



Regulatory changes related to alcohol

What could happen?

The topic of alcohol and health is under scrutiny in many markets. This may prompt regulators to take further measures limiting HEINEKEN's freedom to operate, for example, through restrictions or bans on advertising and marketing, sponsorship, availability of products, adding health warnings to labels, increased taxes and duties or imposing minimum unit pricing. This could lead to lower overall consumption or to consumers switching to different product categories.

Recent developments

Authorities and regulators continue to introduce restrictive measures on alcohol consumption and sales such as restrictions on marketing and labelling requirements in some markets. These measures can have a negative impact on our business in the affected markets.

What are we doing to manage this risk?

Responsible consumption is an important element of our Brew a Better World 2030 strategy, because HEINEKEN strongly believes in the importance of reducing alcohol-related harm. By using the power and reach of our brands through campaigns like the award-winning 'When You Drive Never Drink', HEINEKEN strives to make responsible consumption aspirational for all consumers. We aim to invest at least 10% of Heineken® media spend into responsible consumption campaigns each year, aiming to reach one billion consumers.

We also work closely with stakeholders to prevent and reduce the harm caused by abuse such as underage drinking or drinking and driving. Our operating companies are engaging in formal partnerships with local stakeholders (like governments, NGOs or specialists) to tackle harmful drinking.

We also stepped up our product labelling guidelines to provide consumers with more information about our products. We are aiming for clear and transparent consumer information on 100% of our products in scope, including full nutritional information and ingredients on pack, recycling and legal drinking age symbols and a QR code on pack that links to further information on alcohol and health.

 Explore further: Raise the bar on sustainability and responsibility – Responsible, pages 24–25

Economic and political environment

What could happen?

Throughout the world, local or regional economic and political uncertainties could impact our business and that of our customers. In particular, the risk of an economic recession, change of law, trade restrictions, inflation, fluctuations in exchange rates, devaluation, nationalisation, financial crisis or social unrest could adversely affect our revenues and profits.

Recent developments

The global economy could trend to a slow down due to an uncertain geopolitical landscape impacted by the war in Ukraine, conflicts in Africa and Middle East, and trade blocks and tariff risks due to tension between US and China. Prior years of elevated inflation and tightening of monetary policy have led to increased risks to global growth. While global monetary policy may start to ease, structural shifts in industries, and reduction in real disposable income and consumer sentiment may lead to a prolonged recession of the global economy, decline in consumer spending and adverse movement in exchange rates. Public debt, the disruption of global value chains and barriers to the cross-border movement of people and goods are other key risk factors. Anticipating risks and business agility has become a priority to enable our businesses to navigate subsequent changes in laws, currency movements, import restrictions, scarcity of hard currencies, commodity pricing and their impact on the Company's profit.

What are we doing to manage this risk?

HEINEKEN has set up various tools to limit the impact of such events on its business. They include strategic supplier management, short-term liquidity management, active foreign exchange monitoring, and prudent balance sheet measures. There is a quarterly risk management process in place to review and anticipate material risks to our businesses, a review in respect to resource allocation, various cost and value optimisation initiatives, and risks and opportunity assessments. We conduct monthly business performance review, and a monthly rolling forecast instead of fixed forecasts updates throughout the year. We also expressly introduced much more mid and long-term scenario planning and contingency management.

HEINEKEN has monitoring mechanisms in place globally and locally to allow us to monitor, report and engage proactively on political risks. For events which could threaten the continuity of the business, contingency plans are in place. With our strategic priority of 'Fund the growth, fuel the profit', HEINEKEN continuously reviews its cost base to drive productivity and increase operating leverage.

 Explore further: Fund the growth, fuel the profit, pages 16–17

Environmental legislation

What could happen?

HEINEKEN may not be able to respond promptly to the impact of environment-related changes on our operations. The introduction of new environmental legislation and developments in case law could lead to legal claims, increased compliance costs, restrictions on our production, packaging, distribution, selling and marketing activities. This could also damage our reputation, limit our license to operate and negatively impact our business.

Recent developments

The global economy may slow down due to an uncertain political landscape. Meanwhile the pace and scale of environment-related changes on our operations are accelerating. This creates tension between adapting swiftly to avoid restrictions and the financial impact of the significant sustainability investments needed to ensure compliance.

What are we doing to manage this risk?

Environmental sustainability is a key priority of HEINEKEN's Brew a Better World sustainable development strategy. HEINEKEN continuously monitors existing and emerging environmental issues and regulations globally to ensure compliance and to prepare the business for future challenges. We regularly assess current and upcoming regulations, looking at technical feasibility and financial impact, with cross-functional teams in place to implement the necessary actions.

Beyond this, HEINEKEN closely works with experts, including NGOs, universities, governments and suppliers across the value chain. We also partner with peer companies through international and national platforms such as The Brewers of Europe, the Beverage Industry Environmental Roundtable and the Dutch Sustainable Growth Coalition.

 Explore further: Sustainability Statements - Environmental section, pages 167–198

Changing consumer & beverage trends

What could happen?

Consumers have an ever-expanding choice of beverages and brands available to meet their needs. There is an increasing risk of non-beer competitors reaching the same consumers and occasions as beer players. This requires HEINEKEN to constantly adapt its product offering, innovate and invest to maintain the relevance and strength of its brands, while meeting new and evolving consumer needs. Failure to do so would, in the longer term, affect our revenues, market share and, possibly, our brand equity.

Recent developments

The beverage landscape is rapidly changing, with some categories growing faster than beer. There's a significant risk of losing market share to other beverages, as long-held boundaries between beer, wine, spirits and non-alcoholic beverages are blurring, changing the face of competition and stretching brands into new domains.

Within the beer category, the rise of low- and no-alcohol products have been the most noticeable changes due to an increased consumer focus on health and well-being. Beyond beer, the significant diversification of choice in ready to drink beverages is remarkable but volatile. Thus, it is crucial to offer relevant propositions that resonate with consumers and meet their evolving needs.

What are we doing to manage this risk?

The evolving beverage landscape presents both opportunities and risks for HEINEKEN. To succeed, HEINEKEN needs to focus on brand building, premiumisation, differentiation from other beverage categories, and adapting to changing consumer preferences and behaviours. The key commercial levers that are considered priorities for every market are: brand power increase for strategic and game changer brands, innovation boost in beer including low- and no-alcohol and beyond beer, maximisation of distribution and value creation through smart pricing, promotions, pack/price architecture and trade terms.

HEINEKEN is constantly working to maintain, develop and strengthen its portfolio and competitive advantages, in particular, in Premium spaces, through an integrated Brand Building Process, making it more appealing to consumers. HEINEKEN has also embarked on an extensive Consumer Inspired Growth programme, helping us move from knowing beer to knowing consumers. By thoroughly understanding consumer needs in beer and beyond and comparing them within and across markets, we can uncover scalable innovation opportunities.

 Explore further: Shape the future of beer and beyond, pages 11–15