

Comply or Explain report Heineken N.V.

on the basis of the Dutch
Corporate Governance Code
of 9 December 2003

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Contents

	Introduction	3
I	Compliance with and enforcement of the code	4
II	Executive Board	5
II.1	Role and procedure	5
II.2	Remuneration	6
	Amount and composition of the remuneration	6
	Determination and disclosure of remuneration	7
II.3	Conflicts of interest	9
III	Supervisory Board	11
III.1	Role and procedure	11
III.2	Independence	12
III.3	Expertise and composition	14
III.4	Role of the Chairman of the Supervisory Board and the Company Secretary	15
III.5	Composition and role of three key committees of the Supervisory Board	15
	Audit Committee	16
	Remuneration Committee	17
	Selection and Appointment Committee	17
III.6	Conflicts of interest	18
III.7	Remuneration	19
III.8	One-tier management structure	20
IV	The shareholders and General Meeting of Shareholders	21
IV.1	Powers	21
IV.2	Depositary receipts for shares	22
IV.3	Provision of information to and logistics of the General Meeting of Shareholders	23
IV.4	Responsibility of institutional investors	24
V	The audit of the financial reporting and the position of the internal auditor function and of the external auditor	26
V.1	Financial reporting	26
V.2	Role, appointment, remuneration and assessment of the functioning of the external auditor	26
V.3	Internal auditor function	27
V.4	Relationship and communication of the external auditor with the organs of the company	27

Introduction

In this section of the annual report of Heineken N.V. (also referred to as ‘Heineken’) a detailed overview – Comply or Explain report – is given on how Heineken applies the Dutch Corporate Governance Code (published on 9 December 2003).

The existing regulations of the Executive Board, Supervisory Board and the committees have been adapted accordingly and – where necessary – new Regulations have been made.

The requirements for publication on the website (www.heinekeninternational.com – section Corporate Governance) have been met as well as the requirements for providing information in the annual report. The Articles of Association of Heineken N.V. will be revised with reference to the Dutch Corporate Governance Code and new legislation.

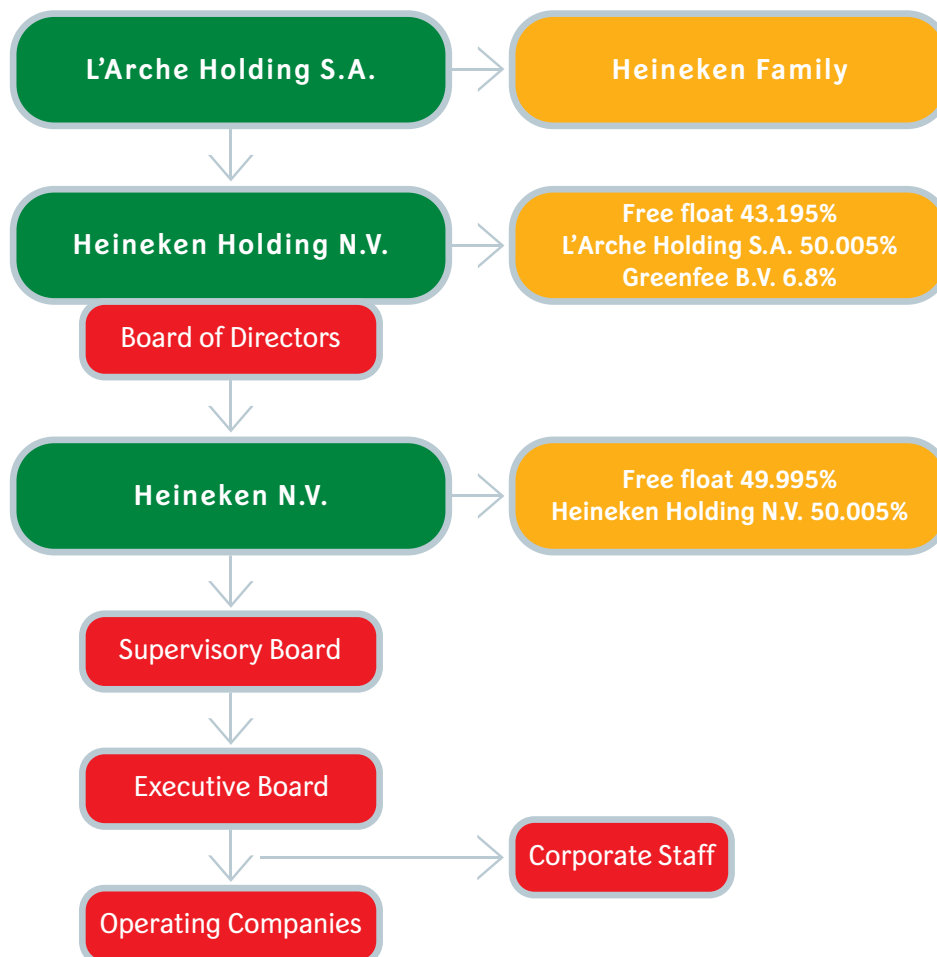
Heineken N.V. endorses the Code’s principles and applies virtually all best practice provisions.

In particular, the structure of the Heineken Group – and specifically the relationship between Heineken Holding N.V. and Heineken N.V. – prevents Heineken N.V. from applying a small number of best practice provisions.

Amsterdam, 21 February 2005

Ownership Structure

● Legal Entities ● Share Ownership ● Management



I Compliance with and enforcement of the code

Principle

The Executive Board and the Supervisory Board are responsible for the corporate governance structure of the company and compliance with this code. They are accountable for this to the General Meeting of Shareholders. Shareholders take careful note and make a thorough assessment of the reasons for any non-application of best practice provisions of this code by the company. They should avoid adopting a 'box-ticking approach' when assessing the corporate governance structure of the company.

Best practice provisions

I.1 The broad outline of the corporate governance structure of the company shall be explained in a separate chapter of the annual report, partly by reference to the principles mentioned in this code. In this chapter the company shall indicate expressly to what extent it applies the best practice provisions in this corporate governance code and, if it does not do so, why and to what extent it does not apply them.

- *Heineken applies this best practice provision.*

I.2 Each substantial change in the corporate governance structure of the company and in the compliance of the company with the code shall be submitted to the General Meeting of Shareholders for discussion under a separate agenda item.

- *Heineken will apply this best practice provision.*

II Executive Board

II.1 Role and procedure

Principle

The role of the Executive Board is to manage the company, which means, among other things, that it is responsible for achieving the company's aims, strategy and policy, and results. The Executive Board is accountable for this to the Supervisory Board and to the General Meeting of Shareholders. In discharging its role, the Executive Board shall be guided by the interests of the company and its affiliated enterprises, taking into consideration the interests of the company's stakeholders. The Executive Board shall provide the Supervisory Board in good time with all information necessary for the exercise of the duties of the Supervisory Board. The Executive Board is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the company activities and for financing the company. The Executive Board shall report related developments to and shall discuss the internal risk management and control systems with the Supervisory Board and its Audit Committee.

Best practice provisions

II.1.1 An Executive Board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.

- *Members of the Executive Board who have been appointed before 31 December 2003 have been appointed for an indefinite period. This best practice provision cannot be applied, as it violates the law.*

II.1.2 The Executive Board shall submit to the Supervisory Board for approval:

- the operational and financial objectives of the company;
 - the strategy designed to achieve the objectives;
 - the parameters to be applied in relation to the strategy, for example in respect of the financial ratios.
- The main elements shall be mentioned in the annual report.

- *Heineken applies this best practice provision.*

II.1.3 The company shall have an internal risk management and control system that is suitable for the company. It shall, in any event, employ as instruments of the internal risk management and control system:

- risk analyses of the operational and financial objectives of the company;
- a code of conduct which should, in any event, be published on the company's website;
- guidelines for the layout of the financial reports and the procedures to be followed in drawing up the reports; and
- a system of monitoring and reporting.

- *Heineken applies this best practice provision.*

II.1.4 The Executive Board shall declare in the annual report that the internal risk management and control systems are adequate and effective and shall provide clear substantiation of this.

In the annual report, the Executive Board shall report on the operation of the internal risk management and control system during the year under review. In doing so, it shall describe any significant changes that have been made and any major improvements that are planned, and shall confirm that they have been discussed with the Audit Committee and the Supervisory Board.

- *Heineken applies this best practice provision.*

II.1.5 The Executive Board shall, in the annual report, set out the sensitivity of the results of the company to external factors and variables.

- *Heineken applies this best practice provision.*

II.1.6 The Executive Board shall ensure that employees have the possibility of reporting alleged irregularities of a general, operational and financial nature in the company to the Chairman of the Executive Board or to an official designated by him, without jeopardising their legal position. Alleged irregularities concerning the functioning of Executive Board members shall be reported to the Chairman of the Supervisory Board. The arrangements for whistleblowers shall in any event be posted on the company's website.

- *Heineken applies this best practice provision.*

II.1.7 A member of the Executive Board may not be a member of the supervisory board of more than two listed companies. Nor may an Executive Board member be the Chairman of the supervisory board of a listed company. Membership of the supervisory board of other companies within the group to which the company belongs does not count for this purpose. The acceptance by a member of the Executive Board of membership of the supervisory board of a listed company requires the approval of the Supervisory Board. Other important positions held by a member of the Executive Board shall be notified to the Supervisory Board.

- *Heineken applies this best practice provision.*

II.2 Remuneration

Amount and composition of the remuneration

Principle

The amount and structure of the remuneration, which Executive Board members receive from the company for their work, shall be such that qualified and expert managers can be recruited and retained. If the remuneration consists of a fixed and a variable part, the variable part shall be linked to previously-determined, measurable and influenceable targets, which must be achieved partly in the short term and partly in the long term. The variable part of the remuneration is designed to strengthen the board members' commitment to the company and its objectives.

The remuneration structure, including severance pay, is such that it promotes the interests of the company in the medium and long term, does not encourage Executive Board members to act in their own interests and neglect the interests of the company and does not 'reward' failing board members upon termination of their employment.

The level and structure of remuneration shall be determined in the light of, among other things, the results, the share price performance and other developments relevant to the company. The shares held by an Executive Board member in the company on whose board he sits are long-term investments. The amount of compensation, which an Executive Board member may receive on termination of his employment, may not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances.

Best practice provisions

II.2.1 Options to acquire shares are a conditional remuneration component, and become unconditional only when the Executive Board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.

II.2.2 If the company, notwithstanding best practice provision II.2.1, grants unconditional options to Executive Board members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted.

- *Heineken does not grant options.*

II.2.3 Shares granted to the Executive Board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. The number of shares to be granted shall be dependent on the achievement of clearly quantifiable and challenging targets specified beforehand.

- *Heineken applies this best practice provision.*

II.2.4 The option exercise price shall not be fixed at a level lower than a verifiable price or a verifiable price average in accordance with the official listing on one or more predetermined days during a period of not more than five trading days prior to and including the day on which the option is granted.

II.2.5 Neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except in so far as prompted by structural changes relating to the shares or the company in accordance with established market practice.

- *Heineken does not grant options.*

II.2.6 The Supervisory Board shall draw up regulations concerning ownership of and transactions in securities by Executive Board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A member of the Executive Board shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the Compliance Officer or, if the company has not appointed a compliance officer, to the Chairman of the Supervisory Board. A member of the Executive Board who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

- *Heineken applies this best practice provision.*

II.2.7 The maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a member of the Executive Board who is dismissed during his first term of office, such board member shall be eligible for a severance pay not exceeding twice the annual salary.

- *In the contracts of the members of the Executive Board there is no mention of a specific scheme in the event of dismissal. This best practice provision will not be applied as it violates the law.*

II.2.8 The company shall not grant its Executive Board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the Supervisory Board. No remission of loans shall be granted.

- *Heineken applies this best practice provision.*

Determination and disclosure of remuneration

Principle

The report of the Supervisory Board shall include the principal points of the remuneration report of the Supervisory Board concerning the remuneration policy of the company, as drawn up by the Remuneration Committee. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of the individual members of the Executive Board.

The remuneration policy proposed for the next financial year and subsequent years as specified in the remuneration report shall be submitted to the General Meeting of Shareholders for adoption. Every material change in the remuneration policy shall also be submitted to the General Meeting of Shareholders for adoption. Schemes whereby Executive Board are remunerated in the form of shares or rights to subscribe for shares, and major changes to such schemes, shall be submitted to the General Meeting of Shareholders for approval.

The Supervisory Board shall determine the remuneration of the individual members of the Executive Board, on a proposal by the Remuneration Committee, within the scope of the remuneration policy adopted by the General Meeting of Shareholders.

Best practice provision

II.2.9 The remuneration report of the Supervisory Board shall contain an account of the manner in which the remuneration policy has been implemented in the past financial year, as well as an overview of the remuneration policy planned by the Supervisory Board for the next financial year and subsequent years.

- *Heineken applies this best practice provision.*

II.2.10 The overview referred to in II.2.9 shall, in any event, contain the following information:

- a a statement of the relative importance of the variable and non-variable remuneration components and an explanation of this ratio;
- b an explanation of any absolute change in the non-variable remuneration component;
- c if applicable, the composition of the group of companies (peer group) whose remuneration policy determines in part the level and composition of the remuneration of the Executive Board members;
- d a summary and explanation of the company's policy with regard to the term of the contracts with Executive Board members, the applicable periods of notice and redundancy schemes and an explanation of the extent to which best practice provision II.2.7 is endorsed;
- e a description of the performance criteria on which any right of the Executive Board members to options, shares or other variable remuneration components is dependent;
- f an explanation of the chosen performance criteria;
- g a summary of the methods that will be applied in order to determine whether the performance criteria have been fulfilled and an explanation of the choice of these methods;
- h if performance criteria are based on a comparison with external factors, a summary should be given of the factors that will be used to make the comparison; if one of the factors relates to the performance of one or more companies (peer group) or of an index, it should be stated which companies or which index has been chosen as the yardstick for comparison;
- i a description and explanation of each proposed change to the conditions on which a member of the Executive Board can acquire rights to options, shares or other variable remuneration components;
- j if any right of a member of the Executive Board to options, shares or other variable remuneration components is not performance-related, an explanation of why this is the case;
- k current pension schemes and the related financing costs;
- l agreed arrangements for the early retirement of Executive Board members.

- *Heineken applies this best practice provision.*

II.2.11 The main elements of the contract of a member of the Executive Board with the company shall be made public immediately after it is concluded. These elements shall in any event include the amount of the fixed salary, the structure and amount of the variable remuneration component, any redundancy scheme, pension arrangements and performance criteria.

- *Heineken applies this best practice provision.*

II.2.I2 If a member of the Executive Board or former member of the Executive Board is paid special remuneration during a given financial year, an explanation of this remuneration shall be included in the remuneration report. The remuneration report shall in any event account for and explain remuneration paid or promised in the year under review to a member of the Executive Board by way of severance pay.

- *Heineken applies this best practice provision.*

II.2.I3 The remuneration report of the Supervisory Board shall, in any event, be posted on the company's website.

- *Heineken applies this best practice provision.*

II.2.I4 The company shall state in the notes to the annual accounts, in addition to the information to be included pursuant to article 2:383d of the Civil Code, the value of any options granted to the Executive Board and the personnel and shall indicate how this value is determined.

- *Heineken does not grant options.*

II.3 Conflicts of interest

Principle

Any conflict of interest or apparent conflict of interest between the company and the Executive Board members shall be avoided. Decisions to enter into transactions under which Executive Board members would have conflicts of interest that are of material significance to the company and/or to the relevant Executive Board member require the approval of the Supervisory Board.

Best practice provisions

II.3.I An Executive Board member shall:

- a not enter into competition with the company;
- b not demand or accept (substantial) gifts from the company for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
- c not provide unjustified advantages to third parties to the detriment of the company;
- d not take advantage of business opportunities to which the company is entitled for himself or for his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.

- *Heineken applies this best practice provision.*

II.3.2 A member of the Executive Board shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, to the Chairman of the Supervisory Board and to the other members of the Executive Board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The Supervisory Board shall decide, without the Executive Board member concerned being present, whether there is a conflict of interest. A conflict of interests exists, in any event, if the company intends to enter into a transaction with a legal entity

- i in which a member of the Executive Board personally has a material financial interest;
- ii which has an Executive Board member who has a relationship under family law with a member of the Executive Board of the company, or
- iii in which an Executive Board member of the company has a management or supervisory position.

- *Heineken applies this best practice provision.*

II.3.3 A member of the Executive Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the company.

- *Heineken applies this best practice provision.*

II.3.4 All transactions in which there are conflicts of interest with Executive Board members shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with Executive Board members that are of material significance to the company and/or to the relevant board members require the approval of the Supervisory Board. Such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that best practice provisions II.3.2 to II.3.4 inclusive have been complied with.

- *Heineken applies this best practice provision. In 2004 there were no transactions in which there were conflicts of interest with Executive Board members that were of material significance to the company and/or to any of the members of the Executive Board.*

III Supervisory Board

III.1 Role and procedure

Principle

The role of the Supervisory Board is to supervise the policies of the Executive Board and the general affairs of the company and its affiliated enterprises, as well as to assist the Executive Board by providing advice. In discharging its role, the supervisory board shall be guided by the interests of the company and its affiliated enterprises, and shall take into account the relevant interests of the company's stakeholders. The Supervisory Board is responsible for the quality of its own performance.

Best practice provisions

III.1.1 The division of duties within the Supervisory Board and the procedure of the Supervisory Board shall be laid down in a set of regulations. The Supervisory Board shall include in the regulations a paragraph dealing with its relations with the Executive Board, the General Meeting of Shareholders and the Works Council, where relevant. The regulations shall, in any event, be posted on the company's website.

- *Heineken applies this best practice provision.*

III.1.2 The annual financial report of the company shall include a report of the Supervisory Board in which the Supervisory Board describes its activities in the financial year and which includes the specific statements and information required by the provisions of this code.

- *Heineken applies this best practice provision.*

III.1.3 The following information about each Supervisory Board member shall be included in the report of the Supervisory Board: (a) gender; (b) age; (c) profession; (d) principal position; (e) nationality; (f) other positions, in so far as they are relevant to the performance of the duties of the supervisory board member; (g) date of initial appointment; (h) the current term of office.

- *Heineken applies this best practice provision.*

III.1.4 A Supervisory Board member shall retire early in the event of inadequate performance, structural incompatibility of interests, and in other instances in which this is deemed necessary by the Supervisory Board.

- *Heineken applies this best practice provision.*

III.1.5 Supervisory Board members who are frequently absent shall be called to account for this. The report of the Supervisory Board shall state which Supervisory Board members have been frequently absent from meetings of the Supervisory Board.

- *Heineken applies this best practice provision. The Supervisory Board considers an absence of two times or more per year as frequent.*

III.1.6 The supervision of the Executive Board by the Supervisory Board shall include:

- i achievement of the company's objectives;
- ii corporate strategy and the risks inherent in the business activities;
- iii the structure and operation of the internal risk management and control systems;
- iv the financial reporting process;
- v compliance with the legislation and regulations.

- *Heineken applies this best practice provision.*

III.I.7 The Supervisory Board shall discuss at least once a year on its own, i.e. without the Executive Board being present, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the Supervisory Board shall also be discussed. Moreover, the Supervisory Board shall discuss at least once a year without the Executive Board being present both the functioning of the Executive Board as an organ of the company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. Reference to these discussions shall be made in the report of the Supervisory Board.

- *Heineken applies this best practice provision.*

III.I.8 The Supervisory Board shall discuss at least once a year the corporate strategy and the risks of the business, and the result of the assessment by the Executive Board of the structure and operation of the internal risk management and control systems, as well as any significant changes thereto. Reference to these discussions shall be made in the report of the Supervisory Board.

- *Heineken applies this best practice provision.*

III.I.9 The Supervisory Board and its individual members each have their own responsibility for obtaining all information from the Executive Board and the external auditor that the Supervisory Board needs in order to be able to carry out its duties properly as a supervisory organ. If the Supervisory Board considers it necessary, it may obtain information from officers and external advisers of the company. The company shall provide the necessary means for this purpose. The Supervisory Board may require that certain officers and external advisers attend its meetings.

- *Heineken applies this best practice provision.*

III.2 Independence

Principle

The composition of the Supervisory Board shall be such that the members are able to act critically and independently of one another and of the Executive Board and any particular interests.

Best practice provision

III.2.1 All Supervisory Board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.

- *Heineken endorses the principle and Heineken considers the members of the Supervisory Board as independent. In a strictly formal sense however, three members of the Supervisory Board do not meet the applicable criteria.*

III.2.2 A Supervisory Board member shall be deemed to be independent if the following criteria of dependence do not apply to him. The said criteria are that the Supervisory Board member concerned or his wife, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree:

- has been an employee or member of the management board of the company (including associated companies as referred to in section 1 of the Disclosure of Major Holdings in Listed Companies Act (WMZ) 1996) in the five years prior to the appointment;
- *Mr. De Jong was prior to his appointment in 2002 member of the Board of Directors of Heineken Holding N.V. for one year. According to this criterion Mr. De Jong would not be independent. With reference to criterion f., which contains an exception for management board positions in a group company, Heineken does not consider this as an impediment to Mr. De Jong being independent.*

- b receives personal financial compensation from the company, or a company associated with it, other than the compensation received for the work performed as a Supervisory Board member and in so far as this is not in keeping with the normal course of business;
- *Mr. Das receives from Heineken Holding N.V. a financial compensation as Chairman of the Board of Directors of Heineken Holding N.V. Messrs. Van Lede and de Carvalho receive from Heineken Holding N.V. a compensation for attending the meetings of the Board of Directors of Heineken Holding N.V. These compensations are in keeping with the normal course of business. No other Supervisory Board member receives personal financial compensation from the company, or a company associated with it, other than the compensation received from the work performed as a Supervisory Board member.*
- c has had an important business relationship with the company, or a company associated with it, in the year prior to the appointment. This includes the case where the supervisory board member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary and lawyer) and the case where the supervisory board member is a management board member or an employee of any bank with which the company has a lasting and significant relationship;
- *In a strict sense also Mr. Das would not be independent, as he was a partner in a firm, which was appointed as a consultant to Heineken N.V. the year before his appointment in 1994. However Heineken does not consider this as an impediment to Mr. Das being independent.*
- d is a member of the management board of a company in which a member of the management board of the company which he supervises is a supervisory board member;
- *This criterion does not apply to any member of the Supervisory Board.*
- e holds at least ten percent of the shares in the company (including the shares held by natural persons or legal entities which cooperate with him under an express or tacit, oral or written agreement);
- *Mr. de Carvalho is married to Mrs. de Carvalho-Heineken (large shareholder and delegated member of the Board of Directors of Heineken Holding N.V.). Mrs. de Carvalho indirectly holds more than 10% of the shares in Heineken N.V. Heineken does not consider this an impediment to Mr. de Carvalho being independent.*
- f is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which holds at least ten percent of the shares in the company, unless such entity is a member of the same group as the company;
- *This criterion does not apply to any member of the Supervisory Board.*
- g has temporarily managed the company during the previous twelve months where Executive Board members have been absent or unable to discharge their duties.
- *This criterion does not apply to any member of the Supervisory Board.*
- III.2.3 The report of the Supervisory Board shall state that, in the view of the Supervisory Board members, best practice provision III.2.1 has been fulfilled, and shall also state which Supervisory Board member is not considered to be independent, if any.
- *As indicated in III.2.2, in a strictly formal sense, three members of the Supervisory Board do not meet the dependence criteria as set out in best practice provision III.2.2. However, Heineken does not consider this as an impediment to Messrs. De Jong, Das and de Carvalho being independent.*

III.3 Expertise and composition

Principle

Each supervisory board member shall be capable of assessing the broad outline of the overall policy. Each supervisory board member shall have the specific expertise required for the fulfilment of the duties assigned to the role designated to him within the framework of the supervisory board profile. The composition of the supervisory board shall be such that it is able to carry out its duties properly. A supervisory board member shall be reappointed only after careful consideration. The profile criteria referred to above shall also be fulfilled in the case of a reappointment.

Best practice provisions

III.3.1 The Supervisory Board shall prepare a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The profile shall be made generally available and shall, in any event, be posted on the company's website.

- *Heineken applies this best practice provision.*

III.3.2 At least one member of the Supervisory Board shall be a financial expert, in the sense that he has relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

- *Heineken applies this best practice provision. Heineken considers Messrs. De Jong, Risseeuw and Hessels as financial experts, in the sense that they have relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.*

III.3.3 After their appointment, all Supervisory Board members shall follow an induction programme, which, in any event, covers general financial and legal affairs, financial reporting by the company, any specific aspects that are unique to the company and its business activities, and the responsibilities of a supervisory board member. The Supervisory Board shall conduct an annual review to identify any aspects with regard to which the Supervisory Board members require further training or education during their period of appointment. The company shall play a facilitating role in this respect.

- *Heineken applies this best practice provision.*

III.3.4 The number of supervisory boards of Dutch listed companies of which an individual may be a member shall be limited to such an extent that the proper performance of his duties is assured; the maximum number is five, for which purpose the chairmanship of a supervisory board counts double.

- *Heineken takes the view that the decision on whether to apply this best practice provision should also be guided by the company's interest in terms of its ability to attract and retain skilled Supervisory Board members. Any departures from this provision will be mentioned in the annual report.*

III.3.5 A person may be appointed to the Supervisory Board for a maximum of three 4-year terms.

- *Given the structure of the Heineken group, the maximum appointment period will not be applied to members who are related by blood or marriage to the Heineken family or who are members of the Board of Directors of Heineken Holding N.V. For all other members Heineken applies the best practice provision.*

III.3.6 The Supervisory Board shall draw up a retirement schedule in order to avoid, as far as possible, a situation in which many Supervisory Board members retire at the same time. The retirement schedule shall be made generally available and shall, in any event, be put on the company's website.

- *Heineken applies this best practice provision.*

III.4 Role of the Chairman of the Supervisory Board and the Company Secretary

Principle

The Chairman of the Supervisory Board determines the agenda, chairs the Supervisory Board meetings, monitors the proper functioning of the supervisory board and its committees, arranges for the adequate provision of information to the members, ensures that there is sufficient time for making decisions, arranges for the induction and training programme for the members, acts on behalf of the Supervisory Board as the main contact for the Executive Board, initiates the evaluation of the functioning of the Supervisory Board and the Executive Board and ensures, as Chairman, the orderly and efficient conduct of the General Meeting of Shareholders. The Chairman of the Supervisory Board is assisted in his role by the Company Secretary.

Best practice provisions

III.4.1 The Chairman of the Supervisory Board shall see to it that:

- a the Supervisory Board members follow their induction and education or training programme;
- b the Supervisory Board members receive in good time all information which is necessary for the proper performance of their duties;
- c there is sufficient time for consultation and decision-making by the Supervisory Board;
- d the committees of the Supervisory Board function properly;
- e the performance of the Executive Board members and Supervisory Board members is assessed at least once a year;
- f the Supervisory Board elects a Vice-Chairman;
- g the Supervisory Board has proper contact with the Executive Board and the Works Council (or Central Works Council).

- *Heineken applies this best practice provision, with the exception of a part of criterion g: contact with the Central Works Council. This relates to the structure of the group. The Central Works Council operates on the level of Heineken Nederlands Beheer B.V., a subsidiary with a separate Supervisory Board.*

III.4.2 The Chairman of the Supervisory Board shall not be a former member of the Executive Board of the company.

- *Heineken applies this best practice provision.*

III.4.3 The Supervisory Board shall be assisted by the Company Secretary. The Company Secretary shall see to it that correct procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations and its obligations under the Articles of Association. He shall assist the Chairman of the Supervisory Board in the actual organisation of the affairs of the Supervisory Board (information, agenda, evaluation, training programme, etc.).

The Company Secretary shall, either on the recommendation of the Supervisory Board or otherwise, be appointed and dismissed by the Executive Board, after the approval of the Supervisory Board has been obtained.

- *Heineken applies this best practice provision.*

III.5 Composition and role of three key committees of the Supervisory Board

Principle

If the Supervisory Board consists of more than four members, it shall appoint from among its members an Audit Committee, a Remuneration Committee and a selection and appointment committee. The function of the committees is to prepare the decision-making of the Supervisory Board. If the Supervisory Board decides not to appoint an Audit Committee, Remuneration Committee or selection

and appointment committee, best practice provisions III.5.4, III.5.5, III.5.8, III.5.9, III.5.10, III.5.13, V.1.2, V.2.3 and V.3.1 shall apply to the entire Supervisory board. In its report, the Supervisory Board shall report on how the duties of the committees have been carried out in the financial year.

Best practice provisions

III.5.1 The Supervisory Board shall draw up a set of regulations for each committee. The regulations shall indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The regulations shall in any event contain a provision that a maximum of one member of each committee need not be independent within the meaning of best practice provision III.2.2. The regulations and the composition of the committees shall, in any event, be posted on the company's website.

- *Heineken applies this best practice provision.*

III.5.2 The report of the Supervisory Board shall state the composition of the individual committees, the number of committee meetings and the main items discussed.

- *Heineken applies this best practice provision.*

III.5.3 The Supervisory Board shall receive from each of the committees a report of its deliberations and findings.

- *Heineken applies this best practice provision.*

Audit Committee

III.5.4 The Audit Committee shall in any event focus on supervising the activities of the Executive Board with respect to:

- the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct;
- the provision of financial information by the company (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the annual accounts, forecasts, work of internal and external auditors, etc.);
- compliance with recommendations and observations of internal and external auditors;
- the role and functioning of the internal audit department;
- the policy of the company on tax planning;
- relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the company;
- the financing of the company;
- the applications of information and communication technology (ICT).

- *Heineken applies this best practice provision.*

III.5.5 The Audit Committee shall act as the principal contact for the external auditor if he discovers irregularities in the content of the financial reports.

- *Heineken applies this best practice provision.*

III.5.6 The Audit Committee shall not be chaired by the Chairman of the Supervisory board or by a former member of the Executive Board of the company.

- *Heineken applies this best practice provision.*

III.5.7 At least one member of the Audit Committee shall be a financial expert within the meaning of best practice provision III.3.2.

- *Heineken applies this best practice provision. Heineken considers the three members of the Audit Committee, Messrs. De Jong, Risseuw and Hessels all as financial experts, in the sense that they have relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.*

III.5.8 The Audit Committee shall decide whether and, if so, when the Chairman of the Executive Board (Chief Executive Officer), the Executive Board member responsible for Finance (Chief Financial Officer) the external auditor and the internal auditor, should attend its meetings.

- *Heineken applies this best practice provision.*

III.5.9 The Audit Committee shall meet with the external auditor as often as it considers necessary, but at least once a year, without Executive Board members being present.

- *Heineken applies this best practice provision.*

Remuneration Committee

III.5.10 The Remuneration Committee shall in any event have the following duties:

- a drafting a proposal to the Supervisory Board for the remuneration policy to be pursued;
 - b drafting a proposal for the remuneration of the individual members of the Executive Board, for adoption by the Supervisory Board; such proposal shall, in any event, deal with:
 - i the remuneration structure and
 - ii the amount of the fixed remuneration, the shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application;
 - c preparing the remuneration report as referred to in best practice provision II.2.9.
- *Heineken applies this best practice provision.*

III.5.11 The Remuneration Committee shall not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board of the company, or by a Supervisory Board member who is a member of the management board of another listed company.

- *Given the structure of the Heineken group and the character of the Board of Directors of Heineken Holding N.V., Heineken will not apply this best practice provision to the extent that the Remuneration Committee can be chaired by a Supervisory Board member who is also a member of the Board of Directors of Heineken Holding N.V. Currently the Remuneration Committee is chaired by Mr. Das, who is chairman of the Board of Directors of Heineken Holding N.V.*

III.5.12 No more than one member of the Remuneration Committee shall be a member of the management board of another Dutch listed company.

- *Heineken applies this best practice provision.*

Selection and Appointment Committee

III.5.13 The Selection and Appointment Committee shall in any event focus on:

- a drawing up selection criteria and appointment procedures for Supervisory Board members and Executive Board members;
- b periodically assessing the size and composition of the Supervisory Board and the Executive Board, and making a proposal for a composition profile of the Supervisory Board;
- c periodically assessing the functioning of individual Supervisory Board members and Executive Board members, and reporting on this to the Supervisory Board;

- d making proposals for appointments and reappointments;
- e supervising the policy of the Executive Board on the selection criteria and appointment procedures for senior management.
- *Heineken applies this best practice provision.*

III.6 Conflicts of interest

Principle

Any conflict of interest or apparent conflict of interest between the company and supervisory board members shall be avoided. Decisions to enter into transactions under which Supervisory Board members would have conflicts of interest that are of material significance to the company and/or to the relevant Supervisory Board members require the approval of the Supervisory Board. The Supervisory Board is responsible for deciding on how to resolve conflicts of interest between Executive Board, Supervisory Board members, major shareholders and the external auditor on the one hand and the company on the other.

Best practice provisions

III.6.1 A Supervisory Board member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, to the Chairman of the Supervisory Board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the Chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he shall report this immediately to the vice-Chairman of the Supervisory Board and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The Supervisory Board member concerned shall not take part in the assessment by the Supervisory Board of whether a conflict of interest exists. A conflict of interest exists in any event if the company intends to enter into a transaction with a legal entity

- i in which a Supervisory Board member personally has a material financial interest;
- ii which has an Executive Board member who has a relationship under family law with a member of the Supervisory Board of the company, or
- iii in which a member of the Supervisory Board of the company has a management or supervisory position.

- *Heineken applies this best practice provision.*

III.6.2 A Supervisory Board member shall not take part in a discussion and/or decision-making on a subject or transaction in relation to which he has a conflict of interest with the company.

- *Heineken applies this best practice provision.*

III.6.3 All transactions in which there are conflicts of interest with Supervisory Board members shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with Supervisory Board members that are of material significance to the company and/or to the relevant Supervisory Board members require the approval of the Supervisory Board.

Such transactions shall be published in the annual report, together with a statement of the conflict of interest and a declaration that best practice provisions III.6.1 to III.6.3 inclusive have been complied with.

- *Heineken applies this best practice provision. In 2004 there were no such transactions.*

III.6.4 All transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company shall be agreed on terms that are customary in the sector concerned. Decisions to enter into transactions in which there are conflicts of interest with such persons that are of material significance to the company and/or to such persons require the approval of the Supervisory Board. Such transactions shall be published in the annual report, together with a declaration that best practice provision III.6.4 has been observed.

- *Heineken applies this best practice provision. In 2004 Heineken did not enter into such transactions.*

III.6.5 The regulations of the Supervisory Board shall contain rules on dealing with conflicts of interest and potential conflicts of interest between Executive Board members, Supervisory Board members and the external auditor on the one hand and the company on the other. The regulations shall also stipulate which transactions require the approval of the Supervisory Board.

- *Heineken applies this best practice provision.*

III.6.6 A delegated Supervisory Board member is a Supervisory Board member who has a special duty. The delegation may not extend beyond the duties of the Supervisory Board itself and may not include the management of the company. It may entail more intensive supervision and advice and more regular consultation with the Executive Board. The delegation shall be of a temporary nature only. The delegation may not detract from the role and power of the Supervisory Board. The delegated Supervisory Board member remains a member of the Supervisory Board.

- *As regulated in the Articles of Association of Heineken N.V., the delegated Supervisory Board member, a position currently held by Mr. Das (Chairman of the Board of Directors of Heineken Holding N.V.), is consistent with this best practice provision, except insofar that the position is not temporary and is held for the term for which the member concerned is appointed by the General Meeting of Shareholders of Heineken N.V. Heineken considers that, as regulated by the Articles of Association of Heineken N.V., the post of delegated Supervisory Board member, which has been in existence since 1952, befits the structure of the Heineken group.*

III.6.7 A Supervisory Board member, who temporarily takes on the management of the company, where the Executive Board members are absent or unable to fulfil their duties, shall resign from the Supervisory Board.

- *Heineken applies this best practice provision.*

III.7 Remuneration

Principle

The General Meeting of Shareholders shall determine the remuneration of Supervisory Board members. The remuneration of a Supervisory Board member is not dependent on the results of the company. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of individual Supervisory Board members.

Best practice provisions

III.7.1 A Supervisory Board member shall not be granted any shares and/or rights to shares by way of remuneration.

- *Heineken applies this best practice provision.*

III.7.2 Any shares held by a Supervisory Board member in the company on whose board he sits are long-term investments.

- *Heineken applies this best practice provision.*

III.7.3 The Supervisory Board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by Supervisory Board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A Supervisory Board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the Chairman of the Supervisory Board. A Supervisory Board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

- *This best practice provision will be applied, provided, however, that the periodic notice will be given only once per year.*

III.7.4 The company shall not grant its Supervisory Board members any personal loans, guarantees or the like unless in the normal course of business and after approval of the Supervisory Board. No remission of loans shall be granted.

- *Heineken applies this best practice provision.*

III.8 One-tier management structure

Principle

The composition and functioning of a management board comprising both members having responsibility for the day-to-day running of the company (executive directors) and members not having such responsibility (non-executive directors) shall be such that proper and independent supervision by the latter category of members is assured.

Best practice provisions

III.8.1 The Chairman of the management board shall not also be and shall not have been an executive director.

III.8.2 The Chairman of the management board shall check the proper composition and functioning of the entire board.

III.8.3 The management board shall apply chapter III.5 of this code. The committees referred to in chapter III.5 shall consist only of non-executive management board members.

III.8.4 The majority of the members of the management board shall be non-executive directors and are independent within the meaning of best practice provision III.2.2.

- *Heineken has a two-tier management structure. Principle III.8 and the best practice provisions do not apply to Heineken.*

IV The shareholders and General Meeting of Shareholders

IV.1 Powers

Principle

Good corporate governance requires the fully-fledged participation of shareholders in the decision-making in the General Meeting of Shareholders. It is in the interest of the company that as many shareholders as possible take part in the decision-making in the General Meeting of Shareholders. The company shall, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders. The General Meeting of Shareholders should be able to exert such influence on the policy of the Executive Board and the Supervisory Board of the company that it plays a fully-fledged role in the system of checks and balances in the company. Any decisions of the Executive Board on a major change in the identity or character of the company or the enterprise shall be subject to the approval of the General Meeting of Shareholders.

Best practice provisions

IV.I.1 The General Meeting of Shareholders of a company not having statutory two-tier status (structuurregime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the Executive Board or of the Supervisory Board and/or a resolution to dismiss a member of the Executive Board or of the Supervisory Board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

- *The regulations of the binding nomination, as laid down in the Articles of Association are not fully in accordance with this best practice provision. In the General Meeting of Shareholders of 20 April 2005, it will be proposed to replace the statutory provision of a binding nomination by a non-binding nomination.*

IV.I.2 The voting right on financing preference shares shall be based on the fair value of the capital contribution. This shall in any event apply to the issue of financing preference shares.

- *Heineken N.V. has no financing preference shares.*

IV.I.3 If a serious private bid is made for a business unit or a participating interest and the value of the bid exceeds the threshold referred to in article 2:107a paragraph 1 (c), Civil Code, and such bid is made public, the Executive Board of the company shall, at its earliest convenience, make public its position on the bid and the reasons for this position.

- *Heineken applies this best practice provision.*

IV.I.4 The policy of the company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) shall be dealt with and explained as a separate agenda item at the General Meeting of Shareholders.

- *Heineken applies this best practice provision.*

IV.I.5 A resolution to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.

- *Heineken applies this best practice provision.*

IV.I.6 Resolutions to approve the policy of the Executive Board (discharge of Executive Board members from liability) and to approve the supervision exercised by the Supervisory Board (discharge of Supervisory Board members from liability) shall be voted on separately in the General Meeting of Shareholders.

- *Heineken applies this best practice provision.*

IV.I.7 The company shall determine a registration date for the exercise of the voting rights and the rights relating to meetings.

- *Heineken applies this best practice provision.*

IV.2 Depositary receipts for shares

Principle

Depositary receipts for shares are a means of preventing a (chance) minority of shareholders from controlling the decision-making process as a result of absenteeism at a General Meeting of Shareholders. Depositary receipts for shares shall not be used as an anti-takeover measure. The management of the trust office shall issue proxies in all circumstances and without limitation to the holders of depositary receipts who so request. The holders of depositary receipts thus authorised can exercise the voting right at their discretion. The management of the trust office shall have the confidence of the holders of depositary receipts. Depositary receipt holders shall have the possibility of recommending candidates for the management of the trust office. The company shall not disclose to the trust office information, which has not been made public.

Best practice provisions

IV.2.1 The management of the trust office shall enjoy the confidence of the depositary receipt holders and operate independently of the company, which has issued the depositary receipts. These matters shall be discussed explicitly during a meeting of holders of depositary receipts after this code enters into effect. The trust conditions shall specify in what cases and subject to what conditions holders of depositary receipts may request the trust office to call a meeting of holders of depositary receipts.

IV.2.2 The managers of the trust office shall be appointed by the management of the trust office. The meeting of holders of depositary receipts may make recommendations to the management of the trust office for the appointment of persons to the position of manager. No management board members or former management board members, supervisory board members or former supervisory board members, employees or permanent advisers of the company should be part of the management of the trust office.

IV.2.3 A person may be appointed to the management of the trust office for a maximum of three 4-year terms.

IV.2.4 The management of the trust office shall be present at the General Meeting of Shareholders and shall, if desired, make a statement about how it proposes to vote at the meeting.

IV.2.5 In exercising its voting rights, the trust office shall be guided primarily by the interests of the depositary receipt holders, taking the interests of the company and its affiliated enterprise into account.

IV.2.6 The trust office shall report periodically, but at least once a year, on its activities. The report shall, in any event, be posted on the company's website.

IV.2.7 The report referred to in best practice provision IV.2.6 shall, in any event, set out:

- a the number of shares for which depositary receipts have been issued and an explanation of changes in this number;
- b the work carried out in the year under review;
- c the voting behaviour in the general meetings of shareholders held in the year under review;
- d the percentage of votes represented by the trust office during the meetings referred to at (c);
- e the remuneration of the members of the management of the trust office;

- f the number of meetings held by the management and the main items dealt with in them;
- g the costs of the activities of the trust office;
- h any external advice obtained by the trust office;
- i the positions of the managers of the trust office;
- j the contact details of the trust office.

IV.2.8 The trust office shall, without limitation and in all circumstances, issue proxies to depositary receipt holders who so request. Each depositary receipt holder may also issue binding voting instructions to the trust office in respect of the shares, which the trust office holds on his behalf.

- *Heineken does not have depositary receipts of shares nor a trust office. Therefore the principle and the best practice provisions do not apply.*

IV.3 Provision of information to and logistics of the General Meeting of Shareholders

Principle

The Executive Board or, where appropriate, the Supervisory Board shall provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the Executive Board on the one hand and press and analysts on the other shall be carefully handled and structured, and the company shall not engage in any acts that compromise the independence of analysts in relation to the company and vice versa. The Executive Board and the Supervisory Board shall provide the General Meeting of Shareholders with all information that it requires for the exercise of its powers. If price-sensitive information is provided during a General Meeting of Shareholders, or the answering of shareholders' questions has resulted in the disclosure of price-sensitive information, this information shall be made public without delay.

Best practice provisions

IV.3.1 Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of webcasting or telephone lines. After the meetings, the presentations shall be posted on the company's website.

- *Heineken applies this best practice provision.*

IV.3.2 Analysts' reports and valuations shall not be assessed, commented upon or corrected, other than factually, by the company in advance.

- *Heineken applies this best practice provision.*

IV.3.3 The company shall not pay any fee(s) to parties for the carrying out of research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies.

- *Heineken applies this best practice provision.*

IV.3.4 Analysts meetings, presentations to institutional or other investors and direct discussions with the investors shall not take place shortly before the publication of the regular financial information (quarterly, half-yearly or annual reports).

- *Heineken applies this best practice provision.*

IV.3.5 The Executive Board and the Supervisory Board shall provide the General Meeting of Shareholders with all requested information, unless this would be contrary to an overriding interest of the company. If the Executive Board and the Supervisory Board invoke an overriding interest, they must give reasons.

- *Heineken applies this best practice provision.*

IV.3.6 The company shall place and update all information which it is required to publish or deposit pursuant to the provisions of company law and securities law applicable to it, on a separate part of the company's website (i.e. separate from the commercial information of the company) that is recognisable as such. It is sufficient for the company to establish a hyperlink to the website of the institutions that publish the relevant information electronically pursuant to statutory provisions or the stock exchange regulations.

- *Heineken applies this best practice provision.*

IV.3.7 If a right of approval is granted to the General Meeting of Shareholders by law or under the Articles of Association of the company (e.g. in the case of option schemes, far-reaching decisions as referred to in draft article 2:107a Civil Code), or the Executive Board or the Supervisory Board requests a delegation of powers (e.g. issue of shares or authorisation for the repurchase of shares), the Executive Board and the Supervisory Board shall inform the General Meeting of Shareholders by means of a 'shareholders circular' of all facts and circumstances relevant to the approval, delegation or authorisation to be granted. The shareholders circular shall, in any event, be posted on the company's website.

- *Heineken applies this best practice provision.*

IV.3.8 The report of the General Meeting of Shareholders shall be made available, on request, to shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the report in the following three months. The report shall then be adopted in the manner provided for in the Articles of Association.

- *A notarial record is made of the proceedings of the meeting, as provided for in the Articles of Association. Heineken considers it desirable to continue this practice. Therefore this best practice provision will be applied to the extent that it is consistent with a notarial record. The notarial record will be available no later than three months after the meeting.*

IV.3.9 The Executive Board shall provide a survey of all existing or potential anti-takeover measures in the annual report and shall also indicate in what circumstances it is expected that these measures may be used.

- *Heineken N.V. does not have anti-takeover measures.*

IV.4 Responsibility of institutional investors

Principle

Institutional investors shall act primarily in the interests of the ultimate beneficiaries or investors and have a responsibility to the ultimate beneficiaries or investors and the companies in which they invest, to decide, in a careful and transparent way, whether they wish to exercise their rights as shareholder of listed companies. Institutional investors shall be prepared to enter into a dialogue with the company if they do not accept the company's explanation of non-application of a best practice provision of this code. The guiding principle in this connection is the recognition that corporate governance requires a tailor-made approach and that it is perfectly possible for a company to justify instances of non-application of individual provisions.

Best practice provisions

IV.4.1 Institutional investors (pension funds, insurers, investment institutions and asset managers) shall publish annually, in any event on their website, their policy on the exercise of the voting rights for shares they hold in listed companies.

IV.4.2 Institutional investors shall report annually, on their website and/or in their annual report, on how they have implemented their policy on the exercise of the voting rights in the year under review.

IV.4.3 Institutional investors shall report at least once a quarter, on their website, on whether and, if so, how they have voted as shareholders in the General Meeting of Shareholders.

- *The principle and best practice provisions relate to institutional investors and not to Heineken.*

V The audit of the financial reporting and the position of the internal auditor function and of the external auditor

V.1 Financial reporting

Principle

The Executive Board is responsible for the quality and completeness of publicly disclosed financial reports. The Supervisory Board shall see to it that the Executive Board fulfils this responsibility.

Best practice provisions

V.1.1 The preparation and publication of the annual report, the annual accounts, the quarterly and/or half-yearly figures and ad hoc financial information require careful internal procedures. The Supervisory Board shall supervise compliance with these procedures.

- *Heineken applies this best practice provision.*

V.1.2 The Audit Committee shall determine how the external auditor should be involved in the content and publication of financial reports other than the annual accounts.

- *Heineken applies this best practice provision.*

V.1.3 The Executive Board is responsible for establishing and maintaining internal procedures, which ensure that all major financial information is known to the Executive Board, so that the timeliness, completeness and correctness of the external financial reporting are assured. For this purpose, the Executive Board ensures that the financial information from business divisions and/or subsidiaries is reported directly to it and that the integrity of the information is not compromised. The Supervisory Board shall see to it that the internal procedures are established and maintained.

- *Heineken applies this best practice provision.*

V.2 Role, appointment, remuneration and assessment of the functioning of the external auditor

Principle

The external auditor is appointed by the General Meeting of Shareholders. The Supervisory Board shall nominate a candidate for this appointment, for which purpose both the Audit Committee and the Executive Board advise the Supervisory Board. The remuneration of the external auditor, and instructions to the external auditor to provide non-audit services, shall be approved by the Supervisory Board on the recommendation of the Audit Committee and after consultation with the Executive Board.

Best practice provisions

V.2.1 The external auditor may be questioned by the General Meeting of Shareholders in relation to his statement on the fairness of the annual accounts. The external auditor shall therefore attend and be entitled to address this meeting.

- *Heineken applies this best practice provision.*

V.2.2 The Executive Board and the Audit Committee shall report their dealings with the external auditor to the Supervisory Board on an annual basis, including his independence in particular (for example, the desirability of rotating the responsible partners of an external audit firm that provides

audit services, and the desirability of the same audit firm providing non-audit services to the company). The Supervisory Board shall take this into account when deciding its nomination for the appointment of an external auditor, which nomination shall be submitted to the General Meeting of Shareholders.

- *Heineken applies this best practice provision.*

V.2.3 At least once every four years, the Supervisory Board and the Audit Committee shall conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the General Meeting of Shareholders for the purposes of assessing the nomination for the appointment of the external auditor.

- *Heineken applies this best practice provision.*

V.3 Internal auditor function

Principle

The internal auditor, who can play an important role in assessing and testing the internal risk management and control systems, shall operate under the responsibility of the Executive Board.

Best practice provision

V.3.1 The external auditor and the Audit Committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognisance of the findings of the internal auditor.

- *Heineken applies this best practice provision.*

V.4 Relationship and communication of the external auditor with the organs of the company

Principle

The external auditor shall, in any event, attend the meeting of the Supervisory Board, at which the annual accounts are to be adopted or approved. The external auditor shall report his findings in relation to the audit of the annual accounts to the Executive Board and the Supervisory Board simultaneously.

Best practice provisions

V.4.1 The external auditor shall in any event attend the meeting of the Supervisory Board, at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which annual accounts are to approved or adopted. The external auditor shall receive the financial information underlying the adoption of the quarterly and/or half-yearly figures and other interim financial reports and shall be given the opportunity to respond to all information.

- *Heineken applies this best practice provision.*

V.4.2 When the need arises, the external auditor may request the Chairman of the Audit Committee for leave to attend the meeting of the Audit Committee.

- *Heineken applies this best practice provision. The external auditor attends nearly all Audit Committee meetings.*

V.4.3 The report of the external auditor pursuant to article 2:393, paragraph 4, Civil Code shall contain the matters, which the external auditor wishes to bring to the attention of the Executive Board and the Supervisory Board in relation to his audit of the annual accounts and the related audits. The following examples can be given:

- a with regard to the audit:
 - information about matters of importance to the assessment of the independence of the external auditor;
 - information about the course of events during the audit and cooperation with internal auditors and/or any other external auditors, matters for discussion with the Executive Board, a list of corrections that have not been made, etc.
 - b with regard to the financial figures:
 - analyses of changes in shareholders' equity and results, which do not appear in the information to be published, and which, in the view of the external auditor, contribute to an understanding of the financial position and results of the company;
 - comments regarding the processing of one-off items, the effects of estimates and the manner in which they have been arrived at, the choice of accounting policies, when other choices were possible, and special effects of such policies;
 - comments on the quality of forecasts and budgets.
 - c with regard to the operation of the internal risk management and control systems (including the reliability and continuity of automated data processing) and the quality of the internal provision of information:
 - points for improvement, gaps and quality assessments;
 - comments about threats and risks to the company and the manner in which they should be reported in the particulars to be published;
 - compliance with Articles of Association, instructions, regulations, loan covenants, requirements of external supervisors, etc.
- *Heineken applies this best practice provision.*

Amsterdam, 21 February 2005

Heineken
NV