



Enterprise Development and Value Chain Management

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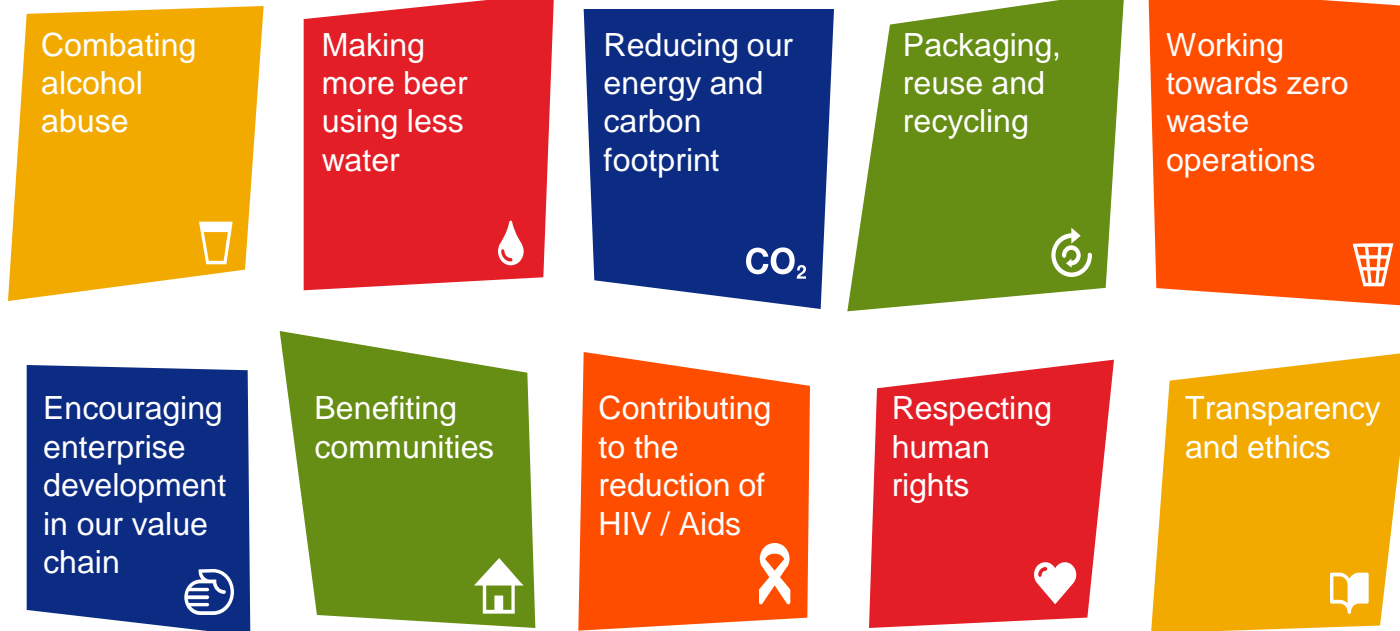
PRESENTATION OUTLINE

- Approach to inclusive business (IB)
- Strategic Importance of IB
- Implementation (Case Studies)
 - ✓ Operational and Financial Risk, Opportunities, and Community impact
 - ✓ How did we manage?
- Conclusion

SENIOR MANAGEMENT VIEWS (Video Clip)



Sustainable development



- A framework for our commitment to sustainable development
- Focused on areas where we can make the greatest difference
- Working with partners globally and locally

Economic growth is the
lifeblood of development.



We All Want a World Without Poverty – Development Benefits Everybody

- The private sector is a powerful driver of economic multipliers which can improve the living standards of whole communities

**500
million**

Lifted out of poverty since
1980 due to economic growth

Wherever they come from, people have one thing they all need:

sustainable livelihoods

We are Working to Understand the Relationship Between Business and Poverty Reduction

- Companies have a compelling interest in reducing poverty, raising living standards and expanding the ranks of middle-class wage earners – increases the demand of our products –
Virtuous Circle



Exploring the links between international business and poverty reduction

The Coca-Cola/SABMiller value chain impacts in Zambia and El Salvador
By Oxfam America, The Coca-Cola Company and SABMiller



The Coca-Cola Company



OXFAM POVERTY FOOTPRINT

A joint report between Oxfam America, SABMiller and the Coca-Cola Company.



-
- Brewing is typically a local business, so we make a key contribution to local economic growth.
 - Development of local entrepreneurs is key to sustained economic growth



Beer is a local product

- Consumers want beers with local provenance
- More than 200 brands around the world, built on insights into local culture and consumers



Brand News.

Serving consumers.

An internal communiqué for SAB Employees, brought to you by the Communications Department.



Brewed and consumed locally

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Beer is a Local Product, Made with Local Ingredients

50%

of locally sourced raw materials

our aim in Africa over the next two years



Benefits of Inclusive Business Model

There are several business benefits of using local ingredients. These include:

- better quality raw materials
- lower logistical and inventory costs
- zero import duties
- shorter, visible and secure supply chains.

Sourcing ingredients locally
means we need more innovation
and local expertise.



Uganda, Nile Breweries (NBL) – sorghum and barley

- “Eagle Project”
 - SABMiller Africa’s most established smallholder sourcing programme
 - Number of farmers involved:
 - Sorghum: 8,500, Barley: 6,500
 - 2001 – highly competitive environment – stalling beer market - unaffordable to majority
 - Explore locally sourced raw material – affordable products
 - Sorghum – Epuripur identified as most viable.



Uganda, Nile Breweries (NBL) Cont.....

- Challenges
 - Modification of brewing process and equipment. Malted barley to sorghum
 - Convincing highly-sceptical farmers
 - Matching farmers yield with brewery requirements
- Business payoff
 - Brand has been extremely successful – 50% of NBL sales
 - Lower price – attracting low income consumers away from illicit, untaxed and unregulated alcohol – market growth
 - Also working with smallholder local barley farmers, to reduce reliance on barley imports from Europe for mainstream brands

Uganda, Nile Breweries (NBL) Cont.....

- **Societal Benefits**
 - Establishment of model farms and demonstration gardens - used for training the smallholder farmers and to encourage the adoption of good farming practices.
 - Farmers are assisted to form and register groups to facilitate access to credit, inputs and plan investment – seven farmer association - loans worth \$US 37 000
 - Job creation and economic multipliers
 - HIV/Aids management

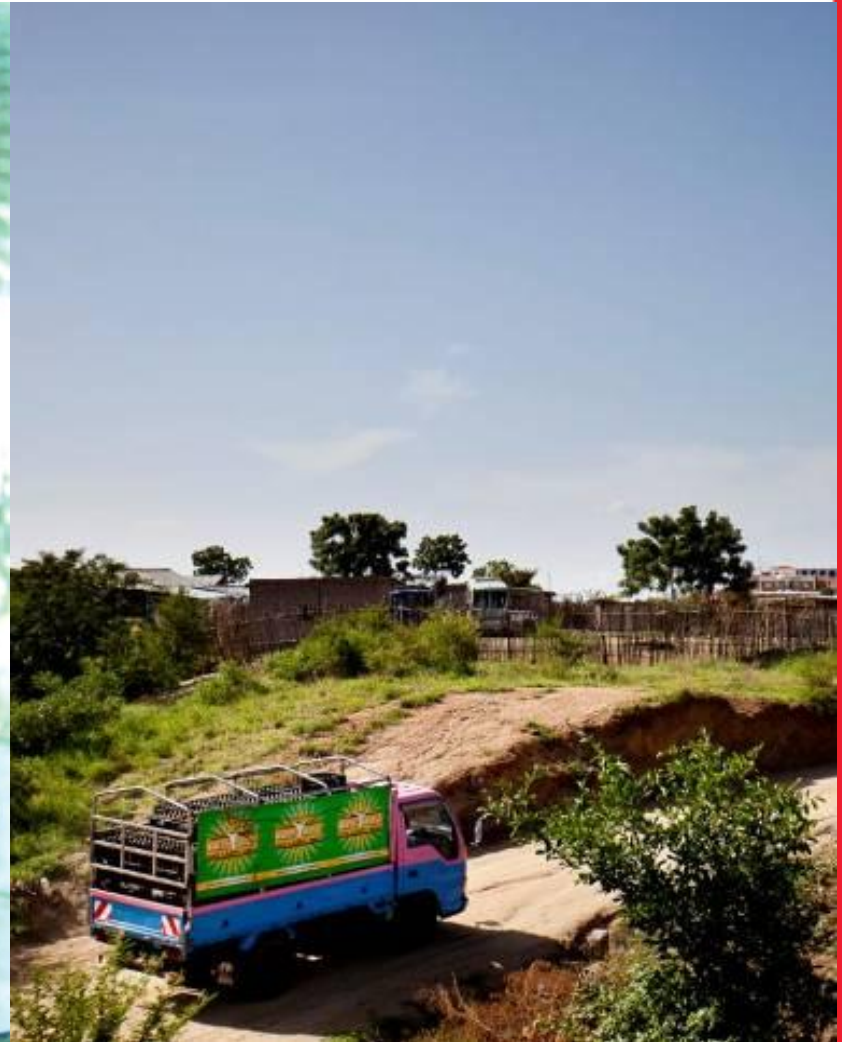
Cassava Beer in Mozambique



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Working with farmers to improve working practices and productivity



Benefiting Africa's newest country 

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South Africa, SAB – Taung Emerging Barley Farmers

- Background
 - Before 1990, barley was only produces in rainy South Western Cape
 - Taung project launched in 1994 - partnership with NW DoA and tribal authorities
 - SAB/SABM's commitment to the project:
 - Supplying a secure market for barley and GMO free maize
 - Making available production loans to producers
 - Day to day coordinating and mentoring
 - Arranging and coordinating training opportunities
 - Collective bargaining on behalf of the famers for cheaper inputs



Taung Barley Farmers Cont....

- In 2011, 1040ha of barley was planted (104 producers) - yield of over 6 tons per ha of malting grade barley.
- No capital investments - money spend on salaries, operational costs, etc. ±R1m per annum.
- Production loans at interest rate of prime less 1%.
- All soil prep/planting/spraying and harvesting is done by contractors - source and finance by SAB
- Gov provides and maintain irrigation infrastructure



Taung Barley Farmers Cont....

- Challenges
 - Coordinating a multi-stakeholder initiative
 - Direct exposure to financial losses in case of poor harvest
- Business Payoff
 - Improved assurance of barley and maize supply – different barley variety to mitigate single geographic area dependency risk.
 - Close proximity to Alrode malting plant – cost savings
- Societal Benefit
 - Minimum R5000 disposable income per month per farmer from their 10ha of land

Understanding Our Role and Responsibilities in our Value Chain

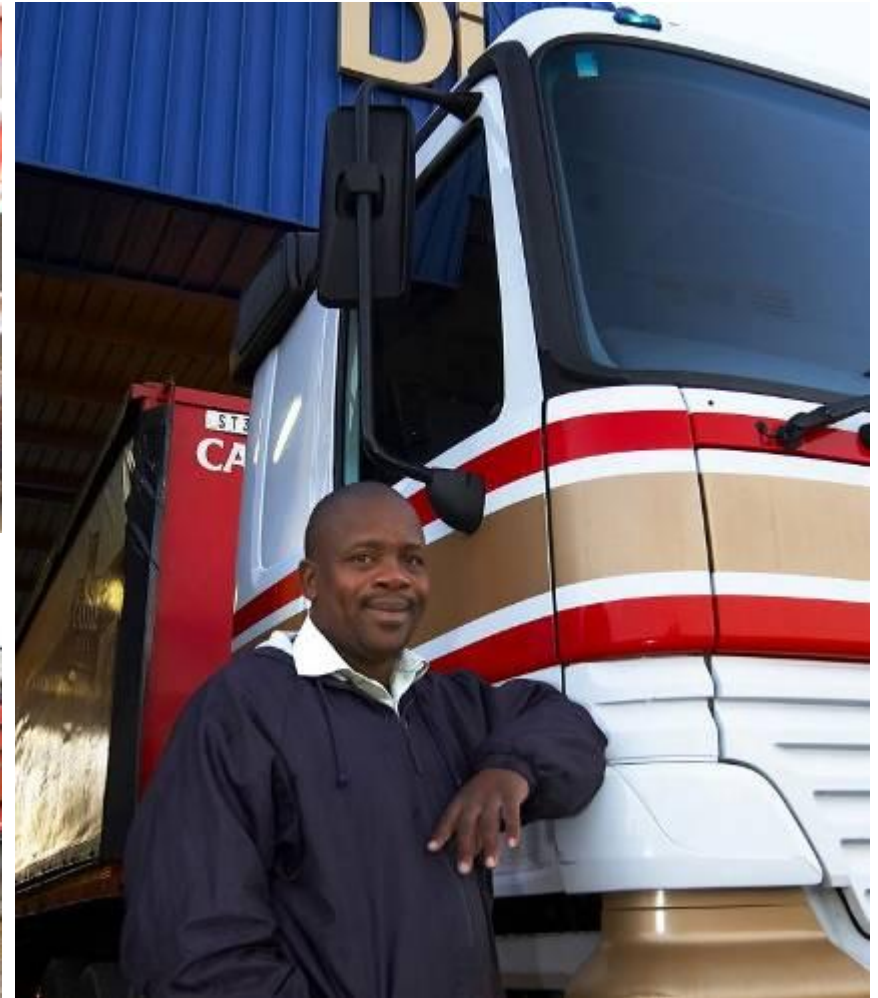
- Group Responsible Sourcing Principles
 - Business conduct
 - Working conditions
 - Forced or compulsory labour
 - Child labour
 - Fair wages and working hours
 - Diversity
 - Freedom of association
 - The environment



Balancing Global Procurement With Local Sourcing



Creating Livelihoods Across our Entire Value Chain: Distribution



Zambia: Manual distribution centres

South Africa: owner-drivers

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Creating Livelihoods Across our Entire Value Chain: Retailers



*South Africa: Extending Broad Based Black Economic
Empowerment to retailers (ZENZELE)*

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Giving People the Opportunity to Create their Own Livelihoods



- KICKSTART in South Africa and Similar programmes are running in
 - Botswana
 - Swaziland

Supporting entrepreneurship

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CONCLUSION

- Buying and processing crops locally whenever we can, for example, can reduce transport costs, shorten supply lines and ensure high-quality raw materials for our breweries.
- By guaranteeing markets for crops and paying a pre-negotiated and jointly agreed price, we offer security and help create jobs, incomes and prosperity in the community and economy - in turn, should help increase sales of our products.
- So sourcing more raw materials locally has a positive impact on both our business and the communities where we operate - securing license to trade

THANK YOU



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