



MILLER
BRANDS

Slavery and Human Trafficking Statement for the financial year ended 31 March 2016



1. Our organisation, our business, and our supply chains

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We do business in a way that improves livelihoods and helps build communities. We prohibit all forms of slavery and human trafficking in our organisation and in our supply chains. This is a non-negotiable commitment for our business, and an integral part of our policies and our approach to human rights.”

Alan Clark
Chief Executive
SABMiller plc

SABMiller plc is in the beer and soft drinks business. We bring refreshment and sociability to millions of people all over the world who enjoy our drinks. We are the world's second largest brewer, operating across Africa, Asia Pacific, Europe, Latin America, and North America. We also produce Coca-Cola products in a number of our markets in Africa and Latin America. We have one or more operating companies in each of our markets, and manage our markets geographically through regional offices in Miami (for Latin America), Johannesburg (for Africa), Hong Kong (for Asia Pacific), and Zug (for Europe).

We aim to do business in a way that improves livelihoods and helps build communities. We recognise that our growth depends on putting sustainable development at the heart of our approach to business. Our value chain consists of a wide range of operations and businesses including our upstream suppliers, our brewing operations, as well as a wide network of downstream distributors and retailers. A recent assessment of our value chain showed that we interact with more than 1.5 million enterprises. We believe we have an opportunity to use our scale and reach to improve livelihoods and to promote respect for human rights.

We source a wide range of goods and services including raw materials (barley, malt, sugar, hops and other materials essential to the brewing process), packaging, capital equipment, marketing materials, and business services. Our suppliers cover a range of industrial scale and smaller scale manufacturers, service providers, agricultural processors, large-scale commercial farms, and small-scale farmers with limited prior experience of commercial markets. We source locally where practical, although considerations including climatic suitability, crop availability, and cost efficiency make imports necessary in some markets.

SABMiller Procurement, our global procurement function, sources the majority of goods and services our operations need to produce and sell our beer and soft drinks from c.65,000 suppliers. During the year ended 31 March 2016, 86% of our supplier spend (excluding associates and joint ventures) was managed through SABMiller Procurement, with the remainder managed by local operations.

We recognise our responsibility to identify and seek to address potential or actual human rights impacts that are directly linked to our operations, and products or services acquired through our business relationships. Building visibility and transparency of our large, complex, and global supply chains is a key priority. Our approach has been to first focus on oversight of our direct suppliers, then increase visibility of our indirect suppliers. We combine this with a risk-based approach, focusing on those geographies and sectors where risks of modern slavery are more likely to exist as indicated by robust external indices. We are committed to working with our suppliers and partners to further understand the risk areas, increase transparency, and use our influence to help mitigate any negative impacts identified.

2. Policies in relation to slavery and human trafficking

Our approach to managing risks of modern slavery is an integral part of our approach to human rights. SABMiller is a participant in the UN Global Compact. In line with the UN Guiding Principles on Business & Human Rights, we are committed to respecting internationally recognised human rights as set out in the International Bill of Human Rights, and to respecting the principles concerning fundamental rights set out in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. In developing our approach, we draw on guidance from the OECD Guidelines for Multinational Enterprises, the UN Women's Empowerment Principles, and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

We use the term modern slavery to encapsulate slavery, servitude, child labour (as defined by the ILO), and forced or compulsory labour, as well as human trafficking. Our commitment to prohibiting modern slavery is clearly set out in our Human Rights Policy and our Supplier Code of Conduct. SABMiller prohibits all forms of modern slavery in our organisation and in our supply chains.

Our [Human Rights Policy](#) applies to our global organisation, including our UK subsidiary Miller Brands (UK) Ltd, which also has a reporting obligation under the Modern Slavery Act 2015. For our associates and joint ventures, we promote the adoption of an approach that is consistent with the principles in our Human Rights Policy. Our [Supplier Code of Conduct](#) defines the minimum standards that SABMiller Procurement suppliers are required to adhere to, wherever they produce materials or perform services for SABMiller.

In developing these policies, we sought input from across our business, consulted with external human rights and legal experts, and drew on our conversations with other participants in the UN Global Compact and in AIM-PROGRESS, a sector initiative established to improve working conditions in global supply chains. These policies are available at www.sabmiller.com.

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3. Principles of our due diligence processes

It is critically important to us that our policy commitments (including our commitments in relation to modern slavery) are translated into effective processes and practices that enable robust assessment and response to the risks. We apply the following principles and ways of working to effectively diagnose risks in relation to modern slavery and human rights within our business and supply chains.

- **Cross-functional responsibility:** Identifying and addressing human rights risks including the risk of modern slavery is not the sole responsibility of a particular individual or function within our business. This requires input and responsibility of multiple functions, including human resources (in relation to our direct employees), procurement (in relation to our suppliers and contractors), and corporate affairs and legal (in relation to our community stakeholders and wider regulatory environment)
- **External stakeholder advice:** Human rights risks within our supply chains, including the risk of modern slavery, can be complex, hidden, and difficult to identify. Consultation with a range of global and local stakeholders, including NGOs, trade unions, and civil society organisations, is key to informing our risk assessment. For example, in Latin America, we regularly engage with the UN Global Compact Regional Centre and leading NGOs, such as *Fundación Ideas Para La Paz* in the case of Colombia, to understand and address our human rights risks. On a global level, we are a participant in the UN Global Compact and a member of AIM PROGRESS. SABMiller has been actively engaged in a project within AIM-PROGRESS to enhance common assessment tools with a greater focus on human rights, which will provide greater visibility on where human rights risks exist within our supply chains.

- **Ongoing review and response:** The factors leading to human rights risks including modern slavery, such as poverty, lack of education or work opportunities, and crime are multifaceted and continuously changing. Due diligence is not a one-off exercise. We aim to continually develop robust mechanisms for regular, continuing reviews of potential human rights risks, and work with key stakeholders to implement solutions to any issues identified. Further details of our ongoing efforts can be found in sections 4 and 5.
- **Use of robust external indices to identify human rights risk:** The tools we use to assess human rights risks, including modern slavery risks, are based on the analysis of our operational processes together with country risk indicators from authoritative independent bodies such as Freedom House, Transparency International, and the International Trade Union Confederation. We recently updated our human rights risk assessment toolkit to include the most relevant indices such as the Global Rights Index from the International Trade Union Confederation, Trafficking in Person Index from the US State Department, and data on child labour prevalence from UNICEF.

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4. Human rights risk management within our organisation

Our Human Rights Policy is embedded across our global organisation through a number of systems and processes. We have a set of “SABMiller Ways” that codify best practice and help build group wide capability in areas of strategic relevance. For example, our People Way articulates good management practices and provides access to toolkits and training to support managers and employees. This helps us create an inclusive organisation where all employees, as well as our customers and the communities in which we operate, are treated with dignity and respect, taking full advantage of our diversity. We also use a wide range of risk assessment tools across our business and develop guidance for business leaders on sustainable development topics including human rights. We have developed practical guidance to help ensure our Human Rights Policy is applied and embedded within the business.

Another key component of embedding our Human Rights Policy is the [Sustainability Assessment Matrix \(SAM\)](#), which is SABMiller’s bespoke internal sustainable development reporting system. It is a consistent and transparent framework to drive progress on sustainable development across the business based on a bespoke set of maturity stairways. The minimum standard required under SAM exceeds local regulatory requirements in many countries. To date, SAM has been rolled out across 32 of our operating companies. In the year to 31 March 2016, sustainable development reporting data has been integrated for the first time for Miller Brands (UK) Ltd (United Kingdom), Intafact Beverages Ltd (Nigeria), and Cerveceria Argentina S.A. Isenbeck (Argentina).

Through SAM, operating companies are required to report twice yearly against human rights performance indicators. The minimum requirement is for these operating companies to conduct an assessment of actual or potential human rights risks and develop priorities for action. To support this we have developed a human rights risk assessment toolkit, which is based on an analysis of our operational processes together with country risk indicators from authoritative independent bodies and robust external indices (as detailed in the previous section).

Once an operating company has completed the human rights risk assessment, there is guidance for the preparation of an action plan where this is necessary for the management of the risks identified. The executive committee of each operating company is responsible for reviewing the risks and ensuring the appropriate action plan is put into place where required.

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5. Human rights risk management within our supply chains

Following its establishment in 2010, SABMiller Procurement instituted a supplier accreditation programme. The programme comprises three pillars: financial stability, business integrity, and social compliance. The social compliance pillar focuses on human rights risks including risks of modern slavery. We initially assess the risk profile of a supplier using the indicators from the SABMiller human rights risks assessment toolkit to determine whether further due diligence is required. Suppliers identified as high risk are required to undergo an ethical audit of their production sites conducted by independent auditors in accordance with the standards of the 4-pillar Sedex Members Ethical Trade Audit (SMETA). The ethical audit comprising labour standards, health and safety, environment, and business practices provides us with an objective view of the salient risks at the supplier sites. The diagram below shows the process through which high risk suppliers are assessed.

SABMiller Procurement measures a number of key performance indicators to monitor the progress made through supplier accreditation. We have performed due diligence on over 1,800 suppliers, of which c.42% have also conducted social compliance self-assessments. As at 31 March 2016, 40% of SABMiller Procurement managed supplier spend is with suppliers who have been through the accreditation process. New suppliers in strategic product categories must successfully complete the accreditation prior to the commencement of supply. To understand risks throughout the business relationship, the supplier accreditation is refreshed on a three year cycle, which is due to commence in 2016.

Following our risk-based approach, the ethical audits at our high risk supplier sites have identified gaps in human rights related risk management processes against our policy requirements. The most common risk management process gaps relate to health and safety (61% of gaps identified), wages and working hours (20% of gaps identified), and environmental protection (7% of gaps

Categories of gaps in risk management processes against our policy requirements



Assessment of high risk suppliers



identified). We know from benchmarking undertaken by AIM-PROGRESS that the frequency of issues relating to health and safety and working hours are consistent with other consumer goods companies. Occasionally gaps have also been identified in risk management processes for child labour, for example, where a supplier does not have a policy in place against the use of underage workers or appropriate processes to check identification and age prior to employment. While these gaps in risk management processes are not actual cases of forced labour, they highlight deficiencies in management systems which could potentially lead to instances of forced labour.

We work with suppliers to address identified gaps in their risk management processes. All high risk suppliers that have completed the ethical audit are provided with a corrective action plan and monitored for progress against the plan. The applicable timeframe for improvements to be made is based on SMETA best practice, which ranges between zero to 90 days depending on the nature of the issue. Since the inception of the supplier accreditation programme 1,720 gaps in risk management processes have been identified, of which 1,122 have been resolved through improvements made by suppliers following the corrective action plan. We have either terminated or not initiated relationships with 120 suppliers who have shown either no willingness to meet our requirements or no sign of wanting to make improvement within a reasonable timeframe.

5. Human rights risk management within our supply chains continued

We understand that there are limitations to ethical audits, although we believe that by identifying and addressing risk management process gaps in our suppliers' operations against our policy requirements we can reduce the risk of modern slavery in our supply chains. The information and insights gained through our supplier accreditation will be used to help inform the development of further human rights assessments and interventions within our supply chains. We also believe that we need to complement our ethical audits with training and capacity building to enable our suppliers to make further improvements. Our approach to this is detailed in section 6.

We adopt a top-down and bottom-up approach to understand how systemic human rights risks, including modern slavery, relate to our supply chains. Our bottom-up risk analysis integrates indicators from the supplier accreditation programme, including findings from the ethical audits, to identify trends and to further refine the programme. Our top-down risk analysis focuses on sectors where human rights risks are more commonly found. In 2013, we worked with the World Wide Fund for Nature to carry out supply risk analysis covering key social, environmental, and economic risks, including human rights risks, for all of our agricultural crops globally. We used the results to prioritise key crops and countries for risk mitigation, and to carry out further in-depth research as required. This highlighted the sugar supply chain as an area with the highest labour risks. The case study below highlights our approach to addressing this risk within our sugarcane plantation in Honduras. As part of our target to ensure all our sugarcane comes from sustainable sources by 2020, we are also working across our supplier base to share this approach and ensure they have effective approaches in place to address human rights, and other social and environmental risks.

Case study:

Our approach to sugarcane sourcing

The agricultural sector globally presents increased risks of modern slavery from harsh working conditions, including excessive overtime and payments below legal minimum wage, forced labour through debt bondage, where workers pay large fees or take out loans in order to secure a job, and employment of vulnerable groups such as casual or temporary workers. In addition, smallholder farming presents increased risks of unpaid family labour, and risk of children being forced to work and deprived of education opportunities. These risks are linked to wider social and economic factors including poverty, absence of economic opportunities, cultural attitudes, weak governance, and ineffective education systems, which cannot be addressed in isolation.

Among the agricultural commodities we source, we identified sugarcane production as a high risk area. While the sugarcane sector is a major provider of employment in rural areas, these jobs are often associated with poor working conditions. We are committed to sourcing all our sugar from sustainable sources by 2020.

In Honduras, the agricultural sector provides 47.4% of total employment. The poverty rate is 69.2% for the country as a whole, and reaches 79.5% in rural areas. 37% of children of secondary school age (ages 12-16) are out of school, with the proportion reaching 50% in rural areas.

Founded in 1974, Azucarera del Norte S.A. de C.V. (Azunososa) is the third largest sugar manufacturer in Honduras. Azunososa was acquired by SABMiller in 2001, making us a supplier of sugar and a customer. As at 31 March 2016, Azunososa employed 437 people in management and milling operations and 446 in agriculture. More than 1,500 independent contract workers are hired over the course of a harvest season to cut and transport the sugarcane to the processing site.

Following the acquisition by SABMiller, we identified that one of the risk areas faced by Azunososa was child labour. Azunososa took a number of measures to ensure that children under the age of 18 are not employed anywhere in the mill or on the farms. In addition to employing supervisors who

monitor the fields for underage workers daily, Azunososa founded a primary and secondary school in 2005 for the children of sugarcane cutters and from other low income families, and continues to finance the transportation, uniforms, materials, and meals for the teachers and the students to this day. Azunososa also provides high school scholarships and, in 2015, partnered with the Ministry of Education to grant shared scholarships on the engineering programme at the Agricultural National University. Independent assessments carried out in 2015 found no cases of child labour at Azunososa.

In 2014, Azunososa became the first producer in Central America to achieve certification from Bonsucro®, in recognition of the company's efforts to improve its environmental and social practices against challenging standards.

Other initiatives by Azunososa include:

- implementing new strategies to limit working hours, retire older employees, and mitigate environmental risk in compliance with evolving legislation;
- controlling working hours for sugarcane cutters by implementing a voucher system;
- formalising agreements with independent farmers in its supply chain;
- implementing a programme to provide landless farmers with access to land;
- conducting environmental impact assessments for all areas where the company plans to expand sugarcane production; and
- establishing formal grievance and dispute resolution mechanisms for stakeholders at the farm and mill levels.

A key aspect of Azunososa's approach involves partnering and sharing learnings with the wider sugar industry in Central America through industry bodies and other relevant platforms. Azunososa is an active member of the Association of Honduran Sugar Producers, which works to drive environmental stewardship in the industry and provides education and health services in communities dependent on the country's sugar mills.

6. Training and capacity building about slavery and human trafficking

We are committed to raising awareness about human rights risks, including risks of modern slavery, across our business and our supply chains. In 2015, we worked with a specialist human rights consultancy, Ergon, to carry out a series of workshops in London, Bangalore, Johannesburg, and Miami involving colleagues from legal, corporate affairs, human resources, and procurement to discuss region-specific human rights risks and develop action plans for strengthening our due diligence and remediation processes.

Based on the findings from this work we are developing a practical training pack which will be rolled out to members of our executive committees and employees from relevant functions across the group to increase practical awareness about human rights risks, the ways in which they relate to our business, and our role in addressing them.

Within our supply chains, SABMiller Procurement aims to work with, and support, all suppliers as they implement improvements in their operations. To facilitate this we have established dedicated resources to provide practical guidance to suppliers. The first region where this dedicated support has been launched is in Africa. This is supplemented by supplier workshops, forums, and desktop engagements. SABMiller Procurement employees also participate in regular training on human rights.

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7. Plans to strengthen our approach in the future

Over the next 12-18 months, our intention as an independent company would be to take the following actions to strengthen our approach to managing human rights risks including modern slavery.

Within our organisation

- Strengthen our human rights risk due diligence process by including more nuanced and detailed questions on each of our salient human rights risks, including risks of modern slavery;
- Consistently use the human rights risk assessment toolkit across our business globally;
- Continue to roll-out SAM across our operating companies;
- Build capability by rolling out guidance and practical case studies on human rights, including modern slavery, to leadership teams and relevant employees within our operating companies;
- Engage with relevant global and local stakeholders to inform assessment of risks;
- Create topic-specific guidance on risks faced by particularly vulnerable groups such as women, migrants, communities without access to land, and people working in countries with weak governance or high security risks;
- Continually update our top-down risk analysis through relevant research, including risks faced by workers in our downstream value chain as a result of employment practices followed by small and medium sized retailers in high labour risk countries.

Within our supply chains

- Continue to roll-out SABMiller Procurement's supplier accreditation programme, with a longer term goal of increasing our percentage of spend with accredited suppliers to 80% by 2020;
- Support the roll-out through a formalised programme of supplier awareness and capability building sessions;
- Further build transparency of our raw material supply chains by working with our direct suppliers to map the upstream supply chains back to origin for selected materials, which will increase our understanding of human rights risks that exist beyond our first tier suppliers, enabling our suppliers to develop effective risk mitigation measures, and ensuring business continuity;
- Increase the level of engagement and support provided to our procurement teams to help them understand human rights issues and their role in identifying risks that exist in our supply chains, including further training sessions on human rights risks and our risk management processes;
- Engage with relevant local businesses to access information from existing grievance mechanisms that enhance our understanding of human rights risks in our supply chains;
- Continually update our top-down assessment of systemic human rights risks in our supply chains.

Alan Clark
Chief Executive
SABMiller plc

June 2016

Gary Haigh
Managing Director
Miller Brands (UK) Ltd

June 2016