Annual overview

2022

HEINEKEN PENSION FUND

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STICHTING HEINEKEN PENSIOENFONDS

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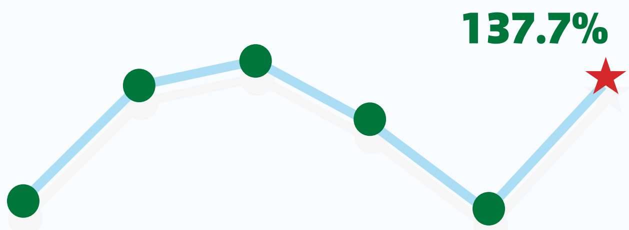
Colophon
The Annual Review 2022 is a publication by Stichting Heineken Pensioenfonds.

THE HEINEKEN PENSION FUND IN 2022

CONTRIBUTIONS RECEIVED IN 2022
€ 69
million

PENSION BENEFITS IN 2022
€ 113
million

POLICY FUNDING RATIO END OF 2022



RETURN ON INVESTMENTS IN 2022
-9.4%

PENSION CAPITAL END OF 2022
4,053
million

PENSION COMMITMENTS IN 2022
3,143
million

PARTICIPANTS AND PENSIONERS

5,905
pensioners
at the end of 2022

7,174
former participants
at the end of 2022

3,463
active participants
at the end of 2022

Pensioner
A former employee or surviving relative who receives a pension from the pension fund.

Former participant
A former employee or ex-partner who has a pension with the pension fund.

Active participants
An employee or disabled employee who accrues pension with the pension fund.

2022 at a glance

Funding ratio rises sharply

Financially, 2022 was a year of stark contrast. On the one hand, the economy came under enormous pressure with such turmoil in the world, with the war in Ukraine as the lowest point and so it was a bad investment year for everyone. As a result, we recorded a loss of 9.4% on investments and our assets decreased by € 468 million, largely caused by the loss on investments. And on the other hand in 2022 we were in a better financial position. How is that possible? Due to the turmoil, we saw much higher interest rates and with higher interest rates, we need less money to cover our pensions. Indeed, as a result, our pension commitments fell by € 650 million – more than the decrease in the value of our assets. Therefore our current funding ratio rose from 119.2% to 128.9%. and our policy funding ratio (the average position of the current funding ratio over the last 12 months) rose from 110.2% to 137.7%. As a result we met all the financial standards for the pension fund for the first time in years and we are financially healthy!

Full indexation

On July 1st 2022 we increased your pension by a supplement of 3.42%. That is equal to the full price increase we use for 2021. Furthermore, at the end of 2022, we were able to decide on an indexation of 14.33% per January 1, 2023. That is equal to the price increases we have taken into account for 2022. In total this means an increase in pensions of 18.24%. Of course, we are delighted that we have been able to maintain the purchasing power of your pension, especially given the unusually high inflation of 2022. To enable us to make these decisions, we utilised temporary regulations that allowed us to fully increase pensions. The temporary regulations anticipate on the new pension system. Read more about the indexation on pages 4 and 5.

Of course, we are very happy that we have been able to keep up with the purchasing power of your pension, especially given the historically high inflation in 2022.

New pension system

It has been talked about for a long time, but now it is imminent. The Netherlands will have a new pension system and so this will lead to a new pension scheme. The law outlining the new rules for pensions came into force on 1 July 2023. The minister has given more time to introduce a new pension scheme: the final 'deadline' for this has now been postponed to 1 January 2028, but earlier adoption is also allowed.

Getting started with the new pension system

We have been busy preparing with HEINEKEN and trade unions for some time. Together, they are now making agreements about the content of the new pension scheme. For the time being, this project assumes a transition date of 1 January 2026. This is the first possible realistic date for us to move to the new pension system. Do you want to know more now? Then read the article on page 6 of the pension overview and follow the news on our website.

Retiring in a liveable world

We invest the pension capital to be able to pay out a good pension. In doing so, we seek the highest possible return with an acceptable risk. We also ensure that our investments contribute to a liveable world. We know that through our investments we have influence to encourage companies to become sustainable. In 2022, we have taken further steps in this direction. For example, we have formulated targets to reduce the emissions of CO_2 and other greenhouse gases in our portfolio and we now exclude companies that systematically pay too little attention to human rights. Our corporate social responsibility policy continues to evolve. On pages 7, 8 and 9 we would like to tell you more about this.

Full indexation on July 1, 2022 and January 1, 2023

Purchasing power pension protected

One of the most important objectives of the Heineken Pension Fund is to maintain the purchasing power of your pension. In that respect, 2022 was a great year. We could allow your pension to grow in line with the price increases over both 2021 and 2022.

Life is getting more and more expensive, and in 2022 it was significantly more noticeable! We had to deal with an unprecedentedly high inflation rate. Due to inflation, your euro pension buys less than yesterday particularly if you look at it over a number of years. After all, you now accrue pension on your current wages, so in today's euros. What will that be worth when you retire in ten or twenty years? Pensioners immediately notice what inflation does to the purchasing power of their pensions. That is why it is so important that your pension grows in line with price increases. That is what we strive for, but we can only increase your pension if we are in financially good shape. This has not always been the case in the last ten years. Like other pension funds, we have suffered from (mainly) low interest rates, which meant that our funding ratio has been too low. That is why we have not been able to fully maintain the purchasing power of your pension in recent years.

2022 and 2023: full indexation

The policy funding ratio of September 30, 2021 is the basis for the decision to increase pensions in 2022. The policy funding ratio of 30 September 2021 was 105.5%. According to the applicable rules, this is too low to be able to increase pensions. In view of this policy funding ratio, the board had to decide not to increase pensions per January 1, 2022.

In 2022, temporary regulations were introduced for pension funds, making it possible to increase pensions at a policy funding ratio of 105%. In July, we were therefore able to decide to let your pension fully grow in line with the price increase over 2021. That was 3.42% and so we increased your pension by that percentage.

In 2022, our (policy) funding ratio increased significantly. This was because we needed less capital because of the higher interest rates. Based on the policy funding ratio at the end of September (our reference moment), we could increase your pension by 14.33% on January 1, 2023. This is equal to the full price increases over 2022 in the Netherlands. This is therefore also a full indexation – and that over a period of historically high inflation. The temporary rules played a significant role with this indexation. Without these rules, we could have increased your pension by a maximum of approximately 8.5%.

Balanced

The board has carefully weighed the interests of all parties involved with both indexations. Part of the assets are used to increase pensions. This is in line with the fund's indexation policy and strategy for future pensions. Pensioners have a direct interest with the indexation. Of course, the same increases also apply to the pensions of those who are still working. The expected pension results for young people in the long-term have become slightly lower due to the indexations. There remains sufficient capital for the future pensions of all generations, and also for a smooth transition to the new pension system. That is why the board therefore considers this fair.

More information about the generational effects of the allowance can be found in our news items about the indexations granted on our website.

On the right you can see the increases over the past 10 years and the backlog that pensions have accumulated.

In total, the missed increases up and including 2022 over the past 10 years for participants is 10.67% and for former participants 10.51%.

Indexation overview for active participants over the last 10 years:

Year	Benchmark (collective labor agreement /CPI-index)[1]	Allocated	Not Allocated
2014	2.00%	1.60%	0.40%
2015	2.00%	-	2.00%
2016	0.65%	-	0.65%
2017	0.45%	-	0.45%
2018	1.33%	0.02%	1.31%
2019	2.10%	0.61%	1.49%
2020	2.72%	-	2.72%
2021	1.22%	-	1.22%
2022	3.42%	3.42%	-
2023	14.33%	14.33%	-

Indexation overview for former participants and pensioners over the last 10 years:

Year	Benchmark (CPI-index)	Allocated	Not Allocated
2014	1.60%	0.45%	1.15%
2015	1.10%	-	1.10%
2016	0.65%	-	0.65%
2017	0.45%	-	0.45%
2018	1.33%	0.02%	1.31%
2019	2.10%	0.61%	1.49%
2020	2.72%	-	2.72%
2021	1.22%	-	1.22%
2022	3.42%	3.42%	-
2023	14.33%	14.33%	-

[1] Until 2016, the benchmark for active participants was the collective labor agreement wage index at HEINEKEN; from 1-1-2016 this is the CPI index with which it is aligned with the benchmark for the non-active participants.

The new pension is coming

The Netherlands will have a new pension system and you will have a new pension scheme. And that's gotten a lot closer.

It has been talked about for over fifteen years. Understandably, as you don't just change a pension system that is known as one of the best in the world overnight. But now the moment is finally here. The House of Representatives have already approved the law for the new rules for pensions in December 2022, and the Senate also gave its blessing in May of this year. The new pension law is a fact – and so your new pension scheme is coming.

A new pension system by January 1, 2028

That doesn't mean that anything will change immediately. A new pension scheme requires careful preparation, with many parties observing and discussing. Originally, we had to introduce a new pension scheme by 1 January 2027, but the minister has now extended that until 1 January 2028. However, earlier is also allowed. We aim for a transition date of January 1, 2026 as we prefer not to wait until the deadline.

Preparation is already underway

We have been preparing for quite some time. We are doing this together with our social partners (HEINEKEN and the trade unions). We are working together to agree upon the new pension scheme. There are many parties involved. In 2022, we asked our (former) participants and pensioners about their wishes for the new pension scheme. Partly on the basis of the results, HEINEKEN and the trade unions have made a provisional choice for the so-called “solidarity premium pension scheme”.

In addition to the individual pension capital that everyone receives, there is still some extra solidarity built in - a safety net for difficult times. This choice is now being further investigated and developed. At the beginning of this year, we also asked our (former) participants and pensioners how they felt about investment risks. Do you opt for more risk, with the chance of a higher pension? Or are you going for a more secure, but possibly lower pension? The results are used for the investment policy.

Stay informed

Of course we will keep you well informed in the coming period of all the steps we are taking towards the new pension. Do you want to know more now? Take a look at the special part of our website that we have dedicated to the new pension scheme.

The Heineken Pension Fund manages around 4 billion euros. That capital must give a good return to be able to pay out your pension. But there's more. We are also responsible for the impact of our investments on people, the environment and society. And we want our investments to contribute to a liveable world, now and in the future.

Our social responsible investment (SRI) policy outlines how we fulfil our responsibility as an investor to encourage companies to operate sustainably. With this policy, we want to be in line with HEINEKEN's sustainability policy. That is why we have chosen the same themes: climate, water and human rights. We also want our policy to continue to fit our participants. At the time of writing, we are therefore conducting further investigations into your opinion on this subject. We will of course inform you about this separately. In the meantime, we are convinced that the use of sustainability criteria leads to a more balanced investment policy. It contributes to a good and sustainable investment return and helps to reduce certain risks. Just think of the risk to us as shareholders when a company becomes involved in an environmental scandal. Or if a product or production method no longer fits changing social norms. Of course, we do not work from blind faith. We constantly check whether our expectations are being met.

Investing with an eye for a liveable world

Continues on the following page

New steps in 2022

Our SRI policy is evolving. New sustainable investments are emerging The markets, new measuring instruments, and also social attitudes remain in movement. In 2022, we took some major steps:

- We have formulated a target for reducing CO2 emissions from our equity investments in developed markets.
- We will intensively discuss more sustainability factors with companies in which we invest.
- We have expanded our exclusion policy: we also exclude companies that score poorly on human rights.
- We have made a start on investing in developments that are emphatically positive contributing to a liveable world (so-called impact investments).
- We have appointed a board member who explicitly focuses on SRI.

SRI in practice: a small selection of our instruments

- **Selection at the gate.** We only invest in new investments if they fit within our SRI policy. All our asset managers must have signed the United Nations Principles for Responsible Investments.
- **Engagement** with companies whose sustainability performance is lagging behind. We call this engagement. These are intensive processes for which we join forces with other large investors. If a company does not show sufficient improvement, we will withdraw our investment.
- **Voting** at shareholder meetings. This is a direct way to influence the policy of a company. SRI factors play a leading role in this, for example on the area of good corporate governance.
- **Exclusion.** We prefer to engage in a dialogue rather than exclude, but there are also companies and countries in which we do not invest in principle. This applies, for example, to companies dealing with controversial weapons and countries that are on the sanctions lists of the United Nations or the European Union. Companies that show too little improvement in the engagementprocess are also added to the exclusion list.

Results SRI 2022

We want to use our opportunities as an investor to encourage companies to do business sustainably. But does it really work? Can we measure how our investments have actually performed? This is not always easy. But progress has been made: since 2021, we have been relying on data providers that enable the performance of our investments on the themes of climate, water and human rights (our three SRI themes). That is now only possible for our shares in developed markets. As soon as there is sufficient and reliable data available for other investments, we can also apply the 'measuring is knowing' principle there. In the the blocks on the next page there will be a brief summary of the performance in 2022.

Climate

In order to achieve the Paris targets, a strong annual reduction in CO_2 emissions is needed. We follow these objectives. So we want the companies we invest in to reduce their emissions at that rate. We have translated this into a reduction of 4% per year per euro invested, under the assumption that the worth of the shares remains the same. Because we have sufficient data to map the CO_2 emissions for our investments in equities in developed markets, we set a target of 4% last year. What has become of this? At the end of 2021, the emissions of our portfolio amounted to 83.6 grams per euro. To achieve our target, we had to emit less than 84.8 grams per euro by the end of 2022. That sounds strange, because with a reduction of 4% you would expect 80.3 grams per euro, but partly because the shares fell sharply in value last year, we end up with 84.8 grams. In reality, our portfolio was responsible for 107.3 grams emission per euro at the end of 2022. According to the agreed policy, we will then rearrange our portfolio, which in short means replacing shares with higher emissions with shares with lower emissions. We carried this out in the first half of 2023. Translated to the situation at the end of 2022, CO_2 emissions therefore amounted to 82.6 grams per euro. This means that we still meet the target for the end of 2022. And next year the next reduction will take place again.

Water

We have found that the data on water use that we have at our disposal are not yet sufficiently useful to achieve a target for water used by the companies in which we invest. Last year we saw a huge increase in the reported water use in our portfolio, but not nearly enough companies report on their water consumption. And where one starts reporting, the other stops, so that comparing from year to year becomes difficult. Moreover, high water use does not always say anything about the effect on the availability and quality of water. We have therefore decided in 2022 not to introduce a target on water use but to invest 1% of our assets in a targeted way (Impact Investing) in a fund that invests in companies that fights water shortage. This investment has now been made.

Human rights

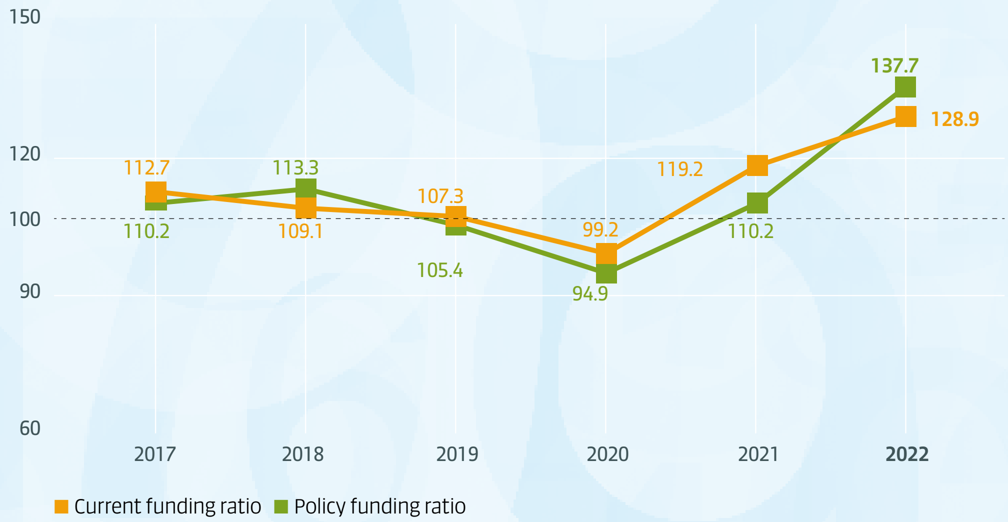
We want the companies in which we invest to pay sufficient attention to human rights. This is also a spearhead in our SRI policy. We can now measure and express this in a number (but again: only for our shares in developed markets). We use the MSCI Human Rights Score. Our score in 2022 was slightly lower than a year before but still very high (92% instead of 93%). We join with other funds to talk to companies that score poorly. When a company achieves the lowest score (a 0 on a scale of 10) for two years in a row, we no longer invest in it. Based on the scores at the end of 2022, we have placed two companies on our exclusion list.

Want to know more?
Read our sustainability report

There is much more to say about our SRI policy than is possible within the scope of this annual review. Since 2021, we have been presenting our SRI policy and the results in a separate Sustainability Report. We have opted for a different design and layout for the 2022 report. We describe the policy and the results in separate sections. Both parts of the Sustainability Report can be found on our website.

2022 in detail

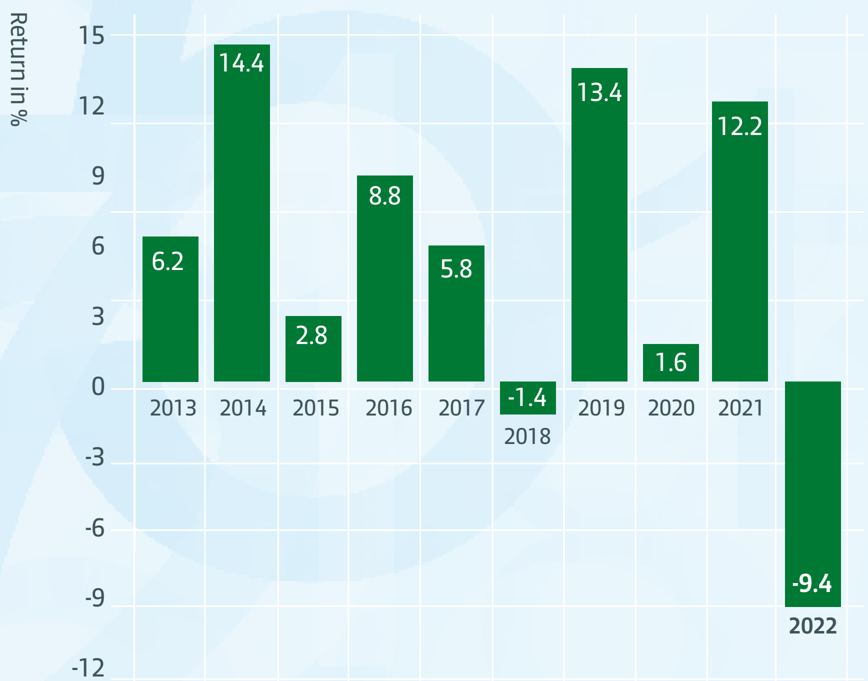
Funding ratio has gone up



How is your pension fund doing financially?
You can see that in the funding ratio. This indicates to what extent there is enough money to be able to pay out the accrued pensions now and in the future. With a funding ratio of 100%, the assets are exactly the same as the pension commitments. But that's not enough. We need to have significant buffers to deal with setbacks. Only at 124.5% (figure 2022) do we meet the legal standards in that regard. We can also only increase pensions with an indexation if the policy funding ratio is high enough. The current funding ratio shows the position at a certain time (we measure it at the end of each month). The policy funding ratio is the average position of the current funding ratio over the last twelve months. We base important decisions on the policy funding ratio, such as the indexation of pensions. The graph shows how our funding ratio has developed in recent years. With the policy funding ratio at the end of the third quarter of 2022 (131.2%), we meet all legal financial standards for the first time in many years and we are therefore financially healthy.

Investment return

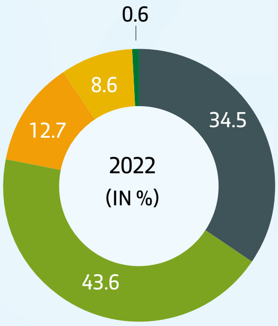
2022 was not a good investment year. We made a loss on our total investments of 9.4%. The costs are already taken into account. It is slightly better than our benchmark, which came in at -12.6%. We invest for the long term and have to deal with good and less good years into in our policy. Over the last ten years, we have achieved an average return of 5.2% per year. Here you can see the investment returns that we have achieved over the last decade.



This is how we manage the investment risks

We invest the pension capital in order to achieve the highest possible return. Of course, investing involves risks, but we ensure that those risks are justified and remain within the agreed limits. Our most important instrument for this: we spread the pension capital over different types of investments – each with its own return expectation and deductibles. If one type of investment does not do well in a year, this is often compensated with good returns from other investments. In that respect, 2022 was a special year: almost all types of investments scored negatively, except hedge funds and private high yield funds. Here you can see how the capital was invested at the end of 2022 and what returns we achieved.

THE 2022 DISTRIBUTION OF INVESTMENTS PLUS RETURNS



Shares	**34.5%**
Return	-8.7%
Fixed rate	**43.6%**
Return	-18.4%
Real Estate	**12.7%**
Return	0.6%
Hedge Funds	**8.6%**
Return	19.6%
Cash	**0.6%**
Return	1.8%

Cost

Of course we spend money to take care of your pension. But we can assure you that we take great care to not spend money unnecessarily and keep costs low. In 2022, we spent € 3.0 million (2021: € 2.9 million) on the execution of the pension scheme, from administration to communication and governance. This is an amount of € 318 per participant (2021: € 308). This is the amount without taking the former participants into account. In this calculation, the costs are not calculated on the former participants. If these are included in the costs per participant, this amount would be € 180 (2021: € 173). This is in line with the costs of comparable pension funds.

These costs are paid by HEINEKEN and are therefore not at the expense of the assets that are available for pensions. The professional management of pension assets also entails costs. Including transaction costs, this amounted to € 61.3 million in 2022 (€ 33.1 million in 2021). The higher costs compared to 2021 are mainly due to the good performance of hedge funds and private high yield funds. Part of the remuneration of those parties is related to their performance. Good to know: we accept higher fees within certain margins if higher revenues are expected to be returned. And of course we monitor whether those expectations are sufficiently met.

Want to know more?
A detailed overview of the costs can be found in our annual report 2022 that you can download on our website.

Accountability and supervision

The accountability body watches over the shoulders of the board at everything that is going on at the pension fund and advises the board on a number of important topics. The Supervisory Board (consisting of three independent members from outside) also supervises the pension fund and assists the board with advice. Curious about their findings? The annual report includes the report of the accountability body and the report of the supervisory board.

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