

SUPPLY CHAIN RESPONSIBILITY

We purchase raw materials, equipment and other goods and services in order to meet the needs of our customers and consumers. Through our Economic Impact Assessments and Carbon Footprint studies, we know that the impact of our total supply chain far outweighs our direct impact. Therefore, improvements in our value chain, both in terms of ethics and the environment, are having a positive effect on our cost base and on the goals we set within our sustainability agenda. We believe our approach to supply chain responsibility helps to differentiate Heineken.

What we did

We introduced our Supplier Code (see www.heinekeninternational.com/supplychainresponsibility.aspx for this Code) in Austria, Greece and Poland. Our operating companies in Western Europe (with the exception of companies acquired in 2008 and those in Switzerland and Ireland) have all started implementation. Dedicated managers have been appointed and will be responsible for performing risk analyses per market, training of local purchasers and translating the Supplier Code into local languages.

We also reviewed the practices from both Scottish & Newcastle and Heineken and found that both share a similar approach. Local implementation focuses mainly on services, maintenance and logistics as we source all packaging materials, raw materials, investment goods and a large part of the merchandise materials for the Heineken brand centrally.

In Central and Eastern Europe, we began implementation of the code in Bulgaria, Croatia, Former Yugoslav Republic of Macedonia, Romania, Hungary, Slovakia, Czech Republic and Russia.

In Indonesia, we commenced a pilot study although we have not yet conducted a pilot in Africa and the Middle East given that a fair amount of the total purchasing spend is sourced centrally and we therefore believe the risks to be moderate.





✓ PORTUGAL

CENTRALCER INTRODUCES PLASTIC BEER GLASSES THAT BIODEGRADE IN 3 MONTHS, NOT 300 YEARS

We have reworked our approach to auditing. As all our approved packaging and raw materials suppliers are subject to quality audits every four years, we have now built the Supplier Code into our online audit tool. This means we require all preferred suppliers to provide us with evidence (policies and practices) on their compliance with our Code. The tool delivers a standardised supplier rating on Supplier Code compliance.

What we delivered

In 2008, we conducted audits at 25 per cent of our supplier base versus our target of 20 per cent.

We are working towards meeting our target of full implementation of the Supplier Code in the year 2010.

What we will do in 2009

- Continue implementation in Western Europe and Central and Eastern Europe
- Start roll-out in Asia Pacific
- Finalise pilot in Indonesia and conduct pilot in Nigeria (originally planned for 2008)
- Start roll-out in the Americas and Africa and the Middle East
- Set long-term targets for supply chain responsibility for 2010 – 2020.



ETHICAL AND EFFECTIVE SOURCING IN POLAND

Grupa Żywiec, Heineken's operating business in Poland began the roll out of a new Supplier Code for responsible purchasing in late 2007.

The Code is designed to ensure both ethical and effective sourcing processes that reduce the risk of reputational and financial damage through the supply chain. The Code also aims to encourage suppliers that are not fully compliant to work alongside Heineken to achieve the necessary standards within three years. Once achieved, compliance with the Code will be monitored through regular audits.

"Our suppliers and their sales representatives have been very cooperative during the process," says Leszek Bajdowski, head of Group Purchasing at Grupa Żywiec. "That doesn't always mean they know how to organise and present the information for us, so this is an area where we're helping them as much as we can."

During the next stage of the initiative, to be implemented in 2009, support programmes will be developed to help non-compliant suppliers raise their standards. Because the suppliers are starting from different points and operate in diverse areas ranging from packaging materials and raw materials, to maintenance and services, it will be important to offer them a tailored approach.

"Supply chain issues are becoming more important and our approach must be supportive and collaborative. This is the best and most mature way to raise standards generally across the supply chain," says Leszek. "I feel very positively about this initiative because it reflects well on our business in Poland."

