



Responsible Sourcing Guidelines for packaging carbon emission reduction

Living Sustainable Procurement

November 2014

Applicable to all SABMiller Procurement Packaging Suppliers



prosper

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About SABMiller

SABMiller is in the beer and soft drinks business, bringing refreshment and sociability to millions of people all over the world who enjoy our drinks. Through our local businesses we work in a way that improves livelihoods and builds communities. We are local beer experts, producing more than 200 local beers as well as global flagship brands. SABMiller operates in more than 80 countries with around 70,000 employees. We are the world’s second largest brewer and every minute of every day, more than 140,000 bottles of SABMiller beer are sold.

Foreword



Patrick Mueller
 Vice President Packaging
 Procurement
 SABMiller

“Through our new SABMiller Sustainable Development Ambition, Prosper, and the Clean World Shared Imperative, we have set a global target to reduce the impact of our business in terms of waste and carbon generated, the amount of materials used, and the packaging and reuse of our beer containers. By 2020, we aim to reduce our carbon footprint per hectolitre of beer across our value chain by 25%, including a 50% reduction within our breweries and a 25% reduction in our packaging CO2e. We will also reduce post-consumer waste to landfill by 10% by 2020



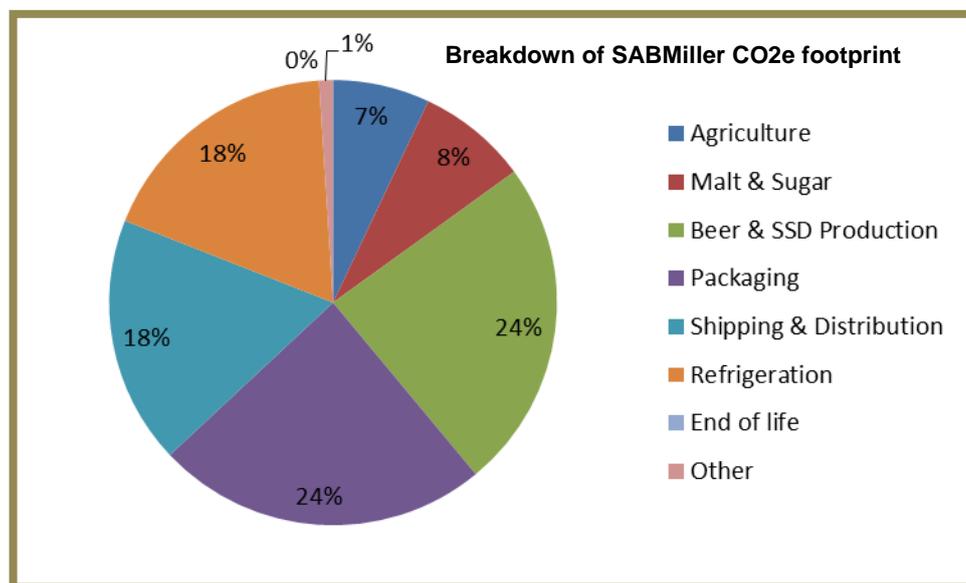
In SABMiller Procurement we recognise the impact that our actions and those of our suppliers can have across the value chain. We are fully committed to support both our carbon reduction and waste to landfill targets. We cannot achieve this target alone. Working together with our suppliers we seek to meet and exceed expectations. This will be achieved through ever enhanced collaboration with our suppliers allowing us to achieve excellence in service, consistency in our quality standards, bring innovation to the market and driving value throughout the business. We will facilitate CO2e reductions across every pillar of our value chain from raw material extraction through to material recovery.

We invite our suppliers to join us through strategic partnerships in the journey towards achieving the ambition outlined through the Clean World imperative within Prosper. The following guidelines outline our collaborative approach to this ambition”

Introduction

Climate change has far-reaching consequences for our business and the communities where we operate. In procurement we believe we have a key role to play in lowering our impact on the environment and constantly reducing waste and emissions, promoting reuse and recycle waste and packaging in our ways of working and with our value chain partners.

Packaging represents 24% of SABMiller's carbon footprint and is the single largest contributor of carbon emissions in our value chain, on a par level with our own production. Packaging encompasses all packaging materials SABMiller procures in order to market, protect and safely transport our beers and soft drinks, including: (1) primary packaging such as returnable and non-returnable glass bottles, cans, PET containers and cartons, (2) secondary packaging such as labels and shrink films and (3) tertiary packaging such as crates, corrugate containers and pallets.



We interact with hundreds of local, regional and global packaging suppliers, and we recognise that the long term sustainable development of our suppliers is critical to our joint success, targeting the complete carbon emissions life cycle of our packaging components from raw material extraction to post consumer recovery.

We aim to select and build long term relationships with those suppliers who share our values and commitments. We have formulated these guidelines to inform our suppliers about our approach related to carbon emission reduction for packaging materials, and to outline the requirements we expect our suppliers to meet. By working collaboratively with our suppliers to move beyond compliance, we expect to meet our targets on carbon reduction in a way that leads to mutual benefits and additional value creation for all parties.

As a reminder, the SABMiller Responsible Sourcing Guidelines for packaging carbon emission reduction complement, and should be considered in conjunction with, the SABMiller Supplier Code of Conduct. The Supplier Code of Conduct outlines our requirements in terms of social compliance and human rights, and is available on our website: www.sabmiller.com/.



Scope and Application

CO2e definition

SABMiller Procurement use a carbon-intensity metric to calculate environmental impact reductions in packaging as compared with a 2010 baseline. The metric is defined as weight in metric tons of CO2e emissions (CO2e) attributable to total packaging purchased.

SABMiller CO2e 2020 ambition and annual target

SABMiller recognises that various packaging materials have different CO2e intensities (tons of CO2e per ton of packaging). We use externally recognized factors to compare packaging materials CO2 impact in a standardised way. To enable annual progress monitoring against our 2020 CO2e reduction, we have attributed an annual target from CO2 reduction for each of the various packaging materials, taking into account carbon intensities. Suppliers will be measured against their packaging material specific target on an annual basis.

Scope

The requirements outlined in these guidelines are mandatory for all the primary and secondary packaging suppliers we contract with. They will also apply selectively to tertiary packaging suppliers.

SABMiller seeks to achieve the targeted CO2e reduction by working with our in-scope suppliers on two key areas: (1) supply chain decarbonisation and (2) technical projects.

1: Supply Chain Decarbonisation: CO2e reduction achieved by implementing changes to the manufacturing process of packaging materials, either captured as supplier scope 1 or scope 2. An example of such a project would be the use of voltage optimisation units within manufacturing processes or the use of renewable sources for supplier energy requirements.

Voltage optimisation units, which limit the power consumed by machinery to actual requirements as appose to national grid output. By installing these units a supplier in the metals product category has been able to reduce energy consumption by 7.2%. This equates to a 2% reduction in the supplier's CO2e emissions which the supplier reported to SABMiller.



2: Technical Projects: CO2e achieved by implementing changes to the technical specifications of a packaging component. Examples of these activities would include reducing the weight or thickness of a packaging component, increasing the recycled content of a component or increasing the number of times a returnable component (such as a glass bottle) can be used.

Light weighting initiatives reduce the quantity of raw material used in a packaging component. In collaboration with a glass bottle supplier, specifications for the 750ml Club Colombia bottle for Latin American markets were modified, resulting in a 17% reduction in the bottle weight and 18,000 ton reduction in CO2e.





Application

SABMiller Procurement invites our packaging suppliers to define, drive and implement ambitious business targets around CO₂e reduction in their own operations, and come forward with supply chain decarbonisation and technical projects to drive carbon reduction and business value. Suppliers are invited to embed the SABMiller's targets to reduce our packaging CO₂e by 25% and post-consumer waste to landfill by 10% by 2020, into their own commitments.

SABMiller Procurement will work closely with our suppliers to innovate and collaborate on projects to reduce or eliminate CO₂e at every step of the supply chain. We will support suppliers in identifying opportunities to reduce their CO₂e through sharing best practice examples. This support will be provided on an annual basis as part of a forum, with further engagement available upon request.

We anticipate our target to reduce post-consumer packaging waste to landfill to be achieved through progress made, with supplier support, in packaging light weighting, removal of superfluous packaging, and improvements in post-consumer material recovery infrastructure.

We have started to document in contracts our requirements on annual CO₂e reduction and we expect our suppliers to constantly monitor their progress and to promote CO₂ reduction in their own supply chain. Suppliers are encouraged to establish CO₂e management and reporting requirements for their own suppliers.

To enable monitoring of progress against our SABMiller 2020 target on packaging carbon reduction, we have standardised our reporting requirements and methodology. The SABMiller Technical function will monitor and document supplier progress generated by technical projects, whilst SABMiller Procurement will monitor the supply chain decarbonisation element of the packaging sustainability targets.

Working with our suppliers

SABMiller Procurement will report every 6 months on progress towards our packaging decarbonisation targets. We will therefore require a half year status check with our suppliers to ensure progress is on track, followed by an end of year request to complete formal reporting. This formal reporting will take the form of either a packaging sustainability scorecard or a submission into the Carbon Disclosure Project.

SABMiller encourages our suppliers to report using the CDP tool, as it enables external verification and auditing of submitted data. We also recognise that not all suppliers are willing to disclose and share environmental and value information externally, and we have therefore developed a SABMiller packaging sustainability scorecard as an alternative.

Packaging sustainability scorecard

Suppliers who have opted to report using the SABMiller sustainability scorecard will complete it on an annual basis. Suppliers will be required to submit data on their CO₂e reduction activities on a project by project basis and disclose data on the financial impact of these activities. An example of the scorecard is available on our website: www.SABMiller.com. Training on the completion of the SABMiller scorecard is available through the packaging sustainability team upon request. The SABMiller packaging sustainability scorecard is closely aligned to other score cards used by our industry peers to minimise reporting fatigue for our suppliers.

Carbon Disclosure Project (CDP)

Suppliers who have opted to report using the Carbon Disclosure Project (CDP) will do so on an annual basis. The request will generally be sent in April, with the full questionnaire to be submitted by the end of July.

The CDP is an international, not-for-profit organization providing a global system for companies to measure, disclose, manage and share vital environmental information such as CO₂e and actions to reduce them. The CDP provides a comprehensive reporting tool considering all factors impacting CO₂e across the supply chain and offers participating members an industry facing platform to communicate successes around carbon reduction initiatives and benchmarking of achievements across industry peers.



SABMiller hold a long standing partnership with CDP, initially reporting our own scope 1 & 2 emissions and more recently expanding our membership to cover our supply chain. CDP have awarded SABMiller in 2014 an “A” rating in their annual report, which recognises leadership in climate action. Many of our industry peers are also working with the CDP and our common suppliers may therefore receive several requests to complete the annual CDP survey. There are obvious benefits for suppliers in communicating their achievements through the CDP only once for many customers. We however recognise that not all suppliers have sufficient visibility and understanding of their CO₂ impact to complete the full questionnaire, and in our endeavour to create a platform for increased transparency, we have defined key questions to be completed as a minimum requirement. SABMiller Procurement will also offer support and guidance to facilitate completion of the questionnaire.

Minimum CDP questions:

Actual Emissions – What are your total S1/S2 emissions?

Q8 - Please provide your gross global Scope 1/2 emissions figures in metric tons CO₂e

Q12.2 - Please describe your gross combined Scope 1 and 2 emissions for the reporting year in metric tons CO₂e per unit currency total revenue

Strategy - Do you have plans to reduce those emissions?

Q3.1 Did you have an emissions reduction target that was active (ongoing or reached completion) in the reporting year?

Q3.1a Please provide details of your absolute target?

Q3.1b Please provide details of your intensity target

Q3.1c Please also indicate what change in absolute emissions this intensity target reflects

Emissions Reduction Performance – what’s been achieved this year?

Q3.3 Did you have emissions reduction initiatives that were active within the reporting year (this can include those in the planning and/or implementation phases)

12.1 How do your absolute emissions (Scope 1 and 2 combined) for the reporting year compare to the previous year?

QSM 2.2a Have requests or initiatives by CDP Supply Chain members prompted your company to take organizational-level emission reduction actions?

Next steps working together

QSM 2.1 Please use the table below to communicate any proposals you would like to make to specific Supply Chain members for the collaborative development of GHG emission reducing projects or products.

14.4 Do you engage with any of the elements of your value chain on GHG emissions and climate change strategies?

SABMiller reserves the right to request suppliers to have their CO₂e reduction data externally verified and audited.

Addressing gaps against CO2e targets

SABMiller Procurement will use the packaging sustainability scorecard and the CDP reporting data to track progress against suppliers' annual targets for supply chain decarbonisation. We will encourage suppliers to improve their score and show progress against their goals. Failure to meet this target will result in suppliers being requested to develop and implement improvement plans to address performance gaps. Significant and repeated failure can impact suppliers' ranking and their ability to compete for future SABMiller business.

To support suppliers on their CO2e reduction program, SABMiller will establish processes and channels to facilitate communication and collaboration, including forums for suppliers to submit their best practice and share success stories on a pre-competitive basis.

Value realisation through carbon emission reduction

SABMiller procurement tracks and measures cost-down business benefits as part of our supplier evaluation program and may include specific value delivery target into our contractual requirements. Suppliers' CO2 reduction actions which generate tangible business benefits such as productivity and efficiency gains, will be able to report those savings as part of their contractual value delivery target.

Contacting us

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