

# HEINEKEN

HEINEKEN has improved the standard and transparency of its business conduct policies, increasing investor confidence. EOS continues to engage with the company on its accountability to its key values of integrity and fairness and on other ESG issues.

## Background and company overview

Established in 1864 by the Heineken family, the company is the world's second largest brewer. It has a portfolio of more than 300 beers and ciders and employs over 80,000 employees.

Under the leadership of Jean-François van Boxmeer, who retired in 2020 after 15 years, HEINEKEN has more than doubled in size. Boxmeer expanded the company from a European brewer to a global one, making more than €30bn worth of acquisitions and expanding the brewing operations from 39 to more than 70 countries with a special focus on emerging markets.

This expansion strategy caused us to initiate engagement with the company on ethical business practices and set an objective to ensure the existence of robust policies.

## Our engagement

During a meeting with the head of sustainability in June 2015, we highlighted that following the stream of acquisitions in emerging markets over recent years, several of HEINEKEN's operating markets presented a high perceived level of public sector corruption, according to the Corruption Perception Index published annually by Transparency International. We therefore raised concerns regarding the management of conduct-related risk such as bribery and corruption. We were pleased to learn that the global business conduct and internal audit functions covered such risks, and that the company was continuously working to improve its standards and procedures. In particular, the whistleblowing (Speak Up) policy was extended to all stakeholders in 2014 and an anti-bribery training tool had just been rolled out for employees most at risk – for example in sales, top management and public affairs. We encouraged



Engagement objective  
**Social:**  
Business Conduct

## Sustainable Development Goals:



HEINEKEN to cover employees in other functions if working in those countries most at risk.

The code of business conduct which dated back to 2012 referred to several underlying policies, for example on bribery and corruption, but contrary to best practice these policies were not publicly available. We therefore organised a call in November 2015 to discuss this further and asked for more transparency. To illustrate our expectations, we shared a public copy of a policy from one of its largest competitors.

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We followed up with the head of sustainability in early 2016 and were pleased to hear that our request for greater transparency had led to an internal review of HEINEKEN's approach towards transparency in comparison to its sector and broader peers. In this connection, we were also informed that HEINEKEN would conduct an integral review and refresh of its code of business conduct, its supplier code for all first-tier suppliers with an explicit reference to bribery and corruption risks, and its other underlying policies including the human rights policy.

When we followed up in 2017 we learned that the review of these policies was taking longer than expected, to ensure consistency and alignment between various policies, and the head of sustainability escalated our concerns to relevant experts internally.

During a call with the sustainability team in early 2018, we received reassurance that HEINEKEN was making progress in the refreshment of its code of business conduct and underlying policies. That same year, the company faced allegations regarding the working conditions of brand promoters employed in Africa via promotion agencies. The company responded by publishing a policy for brand promoters and announced immediate measures. A meeting with the sustainability team at the company's headquarters in August 2018, following positive public announcements, gave us further reassurance that the company was taking the matter seriously.

## Changes at the company

In September 2018, HEINEKEN launched its updated code of business conduct and underlying policies such as the policy on bribery, on responsible alcohol consumption, on human rights and the supplier code. These policies were made publicly available on its website.

Since we began our engagement with HEINEKEN, the number of Speak Up reports of suspected misconduct has significantly improved. This is generally the sign of a culture that encourages employees to raise concerns and where employees feel confident to report wrongdoing. At HEINEKEN, this trend results from ongoing awareness initiatives as well as the successful launch of its Speak Up programme in newly acquired operations and the rising maturity of the programme, see Figure 1.

**Figure 1**

HEINEKEN Speak Up data	2015	2016	2017	2018	2019
# of reports of suspected misconduct	330	380	661	1,293	1,699
% of reports that were substantiated	N/A	64%	56%	49%	31%
HEINEKEN training data	2015	2016	2017	2018	2019
# of employees participating in the Code of Business Conduct training online or in a classroom	N/A	50,000	75,000	78,546	53,000*
# of employees participating in the anti-bribery e-learning programme**	N/A	11,187	20,950	19,560	21,517

\*In 2019, HEINEKEN launched a new mandatory code of business conduct training which exposes employees to practical business conduct dilemmas.

\*\*Mandatory for groups of employees across key functions

In 2019, Transparency International published a report assessing the whistleblowing framework of 68 Dutch companies. HEINEKEN ranked third with a total score of 82.7% compared to an average score of 45% for all companies. In the dimension of protection, HEINEKEN was amongst the two best performing companies with a total score of 100% compared to an average score of 61%. In the dimension of procedure, HEINEKEN ranked 17th with a score of 78% compared to an average score of 52% and in the dimension of culture it ranked second with a score of 81% compared to an average of 31%.

Since 2018, HEINEKEN has also been working to improve the working conditions of brand promoters and engaged with industry peers. Three independent third parties conducted specific assessments in 2018 and follow-up assessments in 2019 in Africa, Asia and the Americas to evaluate the working conditions of brand promoters and the global implementation of the brand promoters' policy. Notably, HEINEKEN has: reduced the number of agencies it works with from 470 to less than 80 worldwide, changed uniforms in all its operating companies, set up training and local support lines for brand promoters and developed an e-learning programme.

These results are very positive, but we remain mindful that success will depend on a continuous assessment of how the whistleblowing framework is working in practice and on a regular review of the code of conduct to ensure it remains fit for purpose as the business develops and moves forward.

### Next steps

We believe that the company's efforts to improve its policies and processes are commendable. A recent study of the Institute of Business Ethics indicates that many organisations have moved away from a mainly rules-based, compliance-oriented approach to one based on ethical values. From the outset, HEINEKEN has chosen a values-based approach. Integrity and fairness are the core values to which HEINEKEN wishes to be committed and held accountable. We will continue to engage on how HEINEKEN can inspire real belief in these values across the organisation and into its value chain so that every person, particularly employees, that have a relationship with the organisation can expect the highest possible standards and support when living up to them. We also continue our engagement on other areas including health and safety, climate change and board effectiveness.



**Pauline Lecoursonnois**  
Engagement  
EOS

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