



SABMiller Paper Based Packaging Materials Responsible Sourcing Guidelines

Living Sustainable Procurement

January 2015

Applicable to all SABMiller Paper Based Packaging Material Suppliers



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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
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SABMiller

“Through our new SABMiller Sustainable Development Ambition, Prosper, and the Productive and Clean World Shared Imperatives, SABMiller has committed to sustainably source the key materials we require to produce and package our beer and soft drink products, and to dramatically reduce the environmental impact of our business.

SABMiller is a significant user of wood fibre-based material, mainly used for paper based packaging. We believe that SABMiller has a role to play in promoting sustainable forest-management and in helping to put an end to deforestation by adopting responsible sourcing practice and encouraging these practices across our supply chain.

We aim to procure all our paper based packaging from either well-managed forests or from recycled material, whilst maintaining consistently high quality standards. To achieve our goal, we will work with our suppliers and other stakeholders to progressively increase our sourcing of virgin paper from certified sources with a full chain of custody, and promote the expansion of forest certification through our purchasing practices.

We invite our paper based packaging suppliers to embrace sustainable sourcing practices, encourage their own suppliers to do so, and join us in the journey towards putting an end to deforestation. The following guidelines outline our collaborative approach to this ambition.”



a thriving world



a sociable world



a resilient world



a clean world



a productive world

Introduction

Deforestation and poor forest-management practice are key contributors to carbon emissions and have an adverse impact on ecosystems and biodiversity. They can also contribute to social and land conflicts. SABMiller is committed to ensuring that the paper based packaging materials we procure are not associated to deforestation and do not damage existing rainforests. Paper based packaging materials include bulk paper, paper board, corrugated materials, labels, and liner materials.

SABMiller Procurement source wood-fibre based products from a large number of locally based suppliers. The majority of these are small converters which procure paper materials from a smaller number of paper based packaging material producers. In some cases SABMiller also buy directly from these producers.

Our approach is to work with both converters and paper based packaging material suppliers and partners to map our supply chains back to the origin, then assess and develop our suppliers against our guidelines where required. We aim to select and build long term relationships with those suppliers who share our values and commitments.

In order to achieve this, SABMiller has built on the Consumer Goods Forum (CGF) Pulp, Paper and Packaging working group recommendation for member companies:

- We have developed a sourcing policy that avoids controversial sources of pulp, paper and packaging material contributing to deforestation
- We will verify that supply from high priority countries has low risk of the use of controversial sources contributing to deforestation.



We have formulated the SABMiller Guidelines to inform our suppliers about our approach, and to outline the requirements we expect our suppliers to meet. SABMiller procure packaging materials containing both recycled and virgin materials, dependent on technical constraints, market sensitivities and availability. When possible, we will maximise the use of recycle material.

What is meant by the term virgin material?

- 'Virgin material' is material or fibre extracted directly from a plant, most commonly wood fibre from trees.
- Sources of fibre for paper and board production can come from trees planted in forest areas solely for this purpose, from forest thinning or as a secondary product of the timber industry. In most cases fibre used in the production of paper is from timber which cannot be used for other purposes. Once virgin fibre has been converted to paper it can be recycled several times.

What is meant by the term recycled material?

'Recycled material' is the term used for giving a material a second life rather than disposing of it. Recycled material can come in the form of 'post-consumer waste', the term used for material which has served its purpose, and 'post-industrial waste' material which was not directly used for packaging.

Since both forms of waste would be disposed of through landfill if not recycled, within these guidelines we do not differentiate between them.

The SABMiller Responsible Sourcing Guidelines for paper based packaging materials complements and should be considered in conjunction with the SABMiller Supplier Code of Conduct, and the SABMiller Responsible Sourcing Guidelines for packaging carbon emission reduction.

Scope & Application

SABMiller is committed to purchase virgin paper based materials from well managed forests. A credible evidence of a sustainable source is certification under a forest certification scheme. We will give preference to sourcing FSC certified virgin paper based packaging materials as the most comprehensive forest management certification scheme. If suppliers have other recognised certification systems in place such as PEFC this will be recognised. When certified virgin paper based packaging materials or recycled materials are not viable or available, we will purchase from converters and producers who have in place systems to avoid controversial sources contributing to deforestation.

What do we mean by controversial sources?

The CGF has set a definition for controversial sources as below:

- Illegally harvested wood
- Wood harvested in violation of traditional or civil rights
- Wood harvested from forests in which high environmental, ecosystem, and cultural values are threatened by management activities
- Wood harvested from forests containing protected and endangered species, including requirements of cities, where applicable
- Wood harvested from areas where significant conversion of forests and other wooded ecosystems to plantations or to non-forest areas took place after December 31, 2010

Scope

The requirements outlined in these Guidelines are mandatory for all paper based packaging material suppliers, converters or producers we contract with, in all regions within which SABMiller operates.

Application

As a minimum requirement, SABMiller requires that our paper based packaging material suppliers have mechanisms in place to demonstrate that the materials we are purchasing from them are made from either recycled fibre or known and legal virgin fibre sources. Known and legal sources imply that the supplier has knowledge of their paper material sources, and that these sources are free of corruption and comply with applicable legal requirements.

In order to demonstrate that a source is known and legal, the supplier may be required to provide reliable information that identifies the source location, the source entity, and each intermediary in the supply chain. Suppliers must also have mechanisms in place to ensure that the wood has been harvested and traded in compliance with the applicable legislation.

In addition to the minimum requirement for a known and legal source, SABMiller has built on the Consumer Goods Forum, the Global Forestry Registry and Transparency International indicators to develop a three tier approach to managing the risk of controversial sources in our supply chain based

on the country of origin of the virgin fibre. This is to ensure that we focus our resources where the greatest risks of controversial sources are in our supply chain. These three tiers are categorised as:

- High priority countries: Indonesia, Malaysia, China, Thailand and Colombia
- Medium priority countries: Myanmar, Vietnam, Cambodia, DRC, Cameroon and Ghana
- Low priority countries: All others

Depending on the risk level attached to the country of origin of the virgin fibre source, suppliers will be required to follow the course of action below:

- High priority country sources will require verification*. Suppliers will be required to have the source of the material supplied verified by a second or third party.
- Medium priority country sources will require active monitoring. Suppliers will be required to provide documentation through self-assessment, providing information on the geographical origin of the supplied material, as well as to identify the forest management units of origin. Certified material will be preferred.
- Low priority country sources will require supplier's self-declaration that the supplied material does not originate from controversial sources (and that they have mechanism in place to ensure so). SABMiller will reserve the right to have this statement verified by a third party. Certified material will be preferred.

Considerations for selecting high priority countries include:

- Presence of tropical forests
- Risk of deforestation due to wood fibre for paper or board
- Publicly available information
- Input from NGOs
- Input from suppliers

The high and medium priority country list will be reviewed regularly, including the need to move countries from the medium list to the high list.

*Verification mechanism for high priority countries:

Preferred: Mechanisms which verify legality, low risk of controversial sources contributing to deforestation & **sustainable forest management**

- FSC (Independent, non-governmental, not for profit organisation established to promote the responsible management of the world's forests) certified product.
- Product certified by a national forest standard endorsed by PEFC (independent, non-governmental organisation promoting sustainable forest management through forest certification. It is the world's largest forest certification system)

Accepted: Mechanism to verify legality & **low risk of controversial sources contributing to deforestation:**

- FSC controlled wood.
- PEFC chain of custody due diligence and chain of custody standards endorsed by PEFC.

SABMiller will require that certified paper based materials are clearly identifiable as such. For instance the paper based products delivered to SABMiller carry the certification label, they are identified by a barcode or batch number clearly linked to the transport documentation and invoices, and are accompanied by documentation sufficient to link the invoice to the products supplied. The certified paper products' transport documentation and invoices must contain clear indication of the certification claim of the products and the supplying company's chain of custody certificate code. Costs incurred as a result of verification of certification, and certification itself are the sole responsibility of the supplier.

Working with our Suppliers

We expect our suppliers to be transparent about their sources and actively engage in our policies and processes. We have integrated our responsible sourcing guidelines into our contractual requirements and we expect our suppliers to constantly monitor their compliance and the compliance of their own suppliers.

SABMiller Procurement will require that all paper based packaging material suppliers acknowledge and confirm compliance to these guidelines as a prerequisite to participating to any tender or request for quotation or information. Country of origin of the virgin fibre will be requested as part of the information collected during the tender.



Before tender completion and supplier award, suppliers will be required to provide self-assessment questionnaires (for medium priority countries) and certification documentation (for high priority countries) for SABMiller review.

We reserve the right to verify compliance and to request that a third party verifies the information provided by the supplier, as part of our on-going compliance monitoring at any point during the contractual relationship. This verification may be related to the actual country of origin of the paper based material, the information provided as part of the self-assessment questionnaire or the actual certification claim.

In case of non-compliance we will work with our suppliers to address the findings through remedial actions. In case of prolonged or excessive non-compliance, SABMiller reserves the right to review business with our supplier.

As an alternative to providing the data outlined above SABMiller will accept relevant certification documentation.

Should a supplier change the source of paper based material supplied to SABMiller over the course of an agreement, the supplier is required to inform SABMiller of the change and ensure appropriate documentation is made available in line with the prioritisation of the geographical source.

Reference Links

The Consumer Goods Forum Paper and Pulp Packaging Guidelines:
<http://sustainability.mycgforum.com/deforestation/paper-and-pulp/pulp-paper-and-packaging-guidelines.html>

The following organisations can provide technical support and guidance:

FSC: www.fsc-uk.org

PEFC: www.pefc.co.uk

Contacting Us

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