

# Sustainability Report 2015

Brewing a Better World



## A Word from David



David Forde, Managing Director

# A year of collaboration for good

Welcome to our Sustainability Report and an update on how we performed in 2015.

In terms of the big picture, there's a lot the business can be proud of. We've turned around cider sales and are in a great place with our Star Pubs and Bars estate.

That said, we're still operating in a challenging market. Beer volumes are declining and competition is tough, especially in the grocery market. And we're not alone in dealing with some major sustainability issues – climate change and sustainable farming to name just a couple.

Faced with difficult situations is a constant reminder of the volatile world we live in. But importantly, this drives us to innovate – to look for new and better ways to do things. Our Brewing a Better World strategy is so important to our business because it makes us continually innovate and improve. It helps us have a positive impact on the people and places where we work. It's what makes us different.

To deliver our strategy – and have a lasting impact – we need partners. We need everyone involved in our business to help us on our sustainability journey. 2015 has been a great example of how we work in partnership to deliver on our ambitions. 2015 marked the 10th year of our partnership with Addaction, the UK's largest alcohol addiction charity. People often ask, how can an alcohol company work so well with a charity that's dealing with alcohol harm? But great businesses shouldn't shy away from difficult conversations, and our long-standing partnership shows what can be achieved when they don't. It's gone from strength to strength over the last 10 years and has brought about real change. I was particularly proud of how our colleagues continued to respond to our Act for Addaction campaign in 2015. Their enthusiasm for our partnership saw us collectively volunteer 1,940 hours and fundraise £336,000 to help the service users we support over the past two years.

Our 'moderation movement' also gained momentum in 2015. We aired the third in a series of responsible drinking ads, 'Moderate Drinkers Wanted', which reached around 6.3 million consumers.

To help UK barley farming become more sustainable, we're working with our barley suppliers on an exciting initiative, Profiting from Sustainability. It's ground-breaking because it brings together not only the actors in our supply chain – but other major businesses and their suppliers too, working together to create a sustainable food system. We're enlisting the help of our colleagues to make health and safety HEINEKEN's number one priority. 2015 was a disappointing year for our safety record with 11 accidents. We clearly have more work to do, but I'm confident we can get back on track. We've developed 12 Life Saving Rules which we'll be rolling out in 2016, along with a safety awareness campaign. And importantly, I know everyone in the business is fully on board with our mission to create a culture where safe behaviours are lived day in day out.

By working with colleagues, suppliers and charities – and *all* those involved with our business – we're able to have a lasting positive impact. In 2016, we'll further invest in the strong partnerships we've fostered. We'll respond to our partners' guidance on how we can better support the communities where we work, promote alcohol moderation and continue to reduce our environmental impacts across our supply chain.

David Forde Managing Director, HEINEKEN UK 8 August 2016

## **Our UK business**

#### **Our Values**

Our values represent what we stand for as a business and employer. They inspire us and are brought to life by our colleagues at every level and function.



PROTECTING WATER RESOURCES

**BREWING** 

A BETTER

WORLD

ADVOCATING RESPONSIBLE CONSUMP

Our focus areas

## **Brewing a Better World**

Sustainability at HEINEKEN is one of our six business priorities. Brewing a Better World is designed to create economic opportunities for both our business and our stakeholders.

#### Our six business priorities

- 1. Win in premium led by Heineken®
- 2. Shape the cider category
- 3. Lead by cool marketing & innovation
- 4. Be commercially assertive
- 5. Drive end2end productivity
- 6. Brewing a Better World



#### Our focus areas

We focus on the six areas that are most important to our business and stakeholders and where we can make the biggest difference. Our approach to sustainability covers the entire value chain, from Barley to Bar.



#### Our most important issues

In 2015 we updated our materiality matrix based on an ongoing dialogue with our stakeholders, reputation research, benchmark results and internal risk analysis. The top three clusters mentioned were:

- 1. **Environment** (climate change, environmental protection, water, waste, energy)
- 2. Public health (responsible consumption, obesity)
- 3. Economic conditions (growth, competitiveness, unemployment, income)



Introduction



#### **HEINEKEN Outputs**

#### Financial

€20.5 billion revenue €822 million income tax expense (beia) 27.8% effective income tax rate (beia) Total dividend of **€1.30** per share (to be approved at 2016 AGM)

#### Natural

Sustainably sourced raw materials: 21% barley, 53% hops and 71% bittersweet apples **21%** renewable electricity under green certificates 2% own-generated renewable electricity **3.8%** renewable thermal energy used

#### Human

Over 1.5 million training hours completed by employees **50,000** employees completed HeiCode e-learning training 2,000+ employees completed Road safety training 6,000+ employees completed Anti-bribery e-learning module 53 nationalities represented in senior management 77% employee 'Climate' engagement score

Manufactured

167 breweries, malteries, cider plants and other production facilities **26%** water reduction since 2008 24% energy reduction since 2008 **115,000+** green fridges purchased in 2015 with 45% average energy saving compared with 2010 Social

€23.6 million donations

€10 million increase in endowment fund Heineken Africa Foundation to €30 million in total in 2016 9.7% media spend on Enjoy Heineken® Responsibly **50** operating companies have a partnership to address alcohol-related harm

- Participation in Global Commitment to reduce alcohol-related harm
- Direct and indirect job creation
- Healthcare support

#### Intellectual

4.15 (out of 5) reputation rating across 30 countries and **3.000** external stakeholders 250+ brands

€1.9bn revenue from innovations

#### **CONSUMERS**

Every day, millions of consumers in 179 countries choose to enjoy one of our more than 250 brands. We provide choice through our premium portfolio approach. Innovations, especially in the low- and no-alcohol categories, are meeting changing consumer tastes. Across the world we engage consumers on responsible drinking, most notably with the Heineken® brand campaigns.

This overview was first published in the 2015 Annual Report. It has been updated to include final, assured non-financial data.

## What we said and what we've done

Focus Area	Global 2015 commitments	What we've done globally in 2015	What we've done in the UK in 2015	Progress indicator	Global 2020 commitment
	Reduce specific water consumption in our breweries to 3.9 hl/hl¹	Achieved Reduced to 3.7 hl/hl (-26% vs 2008)	Achieved Reduced water use to 3.4hl/hl (-19% vs 2008)	<b>\$</b>	In 2014 we raised our ambition for 2020 to 3.5 hl/hl <sup>1</sup> overall, and 3.3 hl/hl on average for breweries in water-scarce and water-distressed areas
	100% of our production units <sup>2</sup> in water-scarce and water- distressed areas will have a Source Water Protection Plan	<b>Partly achieved</b> Twenty of 23 production units in scope have a Source Water Protection Plan (representing <b>99%</b> of total production volume of units in scope)	NA	٠	Aim for significant water compensation/ balancing by our production units in water-scarce and water-distressed areas
	Reduce CO <sub>2</sub> emissions in production by 27% <sup>1</sup> (resulting in 7.6 kg CO <sub>2</sub> -eq/hl)	<b>Achieved</b> <b>36%</b> reduction compared with 2008, resulting in 6.7 kg CO <sub>2</sub> -eq/hl in 2015	Achieved Reduced by 17% vs 2014 and 41% vs 2008 (i.e 5.9kg CO <sub>2</sub> -eq/hl in 2015).	<b>\$</b>	Reduce CO <sub>2</sub> emissions in production by 40% <sup>1</sup>
	Reduce the CO <sub>2</sub> emissions from distribution by 10% <sup>3</sup> in Europe and the Americas	<b>Not achieved</b> Increased by 1.7%. Mainly due to production footprint in Mexico, our biggest market. In Europe, we reduced emissions by <b>9.8%</b>	<b>Not achieved</b> Reduced by 0.6% vs 2011	٠	Reduce the CO <sub>2</sub> emissions from distribution by 20% in Europe and the Americas
	Reduce the CO <sub>2</sub> emissions of our fridges by 42% <sup>4</sup>	Achieved Reduced CO <sub>2</sub> emissions by 45% vs 2010. 100% of over 115,000 fridges purchased were 'green'.	<b>Achieved</b> 100% of fridges purchased were 'green'	<b>\$</b>	Reduce the CO <sub>2</sub> emissions of our fridges by 50% <sup>4</sup>



<sup>&</sup>lt;sup>1</sup> Baseline 2008. <sup>2</sup> Twenty-three production units. <sup>3</sup> Baseline 2010/2011, scope is Europe and Americas, 24 of our largest operations: Belgium, Bulgaria, France, Ireland, Italy, Netherlands, Portugal, Spain, Switzerland, UK, Austria, Belarus, Croatia, Czech Republic, Greece, Hungary, Poland, Romania, Russia, Serbia, Slovakia, Brazil, Mexico, USA. Scope represents 80% of volumes traded. HEINEKEN Asia Pacific is not in scope of the 2015 commitment as the business was not consolidated at the time the commitment was made. <sup>4</sup> Baseline 2010.

## What we said and what we've done

Focus Area	Global 2015 commitments	What we've done globally in 2015	What we've done in the UK in 2015	Progress indicator	Global 2020 commitment	
	Aim for sustainable sourcing of raw materials for crop year 2015: 20% (barley), 40% (hops), 60% (bittersweet apples for cider) <sup>1</sup>	Achieved In 2015 we sourced sustainably: • barley: 21% • hops: 53% • apples: 71%	Achieved Sustainably sourced: barley: 100% apples: 73%		Aim for at least 50% of our main raw materials <sup>2</sup> from sustainable sources	
	50% <sup>3</sup> of agricultural raw materials used in Africa to be locally sourced <sup>4</sup> within the continent	Partly achieved An estimated <b>49%</b> were sourced locally – up from <b>48%</b> in 2014	NA	٠	Deliver 60% of agricultural raw materials in Africa via local sourcing within the continent	
	Four-step Supplier Code Procedure operational within all operating companies <sup>6</sup>	<b>Partly achieved</b> Operational in 46 out of 50 companies in scope (representing <b>99%</b> of in scope sales volume)	<b>Achieved</b> In place and <b>100%</b> of suppliers complied	<b>\$</b>	Ongoing compliance with our Supplier Code Procedure	
	We commit to invest a minimum of 10% of our media spend <sup>7</sup> for Heineken® in supporting our dedicated responsible consumption campaign in at least 50% of our market volume <sup>8</sup>	<b>Partly achieved</b> 9.7% of total media spend in our main markets, representing <b>51%</b> of the Heineken <sup>®</sup> global volume	NA – Heineken continued to promote responsible drinking through its sponsorship of the Rugby World Cup, with responsible drinking messages included at rugby stadiums across thecountry and on television advertising	٠	Make responsible consumption aspirational through Heineken®	
	Every market in scope <sup>9</sup> has a partnership to address alcohol-related harm	<b>Achieved</b> Fifty operating companies, across 48 markets, have a partnership in place to address alcohol-related harm	Achieved Partnered with alcohol addiction charity Addaction to tackle alcohol harm since 2005	<b>\$</b>	Every market in scope has and reports publicl on a measurable partnership aimed at addressing alcohol abuse	
	All partnerships meet HEINEKEN's seven-point partnership criteria representing <b>72%</b> of the beer volume in scope		<b>Achieved</b> Partnership with Addaction meets criteria	<b>\$</b>		
	Contribute to the five industry commitments and related KPI's, as defined through the International Alliance for Responsible Drinking (IARD)	<b>On track</b> September 2015, the signatory companies published a second <u>Commitments Progress Report</u> outlining our actions to date	NA	٠	NA	

<sup>&</sup>lt;sup>1</sup> Based on volume. <sup>2</sup> In scope are barley, hops, cider apples, fruit concentrates, sugar, rice, sorghum, wheat, maize. <sup>3</sup> Based upon tonnage. <sup>4</sup> With local sourcing we refer to sourcing within the region of Africa & Middle East. <sup>5</sup> With local sourcing we refer to sourcing within the region of Africa & Middle East. <sup>5</sup> HEINEKEN Asia Pacific is not in scope of the 2015 commitment as the business was not consolidated at the time the commitment was made. They are in the process of becoming compliant in the coming years. <sup>7</sup> Investments dedicated to responsible consumption messaging with regards to Heineken® brand communication. This includes the 'Dance More Drink Slow' and 'Sunrise' campaign, UEFA® Champions League-specific responsible consumption boarding and other specific activations at festivals and events. <sup>8</sup> Market scope, covering in total at least 50% of Heineken® global volume. We focus our efforts on the larger markets where we can make the biggest impact; out of scope are those markets where we are unable to run our responsible consumption due to local (legal and religious) restrictions on alcohol advertising. <sup>9</sup> The 50 operating companies, which cover 48 markets, include all HEINEKEN markets except Islamic countries, markets where we have a Joint Venture and three minimal-volume markets for who allocating resource is unrealistic (Laos, Solomon Islands and Sri Lanka).

## David's 2015 best bits



David Paterson, Corporate Relations Director, HEINEKEN UK

In 2016, I'll be taking on the role of Corporate Relations Director for HEINEKEN UK. Thinking about what's next has naturally made me reflect on the past – and what the UK businesses has achieved. 2015 was a stand-out year in my mind. In the spirit of our HEINEKEN behaviour to 'keep it simple', I'll do just that! Here are my top highlights of 2015:



Launching the third in a series of ground-breaking responsible drinking ads by the Heineken® brand, Moderate Drinkers Wanted, which reached 6.5 million people, helping make moderate drinking cool. Watch it here.



Brewing 20 million pints using solar energy at our Tadcaster Brewery in Yorkshire – the UK's largest solar brewery (and no jokes about solar in Yorkshire please!).



Bringing the magic of orchards to another 40 local communities across the UK. Through Helping Britain Blossom, we're on track to create or restore over 100 community orchards in urban areas – bringing people together to enjoy their fruits and spend time with friends and family.



Investing around £30 million into our pub estate, Star Pubs and Bars. Our year on year investment is transforming run-down pubs into thriving businesses and supporting our licensees to restore them as hubs for local communities to enjoy.



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# Listening and responding to our stakeholders



We maintain ongoing dialogue with our stakeholders, and each year, we engage with them formally to have detailed discussion on how we're doing and how we could improve. In 2015 we:

- 1. Conducted around 60 interviews (phone and online) – with our key stakeholders, including sustainability, media, government and customers. This was part of global research in which HEINEKEN interviewed more than 2,400 stakeholders in 30 markets.
- Held a Brewing a Better World conference

   with around 50 stakeholders to get detailed insight on some of our key issues such as sustainable sourcing, dealing with alcohol harm and community investment.

#### Our stakeholders told us

- Challenging economic conditions are a top concern. We should continue to enhance our employees' skills and create new jobs to contribute to growth.
- Public health, in terms of sugar and obesity, are key emerging issues that need a long-term strategy.
- We're leading the industry in promoting responsible consumption but could go further to expand our portfolio of low and no alcohol products.
- Good progress on reducing our carbon footprint. We need to do more on reducing water use in our supply chain.
- Investing in pubs through Star Pubs and Bars is helping safeguard the community pub and expanding job opportunities.



#### Sharing our experience

We took an active role in roundtables and panel discussions to share our experience and hear from others. These included:

- Third Sector's Big Donnor Summit, April
- Brewing a Better World Conference,
  June
- Strategic Win-Win Corporate Charity Partnerships, October
- Communicate: Challenging Partnerships, November



# Protecting water resources



#### **The Big Picture**

Water is vital to our business. It's essential to grow the quality hops, barley and apples that we rely on to make our beers and ciders, and of course, beer is 95% water so no water means no beer!

Water scarcity is now a major global issue. Around 800 million people can't get clean drinking water. Most of these people live in areas of water scarcity in Africa and Asia, but we also have a responsibility in the UK to protect water resources. Beer is **95%** water, so no water means no beer!





For more on water priorities and why this is important, see <u>our website</u>.



Our People



#### How we're responding

#### **Our operations**

Since 2014 we've invested over £100 million into improving the efficiency and capacity of our brewery in Manchester and ciderie in Hereford. This year, we began to see the impact of our investment as we reduced our water use by 5% compared to 2014, down from 3.6 hl/hl to 3.4hl/hl. Compared to 2008, we're using 19% less water to make one hl of beer. This meant we exceeded our global target of 3.5hl/hl by 2020.

As part of this investment we focused on installing modern, water efficient equipment. For example, at Hereford we installed a new pasteuriser that uses around 1 million less litres of water a year, while giving us flexibility for faster and more efficient processing.



Across all our breweries we worked to improve the efficiency of our existing machinery. At our John Smith's brewery in Tadcaster we installed a control system on our bottling pasteuriser which saved over 1.1 million litres of water in 2015. We also installed new water metering on our main machinery. This sends accurate data on water use every ten minutes to a centralised system, so any unexpectedly high use can be identified and corrected.

#### More beer for less water

As we become more water efficient, we can increase our production while maintaining or reducing our water use. For example, in 2015, our Tadcaster brewery produced 50,000 hl more beer, but using 30,000 hl less water than it did the previous year.

> Brewing beer uses a lot of water, so we're working hard to find new, more efficient ways of doing it. Our multi-million pound investment into our sites has allowed us to install more water efficient equipment – and importantly, we're also making our existing equipment more efficient, and finding new ways of doing things, that cut water use. It's clearly paying off. Our water use is down to 3.4hl/hl – that's a reduction of 19% since 2008. Looking ahead, we'll continue to focus on producing even more beer with less water.

**Jochen van Esch,** Brewery and Operations Director, UK

#### 2015 progress

Specific water consumption

hl/hl beer + cider + s	oft drinks + water
3.4	
2015	3.4
2014	3.6
2013	3.6
2012	3.8
2011	3.8
2010	4.0
2009	4.4
2008	4.3



#### Do you know how much water it takes to make your favorite drinks?<sup>3</sup>

Product					
<b>Water footprint</b> (global average)	<b>108</b> litres of water per litre of tea	<b>298</b> litres of water per litre of beer	<b>870</b> litres of water per litre of wine	<b>1,020</b> litres of water per litre of milk	<b>1,056</b> litres of water per litre of coffee
% footprint via rainfall	82%	85%	70%	85%	96%

<sup>1</sup> Hecolitre of water to make one hectolitre of beer (hl/hl).
 <sup>2</sup> Compared to existing pasteuriser.
 <sup>3</sup>Water Footprint Network, Product Gallery.







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#### Helping our customers use less water

Beyond our own operations, we're helping our customers reduce their water use. We've invested over £5 million and six years of research to develop a first-of-its kind, draught beer dispense system, SmartDispense, that reduces the water, energy and waste associated with dispensing beer.

Since 2013, it has saved pubs, restaurants and hotels around 14 million litres of water – that's about 25 million pints.

Find out how SmartDispense could save your business water, time and money.

SmartDispense was recognised as environmental innovation of the year at Edie's Energy and Environment Awards 2016.



We've driven real change in the UK draught beer and cider market. Compared to traditional draught cooling systems, SmartDispense uses 75% less water, 20% less energy and reduces chemical use in cleaning. But importantly it's a commercial product so we can deliver major environmental benefits while supporting business growth.

Simon Gray,

Draught Dispense Development Controller





#### Case study: Innovative beer dispenser saves 25 million pints of water

Put all the water SmartDispense has saved into Foster's glasses and you could line them up from our Manchester brewery to Amsterdam!



Our SmartDispense technology has revolutonised the way draught beer and cider is stored and served. It's a self-contained, highly-efficient cooling and dispense unit that reduces the need for cellar cooling, and the frequency of cleaning which:

- . Reduces water use by around 75%\*
- Reduces energy use in excess of 20%\* .
- Reduces chemical use in cleaning .
- Cuts beer waste and improves the quality . of the product for consumers
- Saves the average pub thousands of pounds a year\*\*

\*compared to traditional beer dispense systems \*Based on reduced energy use and waste. Savings vary depending on size of pub



# Reducing CO<sub>2</sub> emissions





Climate change is one of the biggest global issues of the 21st century. It's causing sea levels to rise and more unpredictable and extreme weather events such as floods and droughts. But it's not just an environmental problem. Unpredictable weather has a big impact on farming and the availability of raw materials, such as the barley and apples that we rely on to make our beers and ciders. Committed to reducing **CO<sub>2</sub> emissions** across our value chain

reineken





For more on our  $CO_2$  priorities and why this is important, see <u>our website</u> and <u>case studies</u>.

23.7%

7%







Cooling

Distribution ......

Area

Agriculture

Distribution

Cooling

Total

\*\*\*\*

\*\*\*\*

Malting & adjuncts

Beverage production

Packaging material production

**74** kg **CO**<sub>2</sub>-e/hl

8.9%

23.7%

2012 Baseline

(kg CO2-e/hl)

10.8

8.3

10.7

20.8

70

20.9

75.3

74.3

(kg CO<sub>2</sub>-e/hl)



Agriculture

Malting and adjuncts

Beverage production

Packaging materials

Change

-1.9

-44

-2.7

+3.0

-1

+2.9

-1

(kg CO2-e/hl)

2015

89

39

. . . . . . . .

8.0

237

6.0

23.7

74.3

(kg CO2-e/hl)

.....

3.9%

#### HEINEKEN UK's Carbon Footprint

In 2015, we mapped our carbon impacts from barley to bar. Results show our estimated carbon footprint decreased by 1% to 74kg CO<sub>2</sub>e/hl, compared to 2012 (when we previously conducted this analysis). This was mainly because emissions associated with brewing were substantially lower. But it also shows there is more work to do to lower emissions in our supply chain. Using this analysis, we're able to focus our improvement programmes on the areas of our business that have the biggest carbon impact.

#### How we're responding

To reduce our impact on climate change, we have committed to cut  $CO_2$  emissions across our value chain by around 40%. To do this we focus on reducing emissions in:

- Production: by installing energy efficient technology and using renewable energy
- Distribution: by efficiently transportating our products to our customers
- **Refrigeration:** by buying and supplying energy-efficient fridges to our customers through our green fridges programme.



Manchester achieved the biggest energy reduction of any HEINEKEN brewery globally in 2015 – using 27% less energy than it did last year. With over £50 million invested into the site since 2014, we've been able to optimise the efficiency of the existing utilities equipment and introduce new, energy efficient technology – such as a modern keg line & mash filters – that are helping us deliver these impressive results. As the Maintenance Manager here, I'm really proud of what my team has achieved. But it doesn't stop here. These changes are part of a long-term continuous improvement programme that's helping our business become a modern, efficient and sustainable brewer of the future. Ian Bromley, Maintenance Manager, Manchester Brewery

(Left to right) Ian Bromley, Yutika Patel, Dave Snazell and Ian Saunders



For a more detailed breakdown of our carbon footprint, see <u>our website.</u>









Energy use at Manchester down 27%

#### **Our Operations**

#### How we did in 2015

In 2015, we reduced our total greenhouse gas emissions by 17% to 5.9kg  $CO_2eq/hl$ , compared to 2014. That's a decrease of 41% since 2008 and means we've achieved our 2020 commitment. Our total energy use was down 11% to 82.9MJ/hl. Specifically, electricity use decreased by 8% and thermal energy use was reduced by 12%, compared to last year.

#### Greenhouse gas emissions in production

kg CO<sub>2</sub>-e/hl beer + cider + soft drinks + water

# **5.9** kg CO<sub>2</sub>-e/hl

2015	5.9	
2014	7.1	
2013	7.2	
2012		9.7
2011		9.8
2010		10.8
2009		9.6
2008		10

#### Reducing emissions at our sites

We've been able to deliver consistent reductions in energy use and emissions by upgrading our brewing equipment and investing in new, energy efficient technology – mainly as part of a £100m improvement programme at our Manchester and Hereford sites.



kWh/hl beer + cider + soft drinks + water





#### Thermal energy use 2015

Mj/hl beer + cider + soft drinks + water



2015	59.7
2014	67.7
2013	69.8
2012	76.8
2011	76.6
2010	83.8
2009	78.6
2008	79.8



Our Manchester brewery is HEINEKEN's top performing brewery globally, based on the 27% energy reduction it achieved since 2014.

Examples of how we're reducing energy use across our sites include:

- Hereford invested £55m into a new, efficient bottling line and cider processing plant
- **Manchester** optimized a carbon dioxide recovery system that captures previously wasted CO<sub>2</sub>, produced during fermentation, and uses it to carbonate our products
- Tadcaster introduced a fleet of five zero-emissions electric fork lift trucks, which we plan to introduce at further sites in 2016





20 million pints brewed using solar energy at Tadcaster





#### Investing in renewable energy

In 2015, around 22% of our energy came from renewable sources (see chart). At our sites, we focus on generating solar energy and biogas to reduce our reliance on fossil fuels.

Our John Smith's brewery in Tadcaster, for example, has around 4,000 solar panels on its roof, making it the largest solar brewery in the UK. In 2015, we produced around 20 million pints using this solar energy. In total, almost 10% of Tadcaster's energy comes from renewable sources (solar and biogas) – saving the business around £150,000 each year.

We also have anaerobic digestion (AD) plants at our Manchester and Tadcaster breweries which generate biogas from waste, which is turned into electricity. In 2015, we improved the controls software of Manchester's AD plant, allowing us to capture and reuse 85% of the biogas it produced and helping us reduce our reliance on natural gas by around 10%.



**Electricity mix 2015** for Beverage production



#### Reducing, reusing and recycling waste

We're committed to reducing waste in our operations and focus on reusing and recycling it where possible. The main waste products from the brewing process are spent grains (73%) and surplus yeast (10%), and materials like glass (4%), cardboard, aluminium, plastic and paper.

Currently, 99% of waste from the brewing process is recycled into feed, compost, energy or other materials. Brewer's grains and yeast, for example, have a high nutritional value and are recycled for animal or human consumption (as yeast extract). And around 19% is used to generate biogas, which is turned into electricity and used to power our sites.

#### **Packaging waste**

As signatories of WRAP's Courtauld Commitment 3, in 2015 we continued working with the waste charity, WRAP, to understand our packaging waste streams and look for new ways to reduce them. Since 2014, we've reduced packaging waste by 6% - a 16% reduction since 2012. Plastic was where we made the biggest savings, with 73% less plastic waste than in 2012.



#### Where does our waste go?



#### Lighter packing, fewer emissions

We're also redesigning our packaging and making it lighter, so it uses less resources to produce and needs less fuel to transport it. In 2015, we reduced the amount of glass in our Foster's Gold and Radler by around 25g per bottle, – which we expect to save saving around 500 tonnes of glass a year. And Old Mout cider bottles now use 4g less glass per bottle, saving over 1,000 tonnes of glass a year.









Green fridges will save customers around **£12 million** in 2016

#### **Efficient distribution**

In 2015, we continued to look for ways to reduce emissions associated with transporting our products, but it remains a challenge. We reduced carbon emissions by 0.6 % to 2.7tCO<sub>2</sub>e/hl (that's 42,765 tonnes CO<sub>2</sub> in absolute terms) – so we're making progress. However it means we're off track to hit our 20% reduction target by 2020.

We're working hard to improve our performance. For example, exporting Newcastle Brown Ale to the US accounts for a significant proportion of these emissions, so doing this more efficiently was a focus in 2015. By simply packing each sea container more tightly we've reduced our emissions by 330 tonnes a year (see case study).

<sup>1</sup> per hector litre of beer produced.



#### Case study: A little change makes a big difference

HEINEKEN UK sends millions of cases of Newcastle Brown Ale to the USA each year. All this beer travelling over 5,200 miles has a big carbon footprint and cost. In 2015, we explored new ways to pack each sea container used to ship it over and found a little change could make a big difference. By fitting just one extra pallet in each, we could deliver our beer using 213 fewer containers – saving the

business thousands of pounds and cutting our CO<sub>2</sub> emissions by 330 tonnes.



#### Low-energy refrigeration

HEINEKEN buys and supplies fridges to customers that cool our beers and ciders in bars and restaurants. The energy used to keep these products cool accounts for one-third of our carbon footprint, so making sure they're as 'green' as possible is priority for the business globally.

In 2015, we continued replacing conventional cooling systems with energy-efficient models. All the fridges we sold complied with our Global Fridge policy, meaning they perform to a certain level on HEINEKEN's energy efficiency index and have at least four 'green' characteristics. The average energy use of these newer models was 45% less compared with 2010, meaning we're on track for our 50% reduction target by 2020.

Saving energy doesn't just reduce our emissions, it also means our customers incur less costs in their businesses. We estimate that globally, our green fridges will save customers around £12 million on their electricity bills in 2016.

# Sourcing sustainably

One of our orchards in Herefordshire during harvest.

#### **The Big Picture**

A sustainable agricultural industry is vital to the success of our business and we're a big supporter of British farming. All the barley we use to brew our UK beers comes from UK farms. We also use around 30% of all the apples produced in the UK to make our ciders.

We know we can never take a good supply of quality barley and apples for granted. Our weather is becoming increasingly unpredictable and raw materials more scare or expensive. By helping to secure barley and apple production now, we're making sure that both our business and rural communities can prosper in the future. We use **30%** of all apples produced in the UK to make our ciders.





For more on our sustainable sourcing priorities and why this is important, see <u>our website</u>.

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Our cider apples come from acres of Uk orchards



0 of our cider apples are sourced from sustainable farms







#### How we're responding

We focus on sourcing locally and sustainably to improve the quality of life for farming communities, enhance the environment and secure our barley and apple supply.

#### Sustainable apples for our cider

We source our cider apples from around 180 farmers and 10,000 acres of orchards, mainly in Herefordshire.

To help promote more sustainable apple production we encourage all our apple farmers to become members of the HEINEKEN Sustainable Cider Apple Scheme. Around 62% of our largest grower are now members. And in 2015 we sourced 73% of cider apples from sustainable farms, exceeding our target of 60%.

To join the Scheme, farmers must demonstrate compliance a code of practice developed in-line with the Sustainable Agriculture Initiative's

principles. This makes sure they are using best practice farming approaches on a range of topics – from harvesting to disposal of waste to health and safety. We then provide ongoing advice to help our producers adopt more sustainable practices.

To check compliance, we carry out internal and external audits and develop improvement plans as needed.



I was one of the pilot growers who helped develop the HEINEKEN scheme in 2014, before it was introduced to a larger number of growers in 2015. It's easy to complete the checklist and a good reminder of what is required to be sustainable. We appreciate that in the future the bar will be raised, and look forward to working with HEINEKEN in developing standards which are relevant to cider apple growers. Bruce Starkey, Cider Apple Grower, Worcestershire.

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of UK barley is Red Tractor certified







#### Promoting sustainable barley

All the barley used in our UK brewed beer is grown in the UK. In 2015 we sourced 100% from sustainable sources that were certified to the food and farm assurance standard, Red Tractor.

To help make farming more sustainable at scale we've partnered with other food and drinks companies, research institutions and suppliers to help 150 farmers in Yorkshire adopt farming approaches that lower pesticide use and carbon emissions, and improve biodiversity and crop yields.



Planting sustainable barley demonstration plot in York.



#### Case study: More barley with less pesticides and carbon emissions



HEINEKEN UK uses around 115,000 tonnes of British malted barley a year. That's enough to fill 6,000 lorries!

This golden grain is essential to our business. That's why we've teamed up with other food and drinks companies (including Coca-Cola and KP Snacks) research institutions, suppliers and around 150 farmers to make UK agriculture more sustainable and profitable.

This initiative, Profiting from Sustainability (PFS), is trialling sustainable approaches to growing barely, sugar beet, wheat, and potatoes, that mean more crops with less pesticides and lower carbon emissions.

As part of the 'barley group', we've teamed up with our malted barley supplier, Muntons, to create a five acre demonstration plot near our Tadcaster brewery that's trialling low-impact barley production techniques. Farmers will be invited along to see first-hand how these work, and encouraged to adopt them on their own farms.

To share best practice, PFS farmers will meet throughout 2016 to discuss and share tips on, for example, new cultivation techniques and waste reduction.

The end result will be a more sustainable farming system with less carbon emissions, less chemical use, improved biodiversity and better crop yields.

#### High supplier standards

We make sure all our UK suppliers meet our high standards by requiring them to sign our global Supplier Code before we will work with them. This confirms they meet our standards on issues such as: health and safety, working conditions, business ethics, environmental management and performance and guidance regarding sub-contracting. We have a robust audit procedure to ensure compliance to our Code. We conduct risk assessments on all our tier one suppliers as well as all critical suppliers. If any suppliers are identified as potentially high-risk they are assessed via the external supply chain tool, EcoVadis. Any suppliers deemed to be high risk following this are required to undergo an external site audit which forms the basis of an improvement plan.



# Advocating responsible consumption



Some of our colleagues taking part in Act for Addaction

#### **The Big Picture**

Most people in the UK drink responsibly. In fact, we're drinking less today than we did 10 years ago. But harmful drinking still affects around 20% of the population and alcohol misuse is one of the biggest issues facing our business.

UK's alcohol consumption down **18% since 2004**.





For more on our responsible consumption priorities and why this is important, see <u>our Global website</u>.

Our People



6.5 million people reached through the Moderate Drinkers Wanted campaign



10% of our Heineken marketing budget committed to responsible drinking campaigns.



Scene from 'Moderate Drinkers Wanted', our latest responsible consumption campaign.

#### How we're responding

Fully embedding alcohol responsibility into our business is key to our long term sustainability. As a founding member of the Government's Public Health Responsibility Deal, and with a strong track record of working with others through our various partnerships with Drinkaware, Best Bar None, Community Alcohol Partnerships, PASS, Scottish Government Alcohol Industry Partnership, and Addaction, we're widely recognised as an active and willing partner in addressing alcohol-related harm.

#### Making moderate drinking aspirational

While we encourage the enjoyment of beer and cider in moderation as part of a healthy lifestyle, we recognise there are health and behavioural risks associated with consuming too much either over time or on single occasions. We have a genuine commitment to making moderate consumption the social norm by actively using our brands including through the Heineken<sup>®</sup> brand campaigns 'Sunrise', 'Dance More Drink Slow' and 'Moderate Drinkers Wanted'.

There's been a significant shift in consumption patterns in the past decade. We believe there's a real opportunity to take a targeted approach to build on the momentum and encourage more people to drink responsibly.

We want to promote quality over quantity and spread the message that getting drunk isn't 'cool'. By showing positive behaviour instead of criticising bad behaviour, we believe we can help change consumer attitudes.

We kicked off 2016 with the launch of the third in a series of exciting global responsible consumption campaigns. 'Moderate Drinkers Wanted' was launched through the Heineken<sup>®</sup> brand as we continued on our mission to make moderate drinking aspirational.

We use the Heineken® brand to encourage moderation because brands resonate with consumers and Heineken®, as the most global international premium brand, provides the perfect platform to spread the message of moderate consumption. Our global commitment is to spend at least 10% of our marketing budget on responsible drinking campaigns through the Heineken® brand.

'Moderate Drinkers Wanted' focuses on the impact that drinking to excess has both on the individual and on those around them. Our research makes it clear that more and more people see being in control and moderating consumption as cool and want to spend their time with people who stay in control. 'Moderate Drinkers Wanted' brought that insight to life.

#### Heineken® campaigns to make moderate drinking aspirational







Our People



Ten years years in partnership with Addaction



## Colleagues raised £158,000

for Addaction's Veterans Right Turn programme and volunteered more than 800 hours for the charity.



# act for addaction

2015 marked a decade in partnership with Addaction – the UK's largest specialist alcohol addiction charity. Since 2005, we've worked with Addaction to develop pilot projects in communities across the UK, enabling the charity to trial and evaluate innovative approaches to tackling alcohol harm.

Celebrating a decade of working together, we stepped up our commitment to putting colleagues at the heart of the partnership.

In 2015, once again we asked everyone in our business to play an active role in our Addaction partnership. Act for Addaction was launched as a call to action to all our colleagues to get closer to Addaction, and in turn, better understand the harm caused by alcohol misuse. Colleagues fundraised another £158,000 for Addaction's Right Turn programme – a service giving support to veterans struggling with alcohol and substance misuse. Right Turn is aiming to overcome the current barriers in supporting ex-service personnel and reach more veterans earlier by training veteran volunteers in the principles of peer support. The project is being externally evaluated by Sheffield and Hallam University.

Through volunteering and mentoring more than 800 hours with the charity, our wider business awareness and understanding of the issues faced by those dealing with alcohol addiction has really helped us further strengthen our partnership with Addaction.

Our partnership with Addaction has taken one of the most challenging issues for our industry – alcohol misuse – and confronted it head on. We work together to find new solutions to alcohol misuse which deliver significant, lasting benefit for individuals, families and communities across the UK. Our partnership has gone from strength to strength over the last decade. Act for Addaction put our colleagues at the heart of that relationship, uniting our business and opening colleagues' eyes to the impact of alcohol misuse..

David Forde, Managing Director, HEINEKEN UK

We support the alcohol education charity, Drinkaware and use our marketing, packaging and sponsorship to drive traffic to drinkaware.co.uk, where people can find the facts on alcohol. The Drinkaware logo is on all of ourmarketing materials – from our TV adverts, brand websites, secondary packaging to our festival activation.





#### Case study: Community Alcohol Partnerships approaches 100th scheme milestone

Community Alcohol Partnerships (CAP) aim to tackle underage drinking and the resulting harm to local communities. Brining together enforcement, education, community and local business engagement, and provision of positive activity for young people is the hallmark of the CAP model.

Since its pilot in 2007, more than 90 CAPs have launched, delivering up to 46% reductions in alcohol-related anti-social behaviour among young people. In 2016, the scheme (co-funded by HEINEKEN and 15 other producers and retailers) will celebrate its 100th scheme and the launch of a further 30.

Across the country, CAPs have reduced the sale of alcohol to under 18s, driven down alcohol-related youth anti-social behaviour and increased local residents' feelings of safety.

# Promoting health and safety



#### **The Big Picture**

Safety is our number one business priority – globally and in the UK. Our goal is zero-accidents by 2020. So whether in production, transportation, sales or support functions, we're committed to world-class health and safety standards.

Our success is down to the great people who work for us, and keeping them safe is our priority. We're unequivocal with our colleagues – no job should be done if it can't be done safely.





For more on promoting health and safety and why this is important, see <u>Global's website</u>.



13,000 hrs of safety training provided









#### How we're responding

#### How we did in 2015

We've a solid track record for safety in the UK, which is why we were disappointed that in 2015 we had 11 lost-time accidents in production – an increase from five in 2014. Most of these accidents related to slip, trip and fall (46%) or manual handling (23%). All accidents are investigated to identify the root cause and steps taken to help prevent them from reoccurring.



#### Getting the basics right

We've robust systems and policies in place to help avoid accidents from occurring, and procedures to limit harm if they do. Our Health and Safety management system is accredited to the internationally recognised standard, OHSAS 18001.

#### Safety training for high-risk roles

We focus our training on people who work in high-risk roles. In 2015, we delivered almost 13,000 hours of training to colleagues in production to make sure they're equipped with the knowledge and skills they need to stay safe.

We also extended our online driver-safety training to include all business drivers. This was completed by 90% of colleagues who we targeted for driver training. We've developed a new safe driving policy which all drivers must adhere to. This sets out clear guidance on a range of issues and includes, not allowing colleagues to join conference calls on hands-free devices while driving.

#### 2015 at a glance

Accident frequency Cases/100 FTE, HEINEKEN UK Production Units

**1.4** 2015 2014 0.5 2013 0.7

#### Accident severity

Lost calendar days/100 FTE, HEINEKEN UK production units



#### New 2020 commitments

#### 2018 milestone

Operating companies representing 95% of employees have 80% of the actions coming from Life Saving Rules action plans accomplished

#### 2020 commitment

Life Saving Rules action plans fully implemented





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#### Creating a safety culture

Polices and training lay the foundation. But to create a zero-accident workplace, we need to create a safety culture in which colleagues live safe behaviour day-to-day. To help us achieve this we:

- Made safety the number one behaviour that we expect from all colleagues. To help ensure this is put into practice we asked colleagues to demonstrate how they're 'putting safety first' as part of their formal performance review.
- Developed 12 Life Saving Rules
   (effective from January 2016) which clearly
   outline the dos and don'ts for high-risk
   activities. Each rule has an accompanying
   video explaining what this means in practice.



#### Looking ahead in 2016

To help keep safety at the forefront of colleagues' minds we will launch an awareness campaign 'what does safety mean to you' to make safety relevant to all colleagues. We're planning to ask colleagues from across the business to submit a video explaining why safety is important to them, which will be shared on World Health and Safety Day.





We pride ourselves on having strong health and safety policies and procedures, and see any accident as unacceptable. So we were really disappointed that several colleagues were involved in accidents while working for us. Despite our systems, procedures and training we know we can, and must, do more. In 2015, we continued to focus on creating a safety culture in which safety is at the forefront of all colleagues' minds 24/7 – whether at home or work. Behaviour change takes time, but we've been working incredibly hard to capture the hearts and minds of our colleagues and make safety their number one priority. I'm looking forward to early 2016 when we'll kick off a new safety awareness campaign to help make safety relevant to everyone – whatever their role.

# Growing with communities



A team of volunteers planting a community orchard in West Dulwich as part of Helping Britain Blossom.

#### **The Big Picture**

Businesses need vibrant communities in the areas they operate to succeed.

Local community groups are working hard to strengthen communities and do a vital, and often difficult job. We believe that businesses can help. By being a good employer and neighbour, we can create communities where people flourish.

For us it's important that we've strong relationships with our communities. Our breweries, cideries and pubs have been at the heart of UK communities for years and we need to continue to play our part in making them better places to live and work. Bringing the **magic of orchards to communities** across the UK





For more on growing with communities and why this is important, see <u>our website</u>.

Our People









#### How we're responding

We're working hard to make sure that as our business grows, our local communities prosper too.

#### Restoring orchards across the UK

In 2014 we partnered with The Urban Orchard Project and The Bulmer Foundation to launch Helping Britain Blossom (HBB), our flagship community programme to bring the benefits of green spaces to communities, particularly in urban areas. Through HBB, people can come together to plant trees, sample their fruits, relax in the orchards or enjoy time together with friends and family.

By the end of 2015 we'd created or restored 40 orchards in Birmingham, Hereford, Leeds, London, Manchester and Scotland. A total of 400 trees were planted in areas where people could really benefit from green space, such as hospitals, schools and housing estates.

We're also reviving the art of orcharding by training 75 people in traditional orcharding skills, so they can maintain their trees and share their new skills with the wider community in the initiative.

Through planting days, workshops and festivals almost 800 people got together to enjoy our HBB orchards. By 2017, we'll have created or restored 100 orchards for 90,000 people to enjoy.

HEINEKEN'S £220k investment

in our pub is a dream come true. We've been able to redecorate the building inside and out, upgrade the kitchen and make over the toilets – not to mention the stunning new outside decking area.

The transformation has really helped business pick up, so we've also hired 15 new bar, kitchen and housekeeping staff. It's great to be able to give the local community a warm and welcoming pub back to enjoy with their friends and family. **Kieran White**, owner of Hazeldene

pub in Gretna Green



Case study: Helping Birmingham's biggest hospital blossom

In February 2015, we put down roots at The Queen Elizabeth Hospital in Birmingham, planting over 120 new apple, pear, plum and cherry trees with the help of over 50 green-fingered volunteers.

Through the Big Tree Plant, we created a beautiful hospital orchard for staff, patients, visitors and the wider community to enjoy. The fruit coming from the orchard will be used to teach local people how to grow, tend, cook and prepare food – and will all be donated to benefit the community.

The orchard will be looked after by various local community groups that'll work together to make sure it's well-maintained and can be enjoyed for years to come.

#### **Investing in the Great British Pub**

We are passionate supporters of the Great British pub. Each year we invest millions into our estate to help our licensees improve their pubs and grow their businesses, while safeguarding the future of the community pub.

In 2015, we invested around £30 million in upgrading our pubs. We refurbished over 100, each having around £175,000 spent on them, along with smaller-scale improvements to a further 100 pubs.

Through this investment we're improving each pub's food offering – as well as creating spaces for watching sport or private dining – so our lessees can attract more customers. Since 2012, we've invested around £93 million into renovating our pub estate.

#### Supporting our communities

We want to have a positive impact in the communities where our colleagues live and work. To help us do this, we'll launch a new partnership with the social platform, Neighbourly, to find inspiring causes in need of a helping hand. In 2016, we'll open community funds in each of areas we have an office, brewery, ciderie or mill, donating to causes that support local people, improve the environment and bring the community together.

The Red Lion, Shepperton

#### Before investment





After investment





# **Our people**

#### **The Big Picture**

Our colleagues make HEINEKEN great. In a highly competitive, and increasingly global labour market, we need to attract and retain the most talented and skilled people to remain the UK's leading cider, beer and pub company.

We pride ourselves on delighting our customers and consumers. Continuing to create a diverse and inclusive workforce gives us the wealth and broad range of experience we need to do this.





Find out more about our great career opportunities on our <u>website</u>.



Around 1,700 employees



# Making HEINEKEN a great place to work

We employ around 1,700 full-time employees at our sites across the UK. Around 60% of our people work at our production sites, making our great beer and cider brands. We also offer professional careers in areas including finance, marketing, innovation, logistics, corporate relations and HR.

In 2015, we continued to invest in our people to make sure we have the right people with the right skills to support our business.

# Helping our people reach their potential

We offer exceptional career development opportunities to colleagues working at all levels of the business.

- Our apprenticeship scheme is for people early in their careers. In 2015 we had 22 young people enrolled on our four-year programme, which provides on-site and classroom-based learning to develop skilled engineers. Over 95% of apprentices stay on with us after graduating to gain a full-time job.
- We offer a two year programme in supply chain and commercial to between four and eight high-performing graduates every two years.
- Our coaching programme enables colleagues in more junior roles to benefit from the knowledge and experience of those working in more senior roles. In 2015, 50 benefited from the programme and 13 of our mentors gained accredited ILM Level 3 Certificate in Mentoring.



Joining HEINEKEN's engineering apprenticeship scheme has been a life-changing experience. I started when I was 19 after trying a few jobs in different industries. The scheme has given me a career, not just a job, and I'm really proud of what I do. I'm now visiting local schools to tell teachers and students about how rewarding an engineering career at HEINEKEN is – so other young people can benefit from the scheme too.

Stephen Miller, engineering apprentice

# Promoting a diverse and inclusive workforce

We embrace diversity and create a workplace that's inclusive to all people regardless of age, gender, ethnicity or nationality.

Our colleague handbook outlines the standards we expect on a range of issues, including equal opportunities. To make sure any personal or professional concerns can be easily raised we offer a confidential 24-hour helpline, Speak Up. To truly foster diversity we're working to address bias in decision-making that people themselves are not aware of. We're developing a training programme designed to deal with unconscious bias, which we plan to pilot during 2016.

#### Evolving our approach to people

Our ambition is to be the go-to employer for people looking for exciting and rewarding careers. To achieve this, we've developed an ambitious People Plan. The aim, to further drive our business performance through what we do with, and for, our people.





Find out more about our great career opportunities on our <u>website</u>.

**Our People** 

Our Partners



**32 Faces of HEINEKEN** to help us attract talent



#### Using our people and brands to attract talent

In 2015, we launched our 'Faces of HEINEKEN' campaign to help attract and retain the skills we need to grow our business. We've chosen 32 colleagues from across the business to front the campaign as our 'faces'. From brand managers to accountants, brewery operatives to sales managers and engineers to orcharding specialists, our 'faces' represent the diversity and talent at all levels of our business. They will be our ambassadors who share stories on why they love working for us, so people externally get an insight into what life's really like at HEINEKEN.

After a successful internal campaign, in 2016 we'll be hitting the streets of Manchester and Edinburgh, two areas we want to attract more talent, with a bold and impactful external advertising campaign to share with potential recruits the reasons why HEINEKEN is a great place to work, and encourage them to find out more.





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The Faces of HEINEKEN campaign has turned the 'faces' into HEINEKEN celebs! As part of the internal launch, life-sized pictures of me appeared in our offices overnight. This was funny to see, but it's been great to share with others why I love working here. And great to find out what my colleagues like about their jobs. I'm looking forward to the external launch next year when I'll be fronting a campaign in Edinburgh to let potential employees know about the amazing opportunities here for them.

Chelsey Wroe, Employee Communications Manager, Corporate Relations, Edinburgh





Find out more about our great career opportunities on our website

#### Making progress with our partners

Partnership is at the heart of our approach to Brewing a Better World. In 2016, we'll continue to grow the strong relationships we've built over the years. We'll be responding to our partners guidance and using their expertise to better tackle alcohol harm and promote moderation, support local communities and reduce our environmental impact across the supply chain.

Thanks to all our partner organisations for their support and advice in 2015.

