SUBMITTED QUESTIONS AND ANSWERS
FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF
HEINEKEN N.V. ON 21 APRIL 2022

Publication: 21 April 2022

Time: 13:00 hours

INTRODUCTION

This document captures the questions received from the below listed shareholder and the answers prepared by Heineken N.V. The questions relate to the agenda items of the Annual General Meeting of Shareholders. The Company will aim to discuss as many of these questions during the meeting.

VEB = Vereniging van Effectenbezitters

CONTENTS

Agenda item 1a Report of the Executive Board for the financial year 2021 3

Agenda item 1b Advisory vote on the 2021 remuneration report 5

HEINEKEN answers in green

Agenda item 1a Report of the Executive Board for the financial year 2021

Questions received from the VEB

1. Heineken's net revenue per hectoliter trailed movements in direct costs (incl. raw materials, packaging) per hectoliter. Thereby gross margin per hectoliter (excl. marketing) has declined. What will Heineken do to improve gross margin over the next few years?

Answer:
HEINEKEN has been significant impacted by the pandemic, reflected in a loss of volume and an adverse channel and packaging mix. The loss of on trade volume with higher revenue per hectoliter and lower variable cost per hectoliter has been particularly challenging, and a big driver of the effect the VEB notes. HEINEKEN has also been impacted by significant inflation in its input costs and by transactional currency effects from the devaluation of emerging market currencies versus the euro. As restrictions from governments have lifted, HEINEKEN has been assertive in its pricing and aims to upset these inflationary pressures in an absolute basis or as we say, euro per euro. This was visible in the 2nd half of 2021, in our Q1 trading update from yesterday and will continue to be our means to protect gross margin going forward.

2. In 2018 Heineken, in relation to the acquisition of Kirin Brasil, remarked that it would be able to increase margins in Brazil to the Group-average over a period of three to five years. In light of declined margins at competitor Ambev's Brazilian activities over the past three years what does Heineken foresee going forward?

Answer:
Our original ambition of bringing margins to group-average level in Brazil has not been achieved yet. This is due to several reasons but a major one is the devaluation of c.100% of the Brazilian Real over the past 5 years. We have taken enormous steps to improve the profitability of our business in Brazil, particularly (1) capturing significant synergies from the Kirin acquisition and improving productivity with EverGreen, (2) executing a massive reconversion of our portfolio from lower margin soft drinks and economy beer to premium beer and brands and from soft-drinks to beer and (3) transitioning brands Heineken® and Amstel to our own route-to-consumer to accelerate our growth in higher margin returnable packaging in the on-trade. Improving the profitability of our business in Brazil remains a top priority into the future

3. Last year Heineken obtained control of United Breweries Limited (UBL) in India. The operating margin of UBL in India has historically been substantially lower than Heineken Group (especially Asia-Pacific). Is Heineken able to share what the potential for margin expansion is in India?

Answer:
At the time of the acquisition, HEINEKEN indicated that the consolidation of UBL will have a small accretive effect on EPS (beia) and a dilutive effect on operating profit margin (beia).

We expect limited synergies from the integration of UBL into HEINEKEN. UBL has benefitted for many years of the know-how of HEINEKEN. In addition, our global suppliers have a limited presence in India. HEINEKEN will not provide a forward-looking statement on the operating profit margin in India.

4. Heineken has a number of notable low-margin countries in its global portfolio, among which Nigeria and South Africa. Can you share what Heineken foresees for these countries in terms of margins going forward, also in light of the announced acquisition of Heineken South Africa with Distell and Namibia Breweries?

Answer:
In South Africa, our operating profit margins before the impact of the pandemic were held back by significant volume imported at high cost from the Netherlands and other countries to meet demand. We expect this to reduce as we have completed the expansion of Sedibeng. At the announcement of the Distell and Namibia Breweries proposed transaction, HEINEKEN stated that it expected it to be EPS accretive within one year and operating profit margin accretive over the medium term on realisation of significant synergies. In Nigeria, our operating profit margins have been impacted by high inflation the devaluation of the Naira, and massive downtrading of our portfolio from mainstream to economy brands. Given the increasing pressure from inflation in the market and further devaluation of the Naira, we have introduced more pricing to overcome these challenges and improve profitability. HEINEKEN will continue to address its value diluting operations, like it has restructured its business in the Philippines and Lebanon, whilst making steady progress towards sustained scale and profitability in recent market entries like Ecuador and Peru.

5. Heineken's marketing and selling expenses, expressed as a percentage of net revenue, has declined over a number of years. This holding back on marketing spend might erode Heineken's brand value. What will Heineken do to bring these investments back to a normalized level?

Answer:
During the pandemic, HEINEKEN took significant short-term cost mitigation actions to mitigate the impact on its profitability, including the reduction of marketing and sales discretionary expenses. With EverGreen, HEINEKEN aims for superior and balanced growth with enhanced profitability, whilst simultaneously raising the bar on sustainability and responsibility. An essential part of this strategy is its growth algorithm, through which we drive continuous productivity improvements to be able to accelerate investments to drive further growth. Reinvesting in marketing and sales is a key component of these areas for further investments. At the same time, we continue to drive commercial productivity improvements, for example by increasing our consumer facing spend relative to the non-consumer facing expenses in marketing. We aim to get much more for every euro spend in marketing and sales going forward.

6. Heineken strives to reach a 17 percent operating profit margin (beia), whereby it recovers to the pre-coronapandemic level. Given the need to invest in marketing and sales, can you share whether there is potential margin upside in the medium- to longterm and thereby closing the gap with AB InBev?

Answer:
HEINEKEN sees that there is margin upside relative to the level of 2021 from a number of areas. First there is the operating leverage that the recovery from COVID, particularly in Europe and Asia Pacific will bring. Second, our growth algorithm aims to gear our business for operating leverage beyond the COVID recovery, with superior top-line growth with balanced volume and value growth, continuous productivity improvements that will enable reinvestments, not only in marketing and sales, but also in digital transformation and our agenda on sustainability and responsible consumption. HEINEKEN monitors and benchmarks its relative profitability levels to other companies and addresses opportunities where it makes sense to do so, considering structural differences.

7. Heineken's market value is in part derived from its partnership with China Resources Beer (CRB). Is Heineken able to share some details on the progress made with that partnership in recent years given the perceived large growth opportunity in China?

Answer:
HEINEKEN is very satisfied with the progress that CRB is making with our brand portfolio and the Heineken® brand. In 2021, the Heineken® brand was close to 2x its pre-pandemic levels. China is now the fourth largest market for Heineken® globally. There is a strong and clear strategic alignment between CRB and HEINEKEN and that has contributed to the close collaboration we have observed these recent years.

Agenda item 1b Advisory vote on the 2021 remuneration report

Statement received from the VEB

Heineken's LTIP is composed of financial metrics like organic revenue growth, net profit, and free cash flow. As a result, skimping on marketing and selling expenses might potentially be rewarded, which could be to the detriment of a company that is fully dependent on its brand value. To preserve and improve the brand portfolio, aligning the interests of investors and management, European Investors-VEB urges Heineken to consider introducing a gross profit metric - which explicitly excludes marketing and selling expenses - into its remuneration policy at the expense of metrics that do include marketing and selling expenses

Questions received from the VEB

8. A decade ago, Heineken used a gross profit metric in its remuneration policy. Does the supervisory board agree that adding gross profit to the LTI-performance plan metrics incentivizes management to improve pricing power?

Answer:

The SB believes that the current set of metrics proposed to be included in the LTI provide the right balance for long-term value creation of all stakeholders of HEINEKEN, including top-line growth, profitability, capital efficiency and environmental and social sustainability.

9. Is Heineken willing to consider adding a gross profit margin target when reviewing the current remuneration policy?

Answer:
HEINEKEN assesses every year its remuneration policy relative to current strategic direction and external developments, mindful also of the implications of changes. This naturally includes a review of our choice of metrics to for the LTI to ensure the best balance for long-term value creation.