

## 1. The issues

Climate change is an issue of growing global concern which demands action from all sectors of society. The Intergovernmental Panel on Climate Change fourth report in 2007 provided a clear case that climate change is man made and will lead to significant climatic changes this century. According to the IPCC the world needs to seek to limit climatic change to a 2 degrees Celsius temperature increase to prevent dangerous climatic change. To achieve this goal the world needs to reduce its emissions of the six major greenhouse gases to between 20-24 billion tonnes by 2050, a 50% cut. Whilst there remains uncertainty regarding the extent of these climatic changes, there is a clear imperative for policy makers, companies, and consumers to act. To allow for developing country growth, it has been publicly accepted by UK, Swedish and US political leaders that developed world emissions must be cut by 80% by 2050.

Work by the economist Sir Nicolas Stern for the UK government suggests that the economic impact of not preventing dangerous climate change will be more severe than investing to prevent emissions rising above manageable levels. Stern concluded that the cost of managing climate change should nothing be done to reduce emissions would be 5 – 20% of global GDP by 2050, whilst the cost to prevent dangerous climate change would be around 1% of GDP by 2050.

The urgent message from the scientific community that climate change is real and needs to be dealt with rapidly, combined with the economic analysis which reveals that reducing emissions need not be a major drag on growth, is creating a clear case for policy makers to put in place a stronger emissions reductions framework. The Kyoto Protocol has led to the establishment of a useful carbon market in the form of the EU Emissions Trading Scheme, which will provide vital insight for a future, wider and deeper carbon cap and trade system a subject of current international negotiations.

Possible impacts of climate change are already being observed such as rising sea levels, glaciers receding, bleaching of coral reefs and increased incidents of serious storms, flooding and natural disasters. The economic losses from catastrophic weather events have risen globally 10-fold since the 1950s after accounting for inflation, whilst some estimates indicate that worldwide insurance claims for storm and flood damages have tripled in the first 5 years of the 21st Century. Often it is the communities in less developed countries, which are most vulnerable to and least able to recover from these catastrophic events – such as those in Africa, Asia and the Indian sub-continent.

Public awareness of climate change is increasing through extensive media coverage, awareness raising campaigns and innovation in the form of carbon labelling and carbon offsetting for consumer products. Some companies are undertaking carbon footprinting exercises to understand value chain emissions, which can give a better understanding of potential future risks. Investors are increasing their analysis of corporate commitments to reducing emissions, most notably through the Carbon Disclosure Project, and also climate related risks that companies might face.

## 2. SABMiller's response and commitments

The use of fossil fuels by our operations and by the rest of our value chain creates carbon dioxide and other greenhouse gas emissions. We are committed to reducing our greenhouse gas emissions per unit of product and will strive to contain absolute emissions, recognising that much of our growth occurs in emerging and developing markets where some emissions growth will continue in coming years.

Reducing emissions is only part of the climate change picture though. Significant climatic change is already underway and our investments in responsible water management and our engagement with agricultural suppliers are critical aspects of adapting our business to a changing climate.

Our own carbon footprinting analysis for our European value chains clearly concludes that packaging manufacture, energy use in our breweries, and transportation throughout the value chain are the largest sources of value chain emissions, in that order. We are using this information to focus our efforts on value chain carbon emissions reductions. SABMiller is committed to reducing our climate change emissions through:

### 1. Improving energy efficiency

Cross-sector analysis shows that many of our breweries are amongst the most efficient in the world when it comes to energy use. However we are challenging ourselves to make our breweries and bottling plants even more energy efficient by utilising better measurement systems, improving staff awareness, and investigating new technologies.

### 2. Investing in renewables

In addition to our existing use of biomass for heat and our green power purchases, we are considering a range of additional renewables technologies for existing and new facilities around the world.

### 3. Switching to cleaner fossil fuels

We will seek to switch to cleaner fossil fuels over time where a switch to renewable fuels is not easily achievable. In any markets, especially those dependent on coal, this can be a challenge. We will monitor developments in clean coal technology and carbon capture and storage carefully to understand whether they offer any benefits to our operations in these markets.

### 4. Utilising carbon trading to reduce risk and create value

Where our facilities are subject to carbon caps we will strive to meet these caps through energy efficiency and fuel switching on those sites. However in addition we may need to purchase carbon credits to assist in the process of meeting carbon caps. We will investigate and implement appropriate opportunities for carbon credit creation in our operations in developing and emerging markets, reducing the group's overall exposure to carbon cap and trade risks and creating income.

#### **5. Moving to lower carbon packaging**

We will seek to expand our use of packaging materials with a lower carbon footprint, and seek to protect the low carbon returnable bottle route in countries where this mode is still strong. We will work with our packaging suppliers to encourage them to improve their carbon footprint.

#### **6. Reducing transport emissions**

In each market we aim to ensure that our products are distributed using efficient transport methods.

#### **7. Encouraging low emissions fridges in our distribution chains**

We will move towards the purchase of low emissions refrigeration equipment and encourage our distributors to follow us.

#### **8. Publicly reporting our greenhouse gas emissions**

We will measure, and publicly report, our CO<sub>2</sub> emissions from energy use and move towards reporting other greenhouse gas emissions according to internationally accepted methodology.

This Position Paper represents aspirations rather than binding commitments as the contents are forward looking and involve certain risks and uncertainties which are difficult to predict.