
WE ARE HEINEKEN. WE BUILD TRUE HUMAN CONNECTIONS AND BREAK DOWN BARRIERS, BECAUSE WE BELIEVE GREAT MOMENTS OF SHARED EXPERIENCES ARE THE BEST IN LIFE. WE ARE INSPIRED BY CONSUMERS TO BREW THE BEST BEERS AND EXTEND THAT SAME PASSION TO ALL OF OUR BRANDS, PRODUCTS AND ACTIVITIES. WE ARE PROUD OF OUR FAMILY HISTORY AND DUTCH HERITAGE AND DERIVE FROM THEM OUR ENTRE-PRENEURIAL SPIRIT THAT TAKES US TO EVERY CORNER OF THE WORLD. WE ARE BRAND BUILDERS. THE HEINEKEN® BRAND DEFINES AND UNITES US WHILE OUR MANY LOCAL, REGIONAL AND GLOBAL BRANDS MAKE OUR PORTFOLIO DIVERSE AND UNIQUE. PEOPLE ARE AT THE HEART OF OUR COMPANY. WE SEE OUR STRENGTH IN TRUST, DIVERSITY AND PROGRESS. WE STAND BY OUR VALUES: PASSION FOR QUALITY, ENJOY-MENT OF LIFE, RESPECT FOR PEOPLE AND FOR THE PLANET. WE ALWAYS ADVOCATE FOR RESPONSIBLE CONSUMPTION. WE ARE COMMITTED TO OUR COMMUNITIES AND STRIVE TO CONSISTENTLY IMPROVE THE IMPACT WE MAKE ON THE PLANET. WE WORK WITH OUR CUSTOMERS AND PARTNERS TO GROW TOGETHER AND SEEK TO WIN WITH INTEGRITY AND FAIRNESS. AND WE ARE CONVINCED THAT BY STAYING TRUE TO THESE COMMITMENTS, WE CREATE VALUE FOR OUR SHAREHOLDERS. WE ARE HEINEKEN.

Remuneration Report

The remuneration policy reflects our longstanding remuneration principles of supporting the business strategy, paying for performance, and paying competitively and fairly. The remuneration policy and underlying principles support our long term sustainable business growth in the widely diverse markets in which we operate.

For 2019, the Remuneration Committee and Supervisory Board reviewed the Executive Board remuneration policy versus its implementation, and its outcome versus performance. Furthermore the Supervisory Board and its Remuneration Committee carefully studied the Dutch Act aimed to implement the Shareholder Rights Directive, as adopted by the Dutch Senate in November 2019, to identify any potential gap in our remuneration policy and annual reporting. In line with the new legislation, we will submit for approval to the 2020 Annual General Meeting (AGM) a revised Executive Board and a Supervisory Board remuneration policy. A revised remuneration report for financial year 2019 will also be submitted to the 2020 AGM for advisory vote.

This Remuneration Report includes three sections:

Part I

Describes the prevailing Executive Board remuneration policy, as it was adopted by the AGM in 2011, and as it has been implemented in 2019.

Part II

Provides details of the Executive Board actual remuneration for performance ending in, or at year-end, 2019.

Part III

Outlines adjustments to remuneration policy and implementation for 2020.

Part I – Executive Board remuneration policy

Remuneration principles

The Executive Board remuneration policy is designed to meet four key principles:

Support the business strategy

We align our remuneration policy with business strategies focused on creating long-term sustainable growth and shareholder value, while maintaining a tight focus on short-term financial results.

Pay for performance

We set clear and measurable targets for our short-term and long-term incentive policies, and we pay higher remuneration when targets are exceeded and lower remuneration when targets are not met.

Pay competitively

We set target remuneration to be competitive with other relevant multinational corporations of similar size and complexity.

Pay fairly

We set target remuneration to be internally consistent and fair; we regularly review internal pay relativities between the Executive Board and senior managers and aim to achieve consistency and alignment where possible.

While establishing and implementing the remuneration policy, the perspective and input of internal and external stakeholders are taken into consideration, as is the public opinion. HEINEKEN is also committed to an ongoing dialogue with shareholders and seeks the views of main shareholders before any material changes to remuneration arrangements are put forward for approval.

Summary overview of remuneration elements

The Executive Board remuneration policy is simple and transparent in design, and consists of the following key elements:

Remuneration element	Description	Strategic role
Base salary	Involves fixed cash compensation Aims for the median of the labour market peer group	Facilitates attraction and is the basis for competitive pay Rewards performance of day-to-day activities
Short-term incentive	Is based on achievements of annual measures, of which a weighted 75% relate to financial and operational measures for Heineken N.V. and 25% to individual leadership measures Aims, at target level, for the median of the labour market peer group Is partly paid in cash, and partly in investment shares with a holding period of five calendar years: – the part paid in shares is between 25% and 50% of the full before-tax Short-term incentive amount, depending on the individual's choice whether, and to which extent, to exceed the mandatory 25% share investment – the part in cash is paid net of taxes (i.e. after deduction of withholding tax due on the full before-tax Short-term incentive amount) Investment shares are matched on a 1:1 basis after the holding period	Drives and rewards annual HEINEKEN performance Drives and rewards sound business decisions for the long-term health of HEINEKEN Aligns Executive Board and shareholder interests

Remuneration Report (continued)

Remuneration element	Description	Strategic role
Long-term incentive	Is based on achievements of three-year financial targets for Heineken N.V. as specified on page 59 Aims, at target level, for the median of the labour market peer group Is awarded through the vesting of shares, net of taxes (i.e. after deduction of withholding tax due on the full before-tax Long-term incentive amount) Vested shares are blocked for another two years, to arrive at a five-year holding restriction after the date of the conditional performance grant	Drives and rewards sound business decisions for the long-term health of HEINEKEN Aligns Executive Board and shareholder interests Supports Executive Board retention
Pensions	Defined Contribution Pension Plan and/ or Capital Creation Plan	Provides for employee welfare and retirement needs

Labour market peer group

A global labour market peer group was adopted by the AGM in 2011, and subsequently adjusted in 2012 and 2017. The median target remuneration of this peer group is a reference point for the target remuneration of the CEO and CFO. Each year, the Remuneration Committee validates the peer group to ensure relevance, and recommends adjustments to the Supervisory Board if needed. For 2019 (and 2018), the peer group consisted of the following companies:

Anheuser-Busch InBev (BE)	Diageo (UK)	Nestlé (CH)
Carlsberg (DK)	Henkel (DE)	Pepsico (US)
Coca-Cola (US)	Kimberley-Clark (US)	Pernod Ricard (FR)
Colgate-Palmolive (US)	Mondelēz International (US)	Unilever (NL)
Danone (FR)	L'Oréal (FR)	

Base salary

Base salaries are determined by reference to the median base salary levels of the aforementioned labour market peer group. Every year, peer group and base salary levels are reviewed, and the Remuneration Committee may propose adjustments to the Supervisory Board taking into account the external labour market peer group data and internal pay relativities. The annual base salaries for 2019 were €1,250,000 for the CEO, and €850,000 for the CFO.

Short-term incentive

The Short-term incentive (STI) is designed to drive and reward the achievements of HEINEKEN's annual performance targets. Through its payout in both cash and investment shares it also drives and rewards sound business decisions for HEINEKEN's long-term health while aligning Executive Board and shareholder interests at the same time. The target STI opportunities for both 2019 and 2020 are 140% of base salary for the CEO and 100% of base salary for the CFO. These percentage opportunities are well aligned with the labour market peer group medians.

The STI opportunities are for a weighted 75% based on financial and operational measures for Heineken N.V., and for a weighted 25% on individual leadership measures. At the beginning of each year, the Supervisory Board establishes the performance measures, their relative weights and corresponding targets based on HEINEKEN's business priorities for that year. The financial and operational measures and their relative weights are reported in the Remuneration Report upfront; the numerical performance targets themselves are not disclosed as they are considered to be commercially sensitive. In the first weeks of the following year, the Supervisory Board reviews the Company and individual performance against the pre-set targets, and approves the STI payout levels based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the end of the performance period (cf. Part II). The STI payout for 2019 is subject to four performance measures: Organic Net Revenue Growth (weight: 35%), Organic Net Profit beia Growth (weight: 15%), Free Operating Cash Flow (weight: 25%) and Individual Leadership measures (weight: 25%). The Individual leadership measures are a mix of quantitative and qualitative measures focused on the implementation of our "Ambition 2020 Strategy". The 2019 leadership measures have been selected in line with our ambition to contribute to an inclusive and sustainable economy and society.

For 2020 the same performance measures and weights will apply.

Remuneration Report (continued)

For each performance measure, a threshold, target and maximum performance level is set with the following STI payout, as a percentage of target payout:

Threshold performance
50% of target payout

Target performance
100% of target payout

Maximum performance
200% of target payout.

For each measure, payout in between these performance levels is on a straight-line basis; below threshold performance the payout is zero, whereas beyond maximum performance it is capped at 200% of payout at target.

In line with policy, 25% of the STI payout is paid out in shares, referred to as investment shares. At their discretion, the Executive Board members have the opportunity to indicate before the end of the performance year whether they wish to receive up to another 25% of their STI payout in additional investment shares. All investment shares thus received are then blocked and cannot be sold under any circumstance, including resignation, for five calendar years to link the value of the investment shares to long-term Company performance. Withholding tax on the investment shares and on the cash part of the STI payout is settled with the cash part at the time of payout. After the blocking period is completed after five calendar years, the Company will match the investment shares 1:1 in the first weeks of the following year, i.e. one matching share is granted for each investment share. As from then, there are no holding requirements on these investment shares anymore, and there are no holding requirements on the resulting matching shares that remain after withholding tax on these shares. According to plan rules, matching entitlements will be forfeited in case of dismissal by the Company for an urgent reason within the meaning of the law ('dringende reden'), or in case of dismissal for cause ('gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member. With this 'deferral-and-matching' proposition a significant share ownership by the Executive Board is ensured, creating an increased alignment with the interests of shareholders. The Supervisory Board has the power to revise the amount of the STI payout to an appropriate amount if the STI payout that would have been payable in accordance with the agreed payment schedule would be unacceptable according to standards of reasonableness and fairness. The Supervisory Board is entitled to claw back all or part of the STI payout (in cash, investment shares or matching shares) insofar as it has been made on the basis of incorrect information about achieving the performance conditions.

Long-term incentive

The Long-term incentive (LTI) is designed to drive and reward sound business decisions for HEINEKEN's long-term health, and to align the Executive Board with shareholder interests by linking rewards to HEINEKEN's share price performance. The target LTI opportunities for 2020 are 150% of base salary for the CEO and 125% of base salary for the CFO.

Each year, a target number of performance shares is conditionally granted based on the aforementioned target LTI opportunity percentage of that year, the base salary of that year, and the closing share price of 31 December of the preceding year. The vesting of these performance shares is contingent on HEINEKEN's performance over a period of three years on four fundamental financial performance measures:

Organic Net Revenue Growth
To drive top line growth

Organic Operating Profit beia Growth
To drive profitability and operational efficiency

Earnings Per Share (EPS) beia Growth
To drive overall long-term Company performance

Free Operating Cash Flow
To drive focus on cash.

These four performance measures have equal weights to minimise the risk that participants over-emphasise one performance measure to the detriment of others. At the beginning of each performance period, the Supervisory Board establishes the corresponding numerical targets for these performance measures based on HEINEKEN's business priorities. These targets are not disclosed upfront as they are considered to be commercially sensitive. In the first weeks after the end of the performance period, the Supervisory Board reviews the Company's performance against the pre-set targets, and approves the LTI vesting based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the performance period has been completed (cf. Part II).

For each performance measure, a threshold, target and maximum performance level is set with the following performance share vesting schedule:

Threshold performance
50% of performance shares vests

Target performance
100% of performance shares vests

Maximum performance
200% of performance shares vests.

For each measure, vesting in between these performance levels is on a straight-line basis; below threshold performance the vesting is zero, whereas beyond maximum performance it is capped at 200% of vesting at target.

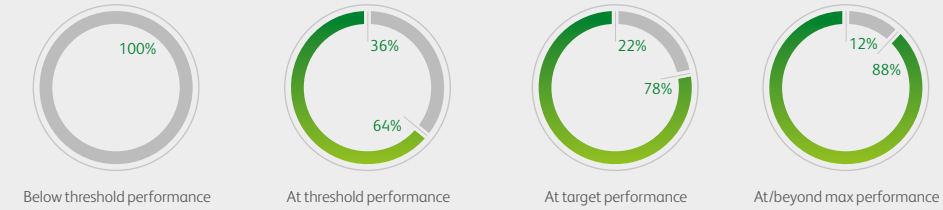
Remuneration Report (continued)

The Supervisory Board has the power to revise the amount of performance shares that will vest to an appropriate number if the number of performance shares that would have vested under the agreed vesting schedule would be unacceptable according to standards of reasonableness and fairness. The Supervisory Board is entitled to claw back all or part of the shares transferred to the Executive Board members upon vesting (or the value thereof) insofar as vesting occurred on the basis of incorrect information about achieving the performance conditions. The vested performance shares that remain after withholding tax are subject to an additional holding restriction of two years, to arrive at a five-year holding restriction after the date of the conditional performance grant.

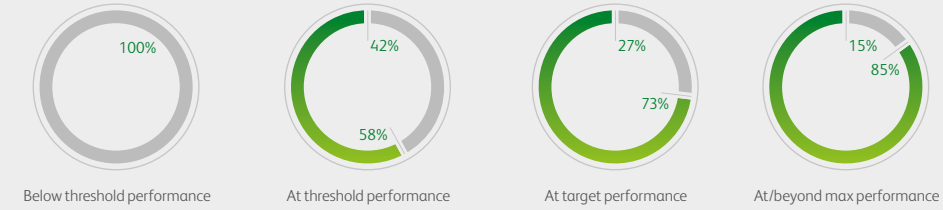
Pay mix

The mix between fixed pay and variable pay for various levels of performance is illustrated below. In these charts, fixed pay refers to base salary only, excluding pensions and other emoluments, and variable pay consists of the aforementioned Short-term and Long-term incentive opportunities, including the 'deferral-and-matching' proposition. Share price movements during performance and holding periods are hereby not included since these are unknown in the context of target remuneration.

CEO target pay mix 2019-2020



CFO target pay mix 2019-2020



Fixed pay Variable pay

Pensions

The members of the Executive Board participate in a defined-contribution Capital Creation Plan. As of 2015, following pension reforms in the Netherlands, new members of the Executive Board receive the same contribution as new top executives under Dutch employment contract below the Executive Board, which is currently 18% of base salary. This applies to our current CFO who became an Executive Board member in 2015. For the CEO the same capital creation arrangement as for 2014 remained in force, since the existing top executives below the Executive Board at that time were compensated on an individual basis for part of the impact of the aforementioned pension reforms. The contribution to the CEO therefore remains an age-dependent percentage of base salary and STI payout. Both Executive Board members have chosen to receive their full pension contributions as taxable income, as opposed to applying tax deferral to the maximum amount possible.

Compensation rights on termination of employment/service agreement

If the Company gives notice of termination of the employment agreement of Mr. Van Boxmeer for a reason which is not an urgent reason ('dringende reden') within the meaning of the law, the Company shall pay severance compensation to Mr. Van Boxmeer on expiry of his employment agreement. This severance compensation shall be set on the basis of the notion of reasonableness taking into account all the circumstances of the matter, including whether Mr. Van Boxmeer shall be bound by a non-competition obligation and whether any allowance is paid by the Company in relation to this non-competition obligation. In case of dismissal for cause ('ontslag met gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of Mr. Van Boxmeer, the severance compensation cannot exceed one year's base salary.

If the Company gives notice of termination of the service agreement of Mrs. Debroux for a reason which is not an urgent reason ('dringende reden') within the meaning of the law, or decides not to extend the service agreement upon its expiry, or if the AGM does not re-appoint Mrs. Debroux as member of the Executive Board for a subsequent term, the Company shall pay Mrs. Debroux an amount equal to one year of base salary.

Loans

HEINEKEN does not provide loans to the members of the Executive Board.

Remuneration Report (continued)

Part II – The Executive Board actual remuneration for performance ending in, or at year-end, 2019

The following table provides an overview of the Executive Board actual remuneration that became unconditional in, or at year-end, 2019. For disclosures in line with IFRS reporting requirements, which are 'accrual-based' over earning/performance periods and partly depend on estimations/assumptions, see note 13.3 'Related parties' on page 111. The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the variable remuneration disclosed in this section.

			2017-2019 Long-term incentive		Matching entitlements			Extraordinary Share Grants			
	(1) Base salary in €	(2) 2019 Short-term incentive in €	(3) No. of performance shares vesting	(4) Value of performance shares vesting in €	(5) No. of matching entitlements vesting	(6) Value of matching entitlements vesting in €	(7) Pension cost in €	(8) No. of extraordinary shares vesting	(9) Value of extraordinary shares vesting in €	(10) Other emoluments in €	(11) Total in €
Van Boxmeer	1,250,000	2,222,500	45,468	4,315,823	10,427	989,731	761,822	–	–	48,806	9,588,682
Debroux	850,000	1,079,500	22,734	2,157,911	–	–	167,309	–	–	182,690	4,437,410

ad (1) – Base salary

These base salaries have been paid to the members of the Executive Board for 2019.

ad (2) – 2019 Short-term incentive

The 2019 Short-term incentive (STI) relates to the performance year 2019, and becomes payable in 2020. The STI for 2019 was subject to four performance measures: Organic Net Revenue Growth (weight: 35%), Organic Net Profit beia Growth (weight: 15%), Free Operating Cash Flow (weight: 25%) and Individual leadership measures (weight: 25%). The Supervisory Board determined the results against the pre-set targets on these measures as follows:

Organic Net Revenue Growth
Between target and maximum performance

Organic Net Profit beia Growth
Between target and maximum performance

Free Operating Cash Flow
Between target and maximum performance

Individual leadership measures
Between target and maximum performance

The resulting STI payout for 2019 is 127% of payout at target level for both members of the Executive Board. In line with policy, 25% of the STI payout is paid out in investment shares against the closing share price of 12 February 2020, the publication date of these financial statements. In addition, the Executive Board members have had the opportunity to indicate before the end of the 2019 performance year whether they wished to receive up to another 25% of their STI payout in additional investment shares; for 2019 the Executive Board members did not elect to receive additional investment shares beyond the mandatory 25% share investment. The investment shares are restricted for sale for five calendar years, after which they are matched 1:1 by matching shares. Revision and clawback provisions apply to this Short-term incentive, including the related matching share entitlement. The table overleaf provides an overview of the investment shares at year-end that were awarded as part of STI payouts in the past, and that have remained blocked and await 1:1 matching by the Company, provided the conditions thereto are met. Only when the holding period of the investment shares has been completed, will the matching share entitlements be converted into shares and transferred to the recipient.

Remuneration Report (continued)

	STI payout for	% of STI payout invested in shares	Award date	No. of investment shares awarded	Value of investment shares as of the award date in €	End of blocking period	Value of investment shares as of 31.12.2019[1] in €
Van Boxmeer	2019	25%	13.02.2020	t.b.d.	c.a. 555,625	31.12.2024	n.a.
	2018	25%	14.02.2019	7,913	682,417	31.12.2023	751,102
	2017	25%	13.02.2018	8,326	683,898	31.12.2022	790,304
	2016	25%	16.02.2017	11,106	839,947	31.12.2021	1,054,182
	2015	50%	11.02.2016	20,105	1,465,051	31.12.2020	1,908,367
Debroux	2019	25%	13.02.2020	t.b.d.	c.a. 269,875	31.12.2024	n.a.
	2018	25%	14.02.2019	3,323	286,576	31.12.2023	315,419
	2017	25%	13.02.2018	3,568	293,076	31.12.2022	338,675
	2016	25%	16.02.2017	4,760	359,999	31.12.2021	451,819
	2015	50%	11.02.2016	5,713	416,306	31.12.2020	542,278

[1] The share price as of 31 December 2019 is €94.92.

ad (3) – 2017-2019 Long-term incentive: number of performance shares vesting

The 2017-2019 Long-term incentive (LTI) relates to the performance period 2017-2019 and vests shortly after 12 February 2020, the publication date of these financial statements. The vesting of the LTI award for performance period 2017-2019 is subject to Heineken N.V. performance on four financial measures with equal weights. The Supervisory Board determined the results against the pre-set targets as follows:

Organic Net Revenue Growth
At maximum performance

Organic Operating Profit beia Growth
Between target and maximum performance

Earnings Per Share (EPS) beia Growth
At maximum performance

Free Operating Cash Flow
At maximum performance

As a result, the vesting of the LTI grant for performance period 2017-2019 will be equal to 180% of the vesting at target level. For the CEO this plan performance implies that 45,468 shares will vest shortly after 12 February 2020, as a result of the 25,260 conditional performance shares granted to him in 2017. For the CFO this plan performance implies that 22,734 shares will vest shortly after 12 February 2020, as a result of the 12,630 conditional performance shares granted to her in 2017. The resulting share awards are defined in before-tax terms (i.e. before deduction of withholding tax due); the actual net shares awarded (i.e. after withholding tax due) remain blocked for an additional period of two years until 16 February 2022, also in case of resignation during that period. Revision and clawback provisions apply to this award. The table overleaf provides an overview of outstanding LTI awards (awards granted but not yet vested, or awards vested but still blocked) as of 31 December 2019.

Remuneration Report (continued)

	Grant date	No. of shares conditionally granted at target level[1]	Value of shares conditionally granted as of the grant date in €	Vesting date[2]	No. of shares vesting on the vesting date[3] (before-tax)	No. of shares vesting on the vesting date[4] (after-tax)	End of blocking period	Value of unvested or blocked shares as of 31.12.2019[5] in €
Van Boxmeer	2019	24,288	2,094,597	02.2022	t.b.d.	t.b.d.	14.02.2024	1,224,848
	2018	21,570	1,771,760	02.2021	t.b.d.	t.b.d.	13.02.2023	1,087,783
	2017	25,260	1,910,414	13.02.2020	45,468	24,157	16.02.2022	2,292,982
	2016	22,852	1,665,225	14.02.2019	41,820	21,279	11.02.2021	2,019,803
	2015	29,263	1,942,771	13.02.2018	47,699	24,175	12.02.2020	2,294,691
Debroux	2019	13,763	1,186,921	02.2022	t.b.d.	t.b.d.	14.02.2024	884,275
	2018	10,569	868,138	02.2021	t.b.d.	t.b.d.	13.02.2023	679,058
	2017	12,630	955,207	13.02.2020	22,734	15,389	16.02.2022	1,460,724
	2016	11,426	832,613	14.02.2019	20,910	13,836	11.02.2021	1,313,313
	2015	11,857	787,186	13.02.2018	19,327	12,762	24.04.2020	1,211,369

[1] Determined according to plan rules, using the closing share price of 31 December of the year preceding the grant date.
[2] The vesting date is shortly after the publication of the financial statements after completion of the performance period.
[3] Vested shares are disclosed in before-tax terms (i.e. before deduction of withholding tax due).
[4] Vested shares are disclosed in after-tax terms (i.e. after deduction of withholding tax due).
[5] The value for the grants in 2015, 2016 and 2017 is based on the actual number of shares vesting on the vesting date after tax withholding, i.e. after applying the relevant income tax rate, whereas the value for the grants in 2018 and 2019 is based on the number of performance shares conditionally granted at target level (since the number of performance shares vesting is yet unknown) after applying the currently prevailing income tax rate. The share price as of 31 December 2019 is €94.92.

ad (4) – 2017-2019 Long-term incentive: value of performance shares vesting

The value of performance shares vesting is based on the share price as 31 December 2019 of €94.92.

ad (5) – Number of matching entitlements vesting

These entries refer to the number of matching share entitlements that vested after year-end 2019, as a result of the investment in shares of part of the STI payout for performance year 2014, and holding on to these investment shares until year-end 2019. For the CEO this number of matching shares is the result of a 25% investment of this STI payout in investment shares at the time. For the CFO there is no vesting from this plan yet, given her later appointment to the Executive Board on 23 April 2015.

ad (6) – Value of matching entitlements vesting

The value of matching share entitlements vesting is based on the share price as of 31 December 2019 of €94.92.

ad (7) – Pension cost

The pension costs involve the employer contributions paid in the Capital Creation Plan as well as the employer contributions to the risk insurances for death and disability.

Remuneration Report (continued)

ad (8) – Extraordinary share grants: number of shares vesting

The table below provides an overview of the Extraordinary share grants that have vested prior to 2019 but are still blocked as of 31 December 2019; there are no such grants to members of the Executive Board that are still unvested or that vested in, or at year-end, 2019. The Extraordinary share grants to Mrs. Debroux vested in 2015 and 2016, yet are blocked for five years from the moment of grant, i.e. until 24 April 2020.

	Award	Grant date	No. of shares granted[1] in €	Value of shares conditionally granted as of the grant date in €	Vesting date	No. of shares vesting on the vesting date[2]	End of blocking period	Value of unvested or blocked shares as of 31.12.2019[3] in €
Debroux	Extraordinary share award	24.04.2015	1,000	73,640	24.04.2015	681	24.04.2020	64,641
	Extraordinary share award	24.04.2015	1,000	73,640	24.04.2016	675	24.04.2020	64,071

[1] The 'Number of shares granted' refers to the grant in before-tax terms (i.e. before tax withholding).
[2] As the table reveals, income tax has been withheld from the Extraordinary share awards themselves.
[3] The value of the share awards is based on the 'Number of shares vesting on the vesting date' against the share price as of 31 December 2019 €94.92.

ad (9) – Extraordinary share grants: value of shares vesting

There are no such grants to members of the Executive Board that vested in, or at year-end, 2019.

ad (10) – Other emoluments

The amounts mainly involve car benefits-in-kind, and for Mrs. Debroux also housing allowance (grossed-up) and schooling costs.

ad (11) – Total

The addition of all remuneration elements as described in points (1) to (10).

Actual remuneration paid to former members of the Executive Board

There has not been any remuneration for 2019 paid to former members of the Executive Board, nor is any such remuneration outstanding for later years.

Remuneration Report (continued)

Pay Ratio

In the Netherlands a revised corporate governance code came into effect as of financial year 2017. This revised code requires Dutch stock-listed companies to consider pay ratios between Executive Board members and other employees within the Company when formulating the remuneration policy for the Executive Board, and to disclose these ratios in the Remuneration Report every year.

As is commonly understood, such ratios are specific to the company's industry, geographical footprint and organisational model. HEINEKEN has a truly wide geographical footprint, with the majority of its business and employees in emerging markets with widely different pay levels and structures compared to the Netherlands and Europe. In addition, HEINEKEN has a large number of breweries and sales forces in-house worldwide, which adds to the variety of pay within the Company. For other companies in other industries this will be different. Finally, pay ratios can also be quite volatile over time, as they can vary with exchange rate movements and can be very dependent on the Company's annual performance since that performance impacts the remuneration of the Executive Board much more than of all other employees.

The 2019 pay ratios for HEINEKEN are 166 for the CEO and 87 for the CFO, versus 198 and 91 in 2018 respectively. These ratios are obtained by dividing the 2019 total remuneration for the CEO and CFO by the 2019 average total remuneration of all other employees worldwide. The common denominator of these ratios is derived from note 6.4 on page 76 by dividing the 2019 total personnel expense (after subtracting the expense for contractors and for the Executive Board), by the reported FTE (minus two; excluding contractors), leading to an amount of 42,937 versus 41,689 in 2018. The total remuneration for the CEO and CFO is retrieved from note 13.3 on page 111. The reason why the Executive Board's remuneration is obtained from note 13.3 rather than from this Remuneration Report is explained by the fact that the personnel expense in note 6.4 is based on IFRS standards, which implies that the Executive Board's remuneration also needs to be based on these standards for reasons of comparability.

The Executive Board's average pay ratio decrease of ca. 10% compared to 2018 results from a decrease in the remuneration of the CEO and CFO over 2018 by ca. 10% and an increase in the average total remuneration of all other employees world-wide by ca. 3%.

– The decrease in the CEO and CFO remuneration is predominantly caused by a decrease in the incentives value (cf. note 13.3).
– The increase in the average total remuneration of all other employees worldwide follows from regular pay increases, changes in the distribution of employees over geographies, and exchange rate effects in 2019.

Comparative overview of remuneration and company performance

The Dutch Act to implement the Shareholder Rights Directive was adopted by the Dutch Senate in November 2019 and entered into force in December 2019. The Shareholder Rights Directive will be followed by Guidelines to drive greater consistency of reporting regarding executive remuneration disclosure in company Remuneration Reports. It is expected that these Guidelines will be issued in the course of 2020. In anticipation of those Guidelines and in accordance with the Shareholder Rights Directive, the following table provides a comparative overview since 2015 of annual Executive Board remuneration; average employee remuneration; Executive Board pay ratio; and company performance:

	Total remuneration in thousands of €[1]		Average employee total remuneration in thousands of €[3]	Pay ratio[4]		Organic net revenue growth %[5]
Year	CEO	CFO[2]		CEO	CFO	
2015	9,119	2,137	n.a.	n.a.	n.a.	3.5
2016	9,480	3,514	n.a.	n.a.	n.a.	4.8
2017	9,060	4,203	42.1	215	100	5.0
2018	8,244	3,805	41.7	198	91	6.1
2019	7,112	3,726	42.9	166	87	5.6

[1] Total remuneration for the CEO and CFO as per note 13.3 Related Parties (i.e. fixed salary, short and long term incentives, pension contributions and other emoluments). Supervisory Board management fees are disclosed in note 13.3 (as approved by the AGM in 2011 and adjusted most recently in 2019 AGM).
[2] Appointed on 23 April 2015.
[3] Total personnel expense in thousands of € (after subtracting the expense for contractors and for the Executive Board) divided by the reported FTE (minus two; excluding contractors). Reporting available since 2017.
[4] Total remuneration for the CEO and CFO divided by the average total remuneration of all other employees worldwide. Reporting available since 2017.
[5] Organic net revenue growth percentage for the financial year (performance measure for short- and long-term incentives).

Part III – Adjustments to the remuneration policy and implementation for 2020

Policy changes

The Supervisory Board and its Remuneration Committee carefully studied the Dutch Act aimed to implement the Shareholder Rights Directive, as adopted by the Dutch Senate in November 2019, to identify any potential gap in our remuneration policy. In line with the requirements of the new legislation, we will submit for approval to the 2020 AGM a revised Executive Board and Supervisory Board remuneration policy. HEINEKEN has engaged with main shareholders to gather feedback on our current remuneration policy and proposed changes. We also encourage all our shareholders to attend the 2020 AGM to provide their views.

Implementation changes

The Supervisory Board is also mindful of the recommended changes to remuneration disclosure that form part of the Draft Guidelines to the Shareholder Rights Directive. These changes are intended to drive greater transparency and consistency of reporting regarding executive remuneration and may result in further updates to our remuneration disclosure in the Remuneration Report once the Guidelines are finalised.

Supervisory Board Heineken N.V.
Amsterdam, 11 February 2020

Heineken N.V. Remuneration Report 2019

HEINEKEN