



It is not by coincidence that people come first in the motto 'people, planet, profit'. Without people we would be unable to brew and sell the world's best beers. It makes good business sense to continuously invest in our human capital.

Frans van der Minne
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Impact on developing markets

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Heineken brews beer in 65 countries. Although our stronghold is in Europe, we operate breweries in many emerging markets, each with their own unique challenges. This chapter contains information about the social and economic aspects of our operations in these markets. The information it contains comes from management and reporting systems that we maintain at Group level for operating companies in which we hold a 50 percent majority share or more and companies in which we have management control.

Access to healthcare

We believe that all our employees should have access to decent basic medical care. In more mature markets we have allowances for access to the national healthcare system or have agreements with health care providers, but there are also countries where we believe the only (best or most cost-effective) way we can guarantee care on a level that we deem adequate is to provide it ourselves. In 2006, we operated our own clinics in 15 different locations in Sub-Saharan Africa as well as 4 in South East Asia employing over 100 doctors and nurses, providing access to adequate basic healthcare for approximately 30,000 beneficiaries consisting of employees and their dependants.

As illustrated above, our own medical activities, undertaken by Group International Health Affairs, are focused primarily on developing markets and are therefore often related to some of the same issues as the Millennium Development Goals.

In addition to these aspects of its activities, Health Affairs also works to improve the behaviour of employees with regard to Health and Safety, most often in co-operation with Group Supply Chain (GSC). GSC focuses its efforts mainly on the short-term safety effects; Health Affairs is also concerned with longer-term effects, such as work-related illnesses.

A screening inventory on hearing impairment carried out in Nigeria during 2006 demonstrated that emphasis needs to be paid to noise awareness and abatement programmes. This challenge has consequently been included in the 2007 Annual Health Plan for Nigerian Breweries. During the year, a health 'road map' advising Heineken Operating Companies how to manage a health and business crisis resulting from a possible Avian Influenza pandemic was compiled, discussed and distributed to the regions.

Throughout 2006, our HIV/AIDS policy was sustained and strengthened in partnership with the Pharmaccess Foundation. Our cooperation with this NGO guarantees the quality of treatment programmes offered and helps us to engage the support of HIV/AIDS experts. Fortnightly telephone conferences and patient monitoring via an encrypted confidential database ensure quality control and thorough follow-ups. During 2006, we reported on our activities to institutions that included the Global Business Coalition and issued progress reports in medical journals and during the World Aids conference in Toronto, Canada.

At present, 9,888 Heineken employees and dependants in developing countries have been voluntarily tested for HIV/AIDS, with 365 testing seropositive. Of these, 230 are currently receiving HIV therapy, while the remaining 135 are not yet in a phase of the disease during which treatment would improve their well-being.

Tuberculosis, specifically the multi-drug resistant type of the disease, has been recognised as a worldwide health threat to our employees. Our medical services try to identify cases as early as possible and actively encourage all those affected to take the relevant action for as long as is necessary to ensure a complete cure if possible. Joint efforts with external agencies, including multinationals, are also necessary to combat this disease effectively and one of our Group Medical



Advisers is participating as a member of the Fight against TB board.

Our medical professionals have been trained in the latest developments in the treatment of malaria, including the use of long-lasting bed nets impregnated with an insecticide. These are handed out to our employees and their dependants. In Africa, every one of our breweries has made a particular effort to ensure these bed nets are readily available to all employees and family members.

In addition to the issues discussed above, our clinics offer both antenatal treatment and special clinics for children under the age of five. These are open to employees and their families. All services aimed to improve women's health are provided free of charge, while our approach stresses the need to work with other institutions because we believe this produces better health standards at local country level. Our doctors in Africa and Asia report to Group Health Affairs on a quarterly basis; this ensures they receive the

support they need but are also challenged on their progress.

A good example of an effective local health initiative is our Selling Beer Safely programme, which supports female beer promoters in Cambodia. The programme has helped to improve health and safety for around 700 female beer promoters, who over the past few years have attended three-day training workshops and one-day refresher courses, during which they discussed reproductive health issues, the difficulties of dealing with customers, how to resist pressure to drink alcohol and other health and safety topics. The turnover of beer promoters remains high, so it is important to sustain the training courses we offer.

The lessons learned in Cambodia have subsequently been used in other operating companies facing similar issues. We also acknowledge that the Selling Beer Safely programme also requires the active involvement of our competitors to succeed, and we have taken the lead in forming the Beer Selling Industry Cambodia (BSIC). This association of brewers and beer sellers has agreed and signed up to a general code of conduct for beer promoters. Participating companies have agreed to work together to help improve the health and safety of beer promoters. These actions will build on the significant improvements we have made in the last three years. These improvements include HR-issues like contracts, working conditions, safety and privacy; information instruction and training in areas such as selling beer safely, personal health, alcohol-related issues, appropriate behaviour in dealing with customers; work organisation, including supervision, transport and counselling; implementation and monitoring to ensure the success and continuity of the programme.



In 2007, we will actively encourage the beer promoters working for our brands to undergo testing for HIV/AIDS with the purpose of facilitating free treatment for those who are HIV/AIDS positive. Furthermore, we will seek independent monitoring of our progress on the Selling Beer Safely programme and we will introduce responsibility messaging in our commercial communications in Cambodia. We will also ask our business partners who employ the beer promoters to look into the primary labour conditions.

Corporate citizenship

We want to play an active role in the local communities in which we operate. Many of our breweries are actively engaged with local communities, which ultimately grant us the right



to operate our facilities. We depend on these communities in many ways; for example, by using water and infrastructure. Yet, we also give back, largely through local taxes and through employment, but also through support of activities that benefit the citizens in the areas in which we operate or the communities at large.

In 2006, our operating companies spent approximately €6 million on community involvement projects, mainly in developing countries. This figure is an estimate based on our annual Operating Company Survey. Although this is a substantial amount, we believe that it is not always used as effectively as it could be, due to a lack of understanding among our operating companies. Consequently, during 2006, we constructed and tested a common database,

which can be used on all community involvement projects undertaken throughout Heineken. The pilot was successful, with participating operating companies reporting that it added value and that it provided useful insights. The database will be rolled out further during 2007.

Employee rights

Our employees are entitled to the rights outlined in the Universal Declaration of Human Rights and numerous conventions from the International Labour Organisation. In many countries these rights are further elaborated in local legislation and are, if necessary, enforced by government.

In some countries, government fails to implement the core ILO conventions or are not consistent in their implementation. Consequently, in the absence of a clear and reliable legal framework, companies must define their own *modus operandi*. This is also true for Heineken in some locations.

In 2006, research undertaken by the Dutch trade union FNV Mondiaal was finalised. In March 2007, a number of reports focusing on the behaviour of Dutch multinational enterprises in several countries were presented in an open forum. In our case, research undertaken at our operations located in Croatia, Indonesia and our joint venture in Ghana, demonstrated that we take the rights of, and our obligations to, our employees seriously. At the same time, certain areas for further improvement were highlighted to local management. We have invited FNV Mondiaal to repeat the same research exercise in three years time to assess if progress has been made.

In November 2006, Heineken, along with other Dutch multinational enterprises, was accused by the chairperson of Dutch trade union FNV of actively lobbying against a proposal for reform of the Chinese labour contract law. Investigations

into this matter have concluded that a letter had been sent by the European Chamber of Commerce in China on the subject to the Chinese authorities. Heineken Shanghai Trading Corporation, a 100 percent subsidiary of our joint venture Asia Pacific Breweries, is member of this organisation. Neither Heineken, nor Asia Pacific Breweries has had any active involvement with the letter in question. This incident was discussed with FNV in February 2007 and the conclusion reached was that Heineken indeed had no direct responsibility for the letter or any other lobby activities.

We believe that we have a good track record for respecting our employees' rights. Employee rights are subject to monitoring through an annual survey in which we ask our operating companies to indicate whether incidents have occurred. For 2006, no incidents were reported. Nevertheless, we realise that as a growing and expanding company we need to provide better guidance to our local operations about what we expect from them. For this reason, in 2006 we drafted a document outlining Heineken's vision on employee rights and also investigated the potential use of self-assessment methodologies. Consequently, we have selected the Human Rights Compliance Assessment (HRCA) tool offered by the Danish Institute for Human Rights as the best option for our company. Due to limited available resources at the time, we had to postpone pilot studies of the Heineken vision and the HRCA in 2006. We will conduct this pilot in the course of 2007 and make our final choices following the evaluation of results.

Local economic impact

As participants in society, any company's operations can have three kinds of impact: economic, environmental and social. Within Heineken, disclosure of environmental and social impacts is the subject of detailed reporting and analysis through dedicated (sustainability) reporting. Insight into our economic impact over and above the profit and loss account had not been studied in any detail until 2006. However, in the context of our contribution towards realisation of the Millennium Development Goals (MDGs), we acknowledged the need to improve understanding of our contribution to poverty-related MDGs (for example those on hunger, education and health).

Because there is not yet one clear standard methodology to calculate the direct and indirect economic impact of an organisation, we partnered with the National Committee for International Cooperation and Sustainable Development (NCDO), a Dutch government agency that raises awareness on development issues. Together with NCDO, a tender was issued allowing a number of well-regarded consultancies to pitch for the assignment. After due consideration, Dutch consultancies Triple Value Strategy Consultants and InReturn, were chosen. Our joint venture in Sierra Leone, Sierra Leone Brewery Ltd. (SLBL) was selected to work with these agencies.

We believe we need an easy-to-use model to assess our economic impact. Economic development and poverty reduction are not only important from a humanitarian perspective – in many emerging markets lack of economic prosperity is also one of the most important obstacles to further growth of our business. Understanding precisely what determines the level of our impacts gives us an opportunity to optimise the positive influence that we have.



After preparation of the framework, the field research in Sierra Leone took place during July 2006. As part of the field work, an 'input-output' table for the Sierra Leonean economy was constructed using publicly available material and following discussions with officials from the statistics office, the central bank and the Ministry of Finance. Referring to this 'input-output' table and the profit and loss statement from SLBL, the study analysed different dimensions of economic impact, with particular focus on two aspects: economic activity generated through the spending and re-spending of money and indirect employment generated.

Other aspects were also investigated, including the redistribution of cash among different population groups, and the potential consequences of Heineken switching away from local production towards an import-

only business as a theoretical exercise.

The results of the study confirmed what was already widely believed: that the economic 'multiplier' generated by our activities is significant. The total indirect economic impact of our activities is around five times as great as our annual turnover in the country, while for every one employee working for SLBL in 2005, an additional 40 jobs were generated in supply and distribution, with the majority in the second category. The redistribution of money also had a positive impact on poor, non-poor and food-poor people. You can read the conclusions of this study in greater detail on our corporate website.

To build internal acceptance of the model, an internal user group was put in place, comprising operating companies from Spain, Poland and Rwanda. The group's purpose was to assess

the feasibility and desirability of the model's reapplication in markets with different characteristics. The group concluded that the model could feasibly be re-used in the three markets concerned and that on initial analysis, it seemed a good initiative that should be repeated on a local level.

To involve external stakeholders, two NGOs were invited to comment on the model and its impacts. These were Oxfam NOVIB and SOMO (Centre for Research on Multinational Corporations). Both organisations were positive yet critical, their main criticism concerning the scope of the model, which only focuses on monetary impacts and does not include social and environmental impacts. This is a valid point. However, there is no common understanding about how to translate environmental and social effects into monetary value, which means it is extremely difficult to incorporate them into a robust economic model.

The methodology and the results of the study were presented to an external audience on 23 November 2006 in Amsterdam. NGOs present at this meeting reached similar conclusions to those from Oxfam NOVIB and SOMO; while private sector representatives cautioned against the risk of over-complexity in the model. The general conclusion reached at the meeting was that the current model presented a sound basis to proceed and that NCDO, Heineken and the consultants concerned would assess the viability of including certain social and environmental aspects in a refined model.

During 2007, we will assess the practicalities involved in building stakeholder comments into the model, while actively promoting its use by our operating companies. At least one more study will take place in 2007.



Millennium Development Goals

The international agreement on the Millennium Development Goals (MDG), which aim to solve some of the biggest problems in developing countries, is a tremendous achievement from the United Nations.

The Millennium Development Goals are:

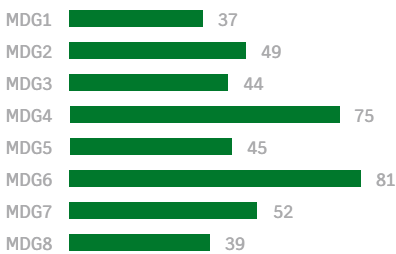
1. Eradicate extreme hunger and poverty
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development.

Each of the goals has concrete targets to be reached by the year 2015.

Although the MDGs are agreed between states, it is widely accepted that they can only be achieved if all participants in society (governments, civil society, private sector) work together and perform their respective roles.

For each MDG, a large number of factors were determined and consequently measured (the full report is published on our corporate website). This methodology produced the following scores for Heineken:

Scores of the MDGs



In our previous Sustainability Report we stated that we would work together with other multinational companies to develop a uniform way for businesses to report on their contribution to the realisation of the goals. Consequently, together with five other companies, we have joined a project initiated by the Dutch National Committee for International Cooperation and Sustainable Development (NCDO) aimed at measuring private sector contributions. In the course of 2006, Dutch Sustainability Research (DSR) conducted research and the results were presented to the public in Arnhem, the Netherlands, on 16 November 2006.

Although we believe that the work done by DSR provides a good basis, we have identified a number of points that need improvement in a new version. First and foremost, it is unclear what any specific score means; because the size of an impact is not taken into account, it is virtually impossible to compare the contribution of different companies using this framework. Secondly, some results are not in line with expectations based on other research. For example, our score on MDG 1 is not consistent

with the outcome of the Economic Impact Assessment in Sierra Leone. Participants in the study also articulated several other points of criticism and concern that will receive due attention in 2007.

As a result, all parties involved have agreed that during 2007 a new study will be carried out, taking into account all the points raised during and after the public presentation. The objective is to have a good working model finalised and presented to interested parties by the end of the year.