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Foreword



Jean-François van Boxmeer
Chairman Executive Board / CEO

Our perspective

It gives me great pleasure to present our new Sustainability Report on behalf of Heineken N.V. and the Heineken Group of companies (together 'Heineken').

Since our company was founded over 140 years ago, Heineken has always believed in the fundamental concept of sustainable growth and has always recognised that we need support from all our stakeholders, both at a global and local level, to achieve our business objectives and meet our obligations as a responsible corporate citizen.

After twenty years with Heineken, I am still proud to be part of our company. Having worked for operating companies in the so-called third, second and first world, I have experienced many different social and environmental challenges arising from different cultures, countries at different stages of development and the threats and opportunities presented to the private sector. I have also had first-hand experience of our employees' extraordinary ability to meet these challenges successfully. For this reason, I believe our Sustainability Report is, above all else, a tribute to the efforts of all our employees and a tribute to the value of embedding the idea of sustainability within our business. We cannot attribute our successes

Managing our responsibilities

in building sustainability to any one person, department or office. Our achievements are shared by all our employees and operating companies.

We have achieved a great deal over the past two years: sometimes as a consequence of central policy (for example, in reducing energy and water consumption, implementing our alcohol policy, the transposition of our code of business conduct and whistle-blowing procedure); more often driven by the conviction and efforts of local operating companies' management and staff sharing the efforts of Heineken in a responsible way and responding to the expectations of the world around us. Their conviction provides a guiding principle for our central corporate responsibility agenda. At this central level, we aim to address issues that present a threat or opportunity to the Group as a whole. We choose to leave local issues in the hands of those best equipped to deal with them – our local people – always, of course, with the active support of our head office at Heineken N.V. as needed.

I am also pleased by the recognition our sustainability performance has received. We have maintained our listing in the FTSE4Good Index and in 2005 were included in the Dow Jones Sustainability Index (DJSI) – in both the STOXX and the World Index. This means that according to the annual benchmark carried out by Sustainable Asset Management in Zurich, whose research is at the basis of the DJSI, Heineken is a sustainability leader in our sector. I am also proud to tell you that our previous Sustainability Report won the Dutch ACC Award.

Heineken is recognised as a company that takes its responsibilities seriously, and with this in mind, I wrote a letter to the Secretary General of the United Nations in December 2005, expressing our company's commitment to the UN Global Compact.

While we have achieved many successes, there are also areas that require further improvement. First of all, five colleagues lost their lives in work-related accidents (including road accidents) during 2004. In 2005 the number was six. This is of paramount concern for Heineken and on behalf of the Executive Board I would like to offer our sincere condolences to the friends and relatives they have left behind.

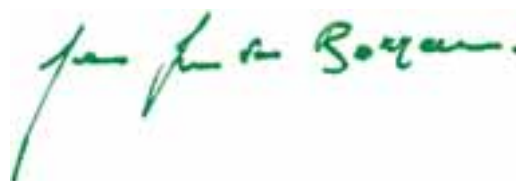
Secondly, the number of breweries still operating above our global ambition of maximum seven hectolitres water consumption per one hectolitre of beer produced is an area where we will take further action. And thirdly, our efforts in reducing accident frequency and severity will be intensified, as targets set for 2006 are likely not to be met.

Given the growing demand for non-financial information from our stakeholders, we have completed this Sustainability Report in time to allow discussion of its content at our Annual General Meeting in April 2006. We have also decided to produce a full sustainability report every year from now on. This will help us to create a more flexible corporate responsibility agenda and to meet stakeholders' demands in good time and greater detail. We believe that the focus in this report on Heineken's different roles (publicly owned company, employer, producer, marketer, corporate citizen) and on the concrete activities we undertake in each of them, enhances accessibility.

All these improvements in our reporting ultimately serve a single goal: to give all stakeholders the information they need to challenge, question, support or partner with us.

We have achieved a lot over the past two years. Looking forward, in 2006 we will continue to work on our sustainability priorities – environmental care, business conduct, alcohol policy and supply-chain responsibilities. We will also be developing a number of interesting new programmes on other issues that add value to the business. As always, you are invited to join us in our efforts.

Along with my colleagues, I look forward to your valuable feedback and cooperation.



Amsterdam, 13 April 2006

02. Countries and brands

As at 1 January 2006

Reach

1. Western Europe

Heineken is Western Europe's largest and leading beer brewer. We have market leadership positions in the Netherlands, Spain and Italy and we are the number two player in France, Ireland and Switzerland. Heineken, and in some cases Amstel, are also brewed under licence or imported into several other Western European markets.

2. Central and Eastern Europe

Brau Union is Heineken's Central European operating company and the largest brewing group in Central Europe, leading in Poland, Austria, Romania, Slovakia, Bulgaria and Macedonia. Brau Union has also strong market positions in Hungary, Croatia and the Czech Republic. As one of the results of the new management structure, this region now includes Germany and Greece as well, which were previously reported in Western Europe. A number of acquisitions in the past have strengthened our position in Germany.

3. The Americas

Heineken has built a strong position in the Americas, with exports to the United States, Central America and the Caribbean. Heineken also owns a number of breweries in the Caribbean and Central America and has interests in and licensing agreements with several breweries in Central and South America.

The agreement of Heineken USA and FEMSA Cerveza in Mexico has made Heineken the exclusive national importer, marketer and seller of FEMSA's brands. Our interest in CCU has strengthened our position in Chile and Argentina.

4. Africa and the Middle East

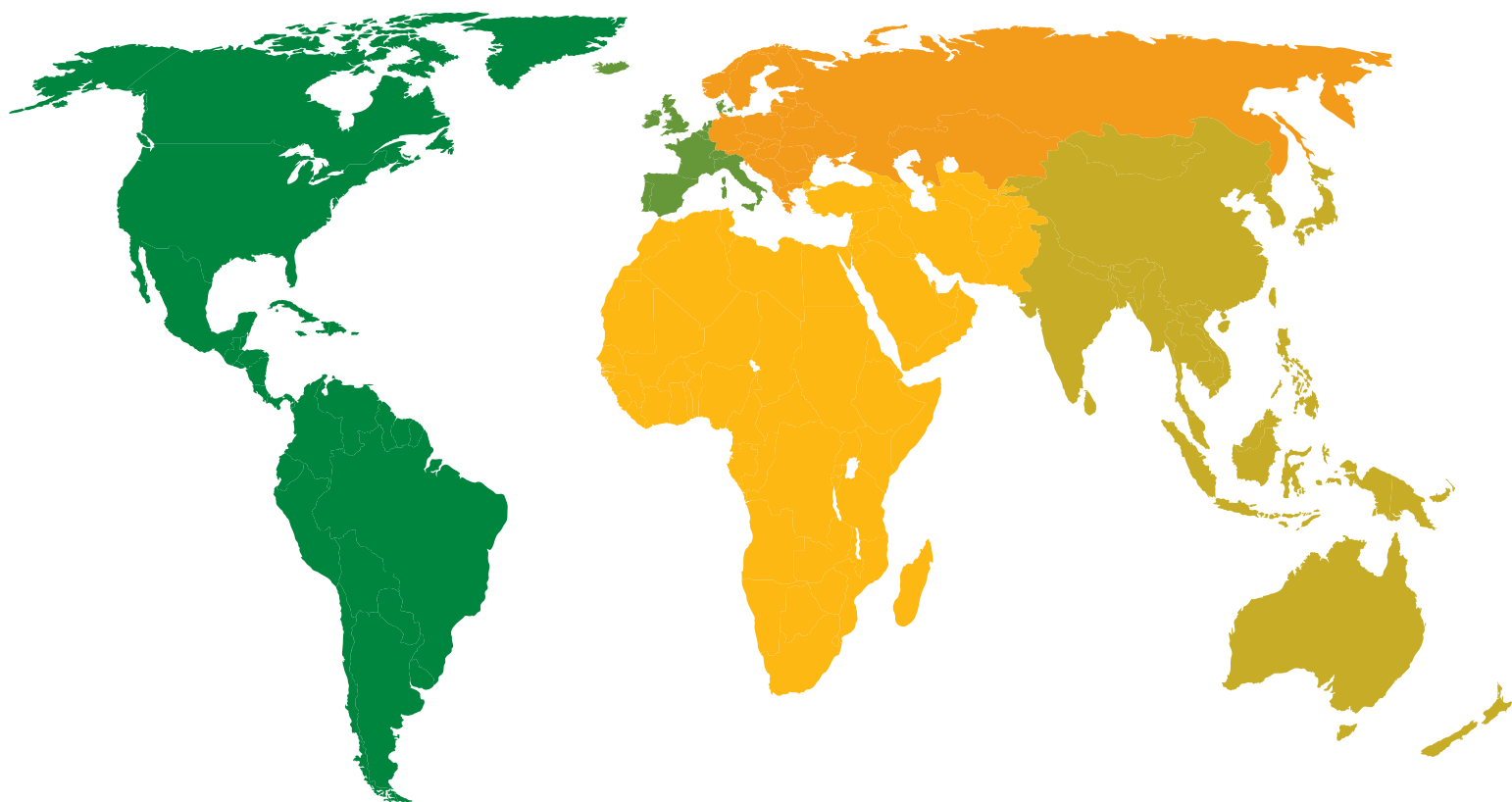
Heineken has owned breweries and has enjoyed substantial market positions in several African countries for more than 50 years. In Africa we brew a variety of local brands and in some countries Heineken and Amstel beer are also brewed locally. Most of the operating companies also produce and market soft drinks. In South Africa, Amstel is brewed and distributed under licence.

5. Asia Pacific

Underpinning our position in the region is our Singapore-based joint-venture with Fraser & Neave, Heineken-Asia Pacific Breweries (Heineken-APB). It operates twenty-three breweries in Singapore, Malaysia, Thailand, Vietnam, Cambodia, China, New Zealand, Papua New Guinea and Sri Lanka. Heineken is brewed at several of Heineken-APB's breweries throughout the region. In addition, we have our own breweries in Indonesia and on New Caledonia. We also import Heineken into the region and in some countries it is brewed under licence. Heineken beer has a strong market position, particularly in Thailand, Vietnam, Hong Kong, Australia, New Zealand, Singapore and Taiwan.

Geographical distribution of Group beer volume

In thousands of hectolitres	2005	2004	Change (%)
• Western Europe	32,181	32,482	(0.9)
• Central and Eastern Europe	45,468	42,591	6.8
• The Americas	15,123	14,546	3.9
• Africa and the Middle East	15,036	13,483	11.5
• Asia Pacific	10,802	9,526	13.4
Group beer volume	118,610	112,628	5.3



For a detailed listing visit www.heinekeninternational.com

Brands by region

Western Europe

Belgium

Affligem

France

Heineken, Adelscott, Amstel, Buckler, Desperados, Dorelei, "33" Export, Fischer tradition, Kriska, Murphy's Irish Stout, Pelforth, St. Omer

Ireland

Heineken, Amstel, Coors Light, Murphy's Irish Stout

Italy

Heineken, Amstel, Birra Messina, Birra Moretti, Budweiser, Classica von Wunster, Dreher, Ichnusa, McFarland, Murphy's Irish Stout, Prinz, Sans Souci

Netherlands

Heineken, Amstel, Brand, Lingen's Blond, Murphy's Irish Red, Vos, Wieckse

Spain

Heineken, Amstel, Buckler, Cruzcampo, Guinness, Kaliber, Legado de Yuste, Murphy's Irish Red

Switzerland

Heineken, Amstel, Calanda, Haldengut, Murphy's Irish Stout

Central and Eastern Europe

Austria

Heineken, Edelweiss, Gösser, Kaiser, Puntigamer, Schlossgold, Schwechater, Wieselburger, Zipfer

Bulgaria

Heineken, Amstel, Ariana, Stolichno, Zagorka

Croatia

Heineken, Desperados, Karlovacko

Czech Republic

Heineken, Hostan, Starobrno, Zlaty Bazant

Germany

Heineken, Hacker-Pschorr, Paulaner, Paulaner Weissbier, Kulmbacher, Monchshof, Sternquell-pils, Desperados, Karlsberg, Mixery, UrPils, Bären Pilsner, Fürstenberg, Riegeter, QOWAZ, Arnegger, Edel-Weizen, Export, Goldköpfe, Grape, Hefe Weißbier, Kräusen, Leicht, Maibock, Porter, Radler, Würzburgen Hofbräu, Werner Bräu, Lohrer Bier, Wächtersbachen

Greece

Heineken, Alfa, Amstel, Buckler, Desperados, Fischer McFarland, Murphy's Irish Stout, Zorbos

Hungary

Heineken, Amstel, Buckler, Gösser, Kaiser, Schlossgold, Soproni Aszok, Talleros, Zlaty Bazant

Kazakhstan

Heineken, Amstel, Tian Shan

Macedonia

Heineken, Amstel, Gorsko, Skopsko

Poland

Heineken, Krolewskie, Kujawiak, Lezajsk, Specjal, Strong, Tatra, Warka Jasne Pelne, Zywiec

Romania

Heineken, Bucegi, Ciuc, Gambrinus, Golden Brau, Gösser, Schlossgold, Silva

Russia

Heineken, Botchkarov, Ochota, Zlaty Bazant, Buckler, Guinness, Killkenny, Sobol, Zhigulevskoye, Sedoy Ural, Shikhan, Solyanaya Pristan, Okskoye, Rusich, Volga, Stephon Razin, Kalinkin, Ordinar, Patra, Strelets, Zhigulevskoye, Yantaznoe, Rizhkoye, Komanda, Gubernatorskoye Brandmayor, PIT, Docter Diesel, Ostmark, Three Bears, Gösser, Bavaria, Bitburger, Amur-Pivo

Slovakia

Heineken, Amstel, Corgon, Gemer, Kelt, Martiner, Zlaty Bazant

The Americas

Argentina

Heineken, Budweiser, Cordoba, Rosario, Salta, Santa Fe, Schneider

Bahamas

Heineken, Guinness, Kalik, Vitamalt

Brazil

Heineken, Bavaria, Kaiser, Santa Cerva, Summer, Xingu

Chile

Heineken, Cristal, Escudo

Costa Rica

Heineken, Bavaria, Imperial, Pilsen, Rock Ice

Dominican Republic

Heineken, Presidente

Haiti

Guinness, Malta, Prestige

Jamaica

Heineken, Dragon Stout, Guinness, Red Stripe

Martinique

Lorraine, Malta, Porter

Nicaragua

Bufalo, Tona, Victoria

Panama

Cristal, Guinness, Panama, Soberana

St. Lucia

Heineken, Guinness, Piton

Surinam

Heineken, Parbo

USA

Heineken, Amstel

Africa and the Middle East**Burundi**

Amstel, Primus

Cameroon

Amstel, Dynamalt, Mutzig

Congo

Amstel, Guinness, Maltina, Mutzig, Ngok, Primus, Turbo King

Democratic**Republic of Congo**

Amstel, Guinness, Maltina, Mutzig, Primus, Turbo King

Egypt

Heineken, Birell, Fayrouz, Meister, Sakara, Stella

Ghana

Amstel Malta, Guinness, Gulder, Maltina, Star

Israel

Heineken, Gold Star, Maccabee, Malt Star, Nesher

Jordan

Amstel

Lebanon

Almaza, Amstel, Laziza

Morocco

Heineken, Amstel

Namibia

Heineken, Beck's, Guinness, Killkenny, Windhoek

Nigeria

Heineken, Amstel Malta, Gulder, Legend, Maltina, Star, "33" Export, Hi-malt

Réunion

Bourbon, Dynamalt

Rwanda

Amstel, Guinness, Mutzig, Primus

Sierra Leone

Heineken, Guinness, Maltina, Star

Asia Pacific**Cambodia**

ABC Stout, Anchor, Gold Crown, Tiger

China

Heineken, Reeb, Tiger, Anchor, Aoke, Kingway, BBOSS, Tongzhou, Changjiang

Indonesia

Bintang, Guinness, Bintang Zero, Fit 'n fun

Malaysia

Heineken, Anchor Ice, Baron's Guinness, Killkenny, Tiger

New Caledonia

Havannah, Number One

New Zealand

Heineken, Amstel, DB Draft, Export Gold, Monteith's, Tui

Papua New Guinea

Niugini Ice Beer, South Pacific Export Lager, SP Lager

Singapore

Heineken, ABC Stout, Anchor, Baron's, Tiger

Thailand

Heineken, Tiger

Vietnam

Heineken, Bivina, Tiger, Anchor Draft

06. What we said – what we have done

This section outlines our performance against the targets and commitments outlined in our Sustainability Report 2002-2003. For more detailed information please refer to the relevant sections in this report.

OUR PROMISE	OUR PERFORMANCE
<ul style="list-style-type: none"> Implementation of a stakeholder management system 	<ul style="list-style-type: none"> Stakeholder management has been implemented at head-office and piloted in some markets. Further roll-out has been postponed (see page 18)
<ul style="list-style-type: none"> Implementation and publication of our Code of Business Conduct 	<ul style="list-style-type: none"> The Heineken Code of Business Conduct has been introduced in 91 per cent of our operating companies (see pages 18–20)
<ul style="list-style-type: none"> Reduction in the number of breweries using more than seven hectolitres of water per hectolitre of beer 	<ul style="list-style-type: none"> The number of breweries using more than 7 hl of water per hl of beer increased from 23 in 2003 to 33 in 2005. The increase is due to new acquisitions. Actions to reduce their water consumption have been taken (see pages 28–29)
<ul style="list-style-type: none"> Reduction of the number of breweries discharging untreated waste water 	<ul style="list-style-type: none"> The number of breweries discharging untreated waste water increased from 30 in 2003 to 33 in 2005. Eleven sites were acquired without waste water treatment balanced by 4 sites, which started treatment and 4 plants that were divested (see page 30)
<ul style="list-style-type: none"> Completion of our waste water treatment plant building programme by 2012 	<ul style="list-style-type: none"> WWTPs in Kaduna (Nigeria) and Pointe Noire (Congo) were started up in 2005. The plant in Panama is planned to start up in 2006. Preparations have started for plants in Lagos, (Nigeria), Kinshasa (DR Congo) and Bujumbura (Burundi). As of the date of this report, our programme is on track (see page 30)
<ul style="list-style-type: none"> Improved recycling of co-products 	<ul style="list-style-type: none"> The registration and monitoring of co-products was improved substantially. Comparison with previous years is not reliable. In 2005 98 per cent of our brewers' spent grains was recycled, 86 per cent of our surplus yeast was recycled (see page 30)
<ul style="list-style-type: none"> Specific energy consumption 15 per cent lower by 2010 compared with 2002 	<ul style="list-style-type: none"> To date, we saved 3 per cent as compared with 2002. We will need to make considerable efforts if we are to achieve the planned reduction by 2010 (see pages 27–28)
<ul style="list-style-type: none"> Reduction in specific CO₂ emissions to 11.2 kg per hectolitre of beer by 2006 	<ul style="list-style-type: none"> The sum of direct and indirect CO₂ emissions decreased from 12.1 kg/hl (2003) to 11.3 in 2005. The target set for 2006 is likely to be met (see pages 27–28)
<ul style="list-style-type: none"> Improved reporting of CO₂ emissions 	<ul style="list-style-type: none"> Achieved. Reporting now includes purchased electricity and steam (see pages 27–28)
<ul style="list-style-type: none"> Closer employee involvement in the company 	<ul style="list-style-type: none"> A number of tools (e.g. culture survey and Teamtalk) were developed and successfully tested. Roll-out of these tools will take place in the next two years (see pages 51–52)
<ul style="list-style-type: none"> Reduction in accident frequency to 2.2 per 100 FTEs by 2006 	<ul style="list-style-type: none"> Accident frequency decreased from 3.5 per 100 FTEs in 2003 to 3.0 in 2005. With the current speed of performance improvement the target for 2006 is unlikely to be achieved. It is more realistic to strive to reach this target in 2008. We will continue to make this target a priority (see pages 49–51)
<ul style="list-style-type: none"> Reduction in accident severity to 40 working days lost per 100 FTEs by 2006 	<ul style="list-style-type: none"> Accident severity has fallen from 82 working days lost per 100 FTEs in 2003 to 62 in 2005. With the current speed of performance improvement the target for 2006 is unlikely to be achieved. It is more realistic to strive to reach this target in 2008 (see pages 49–51)
<ul style="list-style-type: none"> Worldwide implementation of our policy on beer promotion aimed at women within the business units which operate under Heineken's direct responsibility 	<ul style="list-style-type: none"> The results of a pilot study conducted and evaluated in Cambodia have been shared with all relevant parties. Results are being reviewed and further roll-out will take place after this review (see page 48)
<ul style="list-style-type: none"> Adoption of a structured approach to supply-chain responsibility 	<ul style="list-style-type: none"> The Heineken Supplier Code was adopted by the Executive Board in 2005. It will be fully implemented by early 2008 (see pages 32–33)
<ul style="list-style-type: none"> Familiarisation of new operating companies with Heineken's alcohol policy 	<ul style="list-style-type: none"> 80 per cent of marketing and sales departments were trained in the Rules & Guidelines for Responsible Commercial Communication (see pages 40–42)

OUR TARGETS AND COMMITMENTS

- Specific energy consumption 15 per cent lower by 2010 compared with 2002, simultaneously reducing our CO₂ emissions
- Completion of our waste water treatment construction programme by 2012 at the latest
- Continued improvement of the recycling of our by-products
- Implementation of our World Class Manufacturing programme in the area of safety and health
- Revision of the Heineken Rules & Guidelines for Responsible Commercial Communication, providing greater clarity regarding the use of new media in advertising and marketing before the end of 2006
- Introduction of 'Enjoy Heineken Responsibly' by all operating companies that have not yet started this programme in 2004 or 2005
- Extension of our Selling Beer Safely Programme to other relevant markets in 2006 and 2007
- Increase of our efforts to achieve an accident frequency of maximum 2.0 cases per 100 FTEs in 2008
- A decrease of accident severity to 40 lost days per 100 FTEs by the end of 2008
- Development of reporting indicators for supply-chain responsibility before 2006
- Training of purchasers in Group Purchasing and incorporation of the Supplier Code in the discussions with more than 50 per cent (in terms of purchasing value) of the suppliers doing business with Group Purchasing in 2006
- Development of Heineken positions on employee rights and development and testing of a self-assessment methodology in 2006
- Development and testing of a Heineken methodology for measuring economic impact in 2006
- Further development of a Heineken Base of the pyramid strategy before the end of 2006
- In cooperation with other Dutch Multi-national Enterprises, the development of reporting criteria that provide insight into Heineken's contribution to the realisation of the Millennium Development Goals before the end of 2006
- Launch of a school awareness programme in Spain, the Czech Republic and the United Kingdom, bringing together parents, teachers and school children before the end of 2006

08. Heineken values and principles

At the heart of our commitment to all of Heineken's stakeholders is our commitment to increasing sustainability. Our aspiration is to deliver sustainable, superior results as the end result of our business practices.

Our Corporate Social Responsibility (CSR) programme is based on the Guidelines for Multi-National Enterprises produced by the Organisation for Economic Cooperation and Development (OECD). These guidelines are widely recognised as the international benchmark standard for CSR.

Within our company the Guidelines are translated as the Heineken principles – taking into account our three core values: respect, enjoyment and passion for quality. The Heineken principles are put into practice through the development and application of specific policies and the implementation of relevant CSR programmes.

This four-level approach to CSR is summarised in the graph below.

Current policies derived from our values and principles include, but are not limited to, the Alcohol Policy, the Safety, Health & Environment Policy, the Code of Business Conduct, the Whistle Blowing Procedure and the Supplier Code.

Values

We are proud of being one of the world's great beer companies and our three core values reflect our roots and heritage. These values are based on our passion for beer and our imminent respect for our employees, business partners, customers, shareholders and all others who are connected to our company. Our values are at the basis of and a guide for the way in which we conduct our business, and determine our policies on all subjects and issues.

Our core values are:

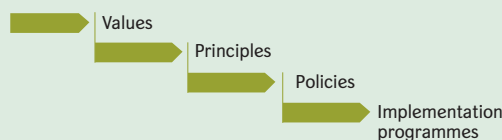
Respect for individuals, society and the environment

Enjoyment: we bring enjoyment to life

Passion for quality

Core values

Values and Principles
Four-level approach to CSR



1. Respect for individuals, society and the environment

Heineken sees itself as an integral part of the local and global communities in which it operates. This not only means that we respect the laws and regulations of the countries where we are active, but it also means that we respect international laws and norms. First and foremost, Heineken acknowledges the fundamental human dignity and basic rights on which the Universal Declaration of Human Rights is based. This is reflected, among other things, in the respect we have for the differences in people, cultures and beliefs. We are very much aware of our responsibility towards our operating environment: spearheads of our accountability management include our highly evolved alcohol and environmental policies.

2. Enjoyment: we bring enjoyment to life

Heineken makes life more enjoyable. We do this through brewing some of the world's greatest beers and then marketing them responsibly through innovative sponsorships, advertising and promotions to adult consumers around the world. Our sponsorship portfolio, which spans sports, music and the arts, includes many positive events that contribute to the enjoyment of many. We also encourage this core value within the working life and atmosphere within the company.

3. Passion for quality

Heineken has a fundamental belief in the concept and delivery of quality in everything it does or produces. It goes without saying that this applies to our brands, but it is also reflected in our other activities such as our social and employment policies. We believe that through being a 'quality' employer and investing in our employees, we create benefit and value both for ourselves and our reputation and for those who work with us and depend on us for their livelihood.

Principles

In order to fulfil its business CSR ambitions Heineken has adopted the following principles:

General

Heineken is actively aware of its social responsibilities, participating in societies all over the world, and lives up to them.

For the continuity of the company, Heineken strives for a leading financial, environmental and social performance. To this end, investments in its workforce, its brands and its breweries are essential to the Heineken Company.

Heineken feels part of the communities in which it operates. It aims to make a valuable and sustainable contribution to local and global societies.

Heineken has committed itself to providing an excellent and sustainable return on the investment made by its shareholders. It values the support of all its investors and seeks to communicate with them regularly and openly, providing reliable and timely financial and other information.



10. Heineken values and principles (continued)

Rule of law

Heineken maintains a worldwide policy of compliance with laws and regulations. Heineken respects local cultures. It will adapt to local situations whenever possible, however, without prejudice to the Heineken values and principles or local laws and regulations.

Quality

Heineken assures that its products are produced according to the highest food safety standards. In the case that a product does not fully meet these standards, Heineken will not hesitate to take appropriate action. As for the use of raw materials, it is Heineken's policy to only use ingredients that are safe for human consumption.

Behaviour

In relationships with employees, customers and other stakeholders, reliability and integrity are essential preconditions. Heineken expects its employees to refrain from acts that may damage these preconditions.

Heineken strives to provide a high level of enjoyment to its customers and consumers. Heineken will market and distribute its products in a responsible way. Therefore Heineken will act in good faith when persuading a consumer to choose one of its products. This means that vulnerable groups will not be targeted. Heineken aims to provide comprehensive information about the advantages and the disadvantages of its products in order to facilitate a balanced consumer choice.

Heineken will be truthful to employees, customers, consumers, governments, financial institutions or other stakeholders. All information it gives will be correct and transparent.

Employees

Heineken aims to positively contribute to the well-being of its employees. It will take appropriate measures to continuously improve safety and health aspects within its facilities. Heineken will maintain a medical policy aimed at providing access to medical services for its employees and their families.

Heineken will keep in place a policy that is aimed at the development of skills in line with the natural talents of its employees. In relation to the appointment or career prospects of employees, Heineken will pay attention only to the suitability of the candidate (education, personality, skills, working experience) and his or her legitimate demands. Heineken will base its decisions regarding (future) employees solely on the basis of objective criteria. It respects reasonable personal convictions or qualities of (future) employees.

Heineken supports fundamental human rights in line with the legitimate role of business. It secures the human rights of its employees within its facilities. In the case of external violations of the human rights of its employees, Heineken will provide assistance to its best abilities.

Heineken believes that children should be able to play and learn. This means that Heineken will not employ children within its facilities. Heineken will develop programmes to eliminate the employment of children by its business partners.

Conflicts of interest

Heineken expects its employees to avoid conflicts between business and private interests, as well as the acceptance or donation of personal gifts that could influence the integrity of business decisions.

Competition

Heineken believes in the principle of fair competition. It will keep in place policies and programmes aimed at giving guidance to employees to ensure that they understand competition laws and act in compliance with them.

Corruption

Heineken believes that corruption must be eliminated from society. It will maintain appropriate policies and programmes aimed at reducing and avoiding corruption.

Environmental issues

Heineken aims to exercise due care with respect to the environment. It will pay specific attention to the consumption of raw materials, water, energy and other resources within its processes, as well as minimising waste emissions to the environment.

Compliance

It is everybody's individual responsibility to give a correct interpretation of these principles. Communication, the development of tools, individual advising and monitoring are Heineken's responsibilities. The Executive Board, Regional Presidents, Managing Directors, General Managers, Group Directors and (local) Management Teams have a specific responsibility, which is amongst others, expressed by exemplary behaviour and by initiating and assessing activities.

No employee will suffer negative consequences of bringing a breach or suspected breach of these principles to the attention of a senior manager.

About this report

This report is compiled using information sourced through our financial, environmental and social data systems. An overview of the scope of these three systems and their consolidation criteria can be found in appendix 5.

In this publication we report on the corporate responsibility priorities that we – as a Group – have set for our operations. We focus on Heineken's performance relating to five specific roles that we perform: a publicly owned company, a brewer, a marketer of products, an employer and a corporate citizen. The information in this report complements the (financial and governance) information in our Annual Report.

As part of our shift in focus towards the five roles defined above, we have altered the way information in this report is grouped when compared with our previous Sustainability Report, in which we reported on our economic, environmental and social performance. We are convinced that the new structure helps to make the information in this report more accessible and understandable.

Another new feature in the report is the use of 'zooms' or detailed accounts of areas that we have identified as core priorities, or that we know are of special interest to our stakeholders. This is why the printed report only contains a proportion of our sustainability performance data. A complete overview covering all financial, environmental and social performance data (covering both core and non-core issues) is available on our website www.heinekeninternational.com/responsibility.

Dialogue is the basis on which we believe we will achieve better and more relevant steps forward within the CSR arena. This report is designed to provide an overview of our recent achievements and future plans and we intend to use it as the basis for further dialogue with stakeholders. So, if you have any remarks or suggestions about its content or our wider sustainability programme, please contact us.

Email to: responsibility@heineken.com

or write to:

Heineken International
Group Corporate Relations
PO Box 28
1000 AA Amsterdam
The Netherlands

We have asked our external assurance provider, KPMG Sustainability, to focus their attention on the reliability of the key performance indicators for our core programmes (environment, safety, alcohol, business conduct and supply-chain responsibility) covered in this report. This implies that not all of the content of this report falls within the scope of the assignment given to KPMG. The KPMG Sustainability statement describes their assurance activities in greater detail. Both our assignment to KPMG Sustainability and their statement can be found in appendix 1 and 2.

The company

I believe that organisations can only survive in the long term if they conduct their business in a manner that earns acceptance from, and adds value to, society.



Our core value of respect requires that we listen carefully to the opinions voiced by our employees and external stakeholders and that we understand their expectations as part of our decision-making process. Providing stakeholders with relevant, transparent and timely information is important because it enables them to form realistic expectations of our business. I believe that organisations can only survive in the long term if they conduct their business in a manner that earns acceptance from, and adds value to, society. It is crucial therefore that we expand and maintain mechanisms and channels that allow two-way dialogue between our business and our stakeholders. Over the coming years seeking feedback and opinions and building structures that facilitate this will be critical elements of our sustainability agenda. I am fully committed to playing an active role in ensuring that this happens.



Sean O'Neill
Group Corporate Relations Director

Open dialogue

14. Chapter 1: The company (continued)

The Heineken company, which traces its roots to 1864, is one of the leading international brewers. Available in almost every country on the planet, the Heineken brand is the most valuable international beer brand.

Profile

The Heineken® story began in 1864, when Gerard Adriaan Heineken bought a brewery in the heart of Amsterdam. Over the subsequent 142 years, four generations of the Heineken family have strengthened and expanded our brands and our company in Europe and around the world.

Our business is about building great brands. In addition to our flagship Heineken brand, we also brew and sell more than 170 international premium, regional, local and specialty beers. Our Amstel brand is Europe's third-largest brand, while other famous brands in our portfolio include Cruzcampo®, Tiger®, Zywiec®, Birra Moretti®, Ochota®, Murphy's® and Star®.

Thanks to our global network, including over 115 breweries and distributors in more than 65 countries, we have the widest presence of all international brewers. The popularity of our beers is still growing daily, in relatively new and rapidly expanding beer markets such as Russia.

In Western Europe, we are the largest beer brewer and beverage distributor. We earn more than half of our sales there, whilst our wholesalers also distribute wine, spirits and soft drinks to the on-trade. We have now extended that leadership to Central and Eastern Europe and also have an international export operation, shipping beer

to major profitable markets such as the USA. In some markets, we also produce soft drinks.

We are committed to growth and we embrace innovation as a key component of our strategy in production, marketing communication, packaging and draught beer systems (one area in which we are an acknowledged leader). We work hard to make sure we always anticipate and meet consumers' changing needs.

We take our commitment to conduct business responsibly and in a sustainable manner very seriously, working to constantly expand our initiatives to combat alcohol abuse and misuse, while also setting and exceeding ever-higher standards in the social and environmental areas of our business.

Governance

The governance model for Heineken N.V. is explained fully in our Annual Report and in the Comply or Explain report that is available on our corporate website. In this chapter we outline the governance processes relevant to our corporate responsibility agenda.

The CEO and Chairman of the Executive Board is responsible for our corporate responsibility strategy. To support balanced decision making, we have installed the CSR Advisory Board,

comprising a number of leading Group Directors and two Regional Presidents. This Board is chaired by our CEO. It works to:

- encourage cross-fertilisation between Group departments on responsibility issues;
- identify CSR aspects in Group departments' activities and policies;
- advise the Executive Board on priorities, content and approach of policies;
- determine the level of involvement of Group departments in the CSR policy process;
- monitor the coherence and consistency of CSR policies and practices;
- review results.

At the operational level, our Group Corporate Relations Director holds final responsibility for our corporate responsibility agenda, which is managed and executed on a day-to-day basis by our Corporate Affairs and Corporate Relations teams.

The diagram below summarises our governance structure.

The CSR Advisory Board's most important task is to define the main areas of focus for our corporate responsibility agenda and developing interventions that will lead to improved company performance

in these areas. Measuring, benchmarking and stakeholder dialogue all help the CSR Advisory Board determine our priorities.

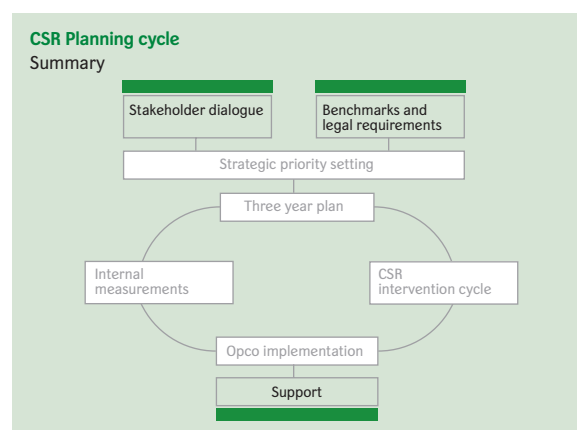
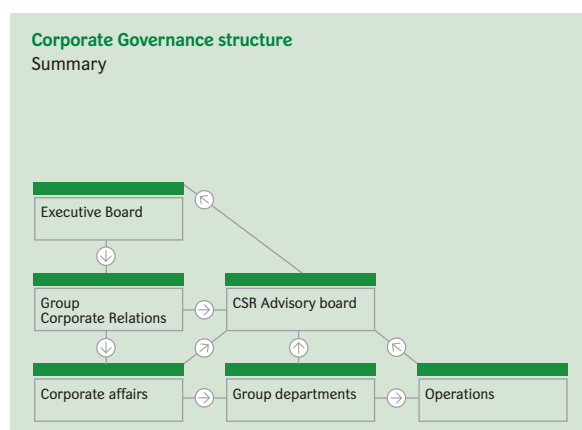
Policies and other interventions are implemented in our operations and their impact is measured and analysed. To assess their effectiveness, the CSR Advisory Board works closely with Group Internal Audit.

The diagram below summarises our CSR planning cycle.

Our governance process enables us to respond coherently at our corporate centre to real concerns raised by our stakeholders, taking into account the opinions of all relevant departments and operating companies. The process also allows us to embed corporate responsibility initiatives in our Group functional agenda.

Dialogue with stakeholders

In 2002, Nyenrode Business University carried out an extensive study of stakeholder opinions, questioning internal and external stakeholders about their perceptions and expectations on a number of important issues, including environmental management, alcohol, integrity and human rights. The results of this study formed the basis for the CSR agenda we set for 2003-2005.



Case study

Implementation of the Code of Conduct

Integrity

Heineken began implementing its Code of Business Conduct (CBC) in 2005 to help safeguard the integrity of its business decisions. The Code outlines specific rules on compliance with local laws, fraud prevention, how to deal with corruption, conflicts of interest and supply-chain responsibilities, which apply globally and at every level of the organisation.

The Code provides a general framework that can be adapted to meet local business conditions, requirements, cultures, styles and languages. In Italy, Heineken also used the implementation process to also comply with a set of local regulatory guidelines aimed at preventing unethical corporate practices and encouraging better internal control systems.

Implementation at Heineken Italia began in January 2005. Internal audit manager, Milan-based Massimiliano Turconi, was charged with coordinating the implementation projects, defining areas of risk, reviewing the work of external consultants and following up with the project managers.

“These are all relatively new topics in Italy, so while we’ve seen an enormous amount of interest from our subsidiaries, there’s also been a lot of explaining to do,” says Turconi. “It has taken a little time for everyone to understand how the new systems work and why they’re so important.”

The Code had to be adopted at Heineken’s 27 private Italian subsidiaries dotted around the country, many of which had been operating in nearly the same way for several years. The nine-month project was kicked off in February for the beer business (mainly Heineken Italia) and subsidiaries for the wholesale business (Partesa) with a cluster of six subsidiaries to start with and later extended. After briefing senior managers about the Code, systems were set in place, training was provided to mitigate risks and responses were defined for potential Code infringements.

“We mostly found our businesses were already following the spirit of the Code, but this meant they sometimes thought it wasn’t relevant to them,” he explains. “It has been a very healthy exercise because everybody is now very clear about their responsibilities and knows how to manage difficult situations.”

The project’s success has hinged on a strong commitment from senior managers who have helped raise employee awareness at all levels of the organisation. In this sense, the Code of Business Conduct requires a continuous information and training process, which includes regular articles in internal newsletters and dedicated training sessions for all new employees starting in the years to come.

It is still too soon to measure the effectiveness of the new Code’s procedures, but the first round of regular auditing work is already underway to ensure the systems continue to work properly. Looking ahead, Turconi believes this process will only become easier.

“We are done with the hard part now,” he says. “Awareness of the Code is extremely high and most of our employees, many of whom are quite young, really buy into it. The end result is that it has added a lot of value to being a Heineken employee.”

Throughout 2004 and 2005, we have maintained frequent contact with our stakeholders, learning more about their views concerning the role of multinational businesses and their expectations for the future. We have maintained dialogue with NGOs working in environmental protection and human rights, with various government agencies (including those responsible for healthcare, economic affairs and development) and also with investors, trade associations, competitors, trade unions, the European Works Council representing the European workforce of Heineken, universities and other knowledge institutes, the media, our employees, our customers and our suppliers.

Through dialogue with these stakeholder groups we have established that there is widespread support for our CSR agenda and that our efforts are seen as valuable. However, we have also learned that if we want to achieve our aims in a rapidly changing world we must be ready to adapt. Over the past two years our stakeholders have highlighted a number of areas where they would like to see us developing our activities:

- up-scaling of our sustainable barley farming project;
- better insight into our economic and social impact;
- stimulating economic development;
- contributing to the realisation of the Millennium Development Goals;
- a further extension of our activities regarding beer promotion women;
- the use of environmentally friendly cooling agents in point-of-sale equipment such as refrigerators;
- greater pro-activity in our approach to the issue of alcohol and society;
- a more structured approach to human rights issues;
- supply-chain responsibility.

We cover all of these issues in the relevant sections of this report. Over the coming years, we will determine how to respond to the demands and expectations raised. To help us further improve our understanding of stakeholders' concerns and requests we have agreed to participate in the RESPONSE research project that has been initiated by INSEAD, the Copenhagen Business School and other participating bodies.

In the context of this study, a large number of internal and external stakeholders will be interviewed, providing us with valuable insights into their concerns and expectations. This study will be concluded during 2006 and, together with feedback from our own stakeholder engagement,



Massimiliano Turconi, Internal Audit Manager at Heineken Italia.

The Code of Whistle Blowing

In December 2004, the Executive Board approved the Heineken Code of Whistle Blowing; a measure designed to help employees report any cases of serious wrongdoing or mismanagement, including infringements of the Code of Business Conduct, without fear of reprisal. The Code outlines three ways in which employees can report on an incident:

- to the line manager with direct responsibility for the incident;
- to a locally appointed Trusted Representative;
- via an external help line, allowing them to safeguard their anonymity should they wish so.
- mismanagement;
- abuse of authority;
- danger to public or worker health and safety;
- any other serious social misconduct;
- concealment of any malpractice.

When an employee wishes to raise a specific concern, he or she is encouraged to first discuss the matter with the direct supervisor or with the dedicated local Trusted Representative. At Heineken Italia, the Human Resources Director was appointed the Trusted Representative in December 2005.

"There have been very few examples of this being done in Italy," says Massimiliano Turconi. "We introduced it as an easy way of communicating employee concerns and our managers understand that it is something to help them – not something that's there to check up on them."

A serious wrongdoing or malpractice is:

- any serious breach of the provisions in the Heineken Code of Business Conduct;
- any breach of other applicable laws, rules or regulations, codes of practice or professional statements;

will help to form the basis for our CSR agenda during the period 2007 to 2010.

At a local level, 63 per cent of our operating companies report that they have contacts with NGOs and 43 per cent indicate that they participate in joint projects. To facilitate the process of stakeholder dialogue, some – including our businesses in the Netherlands, Nigeria, and our Central and Eastern European Region – have produced their own local or regional social or sustainability reports.

The roll-out of the Stakeholder Assessment and Management Tool we announced in our previous Sustainability Report has been postponed as we want to put in a broader perspective at a later stage. During 2006 we will assess how our operating companies can best use this tool in the context of their own CSR programmes. We believe the tool's effectiveness will be enhanced if it receives greater support from local CSR management.

Integrity

We consider integrity an essential prerequisite to any business transaction we undertake. To safeguard the integrity of business decisions taken at any level of our international operations, we have developed the Heineken Code of Business Conduct, first adopted in December 2004, and the

Heineken Code of Whistle Blowing. Both codes are published in full on our corporate website.

The Code of Business Conduct sets out company rules on compliance with local laws and regulations, fraud prevention, dealing with business gifts, corruption, conflicts of interest and supply-chain responsibility.

Our approach to business conduct provides a general framework for behaviour, which should be adapted to meet local business conditions and cultures. This allows operating companies to develop codes and methodologies that meet local requirements and match their own style, format and language. These local variations are checked for consistency with the framework code by our Business Conduct Review Committee.

This Committee consists of representatives from Group Control & Accounting, Group Corporate Relations, Group Internal Audit and Group Legal Affairs. Only approval from this Committee assures that an operating company is in compliance with our central code.

Over the past few years, we have run a number of pilot projects to refine our implementation methodology. The current system is based on a successful test at the Surinaamse Brouwerij (Surinam) in July 2004.

To enable operating companies to develop their own codes and implementation plans, a number of regional workshops were conducted, involving project principles and project managers from many different countries. These workshops took place during 2004 and 2005. To support the operating companies, a number of tools were developed.

The Code of Business Conduct Management Primer was created to ensure that local managers interpret the Code's provisions in a uniform way. This is important because employees are encouraged to consult local management when they face a dilemma regarding one of the subjects covered in their code.

The Primer was translated into a number of languages, including French, Italian and Russian. A detailed Implementation Manual was also published, outlining the steps any operating company must take when designing and introducing a country-specific code of conduct. A similar manual was introduced for the Code of Whistle Blowing, along with an electronic workbench that allows different operating companies to learn from each other.

At the close of 2005, 91 per cent of our operating companies had submitted their local transposition of the Heineken Code of Business Conduct for approval. In five operating companies, the

introduction had not yet started. These were Curacao and Pago, Austria (where codes were delayed due to reorganisations) and in Panama, Kazakhstan and Belgium (where we identified other priorities). All these operations are set to finalise their codes in the course of 2006. In total 67 per cent of the operating companies had obtained approval for their transposition before 31 December 2005.

Monitoring and control of implementation activities of local codes started in 2005 and will continue in the years to come. All operating companies are required to identify any functions considered to present an elevated risk when judged against the provisions of the Code, and ensure that proper training is provided in order to mitigate these risks. They must also keep all their employees fully informed about the Code.

Operating companies are also required to define response strategies to meet infringements of the Code and to identify possible sanctions. Starting 2007, they must prepare annual reports explaining how the Code functions and is maintained. These reports will be subject to both internal and external audit, while implementation plans are subject to approval by the Business Conduct Review Committee.

The Code of Whistle Blowing

In December 2004, The Executive Board approved the Heineken Code of Whistle Blowing; a measure designed to allow employees to report any incidence of serious wrongdoing or mismanagement (including infringements of the Code of Business Conduct) without fear of reprisal or any other detrimental consequences.

The Code outlines three ways in which employees can report an incident:

- to the line manager with direct responsibility for the incident;
- to a locally appointed Trusted Representative;
- via an external help line, allowing them to safeguard their anonymity should they wish to do so.

Cases with an international dimension, or which involve senior management, are referred to the Integrity Committee, based at our Corporate Head Office. The Integrity Committee consists of the Directors of Group Control & Accounting, Group Human Resources and Group Legal Affairs and the Manager Group Internal Audit. It is chaired by the Head of Corporate Affairs.

The Committee advises the Executive Board on any actions to be taken, following the issue of an internal report. Members of the Executive Board are accountable to the Chairman of the Supervisory Board for their adherence to the Code. In 2005, the Integrity Committee drew up its Terms of Reference outlining the procedures for dealing with internal reports.

All operating companies were required to fully implement the whistle blowing procedure together with their transposition of the Code of Business Conduct in 2005. Parallel to the Code of Business Conduct transposition, not all our operating companies have met this obligation yet.

Due to anticipated sensitivities, a general exception was granted to our operations in the Sub-Saharan region. A pilot project initiated in Burundi will provide further insights into the best way to implement the whistle blowing procedure in this part of the world. The project will be concluded in the first half of 2006.



The Dow Jones Sustainability Index

Launched in 1999, the Dow Jones Sustainability Indexes track the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes, STOXX Limited and SAM Group the indexes provide asset managers with reliable and objective benchmarks to manage sustainability portfolios.

The Dow Jones Sustainability World Index (DJSI World) covers the top 10% of the biggest 2,500 companies in the Dow Jones World Index in terms of economic, environmental and social criteria. As a benchmark for European sustainability investments, the Dow Jones STOXX Sustainability Index (DJSI STOXX) covers the leading 20% in terms of sustainability of the companies in the Dow Jones STOXX SM 600 Index. The Dow Jones EURO STOXX Sustainability Index (DJSI EURO STOXX) is the Eurozone subset of the DJSI STOXX and, thus, tracks the financial performance of sustainability leaders in this particular region.

Source: www.sustainability-index.com

Implementation of the Code of Whistle Blowing uses the same methodology (transposition and approval) as the Code of Business Conduct to ensure it is implemented in a uniform manner. In some instances, legal requirements presented an obstacle to uniformity. In some countries, legal requirements were even more stringent than our own policies, in others, such as France, the whistle-blowing procedure cannot be as elaborate as we would like it to be due to legal constraints.

It is too early to comment objectively on the effectiveness of the procedure, as the roll-out only started during 2005. At a central level, the Integrity Committee received two reports during 2005. One case, which involved the alleged protection of an employee caught embezzling a small amount of money by a management team member, was investigated then dismissed. A second report filed towards the end of the year was still pending at the close of 2005.



The FTSE4Good Index

The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards.

The management and the evolution of the FTSE4Good Index Series is placed under the direction of the FTSE4Good Policy Committee, an independent body of experts from the fields of corporate responsibility, fund management, academia and the business community. The FTSE4Good Policy Committee's role is to:

- act as an independent judge of the ability of constituent companies to meet the FTSE4Good Index Series criteria;
- oversee the consultation process undertaken to develop criteria;
- approve criteria revisions or new criteria.

Source: www.ftse.com

The brewer

We know that we alone cannot meet this challenge, but as a company with a long-term outlook, we are definitely willing to play our part.



Heineken has a long track record of continual improvement of environmental performance. This track record has been built on visionary leadership and the absolute acknowledgement that we are the stewards of this planet for future generations. It is our generation that has the responsibility to find a way of facilitating further economic development for an ever-growing world population without destruction of the ecosystems that feed and nurture us. As a consequence, the environmental performance of the private sector will become even more important. We know that we alone cannot meet this challenge, but as a company with a long-term outlook, we are definitely willing to play our part.



Marc Gross
Group Supply Chain Director

Water consumption

Case study

Save your energy

Energy benchmarking in Holland

Five years ago, Jaco Bakker, Manager of Safety, Health and Environment at Heineken's breweries in the Netherlands, installed solar panels on the roof of his house in Zoeterwoude to supplement his domestic power supply. It wasn't long before he noticed a dramatic effect on the reading on his electricity meter.

"After some time, the dial on the meter went down and I could see exactly how much energy I had saved from my normal supply just by using the solar panels," he recalls. "You could say that I do the same thing at Heineken as part of my job, only on a much larger scale. However, on the brewery floor it's a real challenge to stimulate people and show them how much energy they are helping to save and what that means for the company and to the environment."

One of Bakker's main jobs is to help coordinate a growing range of energy-saving and monitoring measures being implemented at Heineken's three Dutch breweries. Because brewing is a complex process that involves various production stages all with their own systems, the breweries have set out clear priorities and targeted specific long-term and short-term goals to ensure his efforts are successful.

A brewery needs energy both in the form of heat (thermal energy) and in the form of power (electricity). Heat is primarily needed for the boiling of the wort and pasteurisation after filling. On the other hand, cooling is needed during fermentation and lagering. In this sense, efforts are focused on the recuperation of expended heat at different stages that can be used to power other parts of the process.

"Sensible energy consumption has always been important at Heineken and we were one of the first within our industry to make a commitment to

reducing our energy consumption," says Bakker. "What we lacked until recently, however, was an objective international benchmark for determining where we stand and what we should target for."

Bakker continues: "Together with other Dutch breweries, we have now developed such a benchmark. This has proven of considerable value to us, both on the level of Heineken in the Netherlands and internationally, as Heineken also uses this benchmark to assess the performance of its other breweries."

In late 1997, the Netherlands and the European Union (EU) committed to reducing their greenhouse gas emissions at the Climate Conference in Kyoto by implementing key energy-saving systems. As part of this commitment, the Energy Efficiency Benchmarking Covenant was signed in 1999 between the Dutch government and local business as a voluntary agreement to become world leaders in terms of energy efficiency by 2012 when the first Kyoto commitment period will be closed.

Running almost in parallel to the Covenant is the EU's Emissions Trading Scheme, whereby energy-intensive industries are capped at specific carbon emission levels over a certain period. Companies that exceed their allocated levels will be forced to buy additional carbon credits on an open market, making the reduction of energy a key element of European companies' financial performance.

"These new requirements mean that it is now vital for companies to introduce energy-saving measures, not to mention the rising cost of energy itself," says Bakker. "This is much more than an environmental issue now – this is about saving energy in order to save money and remain competitive. Our senior managers consider this a priority issue for the company and we're already working hard on new measures that will be introduced over the next few years."

We are proud of being one of the world's leading beer brewers. We believe that beer forms part of an enjoyable lifestyle when consumed and marketed responsibly. We can only be proud though if we continually meet our obligation to society and consumers with regard to the responsible consumption of our beer.

Total Productive Management

Through recent changes to our corporate and regional structure, the Executive Board has established a new way of working; this new way must deliver tangible results and is expected to make Heineken a high-performance oriented organisation. In 2004, in order to support the company's growth agenda, three Company Strategic Programmes were selected, including the World Class Manufacturing Programme, which uses the Total Productive Management (TPM) methodology.

Our Group Supply Chain function has prepared plans and is responsible for coordinating a wide range of activities as part of this programme. A TPM department has been established in the function, while local TPM coordinators and a global external consultant are available to help our breweries establish TPM organisations and accelerate TPM activities to achieve their vision and targets.

TPM centres around a continuous, consistent quest to eliminate losses across all supply chain processes. This is central to the World Class Manufacturing Programme, which aims to transform Heineken into a customer-focused and systems-orientated organisation. One of the outcomes is the development of a competitive environment helping Heineken to achieve its financial goals through significant savings.

Most of the improvement teams are currently active in our bottling halls – analysing line stoppages to identify performance problems, then taking corrective action to improve efficiency. The number of teams involved depends largely on how long TPM implementation has been in place. The results of any improvements – on product quality, productivity and cost leadership, customer satisfaction, social responsibility and organisation and people development – are reported to Group Supply Chain on a quarterly basis.

To date, 88 per cent of our breweries are involved in the TPM programme and more than 200 people have completed TPM training. As part of this ongoing culture change, production and engineering staff are being encouraged to work more closely together, while greater responsibility is being awarded to employees at lower levels of the organisation.

A standard TPM toolbox was released in November 2005, while best practice procedures have been identified through audits and have been included in our knowledge management system. Savings have been identified through the increased Operational Performance Indicators (OPI) of our packaging lines. Decreases in material and extract losses have also been identified, but still need to be classified in a more tangible way through the use of our savings book tool.



Jaco Bakker, Manager of Safety, Health and Environment at Heineken's breweries in the Netherlands.

Sustainable energy

As a co-product of the brewing process, a large quantity of spent brewer's grains are left over at the end of the brewing process. Usually, these spent grains are used for cattle feed. A few years ago, Heineken carried out a research project that enables an alternative use for spent brewer's grains. Separation of spent brewer's grains into three fractions – water, proteins and fibres – allows for incineration of the fibres with energy recovery.

"If we were able to adapt this exiting new technology on a large scale, the brewing industry would be nearly self-sufficient for its energy requirements," says Bakker. "It could very well be that a greater independence from fossil fuels in the future would strengthen our competitive edge while at the same time contributing to a slowing down of climate change. It is this combination of doing good while doing well that keeps my job a most interesting one."

Our priorities for 2006 are to improve and roll-out tools, including an auditing and reporting tool that focuses on TPM sustainability and business results. We will also carry out further staff training and continue to encourage knowledge exchange.

Environmental performance

Introduction

This chapter covers all our production units (including breweries, maltings and soft-drink plants) except those referred to in appendix 3 (Reporting process).

Summary

This year, for the first time, we are reporting the specific consumption per hectolitre of beer plus soft drinks combined. In the past, these figures were reported separately. This change reflects our desire to report in a more concise manner. In some instances the change may have an effect on the reported data. This is addressed and explained where applicable.

Performance management system

Heineken aims to be ranked among the leading group of beverage companies as defined by Sustainability Asset Management for the Dow Jones Sustainability Index (DSJI). Heineken's score for the environmental dimension within the SAM research was 52 per cent in 2003, 70 per cent in 2004 (best in class for the beverage group) and 74 per cent in 2005 (best in class for the beverage group).

As an organisational stakeholder to the Global Reporting Initiative (GRI), their Reporting Guidelines (2002) are leading the way in which we report. We view the annual transparency benchmark of the Dutch Association of Investors for Sustainable Development (VBDO) as an important instrument. The number of points scored for the environmental indicators is as follows:

Report (years)	1998/1999	2000/2001	2002/2003
Score (points)	13	12	24
Max. score (points)	36	36	32

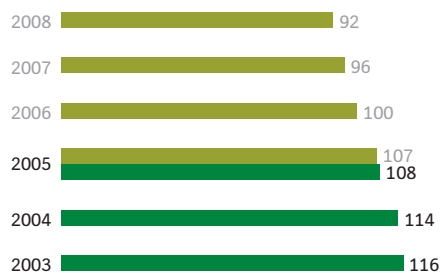
We strive to continuously improve our score. However, setting a specific target for the next few years is not possible as GRI will launch new reporting guidelines in 2006.

Our strategy to achieve our environmental targets is based on a strong performance measurement and improvement system, which was established in 2005 as part of the Heineken World Class Manufacturing Programme. Common environmental issues, such as the greenhouse effect, ozone layer depletion, acidification and nitrification, have been included in five main environmental parameters, which represent the most important risks and opportunities. These parameters are:

- thermal energy consumption; and
- electricity consumption;

Specific thermal energy consumption

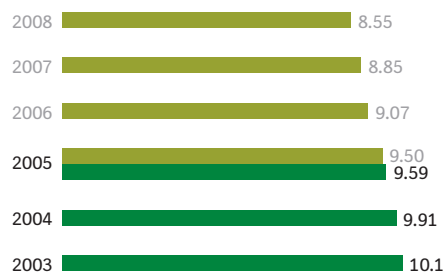
breweries and soft-drink plants



● Actual
● Target
MJ/hl beer + soft-drink

Specific electricity consumption

breweries and soft-drink plants



● Actual
● Target
kWh/hl beer + soft-drink

Reductions in both of these make an important contribution to slowing down climate change and combating price increases (for example, those due to CO₂ emissions trading).

- water consumption – important in reducing our dependency on water availability and in neutralising price increases;
- discharges of waste – to encourage recycling of as much of our residual materials as possible in order to prevent dumping and reduce the cost of waste discharge;
- the Eco Care Indicator – a complementary parameter that incorporates environmental management, renewable energy use, air emissions, waste water pollution prevention and high value re-use of by-products.

We score our performance against each of these five parameters on a scale that ranges from 'poor' to 'best in class' and then aggregate the five results to achieve one final score for our environmental performance. The indicators are visualised in the form of a pentagon, which also shows potential improvements. All scores (except for the Eco Care Indicator) are monitored on a quarterly basis and our production units are required to take action to achieve their targets. Improvement targets are agreed with each production unit as part of the three-year planning process that falls within our World Class

Manufacturing Programme. Internal benchmarking and the exchange of best practices helps all our production units to improve their performance.

Climate strategy

Our climate strategy covers two main objectives: reducing carbon dioxide emissions and reducing the use and emission of ozone-depleting substances.

Our total carbon dioxide (CO₂) emissions have increased slightly from 10.9 kg per hectolitre in 2004 to 11.2 kg per hectolitre in 2005. This reported increase results from a change in definition to include indirect CO₂ emissions originating from the import of steam. Without this correction the emission would have decreased to 10.6 kg CO₂ per hectolitre of beer.

Our thermal energy consumption has decreased from 114 MJ per hectolitre in 2004 to 108 MJ per hectolitre in 2005, a total which is just above our target of 107 MJ per hectolitre for 2005. The corresponding direct CO₂ emission went down from 7.65 kg CO₂ per hectolitre in 2004 to 7.15 kg CO₂ per hectolitre in 2005. The decrease results in part from the addition of soft drinks to the totals. Savings have been obtained in St. Petersburg (Russia), through the improved operation of a combined heat and power plant, and in 's Hertogenbosch, the Netherlands, due to improved heat recovery in the new brewhouse.

Total CO₂ emissions equivalents



● Direct emission from heat generation on site	63.3%
● Indirect emission from electricity of national grid	30.6%
● Indirect emissions from heat import	4.9%
● Global warming potential from lost refrigerants	1.2%

28. Chapter 2: The brewer (continued)

Our electricity consumption has decreased from 9.91 kWh per hectolitre in 2004 to 9.59 kWh per hectolitre in 2005. This total is just above the target for 2005 of 9.5 kWh per hectolitre. The inclusion of soft drinks plays an important role in this reduction. Further savings can be attributed to the optimisation of a cooling plant compressor in Ama (Nigeria) and the electricity-saving programme, which included initiatives such as a new lighting control system in Sharkia (Egypt). In addition, in Warka (Poland), the new boiler house consumes 50 per cent less electricity than the old one. The brewery in Lagos (Nigeria) excluded the electricity consumption by third parties in line with the reporting scope, which was not the case in 2004.

Indirect CO₂ emissions have increased from 3.3 kg CO₂ per hectolitre in 2004 to 4.0 kg CO₂ per hectolitre in 2005. This reported increase follows the inclusion of indirect CO₂ from the purchase of steam in our figures. Without this effect indirect emissions would have been slightly lower at 3.4 kg CO₂ per hectolitre of beer.

We are committed to save fuel and electricity through our Aware of Energy programme and consequently reduce our CO₂ emissions. Our target is a 15 per cent reduction over the period 2002 – 2010; to date we have achieved a 3 per cent saving and will need to make considerable efforts to meet our 15 per cent target by 2010.

Several of our production units participate in the European Union CO₂ emission trading scheme. For the year 2005 these units received rights for 298 ktons of CO₂, while 245 ktons were used.

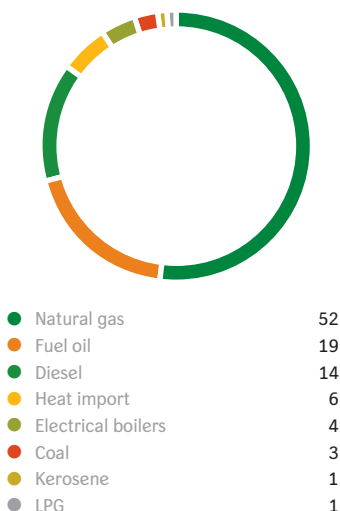
The proportion of renewable thermal energy utilised has remained stable at 1.5 per cent in 2005. This energy is mainly comprised of biogas from anaerobic treatment of waste water. The proportion of renewable electricity was 15 per cent of the consumed amount in 2005.

Emissions of ozone-depleting substances to air due to losses from our installations were reduced from 12.7 tonnes in 2004 to 8.4 tonnes in 2005, corresponding with 1,050 kg R11 equivalents in 2004 to 636 kg R11 equivalents. The lower losses are mainly the result of newly installed equipment and improvements in our cooling systems (for example in Bujumbura, Burundi and Ibadan, Nigeria).

Heineken has been invited to participate in the 'Refrigerants naturally' initiative, which Heineken has accepted. Greenpeace, along with companies including Unilever, PepsiCo, Carlsberg and Danone will exchange information about the development of systems with alternative refrigerants to move away from the use of HFCs.

Main energy sources used for heat generation

% of brewery and soft-drink plants



Water strategy

Water is an important raw material for our business and used as a utility for cleaning, cooling and heating. Our strategy aims primarily at reducing usage of utility water by carrying out cleaning processes more efficiently and improving heat exchange processes.

Well water accounts for 43 per cent of our needs, with 48 per cent of total volumes used coming from public utilities.

Our water consumption remained stable at 5.5 hectolitres per hectolitre in 2005, falling short of the 5.3 hectolitres per hectolitre target for 2005. The impact of including soft drinks figures was offset by an increase that resulted from the introduction of a more accurate method for defining water consumption: several production units have included cooling water for the first time this year. Water consumption also increased in Aba (Nigeria) and Valencia (Spain), due to decreased production and lower efficiency.

In 2005, 33 breweries still failed to comply with the maximum target of 7 hectolitre per hectolitre set out in our Aware of Water programme – three more than in 2004. The increase is the result of new acquisitions (in Egypt, Nigeria and Russia).

Waste strategy

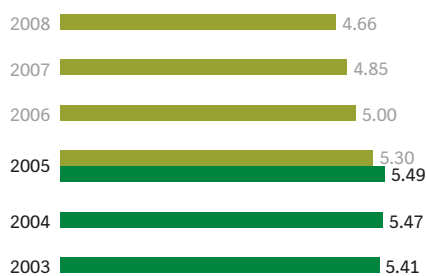
Our strategy regarding waste is to maximise the recycling of our residual materials. Residual materials consist of co-products, waste packaging materials and other industrial waste. In 2004 we recycled 95 per cent and in 2005 we recycled 94 per cent (excluding waste water treatment sludge and hazardous waste).

The environmental performance indicator is expressed as the amount of non-recycled industrial waste per hectolitre. This increased from 0.95 kg per hectolitre in 2004 to 1.08 kg per hectolitre in 2005. The target for 2005 of 0.70 kg per hectolitre was not met. The increase can, amongst other things, be attributed to poor recycling of brewer's spent grains in Lagos (Nigeria) and packaging waste in Port Moresby (Papua New Guinea). Unfortunately, it is not possible to recycle these major waste streams at either location. In addition, replacement of packaging materials (bottles in Bujumbura, Burundi, and pallets in Shanghai, China) caused an incidental increase in non-recycled waste production. In 2005 the way in which we report on waste has been standardised for all production units, making our reported waste data more reliable.

Eco Care Indicator

Other environmental issues are grouped under the Eco Care Indicator. About 30 environmental issues are aggregated in the Eco Care Indicator using

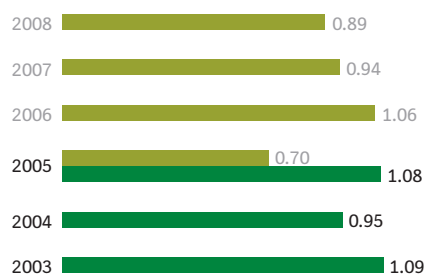
Specific water consumption
breweries and soft-drink plants



● Actual
● Target

hl water/hl beer + soft-drink

Specific non-recycled industrial waste production
breweries and soft-drink plants



● Actual
● Target

kg/hl beer + soft-drink

weighting factors. As this new environmental performance indicator was only established in 2005, targets will be set from 2007.

Environmental issues in the Eco Care Indicator are:

- the number of hectolitres under ISO 14000 has increased from 57 per cent in 2004 to 60 per cent in 2005;
- 27 breweries and soft-drink plants reported one or more violations of legal obligations in 2005, and €207,000 was paid in fines;
- 23 breweries and soft drink plants reported environmental accidents in 2005;
- the number of environmental complaints increased from 84 in 2004 to 89 in 2005;
- emission of acidifying gases:
 - NO_x reduced from 3,140 tonnes 2004 to 1,970 tonnes in 2005 (more accurate reporting of emissions from electricity generation and internal transport. Also a too high figure was reported by one of the sites in 2004);
 - SO_x increased from 2,490 tonnes in 2004 to 2,800 tonnes in 2005 (acquisitions and increased production volume);
 - ammonia losses reduced from 105 tonnes in 2004 to 74 tonnes in 2005 (technical improvements of installations and less overhaul/maintenance activities).
- 24 per cent of our breweries and soft-drink plants discharged untreated waste water in 2004 (25 plants) and 28 per cent in 2005 (33 plants); eleven sites were acquired which discharged untreated waste water. In the same period 4 units started waste water treatment and 4 units were divested;
- the effluent load discharged to surface water:
 - organic load increased from 127 ktonnes COD in 2004 to 139 ktonnes COD in 2005;
 - total nitrogen increased 627 tonnes in 2004 to 720 tonnes in 2005;
 - total phosphorous increased from 305 tonnes in 2004 to 429 tonnes in 2005.
- in 2005 the waste water treatment plants of Kaduna, Nigeria and Pointe Noire, Congo were commissioned;
- in 2005 98 per cent of the brewer's spent grains was recycled and 86 per cent of the surplus yeast;
- the non-recycled hazardous waste quantity slightly increased from 610 tonnes in 2004 to 710 tonnes in 2005;
- 75 sites (63 per cent) were PCB-free in 2005.

The bar chart below shows the average Eco Care Indicator scores per region and subject.

The results of the Eco Care Indicator are used for internal benchmarking, demonstrating the relative score of our production units on environmental sustainability and showing how their performance can be improved.

Sustainable farming

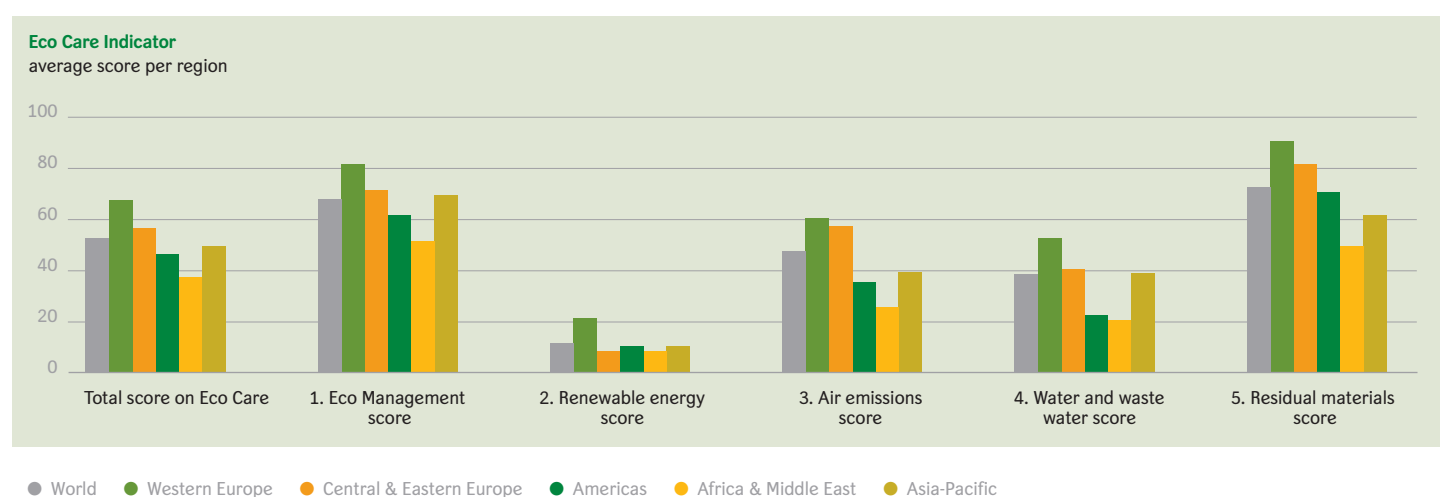
In our ten-year vision for raw materials use, we have stated the objective that a large part of our raw materials should be grown in a sustainable manner. After having exchanged ideas with various stakeholders (amongst others some leading NGOs in this area) about a possible approach, we have drawn up a concrete plan. This plan covers a three-year period 2003 – 2005 to carry out research into the practical opportunities offered by sustainable barley farming; to be followed up by periods devoted to scaling-up and implementation. This project refers to 'sustainable barley farming' and not 'sustainable barley' because it is impossible to regard barley as a separate crop in a system of crop rotation on the same soil.

With the enthusiastic participation of 10 barley farmers and a number of advisers, Heineken has developed a system that allows measurements to be made on the basis of internationally accepted sustainability indicators. The results provide a

means for control and development of sustainable agriculture at individual farms. The situation at the farms at the start of the project in 2003 has been determined through a zero measurement, while the direction of control for the various indicators has been determined together with the farmers so as to create a more sustainable situation.

In 2004, a plan was drafted and implemented by all participating barley farmers to move towards sustainability. Measurements made in the course of 2004 revealed possible effects, which, after evaluation, have been added to the sustainability plan drafted and implemented in 2005. The participating growers were supplied with any information considered necessary to enable them to develop their farms along the road towards sustainability. The farmers' autonomy has been fully respected throughout the process.

The participating barley farmers have familiarised themselves with the concept of sustainability. The third year was crucial in terms of key decision-making and adjustment of business operations. During this year, plans were finalised in detail (soil management, product value and crop protection), and all farmers extended their cropping plans to increase sustainability. The first calculations show that more than half of the farms will remain at least at the same level of income when using a sustainable cropping plan.



Sustainability measures affecting soil fertility, soil loss and nutrients have produced a real reduction in the amounts of nitrogen and phosphate used at a number of farms. The frequent use of green manure crops and the working in of straw made it possible for the soil structure improvement to become visible. In the field of crop protection, the measures included a different choice of agents, a reduction of doses and the use of air-supported spraying systems. These actions, in combination with a more extensive cropping plan, could have an impact on local bird populations, with the skylark, meadow pipit and yellow wagtail being spotted in larger quantities on the farms in the future. In 2005, nearly 80 per cent of the intended action points on crop protection were realised.

For Heineken, the project 'Skylark, sustainability understood' is a learning process on the way to sustainable barley farming. The nomination of the project for the 2005 Dutch CSR award (given in acknowledgement of socially responsible entrepreneurship) by the Ministry of Agriculture, Nature and Food Quality shows that the initiative is widely appreciated.

Meanwhile, a start has been made in scaling up the project. As part of a further Heineken initiative, customers, those processing products from participating farms and the growers, have started a joint venture called 'Friends in Rotation'. The word

rotation refers to the crop rotation taking place from year to year on the same plot of land. Discussion with our main suppliers about how to cover a larger proportion of raw materials is now underway.

Cooling agents

One of our environmental policies relates to cooling agents. In our breweries, we need cooling during the fermentation and lagering process. The cooling agent we use is predominantly ammonia (R717).

Cooling agents are also used in point-of-sale cooling-equipment such as refrigerators. We are currently looking at alternative cooling agents for refrigerators that are both ozone-friendly as well as greenhouse-friendly. In 2006, we will finalise a policy and implementation plan that will cover the introduction of environmental-friendly cooling agents in refrigerators.

Supply chain responsibility

In our Sustainability Report 2002-2003 and in the Update 2004 we explained that we were investigating how Heineken can best deal with supply chain responsibility. With the adoption of the Heineken Supplier Code at the end of 2005, this process has been finalised. Supply chain responsibility is a priority issue for many of our stakeholders and, in line with our Business Principles and recent actions, is also high on our own agenda.

Total Productive Management



Supply chain responsibility is not new to our company: certain environmental and social considerations have been part of our operating companies' criteria for many years.

Over the past two years, we have worked hard to define a coherent and consistent approach towards supply chain responsibility, and to be able to create a framework that in our opinion meets stakeholder requirements while also taking into account legal constraints and other purchasing realities. Our own Business Principles are central to this framework.

We state our principles on business integrity, human rights and environmental care explicitly and expect our suppliers to help us fulfil our commitments by reflecting similar principles in their own business practices. We further encourage them to comply with internationally recognised standards on business conduct, human rights and the environment with due consideration to the Heineken values and principles.

In practice, we will focus on cooperation to achieve our goals, rather than termination of contracts in instances of non-compliance although we will always reserve the right to take this ultimate course of action. We believe this approach goes much further towards creating a positive impact for a well-guided improvement programme than simply

telling suppliers they no longer qualify to do business with us.

Full implementation of our Supplier Code at our major central suppliers and major operating companies is estimated to take around two years. In 2006, we will develop material for our Group purchasers who will all be trained to incorporate the Supplier Code into business discussions.

We expect that by early 2007 we will have more knowledge about the practicalities of the Supplier Code with our major central suppliers and improvement actions taken or to be undertaken and are and will be in a position to decide on the further roll-out of our activities .

In 2006, we will also develop effective reporting indicators to allow our stakeholders to follow our progress in tackling this important issue.

The products

We are taking significant steps towards the marketing of responsibility itself as part of the way we communicate with consumers.



We are proud to be one of the world's great beer businesses. The Heineken brand is the most international beer brand in the world, enjoyed by consumers in more than 170 markets. I am honoured to have the responsibility with my commercial colleagues around the world for growing the reputation, equity and volume of our flagship brand through the introduction of innovations and new communications. Respect for the consumer and an acknowledgement of the dangers associated with the misuse of alcohol drives us to market our products in a responsible way. But we are moving further than simply marketing our brands responsibly. We are taking significant steps towards the marketing of responsibility itself as part of the way we communicate with consumers. I am committed to taking the message of responsible consumption seriously in our communication activities.



Peter van Campen
Director Group Commerce

Responsible marketing

Case study

Encouraging responsible drinking in the USA

Enjoy Heineken Responsibly

Heineken USA is committed to being at the forefront of efforts to encourage responsible drinking. The Enjoy Heineken Responsibly (EHR) campaign began in November 2004 to address responsible drinking challenges such as drunk driving, youth access to alcohol and alcohol abuse. This campaign was a natural evolution of the work that had been done in this field over many previous years.

A number of different initiatives have been developed around the campaign as part of Heineken's desire to inform consumers about responsible drinking and encouraging appropriate consumption. These range from working closely with communities, health care facilities, government agencies, local distributors and colleges, to providing useful online educational tools and public service announcements about the dangers of alcohol misuse.

"Offering our product in a responsible way isn't just the right thing to do, it's also the smart thing to do," says Suzanne Cosgrove, Corporate Responsibility Manager at Heineken USA. "Americans are sophisticated consumers and there's a lot of research that shows they are more likely to be loyal to companies that really care about their business environment and their impact on society."

In 2005, Heineken USA joined forces with the New York Presbyterian Healthcare System and the White Plains Hospital Center to form the Health Alliance on Alcohol as part of a national public initiative to bring attention to the problems of alcohol abuse and underage drinking.

The Alliance recently published Talking to Teens: Underage Drinking, the first of a series of nine educational booklets written by independent medical experts aimed at helping parents prevent these problems through effective communication with their children.

Heineken USA has also partnered to elicit suggestions from scores of college campuses across the USA for formulating responsible advertising messages to discourage alcohol abuse and misuse among youth.

In order to help ensure that none of its advertising even unintentionally has special appeal to those under the legal drinking age or appears to condone irresponsible drinking, Heineken USA established an independent advertising complaint review panel to review any complaints that Heineken consumer advertising violates applicable industry or company Code provisions on responsible marketing.

Drunk driving is also being addressed through dedicated awareness campaigns. Heineken frequently provides electronic age-verification systems and/or free taxicab rides at many of the events it sponsors. A 1-800 taxicab number was launched allowing anyone in the USA to instantly contact his or her local taxicab company free of charge.

Cosgrove believes 2007 will be an important year for governments, industry and public health organisations to further address alcohol-related problems and promote responsible consumption. For the time being, the EHR campaign is bringing some unexpected positive effects for Heineken USA employees.

"I've gotten many responses saying: I feel so good about working for a responsible company that is doing these sort of things," she says. "Some of our marketing managers who were cautious about this campaign to begin with now see how complementary it is to our marketing, because our customers as well as the public generally care about what we do!"

At Heineken we aspire to achieve superior results that are sustainable over time. The ability of Heineken to sustain those results, depends on our ability to innovate across products, packaging and drinking occasions.

Beer, a positive product

Our beers are 100 per cent natural, and brewed with great care. We use fine raw materials, malting barley and hops, cultivate high-quality yeast and brew according to proven recipes and specifications.

We think it is important to inform and educate our consumers about all aspects of our products and brands. In our experience consumers have many misconceptions about beer, especially in terms of its nutritional value and calorie content. A lot of people actually think that beer is fattening and unhealthy. But these perceptions are not in line with reality. In fact, the caloric value of beer is comparable with, or less than, other beverages. Beer is also rich in proteins and contains some important vitamins.

Scientific research shows that if it is consumed in moderation beer provides the same health benefits as wine. There is strong evidence that moderate drinkers above age 40 have, as a group, substantially reduced risk of heart attack and drinking beer does not make you fat if it is consumed in moderate amounts. There are also other potential benefits related to the natural ingredients of beer. The malted barley, hops and water contribute to a healthy, balanced diet and provide many essential vitamins and minerals.

Health is an important theme for governments, health organisations and consumers. In order to enable consumers to make the right choices, we think it is important to provide a complete and balanced view about both the alcoholic content and nutritional aspects of beer.

Through our Enjoy Heineken Responsibly programme (see page 40) we provide consumers with information about alcohol. We are currently looking into ways that we can inform consumers about the nutritional aspects of beer as well.

Brand and portfolio management

The Heineken brand is the world's most international beer brand, currently available in more than 170 countries. It is also the world's favourite beer brand in the top international premium segment. The Heineken brand's international profile and position is developed, supported and safeguarded by the Heineken Brand Team – part of our Group Commerce department. The volume of the Heineken brand accounts for about 20 per cent of our total Group volume.

The Amstel brand is Europe's third-largest brand, available in more than 90 countries. With its own taste characteristics and distinctive positioning compared to the Heineken brand, it attracts many loyal customers and consumers. The Amstel brand is positioned at the top-end of the mainstream



Suzanne Cosgrove, Corporate Responsibility Manager at Heineken USA.

Talking to teens

Parents have a powerful influence on the attitudes and behaviour of their children. Talking to Teens: Underage Drinking is the first in a series of educational booklets written by medical experts and published by the Health Alliance on Alcohol to help parents discuss alcohol abuse and underage drinking with their children.

It is available on the Enjoy Heineken Responsibly website but is also distributed by industry partners who take it into their local communities and hospitals that make it available in their waiting rooms. The idea is to give parents the best information available and the right mindset to discuss the use and misuse of alcohol with their children.

The booklet is divided into two main sections: facts and conversations. The first section outlines the basic information and statistics behind alcohol consumption, its effects on the body and its medical implications. The second half takes these facts and applies them to conversational guidelines for parents with children of different age groups; early, middle and late adolescence.

"This booklet has really put the issue on the map," says Suzanne Cosgrove, Corporate Responsibility Manager at Heineken USA. "We've received many positive compliments from industry partners and trade partners, employees, government representatives and most importantly, parents, who have told us they find this information is extremely useful."

segment. Because of the brand's strategic importance for our Company, it is also managed by our Group Commerce department. Sales of the Amstel brand account for roughly 10 per cent of our total Group volume.

The remaining 70 per cent of total Group volume is achieved through a portfolio of more than 170 international, regional and local beers; including brands such as Ochota® (Russia), Cruzcampo® (Spain), Zywiec® (Poland), Birra Moretti® (Italy), Bintang® (Indonesia), Christal® (Chile), and Primus® and Star® in African countries.

Our continuous focus on consumer needs drives and guides the development of new, innovative products. Consumers in some parts of the world want beers with reduced bitterness, reduced caloric value or reduced alcohol content. To meet these needs, we have developed products such as Amstel Pure Filtered® in Russia, Heineken Premium Light® in the USA or Lingens Blond® in the Netherlands. To meet the needs of consumers who prefer fuller flavoured beer (but for whatever reason do not want to drink alcohol) we market products such as Buckler® (international markets) or Bintang Zero® (Indonesia).

Barley is a cereal with a high nutritional value. Many of these nutrients find their way into our beers and also into products we have developed specifically

to supply a highly nutritional alcohol-free beverage to the consumer. Such products include: Amstel Malta® in Nigeria and Maltina® in the Democratic Republic of Congo. Both are low-sugar malt drinks enriched with vitamins B1, B2, B6 and C, as well as essential minerals.

Our soft-drink companies also develop products to meet specific consumer demands. For example, our Dutch soft-drink subsidiary Vrumona has been active in the development of improved-flavour, sugar-free soft drinks for many years. It has recently developed and marketed some exciting new products like Joy® – a still lemonade with no added sugar and reduced acidity to prevent dental problems for children.

Quality assurance

Brewing is a natural process in which the main ingredients are barley malt, water and hops. Malt is produced in maltings by steeping, germinating and drying barley. Also other grains, such as maize, rice or sorghum can be used during the brewing process. The raw materials used in our beers are required to meet high quality standards laid down in our recipes and specifications. The packaging materials in which our beers are sold are also subject to strict quality standards. Both raw materials and primary packaging must, as a minimum, comply with all statutory guidelines and a good Hazard Analysis and Critical Control Points

Caloric value of various beverages per 100 grams	Kcal
Beer	42
Orange juice	39
Soft drinks	39
Alcoholic mix drinks	65
White wine	70
Red wine	82
Whiskey	245
Milk	63

Source: Netherlands Nutrition Centre

(HACCP) system is mandatory for all suppliers of these goods. In order to assure the quality of raw materials and packaging materials, all our breweries have their own laboratories, in which entry checks are conducted in a systematic manner.

In accordance with Heineken's product integrity policy, appropriate measures are taken throughout our brewing and packaging process to prevent any product contamination. These measures include process controls such as our HACCP systems. All of our breweries are required to implement a coherent HACCP system regardless of whether or not this is mandatory under national law. Other process controls include the continuous monitoring of primary packaging during cleaning and filling, for example on leakage.

We work with farmers to minimise their pesticide usage and we pursue a biotechnology policy that prohibits the use of genetically modified raw materials. Adherence to this policy is regularly monitored in the context of our entry control. In addition, consumables must present no product safety hazard and we conduct audits throughout the total supply chain to identify and minimise risks. The water used by our breweries must comply with all EU or WHO drinking-water standards. To ensure that our beer reaches the consumer in perfect condition, we operate a freshness policy, which relates mainly to our distribution channels.

All products are coded so that they can be traced throughout the supply chain, allowing us to identify the source of any problems that arise.

The effectiveness with which these policy measures are implemented at local level is monitored centrally. Beer samples are analysed and tasted in a systematic manner by our local laboratories. For the Corporate (Heineken® and Amstel®) and non-Corporate brands additional sensory and analytical testing takes place in our central laboratory in Zoeterwoude, the Netherlands.

The 'best before' dates on samples of products offered for sale are also checked to ensure that the product delivered to the consumer is both safe and fresh. Every batch produced is subject to a monitoring of its taste characteristics over time. Consumer complaints are recorded and dealt with in accordance with our complaints procedure.

A recall is ordered if, despite all our efforts, a defective product finds its way to the market. In 2005, a total of nine recalls took place. These all concerned locally produced brands. The exception was a recall for the Amstel brand in Burundi, where, after receiving a complaint from a consumer, several hundred Amstel 65 cl. bottles were recalled. Other recalls took place in St. Lucia, where a batch of sub-standard local, branded beer was recalled following a technical defect in the brewery.

On the basis of our testing activities, Heineken producing breweries participate in an internal Quality Award programme. Market surveys and regular sampling results form the basis of this award. This quality award programme encourages our breweries to make an extra effort to give the consumer an excellent product.

Alcohol and society

Throughout recorded history, consumption of alcoholic beverages has been widespread in many cultures around the world. In the earliest societies alcohol became integrated into mythology, religion, ritual culture and economy. Today, drinking alcoholic beverages is an accepted social activity in many societies.

An ample body of research-based evidence suggests that, for most consumers, drinking beer responsibly contributes to a positive life style. At the same time Heineken recognises that irresponsible drinking may cause harm to the individual and to society. Irresponsible consumption is defined as drinking for the wrong reasons, at the wrong moments or drinking too much too often.

One of the fundamental principles of Heineken's Alcohol Policy is that, whilst individuals are responsible for their own drinking behaviour, Heineken has a commitment to help consumers understand what responsible and irresponsible consumption means. In November 2004 Heineken announced the introduction of the 'Enjoy Heineken Responsibly' initiative. In time, back labels on Heineken bottles and cans will carry the message: 'Enjoy Heineken Responsibly', along with an invitation to visit a dedicated website where consumers can obtain more information on the effects of alcohol and an explanation of what responsible consumption means.

To date, more than half of our operating companies have started to include the message and the link on the back labels of Heineken bottles and cans worldwide. The introduction of the 'Enjoy Heineken Responsibly' message takes place when the back labels due for replacement. Also secondary packaging like cartons and boxes will carry the message. The Amstel brand has already started implementing this initiative and after evaluation of the results, other brands are set to follow.



Providing general information is just one step. In addition, follow-up initiatives based on more targeted interventions are needed to promote responsible consumption or help prevent abuse/misuse.

Heineken USA has developed a number of such initiatives. In partnership with the New York Presbyterian Hospital, training material has been developed to help parents discuss the benefits and risks of alcohol consumption with their children. Various research studies have indicated that under-aged consumers are primarily influenced by their parents and then their peers. We believe that responsible consumption by parents themselves, along with parent-to-child education, is an effective way to encourage responsible consumption by young consumers above the legal drinking age.

Commercial communication

An important building block of our alcohol policy is our belief that we must promote responsible consumption through our advertising and promotions. Our advertising must never appear to condone irresponsible consumption.

We have set rules and guidelines for responsible commercial communication for almost forty years. As far back as the late 1960s we made it a point of company policy for our ads not to encourage alcohol misuse and to target only those above the legal drinking age.

Some public interest organisations advocate restrictions or total bans on the advertising of alcohol products. They argue that reducing advertising will reduce excessive consumption or other abuses. However, a considerable body of social research from around the world fails to support this argument.

Heineken believes that misuse of alcohol should be addressed via specific measures targeted at specific kinds of abuse. For example, driving while intoxicated (a clear example of irresponsible consumption) is being addressed via legislation, awareness campaigns and by the enforcement of regulations. The successful industry-promoted designated driver campaign called 'BOB', which originated in Belgium, is being implemented in 13 countries across Europe with support from the brewing industry.

In the past two years understanding of, and compliance with, our Rules and Guidelines on responsible commercial communications has been strengthened via presentations to management teams and through workshops for the marketing and sales discipline. The rules and guidelines cover all Heineken brands marketed worldwide. At the end of 2005 around 80 per cent of our operating companies had trained the marketing and sales management via workshops.

Four operating companies have reported that they have not yet run the training programme due to the fact that national law or the applicable self-regulatory codes are stricter than our policies, whereas one operating company has reported to have done the training on the beer code of the national beer association. This code is in line with the Heineken Rules & Guidelines. In two operating companies the training took place in 2004. Two operating companies are yet to perform this activity.

In 2005, a broader group of employees in the commercial discipline, representing around 90 per cent of the operating companies, received an electronic learning tool as a refresher. In 2006, our Rules and Guidelines for Responsible Commercial Communication will be revised, providing greater clarity regarding the use of new media in marketing and advertising.

Dialogue with society

Besides alcohol and work and responsible commercial communication, the third pillar of our Alcohol Policy stresses the need to sustain dialogue with government and health organisations in order to help promote responsible drinking and to help prevent abuse.

In 2004 the Muzzle website, which provides alcohol-related training for youngsters, was launched together with the Dutch Ministry of Health and De Volksbond, Rotterdam. Heineken has supported this project.

In 2006 a school awareness programme will be launched in Spain, the Czech Republic and the United Kingdom, bringing together parents, teachers and school children. This project helps to educate children on the effects of alcohol and is a result of cooperation between health organisations, government and industry. The project will be evaluated and if proven to be successful it may, in time, be introduced in other European countries.

The Amsterdam Group was founded in 1992 when the issue of alcohol and society was not yet on the agenda of the international alcoholic beverages industry. Because European trade associations have now become very actively involved in social issues related to alcohol use, the Amsterdam Group was

finally dissolved in November 2005. Co-ordination between sectors will continue through the European trade associations of the beer, wine, cider and spirits industry.

The resolution on public health problems caused by harmful use of alcohol, that was adopted by the World Health Organisation (WHO) on 25 May 2005, calls for consultation with our industry. Consequently, Heineken has played an active role in the 'Global Alcohol Producers Group', preparing a dialogue with the WHO. Dialogue is also being facilitated by the International Centre of Alcohol Policies (ICAP). A second facilitating role is played by ICAP through the organisation of self-regulation workshops in various regions of the world. This was a direct result of the WHO Geneva Industry meeting in 2002.

The year 2006 will be an important year for governments, industry and public health organisations in their efforts to strengthen partnerships that address alcohol-related harm and promote responsible consumption. We are prepared to play an active part.

The employees

One of the key success factors for Heineken is the long-term commitment from its employees to 'go the extra mile'. This commitment is rooted in a great sense of pride in our company and its brands.



New skills

Any company can buy the equipment and raw materials that we use, but that still wouldn't make them a successful brewing company. One of the key success factors for Heineken is the long-term commitment from its employees and the willingness to 'go the extra mile'. This commitment is rooted in a great sense of pride in our company and its brands. It is what we refer to as the green feeling. Like any other company, Heineken is in a continuous process of change caused by a continuous requirement to adapt to its business environment. One of our key objectives is to maintain this 'Heineken feeling' throughout these changes. We do this by developing and investing in the current and future leadership of the company, and by taking all our employees seriously and treating them with the respect they deserve.



Frans van der Minne
Group Human Resources Director

Case study

English courses at Dinal

Building talent

An ongoing commitment to staff training and development is at the heart of Heineken's international employment policy. At Heineken's Dinal brewery in the central Asian Republic of Kazakhstan, an initiative aimed at improving internal Group communications by building local English-language skills is adding long-term value to the company and its employees.

The Dinal brewery is located in the southern city of Almaty – Kazakhstan's second largest city, which is at the foot of the majestic Tian Shan mountains near the Chinese border. The brewery employs 270 workers who produce and distribute some 240,000 hectolitres of Amstel, Heineken and various national brands for the local market each year.

Elnara Ossipova was appointed HR Manager at Dinal in December 2004 to establish the company's first-ever Human Resources department. Ossipova fully expected to face some big challenges as she set out to build the function from the ground up, but never imagined language would be one of them.

"Kazakh is the official state language of Kazakhstan, while Russian is the official language of business," she explains. "I spent ever so many hours every week translating all our group documents from English – everything from e-mails to brochures. It was so inefficient and also a cultural barrier between our operations here in Kazakhstan and the rest of the Heineken Group."

The arrival of the General Manager Joost van Roon and the Chief Financial Officer Joy Gundran some months before had already set the tone for change. While they had started learning Russian upon their arrival, they felt strongly that as part of an international company, their subordinates should have a basic command of English. From 2003, English tutors were brought to the brewery to teach a group of 15 employees two hours of English each week.

Today almost 40 employees have signed up for the course that is divided into two basic levels: elementary and intermediate. Beginner students are taught basic grammar and pronunciation while more advanced students are offered a focus on business English to help them operate more effectively in a multinational corporate environment.

"We've had a tremendous response and a lot of enthusiasm from everyone because people feel supported in their work and these courses are expensive to do outside the company," says Ossipova. "There is also a long-term financial incentive; in Kazakhstan a chief accountant on the job market who knows English, for example, can find a job in an international company with better working conditions."

"What started out as a practical decision to bring Dinal closer to the Heineken Group has added tremendous value to being a Heineken employee in Kazakhstan," says Ossipova. Heineken's local reputation as an employer that offers competitive wages, good benefits, better chances for promotion and greater job security has been reinforced by the language-learning initiative, she explains, and this may help us to attract more talented job-seekers to Dinal.

Looking ahead, Ossipova plans to launch a 'Talking Club' at the brewery every Friday night so employees from all areas, as well as close friends and family members, can meet to practice their spoken English. "It will be a great opportunity for our students to interact in an informal setting because they don't always get many chances to elsewhere."

We want to increase sustainability in a way which supports the long-term health, safety and well-being of our employees, consumers, customers and the communities in which all our stakeholders live and work.

Health

Introduction

Over the years, Heineken International Health Affairs has developed and deployed many different initiatives and activities through its social responsibility programme. In our previous Sustainability Report we explained the role of this team in greater detail. Here, we provide an update on our performance as a business, focusing on areas in which we have taken further steps to improve the health of our employees and their dependants. Our employee clinics provide a large number of services, including antenatal services and health monitoring for children under five. We work with a number of other institutions, contributing to better health standards at national level.

In the safety section of this report, we comment on the number of employee fatalities in our production areas. In addition to these two fatalities, in 2005 a further four colleagues lost their lives while working for Heineken: two colleagues were killed in road accidents, one colleague drowned in the swimming pool of one of our guest houses whilst attending a training course and one colleague died of the consequences of a shooting accident. Road accidents are now the primary cause of fatalities in our company and our prevention activities are focused on addressing this fact.

Combat of HIV/AIDS, Tuberculosis and Malaria

Over the past two years our HIV/Aids policy has been developed and rolled out further. The management system has been set up in partnership with the NGO, Pharmaccess Foundation, ensuring that appropriate protocols and standards on voluntary testing, counselling and therapy are used. Twice-weekly telephone conferences and follow-up contacts are carried out. Information on policies and practices is shared with other multinational companies and NGOs.

Currently, over 8,000 voluntary HIV tests have been carried out within Heineken, of which 5,500 were completed during the period 2004-2005. Of 370 patients identified as sero-positive, 230 are currently receiving free HIV treatment. The remaining patients do not require treatment yet. Our HIV/AIDS programme has been expanded beyond Africa into Surinam. Here it will become local and regional best practice for Heineken and will serve as an example for other companies in the country.

Tuberculosis (TB), specifically the multi-drug resistant type, poses a health threat to our staff around the world, particularly those working in Russia. We are developing a standardised approach for detection, working with other companies if necessary. One of our Group Medical Advisers has



Elnara Ossipova, HR Manager at Dinal, at Zheti Kazyna, Almaty, Kazakhstan.

The library appeal

Reading and listening practice is crucial to any foreign-language learning experience. However, getting hold of English-language books and other reading materials in Kazakhstan can be difficult and expensive.

To help address this, Elnara Ossipova recently set up a small library in the building's training room. "The books or comic strips people are looking for aren't always available on the market in Kazakhstan so we try and share what we have. I've asked all our managers to bring along interesting books in English for the library if they no longer need them themselves."

Ossipova now wants to include a small video section as well where employees can access some of the latest films in English to watch at home. The main challenge, she explains, will be to find materials to fill the shelves. "It's going to be a slow process and in case you're wondering – yes, we will accept book and film donations!"

been elected as a member of the TB Board of the World Health Organisation, in recognition of our effective approach to tuberculosis prevention and treatment.

In response to the threat posed by malaria, we keep our staff aware of latest developments and new, more effective therapies. In African operating-companies, long-lasting bed nets, impregnated with an insecticide, are issued to employees and their dependants. Impact results already show promising results.

Selling Beer Safely

In some countries we use 'Beer Promotion Women' to carry out promotional activities. We recognise that these women – whether employed by Heineken or an agency – are in a vulnerable position, and for this reason have developed our Selling Beer Safely programme.

This programme was developed and tested in Cambodia during the period 2003-2005, in collaboration with the NGO CARE. The pilot study showed clearly that our activities led to improved health and safety for our female promotion staff in the country. Seven hundred women attended a three-day training (and subsequently a refresher day) during which they discussed a range of issues, including reproductive health and ways to deal with pressure from consumers to drink alcohol.

Lessons learned were evaluated and shared with local industry at a conference in May 2005. We have taken the decision not to implement the programme in other markets before a full evaluation is completed, but intend to extend the initiative into relevant markets during 2006 and 2007. We also aim to persuade our competitors to undertake similar activities and are currently working with other international brewers to investigate the feasibility of a standard approach across our industry.

Alcohol and work

The process of informing consumers about responsible consumption starts with our own employees. We want them to be the ambassadors of the company. They must know what the effects of alcohol are, what responsible consumption is, and when it is inappropriate to drink alcohol. Drinking alcohol and doing business do not mix. We train our employees, in particular our sales representatives in the on-trade markets, to deal with outside pressures to drink that they may face.

Over the past few years the Heineken Alcohol & Work Programme has been introduced in 33 operating companies, with 10 operating companies set to follow in 2006. For six operating companies the status is unknown. Specific efforts have been made to sustain programmes within our operating companies following their

Safety data on production units Heineken Group*

Parameters (absolute values)	Unit	2003	2004	2005	2006	2007	2008
Fatalities of company personnel	Cases	0	2	2			
Fatalities of contractor personnel	Cases	0	2	0			
Permanent disabilities of company personnel	Cases	15	2	2			
Fatalities of company personnel in commuting	Cases	1	1	2			
Parameters (absolute values)							
Accidents of company personnel	Cases	679	728	662			
Accidents of contractor personnel	Cases	82	90	101			
Lost days of company personnel	Days	16,244	15,730	13,582			
Production workforce (FTE)	FTE's	16,697	22,728	22,129			
Parameters (absolute values)		Achieved			Targets/Guides		
Accident frequency	Cases/100 FTE	3.5	3.2	3.0			
Targets accident frequency	Cases/100 FTE			2.4	2.7	2.3	2.1
Accident severity	Days/100 FTE	82	69	61			
Guide values accident severity	Days/100 FTE			46	49	42	37

* No reports received from Brau Holding Germany (Bad Brambach, Chemnitz, Karlsruhe, Kulmbach, München, Plauen, Rosenheim, Würzburg), Volga Brewery (Nizhny Novgorod), Soboi Beer (Novosibirsk) and Shikhan Brewery (Sterlitamak).

introduction. Such efforts include the use of posters, articles in internal magazines and the distribution of leaflets.

An important element of our alcohol and work policy in 2006 will be our employee alcohol-counselling programme. When absenteeism, a fall in the quality of work, or other indicators, make it apparent that an individual has alcohol-related problems, we will take action. In these circumstances treatment is offered.

Over the past two years, several operating companies have launched new initiatives to refresh employees' knowledge of the health effects of alcohol. These include a road safety and alcohol-training programme carried out at a racetrack in North Italy as well as a discussion session to encourage employees in Sierra Leone and Nigeria to be good ambassadors for Heineken. Our operating company in Croatia, has also started relevant management training in this area.

Safety

Safety performance in production

This chapter covers all of our production units (breweries, malting and soft-drink plants) except those referred to in appendix 3 (Reporting process).

Heineken deeply regrets the death of two of our employees as the result of work-related accidents

in 2005. One employee involved, died as the result of the injuries suffered during an accident in the brewhouse when he was burnt with hot wort during maintenance activities in our Egyptian production units in El Obour. A second employee was killed when he was hit by a truck on the premises of our brewery in Panama.

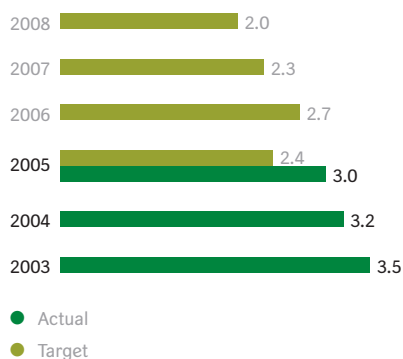
In 2004, two employee disabilities were reported followed by another two in 2005. All four resulted from accidents at work. The accidents in 2004 (at Kaduna, Nigeria and Badr, Egypt) both occurred when the employees involved slipped. In 2005, one accident leading to disability happened in Awo-Omamma (Nigeria) where an employee lost a segment of his index finger when he was trapped in a pump. The second case, reported in Seville, Spain was the consequence of an accident that happened in 2004, when an employee broke a leg when he was hit by a waste container. The employee was declared disabled in 2005.

Accuracy of accident reporting

Following questions put by our external assurance provider concerning the robustness of our accident reporting system, we have carried out investigations into its accuracy and effectiveness. Most of our production units (49 per cent) work with an electronic registration system (Lotus Notes Incident & Accident Database or Excel) while 37 per cent of our units still use a paper-based system.

Accident frequency

cases/100 FTE



The remaining 14 per cent use a different (electronic) system. A lot of effort and attention goes into ensuring that information is processed rapidly following accident registration. Thirty three per cent of all production units register accidents within 24 hours; 76 per cent do so within 72 hours.

In 86 per cent of our production units, responsibilities for accident registration have been clearly defined: making the safety engineer/coordinator, medical services department or human resources department accountable. In the remaining units accident registration is the responsibility of the management team or a combination of the departments and individual roles mentioned above.

The preparation of statistics for internal and external reporting systems is an important element of a critical management review. The accident statistics were used monthly or more frequently in 62 per cent of the production units.

Based on this investigation we conclude that our accident reporting systems provide a sound basis for our reporting, although we also recognise the need to strive for further improvements.

Safety performance

Heineken aims to achieve continuous reductions in its accident frequency rate. This is our key safety

parameter and consequently forms part of the Heineken World Class Manufacturing Programme.

Our accident frequency rate decreased from 3.5 accidents per 100 FTE in 2003 to 3.2 in 2004 and 3.0 in 2005. Most accidents, around 48 per cent, still occur in the bottling department. Significant improvements have been achieved in our Africa & Middle East and Americas regions, largely as the result of an increased focus on safety training and the use of personal protective equipment.

In 97 per cent of our production units, employees have completed basic safety training, while 47 per cent of the units also organise and run regular refresher sessions. Intensive training and awareness programmes have been run in a number of locations, including Badr (Egypt) and Zywiec (Poland).

In all production units, personal protective equipment has been provided to employees. Globally the use of personal protective equipment is more strictly controlled (in 88 per cent of the units the use of personal protective equipment is enforced, both for employees and contractors), and sanctions are frequently applied as the result of non-compliance (for example, in Beirut, Lebanon and Gitega, Burundi). In all, 68 per cent of our production units have applied sanctions in cases of non-compliance.

In 2004, the number of accidents involving contractor personnel increased. This remains a point of concern and attention for us.

We did not meet our target of 2.4 accidents per 100 FTE for 2005, and given the current rate of performance improvement we will have to work very hard to achieve our social sustainability target of 2.0 accidents per 100 FTE in 2006. In retrospect, we believe the 2005 target was too ambitious and we intend to set challenging but more realistic targets for the coming years. We believe we can achieve 2.0 accidents per 100 FTE by 2008.

In addition to a lower accident frequency rate, the severity of recorded accidents has also decreased by 24 per cent, from 82 lost days per 100 FTE in 2003 to 61 days in 2005.

Our Western Europe and Americas regions have made the most significant contributions to this improvement. We did not meet our target for 2005 of 46 days per 100 FTE, but are on course to achieve our long-term target of 40 lost days per 100 FTE in 2008.

In 2005, 14 cases of non-compliances with local safety regulations were reported across 8 production units. In 4 cases penalties were levied, with a total amount of €7,250 – most of which comprised fines paid as the result of accidents involving truck drivers.

Employee engagement

Heineken employs more than 64,000 people worldwide. We are committed to creating a culture of engagement, which will encourage our people to work with passion and to realise our business ambition. Employee engagement is about employees being committed to and passionate about their work, while also feeling emotionally connected to our product and organisation.

The Group Human Resources and Group Corporate Relations departments are currently working closely together to develop a range of employee engagement initiatives that will have a significant impact on our business performance and bottom-line.

As a first step in this process, we carried out a survey in December 2005 to measure the current climate among our senior management team. The results of this survey are subject to further analysis. In 2006 and 2007 we plan to extend our scope to cover other levels of the company. In parallel, we will continue to regularly assess satisfaction ratings for internal communications against our engagement objectives.

In many ways, defining corporate culture is a 'top-down business': the Executive Board sets the tone through its behaviour, this is passed onto their management teams, who in turn pass it on again.

Consequently, throughout this ongoing process, all our managers 'own' the engagement process. They are required to translate survey results into tangible actions with their own areas of responsibility. Their performance is measured against their success in doing so.

We also encourage leadership development initiatives and leadership communication programmes within our operating companies. A great example of this is Teamtalk: a team briefing process based around a strategic core brief that is delivered by front line managers. Last year we piloted Teamtalk in Lebanon and Italy. The results of our pilots were encouraging: they showed that employees clearly take pride in working for an international organisation and want to be kept informed about the full picture. However, the degree to which people in different markets and at different levels, either understand or are interested in the global context varies greatly. For this reason, we will use the results from the pilots to customise and localise Teamtalk prior to rolling it out in our priority markets. We will allocate time and resources to develop our managers' communication and facilitation skills in one market, while using the process to further support existing face-to-face communication with executives in another.

In 2006, we will also launch CEO dialogue sessions, designed to align employees across our business

and provide them with the opportunity to challenge our approach and share their ideas with us.

Ultimately, Heineken aims to make engagement a way of life throughout our organisation, continuously capturing our employees' hearts and minds with a clear, unifying vision.

Employee rights

Heineken endorses the principles underlying the Universal Declaration of Human Rights: respect for the dignity of all people, irrespective of race, religion, sexual orientation or political conviction. Heineken will not cooperate, actively or passively, directly or indirectly, in any violation of human rights and will support its employees if their rights are violated by third parties. We are willing to declare, in the most appropriate manner, our position on the human rights situation in countries in which we operate and we seek to ensure that our employees are aware of their rights.

Human rights concerns are complex. In reality, the term 'Human Rights' refers not to a single issue, but to a number of issues that are of the utmost importance to our company and to mankind in general. We make a distinction between the internal component of human rights – those rights relating to our own people in their capacity as employees of our company – and the external component, referring to the general human rights

situation in areas and countries in which we do business.

The internal component, which we refer to as 'employee rights', lies within our direct sphere of influence and is therefore our first priority. Employee rights include: the right to equal treatment and opportunity; the right to engage in discussions leading to collective labour agreements; the right to form and join unions of one's own choice.

Through our annual measurements we keep track of our operating companies' performance in upholding employee rights. To help them make an active contribution to the development of the business, virtually all Heineken employees are kept informed on a systematic basis of developments within their companies. In the majority of our companies, employees are consulted when changes are made to the organisation. More than half of our companies have complaints procedures.

Heineken promotes representation of employees by works councils and trade unions. We guarantee the freedom of labour to organise and to give employees the right to be recognised via trade unions as partners in negotiations about their terms of employment. The extent to which employees exercise that right varies significantly from region to region, reflecting local circumstances, traditions

and cultures. In total 36 per cent of our employees are members of a trade union or another representative body.

Appointments and promotions are made solely on the basis of candidates' education and training, personality, expertise, skills and reasonable demands. Heineken bases decisions in personnel matters solely on objective criteria. Within reasonable limits, Heineken respects the personal beliefs and convictions of existing and future employees.

Diversity within our organisation, in terms of nationality, gender, ethnicity and educational standard, is crucial if we are to retain our position as one of the world's leading brewers. We take the view that diversity in leadership enables the company to view its operations from different perspectives, helping us to steer our business towards a successful future that involves more than simply repeating the past. The male: female ratio across our entire workforce is 82:18 and 88:12 at senior management level.

Harassment, including sexual harassment, can be harmful to employees' physical and mental integrity. To guarantee a safe working environment, we protect employees against such abuse. Many of our operating companies have taken measures to protect their employees; some have put

54. Chapter 4: The employees (continued)

procedures in place to provide active protection for employees who are particularly vulnerable to sexual harassment. Sixty nine per cent of our employees have access to a specific harassment grievance procedure. This has resulted in a total of 4 reported harassment cases in 2005.

Heineken fully complies with the national and international standards for child labour. The lowest minimum working age reported in any Heineken production unit in 2005 was 15 years. Most operating companies set a minimum working age of 18 years.

During the reporting period we have dealt with two incidents regarding employee rights. The first incident involved a number of dismissed employees who, claimed that they had been dismissed because of their ethnic background. An official, independent inquiry led by the national police force of the country in which the alleged ethnic dismissals took place concluded that there was no evidence to support these allegations. Consequently, the dismissals were upheld. The second incident concerned allegations that employees were pressurised not to join a certain trade union. This incident occurred in a recently acquired brewery; after intervention by local management, good relations were restored.

While we believe that our track record regarding employee rights is good, both incidents highlighted the need to be more specific about what is required of local management and to make sure employees understand their rights more clearly. To this end, we have produced a series of drafts, stating Heineken's position on specific employee rights. In 2004 and 2005 a number of dialogue sessions with employee representatives took place under the umbrella of the European Works Council. These have provided valuable input and will help us to finalise our position on a number of employee rights. Our ambition is to do this before 31 December 2006.

At the same time, we will develop an implementation framework, using self-assessment and risk inventory tools such as the Human Rights Compliance Assessment Tool to allow our operating companies to determine their own performance and assess where possible weaker spots are. The Heineken positions will then allow them to bring their performance in line with the standards set out by the company. It is our intention to start testing this implementation framework in 2006.

In 2005 Heineken was approached by the leading Dutch trade union, FNV, to participate in an in-depth analysis of its employee rights performance in a number of countries. We have granted the researchers, responsible for the data collection,

Employee information	Percentage of workforce	
	Yes	No
Employees are informed about developments within their company	100	0
Employees are consulted on developments	63	37
Employee satisfaction is measured on a systematic basis	60	40
Employee privacy is protected	92	8
Internal grievance procedure for labour relations exists	68	32

access to all relevant information and are awaiting the publication of the results in the Spring of 2006.

Training and career development

Heineken's Training and Career Development Policy is focusing on developing knowledge and skills that are consistent with our employees' innate talents. Knowledge productivity is essential to the preservation and advancement of our position and to make more effective use of the knowledge that exists within our organisation, we established the Heineken University in 1998. This internal training facility has developed into a meeting place where knowledge can be developed, shared and translated into forms that are both useful and usable within the specific Heineken environment. The university continues to test new learning and development processes, including the use of the internet. In recent years, extensive research has been conducted to understand the changing demands on management and leadership, the effectiveness of virtual teams and learning processes in different cultures. Over 1,000 Heineken employees took part in the Heineken University during 2005 completing over 4,700 training days.

On a local level, many of our operating companies employ training managers who are responsible for meeting the training and development needs of local employees.

In 2005, the total number of training days per employee declined largely because of less training activities related to new investments and a stricter application of data definitions.

Training and education	2003	2004	2005
Average days' training and education per employee	2.8 days	2.8 days	2.2 days
Average expenditure on training and education per employee	€361	€467	€354
Percentage of companies with formal training programmes	69%	73%	84%
Percentage of companies with programmes designed to support continued employability of employees	53%	53%	61%

The society

As an integral part of society, we have an obligation to fulfill and enhance the positive presence of our activities.



The difference between Heineken and many other companies is that we produce locally for the local markets in many countries. Thus, many countries benefit from our operations, our investments, the production of local raw materials, our training and educational efforts; the value chain that is connected with our industry. I feel that as an integral part of the society of our host countries, we have at least the moral obligation to enhance the positive impact of our presence and reduce as much as possible any real or potential negative impacts. Only this way of pursuing sustainability will result in mutual benefit for the local communities and for us.



Tom de Man
President Heineken
Africa & Middle East

Connected

Case study

Sorghum growing in Sierra Leone

Development support

At Heineken, local operating companies are free to implement policies that best suit the needs of the local community in which they operate. In the West African Republic of Sierra Leone, an ambitious new pilot project was launched in 2005 to help small farming communities cultivate high-quality sorghum for the local Heineken brewery as a partial cereal substitute for imported barley.

The aim of the Sierra Leone sorghum project is to provide local farmers with technical expertise and income stability that will ensure high-yield harvests each year and also to provide the brewery with a steady flow of raw material. The project has been welcomed locally and is being implemented with the help of a non-governmental organization of local agronomists and scientists belonging to the Community Biodiversity Action Network (CBAN).

Sierra Leone is a predominantly agricultural society that is slowly emerging from a bitter nine-year civil conflict that ended in 2001. While rich in mineral resources and farming potential, a lack of basic infrastructure, low levels of investment and entrenched social poverty have historically hampered the nation's attempts to develop its economy.

Ivan Carrol, a Heineken consultant and former general manager of Sierra Leone's main brewery located in Freetown, the nation's capital, has spearheaded the sorghum project since March last year. This initially involved the task of approaching some 1,000 farmers from the northwestern coastal districts of Port Loko and Kambia and encouraging them to organise into cooperatives.

Carrol says the main obstacle has been to earn the trust of local farmers and to convince them to move into full sorghum harvesting. Sorghum has never been grown commercially in Sierra Leone, he notes, and has only ever been a subsistence crop that is grown in combination with others, such as rice and groundnuts.

"Encouraging them to grow a 100 per cent sorghum plantation has been an enormous risk for farmers who were very sceptical about whether we would follow through on our word to buy the harvest at a fixed rate in cash," says Carrol. "Over the years they've heard so many promises from overseas non-governmental organizations that never delivered. They often asked us: 'how do we know you will ever come back again?'"

Carroll set out to build trust by paying regular visits to each of the collectives and reassuring them that Heineken was committed to purchasing the final harvest. Meanwhile, CBAN was actively engaged in showing farmers how to make proper use of pesticides to remove weeds and better administer the land to enhance their yields and produce a crop with the right moisture content and purity.

Manual harvesting and threshing began in December 2005 and took three months to complete. By the end of January 2006 all participating farmers had received their payments for bags they had processed. Our final target is 150 metric tonnes of high-quality sorghum seeds – a number that is expected to grow exponentially next year as the farmers will become more experienced with the crop.

Sowing of the next sorghum crop begins in May with the first of the heavy rains. As truckloads of new seeds make their way to the farming plantations, Carrol says the project is already a living example of how a major international company like Heineken can work at a local level with small communities in a way that is mutually beneficial.

"It's been a tremendous success all round, both for Heineken and for the farmers of Sierra Leone and we've learnt a lot about how to manage a project as ambitious as this one," says Carrol. "The farmers now know Heineken is committed to this project and is a company that can be trusted. I'm getting calls from more growers wanting to join in."

We want to deliver sustainable, superior results in a way which supports the long-term health, safety and well-being of our employees, consumers, customers and the communities in which all our stakeholders live and work.

Millennium Development Goals

During the 2002 UN summit in Johannesburg, the United Nations formulated the Millennium Development Goals. The eight Millennium Development Goals (MDGs) – which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 – form a blueprint agreed by all the world's countries and leading development institutions. They have galvanised unprecedented efforts to meet the needs of the world's poorest.

Although the MDGs are an agreement between governments, it is widely recognised that the private sector has an important role to play in the fulfilment of some of the goals or derived objectives. For example, by offering employment against decent wages, the private sector contributes to the objective of halving the proportion of people who live on an income of less than one dollar per day. But also in the area of health care (e.g. halt and begin to reverse the spread of HIV/AIDS and halt and begin to reverse the incidence of malaria and other major diseases), the private sector can play an important role, especially where corporations are involved in offering medical care. For this reason, Heineken, together with a number of other multi-national enterprises and the Dutch Ministry of Foreign Affairs, is currently investigating if it is possible

to join forces to combat life-threatening diseases in Nigeria.

During a meeting between the Dutch signatory companies to the UN Global Compact and Dutch Prime Minister, Jan Peter Balkenende, the Dutch companies – including Heineken – reaffirmed that they are willing to play a role regarding the realisation of the MDGs and will explain their approach and report on progress in their Sustainability Reports. As the MDGs are not yet covered by the reporting guidelines issued by the Global Reporting Initiative (GRI), the first task facing the Dutch companies is to develop indicators that will facilitate reporting on this important area. This process is currently underway, with Heineken's full participation.

Given our major presence in emerging markets, we feel that we are morally and economically obliged to contribute to the development of our host area, country or region. This commitment had already been expressed prior to the Johannesburg Summit, in our Business Principles. Many of the activities we are currently developing, and which are mentioned in this chapter, aim to fulfil our commitment. Wherever possible and practical, we will seek to work together with other companies, governments and NGOs, with each participating organisation playing its natural role.



Ivan Carrol, Heineken consultant, Freetown, Sierra Leone.

Group learning

By organizing Sierra Leone's sorghum growers into cooperatives, Heineken is able to render assistance and expertise in a meaningful way. A sorghum growers' open-day workshop was organised in 2005, where farmers could share their experiences and local agronomists were on hand to provide technical advice. Two similar full-day workshops are planned for 2006.

"There is no rule saying that African farmers have to be poor and disorganised," says Ivan Carrol, a local Heineken consultant. "We are actively encouraging them to develop their expertise, increase their yields and multiply their earnings. Some of them are opening bank accounts for the first time in their lives."

There are already some good examples of ways in which we can contribute to the realisation of the MDGs. One example, is our involvement with small sorghum growers in Nigeria and Sierra Leone, a partnership between Heineken and the Winrock Foundation; others include our involvement in HIV/AIDS prevention in parts of Nigeria and the maternal health services we provide for our employees and their direct dependants.

There are, however, limitations to what we can do, and there must also be a credible business case for us to become involved. Only then, can we sustain our efforts in line with the mandate we have from our shareholders.

Economic and social impact

Our business philosophy is clear: when volume and market circumstances are favourable, we produce our beers locally. Implicit in this approach is a recognition of the fact that in all our major markets, we are part of an extensive value chain, from producers of raw materials right through to retailers. Studies carried out in technologically advanced markets in Western Europe indicate that for every employee in a brewery there are between ten and fifteen other people employed by suppliers and customers in the value chain.

Recent investigations, supported by organisations such as Oxfam in cooperation with other

companies, have demonstrated that indirect employment generated by the activities of multinational enterprises in developing countries is even higher than in mature markets. Apart from indirect employment, our operations provide other direct and indirect benefits for local communities. These include tax revenues (amongst others through beer excise duties), value creation through the supply and demand chain and operating company investments. Of course, our operations can also have negative economic impacts – for example, depletion of natural resources and waste emissions.

In addition to the economic benefits outlined above, our operations also generate social benefits and costs. Social impacts are often assumed to be synonymous with economic impacts; however, while economic analysis can be considered as one part of social analysis, economic impact analysis addresses how efficiently investments of capital and other resources are returned in present and future benefits to society (i.e. whether the economic benefits of an action or policy outweigh the costs). Economic impact analysis focuses on resource supply and demand, prices, and jobs. Though social and economic impact assessments overlap and are related, they differ considerably in their focus and in the underlying questions, methods, and approaches they entail.

In our Business Principles we have stated the following: "Heineken feels part of the communities in which it operates. It aims to make a valuable and sustainable contribution to local and global societies". We are convinced that by far our largest contribution to societies is the fact that we buy, produce, market and sell. In fact, on average 52 per cent of our purchasing is done locally.

A uniform methodology to measure our economic impact will allow us to maximise our positive impact by giving us a clear insight into the economic (and where possible social) effects of our decisions – always viewed, of course, in the context of our role as a company with a remit to create shareholder value. A good example of this, is the fact that the positive economic impacts Heineken has on communities also means that our products become affordable for more people.

During 2006 we will develop and test a methodology for measuring our economic impact. Where possible we will also include elements of social impact analysis in this methodology.

Corporate citizenship

Heineken is an active participant in the communities in which it operates. We are active in many areas where governments cannot perform all the services deemed normal in the Western world. In these areas the private sector is often

called upon to help host governments, and the communities in which we operate, to fulfil their objectives. We do not undertake these activities in order to sell more of our products; we undertake them because we want to put something back into to the societies in which we operate.

Our operating companies' activities as corporate citizens are important in helping them obtain and sustain their local license to operate, and there are other advantages too. For example, supporting a local school near a brewery benefits the community and also enables the children of our employees to receive a good education. Similarly, the construction of a local community centre adds to the coherence of the local community in which we operate. The construction of a sidewalk next to a supply road means that there are fewer accidents and our trucks have better access to the production site.

Around the world, Heineken's operating companies are involved in a wide variety of community initiatives. This is only natural, given the range of different societies and cultures in which we operate and the different expectations that local stakeholders have of us. For this reason, we do not have a central policy governing corporate citizenship. It is the responsibility of individual operating companies to determine the level and scope of their corporate citizenship activities.

Nonetheless, operating companies can learn from each other's activities and for this reason, in 2006 we are launching a project to provide easy internal access to information about the major corporate citizenship activities of our operating companies. When this system is operational, employees working in one of our operating companies in Asia will be able to find out what their colleagues in South America have done in similar circumstances, and possibly adopt the same tactics to suit their local needs. We believe that the introduction of this system will improve the effectiveness of our operating companies' corporate citizenship initiatives worldwide.

In 2005, a total of €4.8 million (this equates to €91 per employee) was spent on community involvement programmes by our operating companies. This figure is down 9.5 per cent as compared to 2004. This can largely be explained by stricter interpretation of the definitions that we use. Thirty three per cent of our operating companies, reflecting 65 per cent of our workforce, have formalised procedures for the community to express complaints and grievances; 53 per cent have policies to manage environmental impact and 24 per cent to manage social impact. Of our operating companies, 14 per cent indicate that they have initiatives that benefit the community and contribute to the realisation of the Millennium

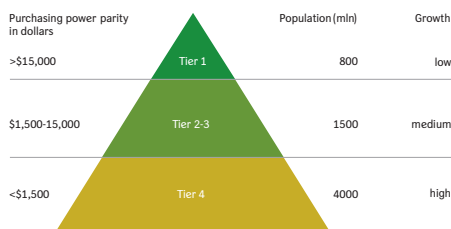
Development Goals; 12 per cent of our operating companies have 'access to water' initiatives for the local community.

Base of the pyramid

In April 2005, the Dutch consultancy firm Triple Value Strategy Consultants organised a number of sessions with one of the founders of the so-called 'Base of the pyramid thinking', professor Stuart Hart. Heineken was a proud sponsor of these sessions, together with ABN AMRO Bank and chemical company DSM.

The Base of the pyramid strategy is aimed at doing business in such a way that it yields profit for the company, while providing products and stimulating economic activity in consumer groups with very low spending power. We chaired a breakfast session with Dutch executives and the Dutch Minister for Development Cooperation. A group of around fifteen young professionals participated in workshops. The enthusiasm within this group was such that a number of follow-up sessions took place. In these sessions, we assessed what activities Heineken can deploy in the design of its own Base of the pyramid strategy. We are currently in the process of drawing our final conclusions, which will be submitted to the Presidents of the regions concerned and consequently to the Executive Committee and the Executive Board.

Four billion people at the 'base of the pyramid' represent a source of significant business growth



Source: C.K. Prahalad and Stuart Hart
"The fortune at the Bottom of the pyramid" Strategy+Business, January 2002

BOP: Serving the world's poor profitably

Base of the pyramid: the great leap downward



Source: Stuart Hart and Clay Christensen, 2002
"The great leap: Driving innovation from the base of the pyramid"

One of our interim conclusions is that at corporate level we currently know too little to undertake concrete actions right away. In order to understand the needs of the people in the very low-income categories we need to develop innovative business ideas and will have to further investigate and interact.

This process will take us through 2006 and will be subject to further reporting in future years.



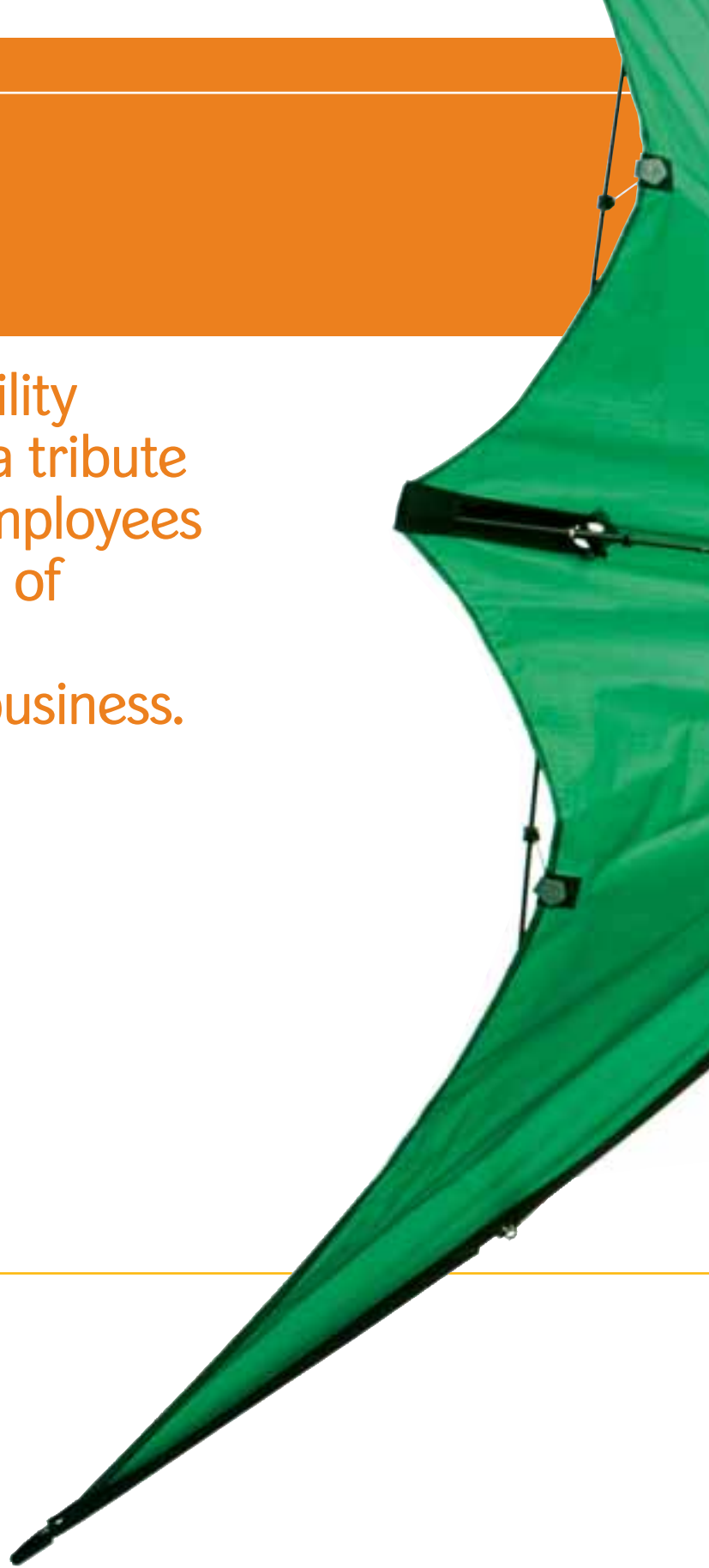
Sietze Montijn
Head Corporate Affairs,
Group Corporate Relations

Many consumers enjoy beer responsibly. A small minority, however, consumes at the wrong moment, for the wrong reasons or simply too often too much. This may cause harm to the individual or to society. Governments still tend to address alcohol related issues via general measures instead of targeted interventions. I am committed to play a role in promoting targeted interventions.

Appendices

We believe our Sustainability Report is, above all else, a tribute to the efforts of all our employees and a tribute to the value of embedding the idea of sustainability within our business.

Perspective





66. Appendix 1: Assurance assignment Heineken

Assurance assignment Heineken

We have asked KPMG Sustainability to assess specific information in our 2004–2005 Sustainability Report. This information concerns:

- environmental (electricity, thermal energy and water consumption; direct CO₂ emissions; and non-recycled industrial waste);
- safety (accident frequency);
- alcohol (alcohol and work, responsible commercial communication, Enjoy Heineken Responsibly);
- integrity (Code of Business Conduct, whistle-blowing procedure);
- supply chain responsibility (Supplier Code);
- data collection and reporting process.

The scope of the assignment both concerned the reliability of the KPIs we use for these issues and for the explanation of the progress made. KPMG Sustainability was responsible for defining, planning and executing the assurance activities described in KPMG's Assurance Report on pages 67–69.

We asked KPMG only to provide assurance on the selected environmental, safety and social information in our report. We decided to focus the assurance engagement on a limited number of issues as these issues reflect the core of our current corporate responsibility activities.

Additionally, we have asked assurance on the information about our data collection and reporting process. KPMG was requested to engage in such activities that lead to the provision of reasonable assurance on whether the information given is fairly stated. Therefore the activities undertaken for the assurance were more extensive and involved a deeper investigation of these issues.

The assurance process has helped us to improve the quality of internal data acquisition over the years. Compared with our previous report, we have further improved the accuracy of the reported data by performing on-site audits for both environmental and safety data, and information related to the Code of Business Conduct. We shall investigate with KPMG how internal audits can best contribute, as part of the validation and assurance process, to our endeavour to ensure that the information submitted by our operating companies and production units is complete and correct. As well as providing external stakeholders with independent assurance regarding the information presented in our published reports, the assurance process also plays an important internal role in helping to develop our sustainability policies, procedures and systems and in raising awareness of these issues. We will continue building sustainability into our business processes and improving the quality of information, including following up KPMG's recommendations in relation to our corporate and local reporting systems and processes.

Assurance Report, KPMG Sustainability

We have been engaged by Heineken N.V. ('Heineken') to provide assurance on the 2004–2005 Sustainability Report (further referred to as 'the Report'). The Report, including the identification of material issues, is the responsibility of the management of Heineken. Our responsibility is to issue an assurance report on specified parts of the Report.

What is included in the scope of our assurance engagement?

In the Report, Heineken describes its efforts and progress in relation to sustainability in 2004 and 2005. The selection of information for our assurance engagement is explained in the section 'Assurance assignment Heineken' on page 66. Our engagement was designed to provide reasonable assurance on whether the following information is fairly stated:

1. the information in the following sections:
 - integrity, pages 18–21, (including Code of Conduct and Whistle Blowing);
 - supply-chain responsibility, pages 32–33;
 - alcohol and society (excluding 'Dialogue with society') pages 40–42;
 - alcohol and work, pages 48–49;
 - the reporting process, pages 70–72.

2. the 2004 and 2005 performance data and trend explanation in the sections 'Environmental performance' (The brewer) and 'Safety' (The employees) for the following Key Performance Indicators (KPIs):

- thermal energy consumption;
- electricity consumption;
- CO₂ emissions related to thermal energy and electricity consumption;
- water consumption;
- non-recycled industrial waste;
- accident frequency.

'Fairly stated' means that the reported information properly reflects the information contained in the underlying sources such that it is consistent with the source information. Reasonable assurance is a higher level of assurance than limited assurance, which is reflected in the nature and depth of the work performed. We do not provide any assurance on the achievability of future information (such as targets, expectations and ambitions).

What standards and criteria do we use?

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing

and Assurance Standards Board. Amongst others this standard requires that:

- the assurance team members possess the specific knowledge, skills and professional competencies needed to understand and audit the information in the Report, and that they comply with the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence.

There are no generally accepted international standards for sustainability reporting. Heineken applies its own internal sustainability reporting criteria, derived from the Global Reporting Initiative, which are detailed at the Heineken website.

What did we do to reach our conclusions?

We performed the following assurance activities between February 2005 and April 2006:

- To determine whether the specified information is fairly stated, we:
 - reviewed and tested the systems used for generating, validating and aggregating the 2004 and 2005 data at corporate level;
 - assessed the qualitative information by interviewing staff and management, by reviewing the systems and processes used to collect the information, and by testing underlying documentation;

- performed a media analysis and internet search on the selected issues, to obtain independent information and context for these issues in the reporting period.

- For the performance data for the key performance indicators we also:
 - visited 12 sites in Europe, Asia, South America and Africa to assess the quality of the local data management systems and the reliability of the reported data for 2004 and/or 2005;
 - reviewed the changes in data management systems at 23 sites which had been visited over the past three years.

During our investigation we discussed the necessary changes in the Report with Heineken and determined that these changes have been adequately incorporated in the final version.

How should you read our conclusions?

Environmental, health, safety and social performance data are subject to inherent limitations, given their nature and the methods used for measuring, calculating and estimating the data. It is important to view the information and the performance data for 2004 and 2005 and our conclusions related to these data in the context of the qualifications detailed in appendix 3 'Reporting process' on pages 70–72.

What are our conclusions?

Based on the work undertaken we conclude that:

- the information in the sections 'Integrity', 'Supply-chain responsibility', 'Alcohol and society', 'Alcohol and work' and 'Reporting process' as specified under 'scope' above is fairly stated;
- the 2004 and 2005 performance data and trend explanation for the key performance indicators in the sections: 'Environmental performance' and 'Safety' (thermal energy and electricity consumption, and related CO₂ emissions, water consumption, non-recycled industrial waste, and accident frequency) are fairly stated.

What else did we observe?

Without affecting the conclusions presented above, we would like to draw readers' attention to the following:

Since publishing the Sustainability Report 2002-2003 Heineken has further developed the environmental and safety data reporting system for the production locations into a structured data management system. A key area for attention is the further improvement of the data quality and internal controls related to safety information. We support the further integration of safety, health and environmental performance results into business management processes under the Heineken World Class Manufacturing programme.

In the social area Heineken has further developed their focus and the development of performance indicators to track the status of the local transposition of the Code of Conduct, roll-out of the Whistle Blowing procedure, and issues related to alcohol. Key areas for attention are improving the quality of the data collection process in the social area, and the further integration of social aspects into the business processes.

We provide our detailed observations and areas for improvement in a separate report to Heineken management.



KPMG Sustainability B.V.
Prof. dr. George Molenkamp, Director
Amsterdam, 13 April 2006

70. Appendix 3: Reporting process

Scope

The safety and environmental data presented in this report relate to the years 2003, 2004 and 2005 for the production units of the Heineken operating companies. 'Production units' means breweries, maltings and soft-drink plants and combinations of these, at which malt, beer and soft drinks are produced. The data covers participating interests, which are included fully or partially in the consolidated financial statements. The figures for participating interests relate to their total output. Environmental data for production units where both beer and soft drinks are produced have been combined since 2005. The figures do not include distribution or head offices, but do include internal transport.

The volume figures presented in the environmental section of this report, based on production, may differ slightly from the figures presented in Heineken's financial report, which are based on sales. This difference is accounted for by exports, volumes produced under licence and a number of recently acquired production units that have not yet submitted data. Newly acquired production units are required to start reporting in the first calendar year after the date of acquisition. The production units are listed in appendix 5.

The data on social performance have been derived from the 'Opco Survey', an annual questionnaire that is completed by companies in which Heineken holds a 50 per cent + majority share. Apart from these companies, Brasseries du Congo, Sierra Leone Brewery, Zagorka (Bulgaria), Heineken Lion Australia and Companias Cervecerias Unidas (Chile) have contributed to the social performance data, giving a total of participating operating companies of 49.

For the data presented on Code of Conduct and Alcohol Policy, available monitoring data on corporate office level have been included in the figures represented in this report. For the Code of Business Conduct the number of operating companies used as a base reference is 55. For alcohol this number is 49.

Reporting systems

The maltings, breweries and soft-drink plants gather the data in accordance with guidelines and definitions formulated by Heineken Group Supply Chain based on the Global Reporting Initiative Guidelines (2002). Their reports are submitted annually to this Group, where they are checked for completeness, likeliness of data and accuracy. A training course is also provided to instruct employees in the production units in the accurate acquisition, verification and filing of data.

Visits are conducted to selected production units in conjunction with the external assurance provider to check the quality of the information they provide by comparing it with invoices, measurements and calculations.

Social reporting

In 2004 and 2005 the structured review of our social performance, by circulating a detailed questionnaire to all operating companies, in which we hold a direct or indirect interest of more than 50 per cent, was continued. The questionnaire is based on themes we have identified and the Global Reporting Initiative guidelines. The questionnaire was completed by the management of all relevant operating companies with the exception of Antilliaanse Brouwerij, due to restructuring. Due to deficiencies in administrative systems and due to a lack of clarity in the definitions relating to a number of aspects, it has not been possible for all our operations to reply with the same level of accuracy. Some of the replies had to be based on estimates by the local management team. The reporting on social sustainability takes account of this margin of uncertainty.

Safety reporting

The safety reporting system is used by the production units to record accidents at their locations and report on the consequences for both their own staff and contractors' personnel. 'Own staff' includes both permanent and temporary staff. Group Supply Chain has defined four parameters, which must as a minimum be reported at local level, to serve as the basis for measuring the results achieved by our breweries, maltings and soft-drink plants. These results are expressed in two performance indicators.

Safety parameters and indicators

Parameters

Fatal accidents	Own staff and contractors' personnel
Accidents resulting in permanent disability	Own staff
Accidents resulting in absence from work	Own staff and contractors' personnel
Days absence	Own staff, in calendar days

Performance indicators

Accident frequency	Own staff, number of accidents resulting in absence from work per 100 full-time equivalents
Accident severity	Own staff, days absence from work per 100 full-time equivalents

Environmental reporting

The purpose of environmental reporting is to clarify the environmental effects of producing malt, beer and soft drinks at our production locations. These effects include depletion of resources, emissions and nuisance. To measure the results achieved in these areas, Group Supply Chain has defined five key parameters for our breweries, maltings and soft-drink plants. Performance is measured in terms of production, expressed in hectolitres of beer or soft drinks or tonnes of malt, to facilitate comparison of the results.

Environmental performance parameters

Thermal energy consumption	Consumption of thermal energy in MJ (the corresponding CO ₂ emission is derived from this figure using the Group Supply Chain tool)
Electricity consumption	Consumption of electrical energy in kWh (the corresponding CO ₂ emission is derived from this figure using the WBCSD Protocol)
Water consumption	Water consumption in m ³
Solid waste	Non-recycled waste such as hazardous waste, waste water treatment sludge and industrial waste in kg
Eco Care Indicator	A new composite indicator covering 34 environmental parameters such as eco management, renewable energy use, global warming, ozone layer depletion, acidification, eutrophication, nitrification and waste management (expressed in % of best practise)

The eco management system comprises of the following subjects: local environmental policy, environmental management system, legal compliance, violations of law, environmental fines, environmental complaints, environmental accidents, reliability of reporting. The greenhouse effect covers CO₂ and refrigerant emissions. The ozone layer depletion covers refrigerant losses (e.g. HCFCs), acidification covers NO_x, SO_x, and NH₃ emissions, nitrification covers COD, nitrogen and phosphorus in waste water after treatment, where discharged into surface water. Waste management deals with the destination of our by-products and hazardous waste.

Qualified reliability of safety and environmental data

The reliability of the data is subject to certain qualifications, despite the fact that the safety and environmental experts at our production units have reported to the best of their knowledge, in good faith and in accordance with agreed procedures and their figures have been validated by Group Supply Chain. Heineken is continuing to work on formulating and applying uniform definitions and instructions for reporting purposes, in order to improve the accuracy and comparability of the data. Standard calculation protocols for atmospheric emissions have been developed, for example, to minimise the error in these figures. Standard calculation tools are also present for refrigerant losses and waste discharge.

Definitions

Differences in the interpretation of definitions have occurred in some cases. On the basis of our internal validation findings, we do not expect these differences at the aggregated level to be material (i.e. a range from 5.5 per cent for water consumption to 12 per cent for CO₂ emissions).

Completeness

Reporting was not forthcoming or incomplete in some cases. Often newly acquired production units need to improve their reporting system, especially on waste and accident frequency. In order to provide a realistic representation of Heineken's total environmental impact, the missing data have been estimated in accordance with our internal procedures for incomplete reports. Some data has been estimated by our operating companies. Production units that did not report have been listed in a footnote and estimates were not included.

Accuracy

The accuracy of the data depends on the method of measurement, the calculation procedure and whether estimates have been used. For some parameters, the sampling method and frequency can also affect accuracy. The quantity of refrigerant is difficult to establish because it is used in dynamic systems in which it can occur in both the liquid and gaseous phases. Refrigerant losses are determined on the basis of the quantities added to replenish systems.

At a number of production units, waste is removed from the site in containers of a given volume, and inaccuracies can arise in translating volume to weight. In the absence of local legislation in some countries outside Europe, the definition of hazardous waste is not always clear. In some cases, hazardous waste is safely recycled and is no longer designated as hazardous. The scope and workforce size related to the accident frequency can give rise to inaccuracies in some locations due to the misinterpretation of overtime and number of temporary personnel.

Comparability

Each parameter to be reported has accurately been defined in 'Instruction Manual for Environmental Reporting' and 'Instruction Manual for Accident Reporting'.

The comparability of the data depends on the extent to which estimates have been used in determining the performance indicators. Where estimates have been used in interpreting trends, it is stated in the text of this report.

Since no material changes have been made to definitions, calculations or estimating procedures, there is comparability from year to year, except when indicated in the text of this report.

Change of definitions

We have improved the reporting of indirect CO₂ emissions. Since 2005 we add the CO₂ emission due to the production of thermal energy by third parties such as steam. Also in 2005, we have taken the brewery KPIs and soft-drink plants' KPIs together in order to simplify and reduce the number of data entries.

General

Information about our sustainability performance can be categorised following the Sustainability Reporting Guidelines as issued by Global Reporting Initiative in 2002. Basically, we have three sources for information: the Annual Report 2005 (AR), the Sustainability Report 2004-2005 (SR) and the Sustainability Data Sheet (DS) that can be downloaded from our website (www.heinekeninternational.com/responsibility). In the GRI table we will indicate where the interested reader can find the data that he or she is looking for by giving the source followed by the relevant page number(s).

Vision and strategy

GRI indicator	Location	Remarks
1.1	SR C1, 1	
1.2	SR C1, 1	

Profile

GRI indicator	Location	Remarks
2.1	AR 132, SR 79	
2.2	AR 1, 18, 19, 126, 127	
2.3	AR 4, 5, 16, 17	
2.4	AR 103, 104	
2.5	AR 103, 104	
2.6	AR 120	
2.7	AR 20-41	
2.8	AR 63, 78, 79, 83	
2.9	SR 15, 17, 18	partly covered
2.10	AR 132, SR 11, 79	
2.11	AR 61-65, SR cover	
2.12	DS 3	
2.13	AR 103, 104, SR 70-72, 75, 76	
2.14	AR 80, SR 75, 76	
2.15	AR 103, 104, SR 70-72	
2.16	AR 105 onwards	
2.17	DS 3	
2.18	SR 70-72, DS 4	
2.19	SR 70-72	
2.20	SR 66	
2.21	AR 188, SR 66-69	
2.22	AR 132, SR 11	

Policy, structure and management

GRI indicator	Location	Remarks
3.1	AR 4-7, 16, 17, SR 14, 15, DS 5	
3.2	AR 7, 9, DS 5	
3.3		not covered
3.4	AR 46-50, SR 14, 15	
3.5	AR 101	
3.6	AR 7, 46, SR 14, 15	
3.7	SR 8-11	
3.8	AR 121	
3.9	SR 15, 17, 18	
3.10	SR 15, 17, 18	
3.11	SR 15, 17, 18	
3.12	SR 15, 17, 18	
3.13		not available
3.14	SR 1, 40-42	
3.15	DS 6	
3.16	SR 33, 40-42	
3.17	SR 60	
3.18	AR 80	
3.19	SR 60	
3.20	SR 30	

GRI index

GRI indicator	Location	Remarks
4.1	SR 73, 74, DS 7	

Economic indicators

GRI indicator	Location	Remarks
EC1	AR 63, 78, 79, 83	
EC2	AR 20-40, 78, 79	
EC3	AR 61, 82	
EC4		not available
EC5	AR 83	partly covered
EC6	AR 96, 98, 120-122	
EC7	AR 115	
EC8	AR 84, DS 8	partly covered
EC9		not available
EC10	SR 61	
EC11		not available
EC12	SR 58, 59	partly covered
EC13	SR 60, 61	

74. Appendix 4: GRI table (continued)

Environmental indicators

GRI indicator	Location	Remarks
EN1	DS 10	
EN2	DS 10	
EN3	SR 27, 28, 77, 78	
EN4	SR 27, 28, 77, 78	
EN5	SR 29, 77, 78	
EN6	DS 11	
EN7		not available
EN8	SR 27, 28, 77, 78	
EN9	SR 30, 77, 78	
EN10	SR 30, 77, 78	
EN11	SR 30, 77, 78	
EN12	SR 30, 77, 78	
EN13	SR 30, 77, 78	
EN14		not available
EN15		not available
EN16	SR 30	
EN17	SR 28	
EN18		not available
EN19		not available
EN20	DS 10	
EN21	SR 28, 29, 77, 78	
EN22		not available
EN23		not available
EN24		not available
EN25	DS 11	
EN26	DS 11	
EN27		not available
EN28		not available
EN29	DS 11	
EN30	SR 30, 77, 78	
EN31	SR 30, 77, 78	
EN32		not available
EN33	DS 22	
EN34		not available
EN35		not available

Social indicators

GRI indicator	Location	Remarks
LA1	DS 14	
LA2	DS 15	
LA3	DS 15	
LA4	DS 54	
LA5	SR 48-51	
LA6	DS 16	
LA7	SR 48-51	
LA8	SR 47, 48, DS 16	
LA9	DS 17	
LA10	DS 17	
LA11	DS 17	
LA12		not available
LA13		not available
LA14		not available
LA15	DS 16	
LA16	DS 17	
LA17	SR 46, 47	
HR1	DS 18	
HR2	DS 18	
HR3	DS 18	
HR4	SR 10, 52-54, DS 18	
HR5	SR 10, 52-54	
HR6	SR 10, 52-54	
HR7	DS 19	
HR8		not available
HR9	SR 18, 54	
HR10	SR 18	
HR11		not available
HR12	DS 19, 20	
HR13		not available
HR14	SR 61, 62	
SO1	SR 59-63	
SO2	SR 18-20, DS 21	
SO3	DS 21	
SO4	DS 21	
SO5	DS 21	
SO6	DS 22	
SO7	DS 22	
PR1	DS 23	
PR2	DS 23	
PR3	DS 24	
PR4	DS 23	
PR5	DS 23	
PR6	DS 23	
PR7	DS 24	
PR8	DS 24	
PR9	DS 24	
PR10	DS 24	
PR11	DS 25	

Operating companies in Europe

Country	Company	Financial reporting	Environmental and safety reporting*	Social reporting
Austria	Brau Union Österreich	X	X	X
	Gasteiner Mineralwasser	X		X
	Pago International	X		X
Belgium	Affligem Brouwerij BDS	X	X	X
	Mouterij Albert	X	X	
Bulgaria	Zagorka Brewery	X	X	X
Croatia	Karlovačka Pivovara	X	X	X
Czech Republic	Starobrno	X	X	X
France	Heineken France	X	X	X
Germany	Paulaner Brauerei	X	X	
	Kulmbacher Brauerei**	X	X	
	Karlsberg Brauerei**	X	X	
Greece	Athenian Brewery	X	X	X
Hungary	Brau Union Hungaria	X	X	X
Ireland	Heineken Ireland	X	X	X
Italy	Heineken Italia	X	X	X
Kazakhstan	Dinal	X	X	X
Macedonia	Pivara Skopje	X	X	X
Netherlands	Brand Bierbrouwerij	X	X	X
	Heineken Nederland Supply***	X	X	X
	Heineken Nederlands Beheer	X		X
	Vrumona	X	X	X
Poland	Grupa Żywiec	X	X	X
Romania	Brau Union Romania	X	X	X
Russia	Heineken Brewery**	X	X	X
Slovakia	Heineken Slovensko	X	X	X
Spain	Heineken España	X	X	X
Switzerland	Heineken Switzerland	X	X	X
United Kingdom	Heineken UK***	X		X

* Environmental reporting relates only to production, including the brewing and packaging of beer and the production of malt and soft drinks, and does not cover distribution, marketing and sales.

** Did not or not fully participate in safety reporting.

*** No production, only sales.

76. Appendix 5: Operating companies (continued)

Operating companies in The Americas

Country	Company	Financial reporting	Environmental and safety reporting*	Social reporting
Argentina	Companias Cervecerias Unidas Argentina	X	X	
Aruba	Heineken Aruba	X		X
Bahamas	Commonwealth Brewery	X	X	X
Chile	Companias Cervecerias Unidas	X	X	X
Martinique	Brasserie Lorraine	X	X	X
Netherlands Antilles	Antilliaanse Brouwerij	X	X	
Panama	Cervecerias Barú-Panama	X	X	X
St. Lucia	Windward & Leeward Brewery	X	X	X
St. Maarten	Heineken St. Maarten***	X		X
Surinam	Surinaamse Brouwerij	X	X	X
Trinidad & Tobago	Heineken Trinidad***	X		X
USA	Heineken USA***	X		X

Operating companies in Africa/Middle East

Country	Company	Financial reporting	Environmental and safety reporting*	Social reporting
Burundi	Brarudi	X	X	X
Congo	Brasseries du Congo	X	X	X
Democratic Republic of Congo	Bralima	X	X	X
Egypt	Al Ahram Beverages Company	X	X	X
Israel	Tempo Beer Industries	X		
Lebanon	Almaza	X	X	X
Nigeria	Nigerian Breweries Consolidated Breweries	X	X	X
Réunion	Brasseries de Bourbon	X	X	X
Rwanda	Bralirwa	X	X	X
Sierra Leone	Sierra Leone Brewery			X

Operating companies in Asia/Pacific

Country	Company	Financial reporting	Environmental and safety reporting*	Social reporting
Australia	Heineken Lion Australia***			X
Cambodia	Cambodia Brewery	X	X	
China	Shanghai Asia Pacific	X	X	
	Hainan Asia Pacific	X	X	
	Guandong Brewery	X		
	Heineken Hong Kong***	X		X
Indonesia	Multi Bintang Indonesia	X	X	X
Japan	Heineken Japan***	X		X
Malaysia	Guinness Anchor Berhad	X		
New Caledonia	Grande Brasserie de Nouvelle Calédonie	X	X	X
New Zealand	DB Breweries	X	X	
Papua New Guinea	SP Brewery	X	X	
Singapore	Asia Pacific Breweries	X	X	
	Heineken Far East***	X		X
South Korea	Heineken Korea***	X		X
Tahiti	Brasserie de Tahiti (licence)***	X		
Taiwan	Heineken Taiwan***	X		X
Thailand	Thai Asia Pacific Brewery	X		
Vietnam	Vietnam Brewery	X	X	
	Hatay Brewery	X	X	

* Environmental reporting relates only to production, including the brewing and packaging of beer and the production of malt and soft drinks, and does not cover distribution, marketing and sales.

*** No production, only sales.

78. Appendix 6: Environmental performance

Absolute figures

Performance indicator	Unit	Heineken Group**			Breweries and Soft-drink plants			Malting plants		
		2003	2004	2005	2003	2004	2005	2003	2004	2005
Beer production	Mhl	85.6	104.8	112.0						
Soft drink production	Mhl	6.7	8.2	9.1						
Malt production	ktons	516	579	563						
Water	Mm3	50.6	62.3	68.7	48.5	60.1	66.4	2.1	2.2	2.3
Waste water	Mm3	37.0	45.6	48.5	35.2	43.9	46.6	1.8	1.8	1.9
Electricity	GWh	962	1150	1230	899	1080	1160	63.7	71	68
Thermal energy	PJ	11.6	14.0	14.6	10.1	12.3	13.0	1.5	1.7	1.6
CO ₂ emissions (direct)	ktons	751	916	957	668	822	865	84	95	92
NOx emissions	tons	1590	3140	1970	1520	3070	1750	75	78	217
SOx emissions	tons	1890	2490	2800	1750	2400	2690	138	90	112
Organic load before treatment	ktons COD	106.6	127.4	138.7	104.4	124.4	135.4	2.2	3.0	3.2
Effluent organic load*	ktons COD	22.5	21.2	23.1						
Effluent total nitrogen*	tons N	781	627	720						
Effluent total phosphorous*	tons P	413	305	429						
Effluent suspended solids*	ktons d.m.	4.61	4.22	4.82						
Total hazardous waste	ktons		1.33	1.36						
Non-recycled hazardous waste	ktons	0.60	0.60	0.71						
Total waste water sludge	ktons d.m.		13.2	10.4						
Non-recycled waste water sludge	ktons d.m.	4.81	4.72	4.09						
Total co-products, packaging & industrial waste	ktons		2080	2340						
Non-recycled industrial waste	ktons	94.4	100.5	131.0						
NH ₃ in use	tons	681	863	891						
NH ₃ losses	tons	70	105	74						
HC based refrigerants in use	tons	35.1	38.7	39.8						
HC based refrigerants lost	tons	12.3	12.7	8.4						
	kg R11 equivalents	1300	1050	636						
	ktons CO ₂ equivalents		26.3	16.4						
Halons in use	tons	4.3	3.1	2.7						
Complaints	number	139	84	89						

* Discharged to surface water.

** No reports have been received from Bad Brambach, Karlsruhe, Chemnitz, Plauen and Rosenheim (Brau Holding International, Germany).

Specific figures Breweries & Soft-drink plants

Performance indicator	Unit	2003	2004	2005	2006	2007	2008
Water	hl/hl	5.41	5.47	5.49			
Targets	hl/hl			5.30	5.00	4.85	4.66
Electricity	kWh/hl	10.1	9.91	9.59			
Targets	kWh/hl			9.50	9.07	8.85	8.55
Thermal energy	MJ/hl	116	114	108			
Targets	MJ/hl			107	100	96	92
Non-recycled industrial waste	kg/hl	1.09	0.95	1.08			
Targets	kg/hl			0.70	1.06	0.94	0.89
Direct CO ₂ emissions	kg CO ₂ /hl	7.66	7.65	7.15			
Targets	kg CO ₂ /hl			7.00	6.64	6.37	6.11
Indirect CO ₂ emissions**	kg CO ₂ /hl	4.4	3.3	4.0			
Targets	kg CO ₂ /hl			3.1	3.8	3.7	3.6
Total CO ₂ emissions	kg CO ₂ /hl	12.1	10.9	11.2			
Targets	kg CO ₂ /hl			10.1	10.5	10.1	9.7

* Figures for 2003 and 2004 and target for 2005, exclude soft drinks.

** Figures for 2003 and 2004 and target for 2005, exclude indirect CO₂ from imported heat.

Specific figures Malting plants

Performance indicator	Unit	2003	2004	2005	2006	2007	2008
Water	m ³ /ton	4.15	3.88	4.08			
Targets	m ³ /ton			4.00	4.17	4.12	4.09
Electricity	kWh/ton	123	123	120			
Targets	kWh/ton			121	118	116	116
Thermal energy	MJ/ton	2900	2940	2830			
Targets	MJ/ton			2860	2690	2660	2630

80. Reference information

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Heineken International

PO Box 28
1000 AA Amsterdam
The Netherlands

Telephone 00 31 20 523 92 39

Fax 00 31 20 626 35 03

E-mail: responsibility@heineken.com

Internet: www.heinekeninternational.com

Copies of the Sustainability Report and further information are obtainable from the Group Corporate Relations department via www.heinekeninternational.com

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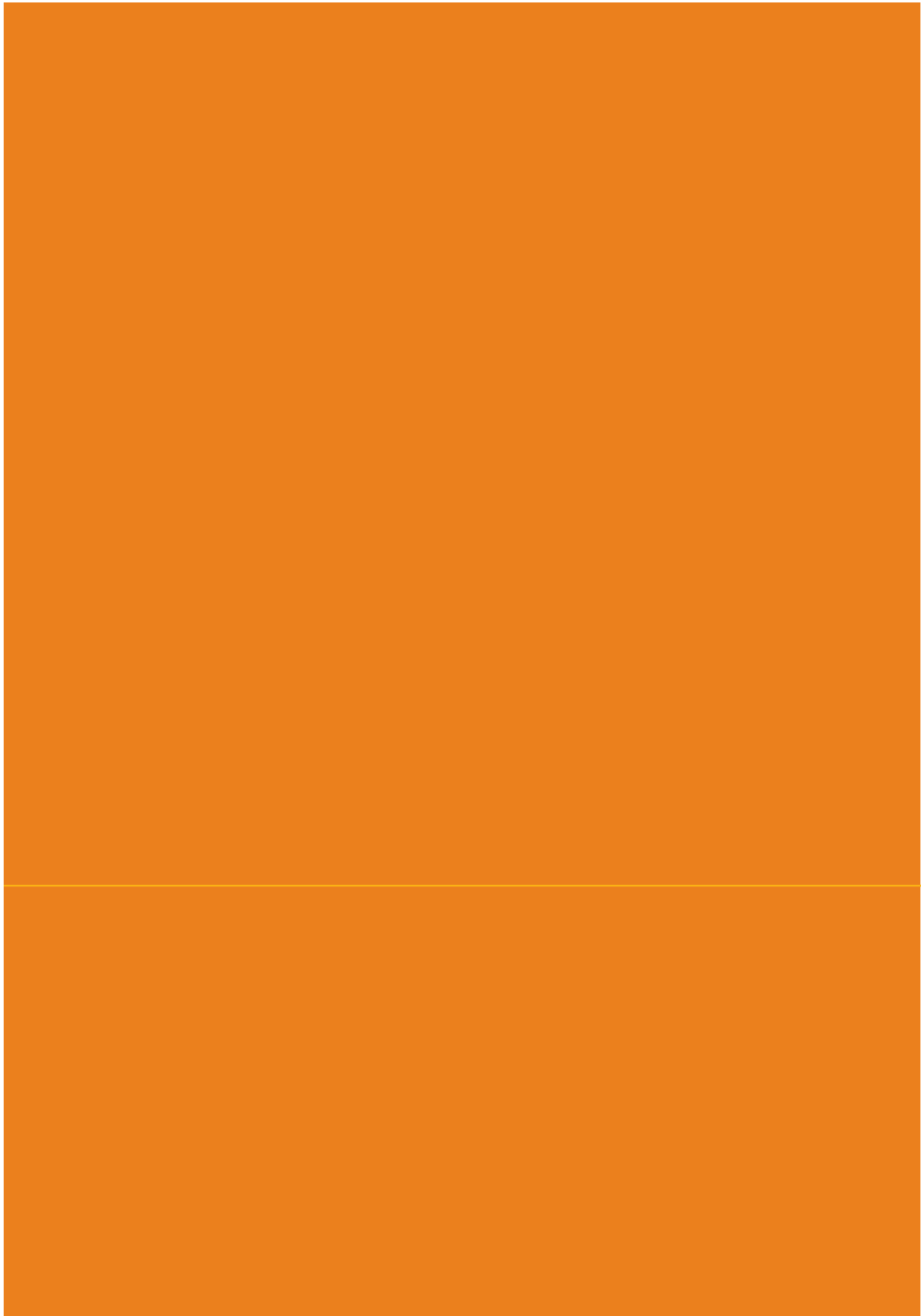
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