



SABMiller Position Paper - Enterprise Development and Value Chain Management

Building value chains that promote economic empowerment and development

1. The issues

Policy makers increasingly acknowledge that strong and sustained economic growth is an essential requirement for achieving the Millennium Development Goals, and see private sector investment as an engine of that growth.

Every day our businesses take decisions regarding from whom we buy raw materials, capital equipment and business services and we do so in the context of a globalising economy. As global trade has increased, so companies have been able to gain efficiencies and to reduce management costs through sourcing at the global level, which creates direct benefits for consumers. However, there are factors that strengthen the case for local sourcing models, such as improved access to quality raw materials.

At SABMiller, we manage our supply chains with a view to the long-term benefits to our operations. These include the availability of key brewing ingredients, such as malted barley, and the stimulus such purchasing gives to local economic growth. We take care to structure our distribution chains to provide efficient services to consumers in the context of local regulations.

Beer is a local product: brewed, sold and consumed locally. So for us, a healthy, growing economic environment in the communities where we operate is the key to achieving business success. It is therefore in our interests to invest capital in local economies, to use small enterprises to supply and distribute our products, and to create jobs for local people and develop their skills.

SABMiller, however, recognises that job creation is not the only measure by which our relationship with suppliers will be judged by our stakeholders. We recognise that our impact, and therefore our accountability, extends beyond our own immediate operations to include those of our value chain partners such as suppliers of raw materials and distributors of our products. Our sphere of influence varies depending on our scale of procurement with a particular supplier, the length of our relationship and their role in delivering a core part of our value chain.

We accept that there are many potential areas of sensitivity, particularly regarding the protection of human rights, the working conditions that our suppliers offer to their workforce and their environmental impact. These challenges are not just about monitoring standards but also about working to encourage improvements, understanding and ownership throughout the value chain.

2. SABMiller's response and commitments

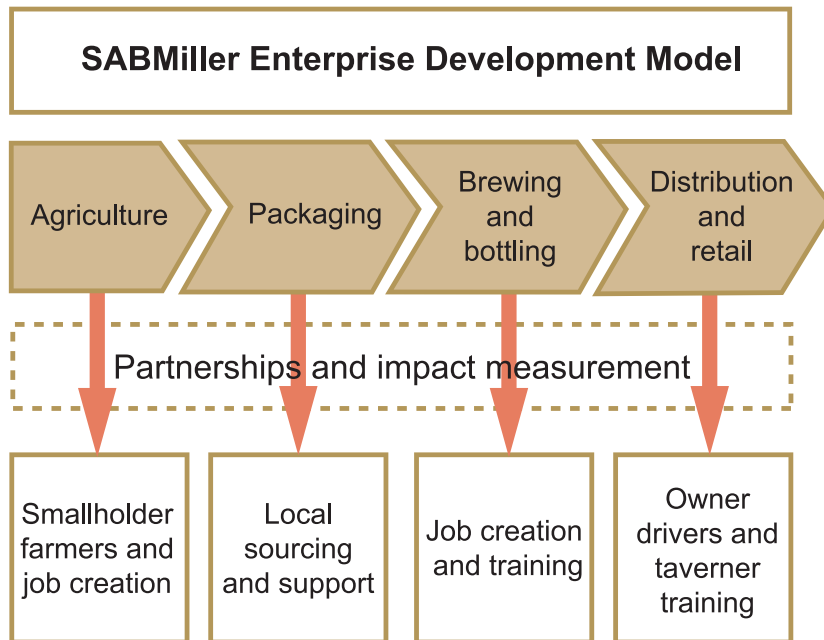
Value chains which are both responsible and efficient should result in business benefits such as reduced costs, improved quality, and more secure long term relationships and therefore provide a competitive edge, as well as being sustainable.

Our Enterprise Development model reflects the best practice approaches that our local businesses around the world take in managing their local supply and distribution chains.

We emphasise five areas:

1. Proactively engaging smallholder farmers through supply chain partnerships, and encouraging local commercial agricultural sourcing where possible
2. Developing the capabilities of local packaging materials suppliers
3. Supporting small scale entrepreneurs as distributors and retailers of our products
4. Measuring and optimising our local economic impact through independent economic impact multiplier studies

5. Encouraging all of our suppliers be aware of and engage with critical sustainable development priorities such as water management, human rights and HIV/Aids where appropriate



In particular we aim to make a difference throughout our value chains by creating sustainable economic opportunities for small entrepreneurs. We do this because there is greater potential for growth in an economic environment where small and medium enterprises flourish and where poor people have opportunities to earn more. The growth and development of these suppliers helps local communities, while our business benefits significantly from more direct and secure supply chains, improved quality, product innovations and the marketing opportunities that these relationships bring.

Responsible procurement

SABMiller is committed to creating a sustainable supply chain, to identifying practices that are not compatible with our SD framework and to working with suppliers to improve any such practices.

We have undertaken to be transparent and open about the issues we face and how we tackle them. We accept that many of these issues will take time to resolve, however we are committed to working, where possible in partnership with NGOs, other businesses and governments, to find appropriate and realistic solutions.

Where possible, we will ensure that purchases support national priorities such Broad Based Black Economic Empowerment in South Africa and minority owned suppliers in the United States. We will ensure that suppliers have a good understanding of SABMiller's approach to sustainable development and our sustainable development framework, focusing our efforts on major suppliers.

We will engage suppliers to understand their own social, economic and environmental impacts and gain an understanding of their priorities, and we aim to move towards a position of sustainable development partnerships with suppliers where both SABMiller and supplier needs are addressed in a mutually beneficial manner.

We will establish toolkits, such as smallholder agriculture good practice principles, that will provide a framework for our businesses and others to use to develop value chain relationships and against which initiatives can be evaluated. Where we source from local farmers either directly or via local sourcing partnerships we aim to offer, where appropriate, agricultural extension services that cover issues such as water management, access to markets, sustainable soil management, nutrients and pest management.

Responsible sourcing

SABMiller's Responsible Sourcing Principles have been developed to ensure basic human rights are acknowledged and respected by both our own procurement activities and the activities of our suppliers. SABMiller group companies will engage with their suppliers of goods and services, starting with primary and higher risk suppliers, to promote the following principles, and encourage them to implement these principles throughout their supply chains.

SABMiller Responsible Sourcing Principles:

- **Business conduct:** In the conduct of our business, SABMiller 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, which protect them from moral or physical hazard and long term damage to health and which do not disrupt their education.
- **Wages & Hours:** Pay will not be lower than that required by local law or, in the absence of a law, the level paid generally within that industry. Hours of work will be in line with local law or, in the absence of a law, the norm within that industry and shall not be excessive.
- **Diversity:** Whilst being sensitive to cultural differences we expect the development of equal opportunities in employment without discrimination on grounds of race, religion, and gender or any other arbitrary means.
- **Freedom of association:** There should be constructive dialogue between workers and management. Employees shall be free to join lawful associations.
- **Environment:** Suppliers will be aware of and comply with local environmental laws, and show sensitivity to other environmental issues that may impact on either local communities or SABMiller.

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.