

Operational review  
continued



been focused on three areas of skill development: portfolio management, sales and distribution management and mainstream brand management.

Over the last two years, a large part of this has been the implementation of portfolio reviews across our operating companies. This work has allowed us to re-allocate both money and people to focus on the 'winning' brands. To date, we have covered approximately 80 per cent of our global volume and are now undertaking the second phase which is fully executing the findings. We are now clearly beginning to see greater consistency of approach and more exchange of best practice across markets which is making a significant contribution to improved performance.

**Sustainability**

One of the biggest challenges facing an international businesses like Heineken is achieving a balance between the sustainability of business performance with the sustainable development of the communities in which we operate. At Heineken, we recognise this need and work hard to put social and environmental sustainability at the heart of the actions that support Heineken's priorities.

Improving our sustainability 'footprint' is part of our commitment to all stakeholders. We aspire to deliver business results that support the long-term health, safety and well-being of our employees, consumers, customers and the communities in which our stakeholders live and work.

We believe that beer forms part of an enjoyable lifestyle when consumed and marketed responsibly. Looking ahead, we will continue to actively encourage the responsible consumption of beer and marketing of our beer. We will do this both as Heineken and through membership of international industry groups such as the International Center for Alcohol Policies (ICAP), Global Alcohol Producers Group and the Brewers of Europe and through our work with local, non-governmental organisations.

**Total Amstel volume**  
In millions of hectolitres





Through our [enjoyheinekenresponsibly.com](http://enjoyheinekenresponsibly.com) website we seek to inform consumers and the public about the responsible consumption of beer and the effects of the misuse of alcohol. We also promote responsible consumption through back label messages on our packaging and in 2007 will again increase our levels of responsibility messaging on commercial communication in order to involve a broader range of stakeholders.

An excellent example of how we translate this global commitment into local action was the work undertaken by our operating company in the Netherlands during 2006. Their 'Enjoy Heineken Responsibly' campaign ran across a variety of stakeholder groups. Consumers saw above-the-line advertising, online communication and the 'Enjoy Heineken Responsibly' message on product labels. Opinion formers and politicians were invited to discuss the current climate for alcohol in the Netherlands.

In the USA, we continued our successful and ground-breaking joint initiative with the New York Presbyterian Healthcare System and the White Plains Hospital Centre to stimulate conversations among relevant target groups on the use of alcohol to make informed choices. The partnership published further booklets in the Facts & Conversation series, entitled 'College and Alcohol' and 'Prom, Graduation and Alcohol'. This follows publications on 'Peer Pressure' and 'Underage drinking'. This is a major three-year project and the first time that an alcohol company has partnered with major medical institutions to help address specific alcohol issues.

We have also worked vigorously to enhance our existing best practices in the areas of environmental performance, health and safety procedures and labour practices.

In 2006, we have started the implementation of the Heineken Supplier Code. We have approached all our central suppliers – representing a purchasing value of over €1.5 billion – asking them if they believe they are in compliance with the standards that we have defined. An overwhelming majority has already responded indicating that they are. In 2007 we will make sure we get a 100 per cent response to our query and we will integrate the provisions of our Supplier Code in the regular audit activities and we will commence the roll-out to operating companies.

At Heineken we realise a business cannot fulfil its responsibilities to society without clear environmental policies and practices. That's why we remain committed to taking steps to reduce our consumption of energy and raw materials,



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whilst preventing harmful emissions and production of waste where possible.

Once again, our efforts were recognised by our continued inclusion in the Dow Jones Sustainability Index (second within our global industry category) and by our membership of the FTSE4Good index.

In April 2006, Heineken published a full sustainability report that covered 2004 and 2005. Our 2006 Sustainability Report will be published in April 2007. You will find both reports on our website and we invite you to visit and find out more. Also see the dedicated website [www.enjoyheinekenresponsibly.com](http://www.enjoyheinekenresponsibly.com).

**Personnel and organisation**

The new regional structure under the direction of new management, implemented in 2005, continued to work to improve operational efficiency and improve top- and bottom-line growth. Thanks to these changes and to the new senior management reward policy, which came

into effect on 1 January 2006, we have made significant steps towards a more performance-oriented company. In addition to the improved results, this has become apparent in greater clarity of direction, a higher speed of decision-making and a better focus on implementation.

In 2006 we completed a benchmark of the efficiency and effectiveness of our support functions, both externally and internally. In general, the benchmark indicated that we perform at reasonable levels, but efficiency and effectiveness improvement opportunities are available across all functional areas. Especially in our back office, we have possibilities to reduce our error rate and time spent, which could help to focus more on added-value activities. Increased leverage of technology is an important enabler for this.

Initial quick wins have been achieved and more structural improvement projects have been initiated. This has resulted in better focus on (centralised) HR-related purchasing. In 2007, we will continue our drive for improved performance.

Progress was made in strengthening our senior management review and performance management processes and the goal of upgrading our information systems to provide more transparency across the organisation. Human Resources information can now better be shared among regions and this is especially helpful when identifying potential high-performing individuals so that we can develop these people across all disciplines and regions.

