

ANNUAL OVERVIEW

THE HEINEKEN PENSION FUND

Voor
Nederlands,
draai om

2018

The year in brief
How we stand

Socially
responsible
investment policy

Want to know
more about your
pension?

Accountability and
supervision

 Stichting
Heineken
Pensioenfondsen



The Heineken Pension Fund

(at the close of 2018)

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Would you prefer to receive information in English?

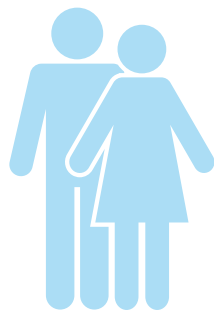
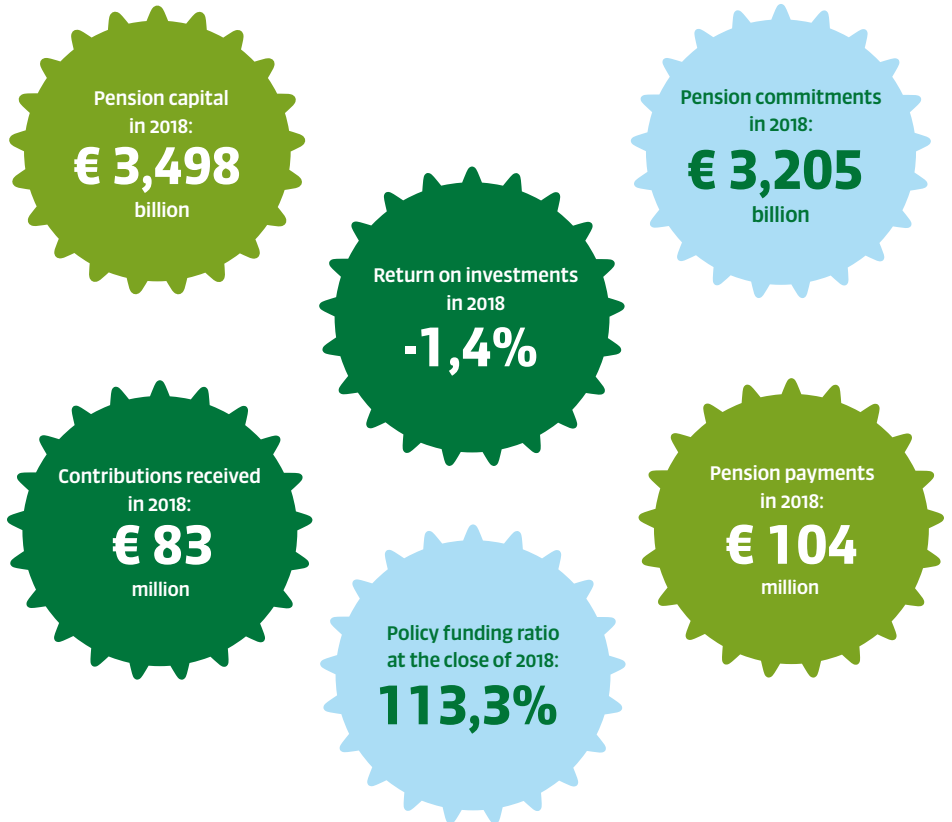
The HPF sends out communications in English. Hence this Annual Overview has been drawn up in two languages. The website, news mail and other communications are also available in English. If you wish to receive from now on communications about your pension in English, please inform us through Pensoenfonds@Heineken.nl or in writing.

Disclaimer

The utmost care was taken when drawing up this Annual Overview. However, no rights and/or expectations may be derived. The Dutch version of the Annual Report is leading. For the full Annual Report in Dutch go to www.heinekenpensioenfonds.nl.

Colophon

This Annual Overview 2018 is a Stichting Heineken Pensioenfonds publication.
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Former participants
6.601

Former participants: former employees that no longer participate in the pension scheme of the pension fund due to other reasons than death or disability, and whose pensions are managed by the pension fund.



Participants
3.906

Participants: employees that participate in the pension scheme of the pension fund.



Pensioners
5.771

Pensioners: former employees that receive a pension from the pension fund.

The year in brief



Your pension increased slightly

As you are probably aware, the majority of Dutch pension funds have not done all that well in recent years. That was reason for them not to – or hardly – raise pensions in line with the cost of living. Some pension funds have warned that they might even have to reduce pensions.

The threat of decreasing pensions is not the case for the Heineken Pension Fund (HPF).

At the beginning of 2018 we were able to raise pensions slightly by 0.02%.



An indexation of 0.61%

We have to base our decision to grant indexation on the policy funding ratio. In 2019 we were once again able to increase pensions, this time by 0.61%.

While this is certainly not enough to compensate for price increases, it is still a positive sign.

The policy funding ratio is the average of the current funding ratios over the past 12 months. The current funding ratio is the ratio between HPF's commitments and assets at a given time. In other words, the policy funding ratio is the average position of the funding ratio over the whole year.

Partial indexation can be given at a policy funding ratio higher than 110%, while full indexation can be granted from approx. 125%. The policy funding ratio was at the end of 2018 slightly higher than in 2017. Our policy funding ratio in 2018 rose from 110.2% to 113.3%. On the basis of that ratio we were able to grant a 0.61% indexation on 1 January 2019.



Yet as far as we are concerned things could be better

Unfortunately, we were unable to close the year 2018 well in terms of finances. Our return on investments were good for the greater part of the year. But in the last few months we were faced with falling share prices. Ultimately we had a 1.4% loss on our investments. Another, additional negative aspect was a slight drop in the interest rate. This low interest rate has been a problem for pension funds over the past few years. The reason being that when interest rates are low we need more funds to cover the pensions. Why? Simply because low interest rates mean we have to assume that the capital we have for the pensions will increase less. All in all, our current funding ratio 2018 dropped from 112.7% to 109.1%. The current funding ratio is only an indication at a given point in time. It shows the financial situation at a single moment in time, but the developments during the year did show that things were not looking all that promising for us. More information on this can be found under the heading 'The year in figures'.



What can be expected over the next few years?

We anticipate that if the current economic trend continues we will be able to let your pension grow at least partially along with consumer prices. However, there is still some uncertainty; the potential consequences of Brexit, for instance. While our financial policy is sound, we are still dependent on matters we cannot influence, i.e. the economy and the interest rate. Potential amendments to the pension laws and changed regulations can also have an effect.

Also in 2018



What are the costs incurred by the pension fund?

The pension fund obviously has to spend money to be able to take proper care of the pensions of both you and your (former) colleagues. But we closely monitor the situation in order to keep these costs as low as possible. That is why we feel it is important to be transparent about the costs involved.

Cost per member

To run the pension scheme (from administration to communication) we spent € 2.2 million in 2018. That is more than in 2017 (€ 2 million). The costs of running the pension fund are paid by the employer. The cost per member, including former members and retirees were € 137 in 2018 (2017: € 125). That is an increase of approximately 10% on the year before, mainly due to an increase in costs; the number of members remained more or less the same. Because of the increasing pressure of work (among other things due to extra regulations) mainly staff expenses and management costs rose above the previous year's figures. Calculated according to the method of the Federation of the Dutch Pension Funds (Pensioenfederatie), in which former members are not taken into account, the cost of running the pension fund was € 230 per member (2017: € 207).

Management costs of our pension capital

We also incur costs for asset management. In total these costs were € 23 million in 2018 (2017: € 17 million). That was 0.65% of the average invested capital (2017: 0.5%). This increase in costs was mainly due to the performance fee paid out to one of the managers of our investments for achieving very good results for our pension fund.

Investments costs are made up of:

- **invoiced costs:** costs we pay to external asset managers, as well as the costs incurred within our own organisation for asset management.
- **not invoiced costs:** costs deducted directly from the value of the investments by external asset managers.

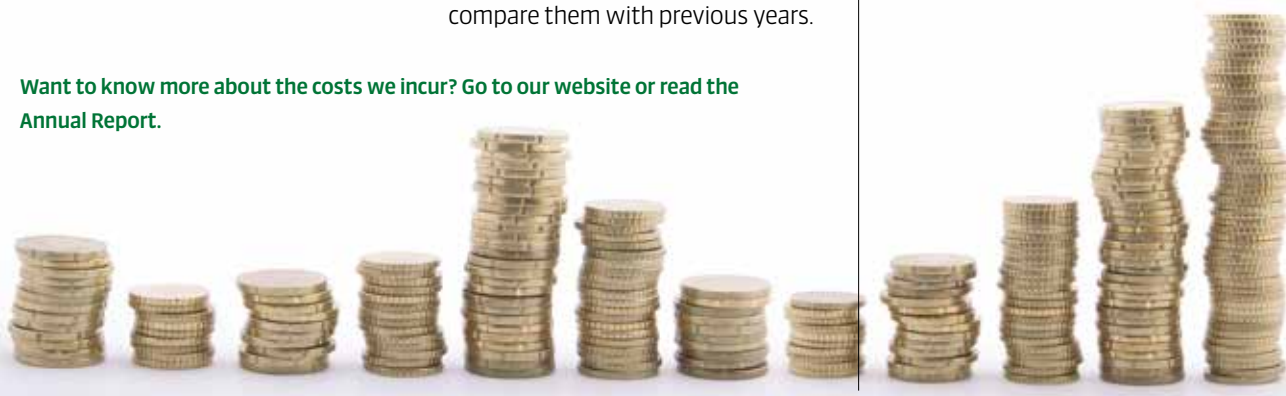
Obviously, to get the right insight in the latter costs is more difficult. We calculate them on the basis of information received from the asset managers. In recent years they have become more transparent. This sometimes makes it seem as if the costs are higher than in previous years. In actual fact the costs were the same then – only they were not visible at the time. That makes it difficult to compare them with previous years.

Want to know more about the costs we incur? Go to our website or read the Annual Report.



The Heineken Pension Fund has won the 'Best pension fund in the Netherlands 2018' award.

The Heineken Pension Fund has won the Golden Pension Pro Award for the 'Best pension fund in the Netherlands 2018'. The HPF was chosen by the public as the winner from a shortlist of three pension funds. According to the judges' report, the beer brewer's pension fund has pursued an excellent policy for many years, has a minimum of agency issues, low costs and a direct linkage between strategy, policy and execution. The fund is 'averse to trends; important in a sector in which everyone tends to follow one another.'





Developing our socially responsible investment policy further

The Heineken Pension Fund invests approximately 3.5 billion Euros. We do this to realise the best possible return in the long term. Only by doing so we are able to keep your pension affordable. We do not only have an eye for today's profits but also have a sense of responsibility in ensuring that our investments have a positive impact on the world around us. That is why we pursue a socially responsible investment policy. We are convinced that this contributes to a sound and sustainable return on investment.

Human Rights

We do not invest in companies that have anything to do with arms such as cluster bombs or nuclear weapons. Nor do we invest in companies that burden the environment heavily, are involved in violating human rights or are not run honestly. If necessary, we make use of our power as an investor to urge companies in which we do

invest to improve their behaviour. Given that the world around us moves on we continue to develop our socially responsible investment policy further. In doing this the opinions of our social partners and our members are also important.

IMVB

Putting our signature to the Dutch Pension Funds Agreement on Responsible Investment signified that we had taken a new step in this direction. The Dutch acronym IMVB stands for International Socially Responsible Investment. This covenant (pact) sets out the agreements undertaken by the pension sector on worldwide

socially responsible investing, and the way in which pension funds must report their work in this respect.

Impact Investment

We are also looking at how we can start to invest in companies or projects that particularly contribute to a better world. We call this 'impact investment'. Our policy brought us to the nineteenth place in the rankings of the best performing pension funds in 2018 drawn up by the Dutch Association of Investors for Sustainable Development (VBDO).

Want to know more about our socially responsible investment policy? Go to our website or read the Annual Report.



Want to know more about your pension?



Website and pension planner

Would you like to know more about your pension and your pension fund? Continue to read this Annual Overview. You can also go to our website www.heinekenpensioenfond.nl to read about our financial situation and use our new pension planner. The pension planner shows at a glance how much pension you will receive upon retirement. You can also see the consequences of certain options, e.g. taking early retirement. It provides helpful information to assist you in deciding whether your pension will be sufficient to lead the lifestyle you want in the future.



Newsmail

You can subscribe to the news mail on our website. The news mail gives its readers an overview of the most important news from the pension fund four times a year. All employees who are members of the HPF pension scheme receive it automatically.



Uniform Pension Statement (UPS)

All members and retirees are sent an overview of their accrued and attainable pension every year. It also provides you with information as to the arrangements made for your family in the event of your death. A complete overview of your pension (also what you may have accrued with previous Dutch employers) can be found on the government's website: www.mijnpensioenoverzicht.nl.

The year in figures



Funding ratio development



■ Statutory Funding Requirement: ■ Funding ratio ■ Policy funding ratio

Statutory Funding Requirement: indicates how high the policy funding ratio of a pension fund should be.

Funding ratio: denotes the ratio between HPF's commitments and the assets at a given time.

Policy funding ratio: the average of the current funding ratios over the past 12 months. This funding ratio is decisive for indexation and pension decreases.

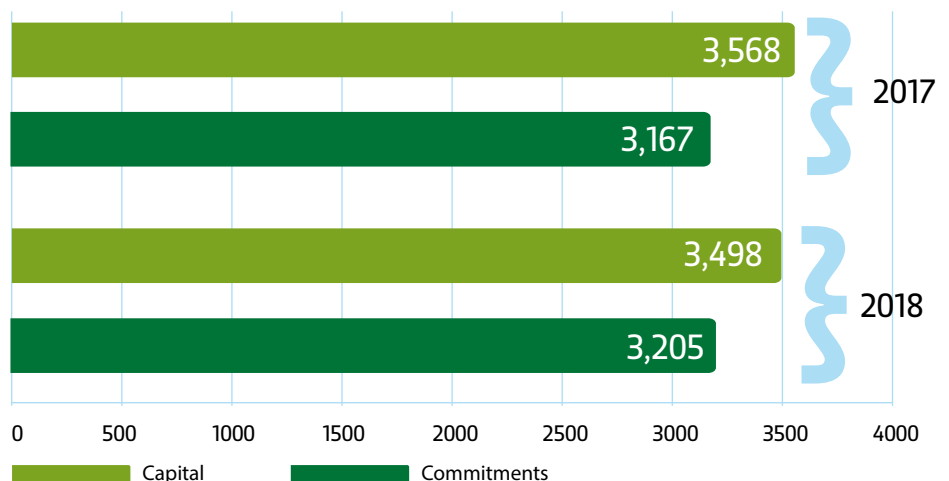
Above you can see how our current funding ratio and policy funding ratio has developed. The current funding ratio shows to what extent the accrued pensions (pension commitments) are covered by adequate capital at a given point in time. The policy funding ratio shows the average status of the actual funding ratio over the past twelve months. It is the policy funding ratio that is used as the basis on which to take important decisions; when deciding on indexation compensation for instance. It is striking to see that the current funding ratio dropped this year, while on the

contrary the policy funding ratio went up. That is because the current funding ratio only decreased in the last few months of 2018. At the same time, the months in 2017 that showed a lower current funding ratio were omitted when determining the policy funding ratio. This increased the policy funding ratio. The government minimum norm is a policy funding ratio of approximately 104%. Only when our policy funding ratio is above 125% will our buffers meet all the standards regarding the statutory funding requirement, meaning that we could grant full indexation again.



Pension capital and pension commitments

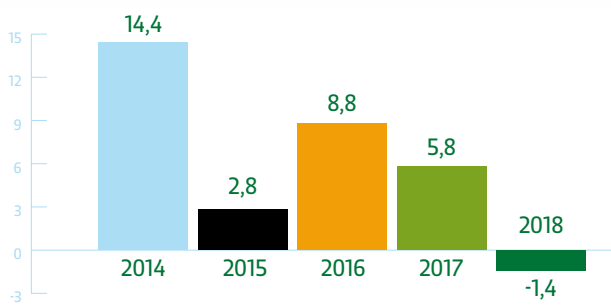
You will notice that our pension capital went down in 2018. That is caused by a negative investment result. At the same time, our commitments increased. That is mainly due to the fact that the interest rate dropped in 2018. When the rate of interest is low we need more money to secure the amount that eventually will need to be paid out in pension.





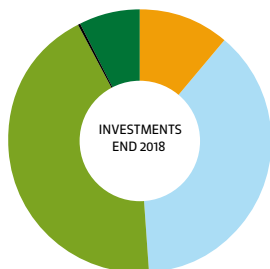
Return: -1.4%

Unfortunately we incurred a loss of 1.4% in 2018 but our investments are long-term investments and we are aware that there will be both good and poor years ahead. On average, over the past five years we have achieved returns of 6.1% per year. That is the net profit: the investment costs have already been deducted.



How we invest

We invest to achieve the best possible return. This is necessary to keep your pension affordable. In other words, we have to earn a large slice of your pension from investments. It goes without saying that the risk involved in investments must be within acceptable limits. Hence we spread our pension capital over different kinds of investments, countries and sectors. In other words, we do not invest all our money in shares but also in relatively safe investments like government bonds. Here is how we invested at the close of 2018.



Investments in Real estate	11,1%
Shares	37,9%
Fixed-interest assets	43,6%
Derivatives	0,1%
Other investments	7,3%
Total	100%



Indexation

We would like your pension to increase every year in line with the price increases in the Netherlands. That is what we call indexation. By law we can grant partial indexation when we have reached a funding ratio of 110%, and full indexation when our policy funding ratio is above 125% (this percentage fluctuates slightly and is established annually). Below you see the indexation over the past few years and the accumulated shortfall compared to consumer prices. For that matter, the shortfall over the past 10 years can still be repaired in better times, either in full or in part, when HPF's capital permits. To do this the funding ratio must be well above 125%.

Indexation for members

On 1 January	Price increases (CPI-index) (1)	Granted	Not granted
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%

(1) In 2015 the CAO pay increases were the criterion for active members.

Indexation for pensioners and former members

On 1 January	Price increases (CPI-index)	Granted	Not granted
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%

Accountability and supervision



The main concern of any pension fund is to take care of large sums of money and to act in the interests of all concerned. Hence we focus attention on proper accountability, independent supervision of the Board and the general procedures followed by our fund. This is also governed by law. The Dutch Central Bank, the Netherlands Authority for the Financial Markets and the Dutch Data Protection Authority are the external supervisory authorities. There is also supervision within our pension fund itself. In 2018 a Supervisory Board was set up to replace the former Review Committee. The Supervisory Board has three external independent experts who are assigned to monitor the policies pursued by the Board. They also keep an eye on whether the risks are adequately covered and whether the Board properly weighs up the interests of all stakeholders when taking decisions. You can read the report of the Supervisory Board in our Annual Report.



The Accountability Council

A significant role is set aside for the Accountability Council (AC), a body consisting of representatives of the employer, employees and retirees. The AC reports that cooperation with the board in 2018 once again went well. There is an open dialogue and time has been made to support and inform the AC. The AC receives all the information that is needed to perform its tasks well and is encouraged to be critical. The report of the Supervisory Board has been

discussed with the AC. The AC agrees with the findings and recommendations of the Supervisory Board.

The AC is of the opinion that the Board has executed policies in a balanced and adequate way and that decisions have been made based on good arguments. The Board has taken the interests of all stakeholders (participants, former participants and pensioners) into consideration, as far as the AC has been able to determine.

You can read the full report of the AC in our Annual Report.



Privacy

We, at HPF, set a high value on your privacy. We handle your data in a secure and responsible manner. In 2018 we made sure that we complied with the new European General Data Protection Regulation. If you would like to read more on this subject, please go to our website and read the privacy statement.