ANNUAL OVERVIEW

THE HEINEKEN PENSION FUND

Nederlands andere zijde

Socially Responsible Investing

The future of pensions

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.

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 our website.

Colofon

This Annual Overview 2020 is a publication of Stichting Heineken Pensioenfonds.

The Heineken Pension Fund

How did the Heineken Pension Fund (HPF) perform in 2020 (the year of Covid-19)? 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 end of 2020:
€ 4,069 billion

Pension commitments end of 2020:
€ 4,104 billion

Policy funding ratio end of 2020:
94.9%

Contributions received in 2020, including the 'Versleepregeling'):
€ 168 million
(conditional pension entitlements)

Average actuarial interest:
0.2%

Return on investments end of 2020:
1.6%

former participants:
6,991

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

active participants:
3,779

Active participants:
An employee accruing pension with the HPF.

pensioners:
5,831

Pensioner:
A former employee or surviving relative receiving pension from the HPF.

2020 in 10 minutes

The year of Covid-19

We have gone through a turbulent year. 2020 will obviously be remembered as the year of the corona virus; the virus that has hit the entire world hard. Also the HPF had to struggle with the consequences. It was a year that employees and the Board had to work from home. And certainly during the first few months the HPF had to deal with sharply declining stock market prices. The Board had to take measures to guide the HPF through this crisis, thanks to all employees we successfully maintained our level of service and performed our tasks admirably.

Investments only just remained positive

Based on our investment strategy, we had expected a higher return. Ultimately the investments did show a slightly positive return. In total, after deducting the costs, the HPF had an investment result of 1.6%. In Euros, that is a profit of more than € 64 million. The pension capital increased to over € 4 billion. But at the end of the year the pension fund's finances were less rosy. Against the gains on investment we had a much bigger rise in pension commitments, namely an increase of € 430 million. That was mainly due to the lower interest rates. In order to be able to pay out future pensions, a pension fund needs to have more capital when interest rates are low. It is the same as with savings; the money you save at present grows slower if the interest rate is low than when it is high. Pension commitments increased to over € 4.1 billion. On balance, that meant that the policy funding ratio of 105.4% at the end of 2019 dropped to 94.9% at the end of 2020.

No increase of your pension

Every year the HPF tries to increase your pension in line with the increase in prices by means of indexation. However, we are only allowed to do that if the HPF is financially able to do so. Pensions can only be increased to follow the prices partially if the policy funding ratio is at least 110% at the end of the year. For full compensation of price increases the buffers have to be even much higher. The 94.9% at the close of 2020 meant that pensions could not be increased on 1 January 2021. That was disappointing. And given the low rate of interest there is small chance of indexation per January, 1st 2022.

On the other hand, there is no cutback of pensions

The cutback of pensions – a much heard discussion in 2020 in the Netherlands - was not a issue for the HPF. Taken the new pension system in consideration, the minister concerned relaxed the rules temporarily. The HPF did not have to make use of those relaxed rules. From the new recovery plan (2021) it is apparent that, like in previous years, there is no need to decrease pensions. The plan shows that within the period of ten years the HPF will have achieved the legally required reserves. However, there is a shortfall on last year's expectations. This means that it will take longer to reach the Statutory Funding Requirement than was expected last year.

Would you like to follow the developments of the financial position of the pension fund closely? You will find the information on the website.

Expectations for 2021

It looks as if 2021 will again be a year full of challenges for the HPF. The financial consequences of the COVID-19 crisis are still felt by the HPF. Meanwhile, a part of the population has been vaccinated and, hopefully, the situation will return to normal later in 2021. The economy and financial markets are expected to improve after that. This is very important for the HPF given that they influence the funding ratio. The first few months of 2021 have made us more confident given that we have seen a further recovery from the COVID-19 crisis. We started 2021 with a substantial funding ratio increase.

New steps in socially responsible investing

The HPF invests your pension money with the intention of obtaining the best possible yield at the lowest possible risk. But profit is not the only aspect involved. We also take into account the impact our investments have on people and the environment as well as on good corporate governance. The HPF gave extra attention to this in recent years, resulting in a new policy on socially responsible investing in 2020. That policy was inspired by HEINEKEN's sustainability themes and sustainability goals of the United Nations. There are three main themes for our policy: climate, water and human rights. Read more on this on page 4.

More clarity on future pensions

In 2020 employers and employees in the Netherland, together with the Dutch Government agreed on the future of the pension system. New rules will be introduced which in a few years' time will lead to new pension schemes. Certain aspects will change. For example, your pension will move more directly in line with the investment result than it does at present. Many details still have to be worked out further. More about the steps that will lead to a new pension scheme can be read on page 5.

New steps

taken in socially responsible investing

The HPF invests the pension capital (over € 4 billion) to generate the best possible return at an acceptable risk. We need that return to ensure that your pension grows adequately. We also make sure that the companies we invest in perform well in terms of man and environment and are managed with integrity. All of this is embedded in our policy on socially responsible investment (SRI). We started to tighten up our SRI policy in 2019 and established the new SRI policy in 2020. In 2021 that policy will be implemented further to bring the portfolio into line with this policy.

Three driving forces

Inspired by HEINEKEN's sustainability themes and the sustainability goals of the United Nations we have chosen for three driving forces: climate, water, and human rights. We shall strongly focus on these aspects in the coming years.

Good for the world as well as for your pension

In our view a good return, an acceptable level of risk and socially responsible investing go hand in hand. SRI can contribute to the return on investments and reduce certain risks. For instance, the effect on the value of a share if a company is discredited or if the product or production method is not in line with the high standards society demands.

Our new policy

Our objective is to invest in a controlled and transparent manner. We shall continue to keenly evaluate our view that SRI and a good return go hand in hand. Should it turn out that it is not beneficial for pensions we shall make adjustments. We take our ambitions seriously. However, we still feel that our SRI goals need to be kept proportionate to the limited size and set-up of our pension fund.

The HPF has signed the IMVB Covenant (Covenant for International Socially Responsible Investment for Pension Funds). We therefore subscribe the important guidelines of organisations such as the OECD and the United Nations. Our new policy is consistent with those guidelines. It goes without saying that we also feel it is important to be transparent about our actions and the results thereof. The new policy will be implemented in 2021.

CO2 footprint

In terms of climate: at the end of 2020 we measured the CO2 emission of our shares in developed countries over 2019 and 2020. In 2019 the emission from the companies in which we hold shares was 224 grams per invested Euro. It was as low as 110 grams in 2020. That is an enormous improvement which was mainly achieved because we started to invest less in industry in our equity portfolio.

In 2021 we shall also measure our results regarding water, human rights, and possibly other subjects as well.

SRI in practice

Here you will see a couple of things we do together with our asset managers to bring our SRI policy into practice.

We vote
We vote through our asset managers worldwide at shareholders' meetings. That is an effective way to influence a company's sustainability performance.

We enter into dialogue
Where necessary, our asset managers enter into dialogue with companies on our behalf. By doing this we wish to foster good corporate governance and attention to man and environment. We are convinced that this is better than excluding companies. However, if a company does show inadequate behavioural improvement it can result in the withdrawal of our investments.

We take part in class actions against companies that have breached the law and consequently have caused financial damage for the shareholders.

We encourage real estate managers to pursue a sustainability policy.

Exclusion
We keep a list of the companies in which we do not invest. For example, out of principle we do not invest in companies which are involved in controversial weapons, cluster bombs or landmines. We also exclude government bonds issued by some countries; the sanctions of the United Nations are the guiding principle in this respect.

Socially responsible investing is a subject about which a great deal can be said, and that is what we like to do. For more information on the subject see our website.

The future of pensions

More clarity emerged in 2020 as to the future of the pensions system. Employees and employers in the Netherlands have reached agreements on this subject with the Cabinet in the so-called Pension Agreement.

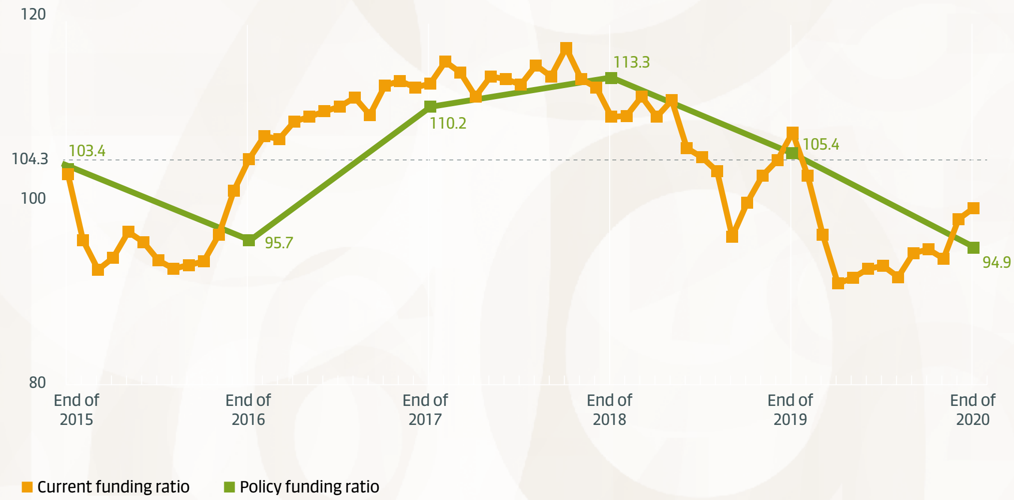
According to current plans, those agreements will legally bring a change in Dutch pensions schemes in 2027 latest. Obviously this will also be the case for the pension scheme of the HPF. The minister submitted a Draft Bill at the end of last year to which the pensions sector and other stakeholders could respond. The opportunity was used with enthusiasm. The reactions are now being assessed and if found appropriate will be included in the final legislation. This legislation is expected to be debated in parliament in the course of next year.

Social partners
At HEINEKEN it is primarily the social partners (employer and trade unions) that will make the most fundamental choices for the new pension scheme. The HPF will also be involved in the process. When there is more clarity on the most important outlines of the new pension scheme of the HPF, we will inform you, in close cooperation with the social partners, about the steps leading to a new pension scheme and will ensure that you get full insight in the consequences for your pension.

The year in figures

Decrease of funding ratio

Below you can see how the funding ratio of the HPF has developed over the past years. The current funding ratio shows to what extent the accrued pensions (the pension commitments) are covered by sufficient capital at a given point in time. We have to base important decisions on the policy funding ratio. That shows the average status of the actual funding ratio over the past twelve months.

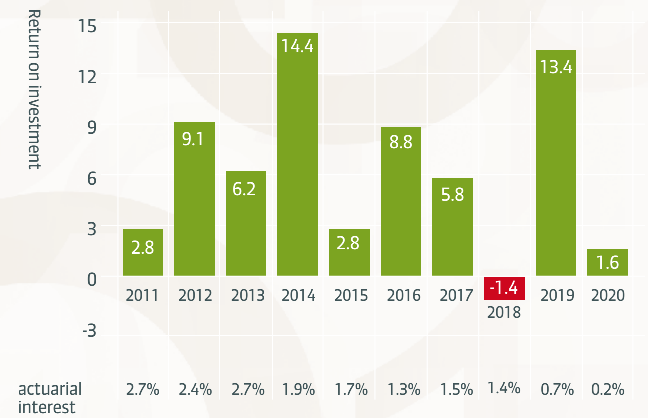


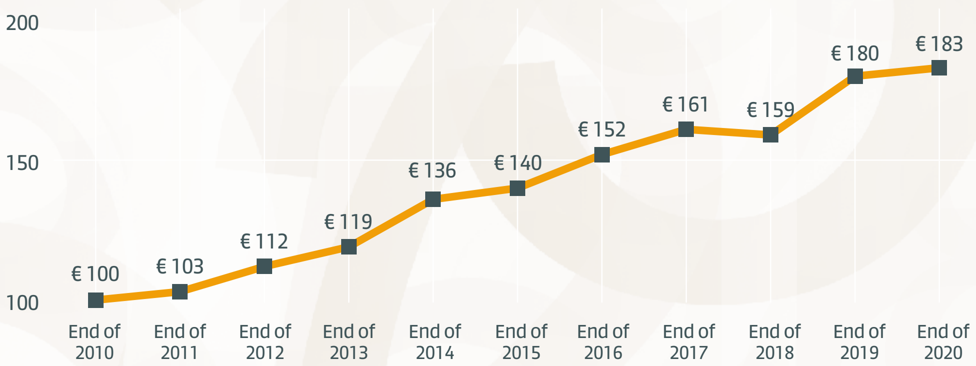
The minimum standard required by the government (the Statutory Funding Requirement) is a policy funding ratio of 104.3%. And only when it reaches 123.1% will our financial buffers meet all standards.

Return on investments: 1.6%

The return on investments in 2020 was unfortunately only 1.6%. This is after the costs have been deducted. A pension fund invests for the long term. A contribution of one Euro often needs to be paid out as pension many years later. The policy pursued can therefore take both the good and not so good years into account. On average, the HPF has achieved a return of 6.23% per annum over the past ten years.

The results and the actuarial interest over the past ten years are shown alongside.





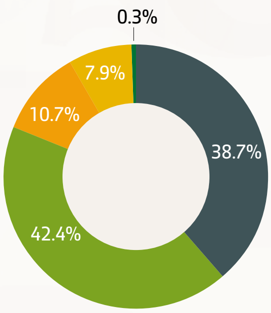
What is the result of investing?

Alongside you can see how much an investment of 100 Euros on 1 January 2010 has increased by 31 December 2020 thanks to our investment returns.

How your pension money is invested

We must earn a large part of your pension through our return on investments. To do that the HPF simply has to take investment risks. Those risks must obviously be responsible risks. In order to manage these risks the capital is spread over different sorts of investments. For instance, you can expect a higher return from shares in the long term but the risks involved are also higher. Hence part of the capital is invested in government bonds for instance.

The table shows how the capital was invested at the end of 2020.



Shares	38.7%
return 2020	-4.04%

Fixed rate	42.4%
return 2020	5.98%

Real estate	10.7%
return 2020	6.99%

Hedge funds	7.9%
return 2020	-2.49%

Cash	0,3%
return 2020	-0,94%

Pension capital and pension commitments

Contribution payments and the investment results generated an increase of the pension capital in 2020. However, the pension commitments increased even more. That was mainly due to the lower rate of interest. When the interest rate is low more money needs to be set aside to be able to pay the pensions in due course.

Interest rate sensitivity

The interest rate has an effect on the funding ratio. A 1% increase of the interest would increase the funding ratio on 31 December 2020 with 12.8% to 112%. A 1% decrease in the interest rate would result to a decrease of the funding ratio by 11.3% to 87.9%.

Indexation

The HPF has the specific ambition to increase your pension each year in line with the price increases in the Netherlands. Legislation allows the granting of partial indexation above a funding ratio of 110% and full indexation from a funding ratio of approximately 125% (this percentage is adjusted annually). Here you see the indexation over the past few years and how much you have fallen behind regarding consumer prices. For that matter, the lost ground over the past 10 years can always be repaired either in full or in part in better times. The repair of the missed indexation that is shown, however, will be unlikely given the current financial situation of the HPF.

Overview of indexation of active participants, former participants and pensioners over the past 6 years:

Per 1 January	Price increases	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%
2021	1.22%	-	1.22%

Costs

While the HPF keeps a close eye on expenses, it is obviously necessary that we spend money to ensure that your pension is managed professionally. The cost of executing the pension scheme, from administration to communication, was € 2.8 million in 2020 and that is € 295 per participant (2019: € 261). The rise in costs was mainly due to a one-off investment to improve our pension administration system. These costs were paid by the employer.

Costs were also made for the investments. They were € 22.8 million. This is 0.60% of the average invested capital. That is also higher than it was in 2019 when it was € 17.2 million.

On the one hand, asset management costs (€17.4 million) were higher (2019: €14 million). On the other hand, the performance-related costs were considerably higher, because the investment types to which they relate performed well. Furthermore, transaction costs are part of the investment costs. They have also increased from €3.2 million in 2019 to €5.4 million. There have been more large transactions in 2020. And certain asset managers have become more transparent about the transaction costs they incur. A full list of all our expenses can be found in the Annual Report on our website.

Accountability and monitoring

The Supervisory Board (SB) plays a significant role in the monitoring of the HPF. The SB monitors the pension fund's state of affairs and also supports the Board by providing counsel. The board comprises three external (independent) members.

The Accountability Council (AC) looks over the Board's shoulder to monitor everything that goes on in the HPF. They ensure that the Board keeps the interests of all stakeholders in proper balance. The AC also has a right of consultation on several important subjects. The council consist of employee representatives, representatives of pensioners and the employer's representatives.

Accountability Report 2020

The AC indicates that the documents received from and discussions with the Board show that the Board keeps the interests of all participants well-alanced and performs its task as legally defined. The AC thanks the Board for the pleasant cooperation.

The AC has addressed several issues to be dealt with and expects the Board to take action in the coming year. One of the issues is to generate support among the participants to assess the policy to be pursued.

The AC discussed the Annual Report of the SB with the SB and delivered a positive evaluation of the way in which the SB has performed its tasks. The AC has thanked the SB for the pleasant cooperation.
The full AC Report is included in the Annual Report 2020.

Composition of the Accountability Council

employee representatives

representatives of pensioners

employer's representatives

Supervisory Board Report 2020

As was the case in previous years, the SB concludes that the HPF was controlled well in 2020. The SB is of the opinion that the expertise and competences are split and are mutually complementary. Tasks and responsibilities are shared equally and the actual size of the Board makes this possible. The SB observes an open culture in which the individual board members utilise the space they are given. There is commitment and independence towards the AC.

The full SB Report is included in the Annual Report 2020.