

Heineken

Overview of controversial business practices in 2008

Sanne van der Wal & Rob Bleijerveld

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Amsterdam, April 2009

Colophon

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Cover Design: Annelies Vlasblom

Funding

This publication is made possible with co-funding from the Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO)

Published by



Stichting Onderzoek Multinationale Ondernemingen
Centre for Research on Multinational Corporations

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Introduction

This company report has been prepared by SOMO (Centre for Research on Multinational Corporations). It provides an overview of business practices that could be regarded as unsustainable or irresponsible which occurred (or might have been addressed) in 2008.

The overview below describes only controversial practices and not the positive achievements of a company in the same year. Information on positive achievements can usually be found in a company's annual and/or sustainability report and on the company's website. The purpose of this report is to provide additional information to shareholders and other stakeholders of a company on controversies that might or might not be detected and reported by the company itself.

This report does not contain an analysis of a company's corporate responsibility policies, operational aspects of corporate responsibility management, implementation systems, reporting and transparency, or total performance on any issue. For some controversies, it is indicated which standards or policies may have been violated and a brief analysis is presented. Apart from this, the report is mainly descriptive.

The range of sustainability and corporate responsibility issues eligible for inclusion in this overview is relatively broad and mainly based on the OECD Guidelines for Multinational Enterprises. These Guidelines are used as a general frame of reference in addition to the company-specific standards.

Sources of information are mentioned in footnotes throughout the report. The main sources were obtained through SOMO's global network of civil society organisations, including reports, other documents, and unpublished information. Media and company information databases and information available via the Internet are used as secondary sources where necessary. Aegon has been informed about the research project in advance and was given two weeks to review the report and provide corrections of any factual errors in the draft version.

The overview of controversial practices in this report is not intended to be exhaustive. Instead, it focuses on a limited number of issues and cases that might merit further attention or reflection. Where information about the latest developments, either positive or negative, was unavailable, it is possible that situations described in the overview have recently changed. Taking into account these limitations, SOMO believes that the report can be used for improvement and for a more informed assessment of a company's corporate responsibility performance.

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Precarious working conditions of Heineken Beer sellers in Cambodia

This short overview deals with only one issue: the continuing bad labour and health conditions of so-called 'beer sellers' in Cambodia, salaried women who wear distinctive Heineken uniforms while exclusively selling Heineken beer in bars and restaurants, alongside those working for its partly owned partner brands (e.g., Tiger, ABC, etc...), and for competitors. The work conditions of these women, who are hired by most of the international brewers and their distributors operating in Cambodia¹, have been criticised for several years, by the Cambodian NGO (Non-Governmental Organisation) Siem Reap Citizens for Health, Educational and Social Issues (SiRCHESI)².

In 2002 the CEO and the Boards of both Heineken Breweries Ltd and Heineken Holding N.V. (from here: Heineken) were first notified by SiRCHESI of concerns about the health and welfare of their beer sellers, who continued, in 2008, to be at high risk for HIV/AIDS and alcohol-related health problems, who experience sexual harassment and violence at their workplaces, and who are not paid a 'living wage' - a salary for a full-time job on which they can support themselves and their family dependents. Press reports going back to 1998, and particularly a story in the Wall Street Journal (2000) had already clearly described the problems before social scientists began systematic data collection.³ Also SOMO's overview of controversial business practices of Heineken during 2006 for VBDO of April 2007 has called attention to this critical issue.⁴

Recent inquiries and research in Cambodia –as part of a longitudinal study (2004-2009)⁵ - reconfirm that these bad labour and health conditions still exist. Heineken - and other brands, with whom they both compete and co-operate - have not made significant progress in 2007, nor in 2008 to reduce the high risks to the health and safety of the women beer-sellers in Cambodia nor meet their monthly financial needs. So far, industry efforts to resolve these issues - through the formation in late 2006 of "Beer Selling Industry Cambodia" as a professional brewers association with a code of conduct (COC) for beer sellers - have failed.

¹ See e.g. "Heineken en promotiemeisjes in Cambodja – deel A," R. Feilzer and F.P. van der Putten (p. 85-96) and F.P. van der Putten, " – deel B" (p. 109-13), in: *Bedrijfsgevallen*, Eds. W. Dubbink and H. van Luijk (Assen: Van Gorcum, 2006).

² SiRCHESI website, <<http://www.angkorwatngo.com>>. and <<http://www.beergirls.org>>, <<http://www.ethicalbeer.com>>, and <<http://www.fairtradebeer.com>>.

³ SiRCHESI's website <http://www.fairtradebeer.com> press reports section.

⁴ "Heineken - Overview of controversial business practices in 2006," Francis Weyzig (SOMO), April 2007 <<http://www.business-humanrights.org/Links/Repository/124413/jump>>

⁵ Performed by Staff, volunteers, researchers and students located in Siem Reap with SiRCHESI, or at Siem Reap Provincial AIDS Office, of University of Guelph (CA), National Center in HIV Social Research (University of New South Wales, AU), Macquarie University (Sydney, AU), University of Melbourne (AU), Australia Volunteers International, Duke University (North Carolina, US), Oxford University (Oxford, UK), University of Technology Sydney (AU), as well as University of Maastricht, NL, National University of Singapore, and Staffordshire University (UK). Data and analyses were provided through Ian Lubek, international advisor to SiRCHESI. The SiRCHESI interviews with beer sellers were conducted either in the workplaces or during health workshops. 213 interviews were conducted from 2004-6, and 324 from 2007-9. 222 beer sellers worked for Heineken and partner brands, 57 worked for Carlsberg brands such as Angkor; 56 sold AB-INBEV brands, 1 sold a SAB-Miller brand, and the remaining 201 sold other brands including Dutch brands Bavaria, Hollandia, as well as Corona, San Miguel, Singha, Oettinger, Asahi, etc.

Below, some controversial aspects of the situation in 2008, revealed by SiRCHESEI, are described. More background data can be found on the SiRCHESEI website dedicated to this issue www.ethicalbeer.com. On the same website more new details on the longitudinal study, including data for 2008-9, are published by SiRCHESEI⁶ as well.

Low income and transparency

As in 2006, SiRCHESEI research⁷ confirms that Heineken is not paying a “living wage” in 2008. If Heineken and its Asia Pacific Breweries partner brands (Tiger, ABC, Anchor, Cheers, etc.) paid their beer sellers the current industry standard (2008) of just over 8 US dollar per beer case as commission, they would earn - based on SiRCHESEI’s observations of sales of more than 3 cases per night - about 700 US dollars per month which amounts to about 10 times the current fixed salary. BSIC brand sellers are consistently paid less each month than non-BSIC brands yet increasingly sell manifold more beer each year⁸. In fact workers get less than 2.5 percent of the sale, and face severe nightly workplace health and safety risks. Part of this profitability for Heineken is based on the sellers’ own nightly consumption of about 6 percent of sales, which adds harm and risk to their working situation. For a number of years, Heineken officials reported paying bonuses to the beer servers, yet SiRCHESEI interviews showed that from 2002 onwards these were not being received by the beer sellers. In fact in 2008 they reported receiving monthly earnings of 71 US dollars which is considerably lower than the 84 US dollars reported by non-BSIC sellers and the 85 US dollars Heineken headquarters reports paying⁹. SiRCHESEI estimates that 71 US dollar monthly is still less than half of what would be enough to provide for them and their family dependents. This situation of underpayment –first reported to Heineken executives in 2002 and unchanged ever since- puts terrible pressures on the women to support their families and to make ends meet, compelling some to sell unsafe sex to customers in desperation to supplement insufficient income.

In general it is difficult for Heineken beer sellers to know to what benefits and bonuses they are entitled because Heineken is failing to provide beer sellers copies of their work contracts specifying working conditions, benefits such as severance pay and maternity leave, and exact earnings– all, transparently. In 2008, no beer seller could show SiRCHESEI a copy of their signed contract. Several Heineken beer sellers said they did have signed contracts but that these contracts had gone to the distributors’ Head Quarters in Cambodia. In 2008 SiRCHESEI asked the distributor and BSIC for copies of these contracts they but were told they were “proprietary” and could not be disseminated.

⁶ See for example: “Ab-Inbev, Carlsberg, Heineken and other international brewers are yet again in 2008-9 behaving badly to women beer sellers in Cambodia”, SiRCHESEI, April 2009, <http://www.ethicalbeer.com/read/April2009-INFO.pdf> AND “Professor criticizes international beer companies for not being proactive enough in Cambodia (2008-9) to protect their women beer sellers from hazardous, harmful, and potentially mortal workplace health and safety risks: Citing recent research, he urges company executives, brand consumers and shareholders to implement immediate changes.”, SiRCHESEI, April 2009, <http://www.ethicalbeer.com/read/APRIL2009Press-info.pdf>

⁷ This overview builds on SiRCHESEI published (see footnote directly above) and unpublished information provided/communicated directly to SOMO by

⁸ As Tiger Beer seller Sophea wrote to management at Cambodian Breweries Ltd., asking for a salary increase to 100 US dollars monthly: “Our claim is absolutely justified. The quantity of our sales increased, and the price of beer increased too.... Now it {Tiger Beer} is sold for 2.90 US dollars.” (Cambodge Soir, 18-25 June, 2008).
<<http://cambodiamirror.wordpress.com/2008/06/20/thursday-1962008-situation-of-women-promoting-beer-does-not-improve/>>

⁹ “Biermeisjes bezorgen Heineken hoofdpijn,” Financieel Telegraaf (p. 27) 10 mei 2008
<http://www.telegraaf.nl/dft/bedrijven/heineken/889782/Biermeisjes_bezorgen_Heineken_hoofdpijn_.html>

Workplace health and safety issues

Heineken's HIV/AIDS policy of 2002 has promised coverage to all its workers world-wide¹⁰. However the company and partner brands are still not providing free HAART (highly active anti-retroviral therapy) for their HIV positive beer sellers as they do for their personnel in Africa. What compounds the situation is that most beer-sellers are currently excluded from Government ARVT (anti-retroviral therapy) programs due to Cambodia and the Global Fund's inability to implement access in 2008-9 for all persons living with HIV. Simple factors such as lack of daily transportation to a distribution site mean that many beer-sellers cannot receive ARVT. In Africa Heineken has solved this problem through workplace distribution of HAART.

Heineken is also not providing enough effective workplace health and safety education about HIV/AIDS, reproductive health and alcohol risks before employment begins. Although Heineken proactively developed the Selling Beer Safely (SBS) Program in 2003 it has not been offered to every employee; moreover, the number of beneficiaries of SBS is declining markedly. Of 224 Heineken family sellers in the SiRCHESI research sample of 2004 to 2009, 31.2 percent had received no health training at the time of the interview. It should be mentioned that this is better than the industry average of 43.3 percent that received no health and safety training about being a beer seller. In 2004, 22 percent of Heineken or Tiger beer sellers had received SBS training. However in 2008 this share had declined to 4.7 percent. However, when SiRCHESI asked whether they had received either the SBS or any other in-house training program¹¹, BSIC beer sellers did modestly better: 27.8 percent reported in-house training, while only 8.3 percent non-BSIC sellers reported in-house training. But the most serious criticism is the procrastination in supplying this education. Of 224 Heineken family beer sellers interviewed, 16 (7.1 percent) received training before they started, and a further 6 (2.7 percent) received it on the first day. 80/224 or 35.7 percent had received it in the next 6 months, while the remainder had training in the next 18 months or not at all (122 or 54.5 percent). Hence only 9.8 percent had been given some early-warning training - before or on the first day of work- about the risks and harm possible for beer-sellers themselves, damage to the fetus during pregnancy, or contraction of HIV/AIDS or a sexually transmitted infection (STI).

Although the BSIC COC which Heineken claims to uphold explicitly forbids workplace drinking of alcohol, SiRCHESI found that only 6% of Heineken (7.6% of BSIC brands) beer sellers were in fact abstaining in 2008. For those who continue to drink, the mean alcohol consumed nightly by BSIC sellers in 2008 was 1.48 litres nightly or 6 standard drinks (N=103), while 1.53 litres (7 standard drinks) were consumed nightly by Heineken beer family servers (N=89). All of these levels are well above levels of national guidelines for responsible drinking as set for women by 23 countries surveyed by the International Center For Alcohol Policies (ICAP)¹² including the Netherlands. This means that these women have an increased risk for physical (raised blood pressure, stroke, and liver cirrhosis), mental, and social problems associated with alcohol abuse. While (excessive) workplace drinking continues to be a critical issue in Cambodia it has been observed by SiRCHESI to no longer exist in nearby Singapore.

¹⁰ "Heineken's HIV/AIDS Policy - contribution of a private company," HEINEKEN COR P. COMMUNICATION ~ 02 92857455 NO. 023, by Heineken International, 18 April 2002 (at <http://fairtradebeer.com/reportfiles/heinekenaidspolicy2002.pdf>)

¹¹ SiRCHESI: "other in house-training" are mostly shorter than the 3 day SBS training some just get 1-2 hours - the "refresher courses"

¹² International Center For Alcohol Policies (ICAP) in International Drinking Guidelines Reports 14 <<http://www.icap.org/Publication/ICAPReports/tabid/147/Default.aspx>

However enforcing code compliance is not enough as each time beer sellers *do* adhere to the BSIC Code this can create problems for hostesses who take their place but are on the payroll of restaurants. There, clients confronted with “unwilling” beer girls will drink with these “hostesses”. Thus, the alcohol-abuse buck is passed to another woman, unaware of the potential workplace health and safety risks. Indeed, in 2008, SiRCHESI interviewed 63 hostesses, earning about 2 US dollar nightly. They were drinking even more than the beer sellers, 2.04 litres nightly or almost 9 standard drinks. Moreover this new “career” is more dangerous, in the sense that beer servers could leave the table to tend to other customers while a hostess tends to be the drinking partner for the evening.

Company response

As indicated in the introduction text the company was asked to correct factual mistakes and comment on all of the findings in this overview. While the company did not correct any factual mistakes in the draft version of this overview, it did comment on it in a comprehensive way. SOMO will not comment on each detail of this reaction¹³ because it is not appropriate in the context of this overview and time would not allow it. The excerpts from this reaction that were deemed most relevant to illustrate Heineken’s position regarding the report’s findings are provided below.

In general Heineken notes:

We accept that we as Heineken and as the BSIC group have more to do to ensure compliance with the code. We also accept that a minority of Beer Promoters, drink ‘on the job’. This is something on which we need to, and will, focus.

More specifically the company claims to:

- ❑ Continue our battle to convince other companies to sign up to the BSIC code. We believe this is the best, quickest and surest way to improve the terms and working conditions for women selling beer in Cambodia;
- ❑ We have to continue improvements in compliance with the BSIC code.
- ❑ We have to make sure that Beer Promoters are fully aware of their terms and conditions – awareness is too low;
- ❑ We have to be more rigorous in ensuring that fewer women drink on the job. It is not permitted in the BSIC code. Awareness of the rule is high but we need to be sure that the women who do drink (based on the CAS study) are made aware of the consequences;
- ❑ We need to continue to work with bar owners and promoters to continue improvements in the workplace and providing a safe working environment

Nevertheless many of the company comments are actually denials of the findings presented in this overview and/or those published by SiRECHESI. Most of these comments are based on the findings of an unpublished draft survey commissioned by the BSIC conducted by the Centre for Advanced Study (CAS), a Cambodia-based independent NGO. The survey entitled “Compliance to and Impact of the BSIC Code of Conduct: Monitoring Survey 2009” was shared with SOMO, Heineken confirms that it will be made available publicly shortly¹⁴. When interpreting the quotes below from the Heineken response it should be noted that this research pertains not only to beer sellers working for Heineken but also to those working for three other beer companies (Cambrew, CBL and Guinness).

¹³ Email from Heineken to SOMO, 19-4-2009

¹⁴ Email from Heineken to SOMO, 19-4-2009

The major contradiction is that, in contrast to SOMO/SiRECHESI's findings reported in this overview, Heineken reports (based on the CAS survey):

The BSIC code has made major steps forward in the terms, conditions and self-esteem of the Beer Promoters who work within this 'coalition'

And more specifically:

- ❑ 93.5% of Beer Promoters report having a copy of written contract; 4.8% report not having one; 1.6% do not know;
- ❑ 97% of Beer Promoters report receiving training in how to deal with sexual harassment; 99% report receiving training in refusing alcohol;
- ❑ 87% of Beer Promoters know that drinking is not permitted at work; However, 67% of Beer Promoters report drinking "sometimes" when working and 17% report drinking "often";

Not referring to the CAP report the company states referring to wage levels:

Heineken increased the salary of Beer Promoters in 2008. The average monthly wage for a Heineken Beer Promoter is more than \$US 90. In addition, there is a potential \$US 15 incentive per month and each Beer Promoter receives approximately an additional monthly salary payment at the end of each year (the so-called 13th payment).

It should be noted that Heineken does not explicitly address the HIV issue raised in this overview.

In sum Heineken claims that its strategy of working with the BSIC COC as a collective industry instrument is delivering while the findings of this overview, and other SiRCHESI findings that have not been discussed here, point to the contrary. Hence it is clear that in the near future more consultation is needed to be able explain these divergent findings. However it is also clear that there is already common understanding on the fact that general working conditions need to be improved (eg. compliance with the code) and more specifically that health and safety problems (especially work time drinking) and low awareness among beer sellers of contractual terms and conditions need to be addressed promptly.