ANNUAL OVERVIEW

THE HEINEKEN PENSION FUND

2019

The year in 10 minutes
How we stand

Socially Responsible Investing

Want to know more about your pension?

Accountability and supervision

Stichting Heineken Pensioenfonds

www.heinekenpensioenfonds.nl

Content

Would you prefer to receive information in English?
The Heineken Pension Fund also sends out communications in English. Hence this Annual Overview is in both Dutch and English. The website, the newsletter and other communications are also available in English. If you would prefer to receive information about your pension in English, please inform us at pensioenfonds@heineken.nl or by letter.

Disclaimer
The utmost care was taken when drawing up this Annual Overview. No rights and/or expectations may be derived from the contents thereof.
For the full Annual Report go to www.heinekenpensioenfonds.nl

Colofon
This Annual Overview 2019 is a publication of Stichting Heineken Pensioenfonds.

Heineken Pension Fund

How has the Heineken Pension Fund (HPF) performed over 2019? And what effect does that performance have on your pension? That, and more, is explained in this overview. Want to know more? Go to our website for the full Annual Report.

Pension capital at the close of 2019:
€ 3.941
billion

Pension commitments at the close of 2019:
€ 3.674
billion

Return on investment over 2019:
13.4%

Contributions received in 2019:
€ 83
million

Pension payments in 2019:
€ 106
million

Policy funding ratio at the close of 2019:
105.4%

Former participants:
6.890
A former employee whose participation in the pension scheme has been terminated prior to retirement date for reasons other than his/her death or occupational disability, and for whom his/her pension entitlements are managed by the pension fund.

Active participants:
3.901
An employee accruing pension with the pension fund.

Pensioners:
5.793
A former employee or surviving relative receiving pension from the pension fund.

The year in 10 minutes

Decrease in funding ratio

The funding ratio on 31 December 2019 shows that we were in a worse situation than the previous year. The funding ratio indicates the ratio between the value of the pension fund's investments on the one hand and the pension commitments on the other. The current funding ratio (this is the ratio between the pension commitments and fund's assets on a certain date) dropped in 2019 from 109.1% to 107.3%.
Our policy funding ratio even dropped from 113.3% to 105.4%. The policy funding ratio is the average of the current funding ratios over the past 12 months. It is also the benchmark on which we base important decisions, such as the decision we take every year on whether we can increase pensions by granting indexation compensation or need to reduce them if necessary.

A year of good investment

It was a good year in terms of investment for the Heineken Pension Fund (HPF). We achieved a return on investment of 13.4%. In euros this is almost € 460 million. However, despite the high returns at the close of 2019 our financial position was no better than at the end of 2018. Compared to the substantial return on investment we saw an even higher increase in our pension commitments. This was because the rate of interest dropped further in 2019. When the interest rate is low we need to have more funds available to be able to pay out the pensions, both now and in the future. Why? Simply because when the rate of interest is low we must take into account that the pension capital accrue less. In 2019 our pension commitments rose by almost € 470 million. That is more than the increase in value of our investments.
That is why, on balance, the picture at the end of the year was less.

No indexation per 1 January 2020

The HPF aimes pensions to rise in line with the price increases in the Netherlands (inflation) by granting indexation. This is important in respect of your pension's purchasing power. However, we can and are only allowed to grant indexation if we have sufficient funds to do so. We are only allowed to let your pension partly grow in line with prices when the policy funding ratio is 110% or above. To grant full indexation our policy funding ratio must be approximately 125% (this figure is determined annually and it fluctuates).
At the start of 2019 we were able to increase your pension by 0.61%. This was only a partial compensation for inflation. However, in 2019 our policy funding ratio was too low for us to increase your pension on 1 January 2020. Lowering pensions was not a scenario the HPF had to deal with, though many other pension funds feared they would have to lower the pensions.

The current situation of the HPF can be followed on our website (www.heinekenpensioenfonds.nl).

2020: Corona

The financial situation of the HPF has not improved over the first part of 2020. The coronavirus crisis – which has hit our society so hard – has put our funding ratio under even more pressure. Apart from a low interest rate we are now faced with a substantial decrease in the value of our investments. Our current funding ratio at the close of April dropped to 91.6%. At this point in time it is still difficult to estimate how the situation will develop later this year and what the effect will be on your pension. Follow our blog and newsletter on our website www.heineken-pensioenfonds.nl.

New reference date

As of 2019, the HPF Board has decided to take the policy funding ratio on 30 September as the date on which the decision will be made on the granting of indexation and pension contributions. The reference date prior to 2019 was 31 December. It is now possible for us to inform you sooner about the indexation and contributions. Also, the pension contribution deducted from salaries will no longer change at the beginning of the year given that the pension contribution percentages are known beforehand. On 30 September 2019 the policy funding ratio was 107%. That was insufficient to increase pensions. The contribution for 2020 will also be based on the situation as at 30 September. 31 December remains the statutory reference date for a potential decision to lower pensions.

What else in 2019

The cost of your pension

Looking after your pension involves costs having to be made. It goes without saying that we keep a close eye on the aspect of cost to ensure that every euro you and your employer contribute towards your pension benefits your pension as much as possible.

Operational costs

The operational costs are € 3.7 million. Of that, € 2.5 million goes on the actual execution of the pension scheme and € 1.2 million on asset management. This € 1.2 million spent on asset management is attributed to the investment costs.

In 2019 we spent € 2.5 million on the execution of the pension scheme, covering the costs from administration to communication. This is € 153 per participant. These running costs have increased progressively for some years now (in 2018: € 2.2 million and € 137 per participant). This is mainly because we have to comply with a growing number of laws and regulations. So we need extra members of staff for the additional work that has to be carried out, and we also need to call in external experts more often. This means an increase of our costs.

Investment costs

Costs are also made for investments. In 2019 the total investment costs were € 17 million. This is 0.43% of the average invested capital. These costs were lower than in 2018 when the total cost was € 23 million and 0.65% of the average invested capital. It goes without saying that this is a large sum of money, but on the other hand the return on investment over the years were our main source of income. While we do everything we possibly can to keep the costs as low as possible, we always keep a close eye on the anticipated return.

Small pensions

In the event of a move to another employer you can either transfer your pension to your new pension provider or decide to leave it with us. As of 2019 new statutory rules came into force for small pensions (in 2019: from € 2 to € 498 gross p.a.): pension providers are allowed to automatically transfer small pensions to your new pension provider. Extremely small pensions (up to € 2 gross p.a.) can even be terminated given that the administration costs involved are disproportionate to the pension itself.

The HPF has chosen to participate in this automatic value transfer. This means that if you leave Heineken, a pension entitlement of € 2 up to and including € 498 gross p.a. will be transferred automatically to your new pension provider (if applicable). The buy-out option on your retirement date will remain. For this option, we will need your consent on your retirement date.

New pension agreement signed

After years of negotiation it finally happened in the summer of 2019: employers and employees signed a new pension agreement with the Dutch Government. Some time is still needed to work out the agreements in detail but we are already making preparations.

Arrangements have been made in the pension agreement regarding the future of our pension system. The arrangements are currently being worked out in more detail before being approved by the Dutch Parliament.
After that the ball will be in the court of the social partners in companies and the various industrial sectors to translate the arrangements into their own pension schemes. The expectation is that this process will certainly not be completed until 2021. One of the arrangements in the pension agreement has already been passed as law: state pension age (AOW-leeftijd) will be raised more slowly than previously agreed (for further information on this subject see the Social Insurance Bank website: www.svb.nl).

The pension agreement will undoubtedly have consequences for our pension scheme, but as things stand at this moment, nothing can be said with any certainty. Nevertheless, we are getting ready for the future by preparing our organisation, procedures and systems for any possible changes so that we will be ready to do whatever is asked of us. We will keep you informed.

Investing with a focus on the world

The Heineken Pension Fund invests the pension capital to get the best possible return. In doing so we always consider the impact our investments will have on the world around us. Do the companies we invest in take people and the environment into account? Are they run in an honest way? We call that Socially Responsible Investing (ESG). We do that on the basis of our social responsibility. We also take into account the aspects Heineken feels are important and also because we are convinced that it can contribute to a better return on investment and help to lower the risks involved. For instance: the reputation damage companies can incur due to their involvement in unethical dealings and the consequences for their shareholders.
We started to tighten up our ESG policy in 2019 on the basis of the Covenant on International Responsible Investment we signed in 2018. This is an important covenant that sets out the agreements reached with the pensions sector on sustainable investing and how we must draw up our reports on the subject. In 2019 we formulated the principles of our ESG policy which we are working out in detail in 2020.

ESG in practice

The following instruments can be used when implementing an ESG policy.

Voting
An effective way to influence the companies we invest in is by means of voting at shareholder meetings. The managers of our equity portfolios do that across the world. They work on the basis of the guidelines of the International Corporate Governance Network (ICGN), i.e. by taking into consideration the social aspects, the environment and the integrity of their business processes.

In discussion with companies
On our behalf, our asset managers also enter into discussion with companies on their environmental and social performance. Where necessary we request them to change their behaviour. Should they fail to do so, then we can withdraw as investors.

Class action
We also take part in class actions against companies that have committed offences and consequently have caused damage to the shareholders.

Positive selection
One of our external asset managers investigates which companies are the best performers with regard to ESG criteria. We call this: positive selection. We prefer not to ask all our asset managers to do this. If we did, we would have fewer opportunities to enter into dialogue with companies that perform less in this respect, while that is an effective method to achieve a better world.

Sustainable real estate
We encourage our real estate managers to pursue a sustainability policy.

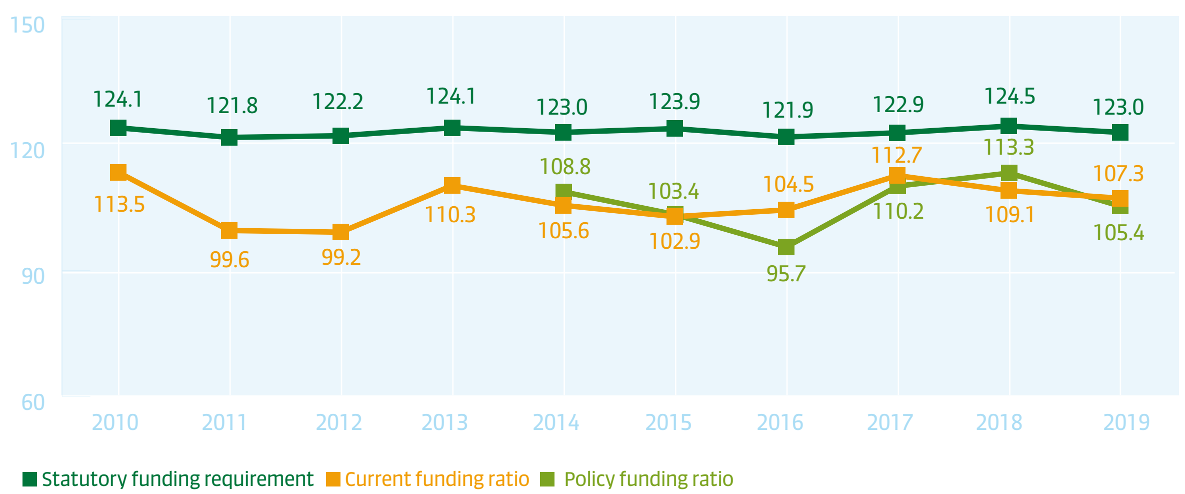
Exclusion
We have a list of companies and countries in which we do not invest. Obviously we do not invest in companies that have anything to do with controversial weapons such as cluster bombs and land mines. Moreover, we do not invest in companies that contravene the non-proliferation treaty that attempts to limit the possession of nuclear weapons. Nor do we invest in new investments of a number of companies in Russia. We can also decide to no longer invest in companies which fail to demonstrate an improvement in their behaviour as we have urged them to do.
We exclude certain countries. In this respect we follow the guidance of the sanctions imposed by the UN.

30th in VBDO ranking
Each year the Association of Investors for Sustainable Development (VBDO) publishes a ranking list of how the largest Dutch pension funds perform regarding ESG. We were ranked 30th in 2019.
Our current aim is to achieve a place in the top 25. Given that the focus of this screening changes every year and are not always in line with what we feel is important in terms of ESG, we are going to formulate and implement our own goals. These will be worked out in full in 2020.

FINANCIAL

The year in figures

Funding ratio development

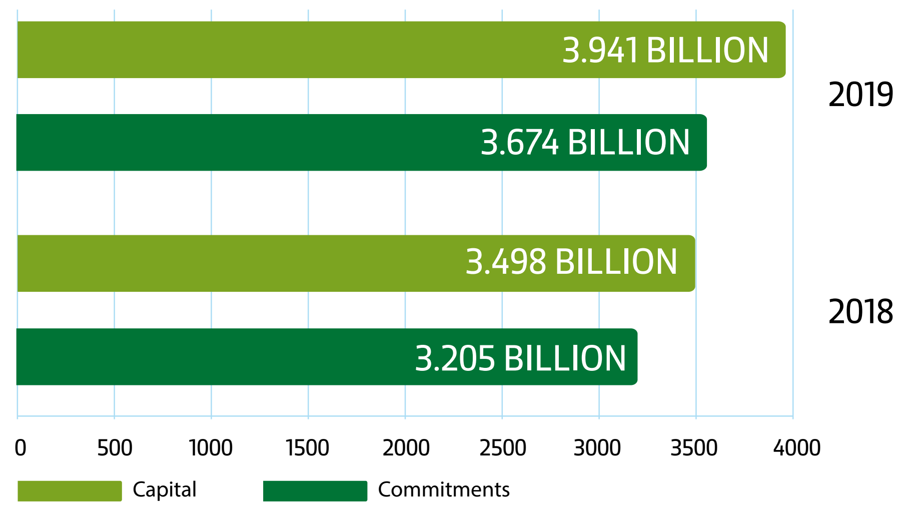


Statutory funding requirement: this is what the policy funding ratio of a pension fund must be according to the law.
Current funding ratio: denotes the ratio between the HPF's commitments and assets at a given time.
Policy funding ratio: is the average of the current funding ratios over the past 12 months. This funding ratio is decisive for indexation and pension cutbacks.

Here you see how our funding ratios have developed over the past few years. For the HPF the minimum norm for our assets is a policy funding ratio of 104.3%. Only when the funding ratio is above 124% our buffers will meet all the norms. This funding ratio of 124% is the statutory funding requirement of the HPF.

Pension capital and pension commitments

Due to the good return on investment our pension capital increased in 2019.
At the same time our pension commitments also increased. This was mainly because the interest rate dropped in 2019. When the rate of interest is low we need more money to secure the pensions that eventually will need to be paid out.

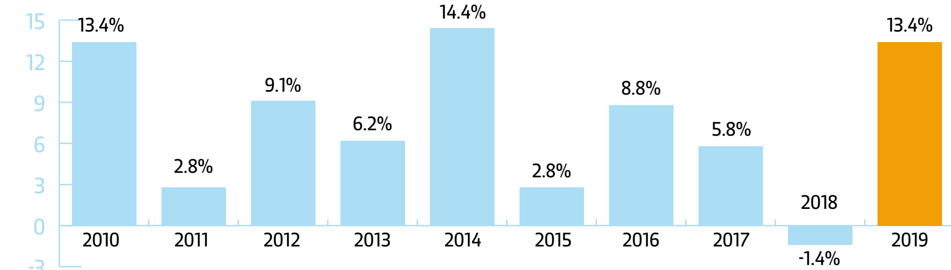


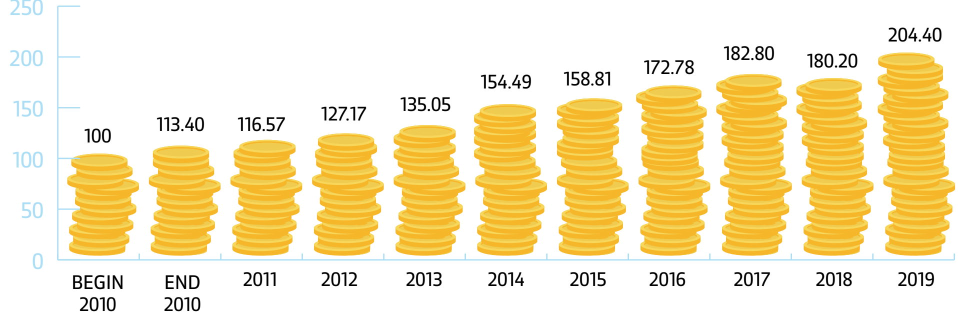
Coronavirus crisis and the HPF

The figures shown on this page are from the close of 2019. Over the past few months our funding ratio has been under pressure because of the crisis due to the coronavirus. You can follow the current situation at www.heinekenpensioenfonds.nl.

Return on investments: 13.4%

2019 was a good year for our investments. We achieved a return on investment of 13.4%. This is a net return. We invest for the long term and accept that there can be good and poor years. On average, over the past ten years we have had a 7.4% return on investment per annum.
On the right you can see how 100 euro has increased over a ten-year period following our return on investment.





This is how we invest

We invest with the purpose of achieving the best possible return. We need that in order to keep your pension affordable. This is to say, we must earn a large part of your pension through our investments. It goes without saying that the risks involved in investments must be well-considered. For that reason we spread out the pension capital over different types of investment, countries and sectors. So we do not invest everything in shares, but also in relatively safe investments such as government bonds. You can see below how we invested in 2019 and how much income was generated.

Type of investment	% of invested capital (actual)	% of invested capital (strategic)	Return HPF 2019
Nominal Government Bonds	24.8	30.0	5.1
LDI Funds	2.2	-	21.6
Mortgages	9.5	10.0	7.6
High Yield Bonds	2.4	2.5	11.8
Emerging Market Dept	2.3	2.5	14.0
Shares	38.9	38.0	23.9
Real estate	10.6	9.5	11.6
Hedge Funds	8.6	7.5	-1.0
Cas	0.7	-	-0.7
Total	**100**	**100**	**13.4**

Indexation

We want to see that your pension increases every year in line with the price increases in the Netherlands. That is what we call indexation. We can grant a partial indexation by law when we have reached a policy funding ratio of 110% and a full indexation when we reach a policy funding ratio above approx. 125% (this percentage is established annually and is liable to fluctuate). The table below shows the indexation granted over the past few years and the accumulated shortfall compared to consumer prices.
In this respect we should add that the accumulated shortfall over the ten years prior to 1 January of a specific year may be made up for in better times, either in full or in part, if the equity of the pension fund allows this. To do that, the policy funding ratio must be well above the 125% for a prolonged period of time.

Indexation granted since 2016

Per 1 January	Price increases (CPI)	Granted	Not granted
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%

Accountability and supervision

Accountability Council

Also in 2019 the Accountability Council (AC) watched over the HPF Board's shoulders to monitor the activities that took place in the pension fund. Consultations were also held with the Board and the Supervisory Board. The AC is made up of representatives of the employer, employees and pensioners. In the 2019 Report the AC mention again the open and honest relationship with the Board and the Supervisory Board. The AC indicates to have been provided with sufficient information and has therefore been able to carry out its monitoring task well.

In 2019 the Board requested advice from the AC in connection with nine decisions. These, among other things, related to the contribution policy, communication policy and remuneration policy. In its report the AC expressed a positive opinion on the Board: the Board has implemented its policy in a conscientious manner and taken its decisions on the basis of rational arguments. As far as the AC has been able to establish, the Board treated the interests of all stakeholders in a balanced way. With a view to 2020, the AC states in its report that the crisis due to the coronavirus will have an enormous impact on the pension fund. The Council recommends that the Board continues to inform all stakeholders as good as possible considering the concerns many people will have regarding their pension situation.

The AC entered 2020 with two new members and is consequently fully staffed again. The AC meets the requirement of diversity and the council members reflect the stakeholders of the pension fund well.

Supervisory Board

The Board has appointed a Supervisory Board consisting of three independent external members. The Supervisory Board monitors the policy pursued by the Board and supports it by providing counsel. The Supervisory Board acts in the interest of the objectives of the Heineken Pension Fund without any specific assignment and independently of any other interests.

The full Accountability Council report and the report drawn up by the Supervisory Board can be read in our 2019 Annual Report.

Would you like to read more about your pension and your pension fund? Go to our website:

www.heinekenpensioenfonds.nl

Privacy

The Heineken Pension Fund sets a high value to your privacy. We treat your data in a safe and trustworthy manner. Our privacy statement can be found on our website should you wish to read more on this subject.