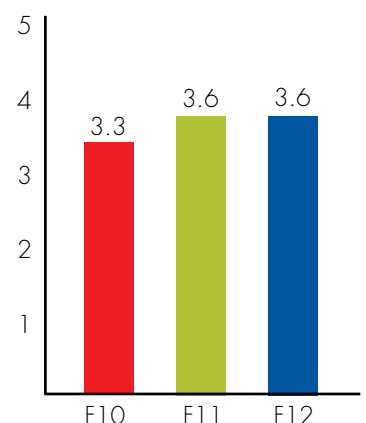
The Waste stairway measures performance on waste recycling, management of waste disposal and reduction of waste in the supply chain.

The overall Hub Waste score has remained the same at 3.6 for the period under review. The company is continuously looking at innovative ways of reducing total waste that goes to landfill sites.

SAB aims to ensure that anything requiring disposal is dealt with in a safe, responsible and legal way. The company is continuously looking at innovative ways of reducing total waste that goes to landfill sites.



SAM Performance





ENCOURAGING ENTERPRISE DEVELOPMENT IN OUR VALUE CHAINS

SAB believes that developing and supporting small and medium enterprises will boost the country's economy. Businesses can benefit from buying products more locally, in particular where they have access to local workforce, regional specialities or quality materials. Creating economic opportunities for small businesses near our breweries not only helps local community, it helps our business too. We benefit from not having to pay import duties and have access to more direct and secure supply chains, improved quality of products and new innovations.

Our Enterprise Development programme has the following objectives:

- Support our traders with skills and knowledge to grow and sustain their businesses
- Support smallholder farmers through partnerships and encourage commercial farming locally
- Support local non-agricultural raw materials suppliers e.g. packaging, and work with distributors and retailers of our products
- Encourage entrepreneurship in local communities

The Enterprise Development strategy is driven by three major pillars:

1. Customers
2. Suppliers
3. Society

1. Customers:

Responsible Trader Programme (see case study)

Owner Drivers

SAB is a strong supporter of affirmative procurement practices and has a structured focus on identifying, mentoring and encouraging local

suppliers. In 1987, SAB introduced its owner Driver project, which saw former employees of SAB form their own companies to distribute SAB's products to the trade. About 70% of SAB and ABI deliveries are carried out by owner drivers, many of whom have gone on to own more than one vehicle. The programme yields drivers who are empowered, develops sustainable businesses and jobs and allows SAB to develop superior routes to market, a key strategic business thrust.

2. Suppliers

Taung Barley Farmers

SAB continues to focus on driving further improvement of the Taung Barley Farmers project model, first implemented in the early 1990s to encourage local barley production to reduce reliance on imports.

Today, the project spans approximately 1 200 hectares of barley and 800 hectares of maize for SAB and supports around 120 smallholder farmers who generate an income for themselves.

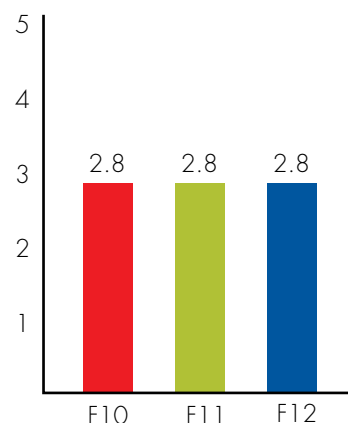
Recognising government's role as a partner, SAB works closely with the North West Department of Agriculture, Conservation, Environment and Rural Development to ensure an effective, sustainable project through the managed plantings and infrastructure maintenance and upgrades.

SAB provides to the farmers, logistical and operational coordination; communications and facilitation with stakeholders; recommendations to ensure sustainability; a guaranteed market for barley and maize grown by the farmers and input cost funding of more than R30 million per year for winter and summer crops.

SAB believes that developing and supporting small and medium enterprises will boost the country's economy.



SAM Performance



A partnership between SAB and GrainSA supports skills develop and improved business practices of farmers.

3. Community

SAB KickStart

SAB's youth entrepreneurship development programme, SAB KickStart, started in 1995, is targeted at 18 to 35 year olds with new and existing small businesses. The programme was originally designed and implemented to assist with poverty alleviation and has become a significant contributor towards direct and indirect job creation in South Africa.

To date, SAB KickStart has benefited more than 23 000 youth. The 3 200 small businesses, which it has helped to start over the years, have each created an average of 6.7 jobs, a total estimated 21 000 jobs.

The bedrock of the programme's and its beneficiaries' success is that it provides a comprehensive suite of Business Development Support. The module includes a combination of outcomes-based business training, individual onsite business mentorship and start-up grant funding to carefully selected entrepreneurs with promising businesses. An independent impact assessment study conducted in 2009 demonstrated that this model improves a business' survival rate by at least 80% after four years of operation. That is remarkable when you consider that over 90% of most small businesses in SA fail.

SAM Performance

The Enterprise Development and Value Chain Management stairway measures performance on managing the relationship with suppliers, including risk assessment of key organisations and support for priority groups.

The average score for Enterprise Development and Value Chain Management has remained unchanged at 2.8. SAB is currently developing a comprehensive supplier diversity strategy to further improve the participation of small business into its value chain, particularly those that are black and women owned, according to SA's Code of Good Practice.

Case study:

Responsible Trader Programme



Launched in August 2011, the Responsible Trader Programme (RTP), a high impact and holistic approach to engaging liquor traders on alcohol abuse and the harm it causes communities, is a first of its kind in South Africa. It is also the first programme in the country to actively position the liquor trader as a champion in the fight against alcohol abuse. The programme highlights the importance of trading responsibly to ensure the sustainability of the businesses of liquor traders.

SAB developed the RTP in response to the company's deep concern about the harm alcohol abuse can cause to individuals, families and communities. Its objective is to encourage self-regulation amongst traders by creating awareness of the social, health and economic consequences of irresponsible trading. Added to the devastating impact of alcohol abuse on communities and individuals, irresponsible traders face tough consequences for their behaviour, including the potential loss of their trading license and in turn, a loss in income.

The Responsible Trader Programme focuses on three key areas:

1. Creating awareness about the harm caused by alcohol abuse and the role the trader plays in driving a reduction of alcohol abuse in their respective communities;
2. Building trader competence to actively ensure responsible trading in the outlet; and
3. Building trader competence to create awareness amongst outlet staff and customers about responsible trading and the harm caused by alcohol abuse

A total of 17 185 traders have participated in RTP training to date and the programme's efficacy will be evaluated over the next financial year.



BENEFITING COMMUNITIES

SAB defines Corporate Social Investment as activities which support local communities over and above the direct running of the business. The strategy follows due diligence and good governance practices; and an audited process helps to determine which initiatives to invest in. Projects are run at a national and regional level and are focused on areas SAB believes are critical to sustainable growth in South Africa. These areas are enterprise development, job creation, education and community well-being.

Over R30 million was spent on CSI activities in F12. This includes an in-kind contribution, through Project Promote (see case study: Contribution to reduction in HIV/Aids), calculated at R11.7 million

The CSI strategy comprises the following foundation components:

Flagship programmes: supporting direct business and government imperatives and which are long term investments. These are allocated 80% of the total budget per annum.

Tavern Intervention Programme:

This is a partnership between SAB and local NGO, Men for Development South Africa (Medsa); community based organisations and law enforcement. The six-week long programme held in a local tavern is aimed at inspiring behavioural change in men across SA. In F12 a total of 1 124 men graduated from the programme which addresses some of the causal effects of alcohol abuse.

The programme integrates four key local challenges of responsible alcohol use, HIV/AIDS, gender-based violence and children's rights and abuse.

Other issues addressed are perceived traditional roles of men, women and

children in society, community and social pressures. Post-programme support is offered in the form of a Men's Support Group.

An impact and evaluation study is currently being undertaken in SAB's Egoli Region (parts of Gauteng) and will determine whether the TIP effectively drives behavioural change in participants.

SAB U21 Regional League

The League is a youth diversion programme used to identify and nurture young football talent at grassroots development level as a means of improving their lives and their communities. SAB promotes the programme as an alternative recreational outlet for SA's youth and drives its responsible alcohol use messages with the aim of reducing incidences of crime and other social ills affecting youth.

The League offers youth a platform to potentially be identified for promotion to Premier Soccer League (PSL) and National First Division teams, 2nd Division teams, academies and the National squad.

In F12, several PSL teams attended the SAB League championships to scout for talent. Kaizer Chiefs identified 5 players, Celtic identified 2 players and Wits identified 1 player. Golden Arrows will mentor all players playing for the KZN team.

SAM Performance

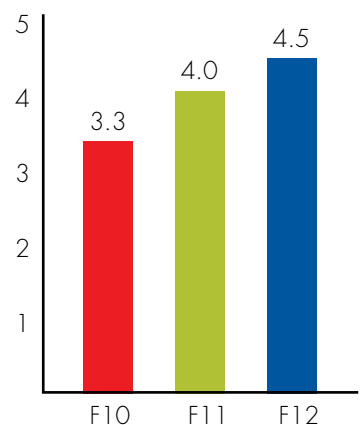
The CSI stairway measures performance on planning and managing CSI activities and assessing the effect on reputation.

The overall CSI result has improved from 4.0 to 4.5 for the period under review. The beer division scores improved from

SAB defines Corporate Social Investment as activities which support local communities over and above the direct running of the business.



SAM Performance



4.2 to 4.7, which was due to achievement of more than 10% employee participation in the Soul Ambassador Programme, thus moving the CSI strategy score from level 4 to 5 as per requirement of the SAM tool.

ABI scores increased from 3.7 to 4.2. ABI's scores reflect improved performance in management, monitoring and reporting of CSI projects. The number of projects has been reduced and from

the onset of each project, KPI's have been set to measure impact and this is closed out at the end of the project with a report from service providers. Formalised agreements with implementation partners are in place. Formalised PR events to profile CSI projects, internal PR through communication within the SD framework has also helped to measure the value of CSI.

Case Study: *Soul Ambassadors*

SAB encourages its employees to play an active role in the transformation of communities. In F12, approximately 60% of SAB employees participated in Soul activities. At least 200 employees participated in the CANSA Shavathon and raised a total of R10 000 for the annual nationwide initiative. Employees also donated a total of 700 handbags to be used as part of rape survivor kits in partnership with the Jes Foord and Iba-Umngani Foundations. SAB's CSI Day saw 300 employees participate in a clean-up of the Wilge River as part of the Let the River Flow campaign.





CONTRIBUTING TO THE REDUCTION OF HIV/AIDS

SA's high prevalence of HIV/Aids poses a significant risk to the country's economy and to business. SAB manages and reduces the impact of this risk in its business with an appropriate and proactive strategy. The strategy focuses on the internal management of HIV/Aids, as well as considering the impact on its customers and communities in which it operates. SAB assesses strategic and operational issues to develop effective interventions and address the risks. The two major areas of focus are to manage existing infections through Voluntary Counselling and Testing (VCT), early diagnosis and managed health care, including anti-retroviral treatment and to reducing and preventing infections through effective educational programmes.

The efficacy of the strategy is monitored on a regular basis through annual audits of each SAB region or site. A prevalence survey is repeated every 4 years and a Knowledge, Attitude and Practice (KAP) survey undertaken each year.

In order to effectively implement this strategy, inputs are in place in each region or site to facilitate regional implementation. Regional Task Teams are responsible for the development and implementation of regional plans and activities. Regions and sites are provided with a self-audit with which to evaluate their progress.

Regional implementation focuses on a few key elements:

- 1) Ensuring HIV/Aids competence: involves providing key stakeholders with the necessary information and skills to manage HIV and Aids at the workplace via skills workshops.

- 2) Developing support structures: involves training key individuals with the skills to be able to provide emotional and psychological support.
- 3) Education and awareness: includes targeted campaigns which are measured, peer education, external experts, workshops, videos etc.
- 4) VCT: A key component is the encouragement of staff to undertake a voluntary HIV test at least once a year, and if they do test positive, they are immediately followed up with the managed health care service provider and are registered on to the treatment and monitoring programme. This ensures that SAB has a very high registration rate on the programme and individuals are monitored by a medical team to ensure compliance with treatment regimens.
- 5) Managed health care (MHC): revolves around the management of existing infections. This programme focuses on SAB staff and spouses and up to three dependants. The annual spend on treatment and monitoring of employees on the programme is approximately R3.6m and an additional R1m is spent on voluntary counselling and testing, training of peer educators and education and awareness in the regions. The programme is run in partnership with an external service provider who has the capacity to manage HIV positive individuals and also maintains the confidentiality of staff and their family members registered on the programme.

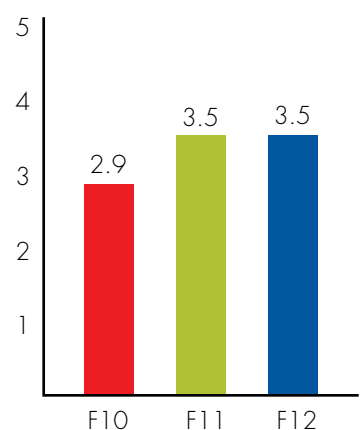
An independent study in 2010 showed the SAB HIV/AIDS programme to be

SA's high prevalence of HIV/Aids poses a significant risk to the country's economy and to business.

SAB assesses strategic and operational issues to develop effective interventions and address the risks.



SAM Performance



providing a significant return on investment in monetary value for the company but more importantly, it was projected that the programme saves approximately 20 lives per year which is the main reason for the programme.

carrying out KAP surveys and providing VCT for all employees and spouses as well as managed health care for those who are HIV positive. It also covers peer educator programs and initiatives in the supply chain and the community.

SAM Performance

The HIV/Aids stairway measures performance on managing the effects of the epidemic, including

The HIV/AIDS score has remained unchanged at 3.5 for the period under review.

Case study:

Condom distribution with Project Promote

SAB has joined Project Promote, the national condom distribution programme, a public/private partnership between the National Department of Health (NDoH), the South African Business Coalition on HIV/Aids (SABCOHA), Society of Family Health (SFH) and the contract cleaning industry; to assist in extending the condom distribution reach to non-traditional outlets, i.e. licensed taverns. SAB is using its existing infrastructure and expansive distribution footprint to deliver condoms to local taverns the company serves across South Africa. SAB's 40 distribution depots are used as Primary Distribution Sites where condom stock is stored and collected by SAB truck drivers for distribution during their scheduled delivery runs. In the F12 financial year, SAB distributed a total of 8.4 million condoms. It expects to have distributed a total of 845 million condoms to approximately 16 000 taverns over the next five years. This will assist with averting more than 1.6 million new HIV infections. This aversion rate is calculated according to a study by John Stover (founder and president of Futures Institute) which claims that for every 500 condoms distributed, at least one new infection is averted.





RESPECTING HUMAN RIGHTS

As part of our commitment to being a good corporate citizen, SAB unequivocally supports the human rights of all our stakeholders and society at large. We are aware of the many diverse cultures and differences in laws, norms and traditions which need to be acknowledged and respected in the course of conducting business in South Africa.

We are also committed to conducting business with due observation of the principles of the international community, including the United Nations Declaration of Human Rights and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises, among others.

An important aspect of our approach to human rights is to ensure that the right balance is achieved by a consistent approach across SAB operations and SABMiller plc, while at the same time incorporating enough flexibility to allow our operations to adapt and respond to local conditions.

SAB's Human Rights Principles

SAB recognises international labour standards and is committed to respecting the human rights of our employees in the workplace and in the communities in which we operate. While these principles are designed to cover employees, it is expected that these standards will also be applied to contract workers and any workers without a formal contract of employment.

1) *Freedom of association and recognition of the right to collective bargaining*

SAB respects the rights of our employees to choose to associate or not to associate with a legally recognised labour union, without fear or intimidation, reprisal or external

pressure. SAB is also committed to engaging in the collective bargaining process in good faith, and recognises the value of developing and maintaining harmonious labour relationships.

2) *Prohibition of forced and compulsory labour*

SAB prohibits all forms of forced and compulsory labour and believes that it deprives societies of the opportunity to develop high-quality human resources for the modern labour markets, and to develop skills for the labour markets of tomorrow.

3) *Abolition of child labour*

The use of child labour in ways that are illegal, socially unacceptable or lead to a child losing his or her educational opportunities is not tolerated. SAB adheres to the minimum age provisions of South African Labour Laws and regulations, and, where the Labour Law is insufficient, takes account of international standards. In addition, adequate mechanisms are used for age verification in recruitment procedures.

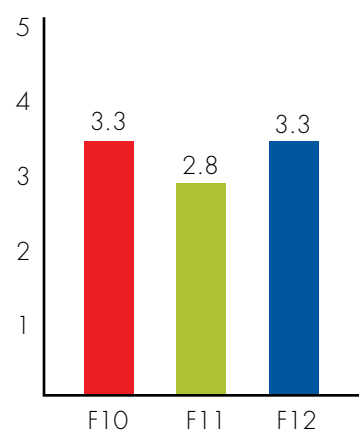
4) *Intolerance for discrimination*

SAB values all employees and the contributions they make, and has a long-standing commitment to equal opportunity and intolerance for discrimination. We strive to create a work environment free of discrimination and physical or verbal harassment with respect to race, gender, colour, national origin, religion, age, disability, sexual orientation, political opinion or social origin. In addition, we make reasonable accommodations in the employment of qualified individuals with disabilities.

An important aspect of our approach to human rights is to ensure that the right balance is achieved by a consistent approach across SAB operations and SABMiller plc, while at the same time incorporating enough flexibility to allow our operations to adapt and respond to local conditions.



SAM Performance





5) *Establishing fair and competitive wages and benefits*

SAB remunerates its employees fairly relative to the industry and competition in full compliance with minimum wage legislation and other applicable wage and working time laws. We aim to offer employees opportunities to develop their skills and capabilities, and to provide advancement opportunities where possible.

6) *Providing safe and healthy work environments*

SAB strives to provide safe and healthy work environments for our employees. Every effort is made to ensure that risks of accidents, injury and exposure to health risks are minimised. We are committed to working with employees to maintain an environment free from violence, threats, harassment, intimidation and other disruptive behaviour.

7) *Employee security*

SAB is committed to providing a secure work environment, where employees are not encumbered by concerns for their personal safety or security due to internal or external threats. To ensure the safety of employees security safeguards are provided as needed.

8) *Community commitment*

SAB recognises its impact on local communities – especially where we are the principal employer. We are mindful of the impact that strategic decisions may have on the local community and take steps to minimise any negative impacts.

9) *Supplier guiding principles*

SAB seeks to develop relationships with suppliers that share similar values and conduct business in a manner consistent with our human rights policy. Our commitment to promoting human rights in our supply chain is set out in our Responsible Sourcing Principles and Ethics Policy.

Implementation

SAB promotes a culture of honesty, pragmatism and openness and encourages the identification of any areas where our operations, or those of our business partners, fall short of these principles. Should any human rights allegation be lodged against SAB, we will actively engage to understand the issue, investigate internally and co-operate fully with any external investigation.

SAM Performance

The Human Rights stairway measures performance on the protection of human rights in the workforce, the management of health and safety and of issues relating to diversity and disadvantaged groups.

The overall Human Rights score has improved from 2.8 to 3.3 for the period under review. The score returned to its previous level, barring the drop in the F11 reporting period. This is the result of there being no major health and safety incidents occurring during the reporting period.



TRANSPARENCY AND ETHICS

SAB is committed to transparent sustainable development reporting and to high ethical standards. SAB believes external stakeholders should be able to access information, as well as the company's performance against stated values, in order to make informed judgments about the business.

Transparency and open reporting on its activities is important to SAB because consumers want to know which beers and soft drinks are of consistent high quality; its employees want to work for a company that they know is honest and committed to behaving responsibly, its suppliers and its business partners want

a fair relationship; and the communities in which it works want to know that it operates in a way that will not damage their environment or quality of life.

SAM Performance

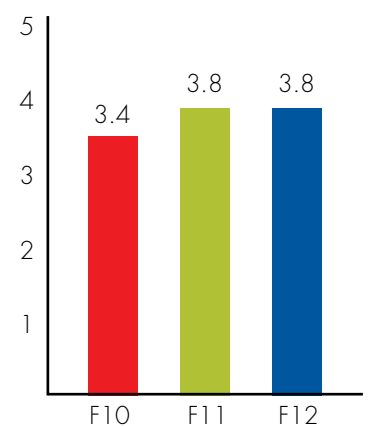
The Transparency and Ethics stairway measures performance on the communication of Sustainable Development performance externally, on interactions with third parties and on communicating with employees and the community.

The Hub score for transparency and ethics has remained unchanged at 3.8 for the period under review.

SAB believes external stakeholders should be able to access information, as well as the company's performance against stated values, in order to make informed judgments about the business.



SAM Performance





Transformation

SAB's contribution to empowerment and transformation

Broad-Based Black Economic Empowerment (BBBEE) aims at substantially increasing black participation at all levels in the economy. The strategy attempts to redress the imbalances of the past by transferring more ownership, management and control of South Africa's financial and economic resources to the majority of its citizens, as well as to ensure a broader and meaningful participation in the economy by black people. SAB believes its historically strong performance as a business is closely linked to its active role in the social and economic development of the country. The company's track record of empowerment initiatives, social investment and people development is testament to this commitment and approach. SAB believes that BBBEE is a component of the broader transformation imperative in South Africa and is committed to the sustainable transformation of the economy.

SAB Scorecard Performance

The BBBEE scorecard is a measurement tool that evaluates an entity's internal and external transformation

performance on each Code of Good Practice. The total value of points that can be achieved is 100. The BBBEE score of an entity will be informed by the total number of points they achieve out of 100. This will then inform the Contributor Status Level of that entity. These Levels range from Level 1 (highest) to Level 8 (lowest), followed by the non-compliant Level. The BBBEE audit is performed on an annual basis and the verified BBBEE scorecard is valid for 12 months from the date of issue.

The SAB BBBEE scorecard incorporates its soft drinks division ABI and wholly-owned subsidiaries SAB Hop Farms, SAB Maltings and Appletiser SA.

BBBEE recognition levels

SAB scored 73.11 out of the total 100 points in the last annual BBBEE audit, thus placing it in a Level 4 BBBEE Contributor Status range. This means that every customer who spends R100 buying products from SAB can claim the full amount as BBBEE spend.

Code 100 - Ownership Equity SAB Zenzele

The SAB Zenzele BBBEE transaction, announced in June 2009 and worth approximately R7.3 billion, placed 8.45% of the company's shares under

SAB BBBEE SCORECARD

CODE Element	Compliance		SAB 2012	Overview
	Target	Points		
100 Ownership	25%	20	11.55	Measures economic and voting rights attached to ownership of an enterprise in respect of black people, black women and designated groups.
200 Management Control	50%	10	8.31	Measures representation of black people and black women at board and executive level.
300 Employment Equity	43%-68%	15	7.85	Measures representation of black people, black women and black disabled employees at all management levels.
400 Skills Development	3% of payroll	15	8.65	Measures training and skills development spend on black people, black women and black disabled employees as well as learnerships.
500 Preferential Procurement	50%- 70%	20	18.45	Measures the extent that we buy goods and services from BBBEE compliant, black owned and black women owned enterprises.
600 Enterprise Development	3% of NPAT	15	15.00	Measures the extent to which we carry out initiatives contributing to the development of small businesses.
700 Socio-Economic Development	1% of NPAT	5	3.30	Measures the extent to which we carry out initiatives contributing to socio-economic development promoting access to the economy for black people.
		100	73.11	SAB score falls within the Level 4 Contributor Status range.

In addition to retaining a level 4 rating, the company also slightly increased its overall score from 72.90 to 73.11, despite significantly higher targets applying to Preferential Procurement and Employment Equity.



black ownership. The transaction sought to benefit those stakeholders who are directly involved in the company's business. It was designed to be genuinely broad-based, provide tangible benefits to participants from the first year and to support the normalisation and regulation of the South African liquor industry.

The participants include three key constituencies: SAB employees, black-owned liquor and soft drink retailers and, through a new SAB Foundation, historically disadvantaged communities. The transaction resulted in almost 40 000 new shareholders in the company, over 95% of whom are black individuals or black majority-owned enterprises. After the ten-year transaction period, SAB shares will be exchanged for JSE- and LSE listed SABMiller shares. The transaction equates to an effective 14.1% BBBEE transaction in terms of the BBBEE Codes of Good Practice.

Three separate investment entities were created to implement the transaction:

- 1) The SAB Zenzele Employee Trust, which holds 18.5 million SAB shares for the benefit of employees, represents 40% of the SAB shares issued. Participants include all permanent black employees of SAB, its subsidiaries and of the SABMiller Group who are permanently resident in South Africa, as well as white employees who do not participate in the existing group share option plan.
- 2) SAB Zenzele Holdings Ltd, a South African registered public company, holds 19.2 million SAB shares for the benefit of retailers, which represents 42% of the SAB shares issued under the transaction. Black-owned licensed liquor retailers, black-owned retailers who have lodged or materially completed a

licence application and black-owned registered customers of ABI are eligible to participate.

- 3) The SAB Foundation holds 8.4 million SAB shares, or 18% of the SAB shares issued under the transaction. Dividend income received from these shares is applied for the benefit of the wider South African community.

One of the unique features of SAB Zenzele is the payments of dividends from the first year, which was undertaken to ensure that the scheme delivers real and tangible benefits. At the end of the F12 financial year, the SAB Board declared a full year Zenzele dividend of R116 million, a 23% increase on the previous year's dividend of R94.4 million. The dividend for the first half of the year amounted to R43.37 million and the second half dividend amounted to R72.65 million.

The F12 dividend means that a total of R210 million has been paid out to beneficiaries since the transaction was launched. SAB Zenzele Holdings received a dividend of R50.7 million from R39.3 million previously. Retailers who acquired the minimum allocation of shares for R100 received more than R706 in dividends for the full year, or seven times their initial investment. A cumulative R90 million in dividends has now been paid to this group.

Employee beneficiaries of the SAB Zenzele Employee Trust received a dividend totalling R44.9 million from R37.87 million previously. The average employee on the shop floor received a dividend of R2 754 for the year. A cumulative R82.8 million in dividends has been paid out to this group. The SAB Foundation received a full year dividend of R20.4 million against R17.19 million previously. A cumulative



R37.6 million in dividends has now been paid to the Foundation.

SAB Foundation

The SAB Foundation aims to widen the benefits of SAB Zenzele to South Africa's communities. Through a Board of Trustees and an independent Chairman, Cyril Ramaphosa, the SAB Foundation focuses on entrepreneurship among historically disadvantaged South Africans with a priority on women and youth, particularly in rural areas.

More specifically, the SAB Foundation invests in existing micro, small and medium businesses which need a push to help them grow. This is done through the Tholoana Enterprise Fund, a programme that provides grassroots support to co-operatives and micro-businesses and via a partnership with Endeavor. This partnership supports high-potential, high-growth entrepreneurs with a combination of grant capital and soft loans; and an innovation fund that invests in social entrepreneurship and social innovation.

Since July 2011 when the SAB Foundation made its first investment, 40 micro, small and medium enterprises have received a combination of financial and business development support. This has resulted in 93 jobs being created.

Code 200 - Management Control

The SAB board of directors consists of 14 Directors and the qualifying equity candidates are as follows: 10 executive directors of which 4 are BBBEE candidates. The company's three Independent Non-Executive Directors are all BBBEE candidates, which yields the company a bonus point in the annual BBBEE verification for the Management Control element.

Code 300 - Employment Equity

SAB currently employs more than 9500 employees. Good progress has been made against targets at Middle Management and Professionally qualified level, resulting in the achievement of targets at this level. This has been led in particular by an increase in the number of Equity Females. While there were improvements made at Senior Management level, targets have not been achieved, with Labour Turnover and an increase in the headcount base being the main challenge. This is despite the achievement of gender targets at this level. Progress with disability remains slow, requiring a long term focus. Going forward, new targets will be set in F13, in line with increased BBBEE targets in BBBEE Codes with a focus on closing these gaps. More than three quarters of SAB's employees are from previously disadvantaged groups and 60% of its workforce is black.



Code 400 – Skills Development

The skills development element measures the training and Skills Development spend on black people, black women and black disabled employees, as well as learnerships. The total cost of skills development for black people using the adjusted recognition for gender multiplier as per the BBBEE Codes, is 3% of the total leviable amount of payroll.

The learning programmes included institution-based theoretical instruction - formally assessed by academic institutions, recognised or registered structured experiential learning in the workplace, occupationally-directed instructional and work based learning programmes, as well as work-based informal programmes.

Code 500 – Preferential

SAB is committed to supporting companies who are BBBEE complainant over those who are non-compliant. Appletiser has geared its procurement process to encourage employees to find and use empowered companies by requesting BBBEE certification whenever a new supplier is loaded on the system. Furthermore, each department is given a Procurement Score on a quarterly basis to track their spend, ensure renewal

of certificates and pro-actively seek empowered suppliers. This strategy has worked well, SAB has encouraged some of its suppliers to align to the principles of BBBEE and at the same time increased its level of compliance.

Code 600 – Enterprise Development

In recent years SAB has made a long term commitment to supporting local entrepreneurs. Since the start of its relationship with communities, they have become successful businesses who still provide goods and services to the business. SAB continues to score 100% for enterprise development.

Code 700 – Socio-Economic Development

The DTI Codes recognise that companies have a role to play in the transformation of communities and individuals beyond their core business activities. Of SAB's R33 million spend on socio-economic developments, the company continues to score 100%



Human Resources

SAB believes that its human resources transformation is part of the company's rapid movement towards becoming a truly competitive, market-facing, brand-led enterprise. The strategic objective over the last few years has been to create a fit-for-purpose Human Resources organisation by realigning its strategy, plans, structures and resources to directly support the five key thrusts of SAB's business strategy. In order to achieve this, four imperatives were identified for execution:

- Provide the Marketing department with the support required to become the best marketing function in South Africa.
- Ensure the efficiency and capability of Supply and Development
- Ensure SAB achieves World Class Manufacturing standards
- Accelerate the transformation of support functions to become truly market-facing

There has been steady progress in realising this strategy over the last two years with the following achievements:

- Review of HR structure and development of Business Partners and Centres of Excellence
- Development of HR imperatives that:
 - Refocuses the HR development model to reflect the market-

facing, brand-lead priorities of the organisation. A review resulted in an HR Development focus on market-facing activities

- Review and revision of the recruitment strategy to attract the right people into the business, led to key marketing, sales and distribution skills development
- Support of an equity people plan to deliver on the equity strategy. This included career fairs, an employee referral scheme and development programmes to develop equity talent within the organisation. As a result, major strides were made in improving representation at senior levels and in the recruitment of equity women

- Focus on the development of a Business Partnering capability within HR as part of the new divisional operating model
- Focus on the organisation's capability programme to ensure it remains progressive and drives growth into the future through the right skills, resources and experience



Health and Safety

SAB has a broad, entrenched Risk Management System that is subject to regular review to ensure the company is in line with the SABMiller group risk management policy. The risk management process is designed to deliver improved value to the operating business.

The Board of Directors is responsible for the entity's risk management system and for reviewing its efficacy. The risk management system is designed to manage, rather than eliminate the risk of failure to achieve business objectives. There is an on-going process in place to identify, assess, manage, monitor and report on significant risks faced.

The Managing Directors Committee (MDC), as the company's risk management committee, is responsible for the group's system of risk management. This committee views the careful and appropriate management of risk as a key management function. Managing business risk to deliver opportunities is a key element of all business activities and is linked to the company business strategy and planning exercise. Operational Risk issues are dealt with on an on-going basis within the Audit Committees, which are held with the various Executive Directors and key direct reports, chaired by the Financial Director.

SAB's Risk Management System consists of:

- Compliance with the group risk management policy
- The MDC as the risk committee to:
 - Identify and action key risks to the execution of the company's business strategy, bi-annually and by exception

- Review the group risks as a whole bi-annually, as well as each risk individually during the 12 month MDC meeting cycle
- Consider the company risks during the strategy and business planning process

- Each SAB Region and Department complies with the group risk management responsibility and at minimum bi-annually reviews its significant risks
- The progress of its risk control actions during its business as usual management meetings and reports where necessary at the Regional Audit Committees
- The output of the risk management process influences the internal audit planning where appropriate

In terms of Operational Risk Management, the risk exposure and mitigation required is integrated as part of management's decision making framework and is considered in the day-to-day business activities.

SAB has a fully functional and designated Risk Management Team which assists with the facilitation of risk management requirements in the operational environment. This scope covers:

- Occupational Health and Safety
- Business continuity
- Security Management/fraud/stock loss
- Investigations
- Insurance
- Environmental
- Fire and explosion protection
- Corporate governance and ethics
- Contractors



Policy

SAB has a legal and moral obligation to safeguard employees and the public against injury and disease, as well as risk to health and safety, associated with its business operations.

The company's management of Health and Safety related matters is managed and guided by its Occupational Health and Safety Policy which is agreed and signed by the Managing Director. The policy is reviewed periodically to ensure that it is current and applicable to business units and the operational environment.

Occupational Health and Safety goals:

- Identify all health and safety hazards in the workplace through formal surveys and take the necessary action to minimise these risks
- Inform all employees of such hazards and the precautions to be implemented
- Fully induct and train all SAB employees in Occupational Health and Safety to:
 - Ensure health and safety competence in the workplace,
 - Be aware of the potential injury and health hazards implicit in their work; and
 - Fully discharge their statutory health and safety obligations
- Manage Occupational Health and Safety to internationally accepted standards, by achieving and maintaining a minimum NOSA (external Occupational Health and Safety specialist company) 5-star rating, minimising the risks of injury or occupational disease to all SAB employees, thereby ensuring their continued well-being
- Enforce health and safety measures and discipline in the workplace
- Ensure total compliance with relevant statutory Occupational Health and Safety legislation

- Minimise risks to the public of any health and safety hazards associated with operations
- Achieve continuous improvement in respect of all areas of Health and Safety performance

The SHE programme is designed to ensure that legal and company standards compliance occurs and is maintained within all operations and that a minimum standard of 91% is maintained. SHE compliance is audited by NOSA. The focus is on compliance with South Africa's Health Occupational Health and Safety legislation and regulations, as well as other legislation identified in the operations aspect and impact registers.

The audit subscribes to 72 elements of the NOSA Management system and compliance with the SAB Hub's own company standards which provide specific guidance. The DIFR (disability injury frequency rate) and DI's are also audited as part of the programme. These audits assist the executive directors and management in ensuring compliance with the Occupational Health and Safety Act with its associated regulations. The company Managing Director has personal criminal liability in terms of South African legislation. Where operations do not have a formal ISO 14001 (Environmental Accreditation), the audit ensures review of legal compliance to the hub's environmental legislation and local by-laws.

SAB currently holds 43 Noscars (NOSA Awards) of the 92 awarded globally within the SABMiller group. The site is required to achieve a score of +95%, amongst other criteria for a period of 3 continuous annual audits. These are attained and confirmed on an annual basis during a rigorous auditing process to ensure the specific Nascar requirements are met.



Amalgamated Beverage Industries (ABI)

Overview of the company's Sustainable Development Approach and Strategy

Amalgamated Beverage Industries (ABI) is a 100% owned subsidiary of SAB and the largest bottler of Coca-Cola products within South Africa. ABI's Sustainable Development Strategy is set within the context of environmental, social and economic pressures that large businesses face today, particularly those that impact the business value chain through packaging; carbon emissions; product safety; the community and the wellbeing of employees. Sustainable development is considered a priority at board level and is central to the business strategy which guides daily operational decisions.

By being more sustainable, ABI is able to increase its ability to compete effectively in markets.

The commitment to being a more sustainable company also supports the company's belief that:

- Sustainable companies are efficient, polluting companies are not
- It enhances brand reputation
- There are long-term returns
- It boosts employee morale to work for a company that cares for community and environment
- It attracts the next generation of customers

The three sustainability concepts shape ABI's sustainable development framework:

ENVIRONMENTABILITY

- Energy efficiency, climate protection, smart packaging and water stewardship

RECYCLEABILITY

- Reduce, recover, and re-use
- Renewable packaging for a sustainable future

HABITAT AND COMMUNITY

- Fostering sustainable communities through the creation of economic and social opportunities and ensuring the well-being of employees

Performance and Projects F12

ABI has invested capital of R44 million from April 2008 to March 2013 on projects focused on sustainable development – R15 million per year is planned for the next 3 years.

All initiatives carried out at ABI and its sister plants, including best practice from the Coca Cola System, have been consolidated to a single data base and an experienced engineer has been earmarked to analyse and implement these projects. Part of the process will be an on-going performance tracker to ensure that improvement initiatives are maintained and operated as designed.

The key energy projects implemented include:

- Installation of energy efficient lighting across all operations
- Installation of heat pumps in place of geysers
- Shutting down of coal fired boilers through the use of recovered process heat
- Optimisation of process and ventilation flows and pressures



- Reduction of blow moulder high pressure air settings
- Conversion to high efficiency electrical motors

The key water projects implemented include:

- Recovering backwash and rinse water
- Cascading semi-clean water to other usage areas such as floor and truck washing
- Optimisation of our CIP and product change regime
- Implementation of Electrochemically Activated Water for CIP
- Conversion of our water treatment plants to membrane filtration systems

It is important to note that the performance improvements have been made in the context of tripling the number of product changes that are done on a week to week basis.

Strategic Projects have all been executed in such a way as to drive the sustainability agenda, examples are:

- New Water Plant at ABI's Devland plant planned to reduce site water consumption by 10%
- New Blow Moulders introduced at the ABI Pretoria, Devland and Midrand plants allowing for low pressure blowing. Half the amount of HP air is used at Midrand, compared to 3 years ago, to produce the same factory output
- Introduction of Combined Blow Moulder Filler Units at Devland and Pretoria L3 – air conveyors and bottle rinsers are no longer used as both are heavy consumers of water and electricity
- Introduction of HP Compressors with Variable Speed Drives at Devland to optimise HP air delivery and electricity consumption
- Use of state-of-the-art electrical drive systems which reduce load by 30% on conventional drive systems

- Introduction of higher temperature filling to allow for reduced chilled water generation
- Automation of CIP systems to ensure optimal use of resources and recovery of water and chemicals

Over and above the opportunity to install the latest technology with the lowest water and electricity footprints possible, a key part of the business case to install the new PET lines at Devland and at Pretoria was to minimise Primary Distribution of Product.

The annualised benefit of this was calculated at R12 million in 2011. This saves roughly 3000 tons of CO² per year (excluding the carbon footprint of the forklifts involved).

Reducing Finished Goods Inventory across the business from 18 days to 5 days has eliminated huge amounts of waste. This waste carries a carbon footprint in that it causes extensive double handling (trucks and forklifts) and requires extra facilities to be run (the lights will be on).

Packaging Optimisation Work

PET Light Weighting:

ABI invested approximately R7 million in research and development and R29 million in capital over 3 years to develop and test bottles that are among the lightest in the world for the gas retention shelf life that is required. ABI led the work but collaborated with Coca Cola South Africa and other local bottlers, to achieve a reduction in plastic produced of 9500 tons per year.

Fast Reheat Resin:

One of the critical success factors of the PET light weighting project was the introduction of Fast Reheat Resin with Hosaf, the only PET resin manufacturer in South Africa. The implementation started in December 2010. This resin contains



traces of Carbon Black and consequently absorbs infra-red radiation more effectively. This has resulted in a 10% to 15% reduction in the power consumption of almost every blow moulder oven across South Africa as this technology has now been rolled out to most bottlers in the country.

500ml & 1000ml PET Crate to Shrink & New 1000ml Bottle Shape:

When tasked to look at implementing Immediate Consumption PET into shrink, ABI took the opportunity to optimise the 1lt bottle geometry. The impact was as follows:

- 500ml pallet density increased by 33%
- 1000ml pallet density increased by 37%
- Introduction of a pallet configuration that had no corrugate and in so doing, gave a better supply chain carbon footprint than using returnable crates.
- The saving on distribution generated CO² is around 1000 tons per year

New VP Range of Bottles:

ABI lobbied for the introduction of a new range of bottles to replace the old Multiproduct Shape, which effectively had straight walls with a very wide label. Roll-out of the new bottle shape began in 2010 and was completed in 2012. The new Various Product Bottle has reduced label material usage by around 7.5%.

Label Down Gauging:

In 2009, ABI converted labels 47microns to 38microns. This equates to a 19% reduction in label usage across the board.

Advancing refrigeration technologies:

- Effective 1 April 2011, ABI has been purchasing coolers with Energy Management Devices and LED lighting. This has resulted in a saving of over 30% on energy for customers. To date, this has been installed in over 10 000 coolers. New coolers come standard with the technology and a

retro-fit program is underway for all old fridges in the market. The next step is to move to HFC refrigeration. ABI has begun receiving small coolers that use Hydrocarbon and are environmentally friendly. The company is working closely with Coca Cola's Cross Enterprise procurement group as well as other major suppliers in moving to CO² refrigeration

- SSD's refurbishing centre refurbishes/ re-manufactures 12 000 coolers per annum. Effective November 2012, all refurbished coolers will be retro-fitted with Energy Management Devices and will be rolled out at SAB
- A trial of solar powered coolers imported from India is underway, which includes a spaza kiosk and hawker trolleys fully powered by solar panels. These coolers allow ABI to more effectively penetrate Local and Traditional Markets i.e. spazas and hawkers

Recycling

Internal recycling has been implemented across the business, beginning initially with offices and later, operating facilities. ABI Phoenix is the maiden recycling site with the rollout underway at all other sites. This includes widespread communication with employees through various communication channels to ensure compliance. Waste management practices across our 5 manufacturing sites have been optimised to ensure the reduction of the amount of waste generated on site and once waste is generated, ensuring that it is disposed of in the most responsible manner. Savings have been made through the minimisation of outsourcing of functions by streamlining processes and engaging employees. Through recycling, returns on waste streams are optimised. The aim is to have rolled out a streamlined best practice on recycling across all sites before the end of March 2013. To date, ABI recycles 73% of all the waste generated within its operations.



Community Projects

ABI has committed a total of R12.5 million over three years towards the development of the communities in which it operates. The company has a strong link to the communities it touches and the regions in which it operates. The objectives of ABI's corporate social investments are to bring attention to programmes that focus on youth development; sustainability initiatives aimed at reducing the company's impact on the environment; early childhood development, and entrepreneurial development training.

ABI has pledged its support to four projects: The Youth Zone, Ikamva, ECD and Growth Link.

The *Youth Zone Legacy Network* was established in partnership with the FIFA 2010 World Cup™ LOC to ensure a sustainable impact in the lives of South Africa's youth. ABI has invested R3 million in 12 of these Youth Zones in conjunction with FSSA, each focusing on football, life-skills, computer literacy, and academic excellence. To date, ABI has six Youth Zones across Gauteng and KZN from which over 1500 youths benefit.

Ikamva is a South African non-profit organisation that focuses on the empowerment of youth through education, e-literacy training and career guidance. ABI has contributed R500 000 to Ikamva, in order to enable the extension of this highly successful programme to Umlazi township in KwaZulu-Natal. Over 300 Grade 10, 11 and 12 pupils benefit from this programme between Gauteng and KZN.

ECD Projects, is an NGO with over 16 years experience in early childhood development. ABI recognises that early childhood development is the bedrock of an enlightened and value based society, ensuring they have access to quality age-appropriate health, education and psychosocial services. ECD Projects specialises in research, training and development of ECD services in socio-disadvantaged communities. ABI's investment in this project is R6 million over the next three years. To date, over 400 teachers have been or are going through this program and over 16 000 children are benefiting.

Growth Link was approached in 2008 by ABI to develop a programme for the company's small business owners/home shop owners, in order to equip them to become more financially sustainable. Socio-economic changes such as the development of shopping malls in areas where spaza shops were previously predominant suppliers of ABI products, led to a number of these ventures going out of business. The aim of the programme is to assist small business owners in becoming more 'business wise' and help them weather the storms of a changing business environment. ABI has invested R3 million in this venture. Over 2 100 small business owners participated in the training.

ABI employees serve as a strong extension of our efforts in the community and in F12 a 52% attendance rate was achieved at employee CSI days. This has been further leveraged by the launch of the Soul Ambassador programme



across all regions. Currently, more than 130 ABI employees form part of the Soul Ambassador programme and already they have made extensive inroads in facilitating extended involvement in communities outside of the company's key flagship projects.

Achievements - *external recognition and best practice*

Department of Water Affairs Award

ABI Phoenix was recognised for its contribution to water conservation by the South African Department of Water Affairs at their Water Conservation and Water Demand Management Sector Awards under the Industry, Mining and Power Sector category.

ABI Phoenix has been globally recognised by SABMiller as the best and most efficient bottling plant in terms of conserving and saving water for the past 6 months and year to date. Over the past 9 years, a process of continual improvement has been embarked on and this has resulted in a significant reduction in water use ratio from 3.42 hl/hl in 2002 to 1.45 hl/hl in 2011.

PET Lightweighting

Through changes made in design, material used to manufacture the PET bottle has been reduced by up to 25% (size dependent), while maintaining the current shelf life. By changing the geometry of the bottle, more stretch is allowed during the bottle blowing process. This increased bi-axial stretching improves the orientation of the PET molecules and as a result improves the gas barrier properties and the mechanical strength of the blown bottle. Research into this was done in collaboration with The Coca-Cola Company and Coca-Cola Bottlers. This will ensure that it is not only ABI that reduces the packaging footprint but the entire Coca-Cola System in South Africa.

The standard of PET resin was converted to a Fast Reheat Resin, which will yield further

energy savings on the blow moulders of between 5% and 15%. This has yielded a +/- 1MW energy savings across the bottlers in South Africa. This will not only be rolled out to the Coke System but across the majority of PET users being supplied by Hosaf in South Africa.

Another major cost and energy saving initiative that will contribute to reducing the carbon footprint of the PET bottle has been in the redesign of the 1litre PET bottle through Project Vuvuzela. This entailed redesigning the bottle to be narrower and taller, enabling a +/- 30% increase in the quantity of bottles per pallet, thereby reducing the number of loads translating to fewer trucks on the road.

ABI has also invested significantly over the last two or three years in energy reduction initiatives and has managed to curb consumption at its plants by an impressive 20%, with some boilers being shut down completely. Although these energy saving projects are marginal in terms of profits, ABI has invested in them to honour the commitment to reducing its water and energy consumption footprint.

Coastal Clean-up

ABI has been involved in the Coastal Clean-up for the past 8 years, inviting employees, their families and 20 local schools that are part of ABI's PET recycling programme to help reduce the impact of waste on the marine environment.

COP 17 Activation

ABI successfully activated a number of initiatives over the period of the 17th Conference of the Parties in 2011. A plant tour was hosted with media and Coca Cola System Sustainability Leaders. The company has been recognised as having one of the best and most efficient plants within the Coca Cola system.



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