

# *Sustainable Development Report*

2007



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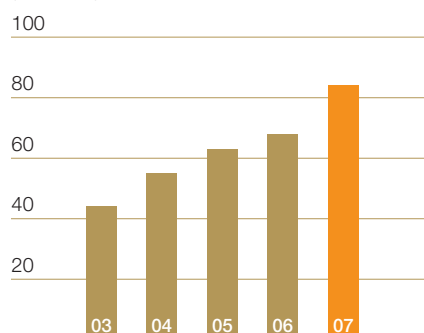
## SUSTAINABLE DEVELOPMENT HIGHLIGHTS

**By running our business in a responsible way we benefit our employees, our communities, our suppliers, our customers and our shareholders, and we help to protect the environment.**

**Management of our business in accordance with sustainable development principles contributes to our success as a leading global brewer.**

- A new self-assessment system has provided consistent group-wide data across all 10 sustainable development priorities
- Energy consumption by our operations was reduced from 163 megajoules (mj) per hectolitre (hl) of beer produced in 2006 to 146 mj/hl this year
- We have invested US\$26 million in corporate social investment programmes, representing 0.9% of profit before tax
- Three stakeholder events in Cape Town, Washington and London were attended by governments, NGOs and academia to discuss global issues of water availability, poverty, HIV/Aids and climate change
- KickStart, a programme encouraging entrepreneurship, was launched in a third market, Colombia. KickStart already operates successfully in South Africa and Botswana

**Number of sites with formal environmental management systems (2003-07)**



### Average water consumption

Ratio per hl beer **4.56:1**

2006: 4.60 hectolitres:1 hectolitre

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

**12.74 kg/hl**

2006: 14.44 kg/hl

## CHIEF EXECUTIVE AND CARAC CHAIRMAN JOINT STATEMENT



## Sustainable development is an integral part of running a successful global business.

**Our 10 sustainable development priorities focus us on the material opportunities and risks that arise from our environmental, social and economic footprint.**

### **Economic success drives development**

Our South African origins and our experience of operating in emerging markets have helped us to understand how our economic success improves the lives of people living in poverty. We believe that emerging markets need to move away from aid dependence towards encouraging home-grown enterprise and opening up opportunities for investment. Economic success creates employment, generates wealth and, in our case, fosters stronger local supply chains and a market for our products.

As an example of how we generate employment, a study by the Bureau for Economic Research, conducted for South African Breweries Limited (SAB Ltd), detailed the company's contribution to the South African economy, including the direct impact of our operations and the relevant economic multiplier effects. At the time of the study, SAB Ltd employed 8,600 workers directly, 73% of whom were from previously disadvantaged groups. The study found that our operations supported an estimated 46,000 jobs at first round suppliers and more than five times that number in the wider economy. In all, 362,000 full-time jobs (or 3% of total employment in South Africa) could be directly or indirectly traced back to the production and sale of our products.

Overall, our direct economic contribution to the societies in which we operate is significant. Payment of direct and excise taxes reached US\$4,529 million in 2007, an increase of 21.4% compared to the previous period. Employee remuneration increased by 15.5% from US\$1,693 million in 2006 to US\$1,955 million in 2007. Total shareholder return since 1999 stands at 217% compared with 31% for the FTSE 100 as a whole (as measured at 31 March 2007) in sterling terms.

The cash return to shareholders amounted to US\$843 million this year compared to US\$687 million in 2006. In the last financial year, we also invested US\$26 million in community social investment programmes, in addition to funding our responsible drinking programmes.

**US\$4,529m**  
paid in direct and excise taxes

As we believe in building wealth through encouraging entrepreneurs and supporting local businesses, many of our operations have set up enterprise development programmes which create local employment and, in some cases, extend our supply chains. We have committed US\$2.5 million over a five-year period to the Investment Climate Facility (ICF) for Africa. The purpose of the ICF is to create business environments in Africa that will attract international investment and generate local business opportunities. The ICF was established at the instigation of the Commission for Africa and is supported by both the public and private sectors.

### **Sustainable development priorities**

The growing consensus around climate change, the accessibility of sufficient quantities of safe and clean water, the social impacts of irresponsible drinking, poverty and HIV/Aids are all crucial considerations for how we run our business.

These issues are not new to us. We have reported on corporate accountability since 1998 and for many decades we have been aware of our economic, social and environmental responsibilities.

### Feedback

We welcome your views on our report and the way we approach our priorities, and how they deal with your concerns.

Please contact us at  
sustainable.development@sabmiller.com  
or on +44 1483 264139

To shape our future direction, last year we launched our sustainable development framework which focuses on the 10 priorities most relevant and material to our business. In the last 12 months the framework has been embedded into our global operations and we have developed, tested and launched a sustainability assessment matrix (SAM) which enables each operation to measure its performance against the 10 priorities. SAM gives us a clear picture of operational and group performance, and individual operations can also benchmark themselves against their peers. SAM has been an important investment, giving us consistent performance data to inform future action plans.

### Partnerships and stakeholder consultation

Given our experience in emerging markets, we are in a strong position to engage with, and contribute to, the expert consensus regarding sustainable development issues. It is important for us to work in partnership with non-governmental organisations, local communities, multi-lateral organisations and governments to ensure we can maximise our contribution.

### UN Global Compact

In January this year we signed the UN Global Compact and committed to report against its 10 principles. There is significant overlap between our 10 sustainable development priorities and the UN Global Compact principles, demonstrating that our approach aligns with best practice worldwide. A summary of our progress against the principles can be found on page 26.

### Recognition

We continue to receive external recognition for our work on sustainable development. Last year our Zambian subsidiary, Zambian Breweries Ltd, won the Citigroup International Award in recognition of the work it is doing to support the achievement of the Millennium Development Goals in Africa. The award was co-sponsored by the International Business Leaders' Forum and Business Action for Africa and was presented at the UK Business in the Community's annual awards.

We also passed on all four categories of the Johannesburg Stock Exchange Social Responsibility Investment Index (governance, social, environment and ethics) and we participated in the 2006 UK Business in the Community Environment Index.

Our operations have continued to show progress within the sustainable development framework and we look forward to reporting further improvements in the next year.

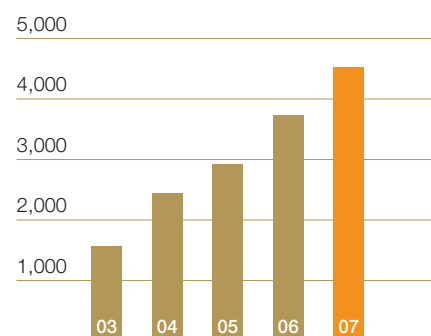
### Robert Fellowes

Senior Non-Executive Director  
SABMiller plc and CARAC  
(Corporate Accountability and Risk  
Assurance Committee) Chairman

### Graham Mackay

Chief Executive, SABMiller plc

Payment of direct and excise taxes  
US\$m (2003-07)





## SUSTAINABLE DEVELOPMENT MANAGEMENT AND GOVERNANCE

Our aim is to have consistent measurement to support effective decision making.

**The Corporate Accountability and Risk Assurance Committee (CARAC), a committee of the SABMiller plc board of directors, is responsible for reviewing how the Executive Committee discharges its duties on sustainable development issues.**

The sustainable development team is headed by the Director of Corporate Affairs, Sue Clark, who attends CARAC meetings and is a member of the Executive Committee, integrating sustainable development into mainstream business decisions.

### **Strategy and performance measurement**

The creation of the sustainable development framework of 10 priorities and the accompanying SAM measurement system has been an important investment for us. The framework provides a common approach within the group, supporting learning between our businesses. The self-assessment process enables our businesses to compare their performance against the 10 priorities and with their peers within the group.

All operations where our group companies have day-to-day management control must achieve level 1 on the stairways. Operations which fall short of level 1 must have mitigation plans in place to achieve this standard as soon as possible. Where operations have achieved level 4 already,

they provide case studies and learnings for other parts of the business. In addition, to encourage operations to engage in level 4 projects, we have also committed to long-term scenario planning for the key priorities of water, carbon and HIV/Aids, to assess the business needs and current and potential future thinking on these issues.

Through SAM we aim to collate and report the sustainable development performance of all our businesses where SABMiller group companies have day-to-day management control, either as a result of a majority shareholding or through management agreement (listed on page 28). Business interests which fall outside these criteria are excluded from the scope of this report.

However, we share our standards and policies with our associates and other business interests where we do not have direct management control. In China, for example, we have had several meetings with the CR Snow senior management team to share our sustainable development approach.

## THE FOUR LEVELS

		4	<b>Being admired</b> Achievement of what is currently considered to be best practice in a particular field.
		3	<b>Creating opportunity</b> Creatively turning potential risks into business opportunities.
		2	<b>Being ready</b> Meeting the challenges of risks that we anticipate we will be facing in the next three years.
		1	<b>Minimum standard</b> All operations must achieve level 1 as it represents management of the key sustainable development risks we are facing today. The Executive Committee has mandated that where operations do not meet level 1 currently, they must implement a plan to reach this level as soon as possible.

SAM (sustainability assessment matrix) consists of: stairway levels which range from level 1, the minimum standard, to level 4, best-in-class; collation of KPIs both for business needs and to provide information for external stakeholders; and evidence, which provides case studies for internal and external use. The stairway recognises that operations require different approaches to the individual priorities.

# OUR SUSTAINABLE DEVELOPMENT FRAMEWORK

## THE RATIONALE FOR OUR 10 PRIORITIES

### Discouraging irresponsible drinking

When consumed responsibly, alcohol can be an enjoyable part of many adult social experiences. People who drink to excess, drink while underage or drink drive, hurt themselves and society. In this regard we believe we have an important contribution to make in partnership with governments, NGOs and the public health community.

see page 8

### Making more beer but using less water

Water stress and quality are becoming urgent issues for some of our breweries and the communities where our employees and consumers live. We aim to become more water efficient, to understand the watersheds we operate in and to engage our suppliers.

see page 10

### Reducing our energy and carbon footprint

Energy is expensive and the consensus is that greenhouse gas emissions contribute to climate change. For both of these reasons we must become more energy efficient, manage our carbon footprint and explore cleaner sources of energy.

see page 12

### Packaging, reuse and recycling

Packaging plays a critical role in protecting the quality of our products, yet also has visible environmental consequences. We are committed to reducing packaging weight, using returnable bottles where possible and using recyclable materials appropriate for each market.

see page 14

### Working towards zero waste operations

Reducing waste saves money as the cost of disposal rises. Our organic brewing wastes can be valuable resources for food producers and farmers as well as a potential energy source. Our objective is not to send waste to landfill.

see page 15

### Having supply chains that reflect our own values and commitment

Our purchasing decisions have economic, social and environmental impacts that stretch around the world. Our aim is to encourage understanding, ownership and improved performance on sustainable development issues throughout our supply chains.

see page 16

### Benefiting communities

The prosperity of communities and our businesses are co-dependent. Our corporate social investment activities aim to improve quality of life in the communities in which we operate, with a particular emphasis on enterprise development, water and HIV/Aids.

see page 18

### Contributing to the reduction of HIV/Aids

The extent of the HIV/Aids pandemic and its consequences require us to manage this as a priority. Our programmes are targeted at our employees, their families, local communities and suppliers. We will share the experience we have gained in Africa with our operations around the world, and proactively engage with global HIV/Aids networks.

see page 20

### Respecting human rights

Our objective is to conduct our business having respect for the diverse national cultures and differences in laws, norms and traditions in the countries in which we operate. We also seek to respect and promote the values of the international community, notably the Universal Declaration of Human Rights.

see page 22

### Transparency in reporting our progress

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

see page 23

## IMPLEMENTING OUR PRIORITIES GLOBALLY

### Latin America

Our primary brewing and beverage operations cover six countries. These are Colombia, El Salvador, Ecuador, Honduras, Panama and Peru. We are the number one brewer, in terms of market share, in each of these countries.

We bottle soft drinks for The Coca-Cola Company in El Salvador and Honduras. We have recently entered the Puerto Rico market with our international premium beer brands.

**Total number of breweries – 17**  
**Total number of bottling plants – 14**  
**Total average number of employees – 26,394\***

### Europe

Our primary brewing operations cover eight countries. These are the Canary Islands (Spain), Czech Republic, Hungary, Italy, Poland, Romania, Russia and Slovakia. In the majority of these countries we are the number one or two brewer.

We also have significant import businesses in the UK and Germany where we import our international premium brands.

**Total number of breweries – 19**  
**Total average number of employees – 12,017\***



#### North America

##### Discouraging irresponsible drinking

Miller's Respect 21 program was developed with the assistance of experts and offers educational tools to help parents talk to their children about not drinking alcohol, advises adults not to give alcohol to minors and assists retailers with scientifically evaluated responsible retailing practices.



#### Washington DC, North America

##### Transparency in reporting our progress

We held one of three stakeholder workshops in Washington, where issues as diverse as human rights within supply chains, combating corruption, the poverty challenge and water footprinting were debated. Each of the workshops has contributed towards shaping our strategy and priority position papers.



#### Colombia

##### Benefiting communities

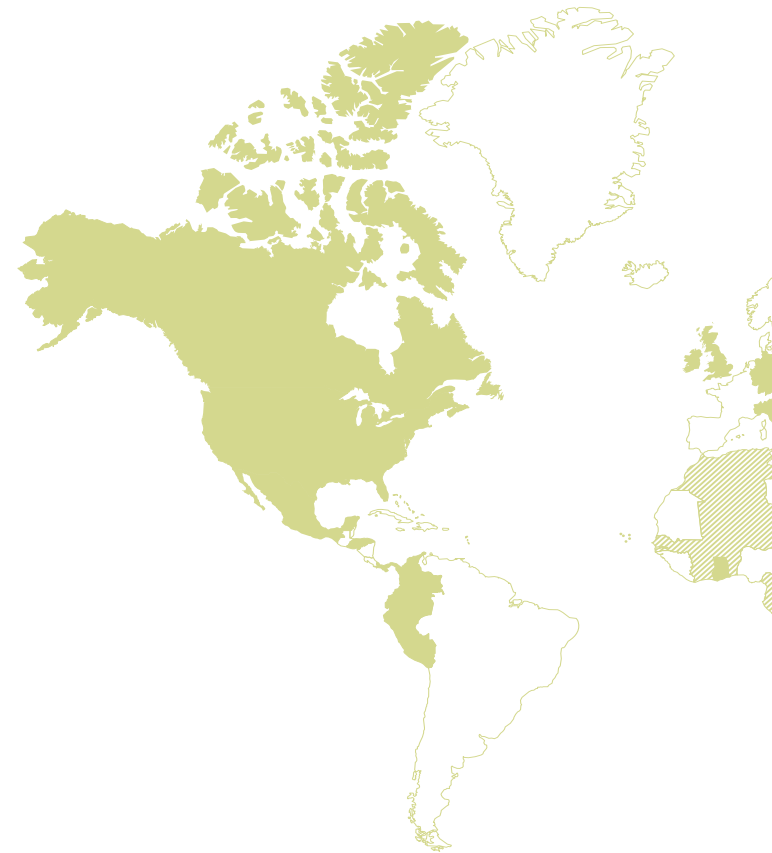
Bavaria in Colombia launched its Destapa Futura (Uncover the Future) programme (based on SAB Ltd's KickStart programme), which encourages and supports small businesses. Three hundred candidates have been selected who will receive training to help them develop a business plan. Sixty winners will receive investment to 'kick start' their businesses.



#### Zambia

##### Working towards zero waste operations

Zambia is one of many operations which recycles plastic crates at the end of their useful life. Around 75% of its beer and soft drinks crates come from old ones which are ground and recycled.



#### Botswana

##### Packaging, reuse and recycling

Botswana has ensured that most of its packaging material, mainly cans, PET and bottles, is recycled. Sixty per cent of cans (the rest of the cans are collected by the local councils) is collected for recycling by a non-profit organisation, Collect-A-Can. Non-returnable bottles, PET and paper are collected by other organisations and are recycled.

\* See note 6 to the Consolidated Financial Statements on page 81 in the SABMiller plc Annual Report 2007.



## North America

Miller Brewing Company is the second largest brewer in the US market – the beer market with the world's biggest profit pool. Through more than 150 years of innovation and brewing excellence, Miller has built a portfolio of award-winning beers and now owns the fast growing premium Sparks brand.

We have licensed production in Canada and distribution in Mexico.

**Total number of breweries – 8**

**Total average number of employees – 5,889\***

## South Africa

South African Breweries Ltd is our original brewing company. Founded in 1895, SAB Ltd has since become one of South Africa's leading companies as well as Africa's largest brewer. The soft drinks division of SAB Ltd is South Africa's largest producer of products for The Coca-Cola Company.

SABMiller has hotel and gaming interests through the Tsogo Sun Group, one of the largest hotel and gaming groups in South Africa. The group was created in 2003 when SABMiller and Tsogo Investments merged their activities. At the time, it was the largest empowerment transaction in the sector and SABMiller holds a 49% interest in the group.

**Total number of breweries – 7**

**Total number of bottling plants – 10**

**Total average number of employees – 11,400\***

## Africa and Asia

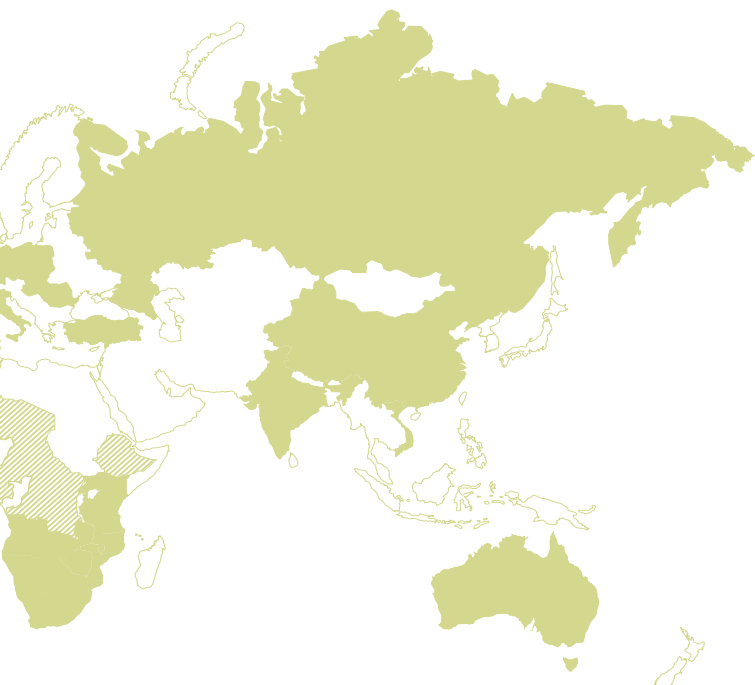
In Africa, our primary brewing and beverage operations cover 31 countries and we are the number one brewer in terms of market share in most of these countries. In 12 of these countries we have management control, while in the others we have a strategic alliance with Castel and a minority shareholding in Kenya and Zimbabwe. We bottle soft drinks for The Coca-Cola Company in seven of our African markets.



CR Snow in China, our partnership with China Resources Enterprise Limited, is the largest brewer by volume, and we are the second largest brewer in India. We have a joint venture in Vietnam with Vinamilk and we also sell our premium brands in Australia via a joint venture with Coca-Cola Amatil.

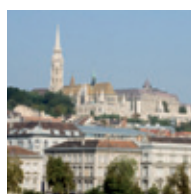
**Total number of breweries – 76**

**Total number of bottling plants – 17**

**Total average number of employees – 11,028\***



-  Denotes regions where SABMiller operates, or has a major distribution agreement (over 100,000 hectolitres) or recent start-up operations
-  Denotes regions covered by our strategic partner Castel



### Hungary

#### Having supply chains that reflect our values and commitments

A workshop in Budapest attended by senior representatives of a dozen major European suppliers discussed our commitment to sustainable development and how we can work together to leverage our respective skills to reduce our environmental and social impacts.



### Czech Republic

#### Respecting human rights

The One World film festival, one of the largest and most important human rights film festivals in Europe, is supported by our Czech operation. The festival has recently won an award from UNESCO (the United Nations Educational, Scientific and Cultural Organisation). It is the first time that the award has been given to a film festival.



### India

#### Making more beer but using less water

Water stress is a potential risk at the Pals brewery in India. A major efficiency drive helped the brewery to reduce its water to beer ratio from 15 hectolitres water to 1 hectolitre of beer in 2003 to 6 hectolitres water to 1 hectolitre of beer today, with the aim of achieving further reductions.



### Tanzania

#### Reducing our energy and carbon footprint

A study looked at the optimum use of energy in Mwanzi and Arusha breweries in Tanzania and, as a result, new kettles in the brewhouse have reduced energy consumption and utilise heat recovery technology.



### Lesotho

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

The Lesotho Brewing Company has held a workshop to educate carbonated soft drink street vendors on HIV/Aids. As a result the vendors are now dispensing free condoms as part of their contribution to fight HIV/Aids.

## DISCOURAGING IRRESPONSIBLE DRINKING

Alcohol can be an enjoyable part of adult social experiences. People who drink to excess, drink while underage or drink drive, hurt themselves and society.

Irresponsible drinking is a challenge that everyone in society needs to work together to address. We believe that no single action is likely to reduce alcohol problems. A combination of enforcement of existing laws governing alcohol sale and consumption, targeted interventions, and individuals taking responsibility for their drinking choices, is the most appropriate route to reduce alcohol-related harm.

Promoting the responsible consumption of our beers is good for the well-being of our consumers and our businesses throughout the world. In addition to liaising with governments and policy organisations, we continually invest in education programmes and marketing campaigns to remind our consumers of the vital role they play in preventing alcohol-related harm to themselves, to others and to society overall. The vast majority of consumers take this responsibility seriously and enjoy our products in a legal and socially acceptable manner.

### Promoting alcohol responsibly

Our commitment to promote alcohol responsibly is evidenced in the marketing messages we send – or won't send – to our customers. Our Alcohol Manifesto and Code of Commercial Communication are the responsible marketing guideposts for the business and can be seen in full on the 'Responsible drinking' pages of our website, [www.sabmiller.com](http://www.sabmiller.com). The Alcohol Manifesto also establishes ongoing employee educational requirements to help achieve compliance with our Code of Commercial Communication.

Our operations report to the Corporate Accountability and Risk Assurance Committee (CARAC) on their activities supporting this priority. Information on internal training, responsible drinking messages to consumers, working with the trade and relationships with government and public health organisations is reported. Operations are also expected to report on marketing related complaints and how they are resolved.

### Self-regulation in marketing

Legal standards on alcohol marketing exist in nearly every country where we do business. However, we also support self-regulated marketing which establishes self-imposed restraints and standards that often go beyond legal standards. Our Code of Commercial Communication forms the foundation for our self-regulated practices. Many companies work with their local trade associations and other stakeholders to establish culturally relevant marketing standards.

In South Africa, the SAB Ltd self-regulated marketing model consists of several elements, including training for marketing, sales and trade marketing personnel and their agencies. The model contractually requires service providers to comply with the marketing standards. SAB Ltd's commercial communications are reviewed by its Activation Compliance Committee (ACC). The ACC has board level representation and is chaired by an independent professor from the University of Johannesburg.

Our other African operations are also active in promoting responsible drinking messages through social marketing campaigns. In addition to adopting our Alcohol Manifesto and Code of Commercial Communication, our African companies are working with governments and other stakeholders in Zambia, Uganda, Botswana, Swaziland and Lesotho to establish national alcohol policies. In 2006 a self-regulation in marketing workshop held in South Africa was widely attended by governments and stakeholders from countries across Africa.



### Drawing the line

SAB Ltd launched its largest-ever responsible drinking campaign – Draw the Line – in South Africa last year. Post campaign research showed that six in 10 of the 'small urban' population and nearly half the 'metro' (city) group said the campaign would have a large effect on changing their attitudes. The campaign was repeated on television in December 2006 and a new television advertisement was launched in March 2007. Radio and outdoor elements added to the overall impact of the campaign.

In the Czech Republic, Plzeňský Prazdroj adheres to the Responsible Brewers Initiative's (RBI) Ethical Code and Self-Regulation in Commercial Communication, which is based on the codes of the Brewers of Europe and the Czech Advertising Code. Founded in 2003 by the five major Czech brewers, the RBI monitors commercial activities of members and helps to resolve advertising compliance disputes. In the event that an advertiser fails to adopt a decision of the RBI, its actions are noted on two websites ([www.iniciativapivovaru.cz](http://www.iniciativapivovaru.cz) and [www.rpr.cz](http://www.rpr.cz)), a press release is circulated to the Czech media and it may face expulsion if there are repeated violations. When necessary, disputes may also be referred to an independent arbitrator at the Czech Board of Advertising (CBA). The CBA also resolves marketing complaints direct from the public and provides pre-clearance copy advice to advertisers when requested.

In the USA, to ensure best-in-class self-regulated marketing and transparency, Miller voluntarily participates in the Code Compliance Review Board (CCRB) complaint review process administered through the Beer Institute. The CCRB establishes a process through which the public may have their concerns about a brewer's marketing assessed by an independent review panel. The five person panel is composed of individuals with experience in government, business and academia, who are independent of the brewing industry. The CCRB's decisions are posted on the Beer Institute website and published in its annual report.

#### Working with industry partners

In May 2005, the World Health Organisation (WHO) adopted a resolution which called for the Director General to prepare a report on evidence-based strategies to reduce alcohol-related harm for the 2007 World Health Assembly. During 2006 the WHO requested stakeholder consultations, including contributions from alcohol producers. As a result, we are involved in the 'Global Alcohol Producers Group', which was established to engage in the WHO process.

In addition, we continue our long-standing support of the International Center for Alcohol Policies, which in 2006 published 'Drinking in Context: A Collective Responsibility'. The book explores the role that the observation of drinking patterns can play in predicting outcomes in a given society; emphasises targeted interventions as key to minimising the harms related to drinking; and suggests that multi-stakeholder partnerships offer an excellent opportunity to promote a mix of harm-reduction measures.

#### Commitments from last year

We said that a number of campaigns examining issues such as consumer education, responsible retailing and labelling would be completed in the next financial year.

Examples include developing responsible drinking messages on some of our packaging and point of sale material in Africa, India and Europe; education initiatives in Lesotho, Zambia, Botswana, Swaziland, Tanzania and El Salvador; and research on alcohol consumption in Botswana. A research project was also undertaken to understand the options available to include responsibility messages on product labels. We will be creating a website in several languages to provide further information to consumers regarding responsible alcohol consumption.

#### Targets 2007-2008

- Evolving the Alcohol Manifesto
- Upgrading the knowledge of targeted employees on alcohol matters

#### Key focus areas

- Being involved and active in the alcohol debate and engaging with governments and policy organisations
- Education campaigns for retailers and consumers
- Responsible drinking campaigns
- Responding effectively to consumer complaints



#### Respect 21

In last year's Sustainable Development Report we profiled Miller's Respect 21 Responsible Retailing Program which was piloted in late 2005. Study results last year showed a 13% improvement in the number of times retailers asked for age identification and a 17% improvement in the number of times they validated the identification. Results from the study led to programme refinements and the development of additional programme resources. The pilot has since been expanded to Madison, Wisconsin (which has a major university) and to Miami, Florida (with a diverse retailer base). Further evaluation results are expected later this year.

## MAKING MORE BEER BUT USING LESS WATER

Water stress and quality are becoming urgent issues for some of our breweries and the communities where our employees and consumers live.

On the recognised industry measure, the amount of water used to brew a hectolitre of beer, we achieved a 4.56 ratio this year against 4.60 in 2006 and against the recognised industry average of 5.0. Across our operations this represented a notional saving of US\$2 million in water costs. More important than saving costs is the fact that some of our operations are located in watersheds facing water stress, which means that we must challenge ourselves to be as efficient as possible to protect this important resource.

However, this is just part of our water story. Radically reducing waste water volumes concentrates the organic material in our waste water, which may lead to the need for more energy intensive equipment to clean the water before discharge. Greater energy use has associated carbon emissions. Therefore, a decision regarding water efficiency may have broader environmental implications. This leads us to a series of questions: should we continue to reduce our water consumption at the cost of increasing our energy usage or, for example, can we find innovative ways to convert waste water into a reusable resource? Further, to what extent can we employ technologies such as anaerobic digesters to treat waste water and produce biogas, generating renewable energy which can then be used in the brewery?

We recognise that we must take a holistic approach to water management, considering our plants in the context of local water needs. This is a discussion that we will be taking further with stakeholders over the coming year. There is significant water use in our supply chains and therefore working with our suppliers to reduce their water use is also an important part of our work.

### Commitment from last year

We committed to reporting on our wider water footprint as well as on water efficiencies and several examples are given below.

### Watershed mapping

Our operations are gathering information on water availability and quality in the context of future requirements. We are investigating

issues such as crop irrigation, ground and surface water availability and rainfall harvesting, and how they affect our value chain. We are developing a watershed assessment tool which is soon to be tested in Poland with the aim of rolling it out across the business.

Meanwhile, in Uganda our operation is conducting a five-year assessment of water availability from Lake Victoria, bearing in mind climate projections and a planned dam building programme. In the USA, Miller is working with water boards in a number of regions to develop long term plans to understand future water supplies. Watershed mapping has been completed for three sites in India to quantify the risks associated with capacity expansion. Finally, in South Africa, our beer and soft drinks operations are working with water Catchment Management Agencies (CMAs) where we have operations. The CMAs have been established through a Department of Water Affairs and Forestry initiative which aims to map out future water demand and availability,

**down 1%**  
ratio of water consumption per hectolitre of beer 2006-2007

### Supply chain relationships

The major proportion of water required in producing beer is used in the growing of the raw materials. For example, an estimated 55 hectolitres of water is required to grow irrigated barley for a hectolitre of beer (Business for Social Responsibility 2005). Although the majority of our barley is not currently irrigated, we anticipate that a growing proportion will be as weather patterns change.

Therefore, we are focusing more on water consumption patterns in agriculture. In South Africa, we use permanent irrigation systems at the SAB Hop Farms where requirements for water are 15mm per week in the early season and double that during flowering and cone setting phases.

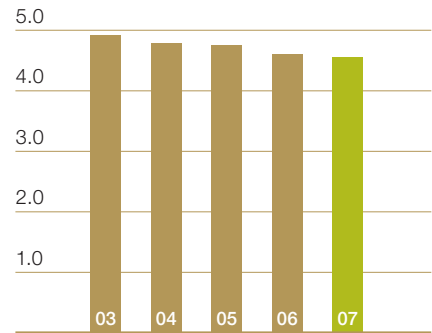


### Cleaner water flowing out than in

The Appletiser plant filters and releases its waste water into a series of four ponds. At each pond it is treated and after leaving the fourth pond the chemical oxygen demand (COD – a high level demand can cause water life to die from lack of oxygen) is reduced from 6,000 to 200 units. The water is then pumped into an artificial river which allows some oxidation and uses ultra violet light from the sun to help sterilise the water. The final COD is about 50 units, whereas the water taken into the factory has a COD of about 120 units.



**Water to beer ratio**  
hl water/hl beer (2003-2007)



These systems draw water from farm dams filled from boreholes, rivers or furrows out of rivers, when that water is available during the year. Depending on the farm and the type of soil, the irrigation systems can be up to 90% efficient.

#### Water efficiency in our breweries

The water to beer ratio in the production process varies from 3.64 in Fort Worth in the USA to 7.19 in Ghana. The poor efficiency at our brewery in Ghana is explained by a combination of an interrupted municipal supply and low production volume against plant design capacity, whereas Fort Worth produces at volumes close to capacity and is a relatively new plant with the latest water efficiency technology. We will continue to reduce our water efficiency ratio, particularly in breweries where capital equipment is being renewed.

#### Community relationships

In our 2006 Sustainable Development Report we said that our operations should consider the needs of the communities in which they operate to avoid potential conflicts over water use. We recognise there are opportunities to improve our relationships with communities and one of the benefits of the Appletiser case study (see panel on the opposite page) is that we supply water to two farms as well as putting cleaner water back into the environment.

To supply water in one of the most water stressed areas in Dar es Salaam, our operation in Tanzania provided most of the funding so that Care International could drill wells to supply water to the local community. In South Africa, SAB Ltd has been involved in a project which harnesses the energy of children at play to pump clean borehole water into header storage tanks. SAB Ltd is a major funder of this project, called Roundabout Playpumps, and has committed to the provision of 110 play pumps. The provision of fresh water helps to combat the scourge of cholera and relieves women and children from having to walk long distances to fetch water.

In India, one of our breweries in a semi arid part of Andra Pradesh has laid a water pipeline and installed an overhead tank to supply drinking water for the local village. In Angola, The Coca-Cola Company in conjunction with ourselves and the US Agency for International Development (USAID), launched a project which includes the construction of 19 water points for about 300 families. The majority of Angolans are not able to access the World Health Organisation recommended minimum of 20 litres of water a day, and this project is expected to provide more than 25 litres per person per day.

#### Our water report

We have recently produced a water report which discusses our performance in more detail and also shares some of the challenges we face. The water report can be found on the 'Our responsibility' pages on our corporate website, [www.sabmiller.com](http://www.sabmiller.com) under the water priority.

#### Targets 2007-2008

- **Develop a watershed mapping tool, in conjunction with our European region, to evaluate the risks and opportunities associated with community water requirements, water availability and water quality issues in our operations**

#### Key focus areas

- **Becoming more water efficient, while identifying new ways to deal with waste water which benefit our breweries and local communities**
- **Working with suppliers to understand and improve their water footprints**
- **Direct corporate social investment towards improving the access to reliable water supplies in communities where we have facilities**



#### Coca-Cola and water management

As one of the biggest global franchise bottlers of Coca-Cola products, we ensure that we meet, or exceed, the water management requirements of The Coca-Cola Company at our bottling plants. The Coca-Cola approach is built upon comprehensive risk analyses of water resources supplying plants in its global franchise bottling network. Since 2004 we have worked collaboratively with Coca-Cola in our central American and African operations to study the annual renewable fresh water supply, supply economics and the social context of water resources at our bottling facilities.



## REDUCING OUR ENERGY AND CARBON FOOTPRINT

Energy is expensive and the consensus is that greenhouse gas emissions contribute to climate change. For both of these reasons we must become more energy efficient, manage our carbon footprint and explore cleaner sources of energy.

The latest Intergovernmental Panel on Climate Change report published in April this year, points to significant weather disruption as a result of temperatures rising in the coming decades, and summarises that the poorest countries will suffer most. Given that our business operates in many of the countries which are predicted to be adversely affected by climate change, we are looking closely at areas where we can reduce our energy and associated carbon impacts.

down **12%**

less CO<sub>2</sub> emitted per hectolitre 2006-2007

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

Being energy efficient means lower fuel costs and lower CO<sub>2</sub> emissions. We measure direct emissions from boilers and indirect emissions from bought-in electricity. Boiler emissions depend to a large degree on the type of fuel being burned. The two main sources of fuel used in our plants are coal (which accounts for 48% of energy used) and natural gas (36% of energy used).

Most of our electricity is bought in from municipal or city supplies which can come from a variety of sources. There are a few exceptions where external supplies can be unreliable, and in these cases operations produce most of their own electricity through on-site generators.

Transportation of our products to our consumers is a significant source of emissions, which are not included in the figures presented in this report. A better analysis of this impact will be enabled through data collected on a group-wide basis in our sustainability assessment matrix (SAM).

As far as our supply chain is concerned, CO<sub>2</sub>, along with water and energy consumption measures, is being incorporated in a new supplier measurement template which is being shared with our suppliers in Europe. The intention is to use this template with key suppliers in other regions in the future.

As a weighted group average we achieved a carbon dioxide emissions ratio of 12.74 kg/hl against a 14.44 kg/hl ratio last year. An average of 3-4 kg of CO<sub>2</sub> per hectolitre of beer is also emitted during fermentation when sugars in the wort ('green' beer, before it goes through the fermentation process) are converted by yeast to alcohol and carbon dioxide. However, most breweries have systems in place to capture these emissions, which are used for product carbonation, since the CO<sub>2</sub> is of food grade, thereby reducing the cost of CO<sub>2</sub> purchases.

All our European operations continue to work on projects aimed at improving energy efficiency, particularly those subject to the EU Emissions Trading System (EUETS). All of the plants have come in under their EUETS quota. Operations are concerned about future limits prescribed by the EU Emissions Trading System but some of our operations are benefiting from continually reducing their carbon emissions which are yielding carbon credits for sale. Last year our European businesses sold 135,000 CO<sub>2</sub> allowances with a value of €1.17 million.

### Commitment from last year

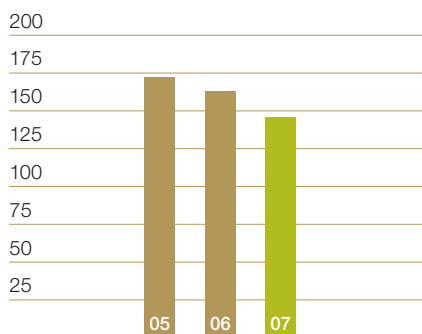
We said we would change the emphasis from just measuring energy usage to exploring opportunities for managing our total carbon output. We now measure product distribution distances and we are examining emissions from this source as a part of our broader carbon footprinting work.



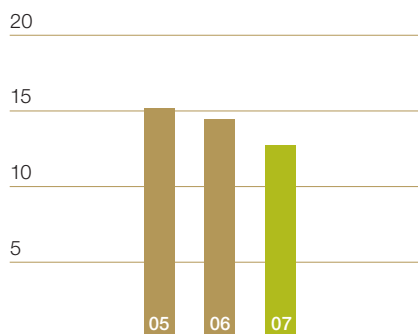
### Producing biogas from waste water

A number of our breweries are using biogas, a by-product of anaerobic waste water treatment, as a fuel source. In the Canary Islands a new biogas power generation plant converts gases from the waste water treatment plant which are passed into a generator powered by a reciprocating engine. Through this process the brewery uses 17% less fossil fuel power while also reducing the organic load of waste water released into the environment.

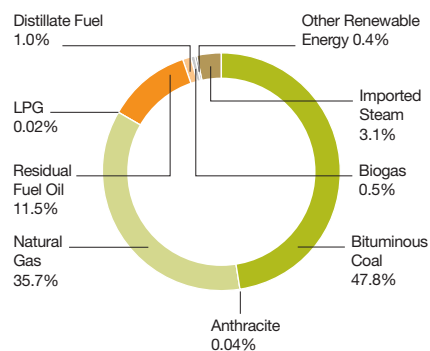
**Energy consumption rates**  
mj/hl beer (2005-2007)



**CO<sub>2</sub> emissions from energy**  
kg/hl beer (2005-2007)



**Breakdown of fuel sources**



### Energy consumption

Energy use is influenced by a number of constraining factors at operational level, including the installed capacity of the brewery, the type of fuel consumed and age of the plant and equipment. For example, the Bialystok brewery in Poland achieves a 70.6 mj/hl energy consumption ratio but another in Arusha, Tanzania achieves a much higher ratio of 311.7 mj/hl, partly attributable to the declining quality of incoming water which means that more energy has to be used for water treatment.

Many plants are developing strategies to reduce CO<sub>2</sub> emissions, including Mozambique where a new brewhouse will have an energy recovery system, and Tanzania which is introducing an energy management system. Operations in Zambia, Lesotho and Botswana are evaluating the efficiency of their boilers.

down 10%

less energy used per hectolitre 2006-2007

Energy efficiency programmes around our global operations reduced our average energy consumption from 163 mj/hl in 2006 to 146 mj/hl this year. This translates into a notional cost saving of US\$5.9 million per year.

### Renewable energy

Where renewable energy is used, it is almost exclusively in the form of biogas that is produced during the anaerobic digestion process in waste water treatment plants. Currently this accounts for less than 1% of group energy consumption although the use of biogas is likely to increase in the future.

Some of our operations in India utilise biomass energy derived from the combustion of coconut and rice husks and in Honduras our sugar mill makes use of sugar cane off-cuts as a fuel source.

### Targets 2007-2008

- Develop a carbon footprint methodology together with Miller Brands UK to understand and manage significant emissions sources
- Further evaluate the use of renewable energy options within the business to offset traditional energy sources. For example, SAB Ltd in South Africa will be evaluating an expanded roll-out of biogas recovery from its waste water plants

### Key focus areas

- Improving measurement of greenhouse gas emissions, including transport emissions
- Engaging our suppliers to reduce their emissions
- Engaging our businesses in long-term scenario planning for a low carbon economy



### Meeting energy efficiency targets

SAB Ltd in South Africa is a signatory to the voluntary energy efficiency accord, an agreement between industry and the Department of Minerals and Energy. The aim is to work together in pursuit of the national energy efficiency targets on a voluntary basis. The target reduction is 15% in energy usage by 2015 (from 2006 base data).

## PACKAGING, REUSE AND RECYCLING

Packaging plays a critical role in protecting the quality of our products, yet also has visible environmental consequences.

A large proportion of society's packaging ends up as waste in landfill sites and is a major component of litter, particularly in countries where there is a lack of adequate municipal waste collection and recycling facilities. It also represents a wasted resource if it isn't recycled or reused. Virgin materials have to be used to produce new packaging, which in turn extends the packaging footprint.

Businesses have a responsibility to design and use packaging which has a minimal environmental impact once practical considerations are taken into account (for example, protecting the product), as well as to meet obligations post consumer use. Many governments, for example, have introduced or plan to introduce legislation to make producers responsible for packaging materials once they reach the end of their useful life. The cost benefits for businesses of reducing packaging also drives change.

79%

SAB Ltd's beers sold in returnable containers

### Commitment from last year

We said that we would incorporate the sustainable aspects of packaging into our technical, operational and corporate affairs strategies and into our operational plans.

Our global packaging department is codifying all the major packaging materials used. Our specifications increasingly feature environmental requirements, for example specifying maximum allowable heavy metal content and light-weighting (reducing the weight of a particular material which will reduce environmental impact and cost).

In South Africa, 79% of all SAB Ltd's beers are packaged and sold in returnable containers, with the remainder sold in non-returnable bottles and cans in order to meet consumer demand. SAB Ltd actively promotes and supports educational programmes and recycling initiatives, including Collect-A-Can which has collected and recycled 70% of all cans in the waste stream. Honduras, El Salvador, the USA and Botswana all undertake some form of PET recycling. Clear or amber PET beer bottles are of multi-layer design which allows recycled PET to be used in the inside layer.

There are many more examples of environmental considerations in the redesign of packaging. In the USA, nearly all of Miller's aluminium cans are made from recycled materials.

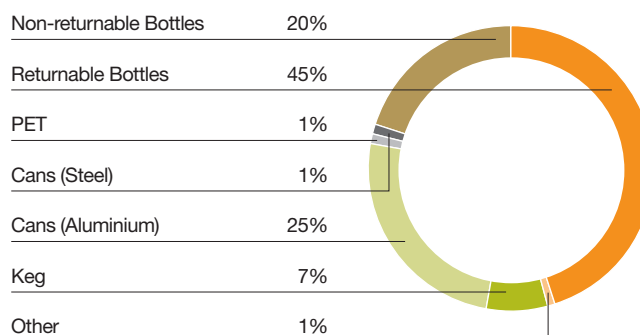
In Italy, new returnable bottles have been introduced and Pilsner Urquell bottles in Europe have been light-weighted. In Angola, 50% of glass has also been light-weighted.

We have established a heavy metal (lead, mercury, cadmium and hexavalent chromium) concentration limit of 100ppm in line with EU packaging legislation. This limit applies to all our operations.

There are many examples of recycling around our operations. In the Czech Republic, all packaging material is recycled, except for labels, and about 90% of packaging waste is recycled in Botswana and Uganda.

In Uganda, cullet (broken glass) is collected and bagged for a glass manufacturer, cartons are collected and sold to a contractor who supplies the recycling industry and scrap plastic crates are returned to the supplier for recycling.

### Group lager volumes by packaging type



### Targets 2007-2008

- Evaluate where existing packaging materials can be substituted with improved alternatives. For example, our global packaging team will be conducting trials on new materials such as biodegradable shrink film in Poland

### Key focus areas

- Mapping and comparing the lifecycle environmental footprints of different packaging materials



### SAB Ltd's new quart bottle

In South Africa, SAB Ltd announced the launch of a new, more modern quart bottle in April this year for its four main brands. One of the benefits of the new returnable bottle is that it is more durable, lasting for more than 40 trips versus 30 trips for the old one. The 90,000 tonnes of old glass quart bottles, once returned, will be crushed and recycled.

## WORKING TOWARDS ZERO WASTE OPERATIONS

Reducing waste saves money as the cost of disposal rises. Our organic brewing wastes can be valuable resources for food producers and farmers as well as a potential energy source.

The majority of wastes produced in our operations are recyclable or reusable to some extent, and by volume the largest proportion of our operational wastes is organic by-products from the brewing process. These include spent grain, trub (slurry from the wort boiling process) and yeast. Spent grains have a high nutritional content and are sold as animal feed. There is also potential to use the spent grains to produce energy with residual waste being used as a soil improver, and these alternative uses are being tested for viability. Most trub is removed but, in some circumstances, operations separate it out and add it to the spent grains. Yeast can be reused by other industries (food and agriculture).

Other solid wastes consist of cullet, labels, paper and cartons, kieselguhr (a filtration medium), plastics and metal, and hazardous wastes.

Cullet is sold to glass manufacturers or recycled as an aggregate. Paper and board are easily recyclable and kieselguhr may be used as a land primer and occasionally as an aggregate. Plastics and metals are generally recycled although in some markets a lack of recycling facilities reduces recycling potential. Limited recycling of hazardous wastes and refrigerants is supplemented by appropriate responsible disposal.

# 94%

waste recycled or reused

### Commitment from last year

We said we would phase out the use of refrigeration and other equipment containing CFCs and related ozone depleting gases, and some progress has been made, particularly in the Czech Republic where all new fridges are CFC-free. We said that our operations would work with suppliers to research the potential of upstream waste minimisation. We also said that we would share best practice between operations. We are continuing to work on these initiatives.

In the USA, Miller continues to identify new ways to improve the waste collection process at each brewery. Brewery workers learn about the conservation ethic and the rising cost of waste disposal. In Poland, breweries share information on waste management and have introduced joint agreements with partners for management of some wastes.

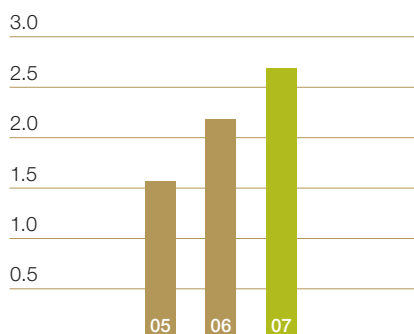
### Targets 2007-2008

- Review best reuse and recycling options for brewery waste streams, initially with Miller in the USA

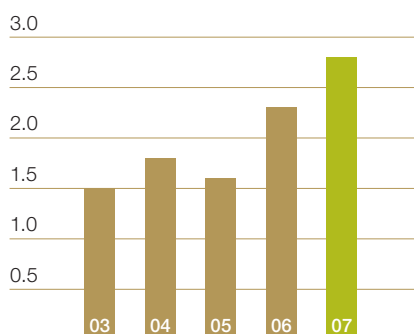
### Key focus areas

- Explore the feasibility of achieving a zero-waste to landfill brewery

Waste recycled/reused  
m tonnes (2005-2007)



Waste produced  
m tonnes (2003-2007)



Due to organic growth and acquisitions, the production of waste increased overall.



### Recycled plastic crates

In Tanzania, plastic crates are segregated out of the waste stream and returned to the manufacturer for recycling.

There are also crate recycling initiatives in Zambia, Angola and Uganda.



## HAVING SUPPLY CHAINS THAT REFLECT OUR OWN VALUES AND COMMITMENT

Our purchasing decisions have economic, social and environmental impacts that stretch around the world.

The supply chain priority crosses both social and environmental issues and because of this, is relevant to many other priorities discussed in this report. In this section we will focus on our supply chain partnerships and Responsible Sourcing Principles.

**US\$9,383m**

spent with suppliers around the world

### Supply chain partnerships

One of our key focus areas in our supply chain priority is working with farmers to improve the quality of raw materials and improve their well-being. These partnerships create additional employment and help to alleviate poverty in local communities.

In addition to the example in India described below, we won a major award (see page 3) for our project working with 2,000 small scale and commercial sorghum farmers in Zambia to provide raw materials for Eagle, a quality, affordable beer. This has been a successful initiative, begun in Uganda, which has led to the project being extended to our operations in Zimbabwe and Tanzania.

This relationship with the sorghum farmers has led to other sustainable development benefits. In Uganda, HIV/Aids peer educator training for the farmers, in conjunction with an NGO, has been piloted in the west of the country and is due to be extended to cover 17 other districts in the core sorghum growing areas.

Our Ugandan operation is also forging a partnership with a leading business skills training firm in Kampala to start entrepreneurship development training for sorghum farmers across the country.

We have also helped disadvantaged South Africans to become commercial barley farmers by providing start-up grants, trading and advice in agriculture and business as well as guaranteed crop prices at the start of the season.

In the USA, Miller recognises that relationships with minority-owned businesses (MBEs) translate into economic viability in communities that comprise one of its fastest growing consumer segments. Miller spent US\$95.8 million with MBEs in the USA last year, representing 3.6% of its overall purchasing expenditure.

**up 30%**

expenditure with suppliers around the world 2006-2007

### Responsible Sourcing Principles

We are seeking to embed human rights issues within our supply chains and in the coming year we will further strengthen our supplier engagement programmes with respect to issues such as working conditions, labour standards and anti-corruption.

We facilitated a supplier workshop for key suppliers in Europe and we are planning to hold further supplier workshops in other regions. Our European supplier auditors will be given training on our Responsible Sourcing Principles in June 2007 so they can measure our suppliers against the new supplier audit templates which incorporate the principles.

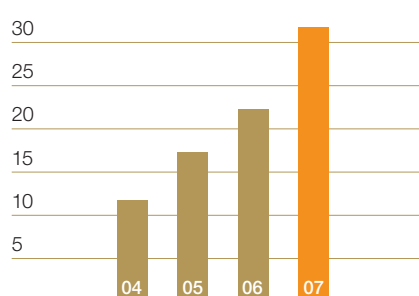


### Improving the quality of the barley we buy

In India, we are beginning to work with barley farmers and a development NGO, the Morarka Foundation, with the overall aims of improving the quality of the barley we buy and helping farmers to improve their income through more effective farming. The Morarka Foundation will research 100 villages to identify requirements around education, health, hygiene and nutrition, with the intention of planning and managing programmes at field level.

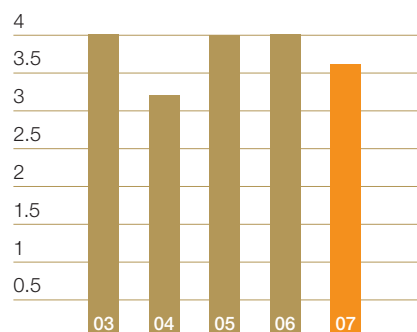


**% SAB Ltd (Beer Division) expenditure with local black economic empowerment (BEE) suppliers as a % of total procurement (2004-2007)\***



\* In addition, in 2007, the SAB Ltd soft drinks division spent another R1186 million with BEE suppliers.

**% purchases by Miller from minority-owned businesses (MBEs) (2003-2007)**



### Commitments from last year

We said we would assess and measure our operations against the responsible sourcing principles and this has been an important part of the new sustainability assessment matrix (SAM). Performance levels against the principles need to be improved and we will continue to focus on these next year.

We also said that we would evaluate projects which benefit the business with a view to replicating them in other markets. Working with small-scale farmers has proven to be successful in Uganda, Zambia and Zimbabwe. We have made a promising start with the barley farmers in India. However, there is more work for us to do to replicate this approach in other markets such as Latin America.

We recognise that the Responsible Sourcing Principles are not wholly appropriate for smallholder agricultural producers in our supply chain. Therefore, we have adopted more relevant good practice principles for these suppliers, which include soil fertility, soil health and soil loss, nutrients, pest management, biodiversity, water management, social and human capital, local economic impact and access to market.

### Targets 2007-2008

- Incorporate Responsible Sourcing Principles into supplier contracts
- Field test good practice agricultural principles with SAB Ltd and SABMiller Africa and Asia
- Extend the coverage of our supplier engagement workshops, already established in Europe, to at least two other regions

### Key focus areas

- Involve suppliers in carbon and water footprinting initiatives
- Extend partnerships with small-scale farmers

### Our Responsible Sourcing Principles encompass:

**Business conduct** – we will deal openly and fairly with suppliers, adhering to contract terms

**Working conditions** – policies and procedures for health and safety, as a minimum, meet legal requirements and, where these do not exist, are sufficient to protect the well-being of employees

**Employment** – forced or compulsory labour is prohibited. Employees should not be forced into involuntary labour, and coercion at work is not acceptable

**Child labour** – in accordance with relevant ILO conventions, children may only be employed in circumstances which fully safeguard them from potential exploitation

**Wages** – pay will not be lower than that required by local law or in its absence, the level paid generally within that industry

**Diversity** – while being sensitive to cultural differences we expect the development of equal opportunities in employment without discrimination

**Freedom of association** – there should be constructive dialogue between workers and management. Employees shall be free to join lawful associations

**Environment** – suppliers should be aware of, and comply with, local laws and show sensitivity to environmental issues that may impact local communities or our business



### HoneyBEE

With our roots firmly grounded in South Africa, SAB Ltd has been actively involved with black economic empowerment since the late 1970s. More latterly SAB Ltd formed 'HoneyBEE' distribution centres in 2004 and 2005, based on tandem franchising, a concept involving a mentoring and financing programme for new franchisees from previously disadvantaged backgrounds. The franchisees have access to all aspects of SAB Ltd's business model and co-ownership applies between the black empowered franchisee principal and SAB Ltd, with a commitment that as the business grows, SAB Ltd's shareholding will dilute over time through a series of share buy-backs.

## BENEFITING OUR COMMUNITIES

The prosperity of communities and our businesses are co-dependent. Our corporate social investment activities aim to improve quality of life in the communities in which we operate, with a particular emphasis on enterprise development, water and HIV/Aids.

Because brewing beer is a local business, we appreciate the symbiotic nature and commercial benefits of our relationships with communities. Our value chains generate employment, taxes and investment for the local and national communities from which our employees, suppliers and, most importantly, our consumers are derived.

We are committed to corporate social investment (CSI) activities which deliver sustainable benefits. We define CSI as 'a contribution or investment of cash, knowledge, employee time and equipment to people or communities to enable them to flourish and help sustain an environment in which we can be a successful business'. CSI contributions are not linked to sales of product and do not include responsible alcohol consumption awareness programmes.

US\$ 26m

invested in local community programmes

Across our operations our community investments straddle both direct charitable payments and investments which are designed to create sustainable enterprise, as our KickStart programmes demonstrate below.

### Strategic CSI

Businesses are generally moving away from untargeted donations to a more sustainable and strategic way of supporting the economic, social and environmental developments of local communities ('indirect CSI'). However, there will always be a need for reactive philanthropic donations and humanitarian relief in response to acute needs in the community ('direct CSI').

We believe that the most sustainable form of CSI is where our companies enter into long-term partnerships with stakeholders. There are several examples of operations planning more strategic community programmes. For example, SAB Ltd in South Africa will invest 10% of CSI project funding into HIV/Aids, specifically on interventions which assist with capacity building of healthcare providers. This is part of SAB Ltd's flagship Community Well-being programme.

### Enterprise development

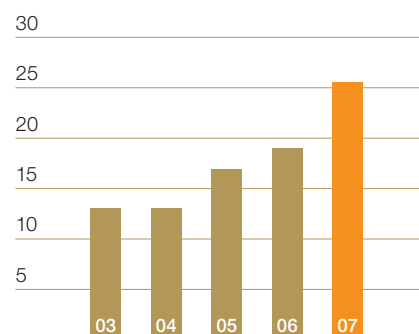
The theme of enterprise development is of high importance. Plzeňský Prazdroj, in the Czech Republic, runs an enterprise development programme in partnership with the Non-profit Enterprise and Self-sustainability Team (NEST). Participants submitted their final business plans in May 2007 (for more information see [www.prazdroj.org](http://www.prazdroj.org)). Miller, in the USA, has been committed to an Urban Entrepreneurs Series since 1999 which incorporates a national business plan competition, a programme of seminars and grants to support aspiring urban entrepreneurs. More information is available in the community section of [www.millerbrewing.com](http://www.millerbrewing.com).



### Encouraging entrepreneurs

A consistent theme across our companies is the promotion of entrepreneurship in the communities in which we operate. By providing the 'kick start' to employment we help to create wealth and in some cases strengthen our own supply chains. In South Africa, the KickStart programme has invested in 28 fledgling businesses this year. In Botswana, KickStart has funded 13 young people including the founders of the Mochaba Pottery.

**CSI spend**  
US\$ million (2003-2007)



In addition to sustainable enterprise and entrepreneurship, we also support water initiatives, particularly in regions which suffer from water scarcity or poor water quality, and HIV/Aids programmes. Such community initiatives are described within the water and HIV/Aids pages of this report (pages 10 to 11 and 20 to 21).

#### Other initiatives

In the USA, Miller has established a 'REACH' strategy which encompasses Responsibility, Employment, Aids/HIV, Cultural diversity and Heritage initiatives. As an example of one element of its CSI programme, Miller is the corporate founding sponsor of the Thurgood Marshall College Fund (TMCf). TMCf provides four-year merit scholarships to students attending 47 historically black public colleges and universities.

Backus, in Peru, has long supported educational initiatives and in 2006 implemented a comprehensive internet-based information platform, Escuela Virtual Backus. This initiative offers ready-made educational materials for classroom use for teachers. Its format includes interactive features, for example, teachers can download content and exchange experiences with their peers.

As a contrast, in a pilot project, our operation in Swaziland is providing a soft drink containing maize and sugar at cost price to four schools. Swaziland has a very high HIV prevalence and there is a severe problem with orphaned and vulnerable children who have very little to eat. According to the headmasters, absenteeism has decreased significantly and the intention is to widen the project to other schools.

On the environmental front, we organised a global employee and supplier campaign for the Forest for the Future foundation, set up to help save rainforests in Honduras and educate future generations on their importance. It raised sufficient funds to plant over 13,000 indigenous trees in the rainforest plantation in the region of our sugar farms and Azunosa sugar mill.

The staff at our Honduras brewery have worked in their own time to provide further support for the project.

#### Commitment from last year

We said we would find more accurate ways to measure CSI, both in terms of benefits to local communities and to the business. To achieve level 2 on our new sustainability assessment matrix (SAM), operations have to measure both 'direct' and 'indirect' CSI spend according to the London Benchmarking Group methodology ([www.lbg-online.net](http://www.lbg-online.net)).

Operations are encouraged to evaluate and monitor their projects, both prior to the investment and afterwards, to ensure that the investment delivers measurable business and community benefits. It is also suggested that they develop partnerships to leverage other resources including expertise. Considerations such as appropriate branding and other guidance is also given to operations to help them develop successful and sustainable projects.

#### Targets 2007-2008

- Ensure that every operation has a formal CSI strategy and has an implementation process including management, monitoring and measurement
- Improve the measurement and evaluation of strategic 'indirect' community investment
- SAB Ltd in South Africa aims to increase employee involvement in community volunteering through its Outreach programme to 65%

#### Key focus areas

- Encourage companies to build projects around enterprise development, clean water supply and HIV/Aids in the communities in which we operate



#### Young Entrepreneur of the Future

In March 2007, Dreher in Hungary announced the winner of its Young Entrepreneur of the Future competition. Selected from 94 entries from 21 colleges and universities, the winner received a US\$16,500 grant for his business plan to manufacture and distribute a biogas generator. The winner has been asked to run a pilot project at the brewery, turning his business plan into a reality and providing Dreher with the opportunity of introducing biogas technology. The winner and two runners up also receive legal, tax and accounting advice for six months. More information is available at [www.dreher.hu](http://www.dreher.hu).

## CONTRIBUTING TO THE REDUCTION OF HIV/AIDS

The extent of the HIV/Aids pandemic and its consequences require us to manage this as a priority. Our programmes are targeted at our employees, their families, local communities and suppliers. We will share the experience we have gained in Africa with our operations around the world, and proactively engage with global HIV/Aids networks.

We produce beer and soft drinks in nine African countries which have an HIV/Aids prevalence rate of over 5%. This disease is an operational as well as a social issue and we cannot rely on a healthy workforce for the future unless we proactively engage with this difficult challenge.

However, HIV/Aids is a global issue. We are already extending our programmes to other operations outside Africa, as described in the case study below. HIV/Aids is starting to receive attention in Russian and Chinese societies and we are already contributing our expertise from our African and other operations to address the disease in Russia.

### Our HIV/Aids strategy

Our strategy is focused upon developing relevant interventions to encourage our people and communities to protect themselves while mitigating risks relating to the sustainability of the workforce, the impact on consumer spend and operational issues such as absenteeism and productivity.

80%

employees tested at least once since 2004 in countries with HIV/Aids prevalence rates over 5%

The interventions are divided into two areas. First, existing infections are managed through voluntary counselling and testing (VCT), early diagnosis and managed healthcare, which includes free anti-retroviral treatment for employees and their direct dependents. Second, we aim to reduce and prevent new infections through effective education programmes which incorporate a behavioural change component.

We have guidelines regarding minimum requirements, structure and implementation of programmes, dependent on country/company prevalence rates. We have three prevalence categories – over 5%, between 1% and 5% and under 1%. Programme levels for each category are detailed on the HIV/Aids pages in the 'Our responsibility' section of [www.sabmiller.com](http://www.sabmiller.com)

### Our HIV/Aids footprint

Our programmes have evolved as more knowledge, attitude and practices (KAP) surveys are conducted and more experience gained. Initially, the focus was on employees and their immediate families but we soon recognised our potential contribution to local communities. We have recently included our suppliers within our overall strategy.

In workshops and through information campaigns we address fear and stigma, and the myths and misconceptions that surround this disease. We foster an environment of non-discrimination where people feel more comfortable about knowing and discussing their status and know that if they are HIV positive, we can provide the appropriate support.

The launch of an awareness, counselling and testing campaign in African operations with prevalence rates of over 5% has resulted in 80% participation since 2004. Subsequently, about half of our employees in these operations have undergone a second test for HIV. Of those who tested HIV positive, 78% are on managed healthcare programmes which include lifestyle management and anti-retrovirals where necessary. Of concern is the low number of HIV positive spouses and dependents who are registered for treatment.



### Interventions outside Africa

Until recently, most of our HIV/Aids programmes have been focused in Africa. However, last year we extended our activities into operations in India and Honduras. In India, we are running an education and awareness programme with our HR team and will expand the programme into other areas of the business. In Honduras, a policy and strategy have been agreed, and we are also conducting wider education and awareness programmes as well as distributing condoms from our clinic to employees.



Our Zambian and Ugandan breweries and SAB Ltd in South Africa, working with partner NGOs, have organised successful community events (detailed in our 2006 Sustainable Development Report) and plan to continue these.

Supplier intervention programmes include those of our Ugandan operation which is working with NGOs to train farmers, truck drivers and waitresses to become peer educators to give them the skills to educate their colleagues, families and friends. VCT and treatment when necessary will be provided by our clinic, which is already providing these services to the local community. The tests and medication are funded by the Global Business Coalition on HIV/AIDS of which SABMiller is a member.

SAB's Newlands Brewery in Cape Town also ran a 10-day pilot project to train 190 taverners as peer educators, working with our partner, the Planned Parenthood Association. Taverners received a resource kit which included training manuals, free condoms and education material for distribution.

#### Working with global stakeholders

We collaborated with the Global Business Coalition on HIV/AIDS and the Global Health Initiative, which was instigated by the World Economic Forum. Such forums allow us to share the expertise we have built up through managing extensive programmes on the ground and to learn from others' experiences.

We attended meetings with members of the European Parliament and of the EU-Africa Business Forum to discuss HIV/AIDS and its relevance to the EU. This is an example of how HIV/AIDS has moved from being an African challenge to being a disease which has a global impact, particularly on multinationals which have employees and supply chains across several continents.

#### Commitments from last year

We said we would continue our work in Africa and consult with other potentially at risk operations to share our experience. The examples above demonstrate that we have made progress in this area.

#### Targets 2007-2008

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

#### Key focus areas

- Working with employees, their families, our local communities and our suppliers in multi-faceted partnerships that provide education, VCT and treatment in 'at risk' countries
- Improve the number of employees undergoing a second and subsequent tests for HIV



#### Supporting the first HIV/AIDS village

Sparrow Village is South Africa's first HIV/AIDS village caring for adults and children who are destitute and terminally ill. The village cares for 94 adults and 238 children. For over 10 years SAB Ltd has supported Sparrow Village, providing funding for an education awareness programme, a bus to transport patients to hospital and medical equipment for the clinic. A multi-disciplinary team at the village offers comprehensive medical, nursing, psychological, social, spiritual, educational and occupational care.



## RESPECTING HUMAN RIGHTS

We need to have respect for the diverse national cultures and differences in laws and traditions in countries where we operate. At the same time we seek to abide by the values of the international community, notably the United Nations Universal Declaration of Human Rights.

Our approach to human rights is of particular relevance in countries where democracy, respect for the rule of law and economic development are fragile. Precautions are taken to ensure that our group companies do not contribute directly or indirectly to human rights abuses. We also need to work with our suppliers where we have an opportunity and a responsibility to promote human rights and our Responsible Sourcing Principles (see page 17) reflect the human rights principles listed below.

### Our own human rights principles cover:

- Freedom of association and recognition of the right of collective bargaining
- Prohibition of forced and compulsory labour
- Abolition of child labour which is illegal, socially unacceptable or leads to loss of educational opportunity
- Intolerance of discrimination
- Establishing fair and competitive wages and benefits
- Providing safe and healthy work environments
- Employee security
- Community commitment
- Supplier guiding principles

We aim to promote a culture of transparency and encourage the identification of incidents where anyone in our businesses or our value chain defies these principles. Our strategy is to work with our stakeholders to respect human rights. It is a complex, sensitive area which requires discussion and debate to secure long-term and sustainable solutions.

### Whistleblowing

Our employees in most subsidiaries within the group can make confidential disclosures about suspected impropriety and wrongdoing. The SABMiller plc audit committee is notified of disclosures made, the results of any investigation and actions taken. The audit committee has the power to request further information, conduct its own inquiries, or order additional action as it sees fit.

### Commitments from last year

We said we would work with our African and Asian operations to understand more fully the issues that exist in each country and their implications. We have held discussions on human rights as part of our broader sustainable development planning and performance measurement. Since our merger with the Bavaria Group in Latin America in October 2005, there has been considerable progress in employment issues which has seen a move from temporary or one-year fixed term contracts to more formalised permanent employment.

### Targets 2007-2008

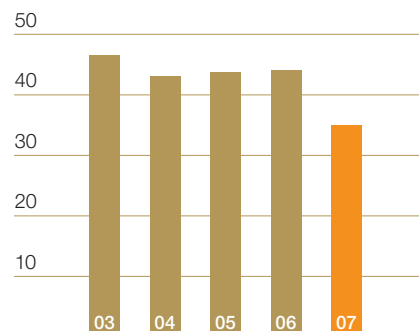
- Ensure that all group companies have embedded our human rights principles in their local human resources policies



### Providing skills to children in Honduras

Two years ago we introduced our education programme for children of workers in our sugar cane fields, some of whom were found to be working themselves. Sixty children attend the school which teaches them knowledge and skills in a structured and certified programme. Part of the training includes the growing of non-traditional crops such as sweet potato, peppers and tomatoes. The children also have access to medical and dental facilities.

### Trade union membership % (2003-2007)



The % change in trade union membership can mainly be explained by the fact that some of our operations in Latin America have been included for the first time this year

## TRANSPARENCY IN REPORTING OUR PROGRESS

External stakeholders should be able to access information easily to enable them to assess performance against stated values and to make informed judgements about the business.

Companies in general are expected to report on economic, social and environmental issues in their sphere of influence. There are formal requirements made by the financial community but, in addition, other stakeholders such as NGOs, suppliers, customers, regulators, employees and the media expect businesses to be aware of issues where they have a potential positive or negative influence. More importantly, companies are expected to be proactive in making a positive contribution.

We aim not only to highlight where performance has met our targets, but also to acknowledge areas where we need to strengthen our programmes.

We report against GRI 2002 Guidelines, focusing on issues which are material to us. Detailed GRI data is listed separately under 'Tracking our performance' on the 'Our responsibility' pages at [www.sabmiller.com](http://www.sabmiller.com). We have also recently signed up to the UN Global Compact and a summary of our progress against their 10 principles is included on page 26.

# 40+

key stakeholders attended three formal workshops in Cape Town, Washington and London

This is our 10th annual report on sustainable development issues. Our 2006 Sustainable Development Report has been downloaded around 50,000 times. SAB Ltd in South Africa, Miller in the USA, and our operations in the Czech Republic, Colombia and the Canary Islands also publish reports covering sustainable development issues.

In future, operations will be encouraged to report their progress following the group sustainable development framework priorities.

We engage with governments and regulators in an open and transparent way and without intervening in partisan politics, to protect our legitimate business interests as well as to build our corporate reputation.

The group policy is that political donations are made by exception and in accordance with local laws and to support democracy. This year, after careful consideration, political donations were made in the USA, Colombia and the Comoros Islands, totalling US\$696,405.

There were 65 reports of incidents of non-compliance with environmental regulations this year.

### Commitments from last year

We said we would produce reports on specific issues and that we would improve our central data collection system. We have produced two reports 'Water – the challenges for the future' and 'Living and Working with HIV/Aids'. Both are available on our corporate website, [www.sabmiller.com](http://www.sabmiller.com), within the 'Our responsibility' pages and under the relevant priorities.

The introduction of our group-wide sustainability assessment matrix (SAM) enables us to report more comprehensively on operational performance and will significantly improve available data and analysis in the future.

### Targets 2007-2008

- Increase frequency of internal reporting by operations to every six months
- Encourage the production of local sustainable development reports which communicate progress against the 10 priorities



### Stakeholder conversations

Our stakeholder workshops debated issues including water availability, climate change and the challenge of poverty. As a result of the workshops we refined our position papers on the 10 sustainable development priorities and we are also tailoring our future stakeholder conversations following feedback we received. During the year we have actively participated in a number of forums including the World Economic Forum India Economic Summit, the EU-Africa Business Forum and the United Nations Conference on Trade and Development, adding to the debates on the role of supply and distribution chains in creating jobs and stimulating local economies, agricultural development in Africa, HIV/Aids workplace programmes and water issues.

Graham Mackay, Chief Executive, at the World Economic Forum in India, November 2006.

## OUR PEOPLE

One of our five company values is that our people are our enduring advantage and, therefore, our aim is to be a global and local employer of choice.

We have a strong culture of performance management and employees at every level are empowered and accountable for achieving clear goals. In this they are supported with world-class training and development. Being a learning and self-refreshing organisation is one of the highest priorities for the business.

In pursuit of this learning culture, we have developed a Global Action Learning programme involving the leadership team which consulted with more than 300 organisations and stakeholders in a six-week programme. This programme is designed to hone the strategic and leadership skills of senior managers.

# 4.3 days

average training days per employee

The SABMiller 'Ways', a set of tools, common terminologies and processes developed centrally but applied locally, are intended to deliver a consistent approach to manage and integrate core disciplines. They provide a platform for the exchange of knowledge which will result in rapid and ongoing improvement of performance.

In the last year, we employed an average of 66,949 people and total remuneration amounted to US\$1,955 million.

Each company has employment policies which are appropriate to its business and markets and which attract, retain and motivate quality employees.

### Training

Continued investment in formal and on the job training and development has resulted in an average of 4.3 days training per employee across the operating companies. This figure dropped from 4.9 last year mainly due to the inclusion of data from our operations in Colombia, Peru and Panama for the first time.

### Diversity

We believe in employing the best people, whatever their backgrounds and we value and respect diversity. Most of our operations have an employee diversity policy covering ethnicity, gender and disability. Within these policies we recognise that diversity is applied differently in different countries due to cultural norms and legal frameworks.

Women comprise 22% of total group management and also account for 22% of our total workforce.

In South Africa, Asian, black and coloured representation in executive and management grades increased to an average of 48% (46% in 2006) and was 74.5% in the total workforce (73.5% in 2006).

### Days lost through industrial action

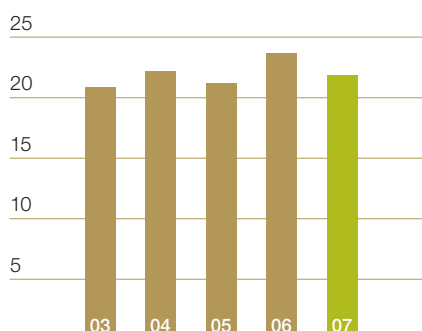
As a result of industrial action, 138 days were lost, the majority of which were attributable to our operations in Peru.

### Health and safety

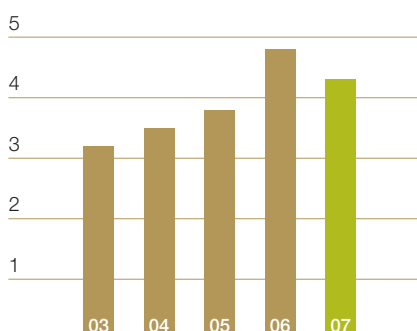
We aim to ensure that working conditions are as safe as possible for our employees worldwide. Twenty five of our operations report that they have formal joint health and safety committees comprising management and worker representatives.

In total there were 1,091 industrial injuries in 2007 (1,360 in 2006 and 640 in 2005). It is estimated that the business lost 21,426 days through work-related injuries. Most regrettably, during the year three employees were lost in work-related fatalities, two in Zimbabwe and one in Central America.

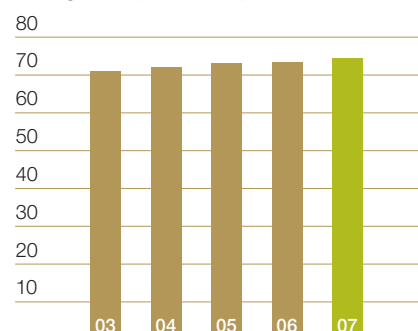
**Women in management or executive grades % (2003-2007)**



**Training days per employee (2003-2007)**



**Asian, black, coloured representation in South Africa % all grades (2003-2007)**



## CONSUMER SATISFACTION THROUGH QUALITY PRODUCTS

**Our growth and success is dependent on consumer retention and loyalty. We are the world's second largest brewer, producing 216 million hectolitres of beer last year.**

We produce a portfolio of over 200 brands including world-renowned international names and established local brands. These range from premium beers such as Peroni Nastro Azzurro to quality affordable beers such as Eagle lager. All are recognised for their superior quality and excellence.

All our operations have quality standards covering every stage of the value chain, from buying the raw materials through to production and distribution. Our strategy is based on maintaining high-quality supply chains to ensure that both customers and consumers consistently experience the highest-quality brands. For example, the case studies featured in this report concerning our work with farmers (page 16) are driven by the desire to improve the quality of the raw materials used to produce our beer, in addition to environmental and social benefits.

Many of our operations have accredited quality management systems which meet the rigorous standards of World Class Manufacturing and others implement a quality management system based on ISO 9001.

Our operations have a variety of processes in place to ensure that consumers are responded to efficiently if a complaint is made, from on-pack telephone helplines to consumer service areas on websites. In Poland, for example, consumers can contact Kompania Pivowarska via telephone, the website and in person. The company commits to responding to consumers within 24 hours. Every product returned is checked and where necessary submitted to laboratory tests to protect product quality.



### Famous for quality

Our beers have won many awards for quality. Miller was awarded the 2006 World Beer Cup Champion Brewery and Brewmaster at the Great American Beer Festival and at the same event won another nine medals for its beers.

Pilsner Urquell, brewed by Plzeňský Prazdroj in the Czech Republic, was also recognised in the USA for its quality. The Beverage Testing Institute, a prestigious American institute producing independent expert reviews of beer, wine and spirits for consumers, recently gave the taste qualities of Pilsner Urquell the highest ever rating given to a pilsner-style lager.

Dreher in Hungary won five medals at a prestigious international quality competition in Brussels.



Principles	Progress	Find out more on page:
<b>Human rights</b> <p>1. Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>2. make sure that they are not complicit in human rights abuses.</p>	<p>We have respect for the diverse national cultures and differences in laws and traditions in countries where we operate, at the same time as seeking to abide by the values of the international community, notably the United Nations Declaration of Human Rights.</p> <p>Our own human rights principles are applicable to all our operations but particularly in countries where democracy, respect for the rule of law and economic development are fragile. Operations are also encouraged to have their own human rights policies. In addition, we have appropriate whistleblowing procedures in place.</p>	<p>22</p> <p>22</p>
<b>Labour standards</b> <p>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>4. the elimination of all forms of forced and compulsory labour;</p> <p>5. the effective abolition of child labour; and</p> <p>6. the elimination of discrimination in respect of employment and occupation.</p>	<p>Our employee code of conduct states that we 'reinforce the principles of enlightened and humane employment practices and in particular we recognise employees' right to organise and to negotiate their conditions of employment'. In 2007 35% of employees were members of a trade union (44% in 2006).</p> <p>Within our Responsible Sourcing Principles we state that 'there should be constructive dialogue between workers and management. Employees shall be free to join lawful associations'.</p> <p>Within our Responsible Sourcing Principles we state that 'employees should not be forced into involuntary labour and coercion at work is not acceptable'. We have organised and are organising further supplier workshops to embed all our Responsible Sourcing Principles.</p> <p>Our Responsible Sourcing Principles include the statement: 'in accordance with relevant ILO conventions, children may only be employed in circumstances which fully safeguard them from potential exploitation'.</p> <p>One of our human rights principles covers the unacceptability of 'child labour which is illegal, socially unacceptable or leads to loss of educational opportunity'.</p> <p>Our employee code of conduct states that we must 'practise equitable recruitment and development'. Many of our operations also have an employee diversity policy covering ethnicity, gender and disability, bearing in mind that diversity is applied differently in different countries due to cultural norms and legal frameworks.</p> <p>Specifically in South Africa, our businesses monitor their progress in meeting targets required under the Employment Equity Act and here the proportion of Asian, black and coloured representation in the total workforce was 74.5%, up from 73.5% in 2006. In our human rights principles, reference is also made to 'intolerance of discrimination'.</p>	<p><a href="http://www.sabmiller.com/sabmiller.com/en_gb/Our+responsibility/Our+people">www.sabmiller.com/sabmiller.com/en_gb/Our+responsibility/Our+people</a></p> <p>17</p> <p>17</p> <p>17</p> <p>22</p> <p><a href="http://www.sabmiller.com/sabmiller.com/en_gb/Our+responsibility/Our+people">www.sabmiller.com/sabmiller.com/en_gb/Our+responsibility/Our+people</a></p> <p>22, 24</p>
<b>Environment</b> <p>7. Businesses should support a precautionary approach to environmental challenges;</p> <p>8. undertake initiatives to promote greater environmental responsibility; and</p> <p>9. encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Our approach to sustainable development is to look to the future and to have plans in place to meet various potential scenarios to ensure that our business is sustainable. This is also the case for our four environmental priorities which cover water, energy and carbon, packaging and waste.</p> <p>In addition to incorporating environmental initiatives within our own production facilities, we have also extended programmes to our communities. Our supplier workshops have explored and will explore potential areas of collaboration on environmental initiatives, specifically on reducing our water and energy and carbon footprint.</p> <p>The application of technological advances has been extremely important in, for example, reducing our water consumption. It is also having an impact on the production of biogas from waste water which can then be used as a fuel source. Many of our breweries are exploring this opportunity to increase the proportion of renewable energy used.</p>	<p>10–15</p> <p>10–13</p> <p>10–13</p>
<b>Anti-corruption</b> <p>10. Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<p>We do not tolerate any form of bribery or corruption. Within our code of conduct we state that we will be consistent in honouring our legal and moral obligations, protect our standing as regards integrity and credibility and be a leader in the best practices of corporate governance.</p>	<p><a href="http://www.sabmiller.com/sabmiller.com/en_gb/Our+responsibility/Our+priorities/Transparency">www.sabmiller.com/sabmiller.com/en_gb/Our+responsibility/Our+priorities/Transparency</a></p>

## ASSURANCE STATEMENT FROM THE CORPORATE CITIZENSHIP COMPANY

SABMiller has been reporting externally on its approach to corporate social responsibility for nearly a decade. This year's report builds on last year's step-change that put centre-stage the company's contribution to sustainable development, focusing on 10 priority issues identified by the board as its most important impact areas. Here we comment briefly on this approach; available on-line ([www.sabmiller.com](http://www.sabmiller.com)) is our full assurance statement which we have based on the international assurance standard AA1000 and the reporting principles of the GRI.

Last year's report focused on the adoption of the 10 sustainable development priorities. This year has seen the roll out of the sustainability assessment matrix (SAM), the start of a process that should deliver higher, more consistent standards of sustainable development performance through benchmarking throughout the group.

This year has also been marked by SABMiller signing the UN Global Compact, showing an alignment of internal priorities with external standards. The overview on page 26 sets out how SABMiller is fulfilling the UN Global Compact Principles, giving substance to this commitment.

Formal stakeholder engagement workshops were held in Cape Town, London and Washington. The commitment to use the feedback received to shape future conversations is welcome.

We welcome the fact that this year's report has been broadened with sections specifically devoted to SABMiller's people and consumers. Although not part of the 10 priorities, these are key to SABMiller's overall impact and strengthen the report.

In addition, we note progress against SABMiller's plans within its sustainable development priorities. These include: investigating emissions from product distribution; incorporating sustainable aspects of packaging into operational plans and strategies; fuller measurement of community social investment; and publication of reports on water and HIV/Aids.

We note that each of the 10 sustainable development priorities is now accompanied by process targets for the coming year. We look forward to seeing reporting against these targets next year. We believe that SABMiller's reporting would benefit from more quantifiable targets too.

Stakeholders' growing expectations increasingly set a challenge for all reporters, particularly with regards to the breadth, depth and interconnectedness of report coverage.

To achieve a fully rounded picture requires external reporting on a range of topics such as: operating companies' competitive positions and performance in their marketplaces; how the wealth created by the business is distributed locally and internationally; and relations with governments including influencing the regulatory process.

We believe SABMiller's reporting could gain extra depth on some of the priority topics by presenting, for example, full carbon and water footprints and the life cycle of packaging. Some stakeholders would welcome fuller coverage of alcohol related issues, whether in future reports or in a separate, dedicated report such as that produced on HIV/Aids.

Finally, SABMiller's reporting should move to show the interconnectedness of all the sustainable development priorities. It might do this by the example of how one site takes all or a number of the priorities into consideration and acts on them. Such an operational case study would bring the priorities alive and give a greater sense of the trade-offs necessary to make them real within the business. They would also help show how SABMiller's local operations are contributing to the development challenges identified in the Millennium Development Goals.

**The Corporate Citizenship Company**  
**29 May 2007**  
[www.corporate-citizenship.co.uk](http://www.corporate-citizenship.co.uk)

The Corporate Citizenship Company acts as specialist adviser to international corporations that seek to improve their economic, social and environmental performance. We have worked with SABMiller on sustainability and corporate responsibility issues since 1999.

## REPORTING OPERATIONS

**Countries where we have operations under the day-to-day management control of SABMiller companies which report sustainable development data to the group:**

Angola  
Botswana  
Canary Islands  
Colombia  
Czech Republic  
El Salvador  
Ghana  
Honduras  
Hungary

India  
Italy  
Lesotho  
Malawi  
Mozambique  
Panama  
Peru  
Poland  
Romania

Russia  
Slovakia  
South Africa  
Swaziland  
Tanzania  
Uganda  
USA  
Zambia

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