Heineken N.V. Annual Report 2021

In this year's report

Report of the Executive Board

Find more information online at:
theHEINEKENcompany.com

Download our Annual Report | Explore our regions and brands | Find out how we Brew a Better World

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Other Information

This copy of the annual report of Heineken N.V. for the year 2021 is not in the ESEF-format as specified by the European Commission in Regulatory Technical Standard on ESEF (Regulation (EU) 2019/815).

The ESEF reporting package is available at: http://www.theheinekencompany.com/investors/results-reports-webcasts-and-presentations

Chief Executive's Q&A

Gaining momentum with EverGreen

Q What are your top reflections as CEO of HEINEKEN in 2021?

I am grateful for the resilience and agility of our people as we continued to navigate through the crisis, while building the future. There is nothing more important than the health and safety of our people and I am proud of how our colleagues, customers, and suppliers continued to adapt and support one another.

Despite the challenges, this year our EverGreen strategy gained momentum and we made a big step towards recovering our results to pre-pandemic levels with the strength of Heineken®, the scaling of new innovations and the significant savings we unlocked by simplifying and right-sizing our cost base. We also launched our new Brew a Better World 2030 commitments and continued to strengthen our footprint with United Breweries Limited (UBL) in India and we announced our intention to acquire control of Distell and Namibia Breweries (NBL) to create a regional beverage champion for Southern Africa.

This year, I was also delighted to welcome Harold van den Broek to the Executive Board and James Thompson to the Executive Team. Our top team now represents six nationalities and an incredible mix of knowledge from both inside and outside of HEINEKEN.

> ***"Our best days are ahead of us as we continue to deliver superior and balanced growth with beer and beyond."***
>
> **Dolf van den Brink**
> Chairman Executive Board and CEO

Q Key highlights of 2021's business performance?

We delivered a strong performance in 2021, taking a big step towards restoring our revenue, operating profit and margin to pre-pandemic levels and going beyond in places. We saw a strong recovery in Europe, in our Africa, Middle East & Eastern Europe region and the Americas which was partially offset by the lingering impact of the pandemic in Asia Pacific. The Heineken® brand continued its strong momentum. Our innovations in premium, low- and no-alcohol and beyond beer categories were well received by consumers and are scaling fast. We accelerated the roll-out of our B2B platforms. Our cost programme delivered significant savings this year, putting us well on track to reach our target of €2 billion in savings by 2023.

Q How is the company transforming with EverGreen as the North Star?

EverGreen is a multiyear strategy to future-proof our business and adapt in a fast-changing world. It builds on our long-term strengths whilst embracing transformation across multiple dimensions.

Building upon the momentum of the last 18 months, we are accelerating progress on our five strategic pillars: delivering superior and balanced growth by increasing consumer and customer centricity; funding our growth through continuous productivity improvements and cultivating a cost-conscious culture; becoming the best-connected brewer by digitising our business end-to-end; stepping up in sustainability and responsibility via our Brew a Better World programme; and unlocking the full potential of our people by investing in talent and capabilities.

Our Dream is to: *Shape the future of beer and beyond to win the hearts of consumers.* We are entering an incredible next era of innovation and expansion in the beer industry. Our best days are ahead of us as we continue to deliver superior and balanced growth with beer and beyond. New flavours, styles and trends are helping us reimagine and revitalise beer, bringing the joy of true togetherness to consumers across the world.

Q How do you stay obsessively customer and consumer focused?

After a long history as successful brand builders, we are now focused on increasing our customer and consumer-centricity. We are focused on revitalising and renewing core beer while continuously innovating and exploring beyond beer. We are also investing in consumer and customer-rooted innovation while boosting digitisation on the path to becoming the best-connected brewer.

Starting with our flagship brand, we continue to bring brand Heineken® to more consumers around the world while fuelling interest in the zero-alcohol space with Heineken® 0.0, which continues to grow double-digits. Our newest offering, Heineken® Silver, offers consumers lower bitterness and is off to a strong start with significant expansion planned in 2022. We are staying relevant with younger generations with brands that embody authenticity, diversity and a strong desire for connection like Birra Moretti across Europe, Ichnusa in Italy and El Águila in Spain. As health and wellbeing remains a priority for consumers, we are expanding our lower-calorie, lower-alcohol and non-alcoholic beer with Desperados Virgin Mojito and Lagunitas non-alcoholic IPA. We are stretching beer with low bitterness ranges like Tiger Crystal in Brazil and Bintang Crystal in Indonesia. We are intentionally expanding beyond beer launching Pure Piraña in the Hard Seltzer category last year, and Dos Equis Ranch Water in the U.S. and Amstel Ultra Seltzer in Mexico this year.

Chief Executive's Q&A

We accelerated deployment of our business-to-business digital platforms which captured €2.8 billion in digital sales value in 2021. We have connected close to 370,000 active customers through our traditional channels, a threefold increase from last year.

Q What is your approach to long-term value creation?

At HEINEKEN, we are a growth company first and foremost, and have a long history of delivering superior growth. We are also a company rooted in family, one that thinks in generations to serve the needs of all stakeholders. EverGreen heralds the shift from superior growth to superior and balanced growth. We aim to get the balance right between short-term delivery and long-term sustainability, between top-line growth and overall stakeholder value creation. Our renewed value creation model, the Green Diamond, encapsulates our balanced ambition and includes drivers on Growth, Profitability, Capital efficiency and Sustainability & Responsibility. Balance means succeeding in all four quadrants of the Green Diamond.

Q You set ambitious targets with your Brew a Better World 2030 commitments. How will you reach them?

Our sustainability strategy has deep roots in our company; our first environmental report was published in 1994. This year we raised the bar on our environmental, social sustainability and responsible consumption aspirations with our refreshed Brew a Better World 2030 commitments. We set a Science-Based Target to operate in a net zero value chain by 2040, 10 years before the Paris Agreement deadline. We think holistically about our ecosystem and strive to work in close collaboration with partners and suppliers to achieve our scope 3 emissions targets.

We made a commitment to increase the percentage of women in senior management to 30% by 2025 and 40% by 2030 on the path to gender balance. We committed 10% of all Heineken® media spend to advance responsible consumption campaigns to achieve the ambition of reaching one billion people with moderation messaging every year.

We signed up for the World Economic Forum (WEF) Stakeholder Capitalism Metrics in Q1 2021 and are also reporting via Task Force on Climate-related Financial Disclosures (TCFD) for the first time in this annual report.

Q How did acquisitions complement HEINEKEN's growth strategy in 2021?

We made two meaningful announcements in 2021 that served to strengthen and expand our footprint. In July, we became the majority owner of UBL in India. UBL has built its position as the undisputed market leader in India with a strong network of breweries across the country and a fantastic portfolio led by its iconic Kingfisher brand family. We are honoured to build on this legacy and look forward to working with our new colleagues to continue to win in the market, delight consumers and customers and unlock future growth.

In November, we announced our intent to acquire control of Distell and NBL. Distell is a highly regarded, resilient business with leading brands, a talented workforce and a strong track record of innovation and growth in Africa. With NBL, there are exciting opportunities to expand premium beer and cider in Namibia and grow the iconic Windhoek brand beyond its home market. We are very excited to bring together three strong businesses to create a regional beverage champion, perfectly positioned to capture significant growth opportunities in Southern Africa. If regulatory approvals are successfully obtained, this transaction is likely to complete in Q3 of 2022.

Q How does culture renew itself in a 157-year-old company?

We are incredibly proud of our culture and people are at the heart of our business. Our family roots are special to our company and foster a strong sense of belonging. Our culture is no-nonsense, pragmatic, deliver-the-goods, walk the talk – and we like to have fun along the way. On the flip side, we have an opportunity to become more externally focussed, more customer-centric, more courageous and bold in the moves we are making and faster in pursuing opportunities.

During the last year, we worked with colleagues across the whole business to refresh our Values and articulate our Purpose: *We brew the joy of true togetherness to inspire a better world*. We ignite the moments that bring us together, create bonds and make memories that are unforgettable. We hope we can make the world just a little better... one day, one beer, one cheers at a time. Our company values have also been refreshed, and they represent what we stand for. They are passion for consumers and customers, courage to dream and pioneer, care for people and planet, and enjoyment of life.

Q What has been your biggest learning this year?

My learning this year was about the importance of balance. It is key to both keep a positive, optimistic spirit yet be realistic and face the brutal facts. Move with agility and speed yet take enough time to reflect.

Realise it is a marathon yet create small milestones to celebrate along the way. Most importantly: balance 'caring and daring'. We have a very ambitious and daring agenda, but we need to take care of ourselves and each other. I am very grateful to all our people at HEINEKEN for their ongoing commitment, care, drive and passion and am proud of all that we achieved together in 2021.

Q What is the outlook for HEINEKEN with EverGreen?

We launched our EverGreen strategy in February 2021 to future-proof our business and deliver superior, balanced growth for sustainable, long-term value creation. It requires us to constantly navigate the long-term transformation with the short-term financial delivery under fast-changing external circumstances. We are encouraged by the progress made, witnessed by the strong performance of our business in 2021 and how EverGreen is taking shape.

For 2022 our plans assume revenues in Asia Pacific to progressively bounce back during the year, yet full recovery of the on- trade in Europe may take longer. Reflecting our confidence in the long-term, we intend to reverse the cost mitigation actions undertaken in 2021 and to further step up our investments in brand support and our digital and sustainability initiatives. This investment will be partially offset by further delivery of gross savings from our productivity programme.

Overall, we expect a stable to modest sequential improvement in operating profit margin (beia) in 2022. Whilst continuing to target 17% operating margin (beia) in 2023 and operating leverage beyond, there is increased uncertainty given current and evolving economic and input cost circumstances. Therefore, we will update the 2023 guidance later in the year.

Wishing you all the joy of true togetherness in 2022!

Performance highlights

A strong set of results

Volumes

Consolidated beer
in millions of hectolitres

231.2mhl

Heineken®
in millions of hectolitres

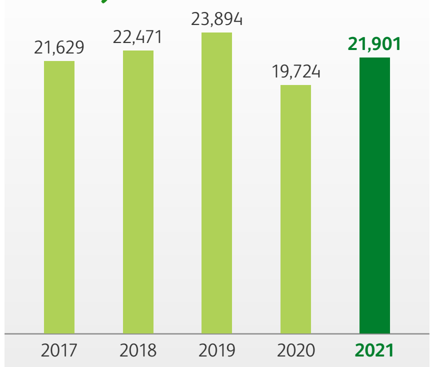
48.8mhl

Financial performance

1 Restated for IAS37

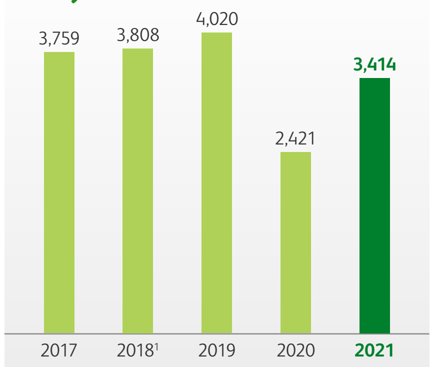
Net revenue (beia)
in millions of €

€21,901m



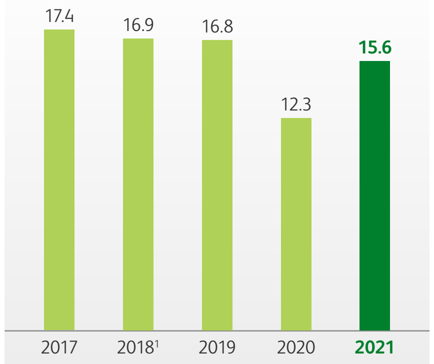
Operating profit (beia)
in millions of €

€3,414m



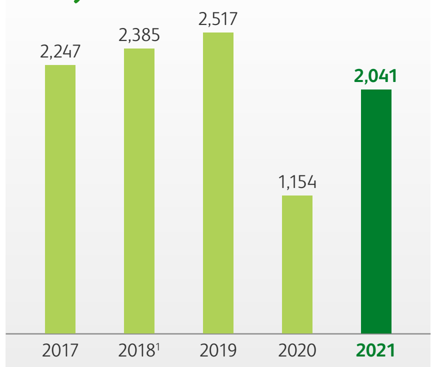
Operating profit (beia) margin
in percentages

15.6%



Net profit (beia)
in millions of €

€2,041m



Sustainability highlights

Carbon emissions
16%
reduction of absolute carbon emissions in our production

Gender balance
25%
of our senior management positions were held by women

Water balancing
32%
of our production sites in water-stressed areas are fully water balanced

Consumers reached
1.2bn
with our responsible consumption campaigns

Key figures[1]

Consolidated results

In millions of €	2021	2020	Change in %
Revenue (beia)	26,583	23,770	11.8%
Net revenue	21,941	19,715	11.3%
Net revenue (beia)	21,901	19,724	11.0%
Operating profit	4,483	778	476.2%
Operating profit (beia)	3,414	2,421	41.0%
Net profit/(loss)	3,324	(204)	(1,729.4)%
Net profit (beia)	2,041	1,154	76.9%
EBITDA	6,681	3,583	86.5%
EBITDA (beia)	5,190	4,151	25.0%
Dividend (proposed)	714	403	77.2%
Free operating cash flow	2,514	1,513	66.2%

Balance sheet

In millions of €	2021	2020	Change in %
Total assets	48,850	42,632	14.6%
Shareholders' equity	17,356	13,392	29.6%
Net debt position	13,658	14,210	(3.9)%
Market capitalisation	56,940	52,509	8.4%

Per share

	2021	2020	Change in %
Weighted average number of shares – basic	575,740,269	575,625,598	0.0%
Net profit/(loss)	5.77	(0.36)	(1,702.8)%
Net profit (beia)	3.55	2.00	77.5%
Dividend (proposed)	1.24	0.70	77.1%
Free operating cash flow	4.37	2.63	66.2%
Shareholders' equity	30.15	23.27	30.0%
Share price	98.86	91.22	8.4%
Weighted average number of shares – diluted	575,969,395	575,625,598	0.1%
Net profit (beia) – diluted [2]	3.54	2.00	77.0%

Employees

	2021	2020	Change in %
Average number of employees (FTE)	82,257	84,394	(2.5)%

Ratios

	2021	2020	Change
Operating profit (beia) as a % of net revenue (beia)	15.6%	12.3%	331 bps
Net profit/(loss) as % of average equity attributable to equity holders of the Company	21.6%	(1.4)%	23.0
Net debt/EBITDA (beia)	2.6	3.4	(0.8)
Dividend % payout	35.0%	34.9%	0.1
Cash conversion ratio	110.0%	111.3%	(1.3)

1. (beia) is before exceptional items and amortisation of acquisition-related intangible assets. Please refer to the Glossary section for an explanation of non-GAAP measures and other terms used throughout this report.
2. For beia purposes, net profit (beia) - diluted is calculated including shares to be delivered under the employee incentive programme (196,007 shares). For the purposes of this calculation, the weighted average diluted number of shares outstanding as at 31 December 2021 is 575,969,395 (2020: 575 821 605)

Executive Team

1 **Dolf van den Brink**
Chairman Executive Board and CEO

2 **Harold van den Broek**
Member Executive Board and CFO

3 **Marc Busain**
President, Americas

4 **Soren Hagh**
President, Europe

5 **Roland Pirmez**
President, Africa, Middle East & Eastern Europe

6 **Jacco van der Linden**
President, Asia Pacific

7 **James Thompson**
Chief Commercial Officer

8 **Stacey Tank**
Chief Corporate Affairs and Transformation Officer

9 **Yolanda Talamo**
Chief People Officer

10 **Magne Setnes**
Chief Supply Chain Officer

11 **Ronald den Elzen**
Chief Digital and Technology Officer

Setting direction and driving progress

The Executive Team consists of the two members of the Executive Board, the four regional Presidents and five Chief Officers. Its members are accountable for the global agendas of their functions, working closely with our operating companies.

Welcome to EverGreen

Our Values

Our Values are what we stand for, and we have refreshed and added to our existing Values:

Passion for consumers and customers

Courage to dream and pioneer

Care for people and planet

Enjoyment of life

Our Purpose

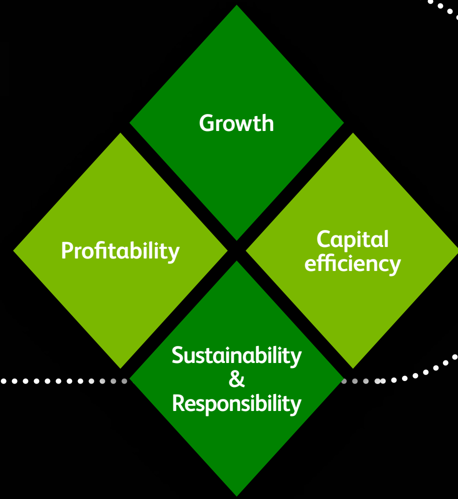
Our Purpose is our core reason for being, and it shapes our strategy and inspires our people:

"We brew the joy of true togetherness to inspire a better world."

Our Green Diamond

Using the lens of the Green Diamond we want to be clear on "what winning looks like". We aim to get the balance right between short-term delivery and long-term sustainability and between top-line growth and overall stakeholder value creation.

The Green Diamond encapsulates our balanced ambition including drivers on Growth, Profitability, Capital efficiency and Sustainability & Responsibility. At its heart EverGreen is a shift from superior growth to superior and balanced growth.



Welcome to EverGreen

We launched our EverGreen strategy with the goal to future-proof the business, adapt to new external dynamics and emerge stronger from the COVID-19 crisis.

EverGreen is a bold strategy to deliver superior and balanced growth and the next evolution of our HEINEKEN business. As a 157-year-old company, we think in generations and deliver long-term, sustainable value creation.

Our EverGreen strategy has been built on our value creation model, which we call the Green Diamond. This value creation model puts growth, profit and capital on equal footing with sustainability and responsibility.

HEINEKEN EverGreen

Our Dream

Our Dream:
To shape the future of beer and beyond to win the hearts of consumers.

Beer has been bringing people together for thousands of years. Since 1864, HEINEKEN has been doing its part to put a smile on consumers' faces while continuously renewing and adapting.

We are entering an incredible next era of innovation and expansion in the beer industry. Our best days are ahead of us as we continue to deliver superior and balanced growth with beer and beyond. New flavours, styles and trends are helping us reimagine and revitalise beer, bringing the joy of true togetherness to consumers across the world.

Our business priorities

EverGreen – for a future-proof business

EverGreen represents our multi-year strategy, allowing us to adapt to a fast-changing world and grow stronger.

This strategy leverages our existing strengths alongside new opportunities to chart the next chapter of our growth. Putting customers and consumers firmly at the core, we aim to continually enhance and expand our portfolio and footprint. We are making great strides in our end-to-end digital transformation to benefit our route-to-consumer and drive cost efficiencies as we aim to become the best connected brewer. We are stepping up our focus to deliver continuous productivity improvements and raising the bar of our environmental and social sustainability ambitions.

EverGreen is a journey of both continuity and change, building on what has made us great and what is needed next. True to our ambitions, it meets short-term challenges and will ensure the long-term sustainability of our business to create lasting value for our stakeholders.

Our five priorities:

Drive superior growth

Find out more
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Fund the growth

Find out more
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Raise the bar on sustainability and responsibility

Find out more
Page 19

Become the best connected brewer

Find out more
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Unlock the full potential of our people

Find out more
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Drive superior growth

We aim to drive superior growth with greater focus on the needs of consumers and customers. We are focused on premiumisation and innovation, extending beer into non-alcoholic, flavoured and less bitter variants, moving beyond beer with cider and hard seltzers, and driving a more digital route-to-consumer.

There are big opportunities within and beyond beer. With premiumisation, led by Heineken® and including our expanding premium portfolio, we are well positioned to focus on scalable opportunities. Lager remains fundamental in capturing new consumers in emerging markets. The importance of moderation continues to be a motivation for us, and we are well placed to capture share of low- and no-alcohol beverages with our portfolio of malts, radlers and 0.0 beers.

There is also a growing consumer market for low-calorie, alcoholic beverage alternatives, which has led to the rapid growth of the hard seltzer category. Pure Piraña and our Amstel ULTRA line extensions, for example, are a way for us to meet consumers' evolving needs and explore new growth opportunities for our business.

We are investing further in our digital customer and consumer connections, digitally enabling our sales force and connecting our equipment as we transform our route-to-consumer to maximise the customer experience and value and to grow our business in a digital world.

"The Heineken® brand achieved double-digit volume growth in more than 60 countries in 2021 and is the most trusted international beer brand in the world. We are premiumising and expanding our categories with a strong innovation agenda, meeting changing consumer demands."

James Thompson
Chief Commercial Officer

Drive superior growth

Driving premiumisation at scale, led by Heineken®

Heineken® – continue to win value share everywhere

Heineken® is the most trusted international beer brand in the world. With the ongoing global effects of COVID-19, we have focused on building our direct connections with customers and consumers. Heineken® volume grew double-digits in more than 60 markets. The outstanding growth of Heineken® Original was further supported by the strong performance of its line extensions. We continued expansion of Heineken® 0.0, now rolled-out into over 100 markets, and in 2021 it surpassed two million hectolitres. Heineken® 0.0 grew in the thirties, particularly driven by the Americas with a strong performance in Brazil, Mexico and the USA. Heineken® Silver more than doubled its volume, driven by excellent performances in China and Vietnam.

Heineken® world-class sponsorships

With Heineken®, we connect directly with millions of consumers each year through our world-class global sponsorship portfolio. 2021 was our biggest year for sponsorships in history. The UEFA Champions League and Euro 2020 took place in 2021, and Heineken® invited fans to come together and be rivals again. Euro 2020 alone reached more than 5 billion viewers. Formula 1 and Formula E were a highlight, with the Dutch Grand Prix cruising Heineken®'s home ground for the first time since 1985 at Circuit Zandvoort in the Netherlands. We celebrated the 2020 Olympics and joined in to cheer on all athletes as they competed in Tokyo. Increasing our focus on parity, Heineken® announced several upcoming sponsorships of women's sports, including UEFA Women's Football and the Formula 1 W Series. The highly anticipated Bond movie, *No Time to Die*, was released 30 September 2021 featuring Daniel Craig and a crisp bottle of Heineken®. It was "well worth the wait."

'A Lockdown Love Story'

2021 saw a number of meaningful ad campaigns centred around the importance of togetherness, such as 'Home Gatherings', 'We'll Meet Again' and 'Enjoy the Rivalry'. Toward the end of 2021, Heineken® launched a new campaign made for markets re-opening following the lifting of pandemic restrictions. The campaign, entitled 'A Lockdown Love Story,' is an emotive and optimistic short film that looks ahead to all the new experiences and opportunities that will be unlocked as bars reopen and the world emerges from the pandemic.

Premiumisation

Premium beer volume grew 10% and outperformed the broader portfolio with growth in the majority of our markets, led by Heineken®. In 2021 we accelerated premiumisation at scale via our brand portfolio, complementing Heineken® in addressing specific consumer needs. For example, Desperados Original has seen strong growth in existing markets and continued expansion into the Africa, Middle East and Eastern Europe region. In China, Amstel was the first new brand launched under the partnership between CRB and HEINEKEN, available now in over a dozen provinces. Our 'Y-accelerator' brands have been a main focus. Young people today have more choice than ever, and they are only willing to pay a premium price for brands that are unique and stand for meaningful values. We want to attract Generation Y, younger consumers, to our brands. To do so, we must offer a brand portfolio that stands out and is impactful in today's society. Our 'Y-accelerator' brands embody the values that are relevant to Generation Y, such as authenticity, diversity and a strong need for connection and stability. By being true to these values, we can deliver significant incremental growth. We see this with our brands such as Birra Moretti in several European countries, Ichnusa in Italy and El Águila in Spain.

Drive superior growth

International Brands

Amstel – Championing inclusivity

Our iconic brand Amstel is now enjoyed in over 110 countries around the world. The brand saw strong growth in 2021, driven by its acceleration in the Americas and the Africa, Middle East and Eastern European regions, and expansion to new key markets India and China. In Brazil, the brand saw exceptional growth and was able to grow equity and share by connecting with consumers through purpose, proudly advocating inclusion an diversity throughout its key platforms such as the high impact media sponsorship of Big Brother Brasil, the launch of the "I Am What I Am" campaign and activations around the Copa Libertadores sponsorship. Amstel ULTRA reached more than 1 million hectolitres in Mexico and began its international roll-out, reaching 11 new markets in 2021, including a successful launch in Brazil. Amstel ULTRA and Amstel 0.0 appeal to a younger, more health-conscious consumer group, and this year served up a partnership with Rafa Nadal, the new global ambassador for the brands, spreading an important message of moderation and responsible consumption as part of an active and balanced lifestyle, as seen in our first campaign together – "Choose Your Way to Live".

Tiger – Uncage your inner Tiger

Born in 1932 on the streets of Singapore, Tiger is the number one international premium beer in Asia today and is available in more than 50 markets. This year, it continued its global expansion by launching in South America, led by Brazil and Peru. In the Africa, Middle East and Eastern Europe region, Tiger is the fastest growing lager beer brand in Nigeria where it almost doubled its volume. Defying the odds to create the ultimate brew, a perfect balance between bold and refreshing, Tiger has been uncaging new ways to take refreshment to the next level and make the impossible possible for decades. Tiger Crystal continues to grow, winning considerable share in the accessible premium category across the Asia Pacific region, especially following the "Inner Fire" campaign celebrating when ultimate heat meets ultimate refreshment.

Lagunitas – Stretching beyond IPA

The Lagunitas Brewing Company began on a kitchen stove in Northern California in 1993, and it continues to grow internationally as IPA becomes a sizeable premium beer segment beyond craft. Although falling short of our internal ambitions in the USA, Lagunitas continued to grow internationally. Brazil, France, Italy, and the Netherlands saw double-digit growth and continue to scale up, while the brand was launched in Russia, Greece, South Korea, and with local production in Mexico. Stretching beyond the iconic Lagunitas IPA, the DayTime and Hazy Wonder line extensions are recruiting new consumers to the brand.

Birra Moretti – Enjoy Life's Simple Pleasures

Birra Moretti is all about sharing the authentic taste of Italy. The brand is accelerating across Europe, with a successful launch in 2021 in the Netherlands, Germany and Serbia, and it continues to grow share of the premium market in the UK, Ireland, Romania and Switzerland. Our first global campaign, "Enjoy Life's Simple Pleasures", launched in key countries to grow spontaneous awareness of the brand, playfully inspiring people around the world to embrace the Italian way of life.

Drive superior growth

International Brands

Sol – Brewed with Solar Energy

Sol continued its positive momentum globally and expanded into new markets, securing local production in markets such as South Africa, Colombia and Canada. Impressive volume growth was especially seen in Chile, Canada and South Africa. The year was brightened by Sol's new visual identity, which brings the sun to the core of its packaging. Sustainability is one of the highest priorities for Sol, and this year it was brought to life via Brewing with Solar energy, connecting Sol's consumers with the positive energy of the sun in a tangible way. The brand's ambition is to have 100% of Sol volume worldwide brewed using solar energy by 2025. In 2021, it reached 50% of international volume brewed with solar energy.

Edelweiss – Feel the Alps

The refreshing premium wheat beer continued to grow in the mid-teens this year, reinvigorating the growth in South Korea and launching in China, Vietnam, Singapore, Malaysia and Russia. New to our international brands portfolio, Edelweiss invited consumers to 'Feel the Alps' through its first global campaign, taking the viewer on a cinematographic and sensory journey in the heart of its Alpine homeland and inviting a modern generation of consumers to enjoy the new taste experience of an Edelweiss wheat beer.

Pioneering choice in low- and no-alcohol

Consumers are increasingly looking for healthy hydration and a tasty, adult refreshment with lower or no-alcohol content to enjoy on any occasion. As this global consumer trend for health and wellness continues, we see a great future for low-calorie and non-alcoholic beer. This year, we made large investments in the low- and no-alcohol category with a number of new innovations. Our low and no-alcohol portfolio grew more than 10%, reaching 15.4 million hectolitres (2020: 14.0 million). We strengthened our global leadership in the non-alcoholic segment with the growth in the low-teens of our portfolio, led by Heineken® 0.0 and Maltina in Nigeria. Heineken® 0.0, the largest non-alcoholic beer brand in the world, has now been introduced in more than 100 markets. We believe that what you drink is 'Always a Choice', and our goal is to make 0.0% beer available everywhere, always. We strive to scale our Heineken® 0.0 leadership and extend our 0.0 options across our entire portfolio. In 2021, we introduced a number of non-alcoholic innovations, including Desperados Virgin 0.0 in Europe, Lagunitas non-alcoholic IPA (IPNA) in the US and Maltina Pineapple in Nigeria. Our existing non-alcoholic lines continue to make an impact. Birra Moretti Zero launched in the UK, Ireland and Romania this year, and our Amstel 0.0 portfolio also showed strong growth. In Spain, Amstel 0.0 had strong growth led by Amstel Oro 0.0.

Drive superior growth

Intentionally expand beyond beer

Hard seltzer – Stretching beyond beer

HEINEKEN entered the hard seltzer category with the launch of Pure Piraña in Mexico and New Zealand in late 2020. By summer 2021 the brand had expanded to several European markets, including Ireland, Portugal, Austria and the Netherlands. Pure Piraña is already the leading seltzer in Portugal and Austria and is competing for category leadership in New Zealand. In 2021 we continued to experiment across different markets. HEINEKEN Mexico launched Amstel ULTRA hard seltzer, supported by global ambassador Rafa Nadal. HEINEKEN USA launched Sunrise seltzer and introduced the new Dos Equis Ranch Water line extension. 2021 also saw Doctor Diesel Hard Seltzer Lemonade in Russia and Pure Piraña in Europe, Mexico and New Zealand. We expect the hard seltzer category to keep growing, and we are committed to win with our growing portfolio of refreshing alcoholic brands.

Leading the cider category

Key acquisitions and new releases in the cider category this year have strengthened HEINEKEN's position as the world's leading cider producer. Cider volume grew mid-single-digits to 4.9 million hectolitres mainly driven by Strongbow following the recovery of South Africa and the acquisition of the brand in Australia. In November 2021, HEINEKEN announced its intention to acquire Distell Group, which will bring the iconic Savannah Dry cider brand, as well as a number of other FAB brands, under our portfolio. The UK launched Inch's Cider, a brand with sustainability at its heart and aimed at young adults. Strongbow launched its 0.0% Cider in South Africa alongside the 'Always a Choice' campaign. With these achievements, we continue to shape the development of the category – engaging consumers to discover a taste for cider, both locally and globally.

Desperados – Go Desperados

Desperados continued its momentum and grew in the high-teens, driven by its core markets in Europe, particularly France, and successful expansion into Africa with launches in Nigeria and Ivory Coast. Desperados Virgin 0.0% is expanding, now also available in Belgium and Poland in addition to France and the Netherlands. The brand continued to embrace its spirit of wild experimentation and launched its new Go Desperados creative platform, designed to capture the essence of the brand – inviting people to try new things and pour some unusual in their lives. Desperados launched the world's first dance-powered app, Rave to Save, raising money for nightclubs affected by the pandemic. The app builds hybrid experiences that connect people at home with parties around the world through holograms and virtual reality. To date, it has realised over 15 million dance steps.

Drive superior growth

Build a future-fit digital route-to-consumer

eB2B platforms – Helping to grow the business of our customers

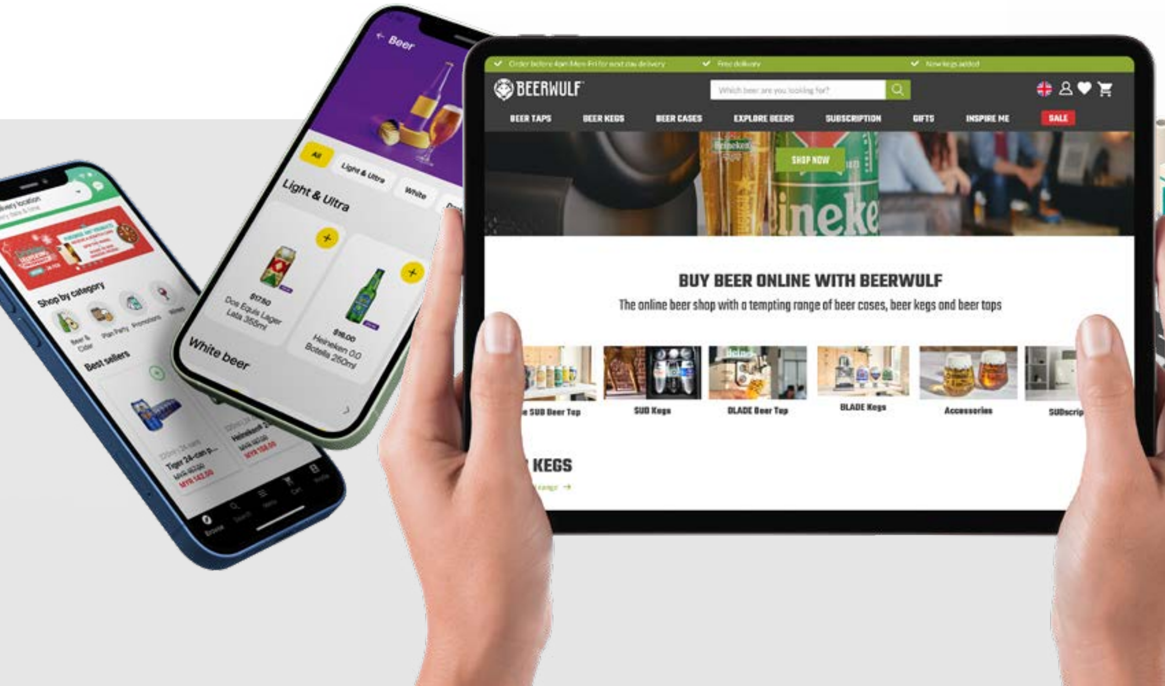
At HEINEKEN, our aim is to always maximise customer experience and value with a focus on customer convenience. Digitalisation trends have accelerated, and our customers are adapting to new realities. To this end, our business-to-business digital (eB2B) platforms build on the close relationships our sales representatives have developed with customers, providing a better and faster service. 2021 saw big steps in embedding eB2B in our customers' businesses. Our eB2B platforms are now operational in 30 markets, including Brazil, Mexico, South Africa, Nigeria, the UK, Italy and Vietnam, representing 75% of our net revenue. We captured €2.8 billion in digital sales value, a growth of 130% versus last year, driven by strong growth in Mexico, Brazil, Vietnam, Nigeria, the UK, Italy, France, Cambodia, Singapore, Egypt and Ireland, and well on track to €10 billion by 2025. We captured close to one-third of the net revenue (beia) of the fragmented trade in our markets via our eB2B platforms, and almost half by the end of the year. During 2021 we connected with close to 370,000 active customers, more than 3x last year. With these platforms, our customers in the fragmented trade can grow their business with more and better services and data insights, while we can increase sales and productivity. To create a seamless experience for our customers, we are embedding our own eB2B platforms as part of an omnichannel approach, where customers can order from multiple touchpoints: via our eB2B platforms, directly from the sales representative or through our contact centres.

eCommerce (D2C and B2C) – Investing in consumer connections

Consumers are changing their shopping patterns, moving more and more online. To adapt to these shifting behaviours, we increased investment in eCommerce with focus on our Beerwulf, GLUP and Drinkies platforms. Beerwulf, our D2C platform in Europe, has seen consistently strong growth, driven by the momentum during on-trade closures and successful sales of the Blade, a beer tap for home-use and small retail outlets that serves high quality draught beer in 8-litre brewery-fresh containers. As of 2021, Beerwulf grew its revenue in the high-thirties. HEINEKEN Mexico launched the new B2C platform GLUP. The platform fully leverages HEINEKEN-owned Six retail chain with a value proposition designed to delight consumers who want beer, beverages and more delivered in less than 60 minutes. It also leverages on HEINEKEN Mexico's suite of sponsorships, offering consumers the opportunity to access and enjoy great sports events or live music experiences.

Connecting equipment – Data-driven consumer and customer insights

In 2021 we expanded our footprint with connected equipment. Connected equipment can connect to the internet (IoT) and helps both our customers and HEINEKEN to optimise service and delivery, as well as using data that will help grow the business of our customers. We have expanded our network of connecting equipment, including connected fridges, connected Blades, ePOS integration and connected draught equipment. Our connected equipment continues to be installed at our on-trade customers. For example, this year in Spain we reached around 250 outlets with approximately 330 connected equipment. For our connected fridges, in Mexico alone we saw a jump in fridges transmitting data from 10,000 to over 17,000 in 2021.



Fund the growth

Fund the growth

We are structurally addressing our cost base and building a cost-conscious culture to support our growth ambitions, offset inflationary pressures, restore our profitability and thereafter gear our business to deliver operating leverage consistently.

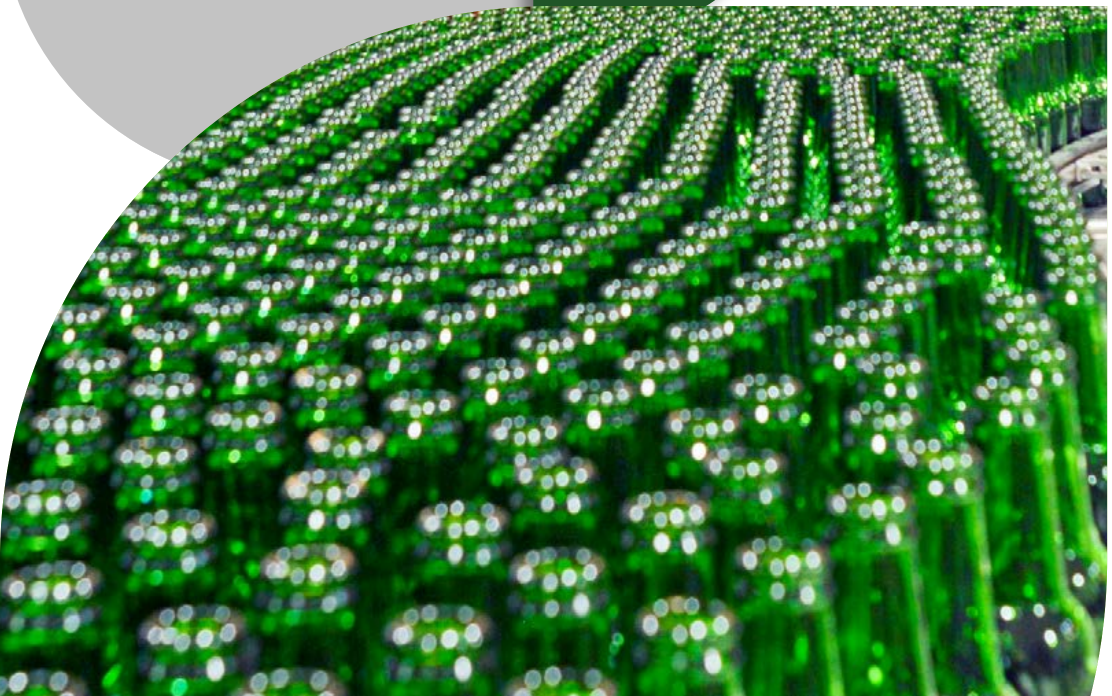
"We are achieving new levels of efficiency and productivity enabled by digitalisation. We are connecting all our breweries to the cloud, scaling artificial intelligence and IoT devices to reduce operating costs by around 10% in our breweries. We expect to have 65 breweries connected by the end of 2022."

Magne Setnes
Chief Supply Chain Officer

Fund the growth

A company-wide systematic approach to drive productivity

Projects and initiatives are captured in a standardised tool and follow a disciplined project-management funnel approach to bring ideas to maturity and value realisation. This fully transparent, open process has mobilised the whole organisation for small and big ideas, and accelerated learning and scaling across operating companies and functions. More than 80 operating companies have accumulated over 7,500 initiatives, giving us confidence that we are on track to meet our target.



A large-scale programme to get things going

At the end of 2020, we launched an initial productivity programme targeting €2 billion of structural gross savings by 2023, relative to our cost base of 2019. Five quarters into the programme we achieved much: we streamlined our organisation, reduced unnecessary portfolio complexity, lowered conversion and logistics costs and took unproductive non-consumer facing investment out.

By the end of 2021, we captured close to €1.3 billion gross savings versus our cost base of 2019, putting us well on track to deliver our 2023 objective.

In Singapore we saved 6% of our entire cost base through 15 initiatives adopted from other operating companies, particularly Malaysia, Laos and Thailand. Brazil lowered the cost of its green bottles by 10% while securing increased furnace capacity. In the Netherlands, we reduced repair and maintenance costs in our breweries by 19% by structurally changing when and how we perform maintenance, leveraging new technology and data, and changing how we are organised.

In Mexico, as part of our green energy projects, we now source only renewable energy for more than 6,000 of our SIX stores and have reduced energy costs by 3%. In France, we combined the Point of Sale Materials (POSM) direct delivery model of Greece with Spain's POSM classification matrix and return on investment approach to reduce POSM SKUs by approximately 30% and costs by 10%. In our Africa, Middle East & Eastern Europe region, we implemented a hub for media management, addressed the challenge of limited data and realised 13% savings.

Cost mitigating actions

Next to the gross savings delivered by our productivity programme, we also took drastic cost mitigating actions to partially offset the financial impact from lockdowns and other restrictions to operate. These actions resulted in a reduction of expenses (beia) of circa €0.5 billion relative to 2019, mainly related to marketing, selling and personnel expenses. These cost mitigation actions are by nature non-repeating benefits and are expected to reverse next year.

Raise the bar on sustainability and responsibility

Brew a Better World 2030 means sustainability and responsibility front and centre

For over 157 years, we have been passionate about making a positive impact on the world. Today, this is more needed than ever – from addressing climate change and water scarcity to creating a fair, equal and healthy society.

In April 2021, we announced our Brew a Better World strategy for 2030 to drive progress towards a net zero, fairer and more balanced world. Our commitments are raising the bar on climate action, accelerating efforts to support the social agenda and driving our brands to be more ambitious in ensuring consumers around the world always have a zero alcohol choice while promoting moderate consumption of alcohol.

Transparency is key to progress and we strive for continuous improvement in our performance, data quality and reporting. In 2021, we committed to the World Economic Forum's (WEF) Stakeholder Capitalism Metrics and to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

"We are brewers and doers. We know actions speak louder than words and lasting change is only possible through collective effort. We are on a journey to make sustainability and responsibility drivers of growth and meaningfulness with consumers."

Stacey Tank
Chief Corporate Affairs and Transformation Officer

Raise the bar on sustainability and responsibility

Mobilising our global organisation on the path to net zero impact

Our road to net zero emissions represents a major transformation in the way we operate. HEINEKEN's Brew a Better World ambition is to decarbonise production by 2030. We set a goal to operate across a net zero value chain by 2040, 10 years before the Paris Agreement deadline. We encourage other brewers to join us on this ambitious path.

To drive progress, we have set an interim target of a 30% absolute reduction in emissions across our value chain by 2030. Our 2030 targets have been validated by the Science Based Targets initiative (SBTi) as compliant with the 1.5°C pathway.

We will achieve our commitments by driving a transition to renewable energy across our global operations through tripling green electricity. Green packaging, logistics and cooling innovation are at the heart of our strategy.

Our 2030 water strategy – Towards Healthy Watersheds – looks beyond traditional water usage to prioritise the health of local watersheds, especially in water-stressed areas. We look at our water impacts contextually, including internal water usage and wastewater management, and external promotion of water security beyond our brewery walls. We deliver outcomes on the ground through multi-year water balancing programmes and collective action with other stakeholders in the same watershed.

23 of our 31 sites located in water-stressed areas have now started watershed protection programmes with the aim to fully balance our water use in production by 2030. Projects range from innovative nature-based solutions to infrastructure investments and development. We have already improved our average water usage (hl/hl) by 33% compared to 2008. In 2021, we set a new target to reduce our water intake to 2.6hl/hl by 2030 in water-stressed areas and 2.9hl/hl for all sites. We are recognised as 'A Listed Company' by CDP for tackling water security.

We are also developing a circularity strategy to create a circularity mindset across the company. This will support the achievement of our commitment to send zero waste to landfill.

Walking the talk on the path to an inclusive, fair and equitable world

HEINEKEN has always believed in fairness, human connection and the joy of true togetherness. Our goal is for every employee to feel a strong sense of belonging and psychological safety. We do this by enabling everyone to speak up and co-shape the future of our organisation.

We are fostering a global community of over 100 Inclusion & Diversity (I&D) Ambassadors who help curate action plans to address local challenges in partnership with leadership teams spanning topics of culture, race, gender and more. Over 1,500 leaders worldwide have completed Inclusive Leadership training, and we have doubled the representation of women in our senior manager population since 2011.

We are committed to paying all HEINEKEN employees a fair wage and to ensuring fair living and working standards for third-party employees and brand promoters.

Safety First remains our number one company behaviour, and our goal is to invest in leadership capacity to drive zero fatal accidents and serious injuries at work.

A consumer-centric approach on the path to moderation and no harmful use

Brew a Better World means empowering consumers by providing choice, transparency and zero tolerance for the harmful use of alcohol.

Heineken® 0.0 is now available in more than 100 markets. By 2023, we will ensure there is a no-alcohol option for at least two strategic brands in the majority of our operating companies, accounting for 90% of our business.

Non-alcoholic products will play an increasingly significant role in HEINEKEN's industry-leading messaging on responsible consumption and moderation.

To continue to lead the debate, we are committing 10% of Heineken® media spend towards reaching 1 billion consumers through responsible consumption campaigns.

Raise the bar on sustainability and responsibility

Building momentum in 2021

Our operating companies around the world are already making an impact by delivering our Brew a Better World commitments. We highlight a few achievements.

Investing in clean energy

HEINEKEN has implemented over 130 renewable energy projects over the past three years. In 2021, we continued to scale up renewable electricity solutions across our operations. In Nigeria, we commissioned a solar photovoltaic plant to power our Ibadan Brewery. A first in the country, it will supply approximately 800 MWh to the brewery annually. In Brazil, we made significant progress towards providing 100% clean, renewable energy to our breweries by the end of 2023 by sourcing 100% renewable electricity and transitioning to sustainable biomass. This will enable us to eliminate approximately 270,000 metric tonnes of CO_2 on the way to net zero.

On our journey to use sustainable biomass, we became a member of the Roundtable on Sustainable Biomaterials (RSB) to further advance our ambitions in a sustainable bio-based and circular economy. Our operations in Indonesia have been working to use sustainable biomass to heat their production processes. By the end of 2022, renewable sources will provide 65% of the energy used in our Indonesian breweries.

Leading on water stewardship in Malaysia

Over 90% of Malaysia's raw water supply comes from rivers, yet half of its rivers are polluted. We started our water stewardship journey in 2007 through collaboration with a local NGO, Global Environment Centre, and progressed to form a public private partnership. Together with local communities and government agencies, we brought the river behind our brewery back to life within three years and increased access to water for communities. We have constructed a 305 metre clay dyke at a forest reserve, able to store 135 million litres annually, and reforested one hectare of degraded peatland. Besides nature-based solutions, we looked into water saving tools and other infrastructure such as river education centres and rainwater harvesting systems to support the watershed. Our site in Malaysia has now replenished more than 267% of the water it uses at its respective watersheds through water balancing activities.

Innovating with farmers in Greece

Our barley sourcing programme in Greece has been delivering positive benefits for communities since 2008. To quantify and prove the results, we carried out a Social Return on Investment analysis which shows that every €1 invested in our barley sourcing programme has translated into a powerful €2.43 of social value.

In 2021, we started working closely with farmers to reduce CO_2 emissions from agricultural activities. A new cultivation protocol has been piloted by two farms to produce barley with a lower environmental footprint without reducing farmers' income or product quality.

Sustainable certification of barley produced in Greece increased from 35% in 2020 to 65% in 2021. Our aim is to reach 100% in the next three years.

Digitalisation is playing an increasing role, supporting our work with farmers. The goal is to integrate all areas of the barley sourcing programme into intelligent farming systems to increase efficiency and effect.

Raise the bar on sustainability and responsibility

Creating a diverse and inclusive workforce in Vietnam

We are cultivating an inclusive workforce in Vietnam to enhance adaptiveness and resilience by bringing together a diverse pool of knowledge, experience and skill sets. 53 I&D Ambassadors have been appointed and 300 employees trained on I&D. Our aim is to provide equal opportunities for all and reduce stereotypes about women as part of our commitment to the UN's Women's Empowerment Principles. Today women make up 25% of the Management Team, 30% of all management positions and 40% of brewery managers across Vietnam as we continue on the path to full gender balance.

Fair and safe working conditions for third-party employees in Nigeria

Taking care of our third-party employees is a key focus of our Human Rights practices. They are a vital part of our company and we are committed to taking steps to ensure that they work reasonable hours in a safe, healthy work environment and earn a fair wage. At Nigerian Breweries, for example, the SMART Outsourcing Programme is looking beyond direct employees to ensure fair living and working standards for third-party employees, including brand promoters.

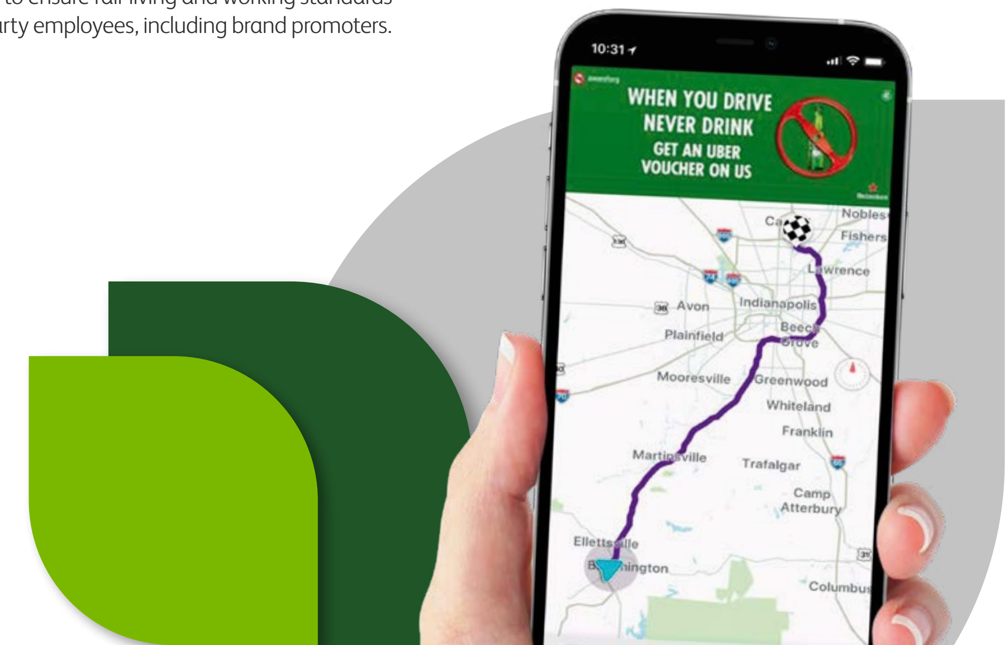
Encouraging safe choices behind the wheel in the US

HEINEKEN is all about bringing people together and celebrating great moments over a beer. We also recognise that bringing people together for a drink comes with responsibility. In the US, we have announced a new partnership with navigation app, Waze, to promote responsible consumption.

The campaign's objective is to encourage consumers not to drive when they drink. HEINEKEN is the first alcohol company to begin a partnership with Waze in the US. It is an opportunity to reach consumers at a pivotal moment: while they are in the car. Notifications and Uber vouchers remind consumers that there is always a choice and encourage safe decision-making behind the wheel.

The partnership is just one way that we will drive positive impact on responsible consumption of alcohol while contributing to our Global Brew a Better World 2030 strategy to bring responsible consumption messages to 1 billion consumers every year.

Go to page 125 to learn more what we have done on sustainability and responsibility.



Become the best connected brewer

Become the best connected brewer

HEINEKEN wants to become the best connected, most relevant brewer for customers and consumers living in the digital age. To achieve this, we are building seamless digital interactions across the entire value chain.

To become the best connected brewer, we need to digitally transform both the front-end (our route-to-consumer and analytics) and the back-end (simplifying and modernising our IT landscape). HEINEKEN has increased investments in its digital transformation to build a future-proof company. We have significantly stepped up our capabilities in eCommerce and data and analytics, while at the same time we continue to rationalise our IT infrastructure.

"We are digitally transforming our route-to-consumer, while simultaneously modernising our IT landscape. We want to offer a seamless digital experience to all our consumers and customers, across all our touchpoints."

Ronald den Elzen
Chief Digital and Technology Officer

Become the best connected brewer

Unlocking the value of data

Connected Brewery

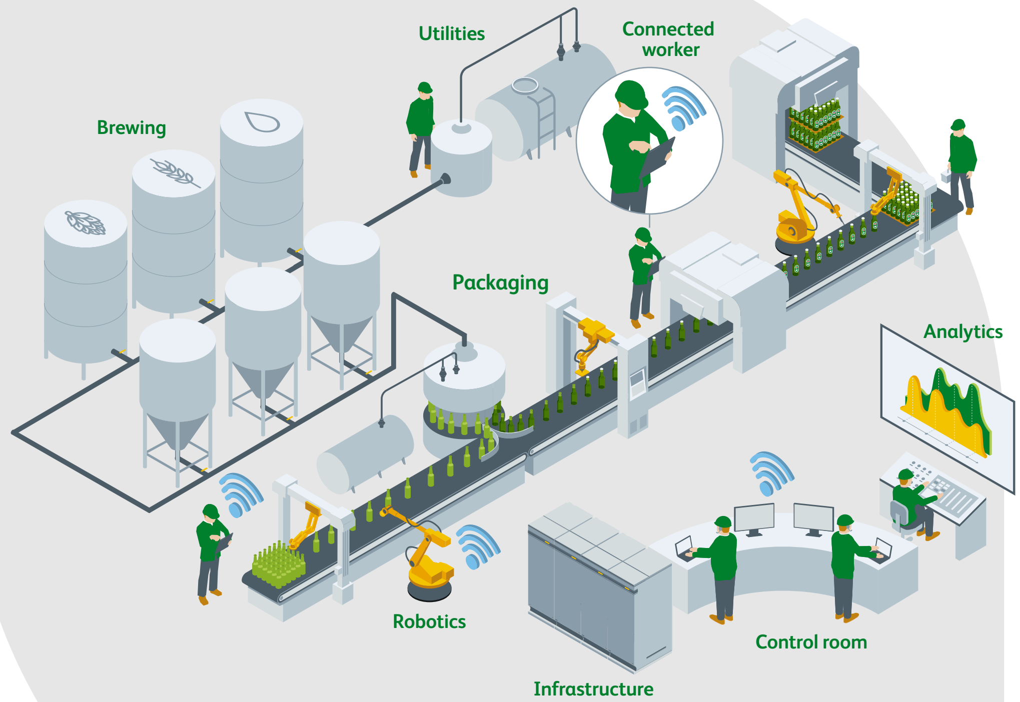
Since 2018 we have been on a journey to retrofit our breweries with digital capabilities. This programme is called 'the Connected Brewery', and in 2021 we made significant headway. The mission of the Connected Brewery is to intelligently support our brewers in their increasingly complex tasks and unlock value through data insights using vast amounts of machine data. All employees will be able to connect with brewery equipment via a unique HEINEKEN-owned data layer. In effect, our people become connected workers with new apps and services and our breweries operate smarter. In 2021, over 115 sites operated on new connected worker apps, such as One2Improve. This app supports brewery employees by suggesting solutions with an intelligent diagnostic tool, combining knowledge from all connected breweries across the world. As of 2021, 26 sites are connected to the HEINEKEN data layer, which has allowed, for example, smart algorithms to create actionable insights to improve performance on packaging lines. Our unique platform has made these algorithms scalable across all our breweries.

Growing the business with analytics

Coupled with the fast-changing needs and expectations of customers and consumers, our analytics solutions have opened doors to new realms of possibilities for our business, customers and consumers. Analytics solutions harness the power of data and analytics and use machine learning and artificial intelligence (AI) to make smart business decisions across the entire value chain – from brewer to distributor and all the way to the consumer.
Our analytic models deliver both cost savings and generate revenue, and they include models such as minor stop analysis, promotion optimisation, churn prediction and spend analysis. A machine learning model supporting our revenue and margin growth is now operational in 24 operating companies, helping our markets to analyse how much of incremental sales are driven by promotions, recommending how the promotion strategy can be improved and estimating cannibalisation of other products while a promotion is running.

Deploying the global Data & Analytics Platform

Analytics has become a central capability across all industries, revolutionising the way companies operate by extracting previously undiscoverable business insights from data. We therefore are investing in our data management capabilities and our data governance, and we have started to deploy a global Data & Analytics Platform across all our operating companies.



Become the best connected brewer

Modernising our IT landscape

As mentioned, to become the best connected brewer, HEINEKEN will need to digitally transform both the front-end (our route-to-consumers and analytics) and the back-end (simplifying and modernising our IT landscape). HEINEKEN historically has a widely varied IT landscape, with many local applications. In 2021, we continued to simplify and rationalise our IT landscape, moving applications to the cloud and consolidating our ERP systems.

BASE is our programme to make HEINEKEN more agile and efficient by standardising core business processes in Finance, Procurement, Production, Logistics and Sales. We have completed this programme and roll-out, taking the total number of operating companies live on this platform to 28.

Through the SHARP-X programme, we are simplifying and harmonising our finance processes and data and modernising our technology across our European markets. By transforming and adopting more standardised processes and a different way of operating, the Finance function will become significantly more efficient and will enable a better focus on adding value to the business.

In the second quarter of 2021, we started preparations for the Digital CORE programme. Digital CORE will migrate all our operating companies to a lean and modern ERP-system, playing a pivotal role in data and integration. The Digital CORE is an essential part of our foundation, enabling a modern architecture that allows for speed, scalability and easier access to data. The Digital CORE programme builds on the successes of the BASE and SHARP-X programmes and aims to replace all ERPs globally by the end of 2027.

Digitally transforming our route-to-consumer

Digitalisation trends have accelerated, consumers are changing shopping patterns and customers are adapting to new realities. We aim to be the best connected brewer, leveraging our strong customer relationships to build a future-fit digital route-to-consumer. In 2021 we increased our investment to strengthen our capabilities and scale our eCommerce platforms.

For more information, see Drive superior growth on page 11

Unlock the full potential of our people

Unlock the full potential of our people

At HEINEKEN, people are at the heart of our business. Our success is dependent on having the very best talent, highly motivated to deliver results and guided by a strong sense of purpose:

"We brew the joy of true togetherness to inspire a better world."

Passion, Courage, Care and Enjoyment – these values are grounded in our history. They have made us successful for over 157 years and are now revitalised for the future. Looking ahead, we are boosting our strategic capabilities, talent attraction and development to ensure we have the best people, the right culture and strong organisational health. In this time of rapid and impactful change to global society, we continue to support the business to respond to constantly shifting priorities – always putting people first.

Although 2021 brought unprecedented change to the workplace, it has also delivered many positive cultural shifts such as making us more human and bringing about the agility in our workforce to serve our customers differently.

"Together we are shaping a culture of inclusion and true togetherness, with more genuine interactions and where individuals can be themselves, care for each other and deliver superior results. Through unlocking the full potential of our people and organisation, we are on a journey to create a workplace and culture that attracts, develops and retains talent who embody our new purpose and values. We aspire to be the employer of choice for existing and future talent seeking a purpose and value-driven organisation that provides a world of opportunities in one global company."

Yolanda Talamo
Chief People Officer

Unlock the full potential of our people

Building a bright future

Strengthening our culture

The launch of EverGreen has been a milestone for HEINEKEN and an exciting kick start to what will be a long-term effort to strengthen our culture together.

In the last year, we worked with colleagues across the business to refresh our Values and reconfirm our Purpose, effectively engaging with them in the various local contexts.

Our Purpose is 'why we exist' - which is that "*We brew the joy of true togetherness to inspire a better world.*" Our Values are 'what we stand for' - PASSION for consumers and customers, COURAGE to dream and pioneer, CARE for people and planet, and ENJOYMENT of life.

Next to driving integration in our core people processes, we strive to enable all HEINEKEN employees to bring the HEINEKEN Values to life.

Strengthening our local talent pipeline

An important element to ensuring the success of our EverGreen strategy is having the right people in the right place. We have refreshed our HEINEKEN Global Talent strategy to set the foundation to build talent management as a strategic capability for HEINEKEN. Our core focus remains to continue building a strong, diverse talent pipeline with an employee-centric mindset.

Commitment to inclusion and diversity

Commitment to inclusion and diversity (I&D) is one of our core building blocks. With the launch of EverGreen came three key areas of focus: having courageous leadership, contributing globally to an inclusive environment and fostering equal opportunity.

We are committed to ensuring gender balance across our senior management with the goal of 30% women by 2025 and 40% by 2030. As of 2021, we have reached 25%. We are also committed to cultural diversity, aiming for at least 65% of country leadership teams to be regional nationals by 2023, and 100% of our managers to be trained in Inclusive Leadership by 2023.

This year, we embedded I&D into our Purpose and Values, encouraging all employees to champion a culture of belonging. We continue to conduct listening and dialogue sessions in each country and function, to enable people to share their experience of inclusion and to inform improvement actions.

In 2021, we launched an internal programme for female leadership development. Called the Women Interactive Network, the programme aims to support our rising female talents all over the world and across all functions. Additionally, our employees are coming together in Employee Resource Groups, including the HEINEKEN UK Women and Allies network, the Women Leadership Forum in the USA, HEINEKEN Open and Proud (HOP) in several countries and many more.

Our brands are embracing I&D in many ways, for instance through our new football and motorsports partnerships with UEFA Women's Champions League, UEFA Women's EURO and W Series and the Heineken® 'Cheers to All Fans' campaign.

We believe that embracing and celebrating diversity enriches our lives and strengthens our business. Inclusion is a journey, a joyous and sometimes bumpy journey, where we grow by opening our hearts and minds to foster a sense of true togetherness.

For more information, see BaBW on page 125

Unlock the full potential of our people

Caring for our people

Health and well-being – #stopCOVID

It has been a challenging time for all in the past year as we continued to navigate the pandemic and adjust to a new normal. With health and well-being as a key priority at HEINEKEN, we focused on supporting our employees to stay safe, to make good choices regarding wellness, manage stress and connect with others in a positive and meaningful way.

We launched a global educational campaign called #stopCOVID to encourage our people to get vaccinated, keep safe behaviours and stay informed to protect themselves and loved ones from COVID-19. Local COVID-19 campaigns and communication efforts have been amplified, creating an enthusiastic movement to stop COVID across the regions.

We further increased efforts to support mental health and well-being by introducing HEI-Life, a holistic framework to enable employees to thrive and to empower them to take care of themselves and others along the lines of professional, emotional, social and physical well-being.

Inspired by HEI-Life, a number of local best practices have been shared through the HEI-Life community, fostering a culture where people openly discuss and address well-being while embracing enjoyment of life.

Social sustainability

The pandemic and the recovery ahead have underlined the importance of caring for our people and the people connected to our business.

In 2021, we launched new social sustainability commitments under the Brew a Better World strategy, including paying a fair wage to our employees and ensuring fair living and working standards for third-party employees and brand promoters. These commitments run in parallel with our social sustainability priorities, such as Human Rights and strong international labour relations.

Treating our people and those working adjacent to our business with care is both morally right and practical. It increases motivation, workforce cohesion, productivity and quality and reduces the cost of health and safety incidents over time.

For more information, see BaBW on page 125

Regional review

A balanced geographic footprint

Wherever you are in the world, you can enjoy one of our brands. We own, market and sell more than 300 brands in 190 countries.

Africa, Middle East & Eastern Europe
Consolidated beer volume
38.9mhl
Page 30

Americas
Consolidated beer volume
85.4mhl
Page 31

Asia Pacific
Consolidated beer volume
29.4mhl
Page 32

Europe
Consolidated beer volume
77.5mhl
Page 33

Africa, Middle East & Eastern Europe

Vote of confidence in Africa

"Africa is the next frontier of growth, and after a challenging 2020 we have seen markets bounce back stronger and faster than predicted. We gave a vote of confidence to the long-term prospects of Southern Africa with the announcement of a major inward investment that reflects our ambition to be a strong partner for recovery and long-term growth in the region."

Roland Pirmez
President, Africa, Middle East & Eastern Europe

38.9mhl **Consolidated beer volume** (2020: 39.6mhl)	**€3,159m** **Net revenue (beia)** (2020: €2,782m)
16.8% **Consolidated beer volume as % of total** (2020: 17.9%)	**€442m** **Operating profit (beia)** (2020: €264m)
6.7mhl **Heineken® volume** (2020: 5.6mhl)	**12.4%** **Operating profit (beia) as % of total** (2020: 10.1%)

Key brands:
Heineken®
Primus
Amstel
Maltina
Goldberg

The region presents strong growth opportunities derived from its growing population and urbanisation trends. We are expanding and enhancing our strong market positions with assertive commercial strategies, disciplined cost management, and capital efficiency to ensure we deliver balanced and profitable growth.

Despite COVID-19, we saw strong recovery across the region as many economies reopened in 2021. South Africa recovered well against 2020 despite two further alcohol sales bans and social unrest in July. Restrictions continued in some markets but at reduced levels. Conflict in Ethiopia intensified leading to increased social tension and lower growth. Important tourism markets like Egypt saw some return of overseas visitors.

Overall 2021 saw total volume exceeding 2019 levels driven by the performance in many markets across the region, especially Nigeria and the Democratic Republic of Congo (DRC).

The premium segment outperformed the portfolio with both international and local premium brands achieving good results, with a particularly strong performance in Nigeria, South Africa, Russia, Ivory Coast and Rwanda. We continued diversifying our portfolio, offering consumers more choice in malt and flavoured beverages.

Heineken® growth was fuelled by recovery in South Africa, continued momentum in Nigeria, turn-around in Russia and acceleration in DRC. Amstel also grew in mid-twenties due to strong performance in South Africa.

We continue to shape a customer centric agenda, based on a deep understanding of needs and pain points. Important progress was made in the digital space, facilitating an omnichannel service model designed to improve experience and interactions across all touchpoints in the customer journey.

Tiger continued its successful roll-out in Nigeria, making it the third biggest Tiger market globally and the biggest outside the Asia Pacific region.

Our flavoured portfolio grew by more than 60% due to Desperados continued success in Ivory Coast and Nigeria and strong cider and flavoured beer performance in Russia.

Two of our biggest regional brands – Primus and Mützig – have recorded solid performance through pervasive availability and good value for money, supported by new communication campaigns. Mützig grew in the low-teens across the region, while Primus strengthened its position in Congo Brazzaville and DRC.

Our Life brand grew low-single-digit in Nigeria through consumer inspired communication that champions resilience in the face of COVID-19 and a bold packaging upgrade.

In November 2021, we announced our intention to acquire control of Distell and Namibia Breweries Limited and combine with HEINEKEN South Africa to create a regional beverage champion perfectly positioned to capture significant growth opportunities in Southern Africa. The new company will be HEINEKEN majority owned with a total valuation of around €4 billion and a top 5 company for HEINEKEN. The transaction is a vote of confidence in the long-term prospects of South Africa and Namibia and will strengthen and optimise our footprint to accelerate growth in 12 markets in Southern and Eastern Africa. The transaction is subject to regulatory approvals and is expected to complete in Q3 2022.

As part of our Brew a Better World commitment to increase local sourcing we are developing local barley value chains in many markets. In 2021, Mozambique successfully launched the first commercial barley trial with the harvest transported to HEINEKEN Mozambique's brewery in December. This three-year journey built on strong local partnerships and aims to scale up in the next phase reducing reliance on imports.

Also as part of our Brew a Better World target to reach carbon neutrality in production by 2030, several operating companies are developing renewable projects for the coming years. A good example is Nigerian Breweries Plc which became the first Nigerian brewery to commission a solar power plant. It will supply around 800 MWh to Ibadan brewery annually reducing our carbon footprint by 10,000 tonnes.

Americas

Strong performance in the Americas

“We keep investing in our key markets in the region and expanded into new markets. We continue to innovate with brands and products meeting changing consumer demands, driving growth with our premium portfolio in beer and beyond.”

Marc Busain
President, Americas

85.4mhl Consolidated beer volume (2020: 79.1mhl)	**€7,226m** Net revenue (beia) (2020: €6,319m)
36.9% Consolidated beer volume as % of total (2020: 35.7%)	**€1,215m** Operating profit (beia) (2020: €1,045m)
19.6mhl Heineken® volume (2020: 15.9mhl)	**34%** Operating profit (beia) as % of total (2020: 39.8%)

Key brands:
Heineken®
Lagunitas
Dos Equis
Tecate
Amstel ULTRA

The Americas represent over 40% of the value of the global beer market and HEINEKEN is well represented, yet a distant number two. We are driving growth in our key markets Brazil, Mexico and the USA, expanding our footprint in the region and building new consumer-relevant propositions.

The premium portfolio grew in the low-twenties led by Heineken® in Brazil and Amstel ULTRA in Mexico. The low- and no-alcohol portfolio grew close to 30% due to the strong performance of Heineken® 0.0 in Brazil, Mexico and the USA. The Heineken® brand outperformed the industry across the Americas, growing by 22.9% year on year.

In Mexico, beer volume grew in the high-teens, ahead of the market, and in line with 2019. Our premium portfolio grew by more than 30%, led by Amstel ULTRA, Bohemia and Heineken®. Amstel ULTRA continued its successful expansion and reached more than 1 million hectolitres. We launched Dos Equis Ultra Lager, the first Mexican Ultra, to further accelerate premiumisation. Heineken® 0.0 continued its strong momentum, growing more than half and strengthening its position as the #1 non-alcoholic beer in the market. We began local production of Lagunitas in October. Our SIX stores accelerated their growth with improved productivity, the development of non-beer categories and a robust expansion plan, reaching close to 15,000 stores by the end of the year.

In Brazil, beer volume grew by more than 10% in the fourth quarter, driven by our premium and mainstream portfolios. For the full year, we gained value share in beer as strong pricing and premiumisation effects more than offset a low single-digit decline in volume. We strengthened our leadership in premium and grew close to 30% in volume led by Heineken® and Eisenbahn. Heineken® volume is now double its pre-pandemic level. Heineken® 0.0 more than doubled its volume, making Brazil the largest market globally for the line extension. We also redefined our distribution partnership with the Coca-Cola System in Brazil. Through a dual route to market, we are able to reach and better serve our consumers and customers with our broad portfolio, leveraging two strong distribution systems. The first phase of the Ponta Grossa brewery capacity expansion, dedicated to premium volume, was successfully completed in the second half of 2021.

In the USA, beer volume grew by a low single-digit, ahead of the market, driven by Heineken®, Dos Equis and our innovations. Heineken® 0.0 strengthened its position as the #1 non-alcoholic beer in the market. Dos Equis grew in the mid-teens, boosted by the success of innovations Dos Equis Lime & Salt, as well as variety packs and Ranch Water.

To expand our international portfolio across the Americas region, we launched our Tiger brand in markets including Brazil and Peru. We continue to look for opportunities for Tiger and other brands to add value to our strong local beer portfolios.

We accelerated the deployment of HeiShop, our B2B platform, connecting 200,000 active customers by the end of the year across the region.

The strong performance in the region was also supported by strong growth in Panama, Peru, Ecuador, Jamaica, and from our joint venture partners in Chile, Colombia, Argentina, and Costa Rica.

As part of Brew a Better World, we are developing the circular economy with communities in Brazil. We have progressed the SO+MA initiative, which is a loyalty programme in Brazil that encourages people to collect recyclable materials and exchange them for food, essentials and training courses via SO+MA collection houses. The waste is sold by local cooperatives as part of the circular economy. In 2021, 11 SO+MA houses were established and 10,000+ families gathered more than 380 tonnes of waste. In addition our partnership with SO+MA has established a route for people to recycle glass in the city of Salvador with materials tracked using blockchain technology.

Asia Pacific

Large growth potential

"After a strong performance in the first half of the year, our region was significantly impacted by the hardest COVID-19 wave yet. We implemented a robust pricing and cost management programme to continue to support brand investment and premiumisation. We remain confident in our long-term growth strategy for the region, while broadening our base with investments in future growth markets."

Jacco van der Linden
President, Asia Pacific

29.4mhl
Consolidated beer volume
(2020: 28.1mhl)

€2,764m
Net revenue (beia)
(2020: €2,707m)

12.7%
Consolidated beer volume as % of total
(2020: 12.7%)

€753m
Operating profit (beia)
(2020: €867m)

7.1mhl
Heineken® volume
(2020: 6.4mhl)

21.1%
Operating profit (beia) as % of total
(2020: 33.1%)

Key brands:
Heineken®
Anchor
Bia Viet
Tiger
Bintang

Asia Pacific saw continued uncertainty in 2021 driven by the impacts of the pandemic. An early spark of economic recovery during the first half of the year did not last and most markets went back into lockdown and restrictions by mid-year. Vietnam, in particular, were in full and lengthy lockdowns in stronghold provinces. As vaccination rates increased and markets gradually and selectively reopened, we saw encouraging recovery of our business across most markets, offering promise of a more sustained recovery during the Year of the Tiger.

The Asia Pacific region offers a large growth potential, and we are well positioned to capture it given our strong market positions.

Premiumisation is at the core of growth in the region, with premium and super-premium beer categories increasing in value. Tiger Crystal displayed strong performance across Asia Pacific and Tiger was launched in South America including Brazil and Peru, while Heineken® Silver captured the hearts of younger audiences with its lower bitter proposition. In Vietnam, Heineken® grew slightly, driven by the success of Heineken® Silver. In China, our Heineken® brand grew strong double-digits, led by the continued excellent momentum of Heineken® Silver. Heineken® nearly doubled compared to pre-pandemic levels. China is now the fourth largest market for Heineken® globally.

With premiumisation on an upward trend, diversifying our portfolio will be integral to providing consumers with a meaningful and differentiated beer experience.

In July, HEINEKEN obtained control of United Breweries Limited (UBL). UBL has a century-old legacy and is the undisputed market leader with an extensive network of breweries across India. At the same time, India's current low per capita beer consumption and emerging middle class present opportunities for long-term growth. We look forward to shaping the Indian beer market and delighting consumers and customers to unlock future growth.

In 2021, HEINEKEN Cambodia kickstarted a groundbreaking project that made significant advancements in raising the bar and Brew a Better World. Working in tandem with Singapore-based Berkeley Energy Commercial Industrial Solutions (BECIS), we are building the largest biomass power plant in Cambodia to generate thermal energy for our production site, helping us reach our goals to reduce greenhouse gas emissions and contribute to the movement for renewable energy and climate change. The ambitious project is estimated to go live in July 2022 and is expected to help our Phnom Penh brewery reach 100% renewable thermal energy, and to reduce its CO_2 emissions in production by 60%, saving 17,000 tonnes of CO_2 per year.

We are upskilling our regional talent pipeline through the Uncage Management Team Fast Track (MTFT) Programme. Launched in 2019, the programme is designed to shape, own and drive talent leadership potential towards destination roles. In 2021, 70 high potential employees underwent an eight-month intensive programme of virtual Mastery workshops and Fundamental sessions. Over 45% of the participants were promoted or given expanded roles.

Europe

Focus and delivery in Europe

"Our European business continued to show great resilience in 2021 with volumes nearly returning to pre-COVID levels despite prolonged volatility across markets. We saw excellent execution of key priorities, including growing our premium brands, managing costs and continued progress on our sustainability ambitions. Thanks to our tremendous employees, we overcame new challenges and remain on track to reach our long-term ambitions."

Soren Hagh
President, Europe

77.5mhl **Consolidated beer volume** (2020: 74.8mhl)	**€9,494m** **Net revenue (beia)** (2020: €8,631m)
33.5% **Consolidated beer volume as % of total** (2020: 33.7%)	**€1,160m** **Operating profit (beia)** (2020: €447m)
15.5mhl **Heineken® volume** (2020: 13.9mhl)	**32.5%** **Operating profit (beia) as % of total** (2020: 17.0%)

Key brands:
Heineken®
Ichnusa
Birra Moretti
Desperados
Inch's

Europe is our largest region and as market leaders we aim to grow the category and our market share by tailoring our products to emerging consumer trends and winning in premium whilst leveraging our scale.

This strategy helped us navigate additional COVID-19 related hurdles in 2021, including more waves of on-trade business closures in the first half of the year. Our teams rose to the challenge by delivering increases in our consolidated beer volume and net revenue.

Despite the volatility, we continued to lead in Europe with growth and innovation from a brand, operations and sustainability standpoint.

As a company, we are making fewer, bigger bets on premium local brands. In Europe, we carefully selected brands specifically meeting the needs of younger consumers, resulting in superior growth. These Y-accelerator brands vary by country and collectively they had double-digit volume growth in 2021, led by the successful launch of Birra Moretti in the Netherlands, and success of Heineken® and El Águila in Spain, Desperados in France, Messina in Italy and Birra Moretti in the UK. We expect our Y-accelerator brands to continue growing strongly in the next years, fuelling our ambitions in the premium segment.

Our 'Always a Choice' campaign also propelled brand growth in Europe in 2021. We aspire to make Heineken® 0.0 available wherever you can order a Heineken® beer, and this effort is well underway in European countries as Heineken® 0.0 volume grew 16% and reached almost 1 million hectolitres.

We also took the lead on normalising alcohol-free beer in Europe when we trialled Heineken® 0.0 on draught in a number of pubs and bars in the UK and Ireland. This innovation, when combined with the growth of our low- and no-alcohol portfolio region-wide, will help us deliver on our Brew a Better World 2030 moderation ambitions.

Off-trade volumes in Europe were relatively flat compared to 2020, but still registering around 10% growth compared to 2019. This resulted in many markets achieving value share growth year on year through the delivery of a premium mix of portfolio sales.

In 2021, we surpassed our cost savings targets and did so whilst investing in above-the-line marketing, further driving top-line growth.

We once again stepped up for our on-trade partners during turbulent times in 2021. In the UK, we engaged with the government to seek support in form of cash grants, relief extensions and the relaxation of duties while investing more than €60 million in rent concessions. In Ireland, where pubs were closed from March until September, we rolled out a €10 million 'Fresh Beginnings' sector support initiative that provided staff stimulus programmes and product credit schemes to help our partners navigate the lockdown and re-opening process. Across Europe, these efforts made business continuity and the return to normal a reality.

Leading in sustainability is a critical piece of our regional ambition to shape the category. As a region, we continued to make progress on this front through several decarbonisation projects. Our brewery in Andalusia is the first brewery in Spain to brew beer exclusively using renewable energy. In addition to solar electricity, the brewery now uses green thermal energy generated at a new biomass plant which converts pruning waste from olive trees into energy. In 2021, our launch year, we collected 4,330 tonnes of pruning waste, which can be up to 6,000 tonnes yearly, from within a 90 km radius of our brewery, thus providing an extra income to farmers and supporting the circular economy.

Risk Management

Integrated approach

The COVID-19 outbreak and consequent measures undertaken by local governments to contain the spread of the virus continued to negatively impact our business in 2021. The extent of the pandemic remains uncertain and it is expected to further affect our way of doing business. To deal with this and other uncertainties, HEINEKEN takes a business integrated approach to managing risks arising from its strategy and daily operations.

At HEINEKEN, risk management is an integral part of doing business, supported by clear governance. Risks are an essential element when opportunities are assessed and strategies set. Management decisions are made in line with HEINEKEN's risk appetite. Risks are identified, mitigated and monitored on an ongoing basis, as part of business routines.

HEINEKEN's risk management approach addresses the risks the Company inevitably faces in achieving its strategy. Managing risks in a conscious manner increases the likelihood of achieving our strategy and business objectives. A proactive approach ensures risk management is part of our executive conversations and is embedded in our processes. This benefits our decision-making and is essential to create and preserve long-term value.

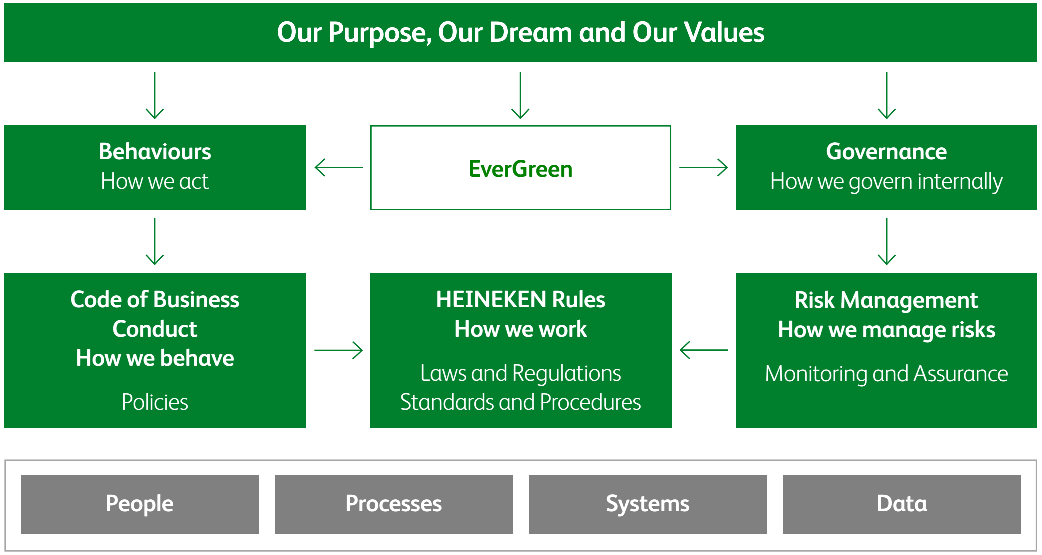
Risk Management is part of the HEINEKEN business framework

The HEINEKEN business framework articulates the key elements that the Company relies on to operate effectively and deliver long-term value creation while protecting its people, assets and reputation.

Our Purpose, Our Dream and Our Values underpin our EverGreen strategy, enabled by our organisational structure and strong governance. The behaviours give clear guidance to all employees on how to act and foster a culture of achievement, collaboration and growth, underpinned by a Behaviours Framework that reflects the expected attitudes in decision-making.

Continuous Risk Management supports the achievement of business objectives, based on our Risk Assessment Cycle, the HEINEKEN Code of Business Conduct and the HEINEKEN Rules. As part of the Risk Assessment Cycle, operating companies and their Management Teams review and update their risks on a continuous basis throughout the year. The Code of Business Conduct and its underlying policies set out HEINEKEN's commitment to conduct business with integrity and fairness, and respect for the law and our values. The HEINEKEN Rules articulate how we work and the Standards to which we commit. They are a key element for managing the risks faced by our Company and translate our objectives into clear instructions on how to conduct our daily business.

HEINEKEN's systems of risk management and internal control, which are based on the COSO Enterprise Risk Management and Internal Control Reference model, form a fundamental part of the HEINEKEN Business Framework.



Execution and change management

Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations form a voluntary framework for providing decision-useful information on climate-related risks and their financial impacts for investors, lenders, insurers and other stakeholders. We support the global efforts to improve the quality and consistency of disclosures on climate-related risks and this year have committed to implement the recommendations of the TCFD. Climate-related risks, in particular related to energy, water usage and supply of key ingredients, are among our top Company risks. Adopting the TCFD recommendations will enable us to better assess and improve our resilience and communicate the critical impacts of climate change on our business, as well as our action plans in place to mitigate the risks and seize opportunities.

Risk profile

HEINEKEN is predominantly a single-product business, operating throughout the world in the alcohol industry. HEINEKEN is present in more than 70 countries, with a growing share of its revenues originating from emerging markets.

An increasingly negative perception in society towards alcohol could prompt legislators to implement further restrictive measures, such as limitations on availability, advertising, sponsorships, distribution and points of sale, and increased tax. This may cause changes in consumption trends, which could lead to a decrease in the brand equity and sales of HEINEKEN's products.

HEINEKEN has undertaken business activities with other market parties in the form of joint ventures and strategic partnerships and with independent distributors. Where HEINEKEN does not have effective control, decisions taken by these entities may not be fully harmonised with HEINEKEN's strategic objectives. Moreover, HEINEKEN may not be able to identify and manage risks to the same extent as in the rest of the Group.

Risk Management

Risk appetite

HEINEKEN's risk appetite is the result of its wide geographical spread, prudent financial management and commitment to long-term value creation.
Risks are taken consciously, assessing their impact on HEINEKEN's objectives. The level of risk HEINEKEN is willing to take depends on the type of objective it impacts (reputational, financial or business continuity related).

Reputational

HEINEKEN is reliant on the reputation of its brands and the protection of its intellectual property rights. Reputation management is of utmost importance to HEINEKEN. We have invested considerable effort in protecting our brands, including the registration of trademarks and domain names. We aim to reduce the risks that could negatively impact our reputation to the furthest extent possible, accepting that this may come at a cost.

Financial

HEINEKEN is keen on pursuing commercial opportunities to deliver superior and balanced growth, accepting uncertainties linked to its strategic choices and the context of the individual markets in which it operates.

Business continuity

HEINEKEN makes the availability of its brands a priority, accepting only minimal disruptions to its operations. In addition, HEINEKEN continuously invests to make the organisation future-proof and ensure the sustainability of the business.

Internal control

HEINEKEN's internal control activities aim to provide reasonable assurance as to the accuracy of financial information, non-financial disclosures, the Company's compliance with applicable laws and internal policies, and the effectiveness of internal processes.

Internal controls have been defined at operating entity level (HEINEKEN Rules - comprising all mandatory standards and procedures) and at process level (Process and Control Standards) for key processes, including financial reporting, IT and Tax.

Compliance with company policies is periodically assessed. Deviations from the defined standards are included in the global monitoring and follow-up processes, supporting management in addressing these deviations. Management is responsible for definition and timely implementation of action plans to remediate any deficiency identified as part of these assessments. The results are reported to the Executive Board.

The HEINEKEN Rules, policies and controls are periodically updated to reflect both the Company key risks and the extent to which the Company is willing and able to mitigate them.

Risk Committee

The Executive Board of HEINEKEN is accountable for risk management, risk oversight and the protection of HEINEKEN's reputation, value of assets and brands.

The Board is assisted by the Risk Committee, chaired by the CFO, in regular reviews of the Group risk assessment cycle that summarises the Company's key risks, associated mitigating actions and monitoring activities. These reviews consider the level of risk that HEINEKEN is willing to take and the type of HEINEKEN's objectives it impacts.

The Risk Committee identifies changes to the Company's risk exposure and proposes interventions if required.

Organisation

For the organisation of risk management activities, HEINEKEN applies a 'three lines of defence' model. First and most important is the quality and behaviour of operational management, the first line of defence. They have the ownership, responsibility and accountability for assessing and mitigating risks.

Operational management is supported by the second line of defence functions that oversee compliance with HEINEKEN's policies, processes and controls, facilitate the implementation of risk management practices and drive continuous improvements of internal controls.

As third line of defence, the internal audit function ('Global Audit') is mandated to perform Group-wide reviews of key processes, projects and systems, based on HEINEKEN's strategic priorities and most significant risk areas. Global Audit provides independent and objective assurance and consultancy services.
It employs a systematic and disciplined approach to evaluate and improve the organisation's governance and risk management process including reliability of information, compliance with laws, regulations and procedures, and efficient and effective use of resources. The methodology followed by Global Audit is in accordance with the standards of the Institute of Internal Auditors.

To support the Executive Board's external representations, a formal bi-annual Letter of Representation process is in place. It requires management to take responsibility and covers financial and non-financial reporting disclosures, financial reporting controls, compliance with the Code of Conduct and other HEINEKEN Rules, as well as fraud and irregularities.

Processes

HEINEKEN's risk management activities seek to identify and appropriately address any significant threat to the achievement of the Company's strategy and business objectives, its reputation and the continuity of its operations.

HEINEKEN's risk management system enables management to identify, assess, prioritise and manage risks on a continuous and systematic basis, and covers all subsidiaries across regions, countries, markets and corporate functions.
Ongoing identification and assessment of risks, including new risks arising from changes in the global or local business environment, are part of HEINEKEN's planning, performance and risk management cycles. Risk assessments are performed by every subsidiary and all global functions. The implementation of responses and progress of risk mitigating measures is monitored on a quarterly basis.

Risk assessment outcomes are aggregated at a global level and serve as basis for determining HEINEKEN's risk exposure and risk management priorities by the Risk Committee. Accountability for mitigating, monitoring and reporting on the most significant risks is assigned to functional directors who report on progress and residual risk levels three times per year to the Risk Committee.

HEINEKEN continues to invest in the further improvement of risk management in the Company. Built on the basis of the existing risk and controls mechanisms, several improvements have been implemented. These are aimed at driving business ownership of risks, increasing business involvement in risk management and expanding the integrated view of risks and controls.

Risk Management

The following risk overview highlights the main risks that could hinder HEINEKEN in achieving its strategy and business objectives.

This is not a full overview of all risks and uncertainties that may affect the Company. As new risks emerge and existing immaterial risks evolve, timely discovery and accurate evaluation of risks are at the core of HEINEKEN's risk management system.

Financial risks are reported separately in note 11.5 to the Financial Statements on page 106.

The Statement of the Executive Board is included in the Corporate Governance Statement on page 44.

The way we manage our Responsible Consumption, Business Conduct and Human Rights risks are further detailed in the Sustainability Review section of our Annual Report on pages 125-165.

Regulatory changes related to alcohol

What could happen?

The topic of alcohol and health is under scrutiny in many markets. This may prompt regulators to take further measures limiting HEINEKEN's freedom to operate, for example through restrictions or bans on advertising and marketing, sponsorship, availability of products, adding health warnings to labels, increased taxes and duties or imposing minimum unit pricing. This could lead to lower overall consumption or to consumers switching to different product categories.

Recent developments

Authorities and regulators continue to introduce restrictive measures on alcohol consumption and sales. Many governments have responded to the COVID-19 pandemic with measures that directly or indirectly impact alcohol producers. These policies restrict the availability of our products and can have a negative impact on our business in the affected markets.

What are we doing to manage this risk?

Responsible consumption is an important element of our Brew a Better World 2030 strategy, because HEINEKEN strongly believes in the importance of reducing alcohol-related harm. By using the power and reach of our brands through campaigns like the award-winning 'When You Drive Never Drink', HEINEKEN strives to make responsible consumption aspirational for all consumers. As of 2022, 10% of the Heineken® brand media spend will be invested into responsible consumption campaigns reaching one billion consumers. By 2023, HEINEKEN strives to have at least two 0.0 options of its brands in the majority of the countries where it operates, because we aim to provide consumers more options for low-and no-alcohol brands.

We also work closely with stakeholders to prevent and reduce the harm caused by abuse such as underage drinking or drinking and driving. By 2022, all our operating companies in scope will have a formal partnership with local stakeholders (like Governments, NGOs or specialists) in place to tackle harmful drinking.

We also stepped-up our product labelling guidelines to provide consumers more information about our products. By 2023, all Company products will include full nutritional information including packaging recycling symbols, legal drinking age symbols and a QR-code linking to further information on alcohol and health.

Explore further: Raising the bar on responsible consumption, pages 143-145

Economic and political environment

What could happen?

Throughout the world, local or regional economic and political uncertainties could impact our business and that of our customers. In particular, the risk of an economic recession, change of law, trade restrictions, inflation, fluctuations in exchange rates, devaluation, nationalisation, financial crisis or social unrest could adversely affect our revenues and profits.

Recent developments

COVID-19 has forced major containment measures, diminished economic activity and required drastic fiscal and monetary actions to protect jobs and markets. More structural shifts could happen and lead to inflation and a prolonged recession of the global economy, with increasing risk of bankruptcies and the potential failure of certain sectors to fully recover, despite the unprecedented response from governments. As a consequence, structural unemployment – especially for youth – and decreasing purchasing power is likely to surge with knock-on effects on consumer demand. Public debt, the disruption of global value chains and barriers to the cross-border movement of people and goods round out the key risks.

Agility has become a priority to enable businesses to navigate subsequent changes in laws, currency movements, import restrictions, scarcity of hard currencies, commodity pricing and their impact on the Company's profit.

What are we doing to manage this risk?

HEINEKEN has set up various tools to limit the impact of such events on its business. They include supplier management, short-term liquidity management, tight foreign exchange monitoring, prudent balance sheet measures and scenario planning in respect to resource allocation.

HEINEKEN has monitoring mechanisms in place globally and locally to allow us to monitor, report and engage proactively on political risks. For events which could threaten the continuity of the business, contingency plans are in place. HEINEKEN continuously reviews its costs base to increase operating leverage.

Environmental legislation

What could happen?

HEINEKEN not being able to respond to the impact of environment-related changes on our operations in a timely manner. If new environmental legislation is introduced, this could lead to legal claims, increased compliance costs, restrictions on production, packaging, distribution, selling and marketing of our products, reputation damage, and limits on our licence to operate resulting in negative business impact.

Recent developments

Speed and scope of environment-related changes on our operations are increasing. Markets need to be prepared to respond and adapt to these changes in a timely manner to prevent restrictions in all areas of the value chain and significant costs to ensure compliance.

What are we doing to manage this risk?

Environmental sustainability is one of the priorities of HEINEKEN's Brew a Better World sustainable development strategy. HEINEKEN continuously monitors existing and emerging environmental issues and regulations across the globe to ensure awareness and compliance and to prepare the business for future changes. Current and future environmental regulations are being assessed and cross-functional teams assigned to implement the actions needed.

Beyond this, HEINEKEN closely works with experts such as NGOs, universities, governmental organisations and suppliers across the value chain. It also cooperates with peer companies in international and national platforms such as The Brewers of Europe, the Beverage Industry Environmental Roundtable and the Dutch Sustainable Growth Coalition.

Risk Management

Changing consumer preferences

What could happen?
Consumers have an ever-expanding choice of beverages and brands available to meet their needs. This requires HEINEKEN to constantly adapt its product offering, innovate and invest to maintain the relevance and strength of its brands. Failure to do so would, in the longer term, affect our revenues, market share and, possibly, our brand equity.

Recent developments
Within the beer category, the popularity of craft beer and the rise of low- and no-alcohol products have been the most noticeable changes in consumer tastes in recent years. In particular, an increased consumer focus on health and well-being is resulting in a growing interest in low-alcohol, low-calorie and low-carb propositions.

Beyond beer, the significant growth of hard seltzers as well as ready to drink beverages is remarkable but volatile, representing both risks and opportunities. Long-held boundaries between beer, wine, spirits and non-alcoholic beverages are blurring, changing the face of competition and stretching brands into new domains.

What are we doing to manage this risk?
HEINEKEN has embarked on an extensive Consumer Inspired Growth programme to address this risk and opportunity, helping us move from knowing beer to knowing consumers. By thoroughly understanding consumer needs in beer and beyond and comparing them within and across markets, we can uncover scalable innovation opportunities – be it within our existing categories, in adjacent categories or in nascent/emerging sub-categories.

Explore further: Drive superior growth, pages 11-16.
Raising the bar on responsible consumption, pages 143-145

Leadership, talent and capabilities

What could happen?
Our EverGreen ambition requires us to unleash the full potential of our people, attract the best diverse talent and grow them to their full potential. If HEINEKEN is not successful in attracting, developing and retaining diverse and talented people and leaders with the required capabilities, it may jeopardise our ability to execute our strategy and achieve the targeted returns.

Recent developments
Within the context of EverGreen, we are on a journey to strengthen our succession bench strength, enhance our leaders' skills, develop key capabilities and the diversity of our leadership pipeline.

We have recently updated our Company Purpose, Values and Behaviours, which are applicable to all our employees and define the shifts we will need to make to build on our strengths and address our vulnerabilities.

Our recently revamped Inclusion and Diversity (I&D) Strategy, with clear global, regional and local ownership, focuses on courageous leadership, fostering an inclusive environment and creating equal opportunities.

What are we doing to manage this risk?
We are refreshing our Talent Management strategy to align to our Evergreen ambitions and the external environment changes. We will continue strengthening both a Talent mindset and skill-set in our leaders to build a full and diverse leadership pipeline. Our I&D strategy includes transparent ambitions on gender balance, cultural diversity and development for people managers.

Our updated HEINEKEN Behaviours will be deployed and reinforced through all key people processes and tools, incl. performance management, development plans, assessment and recruitment.

We continue to grow leaders through an integrated global leadership curriculum to match not only our new Company strategy but also our new hybrid work environment post-COVID.

We are boosting an intentional and scaled approach to capability building by identifying and developing our key Company-wide strategic capabilities and harmonising our capability framework across the organisation.

Explore further: Unlock the full potential of our people, pages 26-28

Changing beverage landscape

What could happen?
Consolidation and convergence in the beverages industry may affect existing market dynamics due to competitive disadvantage with suppliers and increased competition on commercial spend and customer acquisition strategies. There is also a risk from increasing consolidation and competition within overall beverages, with non-beer competitors targeting the same consumers and occasions as beer players, through new products such as hard seltzers and pre-mix spirits cocktails.

Recent developments
Despite recent market consolidation, beer remains a very local industry with respective country shares more relevant than global share. Further impact could come from consolidation on the customer side. There is increasing risk from consolidation and competition within overall beverages, with non-beer competitors targeting the same consumers and occasions as beer players with new products such as hard seltzers and pre-mix spirits cocktails.

What are we doing to manage this risk?
HEINEKEN is constantly working to improve its cost efficiency while rolling out a strategy to maintain and develop its competitive advantages, in particular in the premium and cider markets.

Through a number of acquisitions and partnerships, HEINEKEN has evolved its footprint to reach an optimal balance of higher growth developing markets and more stable developed markets and to build an extensive and complementary brand and product portfolio, alongside its flagship Heineken® brand.

HEINEKEN is actively cooperating with local craft brewers, participating in capital- and knowledge-sharing to keep the beer category attractive and relevant for consumers. To continue winning on the customer side, HEINEKEN explores and implements news ways of working and new channels, including digital/eCommerce platforms. HEINEKEN combines this activity with its own internal innovation to develop and bring to market new beer and other beverage offers for consumers.

Explore further: Drive superior growth, pages 11-16

Health and safety

What could happen?
HEINEKEN aims to provide a safe workplace for all employees and contractors. Despite the controls in place, HEINEKEN employees, contractors and visitors may be impacted by uncontrolled events in the brewery, supply chain, route-to-market or in our offices, which could lead to illness, serious injuries or fatalities.

Recent developments
Despite our continuous efforts to provide safe working conditions, several fatal accidents occurred in 2021, underlining the importance of realising further improvements in the area of safety.

Since the COVID-19 outbreak, HEINEKEN set the health and safety of its people as its first priority. As the availability of quality (emergency) health care services varies across the large number of countries and regions in which we operate, ensuring access to quality medical care to our national and international employees and their family members remains a priority.

What are we doing to manage this risk?
HEINEKEN has established 'Put Safety First' as its top priority for employees and contractors at all levels. Throughout the Company, the HEINEKEN Life Saving Rules target the activities that carry the greatest safety risks to employees and contractors. The safety strategy focuses on implementing programmes, processes and tools to address key risks including road safety, contractor safety as well as developing strong health and safety leadership and culture.

To ensure healthcare coverage, HEINEKEN counts on more than 430 health professionals worldwide. Our employees and dependents have access to broad medical services including screening and lab tests, medicines and pharmacy, health benefits, disease prevention and health promotion projects, emergency evacuations, health trainings and educations. Within the health area, mental health has been identified as an emerging risk. To address this risk, we have launched an internal well-being programme.

HEINEKEN has responded in a coordinated manner to the COVID-19 pandemic. A global crisis coordination structure was put in place and global measures, guidelines and policies were set to protect our employees, their family members and ensure business continuity. These measures were updated and adapted in response to the evolution of the pandemic.

Explore further: Tackling social challenges and putting people first, pages 139-142

Risk Management

Product safety and integrity

What could happen?
Poor quality or contamination of HEINEKEN products, be it accidental or malicious, could result in health hazards, reputational damage, financial liabilities, disruption of the supply chain and product recalls.

Recent developments
The environment in which we operate is constantly changing. Changes to our product portfolio, growing insights of hazards associated with potential food contaminants, growing consumers' concern on food safety and a more complex legal environment, make it necessary to constantly take action to adapt and respond to these changes, to assure food safety for our consumers.

What are we doing to manage this risk?
HEINEKEN has established a comprehensive Company-wide Quality Assurance programme covering employee competencies, production standards, recipe governance, suppliers' governance and production material risks. Continuous improvement is achieved through global compliance monitoring and systematic gap-closing.

HEINEKEN anticipates new legislation and emerging risks aided by its partners, suppliers and external scientific institutions and assures implementation of measures to avoid such risks. Should a risk materialise, global recall and crisis procedures are in place to mitigate the impact.

Supply chain continuity

What could happen?
Disruptions to the supply chain could lead to inability to deliver products to key customers, revenue loss, brand damage and loss of market share.

Significant changes in the availability or price of raw materials, commodities, transport, energy and water may result in a shortage of those resources or increased costs.

Recent developments
The COVID-19 crisis has led to significant disruptions in our supply chain. We have seen a significant number of our suppliers impacted by different challenges at different moments throughout the year.

Availability of natural and other resources is limited and may be largely impacted by various effects such as political instability, climate change and water scarcity (and its effects on crop yield and grain prices and availability).

Markets and governments are required to take action to adapt and respond to these changes and thus, prevent, interruption of production, significant losses of revenues and increased costs for business.

What are we doing to manage this risk?
HEINEKEN has been able to mitigate the impact of COVID-19 disruptions by using its global footprint, both across geographies and categories. We have used our agile sourcing methodology, coupled with our brewery flexibility, across our full global footprint in order to ensure supply was not compromised.

Business continuity plans have been developed for HEINEKEN's key brands in all key markets and back-up plans are in place in operating companies.

Business resilience is further strengthened through ownership of several strategic malteries, long-term procurement contracts, water management plans and central management of global insurance policies.

Taking a long-term approach, HEINEKEN has a strategy that is focused on watershed health to protect water resources. Sustainable sourcing is another priority in our Brew a Better World 2030 strategy.

Explore further: Acting now to protect the environment for the long-term, pages 132-138

Increased scrutiny and expectations of society on multinationals

What could happen?
Public and employee scrutiny of HEINEKEN should it not conform to society's expectations to mitigate our potential negative impacts on the world and maximise our positive contribution, can lead to significant reputational damage to the Company or to the brands.

Recent developments
Stakeholder expectations, including those of employees, towards companies, their Environmental, Social and Governance (ESG) strategies and performance, is on the rise. Companies also face growing pressure to increase the positive contribution they make, including measures to address climate change and other sustainability issues, and to share consistent and transparent information that allows stakeholders to assess their sustainability performance and benchmark them versus peers in their industry.

What are we doing to manage this risk?
At HEINEKEN we are raising the bar. In April 2021, we launched our Brew a Better World 2030 strategy consisting of three pillars and nine ambition areas. Each ambition area contains one or more concrete and measurable commitments.

Brew a Better World remains our foundation and our framework for working with others. Our updated strategy raises our ambitions on climate action. We will accelerate our efforts to support the social agenda and be even more ambitious and bold in promoting moderate consumption of alcohol.

We developed The Green Diamond to guide us towards 'what winning looks like': we aim to strike the right balance between short-term delivery and long-term sustainability, between top-line growth and overall stakeholder value creation. We disclose our ESG performance in a combined Annual Report, on our website and via social media channels. We believe in transparency and, as such, signed up for the WEF Stakeholder Capitalism Metrics, in early 2021. HEINEKEN monitors trends and developments in the ESG area across the globe, to make sure we respond adequately and in a timely manner to increasing societal expectations.

Explore further: Welcome to EverGreen, page 8.
Raise the bar on sustainability and responsibility, pages 19-22.
Stakeholder engagement and materiality, pages 127-128.
Our Brew a Better World 2030 commitments and progress in 2021, pages 129-131.
Measuring stakeholder capitalism, pages 148-154

Distribution channel transformation

What could happen?
The digital disruption is creating new routes to customers and consumers/shoppers, which is potentially a threat if we would be disintermediated and loose visibility on customer and consumer data.

Recent developments
New B2B and B2C players are entering the market. Some key consumer packaged goods players, including major competitors in our category, are accelerating their investments. Major online retailers continue to strengthen their omnichannel strategy, owning on- and off-line retail. Electronic point of sales systems are increasingly used to collect and leverage customer and consumer data.

What are we doing to manage this risk?
HEINEKEN has sped up the digital acceleration in both fragmented trade and more traditional Retail eCommerce. For Fragmented Trade we have shaped a clear vision, strategy and organisational set-up which is organised around the customer. We call that the Unified Customer Ecosystem (UCE). The goal is to create a seamless experience for our customers which will result in a strengthened customer relationship and better visibility on what happens at the moment of purchase. We are also constantly improving our e-retail capability level through clear playbooks and training methods. This supports our ambition to be the number one partner of choice for our retail partners.

Explore further: Drive superior growth, pages 11-16

Risk Management

Information security

What could happen?

HEINEKEN's business increasingly relies on technology, both in the office environment and in the industrial control domain of its breweries. Failure of our systems as well as cybersecurity incidents could lead to business disruption, loss of confidential information, unauthorised access to our data, as well as a breach of data privacy regulations. All of this might lead to financial or reputational damage.

Recent developments

At this moment in time, we are more connected than ever. With HEINEKEN's strategy, the connectivity with our customers, consumers, suppliers and employees will further evolve. Attacks are becoming more sophisticated and potential consequences are more punitive and destructive in nature. On top of this, regulations continue to place stricter security requirements on data processing by HEINEKEN and its ecosystem of partners.

What are we doing to manage this risk?

Cybersecurity stays a top priority within HEINEKEN. Our cybersecurity programme, which is evaluated regularly, is executed to address cybersecurity threats in both our Office systems and Industrial Control Systems globally.

Our Cyber Defence and Operations monitors cyber-attacks 24/7 globally. We use a global cybersecurity framework and a global cybersecurity community to address confidentiality, integrity and availability risks. It is focused on enhancing the resilience of both our Office Systems and Industrial Control Systems, while continuously increasing employee security awareness.

Explore further: Become the best connected brewer, pages 23-25

Digital transformation

What could happen?

In recent years, HEINEKEN has engaged in several significant digital transformation programmes. Our large number of operating companies and fragmented data and technology landscape represent specific challenges to these programmes. These strategic transformation programmes may not deliver the expected benefits or may incur significant cost or time overruns.

Recent developments

The world becomes more digital, and more (inter)connected. Data is more and more an asset and technological developments and its opportunities quickly evolve. HEINEKEN will need to continue to develop its capabilities to stay engaged with its consumers, seamlessly serve its customers and ensure its processes are efficient as possible.

What are we doing to manage this risk?

The new Digital and Technology function, with representation on the Executive Team, has the objective to deliver business value through digital transformation of our route-to-consumer, whilst modernising and simplifying our data and technology landscape across all operating companies.

Programme Management and portfolio management is put in place to ensure prioritisation, de-bottlenecking and value delivery across both the entire value chain and Operating companies.

Explore further: Become the best connected brewer, pages 23-25

Reporting

What could happen?

Historically, HEINEKEN has grown its footprint organically and through mergers and acquisitions, leading to a diverse landscape of processes and systems and a low level of centralisation. Deviations from the common accounting and reporting processes and related controls could impair the accuracy of financial and non-financial data used for Group reporting and external communications.

Recent developments

Enhanced techniques and technology have become available to strengthen the control environment and to deliver more efficient and robust financial and non-financial data.

What are we doing to manage this risk?

HEINEKEN is utilising enhanced techniques and technology to continue to drive the improvement and standardisation of its accounting and reporting processes and controls and to harmonise its system landscape.

HEINEKEN has implemented a common framework across its operating companies which includes Internal Control over Financial Reporting, Common Accounting Policies, Standard Chart of Accounts and periodic mandatory training.

The assurance model includes active monitoring of control execution, critical access and segregation of duties. HEINEKEN continues to strengthen the governance around non-financial data to further improve the quality of the data reported under its Brew a Better World programme.

Explore further: Notes to the consolidated financial statements, pages 75-117.
Reporting basis and governance of non-financial indicators, pages 157-165

Non-compliance

What could happen?

Changes in the legal and regulatory environment tend to increase the risk of non-compliance with local and global laws and regulations. Failure to comply with applicable laws and regulations could lead to enforcement, fines, (damage) claims and reputational damage. In respect of alleged competition law violations, there is an increasing trend of private parties pursuing follow-on damage claims. Recent health trends may lead to an increased risk of consumers making claims.

Recent developments

Across many geographies, law enforcement has increased over the past years, in particular with regard to anti-bribery and corruption, competition and data privacy laws, and human rights. This leads to increased risk of allegations of violations of laws and regulations by law enforcers as well as by private parties.

What are we doing to manage this risk?

HEINEKEN is constantly looking to enhance its internal compliance system and resilience to adapt to changes in the legal environment.

HEINEKEN has embedded legal compliance in its risk and controls system and has established processes and governance to drive implementation and compliance with the Company Rules and the HEINEKEN Code of Business Conduct.

Explore further: Corporate governance statement, pages 44-51

Financial Review

Good progress towards our ambition

EverGreen leverages our historic strengths and unlocks new opportunities to chart the next chapter of our growth. To fund this, we are structurally addressing our cost base and building a cost-conscious culture. We are making good progress towards our ambition of superior and balanced growth, restoring profitability by 2023 and gearing our business for operating leverage beyond.

Harold van den Broek
Member of the Executive Board and Chief Financial Officer

Key figures[1]

In millions of €	2020	Currency translation	Consolidation impact	Organic growth	2021	Organic growth %
Revenue (IFRS/beia)	**23,770**	**(538)**	**647**	**2,704**	**26,583**	**11.4**
Excise tax expense (beia)	(4,046)	24	(368)	(292)	(4,683)	(7.2)
Net revenue (beia)	**19,724**	**(515)**	**280**	**2,412**	**21,901**	**12.2**
Total other expenses (IFRS/beia)	(17,303)	417	(249)	(1,352)	(18,487)	(7.8)
Operating profit (beia)	**2,421**	**(98)**	**31**	**1,060**	**3,414**	**43.8**
Net interest income/(expenses) (beia)	(470)	8	1	59	(403)	12.5
Other net finance income/(expenses) (beia)	(146)	23	(4)	32	(94)	22.2
Share of net profit of assoc./JVs (beia)	147	(6)	(7)	103	238	70.0
Income tax expense (beia)	(593)	14	(6)	(287)	(872)	(48.5)
Non-controlling interests (beia)	(205)	16	(11)	(41)	(241)	(20.1)
Net profit (beia)	**1,154**	**(43)**	**4**	**925**	**2,041**	**80.2**
Eia	(1,358)				1,283	
Net profit/(loss)	**(204)**				**3,324**	

1 Due to rounding, this table will not always cast.

Main changes in consolidation

As part of the organisational redesign of EverGreen, HEINEKEN merged its export business units of Europe and Africa, Middle East & Eastern Europe into a single unit, which is now reported under Europe as of 1 April 2021.

On 23 June 2021, HEINEKEN acquired additional ordinary shares in UBL, taking its shareholding in UBL from 46.5% to 61.5%. On 29 July 2021, HEINEKEN obtained control and consolidated UBL as of that date, following the changes to certain provisions in the Articles of Association of UBL.

Revenue

Revenue was €26,583 million, an increase of 11.8% (2020: €23,770 million). Revenue (beia) increased 11.4% organically to €26,583 million.

Net revenue

Net revenue increased 11.3% to €21,941 million. Net revenue (beia) increased by 12.2% organically to €21,901 million, with total consolidated volume increasing 3.6% and a decrease in net revenue (beia) per hectolitre of 8.3%. Currency developments negatively impacted by €515 million, mainly driven by the Brazilian Real and the Nigerian Naira. The positive impact of consolidation changes was €280 million related primarily to UBL.

Total other expenses (beia)

Total other expenses were €18,979 million, in line with last year (2020: €18,993 million) as lower exceptional expenses offset the underlying growth in costs.

Total other expenses (beia) were €18,487 million, up 7.8% on an organic basis, driven by the increase in volume and higher input costs per hectolitre, partially offset by cost savings from our productivity programme and cost mitigation actions in some markets.

Operating profit

Operating profit increased to €4,483 million driven by the performance this year, the remeasurement to fair value of the previously-held equity interest in UBL in India, and the impact from exceptional items in 2020, mainly impairments. Operating profit (beia) was €3,414 million, up 43.8% organically, mainly driven by the strong growth in revenue, partially offset by higher variable and personnel expenses. Currency translation had a negative impact of €98 million. Consolidation changes had a positive impact of €31 million.

Net finance expenses (beia)

Net interest expenses (beia) decreased organically by 12.5% to €403 million, reflecting a lower average effective interest rate and a lower average net debt position. The average effective interest rate (beia) in 2021 was 2.7% (2020: 3.0%). Other net finance expenses (beia) amounted to €94 million, down 22.2% on an organic basis, driven by a lower negative impact from currency revaluations on outstanding foreign currency payables.

Share of net profit of associates and joint ventures (beia)

The share of net profit of associates and joint ventures (beia) amounted to €238 million, including the attributable profit from China Resources Beer (CRB) with a two-month delay (November 2020 to October 2021). The organic increase was €103 million, strong performance of Cervecerías Chilenas Unidas S.A (CCU) and CRB.

Financial Review

Income tax expense (beia)

The effective tax rate (beia) was 29.9% (2020: 32.8%). The decrease is mainly driven by the increase in the profit before tax basis. As a result, the effect of permanent items is lower and we have fewer losses for which no deferred tax assets could be recognised.

Net profit and loss

The net profit for 2021 was €3,324 million (2020: €204 million loss). Net profit (beia) increased organically by €925 million to €2,041 million. The impact on net profit (beia) of currency translation was negative €43 million (3.7%) and of consolidation changes positive €4 million (0.3%).

Earnings per share – diluted

Earnings per share – diluted increased to €5.77 (2020: €0.36 loss). Earnings per share – diluted (beia) increased by 76.8% from €2.00 to €3.54.

Exceptional items and amortisation of acquisition-related intangibles (eia)

The table below presents the reconciliation of operating profit before exceptional items and amortisation of acquisition-related intangibles (operating profit beia) to profit before income tax.

In millions of €	2021	2020
Operating profit (beia)	**3,414**	**2,421**
Amortisation of acquisition-related intangible assets and exceptional items included in operating profit	1,069	(1,643)
Share of profit/(loss) of associates and joint ventures	250	(31)
Net finance expenses	(399)	(590)
Profit before income tax (IFRS)	**4,334**	**157**

The table[1] below provides an overview of the exceptional items and amortisation of acquisition-related intangibles in HEINEKEN's net profit/(loss):

In millions of €	2021	2020
Profit/(Loss) attributable to shareholders of the Company (net profit/(loss)) (IFRS)	**3,324**	**(204)**
Amortisation of acquisition-related intangible assets included in operating profit	286	273
Exceptional items included in operating profit	(1,355)	1,370
Exceptional items included in net finance expenses/(income)	(99)	(26)
Exceptional items and amortisation of acquisition-related intangible assets included in share of profit of associates and joint ventures	(12)	178
Exceptional items included in income tax expense	(73)	(347)
Allocation of exceptional items and amortisation of acquisition-related intangibles to non-controlling interests	(30)	(89)
Net profit (beia)	**2,041**	**1,154**

1 Due to rounding, this table will not always cast.

Financial Review

The 2021 exceptional items and amortisation of acquisition-related intangibles on net profit and loss amount to €1,283 million net benefit (2020: €1,358 million net expense). This amount consists of:

- €286 million (2020: €273 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €1,355 million net benefit (2020: €1,370 million net expense) of exceptional items recorded in operating profit. This includes €41 million exceptional excise tax benefit (2020: €8 million of exceptional expenses), €1,270 million of exceptional gain on previously-held equity interest from United Breweries Limited and €187 million net exceptional benefit related to tax credits in Brazil recorded in other income (2020: nil), net restructuring expenses of €32 million (2020: €331 million), impairments (net of reversal) of €108 million, including €203 million for Lagunitas (total impairments in 2020: €963 million) and €3 million of other exceptional net expenses, including loss on disposals (2020: €68 million).
- €99 million of exceptional net finance benefit, mainly related to interest on tax credits in Brazil of €96 million (2020: €26 million).
- €12 million of exceptional net benefit (2020: €178 million net expenses) included in the share of profit of associates and joint ventures, mainly relating to reversals of impairments of associates and joint ventures of €10 million (2020: €139 million exceptional loss).
- €73 million of exceptional net benefits in income tax expense (2020: €347 million exceptional income tax benefit), mainly relating to the tax impact on exceptional items and amortisation of acquisition-related intangible assets.
- Total amount of eia allocated to non-controlling interests amounts to €30 million net benefit (2020: €89 million).

Reported to beia[1]

In millions of €	Reported 2021	Eia 2021	Beia 2021	Reported 2020	Eia 2020	Beia 2020
Revenue	**26,583**	**–**	**26,583**	**23,770**	**—**	**23,770**
Excise tax expense	(4,642)	(41)	(4,683)	(4,055)	8	(4,046)
Net revenue	**21,941**	**(41)**	**21,901**	**19,715**	**8**	**19,724**
Other income	**1,521**	**(1,521)**	**–**	**56**	**(56)**	**—**
Total other expenses	**(18,979)**	**492**	**(18,487)**	**(18,993)**	**1,690**	**(17,303)**
Operating profit	**4,483**	**(1,069)**	**3,414**	**778**	**1,643**	**2,421**
Share of profit/(loss) of associates and joint ventures	250	(12)	238	(31)	178	147
Net interest income/(expenses)	(413)	10	(403)	(447)	(23)	(470)
Other net finance income/(expenses)	14	(109)	(94)	(143)	(3)	(146)
Income tax expense	(799)	(73)	(872)	(245)	(347)	(593)
Non-controlling interests	(211)	(30)	(241)	(116)	(89)	(205)
Net profit/(loss)	**3,324**	**(1,283)**	**2,041**	**(204)**	**1,358**	**1,154**

1 Due to rounding, this table will not always cast.

Capital expenditure and cash flow

In millions of €	2021	2020
Cash flow from operations before changes in working capital and provisions	**5,154**	**3,674**
Total change in working capital	263	347
Change in provisions and post-retirement obligations	(290)	211
Cash flow from operations	**5,127**	**4,232**
Cash flow related to interest, dividend and income tax	(946)	(1,096)
Cash flow from operating activities	**4,181**	**3,136**
Cash flow (used in)/from operational investing activities	(1,667)	(1,623)
Free operating cash flow	**2,514**	**1,513**
Cash flow (used in)/from acquisitions and disposals	(610)	185
Cash flow (used in)/from financing activities	(2,883)	1,238
Net cash flow	**(979)**	**2,936**
Cash conversion ratio	**110%**	**111%**

Capital expenditure related to property, plant and equipment and intangible assets (CAPEX) amounted to €1,597 million (2020: €1,640 million) representing 7.3% of net revenue (beia). The investments of the year amounted to €1,769 million (2020: €1,389 million; 2019: €2,215 million) and include capacity expansions in Brazil, Vietnam, Nigeria and Italy and the acquisition of Strongbow in Australia. The lower CAPEX versus 2019 is driven by delays in the execution of some projects, mainly COVID-19 related.

Free operating cash flow amounted to €2,514 million (2020: €1,513 million) mainly due to higher cash flow from operating activities, and ahead of 2019 mainly due to lower CAPEX. Delayed payments of value-added taxes, granted by governments in some countries, had a negative impact of €154 million in 2021.

Financial structure and liquidity

In millions of €	2021	%	2020	%
Total equity	19,700	40	14,392	34
Deferred tax liabilities	1,971	4	999	2
Post-retirement obligations	668	1	938	2
Provisions	937	2	1,104	3
Gross debt	16,873	35	18,196	43
Other liabilities	8,701	18	7,003	16
Total equity and liabilities	**48,850**	**100**	**42,632**	**100**

Financial Review

Total equity
as a percentage of total assets

Net debt/EBITDA (beia) ratio

Shareholders' equity increased by €3,964 million to €17,356 million, mainly driven by the net profit of €3,324 million, and a positive comprehensive income of €1,238 million, mainly related to translational differences.

Total gross debt amounted to €16,873 million (2020: €18,196 million). Net debt decreased to €13,658 million (2020: €14,210 million) as the positive free operating cash flow exceeded the cash outflow for dividends, acquisitions, and the negative foreign currency impact on debt.

The pro-forma 12-month rolling net debt/EBITDA (beia) ratio was 2.6x on 31 December 2021 (2020: 3.4x). HEINEKEN is committed to return to the Company's long-term target net debt/EBITDA (beia) ratio of below 2.5x.

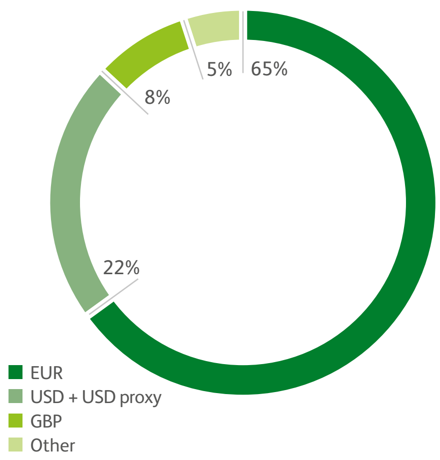
The table below presents the reconciliation from operating profit to EBITDA (beia).

In millions of €	2021	2020
Operating profit	4,483	778
Share of profit/(loss) of associates and joint ventures	250	(31)
Depreciation and impairments of property, plant and equipment	1,487	1,981
Amortisation and impairment of intangible assets	461	855
EBITDA	**6,681**	**3,583**
Exceptional items	(1,491)	568
EBITDA (beia)	**5,190**	**4,151**

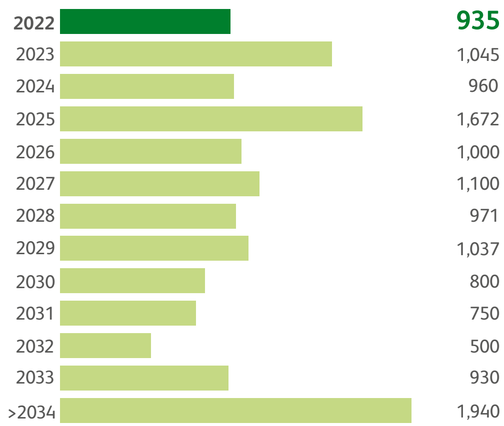
Heineken N.V. was assigned solid investment grade credit ratings by Moody's Investor Service and Standard & Poor's in 2012. Moody's lastly reaffirmed the Baa1/P-2 ratings with stable outlook on 16 July 2021. Standard & Poor's reaffirmed the BBB+/A-2 ratings with negative outlook on 2 December 2021.

Currency split of net debit
This currency breakdown includes the effect of derivatives, which are used to hedge intercompany lending denominated in currencies other than Euro. Of total net interest-bearing debt, 65% is denominated in Euro, 22% in US Dollar and US Dollar proxy currencies and 8% in British Pound. This is including the effect of cross-currency interest rate swaps and lease liabilities under IFRS 16. The fair value of the cross-currency interest rate swaps form part of net debt.

Currency split of net debt



Bond maturity profile
(incl. the currency effect of cross-currency interest rate swaps)
in millions of €



Average number of shares
HEINEKEN has 576,002,613 shares in issue. In the calculation of basic EPS, the weighted average number of shares outstanding was 575,740,269 (2020: 575,625,598).

In the calculation of 2021 diluted EPS (beia), shares to be delivered under the employee incentive programme (229,127 shares) are added to the weighted average shares outstanding. The weighted average diluted number of shares outstanding was 575,969,395 (2020: 575,821,605).

Total dividend for 2021
The Heineken N.V. dividend policy is to pay a ratio of 30% to 40% of full year net profit (beia). For 2021, a total cash dividend of €1.24 per share, representing an increase of 77.1% (2020: €0.70), and a payout ratio of 35.0%, in the middle of the range of our policy, will be proposed to the Annual General Meeting on 21 April 2022 ("2022 AGM"). If approved, a final dividend of €0.96 per share will be paid on 3 May 2022, as an interim dividend of €0.28 per share was paid on 11 August 2021. The payment will be subject to a 15% Dutch withholding tax. The ex-dividend date for Heineken N.V. shares will be 25 April 2022.

1 Restated for IAS37.

Corporate Governance statement

Introduction

Heineken N.V. (the 'Company') is a public company with limited liability incorporated under the laws of the Netherlands. Its shares are listed on the Amsterdam Stock Exchange, Euronext Amsterdam.

The Company's management and supervision structure is organised in a so-called two-tier system, consisting of an Executive Board (made up of two executive members) and a Supervisory Board (made up of 10 non-executive members).

The Supervisory Board supervises the Executive Board and ensures external experience and knowledge are embedded in the Company's way of operating. The two Boards are independent of one another and accountable to the Annual General Meeting (AGM).

The Company complies with, among other regulations, the Dutch Corporate Governance Code of 8 December 2016 (the 'Code'). Deviations from the Code are explained in this report in accordance with the Code's 'comply or explain' principle.

This report also includes the information that the Company is required to disclose pursuant to the Dutch governmental decree on Article 10 Takeover Directive and the governmental decree on Corporate Governance. Substantial changes in the Company's corporate governance structure and in the Company's compliance with the Code, if any, will be submitted to the AGM for discussion under a separate agenda item.

Executive Board

General

The role of the Executive Board is to manage the Company. This means, among other things, that it is responsible for setting and achieving the operational and financial objectives of the Company, the strategy to achieve these objectives, the parameters to be applied in relation to the strategy (for example, in respect of the financial ratios), the Company culture aimed at long-term value creation, the associated risk profile, the development of results and corporate social responsibility issues that are relevant to the Company.

The Executive Board is accountable to the Supervisory Board and to the AGM.

In discharging its role, the Executive Board shall be guided by the interests of the Company and its affiliated enterprises, taking into consideration the interests of the Company's stakeholders.

The Executive Board is responsible for complying with all primary and secondary legislation, for managing the risks associated with the Company's activities and for financing the Company.

The Company has four operating regions: Africa Middle East & Eastern Europe, Americas, Asia Pacific and Europe. Each region is headed by a President.

The two members of the Executive Board and the four Presidents, together with five functional Chief Officers (i.e. Commercial, Corporate Affairs and Transformation, People, Supply Chain and Digital & Technology), jointly form the Executive Team. The decision to work with an Executive Team is to ensure effective implementation of key priorities and strategies across the organisation.

Throughout the year, members of the Executive Team and other senior managers were invited to give presentations to the Supervisory Board. A two-day meeting was also held between the Supervisory Board and the Executive Team to discuss the Company's strategic priorities and main risks in light of its long-term value creation and Company culture. During this meeting members of the Executive Team presented their respective strategic topics and risks per region or function, as the case may be.

Executive Board members are appointed by the AGM from a non-binding nomination drawn up by the Supervisory Board. The Supervisory Board appoints one of the Executive Board members as Chairman/CEO. The AGM can dismiss members of the Executive Board by a majority of votes cast if the subject majority at least represents one-third of the issued capital.

In 2021, the AGM approved a proposal to appoint Mr. Harold van den Broek for the maximum term of four years to the Executive Board.

Mr. Harold van den Broek succeeded Mrs. Laurence Debroux who handed over to him her responsibilities as member of the Executive Board and CFO of Heineken N.V. on 1 June 2021.

Composition of the Executive Board

The Executive Board consists of two members, Chairman/CEO Dolf (R.G.S.) van den Brink and CFO Harold (H.P.J.) van den Broek. Information on these Executive Board members is provided below.

Dolf (R.G.S.) van den Brink

1973	Dutch nationality	Male
Initial appointment in 2020*; Four-year term ends in 2024		
Profession: Chairman/CEO (since 1 June 2020)		
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**		
No other positions***		

Harold (H.P.J.) van den Broek

1967	Dutch nationality	Male
Initial appointment in 2021*; Four-year term ends in 2025		
Profession: CFO (since 1 June 2021)		
No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**:		
No other positions***		

* For the maximum period of four years.

** Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:
(i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds €20 million;
(ii) The net turnover exceeds €40 million;
(iii) The average number of employees is at least 250.

*** Under 'Other positions', other functions are mentioned that may be relevant to performance of the duties of the Executive Board.

Corporate Governance statement

Best practice provision 2.2.1 of the Code recommends that an Executive Board member is appointed for a maximum period of four years and that a member may be reappointed for a term of not more than four years at a time.

In compliance with this best practice provision, the Supervisory Board has drawn up a rotation schedule to avoid, as much as possible, a situation in which Executive Board members retire at the same time.

Members of the Executive Board are not allowed to hold more than two supervisory board memberships or non-executive directorships in a Large Dutch Entity. Acceptance of such external supervisory board memberships or non-executive directorships by members of the Executive Board is subject to approval by the Supervisory Board, which has delegated this authority to the Selection & Appointment Committee.

Diversity

HEINEKEN strives to embrace diversity in everything we do, as recognised by the Company and described in the Diversity Policy of the Supervisory Board, Executive Board and Executive Team. This policy considers the elements of a diverse composition in terms of nationality, gender, age and background, including expertise and experience. It is the aim of the Company to reflect this in its compositions.

The Company gives appropriate weight to diversity considerations in the selection and appointment process, while taking into account the overall profile and selection criteria for the appointments of suitable candidates to the Executive Board.

Currently, the Executive Board is composed of two male members. It is recognised that this leaves room for improvement on gender diversity. However, the composition is also impacted by the limited size of the Executive Board. In the event of succession planning, we will continue to look for opportunities to strengthen the gender diversity in the Executive Board. Increasing the gender diversity in the Company's senior management is a key priority for the Company, as also reflected in the other sections of this Annual Report.

Conflict of Interest

The Articles of Association and the Code prescribe how to deal with (apparent) conflicts of interest between the Company and members of the Executive Board.

A member of the Executive Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a personal conflict of interest with the Company.

Decisions to enter into transactions under which members of the Executive Board have conflicts of interest that are of material significance to the Company and/or the relevant member(s) of the Executive Board require the approval of the Supervisory Board.

Any such decision shall be published in the Annual Report for the relevant year, along with a reference to the conflict of interest and a declaration that the relevant best practice provisions of the Code have been complied with.

In 2021, no transactions were reported under which a member of the Executive Board had a conflict of interest that was of material significance.

Remuneration

In line with the remuneration policy adopted by the AGM, the remuneration of members of the Executive Board is determined by the Supervisory Board, upon recommendation of the Remuneration Committee.

The remuneration policy and the elements of the remuneration of Executive Board members are set out in the Remuneration Report and Notes 6.5 and 13.3 to the Financial Statements.

The main elements of the service agreements with Mr. Van den Brink and Mr. Van den Broek are available on our website.

Supervisory Board

General

The role of the Supervisory Board is to supervise the management of the Executive Board and the general affairs of the Company and its affiliated enterprises, as well as to assist the Executive Board by providing advice.

In discharging its role, the Supervisory Board shall be guided by the interests of the Company and its affiliated enterprises and shall take into account the relevant interest of the Company's stakeholders.

The supervision of the Executive Board by the Supervisory Board includes the achievement of the Company's objectives, the corporate strategy and the risks inherent in the business activities, the design and effectiveness of the internal risk and control system, the financial reporting process, compliance with primary and secondary legislation, the Company-shareholder relationship and corporate social responsibility issues that are relevant to the Company.

The Supervisory Board evaluates at least once a year the corporate strategy and main risks to the business, the result of the assessment by the Executive Board of the design and effectiveness of the internal risk management and control system, and any significant changes thereto.

Supervisory Board members are appointed by the AGM from a non-binding nomination drawn up by the Supervisory Board.

The AGM can dismiss members of the Supervisory Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

Composition of the Supervisory Board

The Supervisory Board consists of 10 members: Jean-Marc Huët (Chairman), José Antonio Fernández Carbajal (Vice-Chairman), Maarten Das, Michel de Carvalho, Javier Astaburuaga Sanjinés, Pamela Mars Wright, Marion Helmes, Helen Arnold, Rosemary Ripley and Nitin Paranjpe.

The Supervisory Board endorses the principle that the composition of the Supervisory Board shall be such that its members are able to act critically and independently of one another and of the Executive Board and any particular interests. Each Supervisory Board member is capable of assessing the broad outline of the overall strategy of the Company and its businesses and carrying out its duties properly.

Given the structure of the Heineken Group, the Company is of the opinion that, in the context of preserving the continuity of the Heineken Group and ensuring a focus on long-term value creation, it is in its best interest and that of its stakeholders that the Supervisory Board includes a fair and adequate representation of persons who are related by blood or affinity in the direct line descent to the late Mr. A.H. Heineken (former Chairman of the Executive Board), or who are members of the Board of Directors of Heineken Holding N.V., even if those persons would not, formally speaking, be considered 'independent' within the meaning of best practice provision 2.1.8 of the Code.

Corporate Governance statement

Currently, the majority of the Supervisory Board (i.e. six of its ten members) qualify as 'independent' as per best practice provision 2.1.8 of the Code. There are four members who in a strictly formal sense do not meet the applicable criteria for being 'independent' as set out in the Code: Mr. de Carvalho (who is the spouse of Mrs. C.L. de Carvalho-Heineken, the daughter of the late Mr. A.H. Heineken, and who is also an executive director of Heineken Holding N.V.), Mr. Das (who is the Chairman of the Board of Directors of Heineken Holding N.V.), Mr. Fernández Carbajal (who is a non-executive director of Heineken Holding N.V. and representative of FEMSA) and Mr. Astaburuaga Sanjinés (who is a representative of FEMSA). However, the Supervisory Board has ascertained that Mr. de Carvalho, Mr. Das, Mr. Fernández Carbajal and Mr. Astaburuaga Sanjinés in fact act critically and independently. Since Mr. de Carvalho, Mr. Das, Mr. Fernández Carbajal and Mr. Astaburuaga Sanjinés are representing or are affiliated with Heineken Holding N.V. and/or FEMSA, who (in)directly hold more than 10 percent of the shares in our Company, the maximum of one representative or affiliate per such shareholder of best practice provision 2.1.7 sub iii of the Code is not complied with. As a consequence, the Company also does not comply with best practice provision 2.1.10 of the Code, to the extent that this provision provides that the Supervisory Board report shall state that best practice provision 2.1.7 through 2.1.9 has been fulfilled.

In line with the belief that the focus on long-term value creation is best ensured by a fair and adequate representation of persons who are related by blood or affinity in the direct line descent to the late Mr. A.H. Heineken (former Chairman of the Executive Board), or who are members of the Board of Directors of Heineken Holding N.V., best practice provision 2.2.2 of the Code, which provides that a person may be appointed to the Supervisory Board for a maximum of two four-year terms, followed by two terms of two years each with an explanation in the Corporate Governance Statement, is not applied to Mr. de Carvalho, Mr. Das and Mr. Fernández Carbajal.

In the interest of preserving the core values and the structure of the Heineken Group, the Company does not apply the maximum appointment period to members who are related by blood or affinity in the direct line descent to Mr. A.H. Heineken or who are members of the Board of Directors of Heineken Holding N.V.

The Supervisory Board has drawn up a rotation schedule to avoid, as far as possible, a situation in which many Supervisory Board members retire at the same time. The rotation schedule is available on our corporate website.

Profile and diversity

The Supervisory Board has prepared a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The profile deals with the aspects of diversity in the composition of the Supervisory Board that are relevant to the Company and states what specific objective is pursued by the Supervisory Board in relation to diversity.

At least one member of the Supervisory Board shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities. The composition of the Supervisory Board shall be such that it is able to carry out its duties properly. The profile is available on our corporate website.

The importance of diversity is described in the Diversity Policy of the Supervisory Board, Executive Board and Executive Team, which considers the elements of a diverse composition in terms of nationality, gender, age and background including expertise and experience. With respect to gender, Dutch law that entered into effect as of 1 January 2022 stipulates that supervisory boards of large Dutch public companies, such as the Company, are deemed to have a balanced composition if they consist of at least one-third female and one-third male members. The Supervisory Board currently consists of 10 members, six male (60%) and four female (40%) members. The Supervisory Board will continue to take the balanced composition requirements into account when nominating and selecting new candidates for the Supervisory Board.

The Supervisory Board notes that, in its opinion, gender is only one element of diversity, and that experience, background, knowledge, skills and insight are equally important and relevant criteria in selecting new members as is also reflected in its profile.

Regulations of the Supervisory Board

The tasks, responsibilities and internal procedural matters for the Supervisory Board are addressed in the Regulations of the Supervisory Board and are available on our corporate website.

The Supervisory Board appoints from its members a Chairman (currently Mr. Huët). The Chairman of the Supervisory Board may not be a former member of the Executive Board. The Chairman of the Supervisory Board determines the agenda, chairs the meetings of the Supervisory Board, ensures the proper functioning of the Supervisory Board and its Committees, arranges for the adequate provision of information to its members and acts on behalf of the Supervisory Board as the main contact for the Executive Board and for shareholders regarding the functioning of the Executive Board and the Supervisory Board members. The Chairman also ensures the orderly and efficient conduct of the AGM.

The Chairman of the Supervisory Board is assisted in his role by the Company Secretary. All members of the Supervisory Board have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring that procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations as well as its obligations under the Articles of Association.

The Supervisory Board appoints from its members a Vice-Chairman (currently Mr. Fernández Carbajal). The Vice-Chairman of the Supervisory Board acts as deputy for the Chairman. The Vice-Chairman acts as contact for individual Supervisory Board members and Executive Board members concerning the functioning of the Chairman of the Supervisory Board.

The Supervisory Board can only adopt resolutions in a meeting if the majority of its members is present or represented at that meeting. In such meetings, resolutions must be adopted by absolute majority of the votes cast. In addition, approval of a resolution by the Supervisory Board, as referred to in Article 8 paragraph 6 under a, b and c of the Articles of Association, requires the affirmative vote of the Delegated Member.

Induction and training

After appointment to the Supervisory Board, members receive an induction programme drawn up by the Company in consultation with the Chairman of the Supervisory Board.

The programme includes a general information package in respect of the Company and its corporate governance and meetings with members of the Executive Team and other senior management leaders. It also includes a visit to at least one of our breweries.

The Executive Board provides regular updates to the Supervisory Board on the Company's operations, legal matters, corporate governance, accounting and compliance.

Conflict of Interest

The Articles of Association and the Regulations of the Supervisory Board prescribe how to deal with (apparent) conflicts of interest between the Company and members of the Supervisory Board.

A member of the Supervisory Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a personal conflict of interest with the Company.

Corporate Governance statement

Decisions to enter into transactions under which Supervisory Board members have conflicts of interest that are of material significance to the Company and/or the relevant member(s) of the Supervisory Board require the approval of the Supervisory Board.

Any such decision shall be published in the Annual Report for the relevant year, along with a reference to the conflict of interest and a declaration that the relevant best practice provisions of the Code have been complied with. Note 13.3 of the 2021 Financial Statements sets out related party transactions in 2021.

Remuneration

Supervisory Board members receive a fixed annual remuneration fee determined by the AGM.

More information on the remuneration of Supervisory Board members can be found in Note 13.3 to the 2021 Financial Statements.

Resolutions subject to Supervisory Board approval

Certain resolutions of the Executive Board are subject to the approval of the Supervisory Board. Examples are resolutions concerning the operational and financial objectives of the Company, the strategy designed to achieve the objectives, the parameters to be applied in relation to the strategy (for example, in respect of the financial ratios) and corporate social responsibility issues that are relevant to the Company.

Also, decisions to enter into transactions under which Executive Board or Supervisory Board members would have conflicts of interest that are of material significance to the Company and/or to the relevant Executive Board member/Supervisory Board member require the approval of the Supervisory Board.

Further reference is made to Article 8 paragraph 6 of the Articles of Association, which contains a list of resolutions of the Executive Board that require Supervisory Board approval.

Delegated Member

The AGM may appoint one of the Supervisory Board members as Delegated Member. Mr. Das currently acts as the Delegated Member. The delegation to the Delegated Member does not extend beyond the duties of the Supervisory Board and does not comprise the management of the Company. It intends to effect a more intensive supervision and advice and more regular consultation with the Executive Board.

The Delegated Member has a veto right concerning resolutions of the Supervisory Board to approve the resolutions of the Executive Board referred to in Article 8 paragraph 6 under a, b and c of the Articles of Association of the Company.

The role of Delegated Member is consistent with best practice provision 2.3.8 of the Code, except insofar that the delegation is not temporary but is held for the term for which the member concerned is appointed by the AGM. The Company is of the opinion that the position of Delegated Member, which has been in existence since 1952, befits the structure of the Company.

Committees

The Supervisory Board has five committees: the Preparatory Committee, the Audit Committee, the Remuneration Committee, the Selection & Appointment Committee and the Sustainability & Responsibility Committee. The function of these committees is to prepare the decision-making of the Supervisory Board.

The Supervisory Board has drawn up regulations for each committee, setting out the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. These regulations are available on our corporate website.

In 2021, more than half of the members of the Audit Committee were independent within the meaning of best practice provision 2.1.8 of the Code.

For the Remuneration Committee and the Selection & Appointment Committee the independence criteria of best practice provision 2.3.4 are not met.

The Report of the Supervisory Board states the composition of the committees, the number of committee meetings and the main items discussed.

Preparatory Committee

The Preparatory Committee prepares decision-making of the Supervisory Board on matters not already handled by any of the other committees, such as in relation to acquisitions and investments.

The current Chair of the Preparatory Committee is Mr. Huët.

Audit Committee

The Audit Committee focuses on supervising the activities of the Executive Board with respect to: (i) the operation of the internal risk management and control systems, including the enforcement of the relevant primary and secondary legislation and supervising the operation of codes of conduct; (ii) the provision of financial information by the Company; (iii) compliance with recommendations and observations of internal and external auditors; (iv) the role and functioning of Global Audit, the internal audit function; (v) the policy of the Company on tax risk management; (vi) relations with the external auditor, including, in particular, its independence, remuneration and any non-audit services for the Company; (vii) the financing of the Company; and (viii) the applications of information and communication technology.

The Audit Committee acts as the principal contact for the external auditor if the external auditor discovers irregularities in the content of the financial reporting. The Audit Committee meets with the external auditor as often as it considers necessary, but at least once a year, without the Executive Board members being present.

The Audit Committee may not be chaired by the Chair of the Supervisory Board or by a former member of the Executive Board. At least one member of the Audit Committee shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

The current Chair of the Audit Committee is Mrs. Helmes.

Remuneration Committee

The Remuneration Committee, inter alia, makes the proposal to the Supervisory Board for the remuneration policy for the Executive Board and Supervisory Board to be pursued, and makes a proposal for the remuneration of the individual members of the Executive Board for adoption by the Supervisory Board.

The Remuneration Committee may not be chaired by the Chair of the Supervisory Board or by a former member of the Executive Board. However, given the structure of the Heineken Group and the character of the Board of Directors of Heineken Holding N.V., the regulations of the Remuneration Committee permit that the Remuneration Committee is chaired by a Supervisory Board member who is a member of the Board of Directors of Heineken Holding N.V.

The current Chair of the Remuneration Committee, Mr. Das, is a Non-Executive Director (and Chairman) of Heineken Holding N.V.

Corporate Governance statement

Selection and Appointment Committee

The Selection & Appointment Committee, inter alia: (i) draws up selection criteria and appointment procedures for Supervisory Board members and Executive Board members; (ii) periodically assesses the size and composition of the Supervisory Board and the Executive Board, and makes a proposal for a composition profile of the Supervisory Board as well as a diversity policy; (iii) periodically assesses the functioning of individual Supervisory Board members and Executive Board members and reports on this to the Supervisory Board; (iv) draws up a diversity policy for the composition of the Executive Board, the Supervisory Board and the Executive Team; (v) makes proposals for appointments and reappointments; (vi) supervises the policy of the Executive Board on the selection criteria and appointment procedures for senior management; and (vii) decides on a request from Executive Board members to accept a board membership of a Large Dutch Entity (as defined above) or foreign equivalent.

The current Chair of the Selection and Appointment Committee is Mr. Huët.

Sustainability & Responsibility Committee

The Sustainability & Responsibility Committee focuses on supervising the activities of the Executive Board with respect to: (i) the environment, including (a) water scarcity, (b) renewable energy, (c) circularity strategy, and (d) carbon impact; (ii) social sustainability, including (a) human rights, (b) fair wages and (c) community engagement; (iii) responsible alcohol consumption, including (a) the regulatory framework, (b) the advancement of responsible consumption, (c) excise regimes, and (d) external developments; and (iv) the periodic review and evaluation of the Company' sustainability and responsibility performance and progress against its objectives, including external reporting and relationships with stakeholders; (v) external sustainability and responsibility developments relevant for the Company and its reputation; and (vi) such other matters concerning the Company's sustainability and responsibility matters as the Committee shall see fit and proper or as shall be referred by the Executive Board or Supervisory Board from time to time.

The current Chair of the Sustainability & Responsibility Committee is Mr. Fernández Carbajal.

General Meeting

Annually, within six months after the end of the financial year, the AGM shall be held, in which, inter alia, the following items shall be brought forward: (i) the discussion of the management report; (ii) the adoption of the Executive Board's and Supervisory Board's remuneration policy insofar as adjustments to those policies lead to a new policy or four years after adoption; (iii) the Remuneration Report of the members of the Executive Board and members of the Supervisory Board; (iv) the discussion and adoption of the financial statements; (v) discharge of the members of the Executive Board for their management; (vi) discharge of the members of the Supervisory Board for their supervision on the management; and (vii) appropriation of profits.

According to the Articles of Association, the AGM shall be held in Amsterdam. Due to COVID-19 and in accordance with the Dutch Emergency Act, the AGM of 2021 was held fully virtual.

Convocation

Pursuant to Dutch law, the Executive Board or the Supervisory Board shall convene the AGM with a convocation period of at least 42 days (excluding the date of the meeting, but including the convocation date).

The Executive Board and the Supervisory Board are obliged to convene an AGM upon request of shareholders individually or collectively owning at least 10% of the shares issued. Such meeting shall be held within eight weeks of the request and shall deal with the subjects as stated by those who wish to hold the meeting, failing which the shareholders may seek judicial leave to call a general meeting.

Right to include items on the agenda

If the Executive Board has been requested in writing not later than 60 days prior to the date of the AGM to deal with an item by one or more shareholders who solely or jointly represent at least 1% of the issued capital, the item will be included in the convocation or announced in a similar way.

A request of a shareholder for an item to be included on the agenda of the AGM needs to be substantiated. The principles of reasonableness and fairness may allow the Executive Board to refuse the request.

The Code provides the following in best practice provision 4.1.6: "A shareholder should only exercise the right to put items on the agenda after they have consulted with the management board on this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the Company's strategy, for example as a result of the dismissal of one or several management board or supervisory board members, the management board should be given the opportunity to stipulate a reasonable period in which to respond (the response time)".

The opportunity to stipulate the response time should also apply to an intention as referred to above for judicial leave to call an AGM pursuant to Section 2:110 of the Dutch Civil Code. The relevant shareholder should respect the response time stipulated by the management board, within the meaning of best practice provision 4.1.7.

If the Executive Board invokes a response time, such period shall not exceed 180 days from the moment the Executive Board is informed by one or more shareholders of their intention to put an item on the agenda to the day of the AGM at which the item is to be dealt with. The Executive Board shall use the response time for further deliberation and constructive consultation. This shall be monitored by the Supervisory Board. The response time shall be invoked only once for any given AGM and shall not apply to an item in respect of which the response time has been previously invoked.

Record date

For each AGM, Dutch law provides a record date for the exercise of the voting rights and participation in the meeting, which record date shall be the 28th day prior to the date of the meeting. The record date shall be included in the convocation notice, as well as the manner in which those entitled to attend and/or vote in the meeting can be registered and the manner in which they may exercise their rights.

Only persons who are shareholders on the record date may participate and vote in the AGM.

Participation in person, by proxy or through electronic communication

Each shareholder is entitled, either personally or by proxy authorised in writing, to attend the AGM, to address the meeting and to exercise his or her voting rights.

The Executive Board may determine that the powers set out in the previous sentence may also be exercised by means of electronic communication.

If a shareholder wants to exercise his or her rights by proxy authorised in writing, the written power of attorney must be received by the Company no later than on the date indicated for that purpose in the convocation notice. Through its corporate website, the Company generally facilitates that shareholders can give electronic voting instructions.

Attendance list

Each person entitled to vote or otherwise entitled to attend a meeting, or such person's representative, shall have to sign the attendance list, stating the number of shares and votes represented by such person.

Corporate Governance statement

Chairman of the AGM

The AGM shall be presided over by the Chairman or the Vice-Chairman of the Supervisory Board or, in his absence, by one of the Supervisory Board members present at the meeting, to be designated by them in mutual consultation. If no members of the Supervisory Board are present, the meeting shall appoint its own chairman.

Voting

All resolutions of the AGM shall be adopted by an absolute majority of the votes cast, except for those cases in which the law or the Articles of Association prescribe a larger majority.

Each share confers the right to one vote. Blank votes shall be considered as not having been cast.

The Executive Board may determine in the convocation notice that any vote cast prior to the AGM by means of electronic communication shall be deemed to be a vote cast in the AGM. Such a vote may not be cast prior to the record date. A shareholder who has cast his or her vote prior to the AGM by means of electronic communication remains entitled, whether or not represented by a holder of a written power of attorney, to participate in the AGM.

Minutes

The proceedings in the AGM shall be recorded in minutes taken by a secretary to be designated by the chairman of the meeting. Upon request, the record of the proceedings of the AGM shall be submitted to shareholders, ultimately within three months after the conclusion of the meeting.

Resolutions to be adopted by the AGM

The AGM has authority to adopt resolutions concerning, inter alia, the following matters:

- Issue of shares by the Company or rights on shares (and to authorise the Executive Board to resolve that the Company issues shares or rights on shares)
- Authorisation of the Executive Board to resolve that the Company acquires its own shares
- Cancellation of shares and reduction of share capital
- Appointment of Executive Board members
- The remuneration policy for Executive Board members
- Suspension and dismissal of Executive Board members
- Appointment of Supervisory Board members
- The remuneration policy for Supervisory Board members
- The remuneration of Supervisory Board members.
- Suspension and dismissal of Supervisory Board members
- Appointment of the Delegated Member of the Supervisory Board
- Adoption of the financial statements
- Granting discharge to Executive and Supervisory Board members
- Dividend distributions
- A material change in the corporate governance structure
- Appointment of the external auditor
- Amendment of the Articles of Association, and
- Liquidation.

Resolutions on a major change in the identity or character of the Company or enterprise shall be subject to the approval of the AGM. This would at least include (a) the transfer of the enterprise or the transfer of practically the entire enterprise of the Company to a third party, (b) the entering into or the termination of a lasting cooperation of the Company or a subsidiary with another legal entity or company or a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of fundamental importance to the Company and (c) acquiring or disposing of a participation in the capital of a company by the Company or a subsidiary amounting to at least one-third of the amount of assets according to the Company's consolidated balance sheet plus explanatory notes as laid down in the last adopted Financial Statements of the Company.

Article 10 of the EU Take-Over Directive Decree

Shares

The issued capital of the Company amounts to €921,604,180.80, consisting of 576,002,613 shares of €1.60 each. Each share carries one vote. The shares are listed on Euronext Amsterdam.

All shares carry equal rights and are freely transferable (unless provided otherwise below).

Shares repurchased by the Company for the share-based Long-Term Incentive Plan (LTIP) or for any other purpose do not carry any voting rights and dividend rights.

Shareholders who hold shares on a predetermined record date are entitled to attend and vote at the AGM. The record date for the AGM of 21 April 2022 is 28 days before the AGM, i.e. on 24 March 2022.

Law on the Conversion of Bearer Shares

As of 1 July 2019, the Dutch Law on the Conversion of Bearer Shares (Wet omzetting aandelen aan toonder) has entered into effect. All (bearer) shares in the Company's authorised capital have already been registered as per earlier amendment of the Articles of Association. However, there still are share certificates for bearer shares circulating which are eligible for submission with the Company.

Pursuant to Dutch law, the Company received 12,037 certificates for bearer shares without consideration on 31 December 2020.

Any holder of certificates for bearer shares submitting its share certificates with the Company before 2 January 2026, shall receive a corresponding amount of registered shares by the Company as per the transitory provisions laid down in Article 18 of the Articles of Association.

Substantial shareholdings

Pursuant to the Financial Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Netherlands Authority for the Financial Markets has been notified about the following substantial shareholdings regarding the Company:

- Mrs. C.L. de Carvalho-Heineken (indirectly 50.005%; the direct 50.005% shareholder is Heineken Holding N.V.). Further details can be found in the Annual Report of Heineken Holding N.V.
- Voting Trust (FEMSA) (indirectly 8.63%).

Corporate Governance statement

Restrictions related to shares held by FEMSA

Upon completion (on 30 April 2010) of the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), CB Equity LLP (belonging to the FEMSA Group) received Heineken N.V. shares (and Heineken Holding N.V. shares). Pursuant to the Corporate Governance Agreement of 30 April 2010 concluded between the Company, Heineken Holding N.V., L'Arche Green N.V., FEMSA and CB Equity LLP the following applies:

- Subject to certain exceptions, FEMSA, CB Equity LLP, and any member of the FEMSA Group shall not increase its shareholding in Heineken Holding N.V. above 20% and shall not increase its holding in the Heineken Group above a maximum of 20% economic interest (such capped percentages referred to as the 'Voting Ownership Cap').
- Subject to certain exceptions, FEMSA, CB Equity LLP and any member of the FEMSA Group may not exercise any voting rights in respect of any shares beneficially owned by it, if and to the extent that such shares are in excess of the applicable Voting Ownership Cap.
- Unless FEMSA's economic interest in the Heineken Group were to fall below 14%, the current FEMSA control structure were to change or FEMSA were to be subject to a change of control, FEMSA is entitled to have two representatives on the Company's Supervisory Board, one of whom will be Vice-Chairman, who also serves as the FEMSA representative on the Board of Directors of Heineken Holding N.V.

Share plans

There is a share-based Long-Term Incentive Plan ('LTIP') for both the Executive Board members and senior management. Eligibility for participation in the LTIP by senior management is based on objective criteria.

Each year, performance shares are awarded to the participants. Depending on the fulfilment of certain predetermined performance conditions during a three-year performance period, the performance shares will vest and the participants will receive Heineken N.V. shares.

Shares received by Executive Board members upon vesting under the LTIP are subject to a holding period of five years as from the date of award of the respective performance shares, which is approximately two years from the vesting date.

Under the Short-Term Incentive Plan (STIP) for the Executive Board, Executive Board members are entitled to receive a cash bonus subject to the fulfilment of predetermined performance conditions.

Executive Board members are obliged to invest at least 25% of their STIP payout in Heineken N.V. shares (investment shares) to be delivered by the Company; the maximum they can invest in Heineken N.V. shares is 50% of their STIP payout (at their discretion).

The investment shares (which are acquired by the Executive Board members in the year after the year over which the STIP payout is calculated) are subject to a holding period of five years as from 1 January of the year in which the investment shares are acquired.

Executive Board members are entitled to receive one additional Heineken N.V. share (a matching share) for each investment share held by them at the end of the respective holding period.

The entitlement to receive matching shares shall lapse upon the termination by the Company of the service agreements of Mr. Van den Brink and Mr. Van den Broek, as the case may be, for an urgent reason ('dringende reden') within the meaning of the law or in case of dismissal for cause ('ontslag met gegronde redenen') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member.

In exceptional situations, extraordinary share entitlements may be awarded by the Executive Board to employees. These share entitlements are usually non-performance-related and the employees involved are usually entitled to receive Heineken N.V. shares after the expiry of a period of time.

The shares required for the LTIP, the STIP and the extraordinary share entitlements will be acquired by the Company on the basis of an authorisation granted by the AGM and subject to approval of the Supervisory Board of the Company.

Change of control

There are no important agreements to which the Company is a party and that will automatically come into force, be amended or be terminated under the condition of a change of control over the Company as a result of a public offer.

However, the contractual conditions of most of the Company's important financing agreements and notes issued (potentially) entitle the banks and noteholders respectively to claim early repayment of the amounts borrowed by the Company in the situation of a change of control over the Company (as defined in the respective agreement).

Also, some of the Company's important joint venture agreements provide that in case of a change of control over the Company (as defined in the respective agreement), the other party to such agreement may exercise its right to purchase the Company''s shares in the joint venture, as a result of which the respective joint venture agreement will terminate.

Appointment and dismissal of Supervisory and Executive Board members

Members of the Supervisory Board and the Executive Board are appointed by the AGM on the basis of a non-binding nomination by the Supervisory Board.

The AGM can dismiss members of the Supervisory Board and the Executive Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

Amendment of the Articles of Association

The Articles of Association can be amended by resolution of the AGM in which at least half of the issued capital is represented and exclusively either at the proposal of the Supervisory Board or at the proposal of the Executive Board that has been approved by the Supervisory Board, or at the proposal of one or more shareholders representing at least half of the issued capital.

Acquisition of own shares

On 22 April 2021, the AGM authorised the Executive Board (for the statutory maximum period of 18 months) to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association (which require the approval of the Supervisory Board):

The maximum number of shares which may be acquired is 10% of the issued capital of the Company as per 22 April 2021.

Transactions must be executed at a price between the nominal value of the shares and 110% of the opening price quoted for the shares in the Official Price List (Officiële Prijscourant) of Euronext Amsterdam on the date of the transaction or, in the absence of such a price, the latest price quoted therein.

Transactions may be executed on the stock exchange or otherwise.

The authorisation may be used in connection with the LTIP and the STIP for the members of the Executive Board and the LTIP for senior management, but may also serve other purposes, such as acquisitions. A new authorisation will be submitted for approval at the next AGM on 21 April 2022.

Corporate Governance statement

Issue of shares

On 22 April 2021, the AGM authorised the Executive Board (for a period of 18 months) to issue shares or grant rights to subscribe for shares and to restrict or exclude shareholders' pre-emption rights, with due observance of the law and Articles of Association (which require the approval of the Supervisory Board).

The authorisation is limited to 10% of the Company's issued capital as per 22 April 2021.

The authorisation may be used in connection with the LTIP and the STIP for the members of the Executive Board and the LTIP for senior management, but may also serve other purposes, such as funding of acquisitions.

A new authorisation will be submitted for approval to the AGM at 21 April 2022.

Compliance with the Code

On 8 December 2016, the current Code was published, which came into effect on 1 January 2017.

The Code can be downloaded at http://www.mccg.nl.

As stated in the Code, there should be a basic recognition that corporate governance must be tailored to the company-specific situation and, therefore, that non-application of individual provisions by a company may be justified.

The Company, in principle, endorses the Code's principles and applies virtually all best practice provisions. However, given the structure of the Heineken Group and, specifically, the relationship between the Company and its controlling shareholder Heineken Holding N.V., the Company does not (fully) apply the following best practice provisions:

- **2.1.7, 2.1.8, 2.1.10 and 2.3.4:**
  Number of independent Supervisory Board members as well as number of independent members of the Remuneration and Selection & Appointment Committees; in that light the Supervisory Board report does not state that best practice provisions 2.1.7 through 2.1.9 have been fulfilled
- **2.2.2:**
  Maximum terms of appointment Supervisory Board members
- **2.3.8:**
  Temporary nature of appointing a delegated Supervisory Board member

The agreement with Mr. Van den Brink and Mr. Van den Broek with regards to their terms comply with the Code.

For more information please see the Remuneration Report.

Other best practice provisions which are not applied relate to the fact that these principles and/or best practice provisions are not applicable to the Company:

- **2.8.1:** This best practice provision situation has not arisen
- **3.1.2:** sub vii: The Company does not grant options on shares
- **4.1.5:** This best practice provision relates to shareholders
- **4.2.6:** The Company has no anti-takeover measures
- **4.3.1:** This best practice provision relates to shareholders
- **4.3.4:** The Company has no financing preference shares
- **4.3.5 and 4.3.6:** This best practice provision relates to institutional investors
- **4.4:** The Company has no depositary receipts of shares, nor a trust office
- **4.3.3 and 5.1:** The Company does not have a one-tier management structure

In respect of transactions with related parties as disclosed in note 13.3, best practice provisions 2.7.3, 2.7.4 and 2.7.5 of the Code have been observed.

Statement of the Executive Board

This Report of the Executive Board, together with the Sustainability Review, serves as the management report for the purpose of Section 391, Book 2 of the Dutch Civil Code.

In accordance with best practice provision 1.4.3 of the Code, we are of the opinion that:

- This report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis
- This report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of this report.

It should be noted that the foregoing does not imply that these systems and these procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

For a detailed description of the risk management system and the principal risks identified, please refer to the Risk Management section.

In accordance with Article 5:25c paragraph 2 sub c of the Financial Markets Supervision Act, we confirm that, to the best of our knowledge:

- the financial statements in this Annual Report 2021 give a true and fair view of our assets and liabilities, our financial position at 31 December 2021, and the results of our consolidated operations for the financial year 2021; and
- the Report of the Executive Board includes a fair review of the position at 31 December 2021 and the development and performance during the financial year 2021 of Heineken N.V. and the undertakings included in the consolidation taken as a whole, and describes the principal risks that Heineken N.V. faces.

This statement cannot be construed as a statement in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act, which Act is not applicable to Heineken N.V.

Executive Board

R.G.S. van den Brink

H.P.J. van den Broek
Amsterdam, 15 February 2022

To the Shareholders

During 2021, the Supervisory Board performed its duties in accordance with primary and secondary legislation and the Articles of Association of Heineken N.V. and supervised and advised the Executive Board on an ongoing basis.

Financial statements and results appropriation

The Supervisory Board hereby submits to the shareholders the financial statements and the report of the Executive Board for the financial year 2021, as prepared by the Executive Board and approved by the Supervisory Board in its meeting of 15 February 2022.

Deloitte Accountants B.V. audited the financial statements. Its report can be found in the Other Information section.

The Supervisory Board recommends that shareholders, in accordance with the Articles of Association, adopt these financial statements.

The underlying principle of the dividend policy is that 30-40% of net profit before exceptional items and amortisation of acquisition-related intangible assets (net profit beia) is placed at the disposal of shareholders for distribution as dividend.

The proposed dividend amounts to €1.24 per share of €1.60 nominal value, of which €0.28 was paid as an interim dividend on 11 August 2021.

Supervisory Board composition, independence and remuneration

Composition

The Supervisory Board consists of the following 10 members since the AGM of 2021: Jean-Marc Huët (Chairman), José Antonio Fernández Carbajal (Vice-Chairman), Maarten Das, Michel de Carvalho, Javier Astaburuaga Sanjinés, Pamela Mars Wright, Marion Helmes, Rosemary Ripley, Helen Arnold and Nitin Paranjpe.

The General Meeting at the Annual General Meeting of Shareholders (AGM) on 22 April 2021 appointed Mr. Nitin Paranjpe for a period of four years and reappointed Maarten Das for a period of four years.

Supervisory Board composition
Nationality

American	20%
British	10%
Dutch	20%
German	20%
Indian	10%
Mexican	20%

Supervisory Board composition
Gender

Male	60%
Female	40%

Supervisory Board composition
Tenure

0–4 years	40%
5–8 years	20%
9–12 years	20%
>12 years	20%

To the Shareholders

Jean-Marc (J.M.) Huët

1969 Dutch nationality Male

Appointed in 2014; Chairman (as of 2019); latest reappointment in 2018*

Profession:

Company Director

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Vermaat Groep B.V. (Chairman), Picnic International B.V.

Other positions*:**

Canada Goose Incorporated; Bridgepoint

José Antonio (J.A.) Fernández Carbajal

1954 Mexican nationality Male

Appointed in 2010; latest reappointment in 2018*
Vice-Chairman (as of 2010)

Profession:

Executive Chairman Fomento Económico Mexicano S.A.B. de C.V. (FEMSA)

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Heineken Holding N.V.

Other positions*:**

Coca-Cola Fomento Económico Mexicano S.A.B. de C.V. (Chairman); Tecnológico de Monterrey (Chairman); participates on the Board of Industrias Peñoles S.A.B. de C.V.; Term Member of the MIT Corporation, Member of the Board of Global Advisors of the Council for Foreign Relations

Maarten (M.) Das

1948 Dutch nationality Male

Appointed in 1994; latest reappointment in 2021*
Delegated Member (1995)

Profession:

Lawyer

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: Heineken Holding N.V. (Chairman)

Other positions*:**

L'Arche Green N.V. (Chairman); L'Arche Holding B.V.

Michel (M.R.) de Carvalho

1944 British nationality Male

Appointed in 1996; latest reappointment in 2019*

Profession:

Chairman Capital Generation Partners

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**

Other positions*:**

Heineken Holding N.V. (Executive Director), L'Arche Green N.V.

Javier (J.G.) Astaburuaga Sanjinés

1959 Mexican nationality Male

Appointed in 2010; latest reappointment in 2018*

Profession:

Senior Vice President Corporate Development Fomento Económico Mexicano S.A.B. de C.V. (FEMSA)

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**

Other positions*:**

Board member of Fomento Económico Mexicano S.A.B. de C.V. (FEMSA), Coca-Cola Femsa S.A.B. de C.V., and Acosta Verde, S.A. de C.V.

Pamela (P.) Mars Wright

1960 American nationality Female

Appointed in 2016; latest reappointment in 2020*

Profession:

Company Director

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities**: SHV Holdings N.V.

Other positions*:**

Johns Hopkins International Medicine

Marion (M.) Helmes

1965 German nationality Female

Appointed in 2018*

Profession:

Company Director

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**

Other positions*:**

British American Tobacco; Prosiebensat.1 Media, Siemens Healthineers AG

Rosemary (R.L.) Ripley

1954 American nationality Female

Appointed in 2019*

Profession:

Managing Director at NGEN

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**

Other positions*:**

Zevia PBC; Ripley Waterfowl Conservancy, Advisory board of the Yale Center for Business and the Environment; CEO and director of Better World Acquisition Corp

Helen (I.H.) Arnold

1968 German nationality Female

Appointed in 2019*

Profession:

Member of the Executive Board of Südzucker Group

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**

Other positions*:**

TUI AG

Nitin Paranjpe

1963 Indian nationality Male

Appointed in 2021*

Profession:

Chief Transformation Officer and Chief People Officer at Unilever

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities**

Other positions*:**

* For the maximum period of four years.

** Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:
(i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds €20 million;
(ii) The net turnover exceeds €40 million;
(iii) The average number of employees is at least 250.

*** Under 'Other positions', other functions are mentioned that may be relevant to performance of the duties of the Supervisory Board.

To the Shareholders

The Supervisory Board has a diverse composition in terms of experience, gender, nationality and age. Four out of 10 members are women and eight out of 10 members are non-Dutch. There are six nationalities (American, British, Dutch, German, Indian and Mexican) and age ranges between 52 and 77.

The Supervisory Board is of the opinion that a diversity of experience and skills is represented on its board. The elements of a diverse composition of the Supervisory Board are laid down in the Diversity Policy of the Supervisory Board, Executive Board and Executive Team as per best practice provision 2.1.5 of the Dutch Corporate Governance Code of 8 December 2016 (the 'Code'). Currently, 40% (i.e. four out of ten) of the Supervisory Board members are female.

Until 1 January 2022, the profile of the Supervisory Board and the Diversity Policy of the Supervisory Board, Executive Board and Executive Team stated that the Supervisory Board shall pursue that at least 30% of the seats shall be held by men and at least 30% by women. As of 1 January 2022 and in compliance with the new Dutch Act on a more balanced ratio of men and women on management and supervisory boards of large companies, the profile of the Supervisory Board and the Diversity Policy of the Supervisory Board, Executive Board and Executive Team have been updated and reflect that a minimum of 1/3 of the seats of the Supervisory Board shall be held by women and a minimum of 1/3 of the seats shall be held by men. The composition of the Supervisory Board of the Company remains compliant, also with the new Dutch Act.

Diversity and gender are important drivers in the selection process. With reference thereto, the Supervisory Board is committed to retain an active and open attitude as regards selecting female candidates. The Supervisory Board notes that gender is a construct and is, in the opinion of the Board, only one element of diversity. The Supervisory Board is keen to embrace diversity at large and considers gender, experience, background, nationality, knowledge, skills and insight are equally important and relevant criteria in selecting new members.

Mr. Fernández Carbajal, Mr. Astaburuaga Sanjinés, Mr. Huët and Mrs. Helmes will have completed their four-year appointment terms per the end of the AGM on 21 April 2022.

Mr. Huët is eligible for reappointment for a period of two years, in line with best practice provision 2.2.2. of the Code. A non-binding nomination for reappointment shall be submitted to the AGM in that respect. Subject to his re-appointment he will continue to be the Chairman of the Supervisory Board.

A non-binding nomination for the reappointment of Mr. Fernández Carbajal for a period of four years shall be submitted to the 2022 AGM. He is a representative of FEMSA (that (in)directly holds a 14.76% economic interest in the Company), and his appointment is based on the Corporate Governance Agreement, which was concluded between (among others) the Company and FEMSA on 30 April 2010, and which was approved by the AGM on 22 April 2010 (in connection with the acquisition by the Company of FEMSA's beer activities). A reappointment of Mr. Fernández Carbajal for a period of four years is a deviation of best practice provision 2.2.2. of the Code, it is however deemed to be in line with the profile of the Supervisory Board and a reflection of FEMSA's involvement as a long-term shareholder of the Company. Furthermore, in the interest of preserving the core values and the structure of the Heineken Group, the Company does not apply the maximum appointment period to members who are related by blood or affinity in the direct line descent to Mr. A.H. Heineken or who are members of the Board of Directors of Heineken Holding N.V. Mr. Fernández Carbajal is a member of the Board of Directors of Heineken Holding N.V. Subject to his re-appointment he will continue to be the Vice-Chairman of the Supervisory Board.

Mrs. Helmes is eligible for reappointment for a period of four years and a non-binding nomination for reappointment shall be submitted to the AGM in that respect.

Mr. Astaburuaga Sanjinés will have completed his four-year appointment per the end of the AGM on 21 April 2022. In accordance with the Company's Articles of Association and best practice provision 2.2.2 of the Code, Mr. Astaburuaga Sanjinés will not be nominated for reappointment as he has reached the maximum tenure of 12 years. The Supervisory Board is very grateful for Mr. Astaburuaga Sanjinés' commitment and meaningful and valuable contributions to the Supervisory Board and its Audit Committee over the past 12 years.

A non-binding nomination will be submitted to the 2022 AGM to appoint Mr. Camacho Beltrán as member of the Supervisory Board as of 21 April 2022 for a period of four years. Mr. Camacho Beltrán is a representative of FEMSA (that (in)directly holds a 14.76% economic interest in the Company), and his appointment is based on the Corporate Governance Agreement, which was concluded between (among others) the Company and FEMSA on 30 April 2010, and which was approved by the AGM on 22 April 2010 (in connection with the acquisition by the Company of FEMSA's beer activities).

Independence

The Supervisory Board endorses the principle that the composition of the Supervisory Board shall be such that its members are able to act critically and independently of one another and of the Executive Board and any particular interests.

Given the structure of the Heineken Group, the Company is of the opinion that, in the context of preserving the continuity of the Heineken Group and ensuring a focus on long-term value creation, it is in its best interest and that of its stakeholders that the Supervisory Board includes a fair and adequate representation of persons who are related by blood or affinity in the direct line of descent to the late Mr. A.H. Heineken (former Chairman of the Executive Board), or who are members of the Board of Directors of Heineken Holding N.V., even if those persons would not, formally speaking, be considered "independent" within the meaning of best practice provision 2.1.8 of the Code.

Currently, the majority of the Supervisory Board (i.e. six of its ten members) qualify as "independent" as per best practice provision 2.1.8 of the Code.

There are four members who in a strictly formal sense do not meet the applicable criteria for being "independent" as set out in the Code: Mr. de Carvalho (who is the spouse of Mrs. C.L. de Carvalho-Heineken, the daughter of the late Mr. A.H. Heineken, and who also is an executive director of Heineken Holding N.V.), Mr. Das (who is the Chairman of the Board of Directors of Heineken Holding N.V.), Mr. Fernández Carbajal (who is a non-executive director of Heineken Holding N.V. and a representative of FEMSA) and Mr. Astaburuaga Sanjinés (who also is a representative of FEMSA). However, the Supervisory Board has ascertained that Mr. de Carvalho, Mr. Das, Mr. Fernández Carbajal and Mr. Astaburuaga Sanjinés in fact act critically and independently.

To the Shareholders

Remuneration

The AGM determines the remuneration of the members of the Supervisory Board. Details of the remuneration can be found in Note 13.3 to the Financial Statements.

Meetings and activities of the Supervisory Board

During 2021, the Supervisory Board held eight meetings with the Executive Board.

Due to the continued COVID-19 pandemic, the agenda regularly included subjects such as health and safety of the employees, the impact of COVID-19 and mitigating measures and the development of the Company's strategy aimed at determining how best to sustain growth and success under volatile circumstances.

In addition, the agenda for the Supervisory Board included long-term value creation as well as the manner in which the Executive Board implements the Company's strategy, the Company's culture to ensure proper monitoring by the Supervisory Board, the Company's financial position, the results of the Regions and Operating Companies, acquisitions, large investment proposals, the yearly budget, management changes and the internal risk management and control system.

The external auditor attended the meeting in which the annual results were discussed.

In 2021, specific attention was given to the transition to a new CFO per 1 June 2021.

The Chairman of the Supervisory Board met frequently with the CEO and kept the Supervisory Board informed.

The Supervisory Board had a two-day meeting in Noordwijk, the Netherlands, with the Executive Team to discuss the Company's strategic priorities and the EverGreen 2025 strategy. During this meeting strategic review efforts were discussed, focused on shaping the Company to emerge stronger from the COVID-19 crisis. A guest speaker provided insights on global social trends relevant for the Company.

During the year, several representatives of senior management and the Executive Team were invited to give presentations to the Supervisory Board.

In 2021, the following subjects were presented in more detail:

- The impact of COVID-19 and measures, amongst others, to ensure the health and safety of employees and pro-actively take business measures and mitigations.
- The succession of the Chief Financial Officer, for which a thorough succession process has been conducted.
- Building the Executive Team including the appointment of a Chief Commerce Officer.
- Various business development related projects and additionally a deep-dive on the Company's global footprint.
- The Brew a Better World strategy 2030.
- The EverGreen 2025 strategy, including the strategic process followed to determine the strategy.
- The global people strategy, including succession planning and talent management.
- The purpose, values and behaviours of the Company also in light of the EverGreen 2025 strategy.
- A deep-dive on the strategy of Global Commerce and Digital & Technology.
- The remuneration policy of the Executive Board and a potential proposed amendment to include ESG-related performance measures in the long-term incentive plan.

Regular Executive Sessions were held without the Executive Board being present. The purpose of these sessions was to evaluate the Supervisory Board meetings and, where relevant, further reflect on particular subjects discussed at the meetings.

One Executive Session was dedicated to the evaluation of the Supervisory Board relating to the performance, working methods, procedures and functioning of the Supervisory Board, its committees and its individual members as well as the functioning of the Executive Board and its individual members. These evaluations were conducted on the basis of individual interviews of the Supervisory Board members with the Chairman. The conversations covered topics such as the composition and expertise of the Supervisory Board, access to information, frequency and quality of the meetings, leadership developments, quality and timeliness of the meeting materials, and the nature of the topics discussed during meetings. The responses provided by the Supervisory Board members indicated that the Board continues to be a diverse and well-functioning team.

An induction programme was set up for Mr. Paranjpe. As part of the programme, Mr. Paranjpe had meetings with several senior leaders and visited the breweries in Zoeterwoude, the Netherlands and in Alken, Belgium.

Committees

The Supervisory Board has five Committees: the Preparatory Committee, the Audit Committee, the Selection & Appointment Committee, the Remuneration Committee and the Sustainability & Responsibility Committee. The terms of reference for the Committees are available on the Company's website.

Preparatory Committee

Composition: Mr. Huët (Chairman), Mr. de Carvalho, Mr. Das and Mr. Fernández Carbajal. The Preparatory Committee met eight times. The Committee prepares decision-making by the Supervisory Board on matters not already handled by any of the other Committees, such as in relation to acquisitions and investments. The Chairman of the Executive Board also attends the Preparatory Committee meetings.

Audit Committee

Composition: Mrs. Helmes (Chairperson), Mr. Huët, Mr. Astaburuaga Sanjinés and Mrs. Arnold. The Audit Committee met six times. The members collectively have the experience and financial expertise to supervise the Executive Board in its activities in relation to the publication of Financial Statements and operation of the internal risk management and control systems, including the risk profile of the Company.

The Executive Board attended all meetings, and so did the external auditor, the Executive Director Global Audit, as well as the Senior Director Global Accounting and Risk Management.

The Executive Director Global Audit has direct access to the Audit Committee, primarily through its Chairperson. During the year, the Audit Committee met once with the external auditors and once with the Executive Director Global Audit, in both instances without management being present. In addition, the Chairperson of the Audit Committee and the Executive Director Global Audit held regular update meetings during the year.

To the Shareholders

The Committee supervises the activities of the Executive Board with respect to the publication of financial information. The Committee reviews, in the presence of the Executive Board and the external auditor, the appropriateness of the half year reporting and the annual financial statements, focusing on:

- The decisions made on the selection and application of accounting policies.
- The reliability and completeness of disclosures.
- Compliance with financial, non-financial and other reporting requirements.
- Significant judgements, estimates and assumptions used in preparing the reports in respect of, among others, accounting for acquisitions and divestments, the annual impairment test and determining the level of provisions.

At the beginning of the year, the Committee reviews and approves the audit plans of the external auditor as well as Global Audit. The Committee focuses mainly on the scoping, key risks, staffing and budget.

During the year, the Committee reviews the reports of the external auditor and Global Audit.

The Chairperson of the Audit Committee held regular update meetings with the CFO and other senior executives to monitor the business impact of COVID-19 and measures taken to mitigate its impact.

Furthermore, the Committee in 2021 discussed recurring topics, such as:

- The effectiveness and the outcome of the internal control and risk management systems, as well as changes made and improvements planned to these systems.
- (Functional) Updates in respect of Global Procurement, Global Treasury & Insurance and Global Tax, Pensions, Business Conduct and Global Legal Affairs, as well as Risk Management.
- Updates in respect of Global Digital & Technology including on cybersecurity.
- HEINEKEN's governance, risk and compliance (GRC) activities, including the HEINEKEN Company Rules and the HEINEKEN Code of Business Conduct.
- Post investment reviews of large investments.
- The outcome of the Global Audit activities.
- The outcome of the annual Letter of Representation process and the report from the Integrity Committee related to fraud reporting and Speak Up policy.
- The evaluation of the external auditor, Deloitte Accountants B.V. and the succession of the lead partner involved in the audit of the Company.

In addition, a dedicated Global Digital & Technology working session was held to discuss various key initiatives in the digital transformation of the Company.

The Audit Committee and the Sustainability & Responsibility Committee held a combined working session on internal and external developments affecting the Company in the area of non-financial reporting.

The Chairperson of the Audit Committee informed the Supervisory Board of the discussions held in the Audit Committee.

Selection & Appointment Committee

Composition: Mr. Huët (Chairman), Mr. de Carvalho, Mr. Das, Mr. Fernández Carbajal and Mrs. Mars Wright. The Selection & Appointment Committee met three times.

In 2021, the following subjects were on the agenda:

- The composition and rotation schedule of the Supervisory Board and its Committees.
- Evaluation of the Supervisory Board and the Executive Board.
- The succession of the CFO, which has been a thorough and robust process. The Chief People Officer has been extensively involved throughout the process.
- The succession and appointment of the Chief Commercial Officer.
- An update to the Diversity Policy of the Supervisory Board, Executive Board and Executive Team.

Remuneration Committee

Composition: Mr. Das (Chairman), Mr. de Carvalho, Mr. Huët and Mrs. Ripley. The Remuneration Committee met six times in 2021.

The Committee made recommendations to the Supervisory Board on 2021 target setting, that were endorsed by the Supervisory Board. As part of the recommendations, the Remuneration Committee took note of the Executive Board member's views with regard to the amount and structure of their own remuneration.

The Remuneration Committee also received a report on status and trends in executive remuneration and executive remuneration governance in order to fulfil its remuneration governance responsibilities. The report aimed, among other things, to review alignment of the Company's remuneration practices with its remuneration principles, to provide an overview of the Company's competitive remuneration positioning versus the market, to assess the relation between actual remuneration and performance, and to update the Committee on executive compensation trends, regulatory developments and views of investors, external stakeholders including public opinion.

In addition, the Remuneration Committee discussed and prepared a revision of the Remuneration Policy for the Executive Board to include ESG-related performance measures in the Long-term incentive plan (LTIP).

Sustainability & Responsibility Committee

Composition: Mr. Fernández Carbajal (Chairman), Mr. de Carvalho, Mrs. Mars Wright, Mrs. Ripley and Mr. Paranjpe. The Committee met three times in 2021.

In 2021, the following subjects were on the agenda:

- Reflections on Brewing a Better World 2020.
- The proposed Brew a Better World 2030 strategy with as key pillars the environmental footprint, responsible consumption and social sustainability.
- A deep-dive on carbon footprint and social sustainability.
- Operationalising of the Brew a Better World 2030 strategy.
- Brew a Better World reporting, including external developments in the area of non-financial reporting.

The Sustainability & Responsibility Committee and the Audit Committee held a combined working session on internal and external developments affecting the Company in the area of non-financial reporting.

To the Shareholders

Attendance

The Supervisory Board confirms that all Supervisory Board members have adequate time available to give sufficient attention to the concerns of the Company.

In 2021, the attendance rate was 96% for the Supervisory Board meetings and 97% including the Committee meetings. In case of absence, members are fully informed in advance, enabling them to provide input for the meeting, and they are also updated on the meeting outcome.

The table below provides an overview of the attendance record of the individual members of the Supervisory Board. Attendance is expressed as a number of meetings attended out of the number eligible to attend.

Evaluation of the Supervisory Board and the Executive Board.

	Supervisory Board	Preparatory Committee	Audit Committee	Selection & Appointment Committee	Remuneration Committee	Sustainability & Responsibility Committee
Mr. Huët	8/8	8/8	6/6	3/3	6/6	
Mr. Fernández Carbajal	8/8	8/8		3/3		3/3
Mr. Das	8/8	8/8		3/3	6/6	
Mr. de Carvalho	8/8	8/8		3/3	6/6	3/3
Mr. Navarre	2/3					
Mr. Astaburuaga Sanjinés	8/8		6/6			
Mrs. Mars Wright	7/8			3/3		
Mrs. Helmes	8/8		6/6			
Mrs. Ripley	7/8				6/6	3/3
Mrs. Arnold	8/8		6/6			
Mr. Paranjpe	5/5					3/3

Executive Board composition and remuneration

Composition

Best practice provision 2.2.1 of the Code recommends that an Executive Board member is appointed for a period of four years and that a member may be reappointed for a term of not more than four years at a time.

In compliance with this best practice provision, the Supervisory Board has drawn up a rotation schedule to avoid, as much as possible, a situation in which Executive Board members retire at the same time.

Mr. Dolf van den Brink was appointed for a period of four years during the AGM in 2020 as Chairman and CEO of the Executive Board. Mr. Harold van den Broek was appointed for a period of four years during the AGM of 2021 as CFO and member of the Executive Board.

Remuneration

The AGM approved the current remuneration policy for the Executive Board in 2011 and approved amendments in 2014, 2017 and 2020. Subject to approval at the 2022 AGM, an update of the Executive Board's remuneration policy will be implemented. Details of the proposed amendments are described in the Remuneration Report.

Appreciation

The Supervisory Board wishes to express its gratitude to the members of the Executive Board and all HEINEKEN employees for their hard work and dedication in 2021.

Supervisory Board Heineken N.V.

Huët | **Mars Wright**
Fernández Carbajal | **Helmes**
Das | **Ripley**
de Carvalho | **Arnold**
Astaburuaga Sanjinés | **Paranjpe**

Amsterdam, 15 February 2022

Remuneration Report 2021

Annual statement from the Remuneration Committee Chair

Dear Shareholder,

I am pleased to present to you the HEINEKEN remuneration report for the year 2021, which includes the current remuneration policies for the Executive Board and the Supervisory Board as approved by the AGM in April 2020 with 97% of the votes and which describes how the policies have been put into practice during 2021.

The remuneration policy reflects our long-standing 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.

The perspective and input of internal and external stakeholders as well as public opinion have been taken into consideration in establishing and implementing the remuneration policy. 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.

The 2020 remuneration report was submitted for advisory vote to the April 2021 AGM. The AGM approved the remuneration report with 92% favourable support.

Executive Board Remuneration Policy Implementation

During the year 2020, and in the context of the COVID-19 crisis, the Supervisory Board took a number of extraordinary measures relating to remuneration. These measures included not paying out short-term incentives for 2020 performance year, no vesting of the 2018-2020 long term incentive plan and a voluntary reduction of the Executive Board's base salaries by 20% for the period 1 May to 31 December 2020.

Furthermore, given the uncertain, volatile, and unprecedented economic times, at the beginning of 2021 the Supervisory Board only set preliminary performance targets for the 2021-2023 LTI award. Those targets were confirmed by the Supervisory Board in the summer of 2021 once there was better visibility of the market conditions for the company's three-year plan.

2021 has continued to be volatile, with a high degree of uncertainty driven by the COVID-19 crisis. Within this context, the Supervisory Board concluded that the formulaic performance outcomes for the 2021 short-term incentives of 181%, as well as the performance vesting of the 2019-2021 long-term incentive award of 71%, are fair and reflective of the Executive Board's true performance and leadership navigating the crisis while building a brighter future for HEINEKEN.

In line with the Executive Board's remuneration policy, 50% of the Executive Board's short-term incentive will be deferred into HEINEKEN investment shares to be held for a period of five calendar years.

The Supervisory Board also reviewed the Executive Board's actual base salary and short-term and long-term variable remuneration versus the labour market peer group median. Based on that assessment, the Supervisory Board concluded that the Executive Board members would not receive a salary increase in 2021.

Looking forward to the year ahead

During 2021 the Supervisory Board has reviewed the Executive Board's remuneration policy taking into consideration both, the internal and the external perspective, and engaging with shareholders and other stakeholders. HEINEKEN's strong strategic ambition with regard to Sustainability & Responsibility led us to propose to the 2022 AGM introducing ESG-related performance measures in the long-term incentive plan. In this way we propose to link the Executive Board's long-term remuneration with our Sustainability & Responsibility strategy.

HEINEKEN's strong reputation and ambition regarding Sustainability & Responsibility is clearly reflected in our EverGreen strategy and tied to its Brew a Better World ("BaBW") commitments. As extensively described in this annual report, clear and ambitious long-term goals have been set for these commitments. We have selected three of our BaBW commitments to be included as long-term incentive performance measures: carbon emissions reduction, water efficiency and percentage of women at senior manager level. Subject to 2022 AGM approval, these three ESG-related performance measures will replace the current Operating Profit performance measure in our long-term incentive plan. Acknowledging Operating Profit remains a relevant indicator of our performance, it will be included in the financial component of the short-term incentive plan.

For a more detailed explanation of the remuneration policy implementation and the proposed changes to the remuneration policy, please refer to the remuneration report.

Maarten Das
Chairman of the Remuneration Committee

Remuneration Report 2021

This Remuneration Report includes five sections:

Part I
Describes the prevailing Executive Board remuneration policy, as adopted by the AGM in 2020, and as it has been implemented in 2021.

Part II
Describes the prevailing Supervisory Board remuneration policy, as adopted by the AGM in 2020, and as it has been implemented in 2021.

Part III
Provides details of the Executive Board actual remuneration for performance ending in, or at year-end, 2021.

Part IV
Provides details of the Supervisory Board actual remuneration ending in, or at year-end 2021.

Part V
Outlines adjustments to the remuneration policy and implementation for 2022.

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 the wider employee population and aim to achieve consistency and alignment in, amongst others, remuneration changes, salary structures and the design of variable compensation where possible.

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 sound business decisions for the long-term health of HEINEKEN
		– Aligns Executive Board and shareholder interests

Long-term incentive	– Is based on achievements of three-year financial targets for Heineken N.V. – 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
Benefits	– Provides a range of benefits, including, but not limited to, company car, fuel and health insurance – Aims to be in line with local market practice	– Provides market competitive benefits to aid retention

Remuneration Report 2021

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 2021 (and 2020), 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

Every year, peer group and base salary levels are reviewed, and the Remuneration Committee may propose adjustments to the Supervisory Board. HEINEKEN aims to compensate at median on target remuneration of the peer group. However, when changes in base salary are considered, broader factors are taken into account, including but not limited to the individual and business performance and the internal pay relativities.

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 2021 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 Supervisory Board ensures that a balanced mix of financial, operational and individual performance measures is selected, which incentivises executives to achieve our annual business strategy and the growth of shareholder value. 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. The STI payout for 2021 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 HEINEKEN's strategy. The STI payout for 2022 will be subject to four performance measures: Organic Net Revenue Growth (weight: 35%), Organic Operating Profit beia Growth (weight: 15%), Free Operating Cash Flow (weight: 25%) and Individual Leadership measures (weight: 25%).The individual leadership objectives will be tied to achievement of our EverGreen strategy.

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.

Remuneration Report 2021

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 2021 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 weight 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 III).

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.

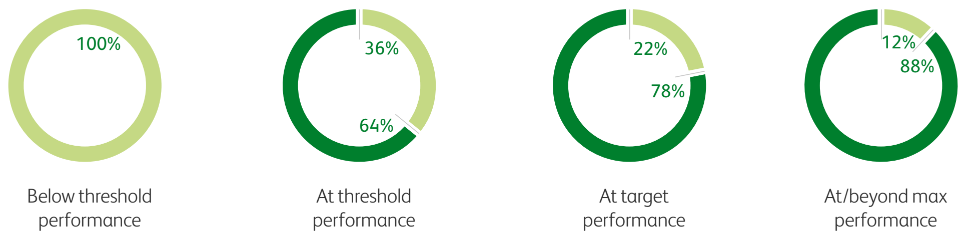
For each measure, vesting in between these performance levels is on a straight-line basis; below threshold performance the vesting is zero, whereas beyond maximum performance it is capped at 200% of vesting at target.

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.

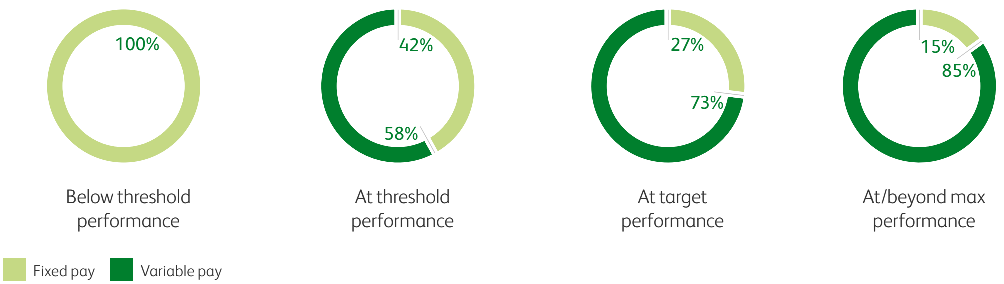
Pay mix

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 2021-2022



CFO target pay mix 2021-2022



Remuneration Report 2021

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 executives under Dutch employment contract below the Executive Board, which is currently 18% of base salary. This applies to our current CEO and CFO. 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.

Benefits

The members of the Executive Board are eligible to receive benefits in line with HEINEKEN's most senior employees. The benefits include, but are not limited to, company car, fuel and health insurance. Other benefits could be offered in circumstances where this allows executives to successfully fulfil the responsibilities of their role. For example in case of a relocation the appropriate relocation support is provided. The levels of the benefits will be competitive in the relevant local market and could be changed year on year.

Loans

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

Term of appointment

New members of the Executive Board are appointed by the AGM for the duration of 4 years, subject to reappointment by the AGM.

Notice period

The service agreement may either be terminated by the member of the Executive Board or by the Company. The notice period will not be more than 12 months for both the Company and the individual.

Compensation rights on termination of employment/service agreement

If the Company gives notice of termination of the employment agreement of a member of the Executive Board 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 them as member of the Executive Board for a subsequent term, the Company shall pay an amount equal to one year of base salary.

The treatment of incentive awards will depend on the circumstances of departure. A proposal will be made by the Remuneration Committee to be pursued by the Supervisory Board. 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, the unvested incentive awards will be forfeited.

Derogation clause

The Supervisory Board, upon recommendation of the Remuneration Committee, may temporarily deviate from any sections of the Policy based on its discretion in the circumstances described below:

- Upon change of the Executive Board member in accordance with the new hire policy,
- In any other circumstance where the deviation may be required to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

New hire policy

Our recruitment policy is to offer a compensation package that allows HEINEKEN to attract, retain and motivate the individual with the right skills for the required role. When determining remuneration for an Executive Board member, the Supervisory Board will, at the recommendation of the Remuneration Committee, consider the role's requirements, business needs, the individual's skills and experience and the relevant external talent market.

Where an individual is recruited externally for an Executive Board member position, the remuneration package in their prior role will be taken into account. The Supervisory Board will seek to align the new member's remuneration package with the Executive Board Remuneration Policy. The Company may offer compensation to buy out awards or other lost compensation which the candidate held prior to joining HEINEKEN, but which lapsed upon leaving their previous employer. The rationale of any such award will be disclosed in the Remuneration Report.

Where an individual is appointed to the Executive Board through internal promotion or following a corporate transaction (e.g. an acquisition), the Board retains the ability to honour any legally binding legacy arrangements agreed prior to the appointment.

Remuneration Governance

The Remuneration Committee makes the proposal to the Supervisory Board for the Remuneration Policy to be pursued, and makes a proposal for the remuneration of the individual members of the Executive Board for adoption by the Supervisory Board. In accordance with Dutch Law, the remuneration policy will be submitted for approval to the AGM at least every four years, or in case of material amendments to the policy. The Executive Board members shall not participate in the decision making regarding their own remuneration to avoid conflict of interest.

Remuneration Report 2021

Part II –Supervisory Board remuneration policy

Remuneration principles

The Supervisory Board remuneration policy is designed to attract and retain high-class and diverse profiles with relevant skills and experience that are required to perform the Supervisory Board's duties and it ensures appropriate corporate governance by meeting the following key principles:

- **Support the business strategy**
  We align our remuneration policy with business strategies focused on creating long-term sustainable growth and shareholder value.
- **Pay for purpose**
  We align our remuneration policy to promote the independence and objectivity of our Supervisory Board members, which is a key element to best serve the long-term interest of the company.
- **Pay competitively**
  We set remuneration levels to be competitive with other relevant multinational corporations of similar size and complexity.

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

Summary overview of remuneration elements

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

Element	Purpose	Description
Base Board Fees	– Supervisory Board members receive a fixed cash compensation for their services. – In line with the Dutch Corporate Governance code, no variable pay and / or equity awards are offered. – In order to provide a fee level that is competitive with other companies comparable to HEINEKEN, reviews are conducted on a regular basis.	– The Remuneration Committee is responsible to review the compensation levels on a regular basis and to bring forward proposals (if any) to the Supervisory Board. Proposals are submitted to the Annual General Meeting for approval. – This review is done through a benchmark assessment against a pan-European peer group consisting of companies that are of comparable size to HEINEKEN.
Committee Fees	– Supervisory Board members are compensated for additional responsibilities such as Committee membership. – In order to provide a fee level that is competitive with other companies comparable to HEINEKEN, reviews are conducted on a regular basis.	– Members are eligible to receive additional fees in respect of serving as a Chairman or Member of a Committee. – Fee levels between Committees can differ if this is deemed appropriate depending on the time commitment and responsibilities associated with the Committee membership. – Fees are additive; if a Board member serves in multiple Committees, the compensation will consist of the Board membership fee and the sum of the corresponding Committee fees.
Allowances and Benefits	– Supervisory Board members are reimbursed and compensated for additional efforts that enable them to exercise their role.	– Members receive reimbursement of travel expenses and are compensated for intercontinental travel required to exercise their role. – Small benefits such as retirement gifts may also be provided.

Remuneration Report 2021

Part III – The Executive Board actual remuneration for performance ending in, or at year-end, 2021

The following table provides an overview of the Executive Board actual remuneration that became unconditional in, or at year-end, 2021. 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 115. The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the variable remuneration disclosed in this section.

			2019-2021 Long-term incentive		Matching entitlements			Extraordinary Share Grants			
	(1) Base salary in €[1&2]	(2) 2021 Short-term incentive in €	(3) No. of performance shares Vesting[3]	(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[4]	(9) Value of extraordinary shares vesting in €	(10) Other emoluments in €[5]	(11) Total in €
Van den Brink	1,250,000	3,167,500	3,001	296,679	–	–	286,606	–	–	30,365	5,031,150
Van den Broek	495,833	897,458	–	–	–	–	116,823	6,578	642,144	–	2,151,258
Debroux	283,333	–	9,772	966,060	4,760	470,574	60,575	–	–	788,215	2,568,757

1 The base salary of Mr. Van den Broek represents the actual base salary paid as from his appointment to the Executive Board on 1 June to 31 December 2021.
2 The base salary of Mrs. Debroux represents the actual base salary paid from 1 January to 30 April, 2021 .
3 The number of performance shares vesting for Mr. van den Brink relate to shares granted as President for Asia Pacific. Therefore, these shares were not granted under the Executive Board LTI policy.
4 See details on Mr. Van den Broek's extraordinary share grant under point ad(8).
5 Includes Mrs. Debroux's end of service indemnity as well as car benefits-in-kind provided from 1 January to 30 April 2021.

End of service agreement for Mrs. Debroux as member of Executive Board and CFO and appointment of Mr. Van den Broek as member of the Executive Board and CFO at the 2021 AGM

In mutual agreement with the Supervisory Board and following the 2021 AGM, Mrs. Debroux stepped down as CFO and member of the Executive Board of Heineken on 30 April 2021. Mrs. Debroux continued to be paid in line with HEINEKEN's normal Executive Board remuneration policy until the end of her service on 30 April 2021. Mrs. Debroux's end of service terms are aligned to HEINEKEN's remuneration policy as disclosed in previous annual reports. Mrs. Debroux has received an end of service indemnity of EUR 708,333 gross in May 2021. This amount represents 6 months of base salary as well as a pro-rata payment of the 2021 Short Term Incentive at target performance for the period 1 January to 30 April 2021. In line with contractual obligations, Mrs. Debroux' existing long-term incentive awards (2019-2021 and 2020-2022 long-term incentive plans) will continue to be subject to vesting at their regular vesting dates in accordance with the predetermined performance conditions, and as defined in the Long-Term Incentives Plan Rules. Shares that may vest under these plans will be subject to the holding period of two years. Furthermore, all existing investment shares/share matching entitlements will continue to be subject to the regular holding period (5 years). Mrs. Debroux is subject to a 12 months non-competition restriction at end of service.

At the same AGM, the Supervisory Board nominated Mr. Van den Broek for appointment as member of the Executive Board of HEINEKEN and to hold the position of CFO as of 1 June 2021. The 2021 AGM approved the appointment.

Remuneration Report 2021

ad (1) – Base salary

These base salaries have been paid to the members of the Executive Board for 2021.

ad (2) – 2021 Short-term incentive

The 2021 Short-term incentive (STI) relates to the performance year 2021, and becomes payable in 2022. The STI for 2021 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
At maximum performance

Free Operating Cash Flow
At maximum performance

Individual leadership measures
At maximum performance

The resulting STI payout for 2021 is 181% 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 16 February 2022, the publication date of these financial statements. In addition, the Executive Board members have had the opportunity to indicate before the end of the 2021 performance year whether they wished to receive up to another 25% of their STI payout in additional investment shares; for 2021 the Executive Board members elected to receive an additional 25% 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 below 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.

	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 31.12.2021[1] in €
Van den Brink	2021	50%	16.02.2022	t.b.d.	c.a. 1,583,750	31.12.2026	n.a.
	2020	n.a.	n.a.	–	–	n.a.	n.a.
Van den Broek	2021	50%	16.02.2022	t.b.d.	c.a. 448,729	31.12.2026	n.a.
Debroux	2021	n.a.	n.a.	–	–	n.a.	n.a.
	2020	n.a.	n.a.	–	–	n.a.	n.a.
	2019	25%	13.02.2020	2,623	269,776	31.12.2024	259,310
	2018	25%	14.02.2019	3,323	286,576	31.12.2023	328,512
	2017	25%	13.02.2018	3,568	293,076	31.12.2022	352,732

1 The share price as of 31 December 2021 is €98.86.

Remuneration Report 2021

ad (3) – 2019-2021 Long-term incentive: number of performance shares vesting

The 2019-2021 Long-term incentive (LTI) relates to the performance period 2019-2021 and vests shortly after 16 February 2022, the publication date of these financial statements. The vesting of the LTI award for performance period 2019-2021 is subject to Heineken N.V. performance on four financial measures with equal weight. The Supervisory Board determined the results against the pre-set targets as follows:

Organic Net Revenue Growth
Below threshold performance

Organic Operating Profit beia Growth
Between threshold and target performance

Earnings Per Share (EPS) beia Growth
At maximum performance

Free Operating Cash Flow
Below threshold performance

As a result, the vesting of the LTI grant for performance period 2019-2021will be equal to 71% of the vesting at target level. For the CEO this performance implies that 3,001 shares will vest shortly after 16 February 2022, as a result of the 4,226 conditional performance shares granted to him in 2019, when he held the position of President Asia Pacific at Heineken. The resulting share award are defined in before-tax terms (i.e. before deduction of withholding tax due). Revision and clawback provisions apply to this award.

The table below provides an overview of outstanding LTI awards (awards granted but not yet vested, or awards vested but still blocked) as of 31 December 2021.

	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 31.12.2021[5] in €
Van den Brink	2021	20,555	1,875,027	02.2024	t.b.d.	t.b.d.	15.02.2026	1,079,551
	2020	12,144	1,021,310	02.2023	t.b.d.	t.b.d.	14.02.2025	637,845
Van den Broek[6]	2021	10,030	914,937	02.2024	t.b.d.	t.b.d.	15.02.2026	526,726
Debroux	2021	n.a.	n.a.	n.a.	–	–	n.a.	–
	2020	11,194	1,151,303	02.2023	t.b.d.	t.b.d.	14.02.2025	587,920
	2019	13,763	1,186,921	16.02.2022	9,772	5,191	14.02.2024	513,182
	2018	10,569	868,138	n.a.	–	–	n.a.	–
	2017	12,630	955,207	13.02.2020	22,734	15,389	16.02.2022	1,521,357

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 2017, 2018 and 2019 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 2020 and 2021 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 2021 is €98.86.
6 Performance shares granted to Mr. Van den Broek as per his appointment as Executive Board member on 1 June 2021.

Remuneration Report 2021

ad (4) – 2019-2021 Long-term incentive: value of performance shares vesting

The value of performance shares vesting is based on the share price as of 31 December 2021 of €98.86.

ad (5) – Number of matching entitlements vesting

These entries refer to the number of matching share entitlements that vested after year-end 2021, as a result of the investment in shares of part of the STI payout for performance year 2016, and holding on to these investment shares until year-end 2021. For Mrs. Debroux the number of matching shares is the result of a 25% investment of this STI payout in investment shares at the time.

ad (6) – Value of matching entitlements vesting

The value of matching share entitlements vesting is based on the share price as of 31 December 2021 of €98.86.

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.

ad (8) – Extraordinary share awards

The table overleaf provides an overview of Extraordinary Share grants as of 31 December 2021.

As compensation to buy out lost long-term incentive remuneration that Mr. Van den Broek held with his previous employer, an Extraordinary Share Award of 39,466 shares of Heineken N.V. (gross) was granted as of the moment of appointment as member of the Executive Board and of CFO by the Annual General Meeting. This is a time-vested conditional grant: 6,578 shares vested on 1 June 2021, the remainder of the award is subject to time vesting over a period of three years. In line with the retention requisite of Best Practice provision 3.1.2 of the Dutch Corporate Governance Code, Mr. Van den Broek has an obligation to retain and hold the shares for a period of five years as from the date of award. This holding period continues to apply in respect of vested shares after termination of the Assignment Agreement for whatever reason.

	Award	Grant date	No. of shares of the 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 31.12.2021 in €
Van den Broek	Extraordinary share award	01.06.2021	6,578	642,144	01.06.2021	3,321	01.06.2026	328,314
	Extraordinary share award	01.06.2021	13,155	1,284,191	01.06.2022	t.b.d.	01.06.2026	656,727
	Extraordinary share award	01.06.2021	13,155	1,284,191	01.06.2023	t.b.d.	01.06.2026	656,727
	Extraordinary share award	01.06.2021	6,578	642,144	01.03.2024	t.b.d.	01.06.2026	328,314

1 The 'Number of shares granted' refers to the grant in before-tax terms (i.e. before tax withholding).
2 Vested shares are disclosed in after-tax terms (i.e. after deduction of withholding tax due).

Remuneration Report 2021

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

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 2021 of €98.86.

ad (10) – Other emoluments

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

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

Mr. Van Boxmeer stepped down as CEO and Chairman of the Board of Heineken on 1 June 2020. In line with contractual obligations, Mr. Van Boxmeer's existing long-term incentive awards (2019-2021 and 2020-2022 long-term incentive plans) are subject to vesting in accordance with the predetermined performance conditions as well as subject to a holding period of two years after vesting. Furthermore, his existing investment shares/ share matching entitlements are subject to the regular holding period of 5 years.

The vesting of the LTI grant for performance period 2019-2021 will be equal to 71% of the vesting at target level, this implies that 17,245 shares will vest shortly after 16 February 2022, as a result of the 24,288 conditional performance shares granted to Mr. Van Boxmeer in 2019. Furthermore, as a result of the investment in shares of part of the STI payout for performance year 2016, below you will find the number of matching share entitlements that vested after year-end 2021.

	2019-2021 Long-term incentive		Matching entitlements	
	No. of performance shares Vesting[1]	Value of performance shares vesting in €[2]	No. of matching entitlements vesting	Value of matching entitlements vesting in €[2]
van Boxmeer	17,245	1,704,841	11,106	1,097,939

1 The 'number of performance shares vesting' and 'number of matching entitlements vesting' are before-tax (i.e. before tax withholding).
2 The share price as of 31 December 2021 is €98.86.

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 in-house sales forces 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 may 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 2021 pay ratios for HEINEKEN are 207 for the CEO and 104 for the CFO. These ratios are obtained by dividing the 2021 total remuneration for the CEO and CFO by the 2021 average total remuneration of all other employees worldwide. The common denominator of these ratios is derived from note 6.4 on page 82 by dividing the 2021 total personnel expense (after subtracting the expense for the Executive Board), by the reported FTE (minus two), leading to an amount of 40,828 versus 41,934 in 2020. The total remuneration for the CEO and CFO is retrieved from note 13.3 on page 115. The Executive Board's remuneration is obtained from note 13.3 to follow IFRS standards and ensure comparability with personnel expenses.

The Executive Board's average pay ratio increase significantly compared to 2020. This increase is predominantly driven by the fact that Heineken did not pay variable remuneration and applied a 20% base salary reduction to Executive Board members in 2020, measures taken in the context of the COVID-19 crisis.

Comparative overview of remuneration and company performance

The following table provides a comparative overview since 2017 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	
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%
2020	1,261	835	41.9	30	20	-11.9%
2021	8,437	4,228	40.8	207	104	12.2%

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).
2 As from 2021, the CFO's remuneration refers to Mr. Van den Broek, as per appointment on 1 June 2021.
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).
4 Total remuneration for the CEO and CFO divided by the average total remuneration of all other employees worldwide.
5 Organic net revenue growth percentage for the financial year (performance measure for short and long term incentives).

Remuneration Report 2021

Part IV – The Supervisory Board actual remuneration for performance ending in, or at year-end, 2021

In alignment with the Supervisory Board remuneration policy the Members of the Supervisory Board receive a fixed remuneration for their services. Members are also compensated for intercontinental travel required to exercise their role.

The following table provides an overview of the Supervisory Board actual remuneration for year-end, 2021. In alignment with IFRS reporting requirements, this disclosure can also be found in note 13.3 Related Parties.

In thousands of €	2021 Base Board Fee	2021 Committee Fees	2021 Allowances and Benefits	2021 Total Remuneration	2020 Total Remuneration	2019 Total Remuneration	2018 Total Remuneration	2017 Total Remuneration
J.M. Huët	120	105	–	225	225	195	86	82
J.A. Fernández Carbajal	90	40	12	142	154	153	109	114
M. Das	90	40	–	130	130	133	85	85
M.R. de Carvalho	90	45	–	135	135	141	96	90
J.G. Astaburuaga Sanjinés	90	20	12	122	116	133	104	99
P. Mars-Wright	90	30	6	126	126	151	103	95
M. Helmes	90	35	–	125	125	131	62	–
R.L. Ripley	90	30	5	125	110	97	–	–
I.H. Arnold	90	20	–	110	115	100	–	–
N.K. Paranjpe[1]	62	10	5	78	–	–	–	–
V.C.O.B.J. Navarre[2]	45	–	–	45	105	110	74	70
G.J. Wijers[3]	–	–	–	–	–	103	163	160
Y. Dervisoglu[3]	–	–	–	–	–	53	70	70
A.M. Fentener van Vlissingen[4]	–	–	–	–	–	–	43	85
H. Scheffers[5]	–	–	–	–	–	–	–	40
	947	**375**	**40**	**1,363**	**1,341**	**1,500**	**995**	**990**

1 Appointed on 22 April 2021.
2 Stepped down on 22 April 2021.
3 Stepped down on 25 April 2019.
4 Stepped down on 19 April 2018.
5 Stepped down on 20 April 2017.

V. Adjustments to the remuneration policy for 2022

During 2021 the Supervisory Board reviewed the Executive Board's remuneration policy and after engaging with shareholders and other stakeholders decided to submit changes for approval to the 2022 AGM.

HEINEKEN's strong ambition regarding Sustainability & Responsibility is clearly reflected in our EverGreen strategy and related Brew a Better World ("BaBW") commitments. As extensively described in this annual report, clear and ambitious long-term goals have been set for these commitments. Within this context, the Supervisory Board decided proposing to the 2022 AGM the introduction of ESG-related performance measures in the long-term incentive plan, linking the Executive Board's long-term remuneration with HEINEKEN's Sustainability & Responsibility strategy. Three BaBW commitments were selected to be included as long-term incentives performance measures: carbon emissions reduction, water efficiency and percentage of women at senior manager level. Subject to 2022 AGM approval, these three ESG-related performance measures will replace the current Operating Profit performance measure in the long-term incentive policy. Acknowledging that Operating Profit remains a relevant indicator of our performance, it will be included in the financial component of the short-term incentive plan.

Supervisory Board Heineken N.V.

Amsterdam, 15 February 2022.

Contents

Consolidated Income Statement

For the year ended 31 December

In millions of €	Note	2021	2020
Revenue	6.1	**26,583**	**23,770**
Excise tax expense	6.1	(4,642)	(4,055)
Net revenue	6.1	**21,941**	**19,715**
Other income	6.2	**1,521**	**56**
Raw materials, consumables and services	6.3	(13,535)	(12,450)
Personnel expenses	6.4	(3,485)	(3,669)
Amortisation, depreciation and impairments	6.6	(1,959)	(2,874)
Total other expenses		**(18,979)**	**(18,993)**
Operating profit		**4,483**	**778**
Interest income	11.1	49	50
Interest expenses	11.1	(462)	(497)
Other net finance income/(expenses)	11.1	14	(143)
Net finance expenses		**(399)**	**(590)**
Share of profit/(loss) of associates and joint ventures	10.3	250	(31)
Profit before income tax		**4,334**	**157**
Income tax expense	12.1	(799)	(245)
Profit/(Loss)		**3,535**	**(88)**
Attributable to:			
Shareholders of the Company (net profit/(loss))		3,324	(204)
Non-controlling interests		211	116
Profit/(Loss)		**3,535**	**(88)**
Weighted average number of shares – basic	6.7	575,740,269	575,625,598
Weighted average number of shares – diluted	6.7	575,969,395	575,625,598
Basic earnings per share (€)	6.7	5.77	(0.36)
Diluted earnings per share (€)	6.7	5.77	(0.36)

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December

In millions of €	Note	2021	2020
Profit/(Loss)		**3,535**	**(88)**
Other comprehensive income/(loss), net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-retirement obligations	12.3	210	62
Net change in fair value through OCI investments	12.3	9	(98)
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	5(b)/6.2/12.3	1,033	(2,114)
Change in fair value of net investment hedges	12.3	(54)	76
Change in fair value of cash flow hedges	12.3	97	45
Cash flow hedges reclassified to profit or loss	12.3	(3)	4
Net change in fair value through OCI investments	12.3	–	(1)
Cost of hedging	11.6/12.3	(6)	(6)
Share of other comprehensive income of associates/joint ventures	10.3/12.3	54	16
Other comprehensive income/(loss), net of tax	12.3	**1,340**	**(2,016)**
Total comprehensive income/(loss)		**4,875**	**(2,104)**
Attributable to:			
Shareholders of the Company		4,562	(2,127)
Non-controlling interests		313	23
Total comprehensive income/(loss)		**4,875**	**(2,104)**

Consolidated Statement of Financial Position

As at 31 December

In millions of €	Note	2021	2020
Intangible assets	8.1	20,762	15,767
Property, plant and equipment	8.2	12,401	11,551
Investments in associates and joint ventures	10.3	4,148	4,437
Loans and advances to customers	8.3	209	194
Deferred tax assets	12.2	682	779
Other non-current assets	8.4	1,070	884
Total non-current assets		**39,272**	**33,612**
Inventories	7.1	2,438	1,958
Trade and other receivables	7.2	3,662	2,807
Current tax assets		97	154
Derivative assets	11.6	96	77
Cash and cash equivalents	11.2	3,248	4,000
Assets classified as held for sale	10.2	37	24
Total current assets		**9,578**	**9,020**
Total assets		**48,850**	**42,632**

In millions of €	Note	2021	2020
Shareholders' equity	11.4	17,356	13,392
Non-controlling interests	11.4	2,344	1,000
Total equity		**19,700**	**14,392**
Borrowings	11.3	13,640	14,616
Post-retirement obligations	9.1	668	938
Provisions	9.2	636	688
Deferred tax liabilities	12.2	1,971	999
Other non-current liabilities	11.6	141	131
Total non-current liabilities		**17,056**	**17,372**
Borrowings	11.2/11.3	3,233	3,580
Trade and other payables	7.3	7,750	6,107
Returnable packaging deposits	7.4	476	454
Provisions	9.2	301	416
Current tax liabilities		268	259
Derivative liabilities	11.6	46	52
Liabilities associated with assets classified as held for sale	10.2	20	–
Total current liabilities		**12,094**	**10,868**
Total equity and liabilities		**48,850**	**42,632**

Consolidated Statement of Cash Flows

For the year ended 31 December

In millions of €	Note	2021	2020
Operating activities			
Profit/(Loss)		**3,535**	**(88)**
Adjustments for:			
Amortisation, depreciation and impairments	6.6	1,959	2,874
Net interest expenses	11.1	413	447
Other income	6.2	(1,326)	(56)
Share of (profit)/loss of associates and joint ventures and dividend income on fair value through OCI investments		(256)	21
Income tax expenses	12.1	799	245
Other non-cash items		30	231
Cash flow from operations before changes in working capital and provisions		**5,154**	**3,674**
Change in inventories		(308)	(18)
Change in trade and other receivables		(697)	1,124
Change in trade and other payables and returnable packaging deposits		1,268	(759)
Total change in working capital		**263**	**347**
Change in provisions and post-retirement obligations		(290)	211
Cash flow from operations		**5,127**	**4,232**
Interest paid		(456)	(481)
Interest received		43	45
Dividends received		184	89
Income taxes paid		(717)	(749)
Cash flow related to interest, dividend and income tax		**(946)**	**(1,096)**
Cash flow from operating activities		4,181	3,136

In millions of €	Note	2021	2020
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		86	150
Purchase of property, plant and equipment		(1,324)	(1,501)
Purchase of intangible assets		(273)	(139)
Loans issued to customers and other investments		(196)	(177)
Repayment on loans to customers and other investments		40	44
Cash flow (used in)/from operational investing activities		**(1,667)**	**(1,623)**
Free operating cash flow		**2,514**	**1,513**
Acquisition of subsidiaries, net of cash acquired		54	(26)
Acquisition of/additions to associates, joint ventures and other investments		(678)	(9)
Disposal of subsidiaries, net of cash disposed of		3	(29)
Disposal of associates, joint ventures and other investments		11	249
Cash flow (used in)/from acquisitions and disposals		**(610)**	**185**
Cash flow (used in)/from investing activities		**(2,277)**	**(1,438)**
Financing activities			
Proceeds from borrowings		1,571	6,037
Repayment of borrowings		(3,362)	(3,714)
Payment of lease commitments		(298)	(281)
Dividends paid		(796)	(811)
Purchase own shares and shares issued		12	11
Acquisition of non-controlling interests		(10)	(4)
Cash flow (used in)/from financing activities		**(2,883)**	**1,238**
Net cash flow		**(979)**	**2,936**
Cash and cash equivalents as at 1 January		3,519	687
Effect of movements in exchange rates		16	(104)
Cash and cash equivalents as at 31 December	11.2	**2,556**	**3,519**

Consolidated Statement of Changes in Equity

In millions of €	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2020		**922**	**2,701**	**(2,998)**	**(19)**	**4**	**313**	**1,115**	**(63)**	**14,172**	**16,147**	**1,164**	**17,311**
Profit/(Loss)		–	–	–	–	–	–	86	–	(290)	(204)	116	(88)
Other comprehensive income/(loss)	12.3	–	–	(1,929)	49	(6)	(99)	–	–	62	(1,923)	(93)	(2,016)
Total comprehensive income/(loss)		**–**	**–**	**(1,929)**	**49**	**(6)**	**(99)**	**86**	**–**	**(228)**	**(2,127)**	**23**	**(2,104)**
Realised hedge results from non-financial assets	12.3	–	–	–	(2)	–	–	–	–	–	(2)	–	(2)
Transfer to retained earnings		–	–	(13)	–	–	(160)	(30)	–	203	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	–	(597)	(597)	(228)	(825)
Purchase own shares or contributions received from NCI shareholders	11.4	–	–	–	–	–	–	–	(5)	–	(5)	20	15
Own shares delivered		–	–	–	–	–	–	–	43	(43)	–	–	–
Share-based payments		–	–	–	–	–	–	–	–	(25)	(25)	–	(25)
Changes in consolidation		–	–	–	–	–	–	–	–	1	1	21	22
Balance as at 31 December 2020		**922**	**2,701**	**(4,940)**	**28**	**(2)**	**54**	**1,171**	**(25)**	**13,483**	**13,392**	**1,000**	**14,392**

In millions of €	Note	**Share capital**	**Share premium**	**Translation reserve**	**Hedging reserve**	**Cost of hedging reserve**	**Fair value reserve**	**Other legal reserves**	**Reserve for own shares**	**Retained earnings**	**Shareholders of the Company**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2021		**922**	**2,701**	**(4,940)**	**28**	**(2)**	**54**	**1,171**	**(25)**	**13,483**	**13,392**	**1,000**	**14,392**
Profit/(Loss)		–	–	–	–	–	–	242	–	3,082	3,324	211	3,535
Other comprehensive income/(loss)	12.3	–	–	935	93	(6)	9	–	–	207	1,238	102	1,340
Total comprehensive income/(loss)		**–**	**–**	**935**	**93**	**(6)**	**9**	**242**	**–**	**3,289**	**4,562**	**313**	**4,875**
Realised hedge results from non-financial assets	12.3	–	–	–	(65)	–	–	–	–	–	(65)	–	(65)
Transfer to retained earnings		–	–	2	–	–	(7)	(285)	–	290	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	–	(564)	(564)	(238)	(802)
Purchase own shares or contributions received from NCI shareholders	11.4	–	–	–	–	–	–	–	(14)	–	(14)	28	14
Own shares delivered		–	–	–	–	–	–	–	2	(2)	–	–	–
Share-based payments		–	–	–	–	–	–	–	–	55	55	–	55
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(10)	(10)	–	(10)
Changes in consolidation	10.1	–	–	–	–	–	–	–	–	–	–	1,241	1,241
Balance as at 31 December 2021		**922**	**2,701**	**(4,003)**	**56**	**(8)**	**56**	**1,128**	**(37)**	**16,541**	**17,356**	**2,344**	**19,700**

Notes to the Consolidated Financial Statements

1. Reporting entity

Heineken N.V. (the 'Company') is a public company domiciled in the Netherlands, with its head office in Amsterdam. The address of the Company's registered office is Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam. The consolidated financial statements of the Company as at 31 December 2021 comprise the Company, its subsidiaries (together referred to as 'HEINEKEN') and HEINEKEN's interests in joint ventures and associates. The Company is registered in the Trade Register of Amsterdam No. 33011433. HEINEKEN is primarily involved in the brewing and selling of beer and cider. Led by the Heineken® brand, HEINEKEN has a range of more than 300 international, regional, local and speciality beers and ciders.

2. Basis of preparation

The consolidated financial statements are:

- Prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2021 have been adopted by the EU. Consequently, the accounting policies applied by the Company also fully comply with IFRS as issued by the IASB
- Prepared by the Executive Board of the Company and authorised for issue on 15 February 2022 and will be submitted for adoption to the Annual General Meeting of Shareholders on 21 April 2022
- Prepared on the historical cost basis unless otherwise indicated
- Prepared on a going concern basis
- Presented in Euro, which is the Company's functional currency
- Rounded to the nearest million unless stated otherwise

In preparing the consolidated financial statements, HEINEKEN has considered climate change and the Brew a Better World (BaBW) commitments. In light of this, HEINEKEN has reviewed the significant accounting estimates and judgements as described in note 3(b), including the impact on indications for impairments (notes 8.1 and 8.2) and provisions and contingencies (notes 9.2 and 9.3). This review did not lead to significant changes in these accounting estimates and judgements.

3. Significant events in the period and accounting estimates and judgements

(a) Impact of COVID-19 on the financial statements

HEINEKEN continued to operate in a COVID-19 impacted environment throughout 2021. Trading conditions remained challenging with varying degrees of impact across different countries. Despite the continued volatility and uncertainty across many markets, HEINEKEN reported a net profit of €3,324 million for the year ended 31 December 2021 (2020: €204 million, net loss), mainly as a result of the exceptional gain recognised relating to the remeasurement to fair value of the previously-held equity interest in United Breweries Limited in India (refer to notes 6.2 and 10.1) and the exceptional losses from last year's impairment (refer to notes 8.1 and 8.2).

During its financial reporting process, HEINEKEN assessed the impact of COVID-19 on its financial estimates and judgements. All significant estimates and judgements are disclosed in the notes to the consolidated financial statements (if applicable). Notes containing the most significant estimates and judgements are referred to in note 3(b).

(b) Significant accounting estimates and judgement

In preparing these consolidated financial statements, management is required to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The application of accounting policies requires judgements that impact the amounts recognised. Additionally, amounts recognised are based on factors that are by default associated with uncertainty. Actual results may therefore differ from estimates. Where applicable, the estimates and judgements are described per note within the consolidated financial statements.

The following notes contain the most significant estimates and judgements:

Particular area involving significant estimates and judgements	Note
Significant judgement	
Judgement on acting as principal versus agent with respect to excise tax expense	6.1 Operating segments
Judgement used in the identification and valuation of acquired assets and liabilities	10.1 Acquisition and disposals
Assessment of the recoverability of past tax losses	12.2 Deferred tax assets and liabilities
Significant estimates	
Assumptions used in impairment testing	8.1 Intangible assets and 8.2 Property, plant and equipment
Assumptions for discount rates, future pension increases and life expectancy to calculate the defined benefit obligation	9.1 Post-retirement obligations
Estimating the likelihood and timing of potential cash flows relating to claims and litigation	9.2 Provisions and 9.3 Contingencies

Notes to the Consolidated Financial Statements

4. Changes in accounting policies

(a) Changed accounting policies in 2021
No new standards or amendments to existing standards, effective in 2021, had a significant impact on HEINEKEN's consolidated financial statements.

(b) Upcoming changes in accounting policies for 2022
No new standards or amendments to existing standards, effective in 2022, will have a significant impact on HEINEKEN 's consolidated financial statements.

5. General accounting policies

General
The accounting policies described in these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation
The consolidated financial statements are prepared as a consolidation of the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by HEINEKEN. HEINEKEN controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with that entity and can affect those returns through its power over the entity. Control is generally obtained by ownership of more than 50% of the voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by HEINEKEN.

On consolidation, intra-HEINEKEN balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-HEINEKEN transactions, are eliminated. Unrealised gains arising from transactions with associates and joint ventures (refer to note 10.3) are eliminated against the investment to the extent of HEINEKEN's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of HEINEKEN entities using the exchange rates at the transaction date. Receivables, payables and other monetary assets and liabilities denominated in foreign currencies are re-translated to the functional currency using the exchange rates at the balance sheet date. The resulting foreign currency differences are recognised in the income statement, except for foreign currency differences arising on re-translation of Fair Value through Other Comprehensive Income (FVOCI) investments and financial liabilities designated as a hedge of a net investment, which is recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at the transaction date.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, and of intercompany loans with a permanent nature (quasi-equity) are translated to Euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at the exchange rates that approximates the exchange rates ruling at the dates of the transactions, except for foreign operations in hyperinflationary economies. In 2021, HEINEKEN did not have any significant foreign operations in hyperinflationary economies.

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. The cumulative amount in the translation reserve is (either fully or partly) reclassified to the income statement upon disposal (either fully or partly) or liquidation.

Exchange rates of key currencies
The following exchange rates, for the most important countries in which HEINEKEN has operations, were used while preparing these consolidated financial statements:

In €	**Year-end 2021**	Year-end 2020	%	**Average 2021**	Average 2020	%
Brazilian Real (BRL)	0.1585	0.1569	1.0	0.1569	0.1698	(7.6)
Great Britain Pound (GBP)	1.1901	1.1123	7.0	1.1631	1.1244	3.4
Mexican Peso (MXN)	0.0428	0.0410	4.4	0.0417	0.0408	2.2
Nigerian Naira (NGN)	0.0021	0.0020	5.0	0.0021	0.0023	(8.7)
Polish Zloty (PLN)	0.2174	0.2167	0.3	0.2190	0.2250	(2.7)
Russian Ruble (RUB)	0.0117	0.0109	7.3	0.0115	0.0121	(5.0)
Singapore Dollar (SGD)	0.6545	0.6166	6.1	0.6293	0.6354	(1.0)
United States Dollar (USD)	0.8829	0.8149	8.3	0.8455	0.8758	(3.5)
Indian Rupee (INR)	0.0119	0.0112	6.3	0.0114	0.0118	(3.4)
Vietnamese Dong in 1,000 (VND)	0.0386	0.0351	10.0	0.0369	0.0377	(2.1)

(c) Cash flow statement
The cash flow statement is prepared using the indirect method. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to shareholders are included in financing activities. Dividends received are classified as operating activities, as well as interest paid.

(d) Offsetting financial instruments
If HEINEKEN has a legal right to offset financial assets with financial liabilities and if HEINEKEN intends either to settle on a net basis or to realise the asset and settle the liability simultaneously, financial assets and liabilities are presented in the statement of financial position as a net amount.

Notes to the Consolidated Financial Statements

6. Operating activities

6.1 Operating segments

HEINEKEN distinguishes five reportable segments: Europe, Americas, Africa, Middle East & Eastern Europe, Asia Pacific and Head Office & Other/Eliminations. Information about these reportable segments are provided in the table below:

		Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Head Office & Other/Eliminations		Consolidated	
In millions of €	Note	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Net revenue (beia)[1]		**9,494**	**8,631**	**7,226**	**6,319**	**3,159**	**2,782**	**2,764**	**2,707**	**(744)**	**(716)**	**21,901**	**19,724**
Third party revenue[2]		11,444	10,462	7,372	6,452	3,828	3,400	3,926	3,443	13	13	26,583	23,770
Interregional revenue		724	697	28	27	–	–	5	5	(757)	(729)	–	–
Revenue		**12,168**	**11,159**	**7,400**	**6,479**	**3,828**	**3,400**	**3,931**	**3,448**	**(744)**	**(716)**	**26,583**	**23,770**
Excise tax expense[3]		(2,638)	(2,528)	(174)	(160)	(664)	(626)	(1,166)	(741)	–	–	(4,642)	(4,055)
Net revenue		**9,530**	**8,631**	**7,226**	**6,319**	**3,164**	**2,774**	**2,765**	**2,707**	**(744)**	**(716)**	**21,941**	**19,715**
Other income	6.2	**31**	**47**	**207**	**5**	**12**	**3**	**1,271**	**1**	**–**	**–**	**1,521**	**56**
Operating profit		**1,156**	**(7)**	**1,217**	**540**	**414**	**119**	**1,850**	**425**	**(154)**	**(299)**	**4,483**	**778**
Net finance expenses	11.1											**(399)**	**(590)**
Share of profit/(loss) of associates and joint ventures	10.3	10	(4)	87	31	36	17	115	(51)	2	(24)	250	(31)
Income tax expense	12.1											**(799)**	(245)
Profit/(Loss)												**3,535**	**(88)**
Attributable to:													
Shareholders of the Company (net profit/(loss))												3,324	(204)
Non-controlling interests												211	116
Operating profit reconciliation													
Operating profit/(loss)		1,156	(7)	1,217	540	414	119	1,850	425	(154)	(299)	4,483	778
Eia[1]		4	454	(2)	505	28	145	(1,097)	442	(1)	97	(1,069)	1,643
Operating profit (beia)[1]		**1,160**	**447**	**1,215**	**1,045**	**442**	**264**	**753**	**867**	**(155)**	**(202)**	**3,414**	**2,421**

1 Note that this is a non-GAAP measure. Due to rounding, this balance will not always cast.
2 Includes other revenue of €274 million (2020: €261 million).
3 Next to the €4,642 million of excise tax expense included in revenue (2020: €4,055 million), €1,606 million of excise tax expense is collected on behalf of third parties and excluded from revenue (2020: €1,613 million).

Notes to the Consolidated Financial Statements

		Europe		Americas		Africa, Middle East & Eastern Europe		Asia Pacific		Head Office & Other/Eliminations		Consolidated	
In millions of €	Note	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Current segment assets		2,606	2,291	2,367	1,766	1,255	1,155	1,542	1,215	1,661	2,370	9,431	8,797
Non-current segment assets		12,015	11,815	7,748	7,243	2,203	2,162	11,513	6,312	937	848	34,416	28,380
Investments in associates and joint ventures		258	282	790	838	260	221	2,839	3,095	1	1	4,148	4,437
Total segment assets		**14,879**	**14,388**	**10,905**	**9,847**	**3,718**	**3,538**	**15,894**	**10,622**	**2,599**	**3,219**	**47,995**	**41,614**
Unallocated assets												855	1,018
Total assets												**48,850**	**42,632**
Segment liabilities		**3,860**	**3,792**	**2,547**	**2,176**	**1,566**	**1,366**	**1,330**	**951**	**1,892**	**2,333**	**11,195**	**10,618**
Unallocated liabilities												17,955	17,622
Total equity												19,700	14,392
Total equity and liabilities												**48,850**	**42,632**
Purchase of owned property, plant and equipment	8.2	441	498	523	334	338	298	180	100	14	20	1,496	1,250
Acquisition of goodwill	8.1	12	9	–	–	–	–	632	2	–	–	644	11
Purchases of intangible assets	8.1	57	70	34	23	7	12	30	9	145	25	273	139
Depreciation of owned property, plant and equipment	8.2	(515)	(557)	(296)	(296)	(234)	(235)	(140)	(137)	(10)	(13)	(1,195)	(1,238)
Impairment (net of reversal) of owned property, plant and equipment	8.2	(1)	(195)	(15)	(135)	–	(68)	–	(65)	–	–	(16)	(463)
Amortisation of intangible assets	8.1	(82)	(77)	(88)	(99)	(8)	(8)	(168)	(153)	(43)	(52)	(389)	(389)
Impairment (net of reversal) of intangible assets	8.1	(2)	(1)	(70)	(225)	–	(26)	–	(200)	–	(14)	(72)	(466)

Notes to the Consolidated Financial Statements

Reconciliation of segment profit or loss

The table below presents the reconciliation of operating profit before exceptional items and amortisation of acquisition-related intangibles (operating profit beia) to profit before income tax.

In millions of €	2021	2020
Operating profit (beia)	**3,414**	**2,421**
Amortisation of acquisition-related intangible assets included in operating profit	(286)	(273)
Exceptional items included in operating profit	1,355	(1,370)
Share of profit/(loss) of associates and joint ventures	250	(31)
Net finance expenses	(399)	(590)
Profit before income tax	**4,334**	**157**

The 2021 exceptional items and amortisation of acquisition-related intangibles in operating profit amount to €1,069 million, net benefit (2020: €1,643 million, net expense). This amount consists of:

- €286 million (2020: €273 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €1,355 million net benefit (2020: €1,370 million net expense) of exceptional items recorded in operating profit. This includes €41 million exceptional excise tax benefit (2020: €8 million of exceptional expenses), €1,270 million of exceptional gain on previously-held equity interest from United Breweries Limited and €187 million net exceptional benefit related to tax credits in Brazil recorded in other income (2020: nil),net restructuring expenses of €32 million (2020: €331 million), impairments (net of reversal) of €108 million, including €203 million for Lagunitas (total impairments in 2020: €963 million) and €3 million of other exceptional net expenses, including loss on disposals (2020: €68 million).

Accounting estimates and judgements

Due to the complexity and variety in tax legislation, significant judgement is applied in the assessment of whether excise tax expenses are borne by HEINEKEN or collected on behalf of third parties.

HEINEKEN makes estimates when determining discount accruals in revenue at year-end, specifically for conditional discounts. Refer to note 7.3 for more explanation on how discount accruals are estimated.

Accounting policies

Segment reporting

Operating segments are reported consistently with the internal reporting provided to the Executive Board, which is considered to be HEINEKEN's chief operating decision-maker. An operating segment is a component of HEINEKEN that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of HEINEKEN's other components. All operating segments' operating results are reviewed regularly by the Executive Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The first four reportable segments as presented in the segmentation tables are HEINEKEN's business regions. These business regions are each managed separately by a Regional President, who reports to the Executive Board, and is directly accountable for the functioning of the segment's results, assets and liabilities. The Head Office operating segment falls directly under the responsibility of the Executive Board. The Executive Board reviews the performance of the segments based on internal management reports monthly.

Segment results, assets and liabilities that are reported to the Executive Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated result items comprise net finance expenses and income tax expenses. Unallocated assets mainly comprise deferred tax assets.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Performance is measured based on operating profit (beia), as included in the internal management reports that are reviewed by the Executive Board. Beia stands for 'before exceptional items and amortisation of acquisition-related intangibles'. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. Exceptional items include, among others, impairments of goodwill and fixed assets (and reversal of impairments), gains and losses from acquisitions and disposals, redundancy costs following a restructuring, past service costs and curtailments, the tax impact on exceptional items and tax rate changes (the one-off impact on deferred tax positions).

Operating profit and operating profit (beia) are not financial measures calculated in accordance with IFRS. Operating profit (beia) is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of the segments. Beia adjustments are also applied to other metrics. The presentation of these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated.

HEINEKEN has multiple distribution models to deliver goods to end customers. There is no reliance on major clients. Deliveries to end consumers are country dependent and include deliveries via own wholesalers and pubs, direct to customers and via third-party distribution. As such, distribution models are country-specific and diverse across HEINEKEN. In addition, these various distribution models are not centrally managed or monitored. Consequently, the Executive Board does not allocate resources or assess performance based on business type information. Accordingly, no segment information on business type is provided.

Inter-segment transfers or transactions are determined on an arm's length basis. As net finance expenses and income tax expenses are monitored on a consolidated level (and not on an individual regional basis) and Regional Presidents are not accountable for that, net finance expenses and income tax expenses are not provided for the reportable segments.

Notes to the Consolidated Financial Statements

Revenue

The majority of HEINEKEN's revenue is generated by the sale and delivery of products to customers. The product range of HEINEKEN mainly consists of beer, soft drinks and cider. Products are mostly own-produced finished goods from HEINEKEN's brewing activities, but also contain purchased goods for resale from HEINEKEN's wholesale activities. HEINEKEN's customer group can be split between on-trade customers like cafés, bars and restaurants and off-trade customers like retailers and wholesalers. Due to HEINEKEN's global footprint, its revenue is exposed to strategic and financial risks that differ per region.

Revenue is recognised when control over products has been transferred and HEINEKEN fulfilled its performance obligation to the customer. For the majority of the sales, control is transferred either at delivery of the products or upon pickup by the customer from HEINEKEN's premises.

Revenue is recognised based on the price specified in the contract, net of returns, discounts, sales taxes and excise taxes collected on behalf of third parties.

Other revenues include rental income from pubs and bars, royalties, income from wholesale activities, pub management services and technical services to third parties. Royalties are sales-based and recognised in profit or loss (consolidated income statement) on an accrual basis in accordance with the relevant agreement. Rental income, income from wholesale activities, pub management services and technical services are recognised in profit or loss when the services have been delivered.

Discounts

HEINEKEN uses different types of discounts depending on the nature of the customer. Some discounts are unconditional, like cash discounts, early payment discounts and temporary promotional discounts. Unconditional discounts are recognised at the same moment of the related sales transaction.

HEINEKEN also provides conditional discounts to customers. These contractually agreed conditions include volume and promotional rebates. Conditional discounts are recognised based on estimated target realisation. The estimation is based on accumulated experience supported by historical and current sales information. A discount accrual is recognised at each reporting date for discounts payable to customers based on their expected or actual volume up to that date.

Other discounts include listing and shelving visibility fees charged by the customer whereby the payments to customers are closely related to the volumes sold. HEINEKEN assesses the substance of contracts with customers to determine the classification of payments to customers as either discounts or marketing expenses.

Discounts are accounted for as a reduction of revenue. Only when these payments to customers relate to a distinct service, the amount is classified as operating expense.

Excise tax expense

Local tax authorities impose multiple taxes, duties and fees. These include excise on the sale or production of alcoholic beverages, environmental taxes on the use of certain raw materials or packaging materials, or the energy consumption in the production process. Excise duties are common in the beverage industry but levied differently amongst the countries HEINEKEN operates in. HEINEKEN performs a country by country analysis to assess whether the excise duty is sales-related or effectively a production tax. In most countries, excise duties are effectively a production tax as excise duties become payable when goods are moved from bonded warehouses and are not based on the sales value. In these countries, increases in excise duties are not always (fully) passed on to customers and HEINEKEN cannot, or can only partly, reclaim the excise duty in the case products are eventually not sold to customers. Excise tax is borne by HEINEKEN for these countries and shown as expenses. Only for those countries where excise is levied at the moment of the sales transaction and excise is based on the sales value, the excise duties are collected on behalf of a tax authority and consequently deducted from revenue. Due to the complexity and variety in tax legislation, significant judgement is applied in the assessment of whether taxes are borne by HEINEKEN or collected on behalf of a third party.

To provide transparency on the impact of the accounting for excise, HEINEKEN presents the excise tax expense on a separate line below revenue in the consolidated income statement. A subtotal called 'Net revenue' is therefore included in the Income Statement. This 'Net revenue' subtotal is 'revenue' as defined in IFRS 15 (after discounts) minus the excise tax expense for those countries where the excise is borne by HEINEKEN.

Notes to the Consolidated Financial Statements

6.2 Other income

Other income includes the gain on sale from transactions that do not arise from contracts with customers and are therefore presented separately from revenue.

In millions of €	2021	2020
Gain on sale of property, plant and equipment	41	35
Gain on sale of intangible assets	9	20
Gain on sale of subsidiaries, joint ventures and associates	5	1
Gain on previously held equity-interests	1,270	–
Tax credits	196	–
	1,521	**56**

In 2021, other income mainly relates to a gain on previously held equity-interest in United Breweries Limited (UBL) in India of €1,270 million, after obtaining control of UBL on 29 July 2021 (refer to note 10.1). This amount includes a loss of €113 million relating to the recycling of currency exchange differences from the translation reserve, which is included in the currency translation differences in the statement of other comprehensive income.

The Brazilian Supreme Court confirmed, in May 2021, that ICMS[1] should be excluded from PIS/COFINS[2] taxable basis. During the year ended 31 December 2021, the analysis regarding the unduly paid PIS/COFINS for the period 2001 until 2021 was completed. As a result, tax credits for an amount of €196 million have been recognised in other income and €96 million in other net finance income (refer to note 11.1).

The cash flows resulting from the recognised tax credits are included in cash flow from operating activities in the consolidated statement of cash flow.

Accounting policies

Other income is recognised in profit or loss when control over the sold asset is transferred to the buyer. The amount recognised as other income equals the proceeds obtained from the buyer minus the carrying value of the sold asset.

As part of a step acquisition, any previously held equity interest in the acquiree is remeasured to fair value on the date of the acquisition. The difference between the carrying value and the fair value of the previously held equity interest is recognised in other income.

1 ICMS: This is a state-level sales tax imposed on the physical movement of merchandise.

2 PIS/COFINS: PIS (Program of Social Integration) and COFINS (Contribution for the Financing of Social Security) are federal sales taxes based on the turnover of companies.

6.3 Raw materials, consumables and services

In millions of €	2021	2020
Raw materials	1,925	1,811
Non-returnable packaging	4,031	3,691
Goods for resale	1,217	920
Inventory movements	96	17
Marketing and selling expenses	2,091	2,044
Transport expenses	1,222	1,080
Energy and water	529	476
Repair and maintenance	503	474
Other expenses	1,921	1,937
	13,535	**12,450**

Other expenses in raw materials, consumables and services mainly include consulting expenses of €242 million (2020: €187 million), telecom and office automation of €277 million (2020: €271 million), warehousing expenses of €189 million (2020: €179 million), other taxes of €118 million (2020: €109 million), short-term lease expenses of €61 million (2020: €58 million) and low-value lease expenses of €30 million (2020: €33 million).

Accounting policies

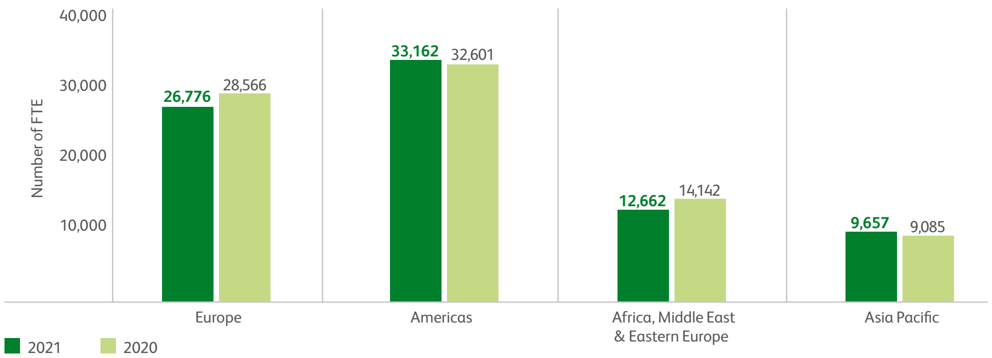
Expenses are recognised based on accrual accounting. This means that expenses are recognised when the product is received or the service is provided regardless of when cash outflow takes place. Costs related to power purchase agreements are included as part of 'Energy and water'.

Notes to the Consolidated Financial Statements

6.4 Personnel expenses

The average number of full-time equivalent (FTE) employees, excluding contractors, in 2021 was 82,257 (2020: 84,394 FTE), divided per region as follows:

Average number of FTE per region



The increase in Asia Pacific is mainly due to the acquisition of UBL in India (refer to note 10.1). The full year impact on average FTE will only be reflected as from next year. The decrease in Europe and Africa, Middle East & Eastern Europe is mainly due to restructuring as a result of the productivity programme related to EverGreen.

A total of 3,925 FTEs are based in the Netherlands (2020: 4,218 FTE). The decrease in FTEs based in the Netherlands during 2021 is due to restructuring and temporary contracts not being renewed.

As a result of the COVID-19 pandemic, HEINEKEN received government grants related to personnel expenses in various countries amounting to €37 million (2020: €49 million), including furlough arrangements for 661 FTEs (2020: 1,573 FTEs).

HEINEKEN employees receive compensations such as salaries and wages, pensions (refer to note 9.1) and share-based payments (refer to note 6.5). Other personnel expenses include expenses for contractors of €114 million (2020: €128 million) and a reversal of restructuring provision of €4 million (2020: €343 million, expense). Refer to note 9.2 for the restructuring provisions.

In millions of €	Note	2021	2020
Wages and salaries		2,382	2,228
Compulsory social security contributions		365	367
Contributions to defined contribution plans		53	51
Expenses related to defined benefit plans	9.1	102	104
Expenses related to other long-term employee benefits		3	7
Equity-settled share-based payment plan	6.5	51	(1)
Other personnel expenses		529	913
		3,485	**3,669**

Accounting policies

Personnel expenses

Personnel expenses are recognised when the related service is provided. For more details on accounting policies related to post-retirements obligations and share-based payments refer to notes 9.1 and 6.5 respectively.

Government grants

Governments grants relating to certain deferred costs or costs yet to be incurred are capitalised and released to profit or loss in the respective periods in which the costs are recognised.

6.5 Share-based payments

HEINEKEN has the following share-based compensation plans: long-term incentive plan, extraordinary share plan and matching share plan (as part of the Short-term incentive plan of the Executive Board).

Long-term incentive plan (LTIP)

HEINEKEN has a performance-based LTIP for the Executive Board and senior management. Under this LTIP, share rights are conditionally awarded to participants on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific internal performance conditions and continued service over a three-calendar year period by the employee. The share rights are not dividend-bearing during the performance period.

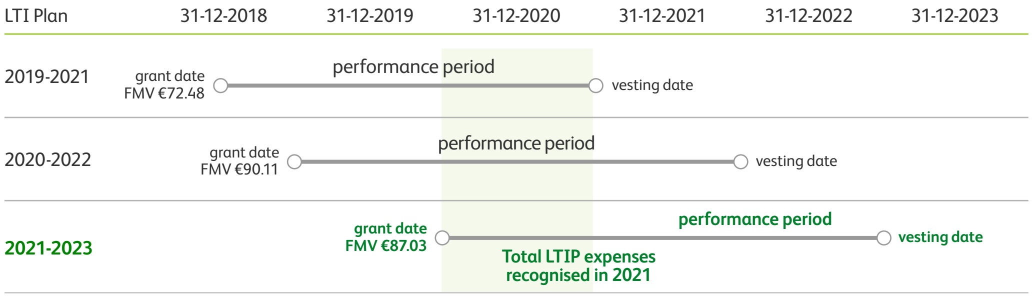
The performance conditions for LTIP are organic net revenue growth, organic operating profit beia growth, earnings per share beia growth and free operating cash flow. The performance conditions are equally weighted.

At target performance, 100% of the awarded share rights vest. At threshold performance, 50% of the awarded share rights vest and at maximum performance, 200% of the awarded share rights vest.

Notes to the Consolidated Financial Statements

The grant date, fair market value (FMV) at the grant date, service period and vesting date for the LTIP are visualised below:

Overview LTIP



The number of outstanding share rights and the movement over the year under the LTIP of the Executive Board and senior management is as follows:

	Number of share rights 2021	Number of share rights 2020
Outstanding as at 1 January	**851,689**	**1,746,018**
Granted during the year	444,541	457,906
Forfeited during the year	(113,363)	(104,002)
Cancelled during the year	(60,145)	–
Vested previous year	–	(764,496)
Performance adjustment	698,647	(483,737)
Outstanding as at 31 December	**1,821,369**	**851,689**
Share price as at 31 December	**98.86**	**91.22**

At vesting, HEINEKEN deducts a number of shares to cover payroll taxes and mandatory withholdings on behalf of the individual employees. Therefore, the number of Heineken N.V. shares to be received by LTIP participants is a net (after-tax) number. In line with its decision not to pay out any incentives to senior management in 2021, HEINEKEN cancelled LTIP 2018-2020, so no shares have been vested under this plan. Ownership of the vested LTIP 2019-2021 shares will transfer to the Executive Board members shortly after the publication of the annual results in 2021 and to senior management on 1 April 2022.

Other share-based compensation plans
Under the Extraordinary share plans for senior management, in 2021 58,566 shares were granted and 17,878 (gross) shares vested. These extraordinary grants only have a service condition and vest between one and five years. The expenses relating to these additional grants are recognised in profit or loss during the vesting period. In 2021, expenses amounted to €4 million (2020: €1 million).

Matching shares granted to the Executive Board are disclosed in note 13.3.

Personnel expenses
The total share-based compensation expense that is recognised in 2021 amounts to €51 million (2020: €(1) million share-based compensation income).

In millions of €	Note	**2021**	2020
Share rights granted in 2018		–	(21)
Share rights granted in 2019		7	4
Share rights granted in 2020		21	16
Share rights granted in 2021		23	–
Total expense recognised in personnel expenses	6.4	**51**	**(1)**

Accounting estimates

The grant date fair value is calculated by adjusting the share price at the grant date for estimated foregone dividends during the performance period, as the participants are not entitled to receive dividends during that period. The foregone dividends are estimated by applying HEINEKEN's dividend policy on the latest forecasts of net profit (beia).

At each balance sheet date, HEINEKEN uses its latest forecasts to calculate the expected realisation on the performance targets per plan. The number of shares is adjusted to the new target realisation and HEINEKEN increases/decreases the total plan cost. The cumulative effect is recorded in the profit or loss, with a corresponding adjustment to equity.

Expenses related to employees that voluntarily leave HEINEKEN are reversed as they will not receive any shares from the LTIP. The expense calculation includes the estimated future forfeiture. HEINEKEN uses historical information to estimate this forfeiture rate.

Accounting policies

HEINEKEN's share-based compensation plans are equity-settled share rights granted to the Executive Board and senior management.

The grant date fair value is calculated by deducting expected foregone dividends from the grant date during the performance period share price. The costs of the share plans are adjusted for expected performance and forfeiture and spread evenly over the service period.

Share-based compensation expenses are recorded in the profit or loss, with a corresponding adjustment to equity.

Notes to the Consolidated Financial Statements

6.6 Amortisation, depreciation and impairments

In millions of €	Note	2021	2020
Property, plant and equipment	8.2	1,487	1,981
Intangible assets	8.1	461	855
Other		11	38
		1,959	**2,874**

Property, plant and equipment include depreciation and impairment of ROU assets of €276 million (2020: €280 million).

For more information on impairment losses, refer to note 8.2.

Accounting policies

Refer to note 8.1 for the accounting policy on impairments and amortisation, and to note 8.2 for the policy on depreciation.

6.7 Earnings per share

The calculation of earnings per share (EPS) for the period ended 31 December 2021 is based on the profit attributable to the shareholders of the Company (net profit/(loss)) and the weighted average number of shares outstanding (basic and diluted) during the year ended 31 December 2021.

In € per share (basic or diluted) for the period ended 31 December	2021	2020
Basic earnings per share	5.77	(0.36)
Diluted earnings per share	5.77	(0.36)

Refer to the table below for the information used in the calculation of the basic and diluted earnings per share.

Weighted average number of shares – basic and diluted

	2021	2020
Total number of shares issued	576,002,613	576,002,613
Effect of own shares held	(262,344)	(377,015)
Weighted average number of basic shares outstanding for the year	**575,740,269**	**575,625,598**
Dilutive effect of share-based payment plan obligations	229,127	–
Weighted average number of diluted shares outstanding for the year	**575,969,395**	**575,625,598**

In 2020, the shares related to the employee incentive programme (196,007 shares) were excluded in the calculation of the weighted average number of diluted shares outstanding, as these had an anti-dilutive impact due to the reported net loss.

Accounting policies

HEINEKEN presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year, adjusted for the weighted average number of own shares held in the year. Diluted EPS is determined by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding, adjusted for the weighted average number of own shares held in the year and for the effects of all dilutive potential shares which comprise share rights granted to employees and the Executive Board. The effects of anti-dilutive potential ordinary shares are ignored in calculating Diluted EPS.

7. Working capital

7.1 Inventories

Inventories include raw and packaging materials, work in progress, spare parts, goods for resale and finished products.

In millions of €	2021	2020
Raw materials	445	321
Work in progress	324	228
Finished products	499	460
Goods for resale	396	331
Non-returnable packaging	338	241
Other inventories and spare parts	436	377
	2,438	**1,958**

In 2021, the change in inventories written off to net realisable value was €11 million, release (2020: €20 million, write off).

Accounting policies

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes to the Consolidated Financial Statements

7.2 Trade and other receivables

Trade and other receivables arise during ordinary activities, for example from the sale of inventory, from proceeds for contract brewing or from royalty fees.

In millions of €	**2021**	2020
Trade receivables	2,376	1,768
Other receivables	865	636
Trade receivables due from associates and joint ventures	13	20
Prepayments	408	383
	3,662	**2,807**

Trade and other receivables contain a net impairment loss of €28 million (2020: €141 million) from contracts with customers, which is included in expenses for raw materials, consumables and services.

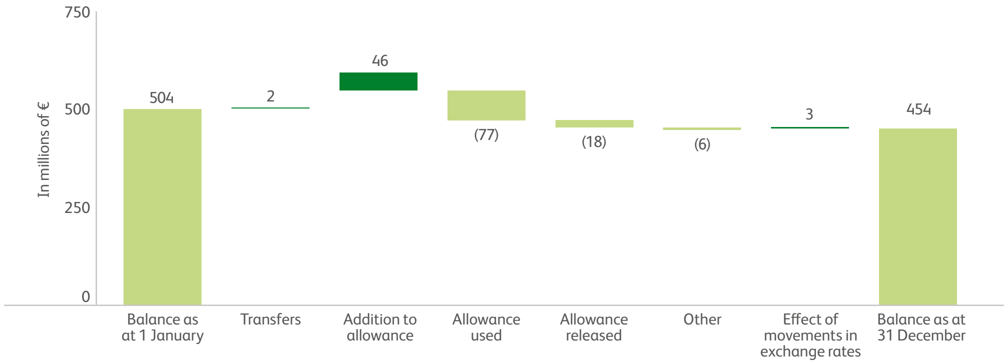
The ageing of trade and other receivables (excluding prepayments) as at 31 December 2021 is as follows:

	2021		**Past due**		
In millions of €	**Total**	**Not past due**	**0-30 days**	**31-120 days**	**> 120 days**
Gross	3,708	2,788	322	196	402
Allowance	(454)	(72)	(34)	(45)	(303)
	3,254	**2,716**	**288**	**151**	**99**

	2020		Past due		
In millions of €	Total	Not past due	0-30 days	31-120 days	> 120 days
Gross	2,928	1,872	245	262	549
Allowance	(504)	(79)	(19)	(76)	(330)
	2,424	**1,793**	**226**	**186**	**219**

The movement in allowance for credit losses for trade and other receivables during the year is as follows:

Allowance for credit losses 2021 – Trade and other receivables



In millions of €	**2021**	2020
Balance as at 1 January	**504**	**434**
Changes in consolidation	2	–
Transfers	–	10
Addition to allowance	46	143
Allowance used	(77)	(58)
Allowance released	(18)	(2)
Other	(6)	–
Effect of movements in exchange rates	3	(23)
Balance as at 31 December	**454**	**504**

Accounting estimates

HEINEKEN determines on each reporting date the impairment of trade and other receivables using a model (e.g. flow rate method) which estimates the lifetime expected credit losses that will be incurred on these receivables. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. These assessments include any change in credit risk due to the continued or changing impact of the COVID-19 pandemic. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

Accounting policies

Trade and other receivables are held by HEINEKEN to collect the related cash flows. These receivables are measured at fair value and subsequently at amortised cost minus any impairment losses. Trade and other receivables are derecognised by HEINEKEN when substantially all risks and rewards are transferred or if HEINEKEN does not retain control over the receivables.

Notes to the Consolidated Financial Statements

7.3 Trade and other payables

In the ordinary course of business, payable positions arise towards suppliers of goods and services, as well as to other parties. Refer to the table below for the different types of trade and other payables.

In millions of €	2021	2020
Trade payables	4,631	3,663
Accruals	1,615	1,232
Taxation and social security contributions	999	845
Interest	177	187
Dividends	23	13
Other payables	305	167
	7,750	**6,107**

As a result of the COVID-19 pandemic, in some countries, HEINEKEN was allowed a short-term postponement of payments of certain indirect taxes, such as value-added taxes. As at 31 December 2021, an amount of €42 million (2020: €98 million) of delayed indirect tax payments is included in trade and other payables.

Accounting estimates

HEINEKEN makes estimates in the determination of discount accruals. When discounts are provided to customers, these reduce the transaction price and consequently the revenue. The conditional discounts in revenue (refer to note 6.1) are estimated based on accumulated experience supported by historical and current sales information. Expected sales volumes are determined taking into account (historical) sales patterns and other relevant information. A discount accrual is recognised for expected volume and discounts due to customers in relation to sales made until the end of the reporting period.

Accounting policies

Trade and other payables are initially measured at fair value and subsequently at amortised cost. Trade payables are derecognised when the contractual obligation is either discharged, cancelled or expired.

7.4 Returnable packaging materials

HEINEKEN uses returnable packaging materials such as glass bottles, crates and kegs in selling the finished products to the customer.

Returnable packaging materials

The majority of returnable packaging materials are classified as property, plant and equipment. The category 'Other fixed assets' in property, plant and equipment (refer to note 8.2) includes €830 million (2020: €824 million) of returnable packaging materials.

Returnable packaging deposit liability

In certain markets, HEINEKEN has the legal or constructive obligation to take back the materials from the market. A deposit value is generally charged upon the sale of the finished product, which is reimbursed when the empty returnable packaging material is returned.

In millions of €	2021	2020
Returnable packaging deposits	**476**	**454**

Accounting estimates

The main accounting estimate relating to returnable packaging materials is determining the returnable packaging materials in the market and the expected return thereof. This is based on circulation times and losses of returnable packaging materials in the market.

Accounting policies

Returnable packaging materials

Returnable packaging materials may be classified as property, plant and equipment or inventory.
The classification mainly depends on whether ownership is transferred and if HEINEKEN has the legal or constructive obligation to buy back the materials.

Refer to note 8.2 for the general accounting policy on property, plant and equipment. Specifically for returnable packaging materials, the estimated useful life depends on the loss of the materials in the market as well as on HEINEKEN's sites.

Returnable packaging deposit liability

HEINEKEN recognises a deposit liability when a legal or constructive obligation exists to reimburse the customer for returnable packaging materials that are returned. The returnable packaging deposit liability is based on the estimated returnable packaging materials in the market, the expected return thereof and the deposit value.

Notes to the Consolidated Financial Statements

8. Non-current assets

8.1 Intangible assets

Intangible assets within HEINEKEN are mainly goodwill, brands and customer-related intangibles such as customer lists. The majority of intangible assets have been recognised by HEINEKEN as part of acquisitions. Refer to the table below for the historical cost per asset class and the movements during the year including amortisation.

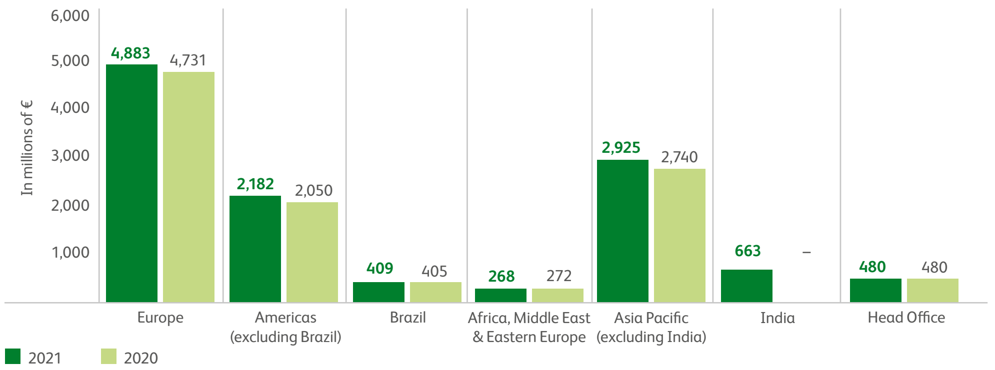
							2021						2020
In millions of €	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Cost													
Balance as at 1 January		**11,149**	**4,552**	**2,051**	**946**	**1,081**	**19,779**	**11,898**	**4,979**	**2,300**	**1,064**	**1,037**	**21,278**
Changes in consolidation	10.1	644	3,644	–	(4)	(3)	4,281	11	13	(14)	(17)	(1)	(8)
Purchased/internally developed		–	112	1	36	124	273	–	–	1	3	135	139
Transfer (to)/from assets classified as held for sale	10.2	–	(2)	–	–	(1)	(3)	–	(3)	–	–	–	(3)
Disposals		–	(1)	–	–	(31)	(32)	–	–	(1)	(1)	(38)	(40)
Effect of movements in exchange rates		485	407	120	55	15	1,082	(760)	(437)	(235)	(103)	(52)	(1,587)
Balance as at 31 December		**12,278**	**8,712**	**2,172**	**1,033**	**1,185**	**25,380**	**11,149**	**4,552**	**2,051**	**946**	**1,081**	**19,779**
Amortisation and impairment losses													
Balance as at 1 January		**(471)**	**(1,409)**	**(1,182)**	**(332)**	**(618)**	**(4,012)**	**(433)**	**(1,026)**	**(1,169)**	**(328)**	**(553)**	**(3,509)**
Changes in consolidation		–	–	–	–	(3)	(3)	–	–	7	8	–	15
Amortisation charge for the year	6.6	–	(149)	(108)	(28)	(104)	(389)	–	(124)	(113)	(40)	(112)	(389)
Impairment losses	6.6	–	(134)	–	–	–	(134)	(39)	(369)	(38)	(3)	(17)	(466)
Reversals of impairments	6.6	–	53	9	–	–	62	–	–	–	–	–	–
Transfer to/(from) assets classified as held for sale	10.2	–	2	–	–	1	3	–	–	–	–	–	–
Disposals		–	1	–	–	25	26	–	–	–	–	34	34
Effect of movements in exchange rates		3	(72)	(71)	(25)	(6)	(171)	1	110	131	31	30	303
Balance as at 31 December		**(468)**	**(1,708)**	**(1,352)**	**(385)**	**(705)**	**(4,618)**	**(471)**	**(1,409)**	**(1,182)**	**(332)**	**(618)**	**(4,012)**
Carrying amount													
As at 1 January		**10,678**	**3,143**	**869**	**614**	**463**	**15,767**	**11,465**	**3,953**	**1,131**	**736**	**484**	**17,769**
As at 31 December		**11,810**	**7,004**	**820**	**648**	**480**	**20,762**	**10,678**	**3,143**	**869**	**614**	**463**	**15,767**

Notes to the Consolidated Financial Statements

Goodwill impairment testing

For impairment testing, goodwill in respect of Europe, Americas (excluding Brazil) and Asia Pacific (excluding India) is allocated and monitored on a regional basis. For Brazil, India, subsidiaries within Africa, Middle East & Eastern Europe and Head Office, goodwill is allocated and monitored on an individual country basis. The total amount of goodwill of €11,810 million (2020: €10,678 million) is allocated to each (group of) Cash Generating Unit (CGU) as follows:

Goodwill per (group of) CGU



The increase in goodwill of €1,132 million compared to 2020, mainly relates to €631 million goodwill recognised for the acquisition of UBL (India, refer to note 10.1) and the movement in exchange rates of €488 million.

The carrying amount of a CGU is compared to the recoverable amount of the CGU. The recoverable amounts of the (group of) CGUs are based on the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU) calculations. CGUs for which the recoverable amount is based on a VIU model represent 94% of goodwill. VIU is determined by discounting the future cash flows generated from the continuing use of the CGU using a pre-tax discount rate.

The key assumptions used for the value in use calculations are as follows:

- Cash flows are projected based on actual operating results and the approved business plan. Cash flows thereafter are extrapolated up to a 10-year period (Europe 5-year) using an expected annual volume growth rate per country, which is based on external sources. Based on past experience, management considers this period to reflect the long-term development of the local beer business.
- The beer price growth per year, after the forecast period, is assumed to be the expected country-specific annual long-term inflation, which is based on external sources.
- Cash flows after the first 10-year period (Europe 5-year) are extrapolated using a perpetual growth rate equal to the expected 30-year average inflation (2020: 10-year average inflation), in order to calculate the terminal recoverable amount. For Europe, a return on inflation-linked bond rates is used to extrapolate cash flows.
- A CGU-specific pre-tax weighted average cost of capital (WACC) was applied per CGU in determining the recoverable amount of the units.

The values assigned to the key assumptions used for the VIU calculations are as follows:

In %	Pre-tax WACC	Expected annual long-term inflation applied for years 2026-2031	Expected volume growth rates applied for years 2026-2031
Europe	7.9	2.0	1.7
Americas (excluding Brazil)	9.9	2.8	1.1
Brazil	12.4	3.1	0.9
Africa, Middle East & Eastern Europe	13.5 - 22.3	5.0 - 7.3	3.5 - 5.1
Asia Pacific (excluding India)	11.2	3.3	1.6
Head Office	11.0	3.0	1.8

Impairment losses

In 2021, climate risks did not give rise to indicators that an impairment exist.

The annual goodwill impairment test did not result in an impairment loss for the current year (2020: nil). The impairment test required as a result of the identification of impairment indicators resulted in an impairment (net of reversal) of €72 million on intangible assets other than goodwill (2020: €39 million on goodwill and €427 million on intangible assets other than goodwill), which was charged to profit and loss (refer to note 8.2).

Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 100 basis points adverse change in key assumptions (i.e. lower growth rates or higher discount rates respectively) did not result in a materially different outcome for the impairment test and the headroom for none of the CGUs would have been reduced to nil.

Brands, customer-related and contract-based intangibles

The main brands capitalised are the brands acquired in various acquisitions. The main customer-related and contract-based intangibles relate to customer relationships (constituted either by way of a contractual agreement or by way of non-contractual relations) and re-acquired rights.

Accounting estimates and judgements

The cash flow projections used in the value in use calculations for goodwill impairment testing contain various judgements and estimations as described in the key assumptions for the VIU calculations.

For intangible assets, other than goodwill, estimates are required to determine the (remaining) useful lives. Useful lives are determined based on the market position (for brands), estimated remaining useful life of the customer relationships or the period of the contractual arrangements, or estimates on technological and commercial developments (for software/development expenditure).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life. HEINEKEN believes that straight-line depreciation most accurately reflects the expected pattern of consumption of the future economic benefits embodied in the intangible asset.

Notes to the Consolidated Financial Statements

Accounting policies

Goodwill
Goodwill represents the difference between the fair value of the net assets acquired and the transaction price of the acquisition. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to individual or groups of CGUs for impairment testing and is tested annually for impairment. Negative goodwill is recognised directly in profit or loss as other income. An impairment loss in respect of goodwill cannot be reversed.

Brands, customer-related and contract-based intangibles
Brands, customer-related and contract-based intangibles acquired as part of a business combination are recognised at fair value. Otherwise, these acquired intangibles are recognised at cost and amortised over the estimated useful life of the individual brand, respectively over the remaining useful life of the customer relationships or the period of the contractual arrangements.

Strategic brands are well-known international/local brands with a strong market position and an established brand name.

Software, research and development and other intangible assets
Purchased software is measured at cost less accumulated amortisation. Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise, it is recognised in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge, is recognised in profit or loss when incurred.

Amortisation
Amortisation is calculated over the cost of the asset less its residual value. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives from the date they are available for use. The estimated useful lives are as follows:

– Strategic brands	40 - 50 years
– Other brands	5 - 25 years
– Customer-related and contract-based intangibles	5 - 25 years
– Re-acquired rights	3 - 12 years
– Software	3 - 7 years
– Capitalised development costs	3 years

The amortisation method, useful lives and residual values are reassessed annually. Changes in useful lives or residual value are recognised prospectively.

De-recognition of intangible assets
Intangible assets are derecognised when disposed of or sold. Gains on sale of intangible assets are presented in profit or loss as other income (refer to note 6.2); losses on sale are included in amortisation. Goodwill is derecognised when the related CGU is sold.

Impairment of non-financial assets
At each reporting date, HEINEKEN reviews the carrying amounts of its non-financial assets (except for inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. Furthermore, HEINEKEN assesses goodwill and other intangible assets with an indefinite useful life annually for impairment.

For impairment testing, assets are grouped into the smallest group of assets that generate cash inflows from continuing use. The CGU for other non-financial assets is often the operating company on a country level. The recoverable amount of an asset or CGU is the higher of an asset's FVLCD and VIU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are first allocated to goodwill and intangible assets with an indefinite useful life. A remaining impairment loss is then allocated to the other assets in the unit on a pro-rata basis. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

8.2 Property, plant and equipment

Property, plant and equipment (P,P&E) are fixed assets that are owned by HEINEKEN, as well as right of use (ROU) assets under a lease agreement. Owned and ROU assets are held for use in HEINEKEN's operating activities. Refer to the table below for the split between owned assets and ROU assets as per balance sheet date:

In millions of €	2021	2020
Property, plant and equipment - owned assets	11,518	10,606
Right of use assets	883	945
	12,401	**11,551**

Notes to the Consolidated Financial Statements

Owned assets

The table below details the historical cost per asset class and the movements during the year for owned assets.

						2021					2020
In millions of €	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Cost											
Balance as at 1 January		**7,042**	**9,455**	**5,699**	**669**	**22,865**	**7,418**	**9,638**	**5,778**	**1,077**	**23,911**
Changes in consolidation and other transfers	10.1	187	171	13	13	384	25	97	9	3	134
Purchases		20	55	251	1,170	1,496	37	35	295	883	1,250
Transfer of completed projects under construction		119	393	279	(791)	–	217	613	331	(1,161)	–
Transfer (to)/from assets classified as held for sale		(21)	(29)	(9)	–	(59)	(62)	(21)	(2)	–	(85)
Disposals		(40)	(112)	(384)	(6)	(542)	(46)	(131)	(269)	(4)	(450)
Effect of movements in exchange rates		227	166	85	13	491	(547)	(776)	(443)	(129)	(1,895)
Balance as at 31 December		**7,534**	**10,099**	**5,934**	**1,068**	**24,635**	**7,042**	**9,455**	**5,699**	**669**	**22,865**
Depreciation and impairment losses											
Balance as at 1 January		**(2,586)**	**(5,605)**	**(3,999)**	**(69)**	**(12,259)**	**(2,367)**	**(5,464)**	**(3,850)**	**–**	**(11,681)**
Changes in consolidation and other transfers		–	(4)	4	–	–	(32)	(101)	(2)	–	(135)
Depreciation charge for the year	6.6	(156)	(460)	(579)	–	(1,195)	(166)	(443)	(629)	–	(1,238)
Impairment losses	6.6	(6)	(43)	(1)	(2)	(52)	(224)	(110)	(60)	(69)	(463)
Reversals of impairments	6.6	4	19	10	3	36	–	–	–	–	–
Transfer to/(from) assets classified as held for sale		13	26	9	–	48	40	11	2	–	53
Disposals		34	110	374	–	518	30	128	260	–	418
Effect of movements in exchange rates		(62)	(91)	(65)	5	(213)	133	374	280	–	787
Balance as at 31 December		**(2,759)**	**(6,048)**	**(4,247)**	**(63)**	**(13,117)**	**(2,586)**	**(5,605)**	**(3,999)**	**(69)**	**(12,259)**
Carrying amount											
As at 1 January		**4,456**	**3,850**	**1,700**	**600**	**10,606**	**5,051**	**4,174**	**1,928**	**1,077**	**12,230**
As at 31 December		**4,775**	**4,051**	**1,687**	**1,005**	**11,518**	**4,456**	**3,850**	**1,700**	**600**	**10,606**

Notes to the Consolidated Financial Statements

Land and buildings include the breweries and offices of HEINEKEN as well as stores, pubs and bars. The plant and machinery asset class contains all the assets needed in HEINEKEN's brewing, packaging and filling activities. Other fixed assets mainly consist of returnable packaging materials, commercial fixed assets and furniture, fixtures and fittings. Refer to note 7.4 for further information on returnable packaging materials that are included in this category.

Impairment losses
In 2021, climate risks did not give rise to indications that an impairment exists.

In 2021, impairments (net of reversal) of €16 million on owned P,P&E (2020: €463 million), €20 million on ROU assets (2020: €34 million), €72 million on intangible assets with finite useful life (2020: €427 million) and goodwill of nil (2020: €39 million) were recorded. The impairment charges mainly relate to Lagunitas (€203 million) and is primarily driven by a slower recovery from COVID-19, being behind HEINEKEN's internal expectation of the US market rebound. Additionally, various smaller reversals of impairments were recorded, relating to Americas.

The determination of the recoverable amount of Lagunitas is based on a VIU valuation, which is based on a discounted 5-year cash flow forecast. Cash flows after the first 5-year period are extrapolated using a perpetual growth rate equal to the expected 30-year compounded average inflation, in order to calculate the terminal recoverable amount. The key assumptions used to determine the cash flows are based on market expectations and management's best estimate.

Impairments are recorded on the line 'amortisation, depreciation and impairments' in the Income Statement. For a split per asset class, refer to the movement schedules in notes 8.1 and 8.2.

See the table below for the key assumptions:

	2021		2020	
	Lagunitas		Lagunitas	
In %	**2022 - 2025**	**2026**	2021-2023	2024-2025
Pre-tax WACC (in local currency)	8.4	8.4	6.7	6.7
Expected annual long-term inflation	2.1	2.1	1.9	1.9
Expected volume growth	(0.4)	2.0	0.1	2.0

Right of use (ROU) assets
HEINEKEN leases stores, pubs, offices, warehouses, cars, (forklift) trucks and other equipment in the ordinary course of business. HEINEKEN has around 35,000 leases with a wide range of different terms and conditions, depending on local regulations and practices. Many leases contain extension and termination options, which are included in the lease term if HEINEKEN is reasonably certain to exercise the option. Refer to the table below for the carrying amount of ROU assets per asset class per balance sheet date:

In millions of €	**2021**	2020
Land and buildings	692	672
Equipment	191	273
Carrying amount ROU assets as at 31 December	**883**	**945**

In 2021, €223 million was added to the ROU assets as a result of entering into new lease contracts and the remeasurement of existing leases (2020: €329 million). The depreciation and impairments of ROU assets for the financial year ending 31 December is as follows:

In millions of €	**2021**	2020
Land and buildings	180	185
Equipment	96	95
Depreciation and impairments for ROU assets	**276**	**280**

Accounting estimates and judgements

Estimates are required to determine the (remaining) useful lives of fixed assets. Useful lives are determined based on an asset's age, the frequency of its use, repair and maintenance policy, technology changes in production and expected restructuring.

HEINEKEN estimates the expected residual value per asset item. The residual value is the higher of the expected sales price (based on recent market transactions of similar sold items) and its material scrap value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of P,P&E. HEINEKEN believes that straight-line depreciation most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Significant judgement is required to determine the lease term. The assessment of whether HEINEKEN is reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities and ROU assets recognised.

Accounting policies

Owned assets
A fixed asset is recognised when it is probable that future economic benefits associated with the P,P&E item will flow to HEINEKEN and when the cost of the P,P&E can be reliably measured. The majority of the P,P&E of HEINEKEN are owned assets, rather than leased assets.

P,P&E are recognised at historical cost less accumulated depreciation and impairment losses. Historical cost includes all costs directly attributable to the purchase of an asset. The cost of self-constructed assets includes all directly attributable costs to make the asset ready for its intended use. Spare parts that meet the definition of P,P&E are capitalised and accounted for accordingly. If spare parts do not meet the recognition criteria of P,P&E, they are either carried in inventory or consumed and recorded in profit or loss.

Subsequent costs are capitalised only when it is probable that the expenses will lead to future economic benefits and can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

For the contractual commitments on ordered P,P&E refer to note 13.2.

Notes to the Consolidated Financial Statements

Depreciation and impairments
Depreciation is calculated using the straight-line method, based on the estimated useful life of the asset class. The estimated useful lives of the main asset classes are as follows:

– Buildings	30 - 40 years
– Plant and equipment	10 - 30 years
– Other fixed assets	3 - 10 years

Land and assets under construction are not depreciated. When assets under construction are ready for their intended use, they are transferred to the relevant category and depreciation starts. All other P,P&E items are depreciated over their estimated useful life to the asset's residual value.

The depreciation method, residual value and useful lives are reassessed annually. Changes in useful lives or residual value are recognised prospectively.

HEINEKEN reviews whether indicators for impairment exist on a CGU level. When an indicator of impairment exists, assets are tested for impairment. Impairment losses on assets, other than goodwill, recognised in prior periods are assessed at each reporting date for any indication of a reversal, due to observable indications that the asset's value has increased significantly or other significant changes with favourable effects.

Derecognition of Property, plant and equipment
P,P&E is derecognised when it is scrapped or sold. Gains on sale of P,P&E are presented in profit or loss as other income (refer to note 6.2); losses on sale are included in depreciation.

Right of use (ROU) assets

Definition of a lease
A contract contains a lease if it provides the right to control the use of an identified asset for a period of time in exchange for an amount payable to the lessor. The right to control the use of the identified asset exists when having the right to obtain substantially all of the economic benefits from the use of that asset and when having the right to direct the use of that asset.

HEINEKEN as a lessee
At the start date of the lease, HEINEKEN (lessee) recognises a ROU asset and a lease liability on the balance sheet. The ROU asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. For measurement of the lease liability, refer to note 11.3.

HEINEKEN applies the following practical expedients for the recognition of leases:

- The short-term lease exemption means that leases with a duration of less than a year are expensed in the income statement on a straight-line basis.
- The low-value lease exemption, meaning that leased assets with an individual value of €5 thousand or less if bought new, are expensed in the income statement on a straight-line basis.

HEINEKEN as a lessor
A lease is classified as a finance lease when it transfers substantially all the risks and rewards relating to ownership of the underlying asset to the lessee. For contracts where HEINEKEN acts as an intermediate lessor, the subleases are classified with reference to the ROU asset.

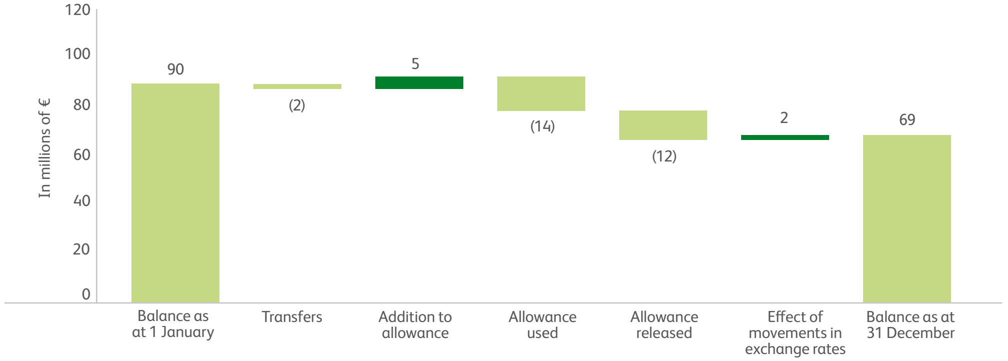
Lease related notes
For lease liabilities, refer to note 11.3 Borrowings. For short-term and low-value leases, refer to other expenses in note 6.3 Raw materials, consumables and services. For the lease receivables, refer to other receivables in note 8.4 Other non-current assets and other receivables in note 7.2 Trade and other receivables. For the contractual maturities of lease liabilities, refer to note 11.5 Credit, liquidity and market risk.

8.3 Loans and advances to customers
Loans and advances to customers are inherent to HEINEKEN's business model. Loans to customers are repaid in cash on fixed dates while the settlement of advances to customers is linked to the sales volume of the customer. Loans and advances to customers are usually backed by collateral such as properties.

In millions of €	2021	2020
Loans to customers	56	53
Advances to customers	153	141
Loans and advances to customers	**209**	**194**

The movement in allowance for impairment losses for loans and advances to customers during the year is as follows:

Allowance for credit losses 2021 – Loans and advances to customers



Notes to the Consolidated Financial Statements

In millions of €	2021	2020
Balance as at 1 January	**90**	**79**
Transfers	(2)	(10)
Addition to allowance	5	30
Allowance used	(14)	2
Allowance released	(12)	(7)
Effect of movements in exchange rates	2	(4)
Balance as at 31 December	**69**	**90**

Accounting estimates

HEINEKEN determines at each reporting date the impairment of loans and advances to customers using an expected credit loss model, which estimates the credit losses over 12 months. If a significant increase in credit risk occurs (e.g. more than 30 days overdue, change in credit rating, payment delays in other receivables from the customer), credit losses over the lifetime of the asset are incurred. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Judgement is required for the calculation of expected credit losses and considers the continued and changing impact of the COVID-19 pandemic. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

Accounting policies

Loans and advances to customers are initially measured at fair value and subsequently at amortised cost minus any impairment losses.

8.4 Other non-current assets

Other non-current assets mainly consist of Fair Value through Other Comprehensive Income (FVOCI) investments, prepayments and other receivables with a duration longer than 12 months.

In millions of €	Note	2021	2020
Fair value through OCI investments		135	117
Non-current derivatives	11.6	6	21
Loans to joint ventures and associates		28	30
Long-term prepayments		392	375
Other receivables		509	341
Other non-current assets		**1,070**	**884**

The FVOCI investments primarily consist of equity securities. HEINEKEN designates these investments as FVOCI as these are not held for trading purposes.

Other receivables include lease receivables of €148 million (2020: €160 million). The average outstanding term of the lease receivables, including the short-term portion of lease receivables, is 3.0 years (2020: 3.4 years). It further includes tax credits of €161 million recognised in Brazil (refer to note 6.2). The remainder of other receivables mainly originate from the acquisition of the beer operations of FEMSA and represent a receivable on the Brazilian authorities on which interest is calculated in accordance with Brazilian legislation. The collection of this receivable is expected to be beyond a period of five years. A part of the aforementioned qualifies for indemnification towards FEMSA and is provided for.

Sensitivity analysis – equity securities

An increase or decrease of 1% in the share price of the equity securities at the reporting date would not have a material impact.

Accounting estimates

HEINEKEN determines on each reporting date the impairment of other receivables using an expected credit loss model, which estimates the credit losses over 12 months. Only in case of a significant increase in credit risk occurs (e.g. more than 30 days overdue, change in credit rating, payment delays in other receivables from the customer) the credit losses over the lifetime of the asset are incurred. Individually significant other receivables are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

Accounting policies

Fair value through OCI investments

HEINEKEN's investments in equity securities are classified as FVOCI. These investments are interests in entities where HEINEKEN has less than significant influence. This is generally the case by ownership of less than 20% of the voting rights. Upon the sale of these equity securities the accumulated fair value and currency translation changes are transferred to retained earnings.

FVOCI investments are measured at fair value (refer to note 13.1). The fair value changes are recognised in OCI and presented within equity in the fair value reserve. Dividend income is recognised in profit or loss.

Non-current derivatives

Refer to the accounting policies on derivative financial instruments in note 11.6.

Other

The remaining non-current assets as presented in the previous table are initially measured at fair value and subsequently at amortised cost minus any impairment losses.

Notes to the Consolidated Financial Statements

9. Provisions and contingent liabilities

9.1 Post-retirement obligations

HEINEKEN makes contributions to pension plans that provide pension benefits to (former) employees upon retirement, both via defined benefit as well as defined contribution plans. Other long-term employee benefits include long-term bonus plans, termination benefits, medical plans and jubilee benefits. Refer to note 6.4 for the contribution to defined contribution plans. This note relates to HEINEKEN's defined benefit pension plans. Refer to the table below for the present value of the defined benefit plans as at 31 December.

In millions of €	2021	2020
Present value of unfunded defined benefit obligations	169	203
Present value of funded defined benefit obligations	10,013	9,387
Total present value of defined benefit obligations	**10,182**	**9,590**
Fair value of defined benefit plan assets	(9,680)	(8,757)
Present value of net obligations	**502**	**833**
Asset ceiling items	101	48
Defined benefit plans included under non-current assets	6	5
Recognised liability for defined benefit obligations	**609**	**886**
Other long-term employee benefits	59	52
	668	**938**

The vast majority of benefit payments are from pension funds that are held in trusts (or equivalent), however, there is a small portion where HEINEKEN fulfils the benefit payment obligation as it falls due. Plan assets held in trusts are governed by Trustee Boards composed of HEINEKEN representatives and independent and/or member representation, in accordance with local regulations and practice in each country. The relationship and division of responsibility between HEINEKEN and the Trustee Board (or equivalent) including investment decisions and contribution schedules are carried out in accordance with the plan's regulations.

The defined benefit pension plans in the Netherlands (NL) and the United Kingdom (UK) represent the majority of the total defined benefit plan assets and the present value of the defined benefit obligations.

Refer to the table below for the split of these plans in the total present value of the net obligations of HEINEKEN.

In millions of €	2021 UK	2020 UK	2021 NL	2020 NL	2021 Other	2020 Other	2021 Total	2020 Total
Total present value of defined benefit obligations	4,288	4,063	4,562	4,102	1,332	1,425	10,182	9,590
Fair value of defined benefit plan assets	(4,137)	(3,751)	(4,523)	(4,059)	(1,020)	(947)	(9,680)	(8,757)
Present value of net obligations	**151**	**312**	**39**	**43**	**312**	**478**	**502**	**833**

Defined benefit plan in the Netherlands

HEINEKEN provides employees in the Netherlands with an average pay pension plan based on earnings up to the legal tax limit. Indexation of accrued benefits is conditional on the funded status of the pension fund. HEINEKEN pays contributions to the fund up to a maximum level agreed with the Board of the pension fund and has no obligation to make additional contributions in case of a funding deficit.

In 2021, the increase in the fair value of defined benefit plan assets is mainly due to the higher value of equity investments. The higher defined benefit obligation is mainly due to a higher pension growth rate assumption, partially offset by a higher discount rate. HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level will apply in 2022.

Defined benefit plan in the United Kingdom

HEINEKEN's UK plan (Scottish & Newcastle pension plan 'SNPP') was closed to future accrual in 2011 and the liabilities thus relate to past service before plan closure. Based on the triennial review finalised in early 2019, HEINEKEN has renewed the funding plan (until 31 May 2023) including an annual deficit reduction contribution of GBP39.2 million in 2018, thereafter increasing with GBP1.7 million per year. At the end of 2018, an agreement (the 'Funding Agreement') was reached with the UK pension fund Trustees on a more conservative longer-term funding and investment approach towards 2030. This agreement has been formalised during 2019 and signed in early 2020, which leads to a gradual decrease in investment risk. The current schedule of deficit recovery payments until May 2023 will remain in place. As of June 2023, deficit recovery payments will be conditional on the funding position of the pension fund and will be capped on the current contribution level.

In 2021, the increase in the fair value of defined benefit plan assets is mainly due to the higher value of debt investments. The higher defined benefit obligation is mainly due to higher pension growth rates partially offset by a higher discount rate.

Defined benefit plans in other countries

In a few other countries, HEINEKEN offers defined benefit plans, which are individually not significant to HEINEKEN. The majority of these plans are closed for new participants.

Notes to the Consolidated Financial Statements

Movement in net defined benefit obligation

The movement in the net defined benefit obligation during the year is as follows:

		Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
In millions of €	Note	**2021**	2020	**2021**	2020	**2021**	2020
Balance as at 1 January		**9,590**	**9,517**	**(8,757)**	**(8,451)**	**833**	**1,066**
Included in profit or loss							
Current service cost		106	111	–	–	106	111
Past service cost/(credit)		(9)	(10)	–	–	(9)	(10)
Administration expense		–	–	5	4	5	4
Effect of any settlement		–	(1)	–	–	–	(1)
Expense recognised in personnel expenses	6.4	97	100	5	4	102	104
Interest expense/(income)	11.1	107	145	(93)	(122)	14	23
		204	**245**	**(88)**	**(118)**	**116**	**127**
Included in OCI							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from	12.3						
Demographic assumptions		67	(112)	–	–	67	(112)
Financial assumptions		346	605	–	–	346	605
Experience adjustments		13	(22)	–	–	13	(22)
Return on plan assets excluding interest income[1]		–	–	(726)	(525)	(726)	(525)
Effect of movements in exchange rates		309	(280)	(288)	234	21	(46)
		735	**191**	**(1,014)**	**(291)**	**(279)**	**(100)**
Other							
Changes in consolidation and reclassification	10.1	12	(8)	(10)	13	2	5
Contributions paid:							
By the employer		–	–	(165)	(265)	(165)	(265)
By the plan participants		24	24	(24)	(24)	–	–
Benefits paid		(378)	(379)	378	379	–	–
Settlements		(5)	–	–	–	(5)	–
		(347)	(363)	179	103	(168)	(260)
Balance as at 31 December		**10,182**	**9,590**	**(9,680)**	**(8,757)**	**502**	**833**

1 The total OCI impact for the current year also included movement resulting from asset ceiling increase between 2020 and 2021.

Notes to the Consolidated Financial Statements

Defined benefit plan assets

	2021			2020		
In millions of €	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments:						
Europe	462	–	462	411	–	411
Northern America	1,218	–	1,218	868	–	868
Japan	135	–	135	153	–	153
Asia other	254	–	254	213	–	213
Other	89	156	245	83	76	159
	2,158	**156**	**2,314**	**1,728**	**76**	**1,804**
Debt instruments:						
Bonds – investment grade	5,631	817	6,448	4,634	723	5,357
Bonds – non-investment grade	526	294	820	393	162	555
	6,157	**1,111**	**7,268**	**5,027**	**885**	**5,912**
Derivatives	38	(1,474)	(1,436)	35	(473)	(438)
Properties and real estate	326	615	941	20	860	880
Cash and cash equivalents	179	78	257	169	63	232
Investment funds	12	264	276	9	319	328
Other plan assets	114	(54)	60	13	26	39
	669	(571)	98	246	795	1,041
Balance as at 31 December	**8,984**	**696**	**9,680**	**7,001**	**1,756**	**8,757**

In 2021, the UK fund carried out two de-risking steps due to strong progress towards its funding objectives. The strategic allocation to equities was reduced from 20% to 6% of plan assets. In addition, the allocation to investment-grade credit instruments was increased from 12.5% to 26.5%.

The HEINEKEN pension funds monitor the mix of debt and equity securities in their investment portfolios based on market expectations. Material investments within the portfolio are managed on an individual basis. Through its defined benefit pension plans, HEINEKEN is exposed to several risks, the most significant are detailed below.

Risks associated with defined benefit plans

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to AA corporate bond yields. If the return on the plan assets is less than the return on the liabilities implied by this assumption, this will create a deficit. Both the Netherlands and the UK plans hold a significant proportion of equities (although as stated above the UK reduced equity exposure over the year), which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

In the Netherlands, an Asset-Liability Matching (ALM) study is performed at least on a triennial basis, the last ALM study was performed in 2021. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. As at 31 December 2021 the strategic asset mix comprises 38% of plan assets in equity securities, 30% in bonds, 12.5% in other investments, 10% in mortgage and 9.5% in real estate.

In the UK, an actuarial valuation is performed at least on a triennial basis. The valuation is the basis for the funding plan, strategic investment policies and the (long-term) strategic investment mix. The valuation as at 31 October 2021 is currently underway. Following various de-risking activities that took place in 2021, the strategic mix of assets comprises 30% of plan assets in liability-driven investments, 26.5% in corporate bonds, 15% in higher-yielding credit, 15% in private markets, 7.5% in long lease property and 6% in equities. As part of the Funding Agreement, the strategic asset mix will evolve between now and 2030 to provide greater certainty of return, lower volatility and higher cash generation.

Interest rate risk

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' fixed-rate instruments holdings.

In the Netherlands, interest rate risk is partly managed through fixed-income investments. These investments match the liabilities by 24% on average during the year (2020: 24%). In the UK, interest rate risk is partly managed through the use of a mixture of fixed income investments and interest rate swap instruments. These investments and instruments match 96% of the interest rate sensitivity of the total liabilities as measured on a Gilts +1% liability basis (2020: 84% as measured on the same basis).

Inflation risk

Some of the pension obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will increase the deficit.

HEINEKEN provides employees in the Netherlands with an average pay pension plan, whereby indexation of accrued benefits is conditional on the funded status of the pension fund. In the UK, inflation is partly managed through the use of a mixture of inflation-linked derivative instruments. These instruments match 96% of the inflation-linked liabilities as measured on a Gilts +1% liability basis (2020: 84% as measured on the same basis).

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will increase the plans' liabilities. This is particularly significant in the UK plan, where inflation-linked increases result in higher sensitivity to changes in life expectancy. In 2015, the Trustee of HEINEKEN UK's pension plan implemented a longevity hedge to remove the risk of a higher increase in life expectancy than anticipated for the 2015 population of pensioners.

Notes to the Consolidated Financial Statements

Principal actuarial assumptions as at the balance sheet date

Based on the significance of the Dutch and UK pension plans compared with the other plans, the table below refers to the major actuarial assumptions for those two plans as at 31 December:

	The Netherlands		UK[1]	
In %	**2021**	2020	**2021**	2020
Discount rate as at 31 December	1.1	0.5	1.8	1.4
Future salary increases	2.0	2.0	–	–
Future pension increases	1.3	0.2	3.4	3.0

1 The UK plan is closed for future accrual, leading to certain assumptions being equal to zero.

For the other defined benefit plans, the following actuarial assumptions apply as at 31 December:

	Europe		Americas	
In %	**2021**	2020	**2021**	2020
Discount rate as at 31 December	0.3-1.1	0.2-0.8	8.0-8.2	6.9-12.0
Future salary increases	0.0-3.1	0.0-3.5	0.0-4.5	0.0-4.5
Future pension increases	0.0-2.0	0.0-1.5	0.0-3.5	0.0-3.5
Medical cost trend rate	–	–	5.1-7.0	0.0-15.1

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands, the rates are obtained from the 'AG-Prognosetafel 2020', fully generational. For the UK, the future mortality rates are obtained by applying the Continuous Mortality Investigation 2020 projection model.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

HEINEKEN expects the contributions to be paid for the defined benefit plans for 2022 to be in line with 2021.

Sensitivity analysis

As at 31 December, changes to one of the relevant actuarial assumptions that are considered reasonably possible, holding other assumptions constant, would have affected the defined benefit obligation by the following amounts:

	2021		2020	
Effect in millions of €	**Increase in assumption**	**Decrease in assumption**	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	(876)	989	(620)	689
Future salary growth (0.25% movement)	33	(31)	15	(13)
Future pension growth (0.25% movement)	403	(407)	378	(338)
Medical cost trend rate (0.5% movement)	4	(3)	6	(5)
Life expectancy (1 year)	484	(479)	438	(436)

Accounting estimates

To make the actuarial calculations for the defined benefit plans, HEINEKEN needs to make use of assumptions for discount rates, future pension increases and life expectancy as described in this note. The actuarial calculations are made by external actuaries based on inputs from observable market data, such as corporate bond returns and yield curves to determine the discount rates used, mortality tables to determine life expectancy and inflation numbers to determine future salary and pension growth assumptions.

Accounting policies

Defined contribution plans

A defined-contribution plan is a post-retirement plan for which HEINEKEN pays fixed contributions to a separate entity. HEINEKEN has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay out employees.

Defined benefit plans

A defined benefit plan is a post-retirement plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

HEINEKEN's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; those benefits are discounted to determine its present value. The fair value of any defined benefit plan assets is deducted. The discount rate is the yield at balance sheet date on high quality credit-rated bonds that have maturity dates approximating to the terms of HEINEKEN's obligations and are denominated in the same currency in which the benefits are expected to be paid.

The calculations are performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to HEINEKEN, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in HEINEKEN. An economic benefit is available to HEINEKEN if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are changed, the expense or benefit is recognised immediately in profit or loss.

HEINEKEN recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses and other net finance income and expenses in profit or loss.

Notes to the Consolidated Financial Statements

9.2 Provisions

Provisions within HEINEKEN mainly relate to restructuring, and claims and litigation that arise in the ordinary course of business. The outcome depends on future events, which are by nature uncertain.

In millions of €	Note	Claims and litigation	Taxes	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2021		**255**	**255**	**422**	**28**	**144**	**1,104**
Transfers		(52)	57	–	–	(11)	(6)
Changes in consolidation	10.1	–	62	–	–	1	63
Provisions made during the year		55	18	74	7	73	227
Provisions used during the year		(4)	(5)	(186)	(4)	(19)	(218)
Provisions reversed during the year		(68)	(53)	(78)	(8)	(52)	(259)
Effect of movements in exchange rates		2	6	1	2	2	13
Unwinding of discounts		8	4	1	–	–	13
Balance as at 31 December 2021		**196**	**344**	**234**	**25**	**138**	**937**
Non-current		152	286	105	6	87	636
Current		44	58	129	19	51	301

The provisions as at 31 December 2021 do not contain significant provisions relating to climate-related matters.

Claims and litigation

The provisions for claims and litigation of €196 million (2020: €255 million) mainly relate to civil and labour claims in Brazil.

Taxes

The provisions for taxes of €344 million (2020: €255 million) relate to indirect taxes not within the scope of IAS 12 and mainly relate to Brazil. Tax legislation in Brazil is highly complex and subject to interpretation, therefore the timing of the cash outflows for these provisions is uncertain.

Restructuring

The decrease in the provisions for restructuring of €188 million is mainly related to the usage of the prior year provision for the productivity programme related to EverGreen.

Other provisions

Included are, among others, provisions for credit risk on surety and guarantees issued of €53 million (2020: €57 million).

Accounting estimates

In determining the likelihood and timing of potential cash outflows, HEINEKEN needs to make estimates. For claims, litigation and tax provisions, HEINEKEN bases its assessment on internal and external legal assistance and established precedents. For large restructuring, management assesses the timing of the costs to be incurred, which influences the classification as current or non-current liabilities.

Accounting policies

A provision is a liability of uncertain timing or amount. A provision is recognised when HEINEKEN has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable (>50%) that an outflow of economic benefits will be required to settle the obligation. In the case of accounting for business combinations, provisions are also recognised when the likelihood is less than probable but more than remote (>5%).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as part of net finance expenses.

Restructuring

A provision for restructuring is recognised when HEINEKEN has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be received by HEINEKEN are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract, and the expected net cost of continuing with the contract. Before a provision is established, HEINEKEN recognises any impairment loss on the assets associated with that contract.

Other provisions

A provision for guarantees is recognised at the time the guarantee is issued (refer to note 9.3 for the total guarantees outstanding). The provision is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model and the amount initially recognised.

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9.3 Contingencies

HEINEKEN's contingencies are mainly in the area of tax, civil cases and guarantees.

As at 31 December 2021, HEINEKEN does not have significant contingencies relating to climate-related matters.

Tax

The tax contingencies mainly relate to tax positions in Latin America and include a large number of cases with a risk assessment lower than probable but possible. Assessing the amount of tax contingencies is highly judgemental, and the timing of possible outflows is uncertain. The best estimate of tax-related contingent liabilities is €1,139 million (2020: €707 million), out of which €77 million (2020: €70 million) qualifies for indemnification. For several tax contingencies that were part of acquisitions, an amount of €175 million (2020: €197 million) has been recognised as provisions and other non-current liabilities in the balance sheet (refer to notes 9.2 and 11.6).

Other contingencies

Brazil civil cases

Part of other contingencies relates to civil cases in Brazil. Management's best estimate of the potential financial impact for these cases is €47 million (2020: €27 million).

Other

Part of other contingencies relate to two follow-on damage cases for a total amount claimed of €478 million, which arose as a result of the fine imposed by the Greek Competition Commission in 2014 against our subsidiary Athenian Brewery for alleged abuse of its dominant position. It is not possible to estimate the outcome of these claims with any degree of certainty for a number of reasons, including but not limited to the fact that (i) Athenian Brewery's appeal against the fine imposed by the Greek Competition Commission is pending before the Greek Council of State, (ii) the question whether the Dutch courts can assume (international) jurisdiction over these claims, insofar they are made against Athenian Brewery, is pending before the Dutch Supreme Court, and (iii) Athenian Brewery and HEINEKEN have raised defences against these claims, both on procedural grounds and on the merits. The amount of these potential liabilities (if any) can therefore not be measured with sufficient reliability. There are no reimbursements applicable for these cases.

As at 31 December 2021, €37 million (2020: €15 million) of other contingencies related to acquisitions is included in provisions (refer to note 9.2).

Guarantees

In millions of €	**Total 2021**	**Less than 1 year**	**1-5 years**	**More than 5 years**	Total 2020
Guarantees to banks for loans (to third parties)	349	60	283	6	330
Other guarantees	2,025	1,340	501	184	865
Guarantees	**2,374**	**1,400**	**784**	**190**	**1,195**

Guarantees to banks for loans relate to loans and advances to customers, which are given to external parties in the ordinary course of business of HEINEKEN. HEINEKEN provides guarantees to the banks to cover the credit risk related to these loans (refer to note 9.2 for the provision for credit risk on these guarantees).

Other guarantees include a €1.1 billion guarantee issued concerning the offer to acquire Distell Group Holdings Limited (refer to note 13.2).

Accounting estimates and judgements

HEINEKEN operates in a high number of jurisdictions and is subject to a wide variety of taxes per jurisdiction. Tax legislation can be highly complex and subject to interpretation. As a result, HEINEKEN is required to exercise significant judgement in the recognition of taxes payable and determination of tax contingencies.

Also for the other contingencies, HEINEKEN is required to exercise significant judgement to determine whether the risk of loss is possible but not probable. Contingencies involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions.

Accounting policies

A contingent liability is a liability of uncertain timing and amount. Contingencies are not recognised in the balance sheet because the existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of HEINEKEN or because the risk of loss is estimated to be possible (>5%) but not probable (<50%) or because the amount cannot be measured reliably.

10. Acquisitions, disposals and investments

10.1 Acquisitions and disposals

Acquisition of additional shares in UBL

On 23 June 2021, HEINEKEN acquired an additional 39,644,346 ordinary shares in UBL for €673 million (including directly attributable costs), taking its shareholding in UBL from 46.5% to 61.5%. On this date, HEINEKEN did not obtain control as UBL's Articles of Association contained certain provisions that precluded HEINEKEN from exercising control.

On 29 July 2021, an Annual General Meeting of Shareholders of UBL was held in which relevant provisions in the Articles of Association were changed. Following these changes, HEINEKEN obtained control and consolidated UBL as of that date.

UBL is the market leader in India with a strong network of breweries across the country with a large portfolio led by the Kingfisher brand. The acquisition transforms HEINEKEN's existing business by extending its footprint, increasing scale and further strengthening its brand portfolio.

The Kingfisher brand portfolio represents the majority of the intangible assets valued at UBL. The goodwill is mainly attributable to earnings beyond the period over which intangible assets are amortised. None of the goodwill recognised is expected to be deductible for income tax purposes.

Upon obtaining control, the existing equity interest in UBL was revalued to fair value, which resulted in a gain in previously-held equity interest of €1,270 million (refer to note 6.2 and 10.3). The fair value of the equity interest was based on the share price at the date of obtaining control of UBL (level 1 fair value hierarchy).

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The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date and the fair value of the previously-held interest in UBL:

In millions of €	UBL
Property, plant and equipment	405
Intangible assets	3,637
Inventories	121
Trade and other receivables	149
Cash and cash equivalents	59
Other assets	40
Assets acquired	**4,411**
Current liabilities	165
Deferred tax liabilities	950
Other non-current liabilities	80
Liabilities assumed	**1,195**
Total net identifiable assets	**3,216**

In millions of €	
Fair value of previously-held interest	2,609
Plus: Non-controlling interests	1,238
Minus: Net identifiable assets acquired	3,216
Goodwill on acquisition	**631**

Non-controlling interests are measured at the proportionate share in the recognised net assets.

UBL received an order from the Competition Commission in India with the imposition of €89 million as a penalty, related to an investigation of allegations of price-fixing. No provision is recognised in the opening balance sheet as it is not possible to reliably estimate its ultimate financial impact, given the nascency of the competition regime, limited precedent on the quantum of penalty payable if an appeal is filed as well as HEINEKEN's defence. The penalty forms part of 'Other contingencies', refer to note 9.3.

No material acquisition-related costs have been recognised in the income statement for the period ended 31 December 2021.

HEINEKEN considers the measurement period for acquiring control of UBL to be closed as at 31 December 2021. Any adjustments afterwards will be recognised in the consolidated income statement.

The amount of revenue recognised for UBL after obtaining control amounts to €665 million; the amount of loss recognised after obtaining control amounts to €(8) million. If control was obtained on 1 January 2021, revenue and profit for HEINEKEN would have been €27,475 million and €3,520 million respectively.

The acquisition of additional shares in UBL is the only significant acquisition during the year. There were no other significant acquisitions or disposals during 2021.

Accounting estimates and judgements

The fair value of brands and reacquired rights acquired in a business combination is generally determined using the multi-period excess earnings method (MEEM). The valuation takes into account forecasted cash inflows and outflows and a fair return on all other assets that support the generation of the related cash flows.

Estimates are also applied when determining the fair value of legal cases and tax positions in the acquired entity. The fair value is based on estimates of the likelihood, the expected timing and the amount of the potential cash outflow. Provisions for legal cases and non-income tax positions are recognised at fair value even if it is not probable that an outflow will be required to settle the obligation. After initial recognition and until the liability is settled, cancelled or expired, the contingent liability is measured at the higher of the amount that would be recognised in accordance with IAS 37 and the initial liability amount. For income tax positions, HEINEKEN applies IAS 12, which requires recognition of provisions only when the likelihood of cash outflow is considered probable.

Accounting policies

When HEINEKEN obtains control over an entity, the initial accounting for its assets and liabilities is at fair value. The difference between the fair value of the consideration transferred (plus the fair value of any previously-held equity interest in the acquiree and the recognised amount of any non-controlling interests in the acquiree) and the net recognised amount of the identifiable assets acquired and liabilities assumed, is calculated. When the difference is negative, a bargain purchase gain is recognised immediately in the income statement. When the difference is positive, goodwill is recognised on the balance sheet.

Changes to the initial fair value of the acquired assets and liabilities, based on new information about the circumstances at the acquisition date, can be made up to a maximum of 12 months after the acquisition date.

Acquisition-related costs are directly expensed in the income statement.

10.2 Assets or disposal groups classified as held for sale

The assets and liabilities below are classified as held for sale following the commitment of HEINEKEN to a plan to sell these assets and liabilities. Efforts to sell these assets and liabilities have commenced and are expected to be completed within one year.

In millions of €	2021	2020
Current assets	10	–
Property, plant and equipment	27	17
Other non-current assets	–	7
Assets classified as held for sale	**37**	**24**
Current liabilities	(19)	–
Non-current liabilities	(1)	–
Liabilities associated with assets classified as held for sale	**(20)**	**–**

Notes to the Consolidated Financial Statements

Accounting estimates and judgements

HEINEKEN classifies assets or disposal groups as held for sale when they are available for immediate sale in their present condition and the sale is highly probable. HEINEKEN should be committed to the sale and it should be unlikely that the plan to sell will be withdrawn. This might be difficult to demonstrate in practice and involves judgement.

Accounting policies

Assets or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Intangible assets and P,P&E once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

10.3 Investments in associates and joint ventures

HEINEKEN has interests in several joint ventures and associates. The total carrying amount of these associates and joint ventures was €4,148 million as at 31 December 2021 (2020: €4,437 million) and the total share of profit and other comprehensive income was a profit of €304 million in 2021 (2020: €(15) million, loss). The share of profit of associates and joint ventures includes a net reversals of impairment losses of €10 million (2020: €139 million, impairment).

As of 29 July 2021, HEINEKEN has obtained control of UBL and is consolidated within HEINEKEN as of that date and therefore no longer included in investments in associates and joint ventures (refer to note 10.1).

The associate CRH (Beer) Limited ('CBL') is considered to be individually material. HEINEKEN holds a shareholding of 40% in CBL as of 29 April 2019. CBL holds a controlling interest of 51.67% in China Resources Beer (Holdings) Co. Ltd. ('CR Beer'), a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, operating in the beer business in China. Consequently, HEINEKEN has an effective 20.67% economic interest in CR Beer. Based on the closing share price of HKD63.85 as at 31 December 2021, the fair value of this economic interest in CR Beer amounts to €4,847 million. The carrying amount of CBL as at 31 December 2021 amounts to €2,752 million.

Set out below is the summarised financial information of CR Beer, not adjusted for the percentage of ownership held by HEINEKEN. The financial information has been amended to reflect adjustments made by HEINEKEN when using the equity method (such as fair value adjustments). Due to a difference in reporting timelines, the financial information is included with a two-month delay. This means that the financial information included relates to the period November 2020-October 2021. The reconciliation of the summarised financial information to the carrying amount of the effective interest in CR Beer is also presented.

In millions of €	**31 October 2021**	31 October 2020
Summarised balance sheet (100%)		
Non-current assets	8,671	7,657
Current assets	1,822	1,281
Non-current liabilities	(1,774)	(1,313)
Current liabilities	(2,673)	(2,241)
Net assets	**6,046**	**5,384**
Reconciliation to carrying amount		
Opening net assets	5,384	5,801
Profit for the period	301	47
Other comprehensive income	532	(395)
Dividends paid	(171)	(69)
Closing net assets	**6,046**	**5,384**
Company's share in %	20.67%	20.67%
Company's share	1,250	1,113
Goodwill	1,502	1,395
Carrying amount	**2,752**	2,508

In millions of €	**November 2020 to October 2021**	November 2019 to October 2020
Summarised income statement (100%)		
Revenue	4,360	3,996
Profit	**301**	**47**
Other comprehensive income	532	(395)
Total comprehensive income	**833**	**(348)**
Dividends received	**36**	**14**

Notes to the Consolidated Financial Statements

Summarised financial information for equity-accounted joint ventures and associates

The following table includes, in aggregate, the carrying amount and HEINEKEN's share of profit and OCI of joint ventures and associates (net of income tax):

	Joint ventures		Associates[1]	
In millions of €	**2021**	2020	**2021**	2020
Carrying amount of interests	**984**	**1,574**	**3,164**	**2,863**
Share of:				
Profit or (loss) from continuing operations	113	(34)	137	3
Other comprehensive income/(loss)	30	(2)	24	18
	143	**(36)**	**161**	**21**

1 Includes the investment in CR Beer, which is considered to be individually material. The other joint ventures and associates are considered to be individually immaterial.

Accounting policies

Associates are entities in which HEINEKEN has significant influence, but not control or joint control. Significant influence is generally obtained by ownership of more than 20% but less than 50% of the voting rights. Joint ventures (JVs) are the arrangements in which HEINEKEN has joint control.

HEINEKEN's investments in associates and JVs are accounted for using the equity method of accounting, meaning they are initially recognised at cost. The consolidated financial statements include HEINEKEN's share of the net profit or loss of the associates and JVs whereby the result is determined using the accounting policies of HEINEKEN.

When HEINEKEN's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that HEINEKEN has an obligation or has made a payment on behalf of the associate or JV.

11. Financing and capital structure

11.1 Net finance income and expense

Interest expenses are mainly related to interest charges over the outstanding bonds, commercial paper and bank loans (refer to note 11.3). Other net finance income and expenses comprise dividend income, fair value changes of financial assets and liabilities measured at fair value, transactional foreign exchange gains and losses (on a net basis), unwinding of discount on provisions and interest on the net defined benefit obligation.

In millions of €	Note	**2021**	2020
Interest income		**49**	**50**
Interest expenses		(462)	(497)
Dividend income from fair value through OCI investments		6	10
Net change in fair value of derivatives		(10)	13
Net foreign exchange gain/(loss)[1]		(78)	(133)
Unwinding discount on provisions	9.2	(13)	(11)
Interest on the net defined benefit obligation	9.1	(14)	(23)
Other		123	1
Other net finance income/(expenses)		**14**	(143)
Net finance income/(expenses)		**(399)**	(590)

1 Transactional foreign exchange effects of working capital and foreign currency-denominated loans, the latter being offset by the net change in fair value of derivatives.

Interest expenses include the interest component of lease liabilities of €58 million (2020: €60 million). The line other mainly includes €96 million of finance income on the recognised tax credits in Brazil, refer to note 6.2.

Accounting policies

Interest income and expenses are recognised as they accrue, using the effective interest method.

Dividend income is recognised in the income statement on the date that HEINEKEN's right to receive payment is established, which is the ex-dividend date in the case of quoted securities.

Notes to the Consolidated Financial Statements

11.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. In general bank overdrafts form an integral part of HEINEKEN's cash management and are included as a component of cash and cash equivalents in the statement of cash flows.

In millions of €	Note	2021	2020
Cash and cash equivalents		3,248	4,000
Bank overdrafts	11.3	(692)	(481)
Cash and cash equivalents in the statement of cash flows		**2,556**	**3,519**

For more information on HEINEKEN's liquidity risk exposure refer to note 11.5.

The following table presents recognised 'Cash and cash equivalents' and 'Bank overdrafts', and the impact of the netting of gross amounts. The 'Net amount' below refers to the impact on HEINEKEN's balance sheet if all amounts subject to legal offset rights are netted.

In millions of €	Gross amounts	Net amounts presented in the statement of financial position	Amounts subject to legal offset rights	Net amount
2021				
Assets				
Cash and cash equivalents	3,248	3,248	(412)	2,836
Liabilities				
Bank overdrafts	(692)	(692)	412	(280)
2020				
Assets				
Cash and cash equivalents	4,000	4,000	(235)	3,765
Liabilities				
Bank overdrafts	(481)	(481)	235	(246)

HEINEKEN operates in several territories where there is limited availability of foreign currency resulting in restrictions on remittances. Mainly as a result of these restrictions, €401 million (2020: €373 million) of cash included in cash and cash equivalents is restricted for use by the Company, yet available for use in the relevant subsidiary's day-to-day operations.

Accounting policies

Cash and cash equivalents are initially recognised at fair value and subsequently at amortised cost.

HEINEKEN has cash pooling arrangements with legally enforceable rights to offset cash and overdraft balances. Where there is an intention to settle on a net basis, cash and overdraft balances relating to the cash pooling arrangements are reported on a net basis in the statement of financial position.

11.3 Borrowings

HEINEKEN mainly uses bonds, commercial paper and bank loans to ensure sufficient financing to support its operations. Net interest-bearing debt is the key metric for HEINEKEN to measure its indebtedness.

		2021			2020		
In millions of €	Note	Non-current	Current	Total	Non-current	Current	Total
Unsecured bond issues		12,600	935	13,535	13,242	1,200	14,442
Lease liabilities		850	256	1,106	936	263	1,199
Bank loans		130	637	767	374	38	412
Other interest-bearing liabilities		60	151	211	64	983	1,047
Deposits from third parties[1]		–	562	562	–	615	615
Bank overdrafts		–	692	692	–	481	481
Total borrowings		**13,640**	**3,233**	**16,873**	**14,616**	**3,580**	**18,196**
Market value of cross-currency interest rate swaps	11.5			33			14
Cash and cash equivalents	11.2			(3,248)			(4,000)
Net interest-bearing debt position				**13,658**			**14,210**

1 Mainly employee deposits.

As at 31 December 2021, €66 million of the €767 million of bank loans is secured (2020: €106 million). Other interest-bearing liabilities includes €0 million of centrally issued commercial paper (2020: €698 million).

In millions of €	Unsecured bond issues	Lease liabilities	Bank loans	Other interest-bearing liabilities	Deposits from third parties	Derivatives used for financing activities	Assets and liabilities used for financing activities
Balance as at 1 January 2021	**14,442**	**1,199**	**412**	**1,047**	**615**	**14**	**17,729**
Consolidation changes[1]	–	4	30	–	–	–	34
Effect of movements in exchange rates	286	34	1	10	4	26	361
Addition of leases	–	265	–	–	–	–	265
Proceeds	–	–	589	983	(1)	–	1,571
(Re)payments	(1,203)	(298)	(266)	(1,818)	(64)	(7)	(3,656)
Interest paid over lease liability	–	(57)	–	–	–	–	(57)
Other	10	(41)	1	(11)	8	–	(33)
Balance as at 31 December 2021	**13,535**	**1,106**	**767**	**211**	**562**	**33**	**16,214**

1 Refer to note 10.1.

Notes to the Consolidated Financial Statements

In millions of €	Unsecured bond issues	Lease liabilities	Bank loans	Other interest-bearing liabilities	Deposits from third parties	Derivatives used for financing activities	Assets and liabilities used for financing activities
Balance as at 1 January 2020	**12,788**	**1,258**	**484**	**695**	**693**	**28**	**15,946**
Consolidation changes	–	2	(47)	(24)	–	–	(69)
Effect of movements in exchange rates	(314)	(83)	(21)	(63)	(4)	(19)	(504)
Addition of leases	–	341	–	–	–	–	341
Proceeds	2,973	–	290	2,748	21	5	6,037
(Re)payments	(1,016)	(281)	(295)	(2,300)	(90)	–	(3,982)
Interest paid over lease liability	–	(60)	–	–	–	–	(60)
Other	11	22	1	(9)	(5)	–	20
Balance as at 31 December 2020	**14,442**	**1,199**	**412**	**1,047**	**615**	**14**	**17,729**

Changes in borrowings
In 2021, the decrease in borrowings is mainly due to the repayment of bonds and other interest-bearing liabilities, which exceeds the proceeds from other interest-bearing liabilities incurred.

Cash flows from financing activities are mainly generated by bonds, commercial paper, bank loans and other interest-bearing liabilities presented above. Additionally, HEINEKEN also uses derivatives related to its financing, which can be recognised as assets or liabilities. The above table details the reconciliation of the liabilities and assets arising from financing activities to the cash flow from financing activities. Bank overdrafts form an integral part of HEINEKEN's cash management and are included as a component of cash and cash equivalents in the statement of cash flows. For more information on derivatives refer to note 11.6.

The average effective interest rate on the net debt position as at 31 December 2021 was 2.7% (2020: 3.0%). The average maturity of the bonds as at 31 December 2021 was 8 years (2020: 8 years).

Centrally available financing headroom
The centrally available financing headroom at Group level was approximately €4.6 billion as at 31 December 2021 (2020: €5.2 billion) and consisted of the undrawn revolving credit facility and cash minus short-term bank borrowings.

Accounting estimates and judgements

Judgement is required to determine the lease term and the incremental borrowing rate. The assessment of whether HEINEKEN is reasonably certain to exercise extension options or not to make use of termination options impacts the lease term, which as a result could affect the amount of lease liabilities recognised. The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

Accounting policies

Borrowings
Borrowings are initially measured at fair value less transaction costs. Subsequently, the borrowings are measured at amortised cost using the effective interest rate method. Borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

Borrowings for which HEINEKEN has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date are classified as non-current liabilities. For the accounting policy on cash and cash equivalents and derivatives refer to notes 11.2 and 11.6, respectively.

Lease liabilities
Lease liabilities are measured at the present value of the lease payments to be paid during the lease term, discounted using the incremental borrowing rate. Lease liabilities are subsequently increased by the interest cost on the lease liabilities and decreased by lease payments made. The lease liabilities will be remeasured when there is a change in the amount to be paid (e.g. due to indexation) or when there is a change in the assessment of the lease terms.

The IBR is determined on a country level. For each country, there are separate rates depending on the contract currency and the term of the lease. The IBR is calculated based on the local risk-free rate plus a country default spread and a credit spread.

The lease term is determined as the non-cancellable period of a lease, together with:

- Periods covered by a unilateral option to extend the lease if HEINEKEN is reasonably certain to make use of that option
- Periods covered by an option to terminate the lease if HEINEKEN is reasonably certain not to make use of that option

HEINEKEN applies the following practical expedients for the recognition of leases:

- Apply a single discount rate per country to a portfolio of leases with reasonably similar characteristics
- Include non-lease components in the lease liability for equipment leases

Notes to the Consolidated Financial Statements

11.4 Capital and reserves

Share capital

Refer to the table below for the issued share capital as at 31 December. All issued shares are fully paid.

	2021		2020	
Share capital	Shares of €1.60	Nominal value in millions of €	Shares of €1.60	Nominal value in millions of €
1 January	576,002,613	922	576,002,613	922
Changes	–	–	–	–
31 December	576,002,613	922	576,002,613	922

The Company's authorised capital amounts to €2,500 million, consisting of 1,562,500,000 shares.

The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. In respect of the treasury shares that are held by HEINEKEN, rights are suspended.

Share premium

As at 31 December 2021, the share premium amounted to €2,701 million (2020: €2,701 million).

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the assets and liabilities of foreign operations of HEINEKEN (excluding amounts attributable to non-controlling interests) as well as value changes of the hedging instruments in the net investment hedges. HEINEKEN considers this a legal reserve.

Hedging reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred. HEINEKEN considers this a legal reserve.

Fair value reserve

This reserve comprises the cumulative net change in the fair value of FVOCI equity investments. HEINEKEN transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised. HEINEKEN considers this a legal reserve.

Other legal reserves

These reserves relate to the share of profit of joint ventures and associates over the distribution of which HEINEKEN does not have control. The movement in these reserves reflects the share of profit of joint ventures and associates minus dividends received. For retained earnings of subsidiaries that cannot be freely distributed due to legal or other restrictions, a legal reserve is recognised. Furthermore, part of the reserve comprises a legal reserve for capitalised development costs.

Reserve for own shares

The reserve for own shares comprises the treasury shares held by HEINEKEN. Refer to the table below with the changes in 2021.

Reserve for own shares	Number of shares
1 January 2021	**279,732**
Changes	128,320
31 December 2021	**408,052**

Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of €	2021	2020
Final dividend previous year €0.70, respectively €1.04 per qualifying share	403	599
Interim dividend current year €0.28, respectively €nil per qualifying share	161	–
Total dividend declared and paid	**564**	**599**

For 2021, a payment of a total cash dividend of €1.24 per share (2020: €0.70) will be proposed at the AGM on 21 April 2022. If approved, the final dividend of €0.96 will be paid on 3 May 2022, as an interim dividend of €0.28 per share was paid on 11 August 2021. The payment will be subject to a 15% Dutch withholding tax.

After the balance sheet date, the Executive Board proposed the following appropriation of profit. The dividends, taking into account the interim dividends declared and paid, have not been provided for.

In millions of €	2021	2020
Dividend per qualifying share €1.24 (2020: €0.70)	714	403
Addition to/(reduction of) retained earnings	2,610	(607)
Net profit/(loss)	**3,324**	**(204)**

Non-controlling interests

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. The total NCI as at 31 December 2021 amounted to €2,344 million (2020: €1,000 million).

Capital management

There were no major changes in HEINEKEN's approach to capital management during the year. The Executive Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business and acquisitions.

HEINEKEN is not subject to externally imposed capital requirements other than the legal reserves. Shares are purchased from time to time to meet the requirements of the share-based payment awards, as further explained in note 6.5.

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Accounting policies

Shares are classified as equity. When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects recognised as a deduction from equity. Repurchased shares recorded at purchase price are classified as treasury shares and are presented in the reserve for own shares.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Dividends are recognised as a liability in the period in which they are declared.

11.5 Credit, liquidity and market risk

This note summarises the financial risks that HEINEKEN is exposed to, and HEINEKEN's policies and processes that are in place for managing these risks. For more information on derivatives used in managing risk refer to note 11.6.

Risk management framework

The Executive Board sets rules and monitors the adequacy of HEINEKEN's risk management and control systems. These systems are regularly reviewed to reflect changes in market conditions and HEINEKEN's activities.

Managing the financial risks and financial resources includes the use of derivatives, primarily spot and forward exchange contracts, options and interest rate swaps. It is HEINEKEN's policy not to enter into speculative transactions.

In the normal course of business HEINEKEN is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of a loss to HEINEKEN when a customer or counterparty fails to pay.

All local operations are required to comply with the Global Credit Policy and develop local credit management procedures accordingly. HEINEKEN reviews and updates the Global Credit Policy periodically to ensure that adequate controls are in place to mitigate credit risk.

Credit risk arises mainly from HEINEKEN's receivables from customers like trade receivables, loans to customers and advances to customers. At the balance sheet date, there were no significant concentrations of credit risk.

Loans and advances to customers

HEINEKEN's loans and receivables include loans and advances to customers. Loans and advances to customers are usually backed by collateral such as properties. HEINEKEN charges interest on loans to its customers.

Trade and other receivables

HEINEKEN's local management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under these policies, all customers requiring credit above a certain amount are reviewed and new customers are analysed individually for creditworthiness before HEINEKEN's standard payment and delivery terms and conditions are offered. This review can include external ratings, where available, and in some cases bank references. Credit limits are determined for each customer and are reviewed regularly. Customers that fail to meet HEINEKEN's credit requirements transact only with HEINEKEN on either a prepayment or cash on delivery basis.

Customers are monitored, on a country basis, according to their credit risk characteristics. A distinction is made between individuals and legal entities, type of distribution channel, geographic location, ageing profile, maturity and existence of previous financial difficulties.

HEINEKEN has a policy in place in respect of compliance with Anti-Money Laundering Laws.
HEINEKEN considers it important to know with whom business is done and from whom payments are received.

Allowances

HEINEKEN establishes allowances for impairment of loans and advances to customers, trade and other receivables using an expected credit losses model. These allowances cover specific loss components that relate to individual exposures, and a collective loss component established for groups of similar customers.
The collective loss allowance is determined based on historical data of payment statistics and updated periodically to incorporate forward-looking information. The loans and advances to customers, trade and other receivables are written off when there is no reasonable expectation of recovery. The assessment of recovery also considers the ongoing effects of COVID-19 and the inherent economic uncertainties.

Investments

HEINEKEN invests centrally available cash balances in deposits and liquid investments with various counterparties that have strong credit ratings. HEINEKEN actively monitors these credit ratings.

Guarantees

HEINEKEN's policy is to avoid issuing guarantees unless this leads to substantial benefits for HEINEKEN.
For some loans to customers HEINEKEN does issue guarantees. In these cases, HEINEKEN aims to receive security from the customer to limit the credit risk exposure.

Heineken N.V. has issued a joint and several liability statements to the provisions of Section 403, Part 9, Book 2 of the Dutch Civil Code with respect to legal entities established in the Netherlands. Refer to note A.1 of the Company financial statements.

Notes to the Consolidated Financial Statements

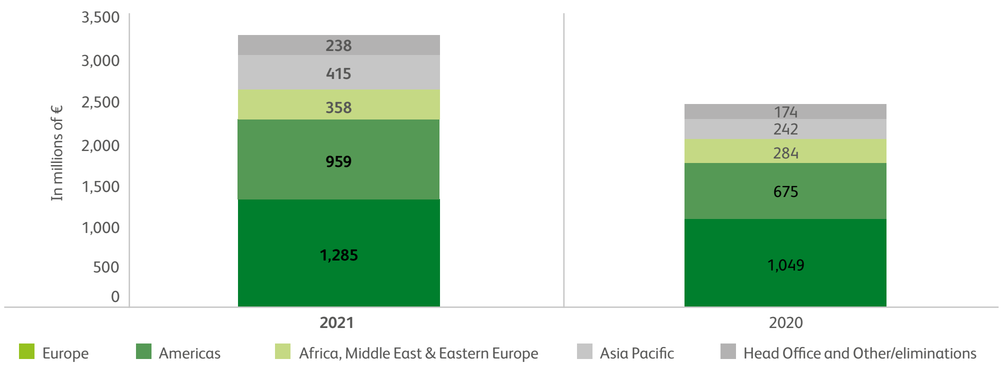
Exposure to credit risk

The maximum exposure to credit risk as at 31 December is as follows:

In millions of €	Note	2021	2020
Cash and cash equivalents	11.2	3,248	4,000
Trade and other receivables, excluding prepayments	7.2	3,254	2,424
Derivative assets	11.6	102	98
Fair value through OCI investments	8.4	14	13
Loans and advances to customers	8.3	209	194
Other non-current receivables	8.4	299	307
Guarantees to banks for loans (to third parties)	9.3	349	330
		7,475	**7,366**

The exposure to credit risk by segment for trade and other receivables excluding prepayments is as follows:

Exposure to credit risk



Liquidity risk

Liquidity risk is the risk that HEINEKEN will have difficulties meeting payment obligations associated with its financial liabilities, like payment of financial debt or trade payables when they are due. HEINEKEN's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due without incurring unacceptable losses.

HEINEKEN remains focused on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. HEINEKEN seeks to align the maturity profile of its long-term debts with its forecasted cash flow generation. More information about borrowing facilities is presented in note 11.3. Furthermore, strong cost and cash management, as well as controls over investment proposals, are in place.

Contractual maturities

The following table presents an overview of the expected timing of cash-out and inflows of non-derivative financial liabilities and derivative financial assets and liabilities, including interest payments.

					2021
In millions of €	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Financial liabilities					
Interest-bearing liabilities	(15,766)	(18,584)	(3,293)	(5,766)	(9,525)
Lease liabilities	(1,106)	(1,554)	(293)	(632)	(629)
Trade and other payables and returnable packaging deposits (excluding interest payable, dividends and including non-current part)	(8,036)	(8,036)	(7,978)	(37)	(21)
Derivative financial assets and (liabilities)					
Cross-currency interest rate swaps	(33)	(98)	6	(45)	(59)
Forward exchange contracts	(13)	(36)	(34)	(2)	–
Commodity derivatives	64	64	62	2	–
Other derivatives	1	21	–	7	14
Total	**(24,889)**	**(28,223)**	**(11,530)**	**(6,473)**	**(10,220)**

					2020
Financial liabilities					
Interest-bearing liabilities	(16,997)	(20,067)	(3,672)	(5,899)	(10,496)
Lease liabilities	(1,199)	(1,684)	(314)	(706)	(664)
Trade and other payables and returnable packaging deposits (excluding interest payable, dividends and including non-current part)	(6,392)	(6,392)	(6,348)	(25)	(19)
Derivative financial assets and (liabilities)					
Cross-currency interest rate swaps	(14)	(61)	8	(62)	(7)
Forward exchange contracts	4	(12)	(12)	–	–
Commodity derivatives	18	18	18	–	–
Other derivatives	3	16	1	4	11
Total	**(24,577)**	**(28,182)**	**(10,319)**	**(6,688)**	**(11,175)**

For more information on the derivative assets and liabilities refer to note 11.6.

Notes to the Consolidated Financial Statements

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will adversely affect HEINEKEN's income or the value of its financial instruments. The objective of HEINEKEN's market risk management is to manage and control market risk exposures within acceptable boundaries.

HEINEKEN enters into derivatives and other financial liabilities to manage market risks. Generally, HEINEKEN seeks to apply hedge accounting or establish natural hedges to minimise the impact of market risks in profit or loss. Foreign currency, interest rate and commodity hedging operations are governed by internal policies and rules.

Foreign currency risk
HEINEKEN is exposed to:

- Transactional risk on (future) sales, working capital, (future) purchases, deposits, borrowings and dividends denominated in a currency other than the respective functional currencies of HEINEKEN entities
- Translational risk, which is the risk resulting from the translation of foreign operations into the reporting currency of HEINEKEN

The main currencies that give rise to this risk are the US Dollar, Mexican Peso, Brazilian Real, British Pound, Vietnamese Dong and Euro. In 2021, the transactional foreign exchange risk was hedged in line with the hedging policy to the extent possible. The overall transactional and translational impact on the reported numbers of HEINEKEN was negative.

In managing foreign currency risk, HEINEKEN aims to ensure the availability of foreign currencies and to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates and the availability of foreign currencies, especially in emerging markets, will have an impact on profit.

HEINEKEN hedges up to 90% of its net US Dollar export cash flows on the basis of rolling cash flow forecasts of sales and purchases. Material cash flows in other foreign currencies are also hedged on the basis of rolling cash flow forecasts. For this hedging, HEINEKEN mainly uses forward exchange contracts. The majority of the forward exchange contracts have maturities of less than one year after the balance sheet date.

HEINEKEN has a clear policy on hedging transactional exchange risks. Translation exchange risks are hedged to a limited extent, as the underlying currency positions are generally considered to be long-term in nature. The result of the hedging of translation risk, using net investment hedges is recognised in the translation reserve, as can be seen in the consolidated statement of comprehensive income.

HEINEKEN's policy is to hedge material recognised transactional exposure like trade payables, receivables, borrowings and declared dividends. For material unrecognised transactional exposures like forecasted sales in foreign currencies, HEINEKEN hedges the exposure between agreed percentages according to the policy.

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on a subsidiary level. The resulting exposure at Group level is hedged by means of foreign-currency denominated external debts and by forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British Pound, US Dollar and Swiss Franc. In some cases, HEINEKEN elects to treat intra-HEINEKEN financing with a permanent character as equity and does not hedge the foreign currency exposure.

HEINEKEN has financial liabilities in foreign currencies like US Dollar and British Pound to hedge local operations, which generate cash flows that have the same or closely correlated functional currencies. The corresponding interest on these liabilities is also denominated in currencies that match the cash flows generated by the underlying operations of HEINEKEN.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of HEINEKEN, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk
Based on notional amounts, HEINEKEN's transactional exposure to the US Dollar and Euro as at 31 December is as follows. The Euro column relates to transactional exposure to the Euro within subsidiaries which are reporting in other currencies. The amounts below include intra-HEINEKEN cash flows.

		2021		2020
In millions	**EUR**	**USD**	EUR	USD
Financial assets	173	5,098	111	4,940
Financial liabilities	(2,186)	(5,457)	(2,374)	(5,433)
Gross balance sheet exposure	**(2,013)**	**(359)**	**(2,263)**	**(493)**
Estimated forecast sales next year	151	1,208	154	1,207
Estimated forecast purchases next year	(2,060)	(2,412)	(1,825)	(2,346)
Gross exposure	**(3,922)**	**(1,563)**	**(3,934)**	**(1,632)**
Net notional amounts foreign exchange contracts	325	670	373	885
Net exposure	**(3,597)**	**(893)**	**(3,561)**	**(747)**
Sensitivity analysis				
Equity	(139)	23	(158)	27
Profit/(Loss)	(33)	(5)	(30)	(6)

The sensitivity analysis above shows the impact on equity and profit of a 10% strengthening of the US Dollar against the Euro or, in the case of the Euro, a strengthening of the Euro against all other currencies as at 31 December 2021. This analysis assumes that all other variables, in particular interest rates, remain constant. In the case of a 10% weakening, the effects are equal but with an opposite effect.

Interest rate risk
Interest rate risk is the risk that changes in market interest rates affect the fair value or cash flows of a financial instrument. The most significant interest rate risk for HEINEKEN relates to borrowings (note 11.3).

By managing interest rate risk, HEINEKEN aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in interest rates will have an impact on profit.

HEINEKEN opts for a mix of fixed and variable interest rate financial instruments like bonds, commercial paper and bank loans, combined with the use of derivative interest rate instruments. Currently, HEINEKEN's interest rate position is more weighted towards fixed than floating. Interest rate derivative instruments that can be used are (cross-currency) interest rate swaps, forward rate agreements, caps and floors.

Notes to the Consolidated Financial Statements

Interest rate risk – profile

At the reporting date, the interest rate profile of HEINEKEN's interest-bearing financial instruments is as follows:

In millions of €	2021	2020
Fixed rate instruments		
Financial assets	196	122
Financial liabilities	(14,862)	(16,473)
Cross-currency interest rate swaps	441	407
	(14,225)	**(15,944)**
Variable rate instruments		
Financial assets	3,534	4,289
Financial liabilities	(2,010)	(1,724)
Cross-currency interest rate swaps	(463)	(463)
	1,061	**2,102**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would not have a material impact on equity and profit or loss.

Commodity price risk

Commodity price risk is the risk that changes in the prices of commodities will affect HEINEKEN's cost. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, giving forward guidance of key input costs to allow for business planning. Since the outbreak of COVID-19, commodity markets have become increasingly volatile and 2021 saw some of the largest price increases witnessed over the last 20 years. The main commodity exposure relates to the purchase of aluminium cans, glass bottles, malt and utilities. Commodity price risk is in principle mitigated by negotiating fixed prices in supplier contracts with various contract durations.

Another method to mitigate commodity price risk is by entering into commodity derivatives. HEINEKEN enters into commodity derivatives for aluminium hedging and to a certain extent other derivatives for commodities like fuel, corn and sugar. HEINEKEN does not enter into commodity contracts other than to meet HEINEKEN's expected usage and sale requirements.

Sensitivity analysis for aluminium hedges

Despite the increased prices of aluminium, a 10% change in the market price of aluminium would not have a material impact on equity.

11.6 Derivative financial instruments

HEINEKEN uses derivatives in order to manage market risks. Refer to the table below for the fair value of derivatives recorded on the balance sheet of HEINEKEN as per reporting date:

	2021		2020	
In millions of €	Asset	Liability	Asset	Liability
Current	96	(46)	77	(52)
Non-current[1]	6	(37)	21	(35)
	102	**(83)**	**98**	**(87)**

1 Non-current derivative assets and liabilities are part of 'Other non-current assets' (note 8.4) and 'Other non-current liabilities' respectively.

Generally, HEINEKEN seeks to apply hedge accounting or make use of natural hedges in order to minimise profit and loss or cash flow volatility. Refer to the table below for derivatives that are used in hedge accounting:

	2021		2020	
In millions of €	Asset	Liability	Asset	Liability
No hedge accounting - CCIRS	–	–	3	–
No hedge accounting - Other	6	(8)	9	(12)
Cash flow hedge - Forwards	26	(34)	46	(37)
Cash flow hedge - Commodity forwards	69	(5)	21	(3)
Fair value hedge - CCIRS	–	(11)	–	(35)
Net investment hedge - CCIRS	–	(23)	18	–
Net investment hedge - Forwards	1	(2)	1	–
	102	**(83)**	**98**	**(87)**

Cash flow hedges

The hedging of future, highly probable forecasted transactions are designated as cash flow hedges. Cash flow hedges are entered into to cover commodity price risk and transactional foreign exchange risk.

Net investment hedges

HEINEKEN hedges its investments in certain subsidiaries by entering into local currency-denominated borrowings, forward contracts and cross-currency interest rate swaps, which mitigate the foreign currency translation risk arising from the subsidiaries net assets. These borrowings, forward contracts and swaps are designated as net investment hedges and fully effective, as such, there was no ineffectiveness recognised in profit and loss in 2021 (2020: nil). As at 31 December 2021, the fair value of these borrowings was €188 million (2020: €200 million), the market value of forward contracts was €1 million, negative (2020: €1 million positive) and the market value of these swaps was €23 million negative (2020: €18 million positive).

Notes to the Consolidated Financial Statements

Fair value hedges
HEINEKEN has entered into several cross-currency interest rate swaps (CCIRS) which have been designated as fair value hedges to hedge the foreign exchange rate risk on the principal amount and future interest payments of certain US Dollar borrowings. The borrowings and the cross-currency interest rate swaps have the same critical terms. The accumulated loss arising on derivatives as designated hedging instruments in fair value hedges amounts to €13 million as at 31 December 2021 (2020: €38 million). The gain arising on the adjustment for the hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship also amounts to €13 million as at 31 December 2021 (2020: €38 million).

Hedge effectiveness
Hedge effectiveness is determined at the start of the hedge relationship and periodically through a prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and the hedging instrument. This assessment is done qualitatively by comparing the critical terms, and if needed quantitative assessments are done using hypothetical derivatives. For the current hedges, no hedge ineffectiveness is expected.

Accounting policies

Derivative financial instruments are recognised initially at fair value. Subsequent accounting for derivatives depends on whether or not the derivatives are designated as hedging instruments in a cash flow, fair value or net investment hedge. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities. Refer to note 13.1 for fair value measurements. Virtual power purchase agreements (such as power purchase agreements with a net settlement mechanism and no physical delivery of energy) are accounted for at fair value and are included as part of derivatives assets and liabilities.

Cash flow hedge
Changes in the fair value are recognised in other comprehensive income and presented in the hedging reserve within equity to the extent that the hedge is effective. The ineffective part is recognised as other net finance income/(expense). When the hedged risk impacts the profit or loss, the amounts previously recognised in other comprehensive income are recycled through other comprehensive income and transferred to the same item in the profit or loss as the hedged item. When the hedged risk subsequently results in a non-financial asset or liability (e.g. inventory or P,P&E), the amount previously recognised in the cash flow hedge reserve is directly included in its carrying amount and does not affect other comprehensive income.

Fair value hedge
The fair value changes of derivatives used in fair value hedges are recognised in profit or loss.

Net investment hedge
The fair value changes of derivatives used in net investment hedges are recognised in other comprehensive income and presented within equity in the translation reserve. Any ineffectiveness is recognised in profit or loss.

12. Tax

12.1 Income tax expense

Recognised in profit or loss

In millions of €	2021	2020
Current tax expense		
Current year	780	688
Under/(over) provided in prior years	42	15
	822	**703**
Deferred tax expense		
Origination and reversal of temporary differences, tax losses and tax credits	48	(438)
De-recognition/(recognition) of deferred tax assets	(41)	(2)
Effect of changes in tax rates	(10)	(13)
Under/(over) provided in prior years	(20)	(5)
	(23)	**(458)**
Total income tax expense in profit or loss	**799**	**245**

Notes to the Consolidated Financial Statements

Reconciliation of the effective tax rate

In millions of €	2021	2020
Profit before income tax	4,334	157
Share of (profit)/loss of associates and joint ventures	(250)	31
Profit before income tax excluding share of profit/(loss) of associates and joint ventures	**4,084**	**188**

	%	2021	%	2020
Income tax using the Company's domestic tax rate	25.0	1,021	25.0	47
Effect of tax rates in foreign jurisdictions	0.3	12	(5.6)	(10)
Effect of non-deductible expenses	1.8	73	66.2	124
Effect of tax incentives and exempt income	(9.0)	(369)	(34.3)	(64)
De-recognition/(recognition) of deferred tax assets	(1.0)	(41)	(1.0)	(2)
Effect of unrecognised current year losses	0.6	24	67.9	128
Effect of changes in tax rates	(0.2)	(10)	(6.9)	(13)
Withholding taxes	1.6	67	26.2	49
Under/(over) provided in prior years	0.5	22	5.5	10
Other reconciling items	–	–	(12.7)	(24)
	19.6	**799**	**130.3**	**245**

The tax exempt gain on revaluation of the previously-held equity interest in UBL decreased the effective tax rate in 2021. Furthermore, the change in the reported effective tax rate is mainly driven by the increase in the profit before income tax basis. As a result, the impact of permanent differences is lower and there are fewer operational losses for which no deferred tax assets could be recognised.

For the income tax impact on items recognised in other comprehensive income and equity, refer to note 12.3.

12.2 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
In millions of €	2021	2020	2021	2020	2021	2020
Property, plant and equipment	119	104	(728)	(623)	(609)	(519)
Intangible assets[1]	49	45	(2,002)	(1,049)	(1,953)	(1,004)
Investments	34	35	(5)	(5)	29	30
Inventories	52	57	(3)	(3)	49	54
Borrowings	286	281	–	(3)	286	278
Post-retirement obligations	225	279	(14)	(5)	211	274
Provisions	265	258	–	(13)	265	245
Other items	157	182	(190)	(181)	(33)	1
Tax losses carried forward	466	421	–	–	466	421
Tax assets/(liabilities)	1,653	1,662	(2,942)	(1,882)	(1,289)	(220)
Set-off of tax	(971)	(883)	971	883	–	–
Net tax assets/(liabilities)	**682**	**779**	**(1,971)**	**(999)**	**(1,289)**	**(220)**

1 Refer to note 10.1.

Of the total net deferred tax assets of €682 million as at 31 December 2021 (2020: €779 million), €566 million (2020: €528 million) is recognised in respect of subsidiaries in various countries where there have been losses in the current or preceding period. Management's projections support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise these deferred tax assets. This judgement is performed annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries, joint ventures and associates, with an impact of €521 million (2020: €236 million). This is because HEINEKEN is able to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

Tax losses carried forward

HEINEKEN has tax losses carried forward of €3,752 million as at 31 December 2021 (2020: €3,663 million), out of which €236 million (2020: €409 million) expires in the following five years, €128 million (2020: €490 million) will expire after five years and €3,388 million (2020: €2,764 million) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of tax losses carried forward of €1,959 million (2020: €1,858 million) as it is not probable that taxable profit will be available to offset these losses. Out of this €1,959 million (2020: €1,858 million), €198 million (2020: €256 million) expires in the following five years, €10 million (2020: €233 million) will expire after five years and €1,751 million (2020: €1,369 million) can be carried forward indefinitely.

Notes to the Consolidated Financial Statements

Movement in deferred tax balances during the year

In millions of €	1 January 2021	Changes in consolidation[1]	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	31 December 2021
Property, plant and equipment	(519)	(43)	(16)	(35)	–	4	(609)
Intangible assets	(1,004)	(917)	(96)	64	–	–	(1,953)
Investments	30	–	1	(2)	–	–	29
Inventories	54	(1)	1	(5)	–	–	49
Borrowings	278	–	13	(6)	3	(2)	286
Post-retirement obligations	274	–	6	(32)	(36)	(1)	211
Provisions	245	10	5	8	–	(3)	265
Other items	1	–	(5)	(10)	(18)	(1)	(33)
Tax losses carried forward	421	(1)	7	41	(2)	–	466
Net tax assets/(liabilities)	**(220)**	**(952)**	**(84)**	**23**	**(53)**	**(3)**	**(1,289)**

1 Refer to note 10.1.

In millions of €	1 January 2020	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	31 December 2020
Property, plant and equipment	(705)	(1)	74	122	–	(9)	(519)
Intangible assets	(1,329)	2	128	195	–	–	(1,004)
Investments	36	–	(7)	1	–	–	30
Inventories	35	–	–	19	–	–	54
Borrowings	308	1	(1)	(36)	(3)	9	278
Post-retirement obligations	274	–	(10)	–	10	–	274
Provisions	274	6	(58)	23	–	–	245
Other items	(78)	–	4	87	(12)	–	1
Tax losses carried forward	410	1	(37)	47	–	–	421
Net tax assets/(liabilities)	**(775)**	**9**	**93**	**458**	**(5)**	**–**	**(220)**

Accounting estimates and judgements

The tax legislation in the countries in which HEINEKEN operates is often complex and subject to interpretation. In determining the current and deferred income tax position, judgement is required. New information may become available that causes HEINEKEN to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

Accounting policies

Income tax comprises current and deferred tax. Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years.

Deferred tax is a tax payable or receivable in the future and is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognised on temporary differences related to:

– The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
– Investments in subsidiaries, associates and joint ventures to the extent that HEINEKEN is able to control the timing of the reversal of the temporary differences and it is probable (>50% chance) that they will not reverse in the foreseeable future
– The initial recognition of non-deductible goodwill

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates (substantively) enacted, at year-end.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Current and deferred tax are recognised in the income statement (refer to note 12.1), except when it relates to a business combination or for items directly recognised in equity or other comprehensive income (refer to note 12.3).

Notes to the Consolidated Financial Statements

12.3 Income tax on other comprehensive income and equity

In millions of €	2021 Amount before tax	2021 Tax	2021 Amount net of tax	2020 Amount before tax	2020 Tax	2020 Amount net of tax
Items that will not be reclassified to profit or loss:						
Remeasurement of post-retirement obligations[1]	247	(37)	210	53	9	62
Net change in fair value through OCI investments	16	(7)	9	(90)	(8)	(98)
Items that may be subsequently reclassified to profit or loss:						
Currency translation differences	1,037	(4)	1,033	(2,169)	55	(2,114)
Change in fair value of net investment hedges	(54)	–	(54)	76	–	76
Change in fair value of cash flow hedges	119	(22)	97	58	(13)	45
Cash flow hedges reclassified to profit or loss[2]	(4)	1	(3)	5	(1)	4
Net change in fair value through OCI investments	–	–	–	(1)	–	(1)
Cost of hedging	(7)	1	(6)	(8)	2	(6)
Share of other comprehensive income of associates/joint ventures	54	–	54	16	–	16
Other comprehensive income/ (loss)	**1,408**	**(68)**	**1,340**	**(2,060)**	**44**	**(2,016)**

1 Refer to note 9.3.
2 An amount of €14 million (2020: nil) relates to realised hedge results from non-financial assets reported directly in equity.

13. Other

13.1 Fair value

In this note, more information is disclosed regarding the fair value and the different methods of determining fair values.

Financial instruments - hierarchy

The financial instruments included on the HEINEKEN statement of financial position are measured at either fair value or amortised cost. To measure the fair value, HEINEKEN generally uses external valuations with market inputs. The measurement of fair value can be subjective in some cases and may be dependent on inputs used in the calculations. The different valuation methods are referred to as 'hierarchies' as described below.

– Level 1 - The fair value is determined using quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2 - The fair value is calculated using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
– Level 3 - The fair value is determined using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and liabilities according to their fair value hierarchy.

In millions of €	Note	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Fair value through OCI investments	8.4	135	36	–	99
Non-current derivative assets	11.6	6	–	3	3
Current derivative assets	11.6	96	–	96	–
Total 2021		**237**	**36**	**99**	**102**
Total 2020		215	33	97	85
Non-current derivative liabilities	11.6	(37)	–	(35)	(2)
Borrowings[1]	11.3	(14,302)	(14,185)	(1,246)	–
Current derivative liabilities	11.6	(46)	–	(46)	–
Total 2021		**(14,385)**	**(14,185)**	**(1,327)**	**(2)**
Total 2020	11.3	(14,941)	(15,508)	(1,163)	–

1 Borrowings excluding lease liabilities, deposits, bank overdrafts and other interest-bearing liabilities.

Notes to the Consolidated Financial Statements

Refer to the table below for detail of the determination of level 3 fair value measurements as at 31 December:

In millions of €	2021	2020
Fair value through OCI investments based on level 3		
Balance as at 1 January	**84**	**125**
Fair value adjustments recognised in other comprehensive income	15	(41)
Balance as at 31 December	**99**	**84**

The fair values for the level 3 fair value through OCI investments are based on the financial performance of the investments and the market multiples of comparable equity securities.

Accounting estimates

The different methods applied by HEINEKEN to determine the fair value require the use of estimates.

Investments in equity securities

The fair value of financial assets at fair value through profit or loss and fair value through OCI is determined by reference to their quoted closing bid price at the reporting date or, if unquoted, determined using an appropriate valuation technique. These valuation techniques maximise the use of observable market data where available.

Derivative financial instruments

The fair value of derivative financial instruments is based on their listed market price, if available. If a listed market price is not available, fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on the current price for the residual maturity of the contract using observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty. Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the HEINEKEN entity and counterparty when appropriate.

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes or when fair value hedge accounting is applied, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the HEINEKEN entity and counterparty when appropriate.

13.2 Off-balance sheet commitments

The raw materials purchase contracts mainly relate to malt, bottles and cans which are used in the production and sale of finished products.

In millions of €	Total 2021	Less than 1 year	1-5 years	More than 5 years	Total 2020
Property, plant and equipment ordered	414	405	3	6	363
Raw materials purchase contracts	12,046	3,955	7,123	968	9,586
Marketing and merchandising commitments	696	353	339	4	851
Other off-balance sheet obligations	2,493	861	795	837	1,773
Off-balance sheet obligations	**15,649**	**5,574**	**8,260**	**1,815**	**12,573**
Undrawn committed bank facilities	**3,962**	**439**	**3,523**	**–**	**3,941**

On 15 November 2021, HEINEKEN announced that it intends to acquire control of Distell Group Holdings Limited (Distell) and Namibia Breweries Limited (NBL). On that date, HEINEKEN has entered into an Implementation Agreement with Distell, NBL and Ohlthaver & List Group of Companies (O&L), to integrate their respective and relevant businesses in Southern Africa into one enlarged company. The shareholders of NBL approved the proposed transaction on 20 December 2021, and the shareholders of Distell will vote on the proposed transaction on 15 February 2022 (refer to note 13.5). Completion of the proposed transaction is conditional on obtaining various regulatory approvals including anti-trust approval in South Africa, Namibia and certain other African countries. The proposed transaction includes a cash commitment of €1.6 billion of which €1.1 billion is included in other guarantees (refer to note 9.3) and the remaining €0.5 billion is included in other off-balance sheet obligations.

Furthermore, other off-balance sheet obligations include energy, distribution and service contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

Accounting policies

Off-balance sheet commitments are reported on an undiscounted basis.

Raw materials purchase contracts

Raw material purchase contracts include long-term purchase contracts with suppliers in which prices are fixed or will be agreed upon based upon predefined price formulas.

Notes to the Consolidated Financial Statements

13.3 Related parties

Identification of related parties

The following parties are considered to be related to Heineken N.V.:

- Key management personnel: the Executive Board and the Supervisory Board
- Parent company Heineken Holding N.V. and ultimate controlling party Mrs. de Carvalho-Heineken (refer to 'Shareholder Information')
- Associates and Joint ventures of Heineken N.V.
- Shareholder with significant influence Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA)
- HEINEKEN pension funds (refer to note 9.1)
- Employees of HEINEKEN (refer to note 6.4)

Key management remuneration

In millions of €	2021	2020
Executive Board	15	10
Supervisory Board	1	1
Total	**16**	**11**

Executive Board

The remuneration of the members of the Executive Board consists of a fixed component and a variable component. The variable component is made up of a Short-term incentive (STI) and a Long-term incentive (LTI). The STI is based on financial and operational measures (75%) and on individual leadership measures (25%) as set by the Supervisory Board at the beginning of the year. Refer to note 6.5 for information related to the LTI component. The separate Remuneration Report is stated on pages 58-69.

As at 31 December 2021, Mr. R.G.S. van den Brink held 4,379 Company shares and Mr. H.P.J van den Broek held 3,321 Company shares (2020: Mr. R.G.S. van den Brink 4,379).

	2021				2020			
In thousands of €	R.G.S. van den Brink	L.M. Debroux[2&3]	H.P.J. van den Broek[1]	Total	J.F.M.L. van Boxmeer	R.G.S. van den Brink	L.M. Debroux	Total
Fixed salary	1,250	283	496	2,029	500	631	737	1,868
Short-term incentive	3,168	–	897	4,065	–	–	–	–
Matching share entitlement	1,436	–	407	1,843	–	–	–	–
Long-term incentive[4]	2,266	1,349	428	4,043	1,597	396	(235)	1,758
Extraordinary share award	–	–	1,883	1,883	–	–	–	–
Pension contributions	287	61	117	465	120	154	179	453
End of service indemnity	–	708	–	708	5,520	–	–	5,520
Other emoluments	30	80	–	110	16	80	154	250
Total	**8,437**	**2,481**	**4,228**	**15,146**	**7,753**	**1,261**	**835**	**9,849**

1 Appointed on 1 June 2021 as CFO and member of the Executive Board.
2 Stepped down as CFO and member of the Executive Board as of 1 May 2021.
3 In 2021, an estimated tax penalty of €1.2 million to the Dutch tax authorities was recognised in relation to the remuneration of Ms. L.M. Debroux. This tax was an expense to the employer and therefore not included in the table above
4 In 2021, the accrual for the long-term incentive plans for Ms. L.M. Debroux (LTI plan 2019-2021 and 2020-2022) have been recognised as per performance projection on 30 April 2021.

The matching share entitlements for each year are based on the performance in that year. The Executive Board members receive 25% of their STI pay in (investment) shares. In addition, they have the opportunity to indicate before year-end whether they wish to receive up to another 25% of their STI in (investment) shares. All (investment) shares are restricted for sale for five calendar years, after which they are matched 1:1 by (matching) shares. For 2021 the Executive Board members elected to receive additional (investment) shares, hence the 'Matching share entitlement' in the table above is based on a 50% investment. In 2020, following the decision not to pay out the STI relating to the performance year 2020, no investment shares were issued for the members of the Executive Board. The corresponding matching shares vest immediately and as such a fair value of €1.8 million was recognised in the 2021 income statement. The matching share entitlements are not dividend-bearing during the five-calendar year holding period of the investment shares. Therefore, the fair value of the matching share entitlements has been adjusted for missed expected dividends by applying a discount based on the dividend policy and vesting period.

Notes to the Consolidated Financial Statements

Supervisory Board

The individual members of the Supervisory Board received the following remuneration:

In thousands of €	2021	2020
J.M. Huët	225	225
J.A. Fernández Carbajal	142	154
M. Das	130	130
M.R. de Carvalho	135	135
V.C.O.B.J. Navarre[1]	45	105
J.G. Astaburuaga Sanjinés	122	116
P. Mars-Wright	126	126
M. Helmes	125	125
R.L. Ripley	125	110
N.K. Paranjpe[2]	78	–
I.H. Arnold	110	115
	1,363	**1,341**

1 Stepped down on 22 April 2021
2 Appointed on 22 April 2021.

Mr. J.M. Huët held 3,719 shares of Heineken Holding N.V. as at 31 December 2021 (2020: 3,719 shares). Mr. M.R. de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2021(2020: 100,008 shares). As at 31 December 2021 and 2020, the Supervisory Board members did not hold any of the Company's bonds or option rights. Mr. M.R. de Carvalho held 100,008 shares of Heineken Holding N.V. as at 31 December 2021 (2020: 100,008 shares).

Heineken Holding N.V.

In 2021, an amount of €1,245,570 (2020: €1,171,702) was paid to Heineken Holding N.V. for management services for HEINEKEN.

This payment is based on an agreement of 1977 as amended in 2001, providing that Heineken N.V. reimburses Heineken Holding N.V. for its costs.

Other related party transactions

	Associates & Joint Ventures		FEMSA		Total	
In millions of €	2021	2020	2021	2020	2021	2020
Sales	388	364	752	831	1,140	1,195
Purchases	235	178	166	131	401	309
Accounts receivables	127	109	137	135	264	244
Accounts payables and other liabilities	39	37	80	65	119	102

13.4 HEINEKEN entities

Control of HEINEKEN

The shares of the Company are traded on Euronext Amsterdam, where the Company is included in the main AEX Index. Heineken Holding N.V. Amsterdam has an interest of 50.005% in the issued capital of the Company and consolidates the financial information of the Company.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued with respect to legal entities established in the Netherlands. The list of the legal entities for which the declaration has been issued is disclosed in the Heineken N.V. stand-alone financial statements.

Pursuant to the provisions of Section 357 of the Republic of Ireland Companies Act 2014, the Company irrevocably guarantees, in respect of the financial year from 1 January 2021 up to and including 31 December 2021, the liabilities referred to in Schedule 3 of the Republic of Ireland Companies Act 2014 of the wholly-owned subsidiary companies Heineken Ireland Limited, Heineken Ireland Sales Limited, The West Cork Bottling Company Limited, Western Beverages Limited, Beamish & Crawford Limited and Nash Beverages Limited.

Significant subsidiaries

Set out below are HEINEKEN's significant subsidiaries at 31 December 2021. The subsidiaries as listed below are held by the Company and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The disclosed significant subsidiaries represent the largest subsidiaries and represent an approximate total revenue of €16 billion and total asset value of €31 billion and are structural contributors to the business.

Apart from obtaining control of UBL (refer to note 10.1), there were no significant changes to the HEINEKEN structure and ownership interests.

Notes to the Consolidated Financial Statements

	Country of incorporation	Percentage of ownership 2021	2020
Heineken International B.V.	The Netherlands	100.0	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0	100.0
Heineken Nederland B.V.	The Netherlands	100.0	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0	100.0
Cervejarias Kaiser Brasil S.A.	Brazil	100.0	100.0
Bavaria S.A.	Brazil	100.0	100.0
Heineken France S.A.S.	France	100.0	100.0
Nigerian Breweries Plc.	Nigeria	56.3	56.1
Heineken USA Inc.	United States	100.0	100.0
Heineken UK Ltd	United Kingdom	100.0	100.0
Heineken España S.A.	Spain	99.8	99.8
Heineken Italia S.p.A.	Italy	100.0	100.0
Brau Union Österreich AG	Austria	100.0	100.0
Grupa Żywiec S.A.	Poland	65.2	65.2
LLC Heineken Breweries	Russia	100.0	100.0
Heineken Vietnam Brewery Limited Company	Vietnam	60.0	60.0
SCC - Sociedade Central de Cervejas e Bebidas S.A.	Portugal	99.9	99.9
United Breweries Limited	India	61.5	46.5
Heineken South Africa (Proprietary) Limited	South Africa	82.4	82.4

13.5 Subsequent events

On 15 February 2022, the shareholders of Distell approved the proposed transaction referred to in note 13.2. Completion of the proposed transaction is conditional on obtaining various regulatory approvals including anti-trust approval in South Africa, Namibia and certain other African countries. If all the conditions are fulfilled, completion of the proposed transaction is expected in Q3 2022 and HEINEKEN will acquire control of Distell and NBL, which will be integrated into HEINEKEN's business to create a regional beverage champion for South Africa.

Heineken N.V. Income Statement

For the year ended 31 December

In millions of €	2021	2020
Amortisation, depreciation and impairments	(2)	–
Personnel expenses	(19)	(18)
Total other expenses	**(21)**	**(18)**
Interest income	39	39
Interest expenses	(329)	(339)
Other net finance income/(expenses)	(266)	306
Net finance expenses	**(556)**	**6**
Share of profit/(loss) of participating interests, after income tax	3,769	(167)
Profit/(Loss) before income tax	**3,192**	**(179)**
Income tax income/(expense)	132	(25)
Profit/(Loss)	**3,324**	**(204)**

For more details on personnel expenses and amortisation, depreciation and impairments, refer to notes 13.3 and 6.6 of the consolidated financial statements, respectively.

Heineken N.V. Balance Sheet

Before appropriation of results
For the year ended 31 December

In millions of €	Note	2021	2020
Investments in participating interests	A.1	30,995	28,631
Deferred tax assets		52	64
Total financial fixed assets		**31,047**	**28,695**
Trade and other receivables		28	40
Cash and cash equivalents		140	141
Total current assets		**168**	**181**
Total assets		**31,215**	**28,876**

In millions of €	Note	2021	2020
Issued capital		922	922
Share premium		2,701	2,701
Translation reserve		(4,003)	(4,940)
Hedging reserve		56	28
Cost of hedging reserve		(8)	(2)
Fair value reserve		56	54
Other legal reserves		1,128	1,171
Reserve for own shares		(37)	(25)
Retained earnings		13,218	13,687
Net profit/(loss)		3,324	(204)
Total shareholders' equity		**17,357**	**13,392**
Borrowings	A.2	12,615	13,234
Other non-current liabilities		8	6
Total non-current liabilities		**12,623**	**13,240**
Borrowings	A.2	935	1,898
Trade and other payables		300	346
Total current liabilities		**1,235**	**2,244**
Total liabilities		**13,858**	**15,484**
Total shareholders' equity and liabilities		**31,215**	**28,876**

Heineken N.V. Shareholders' equity

In millions of €	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Net profit	Shareholders' equity
Balance as at 1 January 2020	**922**	**2,701**	**(2,998)**	**(19)**	**4**	**313**	**1,115**	**(63)**	**12,006**	**2,166**	**16,147**
Profit/(Loss)	–	–	–	–	–	–	86	–	(86)	(204)	(204)
Other comprehensive income/(loss)	–	–	(1,929)	49	(6)	(99)	–	–	62	–	(1,923)
Total comprehensive income/(loss)	**–**	**–**	**(1,929)**	**49**	**(6)**	**(99)**	**86**	**–**	**(24)**	**(204)**	**(2,127)**
Realised hedge results from non-financial assets	–	–	–	(2)	–	–	–	–	–	–	(2)
Transfer to retained earnings	–	–	(13)	–	–	(160)	(30)	–	2,369	(2,166)	–
Dividends to shareholders	–	–	–	–	–	–	–	–	(597)	–	(597)
Purchase own shares or contributions received from NCI shareholders	–	–	–	–	–	–	–	(5)	–	–	(5)
Own shares delivered	–	–	–	–	–	–	–	43	(43)	–	–
Share-based payments	–	–	–	–	–	–	–	–	(25)	–	(25)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–
Changes in consolidation	–	–	–	–	–	–	–	–	1	–	1
Balance as at 31 December 2020	**922**	**2,701**	**(4,940)**	**28**	**(2)**	**54**	**1,171**	**(25)**	**13,687**	**(204)**	**13,392**

In millions of €	**Share capital**	**Share premium**	**Translation reserve**	**Hedging reserve**	**Cost of hedging reserve**	**Fair value reserve**	**Other legal reserves**	**Reserve for own shares**	**Retained earnings**	**Net profit/ (loss)**	**Shareholders' equity**
Balance as at 1 January 2021	**922**	**2,701**	**(4,940)**	**28**	**(2)**	**54**	**1,171**	**(25)**	**13,687**	**(204)**	**13,392**
Profit/(Loss)	–	–	–	–	–	–	242	–	(242)	3,324	3,324
Other comprehensive income/(loss)	–	–	935	93	(6)	9	–	–	207	–	1,238
Total comprehensive income/(loss)	**–**	**–**	**935**	**93**	**(6)**	**9**	**242**	**–**	**(35)**	**3,324**	**4,562**
Realised hedge results from non-financial assets	–	–	–	(65)	–	–	–	–	–	–	(65)
Transfer to retained earnings	–	–	2	–	–	(7)	(285)	–	86	204	–
Dividends to shareholders	–	–	–	–	–	–	–	–	(564)	–	(564)
Purchase own shares or contributions received from NCI shareholders	–	–	–	–	–	–	–	(14)	–	–	(14)
Own shares delivered	–	–	–	–	–	–	–	2	(2)	–	–
Share-based payments	–	–	–	–	–	–	–	–	55	–	55
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	(10)	–	(10)
Changes in consolidation	–	–	–	–	–	–	–	–	–	–	–
Balance as at 31 December 2021	**922**	**2,701**	**(4,003)**	**56**	**(8)**	**56**	**1,128**	**(37)**	**13,217**	**3,324**	**17,356**

For more details on reserves, refer to note 11.4 of the consolidated financial statements. For more details on share-based payments, refer to note 6.5 of the consolidated financial statements.

Notes to the Heineken N.V. Financial Statements

Reporting entity
The Company financial statements of Heineken N.V. (the 'Company') are included in the consolidated financial statements of Heineken N.V.

Basis of preparation
The Company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of IFRS as adopted by the EU as explained in the notes to the consolidated financial statements.

Accounting policies

Shareholders' equity
The translation reserve and other legal reserves were previously formed under, and are still recognised in accordance with, the Dutch Civil Code.

A. Company disclosures

A.1 Investments

The below table provides an overview of the movements of the investments during the year:

In millions of €	Participating interests	Loans to participating interests	Total
Balance as at 1 January 2021	**16,560**	**12,071**	**28,631**
Profit/(loss) of participating interests	3,769	–	3,769
Dividend payments by participating interests	(436)	436	–
Effect of movements in exchange rates	961	–	961
Changes in hedging and fair value adjustments	38	–	38
Actuarial gains/(losses)	208	–	208
Acquisition of non-controlling interests without a change in control	(10)	–	(10)
Investments/(repayments)	–	(2,601)	(2,601)
Other movements	(1)	–	(1)
Balance as at 31 December 2021	**21,089**	**9,906**	**30,995**
Balance as at 1 January 2020	**19,197**	**10,476**	**29,673**
Loss of participating interests	(167)	–	(167)
Dividend payments by participating interests	(456)	456	–
Effect of movements in exchange rates	(1,974)	–	(1,974)
Changes in hedging and fair value adjustments	(53)	–	(53)
Actuarial gains	62	–	62
Acquisition of non-controlling interests without a change in control	–	–	–
Investments/(repayments)	(50)	1,139	1,089
Other movements	1	–	1
Balance as at 31 December 2020	**16,560**	**12,071**	**28,631**

For disclosures of significant direct and indirect participating interests, refer to notes 10.3 and 13.4 of the consolidated financial statements.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued with respect to the following legal entities established in the Netherlands:

Notes to the Heineken N.V. Financial Statements

	Country of incorporation	Percentage of ownership 2021	2020
Heineken Nederlands Beheer B.V.	The Netherlands	100%	100%
Heineken Group B.V.	The Netherlands	100%	100%
Heineken Brouwerijen B.V.	The Netherlands	100%	100%
Heineken CEE Investments B.V.	The Netherlands	100%	100%
Heineken Nederland B.V.	The Netherlands	100%	100%
Heineken International B.V.	The Netherlands	100%	100%
Heineken Supply Chain B.V.	The Netherlands	100%	100%
Heineken Global Procurement B.V.	The Netherlands	100%	100%
Heineken Mexico B.V.	The Netherlands	100%	100%
HIBV Skopje Holdings B.V.[1]	The Netherlands	n/a	100%
Heineken Beer Systems B.V.	The Netherlands	100%	100%
Amstel Brouwerij B.V.	The Netherlands	100%	100%
Vrumona B.V.	The Netherlands	100%	100%
B.V. Beleggingsmaatschappij Limba	The Netherlands	100%	100%
Brand Bierbrouwerij B.V.	The Netherlands	100%	100%
Brasinvest B.V.[1]	The Netherlands	n/a	100%
Heineken Asia Pacific B.V.	The Netherlands	100%	100%
Distilled Trading International B.V.	The Netherlands	100%	100%
Premium Beverages International B.V.	The Netherlands	100%	100%
De Brouwketel B.V.	The Netherlands	100%	100%
Proseco B.V.	The Netherlands	100%	100%
La Tropical Holdings B.V.	The Netherlands	100%	100%
Heineken Americas B.V.	The Netherlands	100%	100%
Heineken Export Americas B.V.	The Netherlands	100%	100%
Amstel Export Americas B.V.	The Netherlands	100%	100%
Heineken Brazil B.V.	The Netherlands	100%	100%
B.V. Panden Exploitatie Maatschappij PEM	The Netherlands	100%	100%
Heineken Exploitatie Maatschappij B.V.	The Netherlands	100%	100%
Hotel De L'Europe B.V.	The Netherlands	100%	100%
Hotel De L'Europe Monumenten I B.V.	The Netherlands	100%	100%
Hotel De L'Europe Monumenten II B.V.	The Netherlands	100%	100%
Heineken Groothandel B.V.[1]	The Netherlands	n/a	100%
Heineken Horeca Services B.V.[1]	The Netherlands	n/a	100%
Beerwulf B.V.	The Netherlands	100%	100%
Roeminck Insurance N.V.	The Netherlands	100%	100%
Heineken Belize B.V.	The Netherlands	100%	100%
Bedrijfsconcepten Nederland B.V.[1]	The Netherlands	n/a	100%
Heineken Netherlands Supply B.V.	The Netherlands	100%	100%
Texelse Bierbrouwerij B.V.	The Netherlands	100%	100%

1 Entity ceased to exist during 2021 following a legal merger.

Accounting policies

Investments in other entities are measured on the basis of the equity method. The share of profit of these investments is the Company's share of the investments' results. Results on transfers of assets and liabilities between the Company and its participating interests are eliminated.

The Company shall eliminate any expected credit losses on intercompany loans or receivables against the book value of the intercompany loan or receivable in accordance with Directive 100.107a of the Dutch Accounting Standards Board.

Notes to the Heineken N.V. Financial Statements

A.2 Borrowings

The borrowings of the Company comprise the following:

In millions of €	2021	2020
Unsecured bond issues	13,517	14,420
Commercial paper	–	698
Derivatives used for financing activities	33	14
Total	**13,550**	**15,132**

The average effective interest rate on the unsecured bonds as at 31 December 2021 was 2.4% (2020: 2.3%). As at 31 December 2021, €8.0 billion (2020: €8.8 billion) of the outstanding bonds have a maturity longer than five years.

The movement in other net finance income/expense for the year is due to the negative transactional foreign exchange effects on foreign currency-denominated loans.

During the year the movements in borrowings were as follows:

In millions of €	Unsecured bond issues	Commercial paper	Derivatives used for financing activities	Total
Balance as at 1 January 2021	**14,420**	**698**	**14**	**15,132**
Effects of movements of exchange rates	285	–	26	311
Repayments	(1,200)	(698)	(7)	(1,905)
Other	12	–	–	12
Balance as at 31 December 2021	**13,517**	**–**	**33**	**13,550**

B. Other

B.1 Auditor fees

Fees for audit services include the audit of the financial statements of the Company and its subsidiaries. Fees for other audit services include a review of interim financial statements, sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include agreed-upon procedures and advisory services. Fees for tax and other non-audit services are related to the network outside the Netherlands and are in accordance with local independence regulations.

In 2021 €10.6 million of fees are recognised in the consolidated financial statements for services provided by Deloitte Accountants B.V. and its member firms and/or affiliates (2020: €10.9 million). In the overview below, the breakdown per type of service is provided:

	Deloitte Accountants B.V.		Other Deloitte member firms and affiliates		Total	
In millions of €	2021	2020	2021	2020	2021	2020
Audit of HEINEKEN and its subsidiaries	3.1	3.0	6.9	7.1	10.0	10.1
Other audit services	0.2	0.2	0.3	0.4	0.5	0.6
Other non-audit services	–	–	0.1	0.2	0.1	0.2
Total	**3.3**	**3.2**	**7.3**	**7.7**	**10.6**	**10.9**

Accounting policies

Fees for audit services are included in the other expenses in the consolidated financial statements (refer to note 6.3 of the consolidated financial statements for more information). These fees are recognised when the service is provided.

Notes to the Heineken N.V. Financial Statements

B.2 Off-balance sheet commitments

In millions of €	Total 2021	Less than 1 year	1 – 5 years	More than 5 years	Total 2020
Undrawn committed bank facility	**3,500**	–	3,500	–	**3,500**

	2021		2020	
	Third parties	**HEINEKEN companies**	Third parties	HEINEKEN companies
Declarations of joint and several liability	**1,100**	**3,001**	–	2,350

The legal entities to which the declarations of joint and several liability relate, are listed in note A.1.
The declarations include a conditional guarantee for the deficit of the defined benefit pension plan of HEINEKEN UK (Scottish and Newcastle pension plan) as calculated in accordance with IAS 19. Through this guarantee, Heineken N.V. is ultimately liable for the payments, including any potential recovery payments, to the pension plan. Refer to note 9.1 of the consolidated financial statements for more information. The declaration under third parties relates to a €1.1 billion guarantee issued by Heineken N.V in relation to the offer to acquire Distell, refer to note 13.2 of the consolidated financial statements for more information.

Fiscal unity
The Company is part of the fiscal unity of HEINEKEN in the Netherlands. As a result, the Company is liable for the tax liability of the fiscal unity in the Netherlands.

B.3 Subsequent events
For subsequent events, refer to note 13.5 of the consolidated financial statements.

B.4 Other disclosures

Remuneration
Refer to note 13.3 of the consolidated financial statements for the remuneration and incentives of the Executive Board and Supervisory Board.

Employees
In 2021, there was an average of 6 FTE (2020: 5 FTE).

Executive and Supervisory Board statement
The members of the Supervisory Board signed the financial statements in order to comply with their statutory obligation pursuant to Article 2:101, paragraph 2, of the Dutch Civil Code.

The members of the Executive Board signed the financial statements in order to comply with their statutory obligation pursuant to Article 2:101, paragraph 2, of the Dutch Civil Code and Article 5:25c, paragraph 2 sub c, of the Financial Markets Supervision Act.

Amsterdam, 15 February 2022	Executive Board	Supervisory Board
	Van den Brink	Huët
	Van den Broek	Fernández Carbajal
		Das
		de Carvalho
		Paranjpe
		Astaburuaga Sanjinés
		Mars-Wright
		Helmes
		Ripley
		Arnold

Raise the bar on sustainability and responsibility

With Brew a Better World 2030 we are raising the bar across the board

Over the past decade, Brew a Better World has had a profound impact on our business. It has driven us to innovate and collaborate to protect the environment, support local communities and make a positive contribution to society – all with a focus on delivering the UN Sustainable Development Goals (SDGs).

Now, we are moving into a decade in which the world has to face even more complex challenges. We know we can only thrive if our planet and communities thrive. Our Brew a Better World 2030 ambitions are woven into the fabric of our balanced growth strategy, EverGreen, putting sustainability and responsibility front and centre as we write our next growth chapter.

Being the most international brewer with operations around the world, we have a responsibility and the ambition to brew a better world, both globally and locally, from barley to bar. Our 2030 ambitions raise the bar across three pillars, nine ambition areas and 22 commitments. We believe in accelerated actions and working in partnerships to achieve shared goals, scale our positive contribution and limit our negative impacts. Mobilising our entire global organisation will be crucial if we are to deliver our 2030 vision.

Transparency is key and we have disclosed our sustainability efforts in line with the Global Reporting Initiative (GRI) and Climate Disclosure Project (CDP) for many years. In 2021, we committed to the World Economic Forum's (WEF) Stakeholder Capitalism Metrics and to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which aim to advance global efforts to improve quality and consistency of climate-related disclosures.

Visit our website to discover more about our Brew a Better World strategy, material issues, contribution to the UN SDGs and benchmarks & ratings

Our impact from Barley to Bar

We brew the joy of true togetherness to inspire a better world. Our Brew a Better World 2030 strategy directly contributes to the UN SDGs and is woven into the fabric of our balanced growth strategy, EverGreen.

Brew a Better World 2030 supports the following UN SDGs:

Path to zero impact... — 6 Clean water and sanitation; 7 Affordable and clean energy; 12 Responsible consumption and production; 13 Climate action

Path to an inclusive, fair and equitable world... — 5 Gender equality; 8 Decent work and economic growth

Path to moderation and no harmful use... — 3 Good health and well-being; 12 Responsible consumption and production

Agriculture

We brew beer and make cider from **natural ingredients**. By supporting sustainable farming, **100%** of our main ingredients (barley and hops) will come from **sustainable sources by 2030**. Our **low carbon agriculture** programme supports **128** pilot farms across **8** countries to reduce CO_2 emissions. We continue our l**ocal sourcing** efforts in Africa to increase the 2020 volume with 50% by 2025.

Brewing

We operate **165**[1] breweries, malteries, cider plants and other facilities around the world. We are on the path to **net zero carbon emissions** in production by 2030 and across our full value chain by 2040. Our water strategy focuses on working towards **healthy watersheds** by combining internal and external efforts to support water security. All our production sites will be zero waste to landfill by 2025.

Packaging

Our packaging must be distinctive and visible without burdening the environment. By investing in design and innovation, we aim to develop **sustainably sourced, low carbon** and **circular** solutions. We work closely with our suppliers to **create and scale efficient and sustainable packaging** and have launched initiatives to reduce the amount of material in our packs, reuse packaging waste and increase the returnability of our glass bottles.

Distribution

Every second, we deliver beer somewhere in the world. We use trucks, trains and ships in over 70 countries. To **reduce the environmental impacts** of distribution and **lower emissions**, we aim to **optimise routes**, support suppliers to adopt **low carbon technologies** and shift to **fuel-efficient transport**.

Customers

Our drinks are sold in bars, restaurants and through retailers around the world. Our **Green Cooling** programme has resulted in 100% of newly purchased fridges meeting **low carbon footprint standards** and emitting over 55% less carbon than those purchased 10 years ago. By 2027, all fridges used by customers to cool our beverages will be in one of the Energy Efficiency Index's top energy classes.

Consumers

Brew a Better World also means empowering consumers by providing **choice and transparency** and with **zero tolerance for the harmful use of alcohol**. Our ambition is to serve 0.0 always, everywhere – ensuring our consumers around the world have a choice. Non-alcoholic products also play an increasingly significant role in our industry-leading messaging on **responsible consumption** and **moderation**.

Planet

We are mobilising our global organisation to drive change at scale to respond to the shared challenge of climate change. We are teaming up with our suppliers and partners to make a n**et zero world** a reality.

People

The ingenuity of our people is integral to Brew a Better World. Keeping them **safe, healthy, motivated and engaged** is pivotal.

Communities

We seek to make a **positive contribution to local communities** through our core business and by working together to develop targeted initiatives.

1 Does not include 2021 acquisition UBL.

Materiality and stakeholder engagement

Stakeholder engagement and materiality

We defined our Brew a Better World priorities through open conversations and engagement with our stakeholders – both internal and external. This ensures we are addressing the most important issues and those on which we have the greatest potential impact – both positive and negative. We listen and learn from others and use our voice, reach and influence to help drive positive change.

Engaging with our stakeholders

Ongoing dialogue has been instrumental in shaping our 2030 agenda and helping us to understand the issues, risks and opportunities that are most relevant to our business and stakeholders.

We engage with NGOs, scientists, academic experts, investors, government representatives and industry peers to learn and gain feedback on our strategy, commitments and progress. This is an opportunity to share opportunities and dilemmas and discuss industry trends and opportunities for innovation and collaboration. Discussions cover our sustainability performance, overall agenda and future plans. We zoom in on key issues like carbon, water, responsible consumption, human rights, local sourcing and the opportunities and challenges of doing business in Africa.

In 2021, we engaged with a wide range of stakeholders. Examples include our virtual 'What's Brewing' Seminar for investors and our attendance at COP-26, where HEINEKEN leaders joined panels and met with civil society, government officials and young climate activists.

We also participated in advocacy initiatives through platforms like the Alliance for CEO Climate Leaders, the Net Zero movement, the International Alliance for Responsible Drinking, the Dutch Sustainable Growth Coalition and the United Nations 'Orange the World' campaign against gender violence.

Engaging, inspiring and mobilising our entire global workforce will be key to delivering our Brew a Better World strategy and their input has helped shape our commitments.

Important themes in 2021

Our stakeholder meetings in recent years have highlighted a number of relevant and recurring themes. In the table opposite, we summarise some of the most common questions we received from stakeholders in 2021 and our response.

Theme	Our response
Carbon emissions How will you ensure you deliver your ambitious targets on net zero?	It is a complex task. We are taking a science-based approach and have set out a Net Zero Roadmap to urgently reduce carbon emissions in production and across the value chain. Our priority is to reduce total energy demand and consumption and replace the energy we still require to brew and serve our beer with renewable energy. Our journey to net zero is going to be challenging and will require coordinated action with suppliers, academics, customers and other stakeholders.
Water Is your water usage target for 2030 ambitious enough?	We think so. We aim high by continuously adjusting our targets as we improve average water usage. But focusing on efficiency alone will not be enough to solve problems in areas where water is under pressure. That's why our strategy looks much more holistically at the health of local watersheds. It combines targets on efficiency, circularity and replenishment so that every brewery in a water-stressed area will work on all three elements in a way that aligns with the local context.
Packaging When will you have targets on packaging?	Packaging is now part of our carbon strategy and commitments. We are developing a circularity strategy with related targets which we are looking forward to announcing in 2022 and we are engaging with key stakeholders as part of this process.
Inclusion and diversity Will you commit to concrete goals to increase diversity and inclusion and to report on them?	Yes. We have committed to clear targets on inclusion and diversity and inclusion related to gender, culture and pay gap. We will measure progress through our people plans and employee climate survey and will report annually on these targets and KPIs.
Responsible consumption How do you see the role of zero alcohol beer in driving responsible consumption?	This is where we can make a real impact through our products and brands. That is why we made it our ambition to serve 0.0 always, everywhere, ensuring our consumers always have a choice. By end of 2021, Heineken® 0.0 was available in more than 100 markets.
Sustainability and growth How do you ensure that HEINEKEN's growth goes hand in hand with sustainability?	Our 2030 Brew a Better World commitments are woven into the fabric of our balanced growth strategy, EverGreen. We have refreshed our areas of focus for creating value – our 'Green Diamond' – to embed sustainability and responsibility next to organic growth, profit and efficient capital location.
Remuneration Will non-financial targets be part of short- and long-term incentives for senior management?	Yes. We have been assessing how best to align our remuneration policy with our renewed sustainability ambitions. We will share our proposal during the upcoming AGM in April 2022.
Transparency Will you increase transparency by joining reporting standards like the Task Force on Climate-Related Financial Disclosures (TCFD)?	Yes. We actively support the move to develop universal, comparable disclosures that companies can report on, regardless of industry or region. One example is our support for the WEF Stakeholder Capitalism metrics initiative which forms part of this report. We also decided to join the TCFD framework to promote transparency on climate change.

Materiality and stakeholder engagement

Materiality assessment

We updated our materiality matrix in 2020 as a foundation for our 2030 strategy. Our materiality assessment process enables us to identify and prioritise our most material issues, based on the extent to which they are found to:

– have a significant current or potential impact on our business or vice versa;

– be of significant interest to our stakeholders; and

– be an issue over which we have a reasonable degree of control where it comes to our impacts.

We use the outcomes of the assessment to shape our Brew a Better World strategy and reporting.

Our 2020 materiality assessment process comprised a number of steps:

1. Understanding global and industry trends, standards and frameworks, benchmarks and reputation research.
2. Social listening, conversations with NGOs and investors, employee survey and expert interviews.
3. Analysis of results and alignment with internal risk analysis to define most material topics.
4. Validation of outcomes by the Executive Board and Supervisory Board.

Our materiality matrix

The materiality matrix plots our most material sustainability issues based on their impact on our business and interest to stakeholders.

*Waste, Plastics and Packaging have been integrated in this overarching theme

ESG Benchmarks and disclosure frameworks

We participate in a selection of benchmarks, ratings and disclosure frameworks that matter most to our stakeholders. We also support the convergence towards universal, comparable disclosures.

In 2021, we were a founding signatory to the WEF Stakeholder Capitalism Metrics and we committed to implement the recommendations of the TCFD.

We were also included on CDP's A-List for Water Security, and recognised as a '2021 Supplier Engagement Leader', raising the level of climate action across our value chain.

Read more about our performance in the Benchmarks and Ratings section of our website

Impacting decisions

Multi-stakeholder engagement can influence our local decision-making as well. For example, in Brazil we had plans to build a new brewery in the city of Pedro Leopoldo. Although it received huge support by the local community and obtained all relevant environmental permits, there was disagreement among stakeholders on the potential impact it could have on a nearby archaeological site. Our team in Brazil held a series of conversations with groups involved to listen and learn. Based on the outcomes, we concluded that construction would only make sense if it had the support of all stakeholders. As a result, we have stopped the construction and will search for an alternative location in the same state.

Our Brew a Better World 2030 commitments and progress in 2021

Environmental

Environmental	Our progress by 2021	What we said we will do by 2023	2025	2030	2040
Reach net zero carbon emissions	Reduction of **16%** vs. baseline 2018 in production **27%** energy from renewable sources			**Net zero** emissions in production	
	Reduction of **9%** vs. 2018 across value chain*			**30%** absolute reduction across the value chain	**Net zero** across the value chain
	65% sustainable ingredients (barley & hops)			**100%** sustainable ingredients (barley & hops)	
Maximise circularity	**123** of 165 sites are landfill free		**Zero** waste to landfill for all our production sites		
	Circularity strategy and targets under development			Turn waste into value and close material loops throughout the value chain	
Towards healthy watersheds	**32%** of water-stressed sites are fully water balanced			Fully balance water used in our products in water-stressed areas	
	Under development			Maximise reuse and recycling in water-stressed areas	
	3.1hl/hl average water usage in water-stressed areas and **3.4hl/hl** globally			Reduce average water usage to **2.6 hl/hl** in water-stressed areas and **2.9 hl/hl** globally	
	11 of **165** sites do not have wastewater treatment plants	Treat **100%** of wastewater of all breweries			

* Based on Carbon Footprint for 2020

Note: All numbers in Our progress 2021 have limited assurance by Deloitte, see page 172 for the Assurance Report.

Our Brew a Better World 2030 commitments and progress in 2021

Social

Social	Our progress by 2021	What we said we will do by 2023	2025	2030
Embrace inclusion and diversity	**25%** women in senior management		Gender balance: **30%** women across senior management	Gender balance: **40%** women across senior management
	2 of 4 regions have at least 65% regional nationals in leadership teams	At least **65%** of country leadership teams to be regional nationals		
	13% of management trained in inclusive leadership	**100%** of management trained in inclusive leadership		
A fair and safe workplace	**63%** fair wage assessments across our operating companies, from which **99%** of direct employees earn at least a fair wage	Fair wage for employees: close any gaps		
	97% of operating companies have been assessed and **88%** have action plans in place	Equal pay for equal work: assessments and action		
	To be reported in the 2022 annual report			Ensure fair living and working standards for third party employees and brand promoters
	To be reported in the 2022 annual report			Create leadership capacity to drive zero fatal accidents and serious injuries
Positive impact in our communities	To achieve annually from the 2022 report onwards			A social impact initiative in **100%** of our markets
	18% increase in volume from locally sourced agricultural ingredients		In Africa, increase local sourcing of agricultural ingredients volumes by **50%** (vs 2020)	

Note: All numbers in Our progress 2021 have limited assurance by Deloitte, see page 172 for the Assurance Report.

Our Brew a Better World 2030 commitments and progress in 2021

Responsible

	Our progress by 2021	What we said we will do by 2023	2030
Always a choice	Markets with a zero alcohol option for at least two strategic brands represented **43%** of our beer and cider volumes	A zero alcohol option for **two** strategic brands available in majority markets (accounting for **90%** of our business)	
	To be reported in the 2022 annual report	**100%** of products to include clear and transparent consumer information	
Address harmful use	To achieve annually from 2022 report onwards		**100%** of markets in scope have a partnership to address alcohol-related harm
Make moderation cool	Our operating companies invested over **10%** of Heineken® media spend in dedicated responsible consumption campaigns **1.2 billion** unique consumers reached worldwide		**10%** of Heineken® media spend invested in responsible consumption campaigns, reaching **1 billion** consumers (annual requirement)

Note: All numbers in Our progress 2021 have limited assurance by Deloitte, see page 172 for the Assurance Report.

Foundation:
Our ways of working

Responsible business conduct
An effective Speak Up framework
Zero tolerance to bribery and corruption

Respecting human rights
Ongoing due diligence
Good governance

Environmental

Acting now to protect the environment for the long-term

We built Brew a Better World on the understanding that we can only thrive when the environment around us is healthy too. But nature has reached a critical turning point. Evidence of the climate crisis is all around us and the science is clear – we must act now to dramatically reduce long-term devastating impacts on our planet's climate, biodiversity, water and natural resources.

We will embrace and help drive this change. Leaning into our biggest opportunities and challenges, we have committed to reach net zero carbon emissions in both our production and across our value chain. We will maximise the circularity of products and processes and make a positive contribution to the health of local watersheds.

Contributing to the UN SDGs – **Path to net zero impact:**

Learn more about our actions in the Environment section of our website

Reach net zero carbon emissions

Climate change is a global threat to humanity which will shape the way we do business in the coming decades. HEINEKEN is committed to taking action to limit global warming to 1.5°C. Our strategy is aligned with the sixth report of the Intergovernmental Panel on Climate Change (IPPC) and translates the commitment into actions to reduce emissions and help restore healthy functioning ecosystems.

In April 2021, we disclosed our Brew a Better World ambition to raise the bar by targeting net zero carbon emissions across our total carbon footprint by 2040. We also set an intermediate goal to reach net zero emissions in production by 2030 and reduce our value chain by 30%. We invite the rest of our industry to join us on this journey to reduce the unknowns.

As we search for the answers, we will collaborate with a large number of external stakeholders including suppliers, peers and partners to create a pipeline of innovations and research projects. We will use our voice as a global company to influence public policy and help to drive the transition to a low-carbon future.

We hold ourselves accountable by continuously reviewing our strategies and targets in light of the latest science. This includes measuring progress against verified science-based targets which determine how much and how quickly we need to reduce emissions to limit global warming to 1.5°C above pre-industrial levels.

Science Based Target initiative

We joined the Science Based Target initiative (SBTi) in 2019 and committed to set science-based targets for our entire value chain. The SBTi has approved our 2030 near-term target to reach net zero emissions in production and reduce our total emissions by 30% by 2030. We are working to gain validation of our long-term 2040 target to reach net zero emissions across our total value chain.

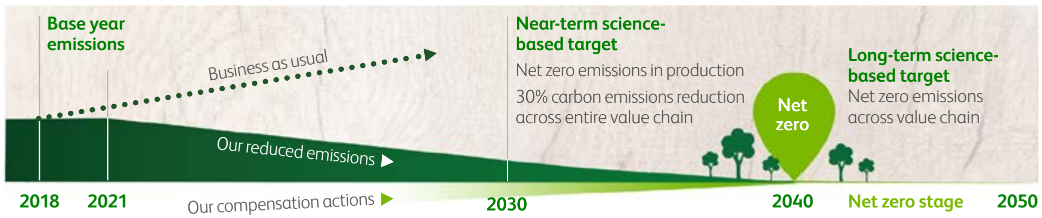
Read more about our net zero roadmap

Reducing emissions from Barley to Bar

Our strategy is based on the four Rs: Reduce, Replace, Remove and Report. We are working to decrease absolute carbon emissions across our entire supply chain – from barley to bar – as fast as we can.

Our ambition: Our roadmap to net zero emissions from barley to bar by 2040

We are going to reach net zero emissions in our operations in the near-term, by 2030, and we will do the same across our entire value chain in the long-term, by 2040.



Scale
For the first time, our plan includes all our production sites across the world.

Scope
We are setting a firm net zero target for emissions in our value chain, which represents the majority of our total carbon emissions. We will work with over 30,000 direct suppliers and indirectly with more than 50,000 farmers to achieve this goal.

Speed
We are accelerating our plans. We aim to be net zero across our value chain and operations 10 years before the recommended Paris Climate agreement deadline.

Environmental

To achieve this, we will reduce fossil-energy demand by delivering production efficiencies and process innovations. We will replace the remaining energy used by our suppliers, breweries and customers with renewable energy.

Aligned with SBTi Net Zero guideline, we will only compensate for any residual carbon emissions that we have not been able to reduce or replace as last resort, by investing in verified qualitative offsetting projects.

We will report transparently on our successes and challenges every year. We are working closely with CDP and RE100 to provide granular data that is consistent and understandable to external audiences.

2030 commitment

Net zero emissions in production

We are decreasing absolute carbon emissions in our production and will reduce total energy demand and consumption as much as possible through production innovations and efficiencies. Increased focus on energy efficiency in our breweries and acceleration of renewable projects have allowed us to continue decreasing our emissions and reach our lowest level of emissions.

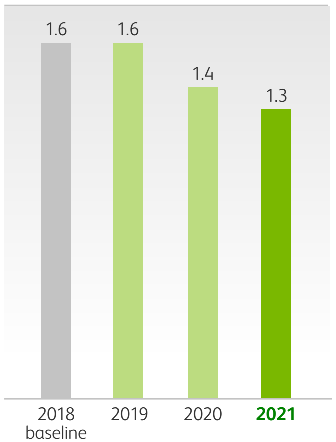
We are now focused on improving the efficiency of equipment and processes to reduce overall energy demand. By optimising processes, using internal benchmarks and scaling best practices across our 165 sites, we have the potential to avoid 20% of our emissions from brewing.

Alongside this, we are exploring opportunities to replace fossil fuels as we transition to 100% renewable energy. We have committed to increase renewable energy in production, including renewable electricity and renewable thermal energy, to achieve net zero emissions across our production sites.

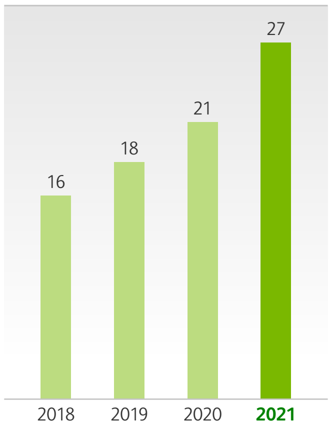
Since 2018, we have reduced our absolute carbon emissions in production by 16%. In 2020, COVID-19 and reduced sales volumes played an important role in our reduced emissions. In 2021, we coupled business growth with maintaining our CO_2 emissions at the lowest level which is a meaningful achievement.

Our production sites had an average combined energy consumption of 89.5MJ/hl (2020:88.1MJ/hl).

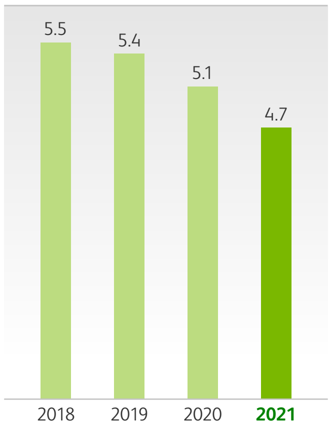
Absolute Emissions[1]
million tonnes CO_2e



Renewable Energy[1]
%



Intensity Emissions
kg CO_2-e/hl beer



[1] The scope for our 2030 Net Zero in Production commitment has been extended. Numbers include beverages, malting plants, packaging and milling plants.

Shifting to renewable energy

In 2021, 27% of our energy came from renewable sources, including 52% of electrical (solar, wind, hydro) and 17% of thermal energy (biogas, waste heat pumps, biomass).

We ultimately want all our electricity to come from renewable sources. This year, we joined RE100 and adopted a hierarchy of solutions that prioritises new assets. We will continue on-site assets that supply electricity from wind, solar and hydro power directly to our breweries as well as off-site assets (including wind and solar) through long-term power purchase agreements.

In Nigeria, we commissioned our first solar photovoltaic plant in our Ibadan brewery. It will avoid 10,000 tonnes of CO_2 emissions by 2025. In Mexico, we began operation of three hydroelectric turbines in our Orizaba brewery to generate our own renewable electricity and reduce by another 10,000 tonnes of CO_2. From January 2022, all of our Dutch breweries, offices and the Heineken Experience will be powered by two new wind farms in the Netherlands.

Building new capacity remains at the core of our strategy but we face challenges in markets where regulation does not encourage corporates to sign power purchase agreements. In Europe, we partner with RE-Source to develop a legal framework for corporates to source renewable electricity.

In some countries, there are significant barriers to sourcing renewable energy. We think doing is better than waiting and we aim to stimulate our operating companies by procuring Energy Attribute Certificates (EACs) through international Renewable Energy Certificates (iRECs) as a first step. In 2021, we procured iRECs for our Africa and Middle East region allowing our Russian, Egyptian and South African operating companies to source 100% renewable electricity. We acknowledge that it is a first and temporary step towards meeting our commitment and we will continue working with these operating companies to develop new renewable capacity.

Thermal Energy accounts for 70% of our energy demand but this is the most challenging part to replace. The renewable thermal market is not as mature as electricity and its development requires a site-by-site approach. Based on brewery needs, we are working with our central technical experts to develop roadmaps based on assessing technologies such as bioenergy (biomass, biogas, biomethane) or piloting new technologies such as heat pumps or solar thermal.

In Indonesia and Vietnam, we are using agricultural waste as a sustainable source of biomass and our aim is to deploy this solution in other South East Asian breweries.

To ensure the sustainability of our feedstock, we have joined the Roundtable of Sustainable Biomass (RBS) to develop policy and audits of our biomass suppliers.

In 2021, we invested extensive time and resources with our 165 sites to refresh their carbon roadmaps to align with our net zero commitment. This dialogue with our four regions has driven us to re-prioritise projects and allocate funding to strategic projects.

Environmental

2030 commitment

Net zero value chain by 2040, 30% absolute reduction by 2030

The biggest part of our carbon footprint lies in our value chain beyond our owned production sites. Our goal is to operate a net zero carbon emissions value chain by 2040 – from barley farmers and glassmakers to logistic providers and customers. This is 10 years ahead of the 2050 Paris Agreement goal. To ensure we are on the right path to achieving this, we have committed to a 30% absolute reduction by 2030. In 2020 the absolute carbon emissions in value chain reduced by 9% since 2018. The volume effect of COVID-19 is significant in this performance and while our emissions have reduced, we are now focusing on delivering our decarbonisation strategies.

Our actions from Barley to Bar

We are acting to reduce emissions across all areas of our value chain, from barley to bar.

Agriculture

We need to radically change the way our supplier farmers grow their crops. Grains give our beers their unique taste, but they are the source of 28% of our carbon footprint (2020).

In 2020, we set a specific roadmap to drive decarbonisation across the main carbon contributors (raw materials/sourcing countries). We also announced our 2030 Low Carbon Farming pilot farms programme to drive the transition to low carbon farming. The programme focuses on three main raw materials (barley, maize, sugar cane) and spans eight countries (France, UK, Ireland, Spain, Slovakia, Mexico, Brazil and US).

In 2021, we started phase one of the programme with our main suppliers and own malting plants, together comprising a pilot group of 128 farmers and covering 7,500 hectares. Pilot farms are supported by our suppliers' agronomists and HEINEKEN specialists to apply a 'test and learn' approach to explore which low carbon farming practices can effectively reduce carbon emissions.

We organised field visits with cross-functional teams in the UK and France to learn and align the next steps of the programme. An additional 170 pilot farms will join the Low Carbon Farming programme in 2022. By then, we should know the impacts of early actions on carbon reduction and sequestration. Our aim is to set up 500 pilot farms with low carbon farming practices by 2025 and then scale up identified solutions with farmers around the world.

Processing raw ingredients

The first stage of production involves transforming agricultural raw materials to make them ready for brewing. Our suppliers carry out 90% of this processing for us and we have 10 malting plants of our own. These plants are at an advanced stage of the decarbonisation journey and work closely with our breweries to adopt similar technologies to stay on track with our 2030 net zero targets.

In 2021, we worked with key suppliers' processing plants to develop decarbonisation roadmaps for 2030. We shared our knowledge on energy and identified some key levers to implement. We now have a better understanding of our main suppliers' reduction plans for 2030.

We encourage our suppliers to come with innovative ideas. For example, we have been working closely with Holland Malt, our Dutch malt supplier, to finance the adoption of a revamped process to reuse heat from the production process. This will allow to reduce CO_2 emissions by 6,000 tonnes by 2024.

Packaging

Packaging is crucial for getting our beer to customers and consumers safely and efficiently. However, it is responsible for 27% of our carbon footprint (2020). This makes it an important focus area for reducing emissions. For example, we have discovered that for every 10% increase in recycled glass we use, we can reduce our emissions by 5%.

We are applying a 'reduce and replace' strategy to transform the way our glass bottles, cans, plastic and paper packaging are produced. One way to reduce emissions is by making packaging circular – keeping materials in use for as long as possible. We are working closely with our suppliers to develop and scale more efficient packaging and have launched our own initiatives to reduce the material in our packs, reuse packaging waste and increase the returnability of glass bottles. We are also working with Glass Futures to research and trial ways to reduce emissions in glass production. This includes switching to low carbon fuels, increasing use of recycled glass and improving technology to produce low carbon bottles.

Logistics

Our global logistics network has an environmental impact and accounts for 12% of our total emissions (2020). To reduce that, we focus on the areas where we can make the biggest difference as quickly as possible – namely the 17 markets that are responsible for 80% of our logistics-related emissions.

We have started by accelerating our logistics efficiency initiatives such as improving vehicle utilisation, sourcing locally and using vehicles with higher payloads, as well as modal shift to rail and inland.

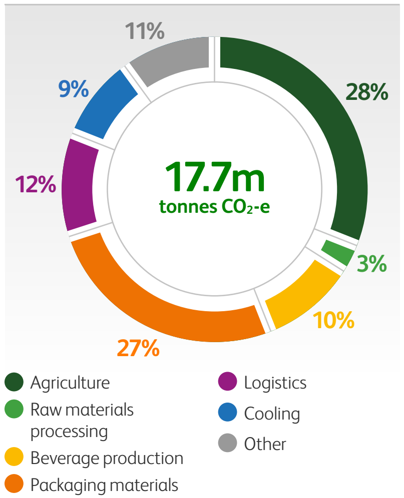
Approximately 95% of our logistics is outsourced to external companies. We must work closely with these companies and make sure they are using the latest technology. One example is our fuel management project which requires suppliers to use telematics to promote, monitor and report safe and fuel-efficient driving. From electric beer trucks to biofuel powered ships, we are also testing different kinds of technology to increase our use of clean energy.

Carbon footprint

Total emissions
million tonnes CO_2-e

Total emissions
kg CO_2-e/hl

Total emissions per lifecycle 2020



Environmental

Since 2019, we have increased the share of green electricity used in our warehouses from 9% to 27% in 2020. Investment in electric forklifts is also supporting the transition to renewable energy across our network of warehouses.

In 2021, we trialled our first electric tank beer truck in Amsterdam. Based on the outcome, all large tanker beer trucks will be removed from the city centre for good, allowing lower emissions, noise elimination and safer transportation. In Brazil, we introduced electric trucks in Sao Paulo and Salvador as a first step towards vehicle transition.

Our wholesale business in Portugal, Novadis, has introduced the first 100% electric vehicle in Lisbon as part of its plan to lower emissions and air pollution in the larger cities.

Cooling

When it comes to keeping our beers and ciders ice-cold, our suppliers commend us on our strict environmental standards. Cooling is responsible for 9% of our carbon footprint (2020).

A 'reduce and replace' strategy will be central to reaching net zero in cooling. The standards we set to reduce energy consumption by our fridges grow more ambitious each year, benchmarked against the Energy Efficiency Index. By 2027, all fridges that cool our beverages must be in one of the Index's top energy efficiency classes.

New technology can create more energy-efficient fridges and we are doing all we can to drive innovation. We have taken inspiration from Formula 1 and are using Aerofoil technology to divert cold air that tries to escape back into our fridges.

CDP SUPPLIER ENGAGEMENT LEADER 2021

We are recognised by CDP as a 2021 Supplier Engagement Leader

We are also reducing energy demand by improving energy efficiency and reducing waste. We want fridges to be efficient and to be used efficiently. With the help of our sales teams, we are supporting customers to understand their needs and reduce demand for new fridges. We are also working with local waste management companies and fridge manufacturers to find the best ways to dispose of or reuse various glass, plastic and aluminium fridge components.

Finally, we engaged our 25 top fridge suppliers and invited them to set net zero science-based targets at our digital 'Cool Conference' in 2021. By September 2022, HEINEKEN aims to order fridges from suppliers that have net zero targets approved by SBTi.

Engaging our stakeholders

We will intensify our collaboration with our suppliers and partners to decarbonise the industry by driving efficiency, setting science-based targets, shifting to renewables and piloting innovative technologies.

We were recognised by CDP as a 2021 Supplier Engagement Leader, raising the level of climate action across our value chain.

To support the transition to renewable energy, we joined Climate Group's RE100, a global initiative committed to purchasing 100% renewable power. We have also taken Amazon's Climate pledge which aligns with our plans to reach net zero emissions by 2040 and we are a member of key initiatives like Race to Zero and Business Ambition for 1.5°C to drive systemic change across industries.

This year, we attended COP26 to advocate for global carbon pricing and industry collaboration through retailer platforms (The Consumer Goods Forum, Carrefour food transition pact, etc.) and industry platforms (Freight and Logistic Forum, RE-Source, etc.).

In October 2021, we welcomed more than 1,000 buyers and sellers of renewable energy at the Heineken Experience to kick off the RE-Source conference in Amsterdam.

Empowering our employees

To ensure speedy execution of our strategy, we are mobilising our employees and educating them about climate change and the importance of HEINEKEN's response. Through a series of online videos and training webinars, we have engaged key employees across our operating companies. We will continue to develop strategic capabilities and engagement in 2022.

2030 commitment

100% sustainable ingredients (barley and hops)

As our carbon footprint shows, growing the raw materials that are used in our products makes a significant contribution to our value chain emissions. Other environmental impacts relate to water resources, soil health and biodiversity.

Developing responsible agricultural supply chains to increase our volumes of sustainable raw materials is a key priority for our growing business and a crucial lever for reducing our carbon footprint.

We have committed that 100% of our main ingredients – hops and barley – will be sustainable by 2030. We will achieve this by increasing our support to suppliers and committing to higher agricultural standards.

We base our standards for sourcing sustainably cultivated crops on the globally recognised Sustainable Agriculture Initiative Platform (SAI) principle. This requires the efficient production of safe, high quality agricultural products in a way that protects and improves the natural environment, social and economic conditions of farmers, their employees and local communities, and safeguards the health and welfare of all farmed species.

Delivering outcomes with farmers

We have made good progress in improving farming practices and sourcing sustainable crops by working with local suppliers.

In 2021, 66% of our barley and 92% of our hops came from sustainable sources. Overall, 65% of our raw materials came from sustainable sources (2020: 58%)

We are making great efforts to increase local sustainable sourcing by partnering with suppliers to improve farming practices.

In Mexico, collaboration with an external partner to promote conservation agriculture means crops are now sown directly, without removing waste of the previous crop. This improves soil recovery and reduces water use and CO_2 emissions.

In Greece, our focus on supporting farmer incomes, digitalisation and sustainable farming means we purchased 26,000 tonnes of certified sustainable barley in 2021, representing 65% of the total purchased in the same year. A new local brand will be launched in 2022 using 100% sustainable barley.

In Austria, around 95% of our barley was certified as sustainable under the Austrian Agriculture Certification System (AACS+) in 2021. Our work with hop farmers promotes certification, reduced pesticide use, and use of renewable biomass energy for hop drying.

Environmental

Maximise circularity

With the global population projected to exceed nine billion by 2050, demand for finite natural resources will grow significantly. Our global economy is still mainly linear, meaning we take resources to make products which we use and eventually throw away. This is putting huge pressure on the environment and ecosystems through the continuous extraction of raw materials, waste generation and pollution.

We must shift from a linear to a circular economy to ensure enough food, water and prosperity for all by 2050 and beyond. Our ambition is to develop a circular economy mindset across our Company. We are creating a new way of working under which we can all align to circular principles and move away from a 'take-make-waste' model to an 'eliminate-circulate-regenerate' one where we maximise the circularity of our products. This is in line with the principles of the Ellen MacArthur Foundation of which we have been a member since 2019.

We already do a lot to promote circularity in our operations – reusing spent grains in animal and human food sources, recovering biogas and organic fertiliser through our wastewater sludge, recycling water within our breweries and increasing our returnable bottles. But there is still much more we can do.

2025 commitment

Zero waste to landfill for all our production sites

Beginning within our own operations, we have committed to send zero waste to landfill across all our production sites worldwide by 2025.

Most of our production waste is comprised of biodegradable co-products like brewers' grain, surplus yeast, anaerobic sludge from wastewater, spent kieselguhr and spent alcohol. We strive to preserve the nutritional value of our by-products by recirculating them in animal and human food applications. Where this is not possible, we recycle them as bio-based materials or soil organic fertilisers, contributing to circularity and lowering carbon emissions.

More than 40 of our operations spanning all regions now harvest the biogas from anaerobic digestion in our wastewater treatment plants as a renewable energy source.

In 2021, 123 of our 165 sites were landfill-free (2020: 118) and 1% of our total waste ended up in landfill (2020: 2%).

Operating companies reduced the quantities of waste sent to landfill and acted on opportunities to valorise the co-products generated by the brewing process. For example, our operation in Rwanda managed to divert most of the waste streams that were previously going to landfill to valuable destinations, such as using surplus yeast for animal feed. As a result, it is now landfill-free.

In Sierra Leone, we managed to dramatically reduce our waste to landfill. From 71% waste to landfill to only 4%, due to engaging with farmers to use our spent grain for animal feed and organic fertiliser.

We also continuously look for ways to improve the circularity of our non-biodegradable outputs on-site and engage in closed loop projects with glass, plastic and paper to maximise reuse of our packaging materials.

Our Indio brand in Mexico has moved its entire portfolio from virgin to 100% recycled paper labels, reducing the carbon footprint of the labels by 20%.

In Vrumona, Spain, Portugal and Hungary, shrink film with 50% recycled content from post-consumer waste has been introduced.

Destination of co-products

This table shows where our residual materials from production ended up in 2021 (the higher up the hierarchy, the better).

Our co-products in waste hierarchy

Destination		% of total
1. Reuse	21,312	1%
2. Human consumption	60,430	1%
3. Animal feed	3,622,354	81%
4. Materials	304,251	7%
5. Compost/ soil improvement	330,297	7%
6. Energy (biogas)	45,385	1%
7. Combustion with energy recovery	41,767	1%
8. Combustion without energy recovery	4,347	0%
9. Landfill (incl. dump and unknown destination)	62,640	1%
Total	**4,492,783**	**100%**

2030 commitment

Turn waste into value and close material loops throughout the value chain – strategy and targets in development

We are developing a dedicated strategy and targets to close material loops and turn waste into value across all stages in our value chain.

Taking a systemic approach, a dedicated cross-functional team will develop a holistic, global circularity strategy over the coming months.

The process will begin in early 2022 with a scoping conversation to define priorities before developing a detailed set of commitments by the end of 2022.

Environmental

Towards healthy watersheds

The world's freshwater ecosystems are facing huge pressure from the competing demands of agriculture, business and communities. One of the primary effects of climate change is disruption of the water cycle, with changing weather patterns making some places wetter and others much drier.

Over the past years, we have worked hard to reduce our water use. From using 5hl of water to produce 1hl beer in 2008, we have improved our average water usage to 3.4hl of water to produce 1hl of our beer produced in 2021. We believe we can still do more to support healthy watersheds.

Our 2030 water strategy – Towards Healthy Watersheds – looks beyond traditional water metrics to prioritise the health of local watersheds, especially in water-stressed areas. We focus on holistic water impact, optimising internal actions to ensure responsible water usage, wastewater management and promoting water security beyond our brewery walls.

Our water strategy focuses on a triangular approach through ambitious commitments:

- Reduce our water intake to 2.9hl/hl beer globally and 2.6hl in water-stressed areas by 2030, replacing our 2019 commitment of 3.2hl/hl and 2.9hl/hl.
- Treat 100% of wastewater and maximise reuse and recycling.
- Fully balance all water used in our products in water-stressed areas by 2030.

Today, 31 sites in 12 countries are in scope for our 2030 commitments in water-stressed areas, and we expect this number will grow in the coming years.

Production sites in water-stressed areas

We have been assessing water-related risks since 2010 and focus our immediate efforts on the 31 production sites in water-stressed areas.

Understanding our water risks

We have assessed water risks across our breweries and beyond since 2010. Our three-step approach to assessing water risks comprises internal and external assessments and verification. We use mapping tools developed by the World Resources Institute (WRI) to make our assessments. Where we identify that a site may be at risk, we carry out in-depth local Source Water Vulnerability Assessments. These consider local water security issues and potential solutions.

As part of our water risk management, we conducted the third Global Water Risk Screening in 2021. This process occurs every five years and ensures that we understand the water risks at production sites.

We also engaged barley, hop, maize and apple suppliers to assess potential water risks and management practices.

We will use the findings to raise awareness among our suppliers on potential water risks and develop programmes to manage them in the coming years.

Partnerships for change

We collaborate with others through local and global alliances to increase our reach and scale our positive impact. For example, we actively participate in several local water funds and alliances around the world, like Monterrey Metropolitan Water Air Fund (FAAMM) and Indonesia Industry Water Coalition.

We are also a member of the UNGC's CEO Water Mandate Water Resilience Coalition, a global partnership between the UN, companies and NGOs.

In addition, we are part of the Beverage Industry Environmental Roundtable (BIER), a technical coalition of leading global beverage companies working together to advance environmental sustainability within the beverage sector.

CDP A LIST 2021 WATER

We are recognised as 'A Listed Company' by CDP for tackling water security

Environmental

2030 commitment

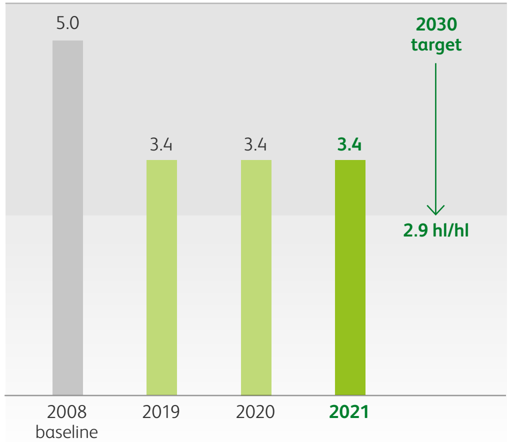
Reduce average water intake to 2.6hl/hl in water-stressed areas and 2.9hl/hl worldwide

In 2021, our global average water usage was 3.4hl/hl in all our breweries and 3.1hl/hl in water-stressed areas.

Our average water usage (hl/hl) has stabilised over the last two years instead of a reduction. This was partly due to volume growth at sites that are in the process to become more efficient, and partly due to COVID-19 related controls and shutdowns that negatively impacted efficiency at some sites. The implementation of the 'good practices platform' helped us to sustain our water use, instead of an increase given the circumstances. More than 90 proven good practices are being implemented at our production sites worldwide, since the launch in 2020. As an example, in Slovakia the upgrade of a canning line contributed to a 23% reduction of average water usage. In water-stressed areas, we saw water usage improvements in 77% of the sites.

Average water usage (global)

(hl/hl beer, cider, soft drinks, water and wine)

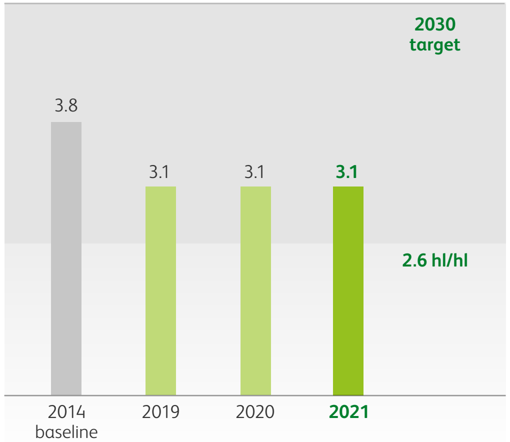


Total water withdrawal, including sources

Groundwater	53%
Third-party water	32%
Surface water	15%

Average water usage (water-stressed areas)

(hl/hl beer, cider, soft drinks, water and wine)



33%
decrease in water use in our breweries since 2008

€16m
saved from the decrease of water use since 2009

2023 commitment

Treat 100% of wastewater of all breweries

Our brewery processes create wastewater that must be treated before discharge. We have committed to treat 100% of our brewery wastewater by 2023. At the end of 2021, 95% of our wastewater volume was treated before discharge (2020: 97%). 11 sites are still without wastewater treatment plants. Total untreated wastewater was 5% of production sites volume. This includes Lebanon that is no longer part of the reporting scope in 2022 due to the change of ownership (2020: 10 sites, 2.5% volume). At some of our production sites, brewery wastewater is treated at third-party wastewater treatment plants. Two new sites in Bujumbura and Port Moresby were added to our reporting scope in 2021 and had existing third-party wastewater treatment plants, which were not in line with our operating standards. According to our standards, these local operations are requested to regularly verify that their processes operate within the legal and contractual boundaries required. Based on these outcomes, we are building on-site treatment plants to replace the current third-party treatment plants in these two new sites and in New Zealand.

2030 commitment

Maximise reuse and recycling in water-stressed areas by 2030

We see opportunities to create healthier watersheds by maximising water circularity. This means recovering, reusing and recycling our on-site and off-site treated wastewater for other purposes. We are at an early stage in our journey to deliver this commitment and we continue to learn. We are making good progress in some locations, while in other geographies we face challenges due to local context, ranging from infrastructure, perception and regulations related to use treated recycled water. In Madrid, the Green Forest project is a pilot initiative which uses tree roots to clean treated wastewater from the brewery, imitating a filtering process to purify water naturally. The project is delivered in collaboration with a local university. It has now moved from lab to the field of our Madrid brewery and will provide us with valuable insights in the near future.

2030 commitment

Fully balance water used in our products in water-stressed areas

Our aim is to 100% balance the water we use in water-stressed areas. This means we will return to the local watershed every litre of water that goes into our product. We do this through water balancing projects that replenish water in the watershed that supports our operation. Projects range from nature-based solutions like large-scale reforestations and rainwater harvesting to infrastructure improvement projects which reduce water leakages. We use the Volumetric Water Benefit Accounting standard launched by the World Resources Institute (WRI) in 2019 to measure the outcomes and impacts of water balancing. By the end of 2021, 23 production sites in scope had started water balancing projects (2020: 19) and 32% of these sites are fully water balanced.

Our breweries in water-stressed areas have developed roadmaps which set out the action they will take to support a healthy watershed by 2030. Each watershed is unique, being shaped by the ecosystem and biodiversity it supports, local governance and stakeholders, among other things. Our sites must take a contextual approach and progress may be faster and more straightforward at some sites than others. For example, our operations in Algeria and Tunisia are still actively looking for suitable partnerships to begin water balancing projects. In Brazil, we worked with SOS Mata Atlantica, a local NGO, to reforest close to 400 hectares of land since 2008. This contributed to reduced run-off and improved ecosystem function. Through a public private partnership in Spain, we removed a 140 metre barrier from Jarama riverbank to allow natural flooding from the river to restore a nearby floodplain that will become a seasonal lagoon. This will support with the aquifer and underground reserves.

Social

Tackling social challenges and putting people first

Our business is built on fairness, human connection and the joy of bringing people together. With COVID-19 shining a spotlight on the social challenges the world faces, we must take decisive and collective action to create a fairer, more equal and safer society.

We are determined to play our part by embracing fairness and inclusion in our operations and supply chain. This means achieving gender balance at senior levels, paying all HEINEKEN employees a fair wage and ensuring fair living and working standards for third-party employees and brand promoters. We are also building leadership capacity to create a safe working culture that puts safety first. To scale our positive contribution to communities, we are exploring ways to increase our impact through volunteering, partnerships and donations and by supporting sustainable development through local sourcing in Africa.

Contributing to the UN SDGs – **Path to an inclusive, fair and equitable company and world:**

Learn more about our actions in the Social section of our website

Embrace inclusion and diversity

At HEINEKEN, we believe that embracing inclusion and diversity sparks joy and fosters a sense of true togetherness. Our core value of care for people drives us to seek deeper connection with our increasingly diverse employees, consumers and customers.

Our commitment is to ensure that every HEINEKEN employee feels a strong sense of belonging and has the psychological safety to speak up and play a role in shaping the future of our organisation. Through employee engagement, we are working to amplify the voices of our workforce so that people can act as catalysts for positive change. Diversity of thoughts ignites greater innovation and leads to better performance. At the same time, we believe that inclusion starts with courageous leadership. This is why we nurture bold and brave leaders to create space for everyone, equally.

Our Inclusion and Diversity (I&D) Strategy focuses on three key areas:

1. We accelerate I&D by starting with courageous leadership.
2. We all contribute to fostering an inclusive environment.
3. We create equal opportunity in the moments that matter.

We believe that the diversity of our people makes us as strong and unique as our brands. Equal treatment and opportunity of our employees are key drivers for an inclusive environment.

Listening to our employees

We treat people equally and fairly and employ, reward and promote, based on the principle of equal opportunity. We are building an inclusive culture, ensuring our people feel a strong sense of belonging, providing fair and progressive policies, equal pay for equal work, listening and dialogue sessions.

In 2021, our local operating companies and functions launched dedicated listening and dialogue sessions to understand the impact and progress of I&D action plans. Functional leaders were supported by I&D Ambassadors to listen directly to employees to understand views and inspire action.

We created a common framework to support operating companies with preparing, communicating, conducting and wrapping up the sessions.
The outcome of the dialogue is being used globally to continue building our path towards creating a caring and inclusive culture.

2025 commitment

Gender balance across senior management: 30% women by 2025, 40% by 2030

In 2011, only 11% of our senior managers were women. By 2020, this had doubled to 23%. Now, we are raising the bar again by setting external commitments on I&D for the first time.

To drive progress on our journey towards being fully gender balanced, our commitment is to have 30% women in senior management roles by 2025 and 40% by 2030. This is a bold ambition and achieving it will require us to strengthen our pipeline of women talent at levels below senior management.

By the end of 2021, women representation at senior levels reached 25% (2020: 23%).

Representation by gender in 2021	% women	% men
Supervisory Board	40	60
Executive Board	0	100
Executive Team	18	82
Senior Management	25	75

Social

2023 commitment

Cultural diversity: across each region, at least 65% of country leadership teams are regional nationals

As the world's most international brewer, we aim to reflect the world around us to brew enjoyment of life for all. This requires including and embracing multiple cultures to create a sense of inclusion for everyone. It is why our ambition is to balance the cultural diversity of our leadership teams in every region where we operate.

By 2023, we committed to have at least 65% of country leadership teams across each region made up of regional nationals. At the end of 2021, two of our four regions have reached this commitment.

Local and regional initiatives have been launched to support the commitment. For example, UNLEASH is a new talent management programme launched in Africa, Middle East & Eastern Europe (AMEE) region. It provides a robust and transparent framework for talent management involving stakeholders ranging from the people function and senior leaders to line manager and employees.

2023 commitment

100% of our managers trained in inclusive leadership by 2023

Based on an assessment of employee needs in 2019, we framed our inclusion journey with the HEINEKEN Inclusive Practices. Launched globally in 2020, the Inclusive Practices are designed to spread awareness and understanding of how to practice inclusion. They are shared through e-learnings and workshops focused on the what, why and how to apply each inclusive practice.

The Inclusive Leadership Activation is based on the Inclusive Practices workshops that every operating company is conducting with their people managers.

1,500 leaders completed the Inclusive Leadership programme in 2021, bringing the total trained to 13%.

In 2022, we will continue organising workshops to up-skill our people managers in how to practise inclusion.

Growing our female talent pool
Achieving our commitment on gender balance among senior management will require a strong pipeline of talents. Senior leaders in key functions have expanded their commitments to grow the female talent pool below senior management levels to ensure we develop and support the managers of the future.

The Women in Sales initiative continues to be a top priority for commerce. In 2021, we saw new female appointees to senior management sales positions in countries such as Vietnam, Haiti and Russia.

In the UK, we launched a Women and Allies Network which provides a safe environment for all colleagues to be part of the conversation.

These are just two of the many initiatives our Company is taking to ensure a level playing field for everyone when it comes to recruitment, development and career advancement.

LGBTQIA+ inclusion
Our Employee Resource Group, HEINEKEN Open and Proud, has continued to be active across our operating companies in 2021.

To show its commitment to an inclusive, fair and equitable world, our operating company in Brazil leveraged the strength of Amstel by committing 10% of the brand's media budget to raise awareness and support the LGBTQIA+ community, including most recently launching the "I Am What I Am" campaign.

Learn more about this topic on our website.

A fair and safe workplace

We believe in fairness, human connection and the joy of bringing people together.

We are raising the bar to create a fair and safe workplace by focusing on four priorities:

- Ensure that all our employees worldwide will earn at least a fair wage by the end of 2023.
- Equal pay for equal work between female and male colleagues.
- Ensure fair living and working standards for third-party employees and brand promoters.
- Put Safety First by creating leadership capacity to drive zero fatal accidents and serious injuries at work.

2023 commitment

Fair wage for employees: close any gaps

Our commitment is to ensure all our employees worldwide earn at least a fair wage. A fair wage is often higher than the minimum wage and should be sufficient for a decent standard of living, covering the basic needs of the employee and his or her family - from food, housing and education to healthcare, transportation and some discretionary income and savings.

Data on fair wages is obtained through the Fair Wage Network, an independent NGO. To achieve our commitment, we begin by assessing wages across all operating companies against the Fair Wage Network and aim to close any wage gaps by the end of 2023. We have started with operating companies in developing countries where the challenges are the greatest.

In 2021, we launched activities across our regions and assessed 63% of all operating companies in scope, including 92% of the operating companies in Asia Pacific, 100% in Africa Middle East & Eastern Europe and 100% in the Americas. Europe will be assessed in 2022.

So far, we have identified fair wage gaps for our direct employees in seven operating companies and already closed these gaps in the majority of them. As a result, 99% of direct employees of all assessed operating companies earn at least a fair wage now, according to the Fair Wage Network.

2023 commitment

Equal pay for equal work: assessments and action

We recognise the importance of equal pay and take our responsibility for driving this ambition both within and beyond our organisation.

We are raising the bar by committing to equal pay for equal work (or work of equal value) between female and male colleagues. By 2023, assessments and actions will be in place to close any gaps. Action plans will focus on improving equal pay and also gender representation, opportunity for promotion and gender balance in management teams.

We have seen a lot of support for this commitment from our operating companies. At the end of 2021, 97% of operating companies have been assessed and 88% of detailed action plans are in place across 75 operating companies. Action plans include for example, embedding structural checks and controls in all our processes involving pay decisions to ensure these decisions do not unfairly discriminate and are gender neutral.

For 2022, we are planning a new assessment for all operating companies to track and monitor improvements in the area of equal pay for equal work.

Social

2025 commitment

Ensure fair living and working standards for third-party employees and brand promoters

Looking beyond our direct employees, we have committed to ensure third-party employees and brand promoters benefit from fair living and working standards. Third-party employees are an important part of our Company and we take responsibility for ensuring they work reasonable hours in a safe, healthy and decent environment and that they earn a fair wage, which are all embedded in the working standards.

To meet this commitment, we developed our SMART Outsourcing programme and guidelines, which aims to map third-party service providers and their employees, assess a sample against our fair labour principles and work with service providers to close any gaps. The programme will be rolled out and progress reported in 2022.

Raising standards with service providers in Africa

We are making social sustainability and human rights part of how we do business with third-party service providers in Africa. We have seen tremendous improvements since 2018 when we first embarked on this initiative. In South Africa, we raised the bar by undertaking an internal assessment programme to monitor third-party service providers. This approach represents best practice and includes internal capacity building supported by external experts at Partner Africa.

2030 commitment

Create leadership capacity to drive zero fatal accidents and serious injuries at work

We continue to put Safety First as our number one company behaviour. Over the last decade, we have significantly reduced the accident frequency in our operations but we still see fatalities as a result of our business. We must do our utmost to ensure every one of our colleagues and contractors returns home safely to their families at the end of the day.

We work hard to build commitment and capacity to manage the risks in our operations. This requires active participation from everyone, including our Company leadership.

Grow leadership capacity to develop world-class safety culture and performance

Our safety strategy focuses on our highest risks – namely road safety and driving, contractor safety and safety leadership. We aim to significantly improve our safety performance by executing major risk reduction programmes for each of these risks.

Centres of Excellence have been launched for road safety and safety leadership and we re-launched the Contractor Safety Centre of Excellence in 2021. We are focused on identifying gaps and will shift our attention to implementation and closing gaps in 2022.

Life Saving Commitments

The HEINEKEN Life Saving Rules have been key to preventing serious and fatal accidents over the past years. Based on employee feedback and other insights, we updated the Life Saving Rules in 2021 and renamed them Life Saving Commitments (LSCs). This was in recognition of the need to use clear language to ensure everyone can understand how they apply to their role, what they can do to make workplaces safe and to shift the emphasis from process to behaviour.

The main types of work-related injuries are, cuts by sharp objects (e.g. glass), injuries while lifting or carrying objects, slips or falls, hits by moving falling objects or vehicles (e.g. forklifts).

Fatal accidents[1]	2019	2020	2021[3]
Fatalities of Company personnel	4	3	1
Fatalities of Contractor personnel on-site[2]	6	1	1
Fatalities of Contractor personnel off-site[2]	1	2	0
Accidents (Absolute values)			
Accidents of Company personnel	742	497	646
Accidents of Contractor personnel	216	100	188
Lost Days of Company personnel	38,019	17,541	18,020
Permanent disabilities of Company personnel	0	2	4
Total Workforce	88,430	86,175	81,070
Accidents (Relative values)			
Lost Time Accident Frequency (per 100 FTE Company personnel)	0.84	0.58	0.8

1 Company personnel fatalities: 1 in Mexico. Contractor personnel fatalities: 1 in Burundi. These numbers have limited assurance by Deloitte.
2 Contractors who operate under our direct control (either because they work on HEINEKEN premises or are supervised by HEINEKEN management and work elsewhere).
3 The reporting period of the safety data presented in this chapter is December 2020 – November 2021 with the exception of fatal accident data which reflected the 2021 full year period.

The LSCs put people front and centre because safety is about people and their behaviours and must be owned by everyone. The LSCs apply to everyone working for our Company and are supported by risk reduction programmes to prevent fatalities and serious accidents.

We developed specific LSCs for people managers who play a crucial role in the health, safety and well-being of employees and contractors. They need to include safety in all their decisions, support their employees to adhere to the LSCs and lead by example.

A new training module has been developed to support adoption of the LSCs and will be launched early 2022.

Fatalities and serious injuries

We deeply regret that two people lost their lives while working for us in 2021 (2020: 6). One person was our employee and one was employed by a contractor. One fatal accident was a road traffic accident and one occurred during renovation work.

Every fatality is thoroughly investigated by an independent investigation team to identify and understand the root causes. We take action to prevent recurrence and share learnings across the Company.

Our injury (accident) rate in 2021 was 0.8 per 100 FTE.

There were 646 injuries (accidents) that resulted in lost days among our employees, 158 of these were in logistics and distribution. 105 in commerce, 200 in production and 183 in other functions.

Social

Positive impact in our communities

With operations that span the globe, we can use our business as a positive force for change. Our business cannot thrive unless the communities where we source, live, work and sell our products also thrive.

As a major employer and purchaser of raw materials, our biggest contribution to the social and economic well-being of communities is through our core business – the jobs we create, the businesses we support and the taxes we pay.

Many of our Brew a Better World commitments directly touch local communities, for example guaranteeing at least a fair wage for all our employees worldwide, raising working and living standards for third-party employees, contributing to healthy watersheds in areas where water is scarce and supporting smallholder farmers in Africa. Our aim is that all these actions will create a positive impact for communities as well as our business.

€11.5bn
total tax contribution in 2021

2030 commitment

A social impact initiative in 100% of our markets every year

Our new commitment is that 100% of markets will have a social impact initiative every year. Initiatives are required to support one or more of the UN SDGs, as relevant to the specific community.

With social impact, we want to make a positive difference for communities based on what matters most for that community. Projects will vary from creating access to water to addressing unemployment, tackling inequality and more.

In 2021, we developed strategic guidelines for our operations to achieve our commitment. By the end of 2022, each operating company should have a social impact initiative signed-off and have started implementation.

We are exploring global platforms that could potentially help leverage our scale to create bigger and better impact and focus our actions on the ground even more. One direction is through our Company Purpose, summarised by The Joy of True Togetherness, and ways we can bring this purpose to life in communities.

Direct contributions to communities

In 2021, our operating companies contributed €18 million to their communities including cash and in-kind donations, employee time and management costs. Almost 1,000 employees in 17 markets gave over 21,500 hours to volunteering.

€170m
invested in community projects since 2015

HEINEKEN Africa Foundation

The HEINEKEN Africa Foundation will continue to support the health and well-being of communities in sub-Saharan Africa by providing vital access to healthcare and clean water. This is particularly relevant as communities recover from the impacts of COVID-19.

In 2020, the Foundation decided to scale up and accelerate its WASH activities, critical in the fight against COVID-19. In this first phase, we supported WaterAid and World Vision with €2.5 million which enabled more than 30 million people to be reached with crucial life-saving hygiene messages. Over 1,000 handwashing facilities were installed where they are needed most, including public marketplaces, giving 1.5 million people the ability to wash their hands. 978 people were trained to manage and maintain the handwashing stations.

In 2021, we continued our COVID-19 emergency response work and donated another €2.4 million. Together with our partners WaterAid and World Vision we continue efforts in Nigeria, South Africa, Ethiopia, Mozambique, Rwanda, Burundi and Sierra Leone. This includes supporting healthcare centres, markets, schools and vulnerable communities with access to clean water, hygiene products and crucial hygiene messaging. These activities protect from the spread of COVID-19 as well as other diseases. In the Democratic Republic of the Congo, we have also partnered with Mercy Corps to renovate the Bushara water reservoir in Goma which was damaged by the eruption of the Nyiragongo volcano.

€15.9m
committed to 136 health and water projects since 2007

2025 commitment

Local sourcing of agricultural ingredients in Africa: 50% increase in volume

Over the past decade, our local sourcing projects in Africa have helped create jobs, supported the sustainable development of the agricultural sector and improved the lives of rural communities. Local sourcing brings benefits to farming communities, national governments and HEINEKEN. Substituting imports also reduces the demand for hard currency (Forex) which is a growing challenge in many markets.

As our approach has matured, local sourcing has evolved into a business-led programme spanning more than 32 value chains across 12 operating companies.

We have learned that creating stable, long-term value chains is not easy – especially where they do not already exist. Local sourcing can be complex and it is increasingly impacted by uncertainties such as natural agricultural volatility, challenges in farmers accessing finance and quality inputs, and changes in government policy.

Raising the bar on local sourcing

We are expanding our long-term ambition to provide a reliable and stable market for local crops. Moving forward, we will continue our commitment to sourcing agricultural ingredients locally in Africa, with the aim to increase volume by 50% by 2025 compared to 2020.

In 2021, we achieved an estimated 18% increase in volume of agricultural raw materials sourced locally in Africa, which is an increase of more than 40,000 tonnes from the 2020 baseline year.

The growth was driven by a number of factors including an increase in local malt barley in Ethiopia where two new malting plants began full-scale operations. Sorghum supply was boosted by strengthening more direct links with farmers and improving regional sourcing in East Africa. After three years of trials, the first barley varieties were successfully registered in Mozambique and Burundi. This allowed the first commercial planting in Mozambique and Algeria, which will be expanded to more countries in 2022. Recipe development to brew with local ingredients and reduce reliance on imported raw materials also continues to be part of our strategy.

In 2021, our local sourcing programme in Africa resulted in total purchases of more than €125 million of agricultural raw materials. This value is shared across our end-to-end supply chain benefiting farmers, aggregators, transporters and processors as well as their families and wider communities.

Key local sourcing initiatives will continue, including the wider introduction of barley as a new crop for farmers in Africa. This includes a collaboration with Common Market for Eastern and Southern Africa (COMESA), an economic community representing 21 countries from Egypt to Zambia, to expand barley production in East Africa.

Looking at the longer term, we are partnering with Wageningen University to identify climate change risks and to develop strategies that can help farmers to mitigate such risks. Our collaboration with the International Finance Cooperation (IFC) and The European Cooperative for Rural Development (EUCORD) also continues in Ethiopia.

Responsible

Raising the bar on responsible consumption

We believe alcohol, when consumed in moderation, can be part of a well-balanced lifestyle. That's why we commit to advocating responsible consumption and supporting efforts to decrease harmful consumption, including our new Global Labelling Policy. Using the strength of our brands, we want to reach 1 billion consumers every year. We will direct 10% of Heineken® media spend towards promoting responsible consumption.

We are committed to leading the debate and to accelerating efforts to support the responsible consumption agenda. We will be even bolder in how we communicate with consumers with a zero tolerance attitude towards harmful drinking. Empowering consumers with low- and no-alcohol choices is an important part of our approach. Providing choice is also about having the right information and we will roll out new global labelling standards to provide full transparency of our products worldwide.

Contributing to the UN SDGs – **Path to moderation and no harmful use:**

3 GOOD HEALTH AND WELL-BEING | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Learn more about our actions in the Responsible section of our website

Always a choice

Beer is a natural fermented drink that, when enjoyed in moderation, can be part of a balanced lifestyle. But when alcohol is not consumed responsibly, there are clear health and behavioural risks. For some people and on some occasions, it is better not to drink at all. That is why we have always been committed to advocating responsible consumption and supporting efforts to decrease harmful consumption.

As society evolves, the number of adults who don't drink alcohol or who wish to reduce their alcohol consumption continues to grow in markets around the world. This is where we can make a real impact with our products and brands.

We aim to empower consumers by making it easier to select the right beverage for the right occasion, everywhere and at any time of day. This is a business opportunity which can also be a powerful platform for encouraging responsible drinking by giving consumers a real alternative and providing clear information so they can make informed choices.

2023 commitment

A zero alcohol option for two strategic brands in majority (90%) of markets

Our ambition is to serve 0.0 always, everywhere – ensuring our consumers around the world have a choice. This means investing in building the category and developing outstanding 0.0 beverages so that a non-alcoholic alternative is available wherever we sell beverages.

In 2021, our operating companies with a zero alcohol option for at least two strategic brands represented 43% of our total business beer and cider volume.

Heineken® 0.0 was available in more than 100 markets by end of 2021 (2020: 84). Building on this, our Zero Alcohol Beverages category had 196 zero alcohol line extensions across 75 brands. Another 117 line extensions across 31 brands also had low-alcohol propositions.

Brazil was our lead growth market becoming one of our top five biggest 0.0 markets, driven by the success of Heineken® 0.0. 2021 also saw the launch of Desperados Virgin 0.0%, helping to broaden our offering by targeting the 'sober curious' consumer.

It was a great year for non-lager drinkers, with new zero alcohol propositions launched under brands including Lagunitas , Edelweiss and Strongbow.

In the UK, Heineken® 0.0 will be the first alcohol-free draught beer to sit alongside regular beer taps in a pub. The roll-out starts in 2022 and is an important moment for the British beer and pub industry.

Responsible

2023 commitment

Clear and transparent consumer information on 100% of our products

We advocate for complete transparency so consumers can make informed choices about products. Responding to evolving consumer trends, behaviours and legislation, we're increasing our commitment to provide full ingredients and nutritional information.

The new policy will be introduced gradually led by the Heineken brand team. We will work closely with our customers and licence partners to bring them on board while ensuring local compliance and implementation of the policy.

It will take time for our operating companies to implement the new policy and we will report on progress from 2022 onwards.

Address harmful use

Harmful drinking is damaging to individuals and the people around them as well as to society, our industry and our reputation. Alcohol abuse is a complex societal issue and there are no simple solutions or one-size-fits-all approach. Different regions have their own cultural attitudes towards alcohol and specific challenges as a result.

Addressing the problem requires more than just actions by producers. It demands concerted effort by multiple players including governments, NGOs, consumer groups, police forces, legislators, retailers, hospitality venues, community groups and more. Community engagement is key; harmful drinking hits communities and local stakeholders know better than anyone what the issues are and how best to approach them.

To address the problem over the years, we have set up partnerships around the world to tackle issues like drink driving, under-age drinking, excessive consumption, drinking while pregnant and alcohol addiction. Our plan is to build on what we have learnt and increase our impact through partnerships with our new global commitment for 2030.

2030 commitment

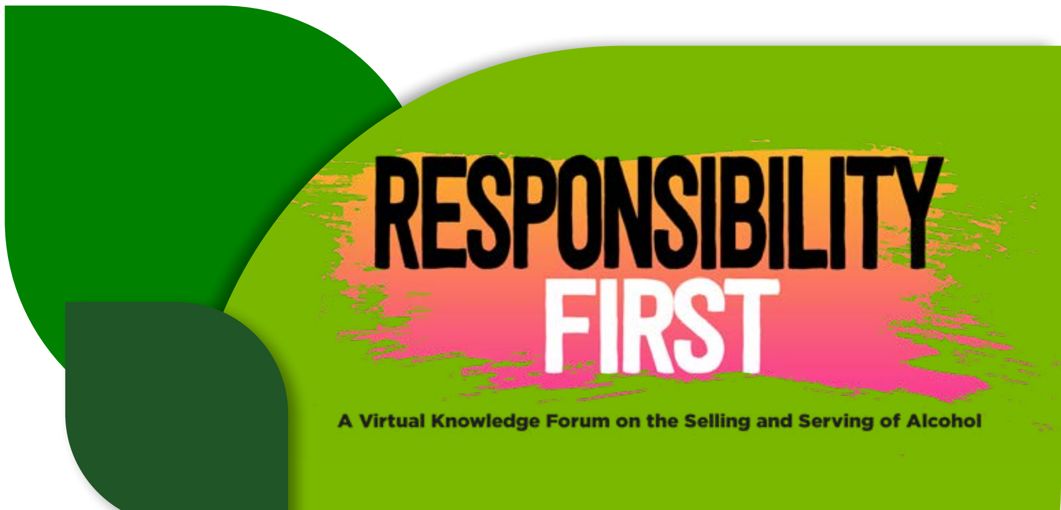
100% of markets in scope have partnership to address alcohol-related harm

COVID-19 made it impossible to continue our partnership journey in the way we have done before due to national lockdowns and restrictions on public events and gatherings. Despite this, several operating companies implemented innovative and impactful partnerships in 2021.

In Russia, we launched CONVERTER – a digital online platform for parents developed in partnership with the Harmony Institute for Psychotherapy and Counselling. Its objective is to promote dialogue with teenagers on complex topics including underage drinking. CONVERTER was recognised by the 'Best Social Projects of Russia' and 'WeAreTogether International' awards in 2021.

In Jamaica, Red Stripe and the local industry body ran a series of virtual, knowledge-sharing fora to raise awareness of responsible selling and serving of alcohol. The project was executed in partnership with the Minister of local Government and Rural Development.

Despite challenging circumstances, reducing harmful consumption of alcohol in partnership with communities remains a high priority.



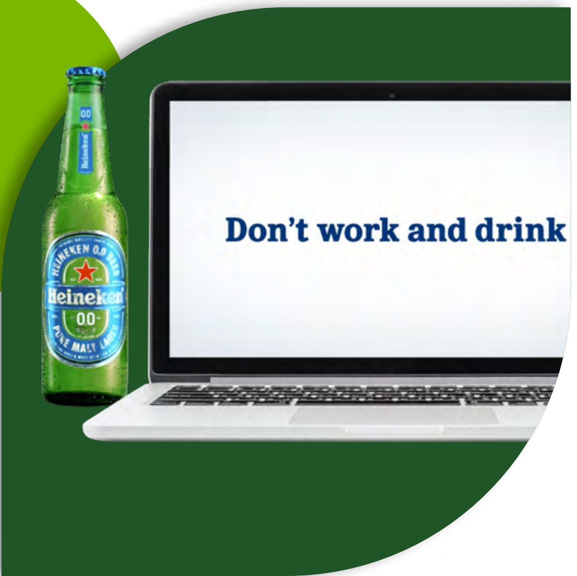
Responsible

Our plan is to go beyond what we have already achieved. By the end of 2022, 100% of markets in scope will have a valid partnership in place with a clear agreement and focus on addressing alcohol-related harm.

In parallel, we will continue to participate in the International Alliance for Responsible Drinking (IARD), a not-for-profit organisation through which leading global beer, wine and spirits producers work together to be part of the solution in combating harmful drinking. IARD works and collaborate with public sector, civil society and private stakeholders to advance this shared mission.

Make moderation cool

We have a long history of encouraging responsible consumption through our brands by making moderate, responsible consumption cool. We use the strength of our brands to ensure this message resonates with consumers by creating innovative campaigns that lead the debate.



Our ground-breaking campaigns include 'Sunrise belongs to Moderate Drinkers', 'Dance More, Drink Slow' and 'When You Drive, Never Drink'. Each is designed to change habits by advocating positive behaviours rather than criticising bad behaviour.

We are using what we have learnt from these campaigns and the outcomes they delivered as a foundation for making moderation cool over the next decade.

2030 commitment

10% of Heineken® media spend invested every year in responsible consumption campaigns, reaching 1 billion consumers

We want to remain the undisputed category leader in responsible alcohol communication and activation. Heineken® aims to be the most progressive beer brand by being bold and straightforward in making moderation cool and aspirational.

To achieve this, we are raising the bar by setting a target to reach 1 billion unique consumers yearly with a refreshed responsible consumption message.

Heineken® 0.0 will play a central role as a practical solution to help reduce alcohol-related harm and encourage responsible behaviour. We will accomplish this by investing 10% of the global Heineken® media budget via globally managed digital advertising.

Key highlights

In 2021, our operating companies invested more than 10% of Heineken® media spend in dedicated responsible consumption campaigns.

In total, we have been able to reach 1.2 billion unique consumers worldwide with the country borders of 42 operating companies. This result has been calculated through the Sainsbury Formula method, allowing us to estimate audience duplication to ascertain the net reach across multiple markets and several digital media channels/platforms. This approach has been validated by third-party independent media auditors, like Ebiquitiy.

To ensure we reach the target audiences, Heineken® campaigns are designed to reflect different contexts and deployed via a range of digital media platforms and advertising assets. Key markets – including USA, Taiwan, South Africa and Italy – ran two flights of campaign advertising over a minimum of five consecutive weeks in 2021.

Creative 'When You Drive, Never Drink' campaigns – our long-standing flagship campaign promoting an anti-drink driving message – leveraged in 2021 included:

- 'Father & Son' – enlisting father and son duo, Nico Rosberg and his father Keke, to promote our responsible drinking campaign.
- 'Irresistible' – communicating the message of Heineken® being 'irresistibly resistible when you're driving'.
- 'Myths' – sharing a responsible drinking message that when you are driving, there are no excuses.

We also developed a campaign focused on working from home called 'Smart Working' which advised people to never drink alcohol while working or to switch to smart drinking with Heineken® 0.0.

In 2022, we will revitalise and extend the 'Enjoy Heineken® Responsibly' campaign with new assets and partnerships that emphasise the importance of responsible consumption. Within this, we will build on the successful 'When You Drive, Never Drink' campaign, which is connected to our Formula 1 sponsorship. We will also establish Heineken® 0.0 as a relevant alternative in occasions where abstinence is pivotal.

Foundation

Foundation: Our ways of working

We know that we can only be successful if we lead with integrity and fairness, with respect for the law and in line with our values.

This is the purpose of our Foundation which guides our day-to-day decisions, actions, engagements and governance.

Responsible business conduct

Our business conduct framework is designed to ensure we conduct business around the world in a responsible manner, following the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

Code of business Conduct

The HEINEKEN Code of Business Conduct sets out the basic principles every employee must observe when acting for, or on behalf of, HEINEKEN. Underlying policies (available in 40+ languages) give further guidance on specific topics outlined in the Code.

Business Conduct training for employees

We provide annual Code of Business Conduct training to all employees worldwide. The training uses practical dilemmas to encourage participants to explore a range of responsible business conduct topics. In 2021, almost 73,000 employees completed the training.

We take every opportunity to raise awareness and keep our employees engaged through continuous communications on our responsible business conduct principles. In 2021, this included celebrating World Whistle Blower Day in June and launching a full-week campaign during the Week of Integrity in December.

Zero tolerance of bribery and corruption

As a multinational company operating in more than 70 countries, we pay special attention to potential exposure to bribery and corruption. Our principle is never to engage in bribery in any place, at any time. Our anti-bribery framework aims to prevent, detect and respond to bribery and corruption threats. The framework includes risk-based third-party due diligence and internal and external awareness and training.

Training employees on anti-bribery and corruption

Our anti-bribery and corruption e-learning equips employees to recognise and deal with potential bribery challenges they may encounter during the course of their work. In 2021, almost 18,000 employees completed the training. Our anti-corruption policies (which not only cover bribery but also other topics such as conflicts of interest, fraud, money laundering and gifts, entertainment and hospitality) are also addressed in our annual Code of Business Conduct training.

We also launched a new e-learning for third parties that may be exposed to corruption risks. This training reiterates our zero tolerance to corruption policy and explains how to recognise and resist bribery and to Speak Up where needed. In 2021, 200 third parties completed this training.

An effective Speak Up framework

Transparency and trust are crucial to our culture and values. We actively encourage everyone to Speak Up when they have questions or concerns about potential misconduct such as fraud, discrimination, harassment or corruption, also anonymously.

Multiple channels are available for employees and external parties to Speak Up in confidence and without fear of retaliation. Requests for advice and sharing concerns are treated confidentially. The Speak Up channels include Trusted Representatives and an external Speak Up service, run by an independent service provider, which is available 24/7, 365 days a year. Speak Up channels are regularly communicated to the employees and third parties.

In 2021, we received over 1,700 reports of suspected misconduct through Speak Up (2020: 1,469). This upward trend might be the result of continuous efforts and campaigns to encourage employees to express their suspicions and concerns. Considering the continued extraordinary working and business conditions of 2021, it is complicated to reach any specific conclusions from this increase.

Reports received concerned allegations of fraud (27%), discrimination and harassment (28%), conflicts of interest (8%) and other issues (37%). 81% of the cases reported in 2021 have been closed and 19% are pending closure. 68% of fraud cases, 49% of discrimination and harassment, 32% of conflicts of interest and 28% of other issues were fully or partly substantiated, which led to an overall substantiation rate of 45%.

In most substantiated cases, appropriate corrective and preventive actions were taken. They included process and control improvements, awareness-raising, training and disciplinary measures. These ranged from verbal and written warnings to suspension or even termination of the employment where appropriate.

We have not been subject to any criminal or regulatory investigations on the grounds of corruption including bribery, facilitation payments, extortion, money laundering and collusion.

Robust internal controls

Robust internal controls ensure we keep reasonable and proportionate oversight of activities related to the implementation and effectiveness of our business conduct framework.

Learn more about this topic on our website.

Foundation

Respecting human rights

We make it a foundation to do business with respect for people's dignity and human rights. We follow the UN Guiding Principles on Business and Human Rights and our Human Rights policy, Supplier Code and due diligence process guide us to understand, avoid and address our human rights related risks. This includes our own operations and the entire value chain.

Communication of policy commitments: workers and external stakeholders

Our Code of Business Conduct, Human Rights Policy and Supplier Code are available in all relevant languages (around 40 languages) to ensure information is accessible to intended audiences. The effectiveness of these policies is reviewed and reported on an annual basis by all operating companies and global functions.

Human Rights Workshops – own operations

We started conducting human rights risk assessments and action planning workshops in 2016. To date, we have completed risk assessments and workshops in 16 operating companies. Due to pandemic measures, we did not conduct any in-person workshop in 2021. Instead, we worked with all 16 operating companies to follow up on salient risks. These risks differ by country and include topics such as discrimination, excessive working hours, harassment, road safety and working conditions of third-party employees and farm workers. Based on stakeholder feedback, we refreshed the workshop content to spend more time on developing action plans. We will conduct the next in-person Human Rights workshops in 2022.

Human Rights Audits

We have now conducted 21 Human Rights Audits including four in 2021, in Haiti, Hungary, the US and Papua New Guinea. Awareness and focus on human rights risks has increased significantly throughout the last three years. Human rights remains as a Top Priority Risk. In 2022, we will broaden our human rights review approach and perform risk-based regional human rights reviews in Europe, Americas and Asia Pacific. We will also conduct a central review to assess the extent and quality of the oversight performed and the consistency of the Human Rights Policy implementation across all operating companies. We will work closely with NGO Partner Africa on Human Rights audits in Africa Middle East & Eastern Europe region.

Respecting human rights in high-risk contexts

We recognise that we may face human rights dilemmas in countries that are politically less stable or where human rights are compromised. We constantly review whether we can continue to operate in such contexts and, if so, how. To guide our operating companies, we have included respecting human rights in high-risk contexts in our global Human Rights Policy and designed a set of 'Golden Principles' and corresponding actions. In 2020 and 2021, we conducted workshops with our operating companies in high-risk contexts. These will continue in 2022.

Security and human rights training

We have developed an operational framework that helps our operating companies to maintain the safety and security of people and assets with respect for human rights. We launched new trainings for security staff in line with the Voluntary Principles on Security and Human Rights, focusing on operations in volatile environments. This training is designed to ensure they have the knowledge and understanding to conduct daily tasks in compliance with international standards on security and human rights and with our policies regarding human rights and ethical conduct.

Good governance platform

Our Good Governance platform in the Africa Middle East & Eastern Europe region addresses human rights related topics specific to the region. We set up initiatives with experts and NGOs where actions are needed – from conducting integrated socio-economic impact assessments to improving the working conditions of brand promoters globally and embedding human rights in local sourcing initiatives.

Aligning procurement decisions with human rights

During the COVID-19 pandemic, we put a clear strategy in place with suppliers to support them where possible and to avoid adding additional pressures on their businesses. We reduced payment terms for small and medium suppliers and for some larger suppliers who needed our support. The majority of suppliers already had access to our Supplier Finance schemes which allow them to access early payments. When requested, we allowed early payments, pre-funded orders and gave long term commitments through orders and shared access to our personal protective equipment.

Supplier Code Compliance Procedure

We are committed to conducting business with integrity and fairness, with respect for people, the law and our values. We expect and count on our suppliers to help us deliver on our values and commitment to responsible business conduct at all times even when 'normal' life was put on pause due to the COVID-19 crisis.

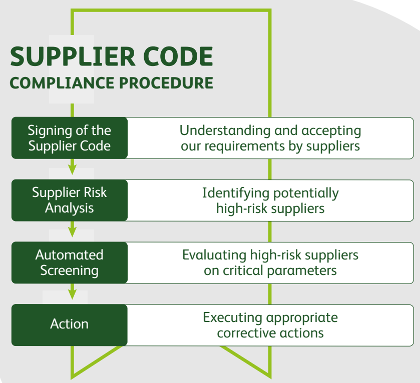
We have continued to follow our Supplier Code Procedure across our global operating companies, but also included the continuous monitoring element for the supplier screening process step to get any risk alerts associated with any of our suppliers.

Our risk-based approach

The current four step Supplier Code Compliance Procedure allows us to identify and evaluate potential risks with our suppliers and execute mitigating actions to address the following issues: anti-bribery and anti-corruption, sanctions, political exposure, negative media coverage related to issues such as labour and human rights, health and safety, fraud, fair competition and money laundering.

Our plan for the next year is to expand the scope of our Supplier Risk Management programme to include additional risk drivers (e.g. 'cyber security' and 'human trafficking & modern slavery') to improve consistency and oversight.

Learn more about this topic on our website.



World Economic Forum core metrics and disclosures

Measuring stakeholder capitalism

We continually monitor and respond to developments in reporting standards and regulations to improve our reporting. In January 2021, HEINEKEN was one of the initial endorsing companies of the World Economic Forum (WEF) Stakeholder Capitalism Metrics. The metrics are a set of universal, comparable disclosures focused on people, planet, prosperity and governance that companies can report on, regardless of industry or region. We provide an overview of our disclosures based on the Stakeholder Capitalism Metrics in the following pages.

Read more on WEF Measuring stakeholder capitalism

Principles of Governance	Core metrics	Disclosures
Governing purpose	**Setting purpose** The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	Our Purpose and Mission are presented in the CEO Letter and an introduction of our new strategy, EverGreen.
Quality of governing body	**Governance body composition** Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	See the 'Corporate Governance statement' and 'Report of the Supervisory Board' for the composition and description of HEINEKEN's governance bodies.
Stakeholder engagement	**Material issues impacting stakeholders** A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	See the section 'Stakeholder engagement and materiality', which describes how we engage with stakeholders and how we analyse and identify material issues.
Ethical behaviour	**Anti-corruption** 1 Total percentage of governance body members, employees and business partners who have received training on the organisation's anti-corruption policies and procedures, broken down by region. a. Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and b. Total number and nature of incidents of corruption confirmed during the current year, related to this year.	1 Almost 18,000 of our employees received anti-bribery training in 2021. Our Company's anti-corruption policies (which not only cover bribery but also other topics such as conflicts of interest, fraud, money laundering and gifts, entertainment and hospitality) are also addressed in our annual Code of Business Conduct e-learning, which was completed by almost 73,000 employees in 2021. See the section 'Foundation – Responsible business conduct' for details of our anti-bribery framework.
	2 Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	2 For initiatives and actions aimed at improving our culture and operating environment, refer to the section 'Foundation – Responsible business conduct'.
	Protected ethics advice and reporting mechanisms A description of internal and external mechanisms for: 1 Seeking advice about ethical and lawful behaviour and organisational integrity; and 2 Reporting concerns about unethical or unlawful behaviour and lack of organisational integrity.	1 Description of the Company mechanisms and procedures that provide advice about ethical behaviours is presented in the section 'Foundation – Responsible business conduct'. 2 Details of our Speak Up framework, our mechanism for reporting concerns about unethical behaviour, are presented in the section 'Foundation – Responsible business conduct'. For more details on our Speak Up policy and procedures: Speak Up policy and procedures

World Economic Forum core metrics and disclosures

Principles of Governance	Core metrics	Disclosures
Risk and opportunity oversight	**Integrating risk and opportunity into business process** Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	See a description of our risk management process, key company-specific risks and opportunities and risk response in the section 'Risk Management'. Our key risks integrate material economic, environmental and social issues, including impacts of climate change, information security and data privacy.

Planet	Core metrics	Disclosures
Climate change	**Greenhouse gas (GHG) emissions** For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO_2e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Net zero carbon emissions is one of key pillars of HEINEKEN Brew a Better World 2030 Strategy. For details of the programme and current results, see the section 'Reach net zero carbon emissions'. Scope 1 and 2 in CDP: 1,502 Ktonnes CO_2 Scope 3 emissions: 16,151 Ktonnes CO_2 Total emissions Scope 1, 2 and 3: 17,653 ktonnes CO_2. The results are based on the 2020 performance. The results include other gases from fuel combustion and refrigerant losses. Refer to HEINEKEN CDP Climate 2021 report for further details on our carbon performance.
	TCFD implementation Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	As part of our commitment to transparency, like many companies before us, in 2021 we have committed to supporting the Task Force on Climate-related Financial Disclosures (TCFD). Following TCFD recommendations is an important step towards enhancing the integration of climate-related risks and opportunities into our Brew a Better World commitments, risk management and strategy. See the section 'Task Force on Climate-related Financial disclosures' for disclosures related to TCFD recommendations. In 2021 we set our GHG emissions targets 2030 in line with the goals of the Paris Agreement: Net zero emissions in production by 2030 and net zero value chain by 2040, with 30% absolute reduction by 2030. See the section 'Reach net zero carbon emissions' for more detail.
Nature loss	**Land use and ecological sensitivity** Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).	We are in process of developing our biodiversity and land use programmes. Current actions are focused on water stewardship and agriculture playing a highly important role in our value chain. For the water stewardship programme, see the section 'Towards healthy watersheds'. Among focus areas of our sustainable agriculture strategy are: – Land use change impact, better accountability and related-CO_2 reduction strategy. – A regenerative agriculture strategy that will progressively bring to the next level our starting Low carbon farming programme, by incorporating more holistic agriculture key performance indicators close to carbon, such as water and biodiversity.

World Economic Forum core metrics and disclosures

Planet	Core metrics	Disclosures
Freshwater availability	**Water usage and withdrawal in water-stressed areas** Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	Supporting healthy watersheds in a key strategic priority of our Brew a Better World 2030 Strategy. See the section 'Towards healthy watersheds' for details and current results of our water stewardship strategy. We are in a process of assessing our average water usage across the value chain, closely working with our suppliers. In the meanwhile; – We work with suppliers that comply with the Sustainable Agriculture Initiative platform (SAI), an organisation of multinational food companies working towards a more sustainable food chain. The Farm Sustainability Assessment (FSA) framework aims to assess, improve and validate on-farm sustainability in our supply chain, including such areas of water management as water management practices, irrigation methods, fertiliser management and soil pollution. – In 2021, 66% of our barley and 92% of our hops came from sustainable sources. Overall, 65% of our raw materials came from sustainable sources (2020: 38%). – In 2021, we conducted global water risk screening in key sourcing areas by working with our suppliers. In 2022, we will continue to follow up on the outcome of the assessment. Refer to HEINEKEN CDP Water 2021 report for further details on our water strategy and actions

People	Core metrics	Disclosures
Dignity and equality	**Diversity and inclusion (%)** Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	As a part of our Inclusion & Diversity strategy, we monitor the composition of our workforce by gender and nationalities, both at senior management level and for the total workforce. Gender and cultural diversity are focus areas within our Brew a Better World 2030 Strategy. See the section 'Embrace inclusion and diversity' for more details.

Percentage of employees by gender:

Women	23% of total workforce and 25% of senior management
Men	77% of total workforce and 75% of senior management
Other	<1% of total workforce and 0% of senior management

Percentage of employees by nationalities:

Europe	31% of total workforce and 66% of senior management
North and South America	44% of total workforce and 16% of senior management
Africa, Middle East & Eastern Europe	15% of total workforce and 10% of senior management
Asia Pacific	10% of total workforce and 8% of senior management

Percentage of employees by age:

Under 30 years old	22% of total workforce
30 to 50 years old	64% of total workforce
Above 50 years old	14% of total workforce

World Economic Forum core metrics and disclosures

People	Core metrics	Disclosures
Dignity and equality continued	**Pay equality (%)** Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	Equal treatment and opportunity of our employees is a key driver for an inclusive environment. We committed to equal pay for equal work (or work of equal value) between female and male colleagues. By 2023, ongoing assessments and actions will be in place to close any gaps. These action plans will focus on improving equal pay, but also on gender representation, opportunity for promotion and gender balance in management teams. Percentage of completed assessments and percentage of closed gaps are the first key performance indicators we identified to monitor our progress in this area. See the section 'A fair and safe workplace' for further equal pay strategy information.
	Wage level (%) Ratios of standard entry level wage by gender compared to local minimum wage. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	One of key commitments of our Brew a Better World 2030 Strategy is to ensure all our employees worldwide earn at least a fair wage. A fair wage is often higher than the minimum wage and should be sufficient for a decent standard of living, covering the basic needs of the employee and him/her family - from food, housing and education to healthcare, transportation and some discretionary income and savings. To achieve our commitment, we begin by assessing wages across all operating companies against the Fair Wage network and close any wage gaps by the end of 2023. We have started with operating companies in developing countries where the challenges are the greatest. In 2021, we launched activities throughout the regions and assessed 63% of operating companies globally. We identified fair wage gaps for our employees in seven operating companies. We have now closed the majority of these fair wage gaps meaning 99% of direct employees of the companies assessed earn at least fair wage now according to the Fair Wage Network. See the section 'A fair and safe workplace' of our Sustainability review, for more information. For the ratio of total annual compensation of CEO to median annual total compensation see the section 'Remuneration Report'.
Health and well-being	**Risk for incidents of child, forced or compulsory labour** An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a. type of operation (such as manufacturing plant) and type of supplier; and b. countries or geographic areas with operations and suppliers considered at risk.	We do business with respect for people's dignity and human rights. We follow the UN Guiding Principles on Business and Human Rights and our Human Rights Policy, Supplier Code and due diligence process to understand, avoid and address harm to people. This includes our own operations and the entire value chain. We consider suppliers that are producing goods or providing services in certain geographies as potentially high risk for incidents of child or forced labour based on indexes such as Fragile State Index, Global Resilience Index, Global Slavery Index and Child Labour Human Development Index. On top of that, we consider suppliers that are producing certain goods or providing certain services as potentially high risk for incidents of child or forced labour. For example, suppliers of merchandise materials or temporary labour. Our Supplier Risk Management logic would flag these suppliers for further screening and due diligence process. Our plan for 2022 is to expand the scope of our Supplier Risk Management programme to include additional risk drivers to improve consistency and oversight. See the section 'Foundation – Respecting human rights' for more detail on our Supplier Risk management programme.

World Economic Forum core metrics and disclosures

People	Core metrics	Disclosures
Health and well-being continued	**The number and rate of fatalities as a result of work-related injury** The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked.	One of key commitments of our Brew a Better World 2030 Strategy is to create leadership capacity to drive zero fatal accidents and serious injuries at work shifting our focus from an accident-based approach to building capacity for identifying and mitigating potential risks. See the section 'A fair and safe workplace' of our Sustainability review for 2021 data and details of our strategy.
	Access to non-occupational medical and healthcare services An explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	We put the safety and health of our people as a number one priority. The Company currently counts on more than 430 health professionals worldwide, based on more than 100 on-site HEINEKEN clinics in 25 different countries to ensure for our employees a wide and extensive health network. They provide care, early diagnosis, treatment and recovery at all levels: primordial, primary, secondary, tertiary and quaternary (including remote areas within Africa, Middle East & Eastern Europe). Our employees and dependents have access to broad medical services, such as screening and lab tests, medicines and pharmacy, health benefits, disease prevention and health promotion projects (such as HIV, malaria, COVID-19), health trainings and educations. They also have access to a vast and extensive health services network, available through our local partnerships and insured by qualified private health insurance companies. HEINEKEN also provides international evacuating and treatment for expats, business travellers, local employees and dependents when the medical condition of a person cannot be safely and effectively treated in the country of employment.
Skills for the future	**Training provided** Average hours of training per person that the organisation's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees). Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	We embrace the learning and growth of our employees, teams and organisation. Investing in the training and development of our people is a core priority. We follow the 70-20-10 approach recognising that around 70% of what people learn comes through the experience and practice of doing their jobs, 20% through engagement, networking and dialogue, and 10% through formal learning and training. In 2021, our spend on formal training was €24million. As part of the deployment and embedding of our global HR data and technology platform, we will be setting up a common reporting process in 2022 and will disclose further details of training activities moving forward.

Prosperity	Core metrics	Disclosures
Employment and wealth generation	**Absolute number and rate of employment** 1 Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. 2 Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	In 2021, 18,000 new employees joined HEINEKEN operating companies across the globe (22% of the total workforce). 16,295 employees left our operating companies (20% to the total workforce). We will report on the structure of our workforce by age and gender groups as of 2022.

World Economic Forum core metrics and disclosures

Prosperity	Core metrics	Disclosures

Employment and wealth generation continued

Economic contribution

1 Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organisation's global operations, ideally split out by:
- Revenues
- Operating costs
- Employee wages and benefits
- Payments to providers of capital
- Payments to government
- Community investment

1. Direct economic value generated and distributed in 2021, € million:

Revenues	26,583	Consolidated Income Statement 2021, Note 6.1
Operating costs: Raw materials, consumables and services	(13,535)	Consolidated Income Statement 2021, Note 6.3
Operating costs: Amortisation, depreciation and impairments	(1,959)	Consolidated Income Statement 2021, Note 6.6
Employee wages and benefits	(3,485)	Consolidated Income Statement 2021, Note 6.4
Payments to capital providers: interest expenses	(462)	Consolidated Income Statement 2021, Note 11.1
Payments to capital providers: dividend payments[1]	(564)	Note 11.4 Capital and reserves
Payments to government: CIT expenses	(799)	Consolidated Income Statement 2021, Note 11.1, 12.1
Excise tax expense	(4,642)	Consolidated Income Statement 2021, Note 11.1
Community investment (CSI)	(18)	Section 'Positive impact in our communities'

2 Financial assistance received from the government: total monetary value of financial assistance received by the organisation from any government during the reporting period.

2. Financial assistance received from the government[2]:

Financial assistance	37	Note 6.4 Personnel expenses

1 Note 11.4 Capital and reserves. Dividend payments are reported on a cash basis and relate to dividend payments to HEINEKEN N.V. shareholders. Dividend payments to minority shareholders of subsidiaries are excluded
2 Government grants received related to COVID-19 (furlough arrangements) in 2021, € million

Financial investment contribution

1 Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy.

1. Total capital expenditures (CapEx) minus depreciation in 2021, € million:

CapEx related to Property, Plant and Equipment ('PP&E')	1,324	Consolidated Statement of Cash Flows
Depreciation on PP&E	(1,195)	Note 8.2 Property, Plant & Equipment
CapEx minus Depreciation	129	

The goal of our Company strategy, EverGreen, is to deliver superior and balanced growth and the next evolution of HEINEKEN business. The EverGreen strategy has been build on our value creation model, the Green Diamond, which puts growth, profit and capital on equal footing with sustainability and responsibility. Putting customers and consumers at the core we aim to continually enhance and expand our portfolio and footprint. We are progressing with our end-to end digital transformation to benefit our route-to-customer and drive cost efficiencies, as we aim to become the best connected brewer. We are stepping up our focus to deliver continuous productivity improvements and raising the bar of our sustainability ambitions. True to our ambitions, it meets short-term challenges and will ensure lasting value for our stakeholders.

The biggest two capacity expansion projects in 2021 were performed in Ponta Grossa in Brazil and Vung Tau in Vietnam.

Our Green by Design programme remains to be applied on all our investment projects in green- and brown-field breweries, where environmental criteria on CO_2 emissions in production, water consumption and use of sustainable sources are evaluated in a very early design stage. Aligned with the energy roadmap to Net Zero, the Green by Design concept constructively includes sustainable and energy efficient solutions contributing to the ambitious sustainability goals of HEINEKEN set for 2030.

2 Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.

2. Share buybacks plus dividend payments in 2021, € million:

Share buybacks	12	Consolidated Statement of Cash Flows
Dividend payments	564	Note 11.4 Capital and Reserves[1]

1 Dividend payments are reported on a cash basis and relate to dividend payments to HEINEKEN N.V. shareholders. Dividend payments to minority shareholders of subsidiaries are excluded.

For a description of the Company Strategy for returns of capital to shareholders see the section 'Shareholder Information' / 'Dividend Policy'.

World Economic Forum core metrics and disclosures

Prosperity	Core metrics	Disclosures

Innovation of better products and services

Total R&D expenses

Total costs related to research and development.

Expenses related to Research and Development in 2021, € million:

Consumer research, Brand development and Business innovation	32
R&D in Digital & Technology	71

The Global Commerce innovation spend is driven by consumer and market research to inform on changing consumer preferences and market trends. This supports the direction of our brand and category development activities as well as communication efforts. Our business innovation includes exploration of how we serve beer is a core element of our innovation pipeline. Collectively all of these efforts are owned by dedicated teams within our commerce teams.

The R&D expenditure in Digital & Technology is related to Cyber-Security, brewery IT infrastructure, commercial and sales related information systems, warehouse management software, human resource applications and deployment, enterprise resource planning software, data analytics.

Community and social vitality

Total tax paid

The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.

We believe in responsible tax behaviour as an essential part of our sustainability strategy. The taxes we pay contribute to local economies and support the development of the many countries in which we operate. We support stable, transparent and predictable tax regimes that incentivise long-term investment and economic growth.

Our sustainable and transparent tax strategy is based on a number of key principles:

- Our commitment to comply with relevant tax laws and international regulations, we aim to comply with the letter as well as the spirit of the law.
- Compliance with the HEINEKEN Code of Conduct.
- Expectation that we will pay tax in the country where our activities take place.
- We fully support and follow the OECD transfer pricing guidelines and transactions between our operating companies are based on the 'arm's length' principle.
- Not using tax havens for tax avoidance purposes.
- Open and constructive dialogue with tax authorities that is based on mutual respect, transparency and trust. We have co-operative compliance relationships with tax authorities in various countries.

Total tax contribution paid in 2021 - €11.5 billion

Total tax contribution paid per category (for 2021, in % to total):

Excise duties paid - Collected	53%
Net VAT paid - Collected	29%
Employee taxes paid (incl. social security contributions) employer part - Borne	4%
Employee taxes paid (incl. social security contributions) employee part - Collected	5%
Income Tax paid - Borne	6%
Other tax paid - Borne	3%

Total Corporate Income Tax paid in 2021 - €717 million

CIT paid per region (for 2021, in % to total):

Europe	25%
The Americas	34%
Africa, Middle East & Eastern Europe	10%
Asia Pacific	31%

Environmental Data

Environmental Data Table 2021

This table provides an overview of the environmental performance of our operations. It includes indicators for production, energy consumption, air emissions, refrigerants and wastewater from our beverage production plants, malting plants and other operations.

		Total all sites			Breweries, cider, soft drink and water plants			Malting sites			Other and packaging		
Performance indicator	**Unit**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Beverage production	Mhl	267.8	245.4	253.9	267.8	245.4	253.9						
Malt production	ktons	723	654	726				723	654	726			
Thermal energy consumption	PJ	17.8	16.2	17.1	16	14.6	15.5	1.5	1.4	1.5	0.3	0.3	0.1
Electricity consumption	GWh	2168	2041	2090	2072	1952	2005	82	75	80	13	13	5
CO_2e emissions (direct: from fuel combustion and refrigerant losses)	ktons	1060	948	951	951	852	866	89	77	79	20	19	6
CO_2e emissions (indirect: from heat and electricity import)	ktons	491	427	352	468	405	330	21	20	22	2	2	0
HC-based refrigerants in use	tons	122	140	140	117	135	136	4	4	4	1	1	0
HC-based refrigerants lost	tons	16.1	13.8	9.5	15.1	13.7	9.5	0.9	0.1	0	0	0	0
	kg R11 equivalents	227	132	153	226	132	153	0	0	0.1	1	0	0
	kton CO2 equivalents	21.1	15.6	16.8	19.8	15.5	16.8	1.3	0.2	0	0	0	0
Water withdrawal	Mm3	93.1	84.6	87.5	90.8	82.4	85.4	2	1.9	2	0.3	0.3	0.1
Wastewater quantity	Mm3	59.3	52.9	54.9	57.7	51.2	53.4	1.3	1.3	1.4	0.3	0.3	0.1
Wastewater organic load before treatment	ktons COD	192	175	192	186	169	186	5	4	5	1	1	1
Effluent organic load discharged to surface water	ktons COD	10.7	8.7	10.9	10.3	8.5	10.7	0.3	0.2	0.2	0.1	0	0

Other climate-related disclosures

Other climate-related disclosures

Task Force on Climate-related Financial Disclosures

The Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) with the aim of improving disclosure of climate-related risks and opportunities. These recommendations form a voluntary framework for providing decision-useful information on climate-related risks and their financial impacts for investors, insurers and other stakeholders.

We support global efforts to improve the quality and consistency of disclosures on climate-related risks and have committed to implement the recommendations of the TCFD. This will enable us to better assess and improve our resilience and communicate the critical impacts of climate change on our business, as well as shaping our action plans to mitigate the risks and seize on opportunities.

HEINEKEN has established clear processes for setting and monitoring climate-related targets. Risks related to climate change, water scarcity and their effects on our production, raw materials prices and availability, are among main Company risks. Establishing our risk appetite and review of principle risks and opportunities are among the key activities of the Audit Committee. Oversight of the risk management framework lies with the Risk Committee.

We set our Net Zero strategy in line with the Paris Agreement goals. Our carbon reduction commitments have been approved by the Science Based Targets initiative (SBTi). We use KPIs to measure and manage climate-related risks and opportunities. Performance is reported along with a description of our strategy for areas such as water usage and our carbon footprint in production and along the value chain.

We have conducted a gap analysis to assess the extent to which our existing processes and public disclosures on climate risks (in our annual report and CDP submission) align with the recommendations of the TCFD. Using the results, we developed a plan to progressively meet the TCFD requirements. We are working to align our risk management processes with the TCFD recommendations and to enhance our understanding of the quantitative impact of climate change by considering various climate scenarios.

The EU Taxonomy Regulation

Introduction

The EU Taxonomy Regulation, adopted by the European Commission on 4 June 2021, is a classification system establishing a list of environmentally sustainable economic activities. For 2021, two parts of the EU Taxonomy are in scope for reporting: ‘Climate Change Mitigation’ and ‘Climate Change Adaptation’. In practice it means that companies should assess if they have activities that are included in the scope of activities as per the first two parts of the regulation. These activities are referred to as ‘eligible activities’. For the eligible activities, it is required to disclose specific key performance indicators (‘Turnover’, ‘CAPEX’ and ‘OPEX’).

Companies should report which part of the eligible activities are ‘aligned’ with the EU Taxonomy Regulation in the following years. ‘Alignment’ means that an activity makes a substantial contribution to one or more of the EU’s environmental objectives, providing it does not do significant harm to the other objectives and complies with the minimum social safeguards.

In 2022, additional parts of the regulation are expected to come into effect, which will result in additional disclosures in the next year(s). In particular, ‘Transition to a circular economy’ is expected to be relevant for HEINEKEN.

Eligible activities for climate change mitigation and climate change adaptation

HEINEKEN concluded that the main revenue-generating activity of HEINEKEN (Brewing and selling of beer and cider) is not included in the current parts of regulation. Other activities were excluded from the analysis as these are considered immaterial. Refer to the table below for the share of eligible and non-eligible activities.

	Share of eligible activities	Share of non-eligible activities
Turnover	0%	100%
CAPEX	0%	100%
OPEX	0%	100%

Assumptions applied in our eligibility analysis

As this is the first time companies are disclosing under the new regulation, market practice and additional guidance are still to be developed. This may lead to different interpretations and disclosures. The key assumptions applied are:

- An activity is in scope of the eligibility reporting if the activity is revenue-generating. Other non-revenue generating activities mentioned in the regulation, such as transportation, are therefore not considered as eligible activity.
- ‘CAPEX’ and ‘OPEX’ are only considered to be reported on for eligible activities and, therefore, any ‘CAPEX’ or ‘OPEX’ related to non-eligible activities is not reported.

The EU Taxonomy and our net zero ambitions

In 2021, HEINEKEN has updated the Brew a Better World Strategy by committing to reach net zero carbon emissions in production in 2030 and in the full value chain in 2040. Although we concluded that HEINEKEN is not in scope to report ‘CAPEX’ or ‘OPEX’ for non-eligible activities, we consider it relevant to explain the link of our net zero emission strategy with the Taxonomy regulation.

Long term power purchase agreements (PPAs) and Energy certificates (EACs) are an important part of our sourcing strategy to contract renewable energy and make progress towards our net zero emissions commitment in production by 2030. In 2021, we signed several PPAs, e.g. in the Netherlands all our offices, breweries and the Heineken Experience will be powered by two wind farms and in Nigeria we opened our first solar plant in our breweries. In our Africa Middle East region, we sourced renewable electricity in four operating companies through energy certificates allowing Russia, South Africa, Democratic Republic of the Congo and Egypt to source 100% renewable electricity. While these PPAs and EACs contribute to decreasing our carbon emissions, they are out of scope of Taxonomy-related disclosures.

In addition, the biggest part of our carbon footprint lies in our value chain beyond our owned production sites and therefore any measures taken to reduce the carbon footprint in our value chain are out of scope of the KPIs as reported under the Taxonomy.

More information on our net zero strategy and measures can be found on page 132-135

Reporting basis and governance of non-financial indicators

We see it as imperative to integrate our Brew a Better World performance in our annual report and provide independent confirmation that the information in this report is reliable and accurate. As a result, Deloitte provides limited assurance on the most important non-financial indicators. This section provides an overview of the governance, reporting scope, key definitions and measurement principles related to our Brew a Better World 2030 KPI's.

Brew a Better World Governance

Our governance model for Brew a Better World (BaBW) ensures that we deliver against our commitments globally and locally. Established in 2020, the Sustainability & Responsibility (S&R) Committee of the Supervisory Board is responsible for oversight of BaBW strategy development and delivery. Responsibilities of the Supervisory Board Audit Committee include oversight of external reporting, compliance with internal and external auditor recommendations on BaBW reporting, and risk management. Our BaBW strategy, targets per focus area and significant changes in definitions are subject to approval by the Executive Board. The S&R SteerCo at the Executive Team level oversees the delivery against the BaBW strategy.

Dedicated SteerCo's per BaBW area monitor performance and commitment delivery. The dedicated SteerCo's escalate topics of high priority to the S&R SteerCo. At operating company level, accountability for driving our ambition lies with the Managing Director/General Manager of the operating company. The Global Sustainable Development team of Global Corporate Affairs and Corporate Affairs management at operating company level drive collaboration and coordination of BaBW activities between functions. See also the chart on this page.

Enabling the delivery against our BaBW commitments is embedded throughout the business and across functions, for example driven by Supply Chain (Net zero carbon emissions and Healthy Watersheds), Procurement (Net zero carbon emissions and Sustainable Sourcing), People (Inclusion and Diversity and Health and Safety) and Commerce (Responsible Consumption).

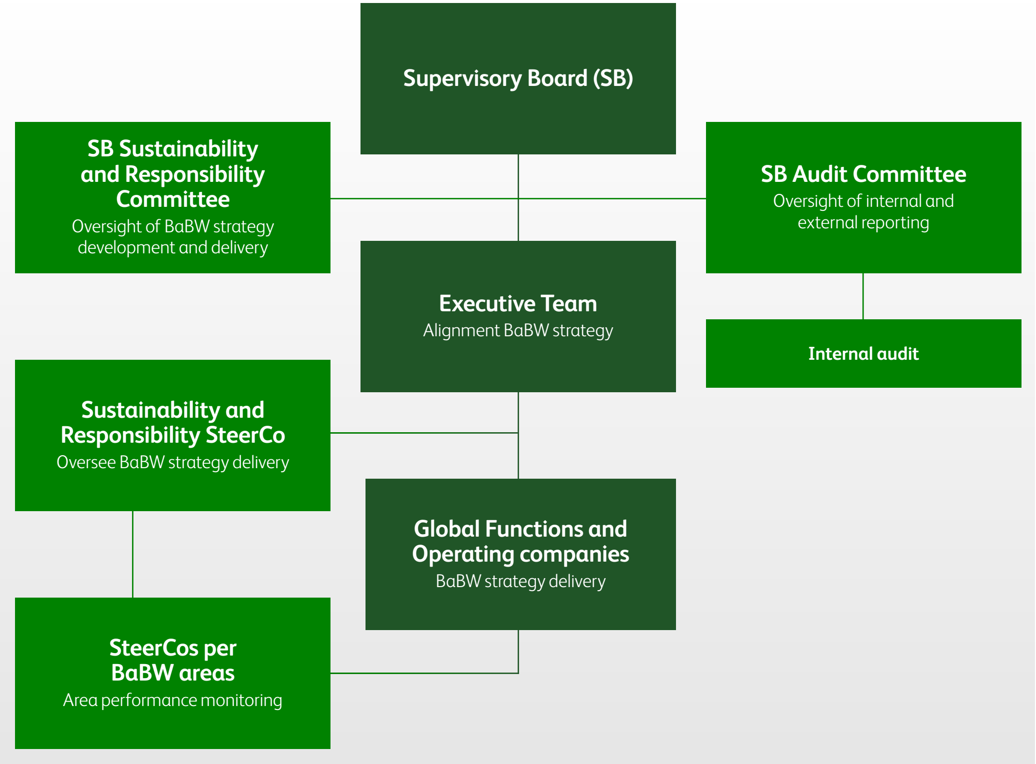
BaBW commitments are formally included in HEINEKENs strategic and annual planning processes and are integrated in quarterly performance management. Sustainability and responsibility are a key part of our long-term value creation model, the Green Diamond.

Reporting period and operating companies in scope

The non-financial indicators in this report cover the performance of all HEINEKEN consolidated entities from 1 January 2021 up to and including 31 December 2021, unless otherwise stated. The scope of entities included in the reporting is equal to the basis of consolidation as per our financial statements, unless otherwise stated. Refer to note 5 General accounting policies sub (a) of the financial statements for the consolidation principles and note 13.4 for the list of our significant subsidiaries.

Deviations from the reporting scope depend on the nature of each indicator and exceptions and limitations are explained per each indicator below. Units (countries, sites, suppliers, brands, etc.) which, for specific reasons, received formal derogations for compliance with commitments are excluded from the indicator scope in consolidation.

New acquisitions and greenfield breweries are included in the consolidated reporting after the first full calendar year of operation. In 2021 we acquired UBL (refer to note 10.1 Acquisitions and disposals) and therefore it is excluded from the reporting scope of 2021.



Indicators in scope

The content of this report is based on material aspects for our Company and stakeholders and is directly linked to our Brew a Better World (BaBW) strategy and 2030 commitments. We have selected non-financial KPIs that are most material, based on the following criteria:

- The KPI is a BaBW commitment or a new target we publicly disclose;
- The KPI is not related to a target but is part of a BaBW focus areas and seen as important by our stakeholders; and/or
- The combination of KPIs should give a balanced, high level overview of our progress in 2021.

Scope and materiality of indicators may be reviewed by the Disclosure Committee and adjusted once a year with effect as of the following year.

As a part of the HEINEKEN Risk management process, we assess main risks that could hinder HEINEKEN in achieving its strategy and business objectives. This process includes identifying Environmental, Social and Governance (ESG) risks. These main risks are included in this report (see the Risk Management section).

Reporting basis and governance of non-financial indicators

Reliability and accuracy of data

We have processes governing the collection, review and validation of non-financial data included in this report at both local operating company and global level. We apply uniform definitions and instructions for reporting purposes to improve the accuracy and comparability of data. Where possible, standard or automated calculations and validity checks are built into systems to minimise errors. The Global Sustainable Development team consolidates, analyses and further communicates data reported by operating companies and global functions on a quarterly basis and in the Annual Report. Subject matter experts are involved at various levels to validate and challenge the data and process. We are continuously strengthening our data collection processes and underlying controls.

Our operating companies and data owners report fairly and in accordance with agreed procedures and instructions. However, it is not possible to ascertain full completeness and accuracy of data contained in our report. Operating companies are at different stages of maturity with regards to data collection and reporting processes. Where we have concerns, we highlight them in the report. HEINEKEN's internal audit function, Global Audit, is involved in the annual review of the non-financial reporting process, including the quality of control processes at various levels and data ownership. Deloitte provides limited assurance on the indicators as described in detail in the Assurance report of the independent auditor.

Definitions per indicator

We gather data in accordance with guidelines and definitions based on the Global Reporting Initiative (GRI Standards) Guidelines, unless stated otherwise. We aim to align with international standards (WEF Common Metrics, TCFD etc.), and, if not available, we work with industry partners such as the Beverage Industry and Environmental Roundtable (BIER) to develop common practices.

'Production site' is used in various KPI's and refers to breweries, cider plants, soft drink plants, malteries, water plants and combinations of these at which malt, beer, cider, soft drinks, water or wine are produced. Production sites are only included when these are part of a consolidated entity.

The tables below provides more information on definitions scope, measurement criteria and reporting assumptions per reported indicator.

Environmental – Reach net zero emissions

Net zero emissions in production by 2030

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
Tonnes of CO_2-equivalent emissions	2018	– Tonnes of CO_2-equivalent emissions (in metric tons) – % of CO_2-eq emissions reduction in production in the year compared to the CO_2-eq emissions in production in 2018	– To calculate the CO_2-equivalent emissions, the GreenHouseGas (GHG) protocol is used, Corporate reporting scope 1 and 2 methodology; – Net zero means 0% of CO_2-equivalent emissions from our production sites; – CO_2-equivalent emissions: this includes emissions caused by direct emissions from combustion of fuels, indirect emissions from imported (purchased) heat and electricity, and emissions from refrigerant losses; – The production sites represent 90% of Scope 1 and 2 emissions. By reaching 0 emissions in production, HEINEKEN will decrease its Scope 1 and 2 emissions by 90% in line with its science-based targets.	All production sites of consolidated entities.

Reporting basis and governance of non-financial indicators

Net zero emissions in value chain by 2040, 30% absolute reduction by 2030

Key performance indicator	Baseline	Measurement/units	Key Definitions	Methodology	Scope

– Tonnes of CO_2-equivalent emissions
– % of CO_2-eq emissions reduction in the value chain in the year compared to the CO_2-eq emissions in value chain in 2018;
	2018	– Total CO_2-equivalent emissions (in metric tons);
		– % of CO_2-eq emissions reduction in value chain in the year compared to the CO_2-eq emissions in value chain in 2018
			– Company Carbon Footprint: The Company Carbon Footprint includes CO_2 emissions from all the activities linked to making and selling our products, through the entire "barley to bar" value chain. We have identified seven phases in the life cycle of a beverage: agriculture, malting and adjuncts, beverage production, packaging, logistics, cooling and other emissions. A full description of the coverage of the workstreams is given in the life-cycle definitions below;
			– Life-cycle definitions:
			  – Agriculture covers all activities for land-bound inputs used for beverage production, for example cultivation of barley, hops, sugar beets, fruits. The impact related to land use change is included in this life cycle stage.
			  – Malting & adjuncts covers all processing of inputs before the beverage production stage, for example malting barley, concentrating hops, producing sugar syrup or fruit concentrates.
			  – Packaging material production and disposal covers all activities for packaging material production, generated at the packaging suppliers. This includes raw materials, energy used and the recycled material used. The disposal (recycling) of packaging materials are calculated with the "Circular Footprint Formula" (as per the Product Environmental Footprint Category Rules (PEFCR)) and includes country and material specific recycling rates.
			  – Logistics covers both inbound transport of raw agricultural inputs, processed inputs and packaging materials to our breweries as outbound distribution of beverages to the point of sale consumer, and warehouse energy consumption. It includes the logistics network both controlled and not controlled by HEINEKEN, to get the finished product to the point of sale and back (returnable packaging).
			  – Cooling covers the emissions from cooling the beverages; this can be cooling in draught beer installations or cooling in fridges in bars and restaurants.
			  – Other emissions cover: Purchased goods and services, Capital Goods, Business travel, Commuting, Upstream leased assets and Investments.
				– We started measuring our carbon footprint in 2010 when only a few of our operating companies were included and a specific methodology was not yet available. Since then, our scope has expanded and the methodologies we use have been improved. Today, our Company Carbon Footprint includes our entire value chain – from our own operations to suppliers, subcontractors and customers, across activities such as manufacture and recycling of packaging and cooling beverages at points of sale. We continue to develop it in line with new methodologies, availability of better data sources and alignment with industry best practice. We increasingly use actual primary performance data provided by our suppliers rather than estimates.
				– We calculated the CO_2 emissions for the largest CO_2 emitting operating companies (between 17 and 59, depending on the workstream) and extrapolated the obtained results to reach the absolute total amount.
				– HEINEKEN's calculation scope and principles are compared to the requirements of three additional relevant protocols; the GHG protocol Product standard, the GHG protocol Corporate Standard (scope 1 and 2) and the GHG protocol Corporate standard (scope 3).
				– HEINEKEN accounts for relevant GHG emissions along its production: carbon dioxide (CO_2), methane (CH4), nitrous oxide (N2O), sulphur hexafluoride (SF6), perfluorocarbons (PFCs), and hydrofluorocarbons (HFCs)
				– HEINEKEN has worked closely with BIER - Beverage Industry environmental roundtable to develop GHG emissions sector guidance to standardise GHG reporting. We adhere to this protocol (Version 4.1)
					– All consolidated entities.

Reporting basis and governance of non-financial indicators

100% sustainable ingredients (hops, barley) by 2030

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
% of sustainable volume (barley and hops)	N/A	– % of contracted sustainable volumes (metric tonnes) for the next year compared to total contracted volumes (metric tonnes) for the next year.	– Sustainable volume: measured in accordance with the Sustainable Agriculture Initiative (SAI): The efficient production of safe, high quality agricultural products, in a way that protects and improves the natural environment, social and economic conditions of farmers, their employees and local communities, and safeguards the health and welfare of all farmed species. – SAI: A food industry organisation aimed to support the development of sustainable agriculture, involving stakeholders of the food chain. For more details see www.saiplatform.org. – Sustainable ingredient: An agricultural material that was produced in a manner which produces safe, high quality agricultural products, protects and improves the natural environment and the social and economic conditions of farmers and their communities. – Mass balance approach: HEINEKEN applies the Mass Balance approach for the calculation of sustainable volumes in the supply chain. This entails that the inputs into a process must be equal to the outputs, plus any losses or accumulation in the process.	The reported volume includes both the volume purchased for our consolidated entities, as well as volume purchased centrally on behalf of some joint ventures and associates.

Environmental – Maximise circularity

Zero waste to landfill for all our production sites by 2025

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
Number of production sites with zero waste to landfill	N/A	– # of landfill free sites compared to the total number of sites (e.g. 120 out of 165)	– Landfill free site: A site is considered to be landfill free in case less than 2% of the waste (in kilograms) of that site is sent to landfill; – Waste: a material, substance, or by-product eliminated or discarded as no longer useful or required after the completion of a process. The majority of our production waste is comprised of organic co-products like brewers' grain, surplus yeast, anaerobic sludge from wastewater, spent kieselguhr and spent alcohol; – Waste destinations include reuse, human consumption, animal feed, materials, compost/soil improvement, energy (biogas), combustion with energy recovery, combustion without energy recovery. – Landfill: deposit into or on to land, deep injection, surface impoundment (e.g. discard into pits, ponds, or lagoons), release into water bodies, permanent storage (e.g. containers in a mine); sanitary landfills, all waste which is not re-used, recycled or combusted/ incinerated, all waste brought to landfill by parties contracted by us, dump and or waste with unknown waste destination are also considered to be landfilled.	All production sites of consolidated entities.

Reporting basis and governance of non-financial indicators

Environmental – Towards healthy watersheds

Fully balance water used in our products in water-stressed areas by 2030

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope

Percentage of water-stressed sites with 100% or more water balance	N/A	– Percentage of water-stressed sites with 100% or more water balance compared to the total of water-stressed sites	– Water stress: A territory is considered water stressed when it withdraws 25% or more of its renewable freshwater resources (UN Water 2021).
			– Water balancing: Water balancing is redressing the balance in water-stressed areas between the amount of water we source from the watershed and the amount that is not returned because it is used in our products, and loss through evaporation.
			– Water stressed area: We identify water-stressed area through a three-pronged approach:
			  – A Site water security self-assessment that is completed by operating companies annually;
			  – Global Water Risk Screening that is led by the Global Sustainable Production team every five years;
			  – Source Vulnerability Assessment (SVA) by a third party with experience in hydrology for shortlisted sites is conducted after step two. SVA is a compilation, review and validation of scientific data in relation to quantity, quality, accessibility and local capabilities, has an inventory and analysis of water-related risks, stakeholder mapping and proposed list of solutions.
				All water stressed production sites of consolidated entities. Currently 31 water stressed sites are identified.

Treat 100% of wastewater of all breweries, soft drink, cider and malting plants in own or third party installations by 2023

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
Number of sites discharging untreated wastewater to surface water	N/A	– Number of sites discharging untreated wastewater to surface water	– Wastewater: in view of this commitment wastewater refers to untreated wastewater discharged from a production unit or a third party wastewater treatment plant. – Wastewater Treatment plant (WWTP): Plant removing contaminants from the brewery's wastewater and producing environmentally safe treated wastewater before releasing it into surface water. – 3rd Party WWTP: An external party in charge of the treatment of production site wastewater and subsequent discharge into surface water.	All production sites of consolidated entities. In December 2021 we disposed a site without a WWTP. This disposed site is not included in our reporting.

Reduce average water intake to 2.6 hl/hl in water-stressed areas, and 2.9 hl/hl worldwide by 2030

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
Water intake / volume beverage produced (hl/hl)	2008 (worldwide average); 2014 (water stressed areas)	– hl water intake per hl of volume produced	– Water intake: The production site can obtain water from various sources, such as: groundwater or well water abstraction, water purchased from a public or private water company, surface water from rivers, lakes or sea and collected rainwater. – Volume produced is the total amount of beverage volume produced.	All beverage production sites of consolidated entities.

Reporting basis and governance of non-financial indicators

Social – Embrace Inclusion and Diversity

Gender balance across senior management: 30% women by 2025, 40% by 2030

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
Percentage of women in senior management	N/A	Percentage of women senior managers in the full senior management population (men – women – others) as of 31 December.	– Senior Managers are all internal employees entitled to the Senior Management Reward Policy.	All consolidated entities.

Cultural diversity: across each region at least 65% of country leadership teams are regional nationals by 2023

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
In each region, % regional nationals across the operating company Management Teams.	N/A	– Headcount with nationalities from the region in all operating company Management Teams in that region / Total headcount of all the operating company Management Teams in that region as of 31 December.	– Management Team (MT): The Management team in an operating company is defined by the General Manager/ Managing Director (GM/MD). In principle this includes all direct reports of the GM/MD, but there could be employees reporting to the GM/MD, which are not considered to be part of the operating company MT (e.g. business support). – Region follows the managerial reporting structure in our segment reporting (refer to note 6.1 Operating segments in the financial statements). Head office and regional offices are excluded. – Headcount: Based on internal headcount, both temporary as well as permanent contracts. – For people with double nationalities, we consider the first nationality informed in our HR database.	All consolidated entities, except head office and regional offices.

100% of our managers are trained in inclusive leadership by 2023

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
% of people managers trained in the full people managers population	N/A	– People managers who attended the inclusive leadership training /total population of people managers	– People managers are employees managing a team of employees (one or more direct reports). – Inclusive leadership trainings include nine modules, of which at least four should be completed by the people manager. The modules included in the training relate to inclusive practices, such as: provide equal opportunities, seek multiple points of view, be transparent, communicate inclusively, give and receive feedback, develop self-awareness, etc.	All people managers within all our consolidated entities.

Reporting basis and governance of non-financial indicators

Social – A fair and safe workplace

Fair wage for employees: close any gaps by 2023

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
– % of (in scope) operating companies assessed per Region – % of direct employees of assessed (in scope) operating companies that earn at least a fair wage, according to the Fair Wages Network (FWN)	N/A	– Percentage of operating companies assessed compared to all operating companies – Percentage of employees (measured in FTE) that earn a fair wage according to the FWN compared to all employees (measured in FTE)	– Fair wage: A wage that supports a decent standard of living for employee and his/her family and is reasonable for the type of work done and sufficient to meet employees' basic needs for food, shelter, education for their children and some discretionary income. Fair wages also take into account factors such as family size, number of individuals employed per family and hours worked. Fair wage is not structurally depended on variable factors, such as working overtime or incentive pay. – Fair Wage Network: The FWN is our data source to determine the level of fair wages in different countries. The FWN is an independent NGO with data available for 200+ countries, which is updated annually. – Assessment: Evaluation of possible pay gap per employee per operating company in scope. – Pay gap: A difference between Country Annual Fair Wage based on FWN and employee Annual Base Salary + Fixed Guaranteed Allowances + Cash Equivalent of Benefits.	All directly employed employees with a permanent contract of all production sites of consolidated entities.

Equal pay for equal work: assessments and action by 2023

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope

– % in scope operating companies assessed
– % in scope operating companies with actions to close any gap
	N/A	– Percentage of operating companies assessed compared to the total number of HEINEKEN operating companies;
		– Percentage of operating companies with an action plan to close any gap compared to the total number of HEINEKEN operating companies
			– Equal pay: Comparable salary levels for male and female employees on similar type of jobs in an operating company.
			– Equal work: Positions in HEINEKEN that are comparable to each other.
			– Assessment: The analysis to review the current state of equal pay for equal work in an operating company. This analysis includes 5 measurement drivers related to Equal Pay, and is based on the actual employee population and salary details in an operating company.
			– Action plan: A list of commitments, actions and timelines aimed to improve on the various drivers of Equal Pay, based on the outcomes of the Equal Pay assessment for the operating company.
			– Equal pay drivers:
			  – Gender Pay Gap: Relative salary position (RSP)% gap between male and female employees per job grade per operating company;
			  – Gender Representation: The distribution of males and females per operating company;
			  – Performance Assessment and Salary Increase: Comparison of the salary increase % difference per performance rating between males and females;
			  – Promotions: Comparison of the promotion % of male and female employees over the last 12 months respectively;
			  – MT representation: The distribution of male and female employees in management teams;
				All consolidated entities.

Reporting basis and governance of non-financial indicators

Create leadership capacity to drive zero fatal accidents and serious injuries at work

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
Zero work related fatalities and serious injuries	N/A	– Total number of fatalities reported as a result of work related accidents in a calendar year; – Total number of serious injuries reported as a result of work related accidents in a calendar year.	– Work-related fatal accident: Work-related fatal accident means occupational accident leading to death. All work-related fatal accidents of permanent, fixed-term or temporary personnel. Including work related fatal accidents occurring outside the premises owned or rented by HEINEKEN, such as during outlet visits, business travel, participation in courses or visits to conferences and fairs. – Any fatal accidents involving permanent, fixed-term or temporary personnel in case the fatal accident occurred on the premises owned or rented by the HEINEKEN Company (e.g. headquarters, the production or warehousing site (incl. employee housing when applicable) and HORECA (hotels, restaurants and cafés). – Any fatal accidents when occurring with HEINEKEN Company assets (e.g. trucks), HEINEKEN materials (e.g. promotion materials), HEINEKEN Company products or HEINEKEN Company services (e.g. events), including such fatal accidents involving contractor personnel when work was carried out as ordered by or on behalf of the HEINEKEN Company. Excluded are fatal accidents of members of the public due to use of HEINEKEN products. – Fatal accidents to suppliers delivering raw materials, auxiliary materials and packaging materials are only in scope if a connection can be made to the HEINEKEN Company (e.g. drunk driving). – We are following a prudent approach in disclosure of fatalities. In case we do not have sufficient information on the causes or circumstances of a fatality (e.g. lack of witnesses) and the conclusion of the local authorities is not clear, we consider the case as work-related and disclose it accordingly. – Serious injury: Work related accident that caused permanent disability or long-term health effect or required hospitalisation overnight.	All consolidated entities.

Social – Positive impact in our communities

Local sourcing of agricultural ingredients in Africa: 50% increase in volume by 2025

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
% increase in volume of locally sourced agricultural ingredients	2020	Growth in the total quantity of local raw materials compared to 2020, reported in a percentage of increase.	Locally sourced agricultural ingredients: – Estimated quantity (in metric tons) of agricultural 'extract' producing raw materials that are cultivated in Africa and that are used in the manufacture of beers, soft drinks, cider, wine and spirits at our own production facilities in Africa. – The quantity reported excludes any volume exported outside the African continent. – Local means both domestic as well as from other countries on the African continent.	All consolidated entities on the African continent.

Reporting basis and governance of non-financial indicators

Responsible – Always a choice

A zero alcohol option for two strategic brands in the majority of our markets (accounting for 90% of our business) by 2023

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
% of volume of operating companies with 0.0 line extensions for two strategic brands	N/A	Percentage of consolidated Beer & Cider volumes of operating companies which have two zero alcohol options in the latest quarter of the year compared to the consolidated volume for all operating companies in the scope for Beer & Cider.	– Strategic brand: a brand in our portfolio where we invest in. – Zero alcohol option (line extension): An adult beverage (Beer or Cider) proposition which has beer associations either through brand or taste. – Export markets: refer to countries outside the custom borders of countries where operating companies are residing. – License markets: refer to countries where our products are sold under a license agreement by joint ventures, associates and third parties.	All consolidated entities selling Beer & Cider. Export markets, license markets and single brand operating companies are excluded from the scope (e.g. Lagunitas).

Responsible – Make moderation cool

10% of Heineken® media spend invested every year in responsible consumption campaigns, reaching 1 Billion consumers

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
– 10% Heineken Media Spend invested every year in responsible consumption campaigns; – Reaching 1 billion consumers	N/A	– Percentage of media spend on the Heineken® brand for responsible consumption campaigns compared to the total media spend on the Heineken® brand; – The number of consumers reached with Enjoy Heineken® Responsibly campaigns	– Heineken® media spend: expenses incurred for placing and broadcasting Heineken® brand dedicated campaigns. – Enjoy Heineken® Responsible campaign: Media spend for placing and broadcasting Heineken® brand dedicated responsible consumption campaigns (for example supporting 'Enjoy Heineken® Responsibly' or 'When You Drive, Never Drink', or other Responsible Consumption initiatives). – Consumers reached: The number of unique consumers reached is calculated using the Sainsbury Formula, allowing us to estimate audience duplication so we can ascertain the net reach across multiple markets and several digital media channels/platforms.	Markets where our consolidated operating companies operate. Export markets and markets where media advertising is not allowed ('dark markets') are excluded.

Foundation: our ways of working – Responsible business conduct

An effective Speak Up framework

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
Speak Up reports per year	N/A	– Number of Speak Up reports filed per year per 100 FTE	– Speak Up report: A report of a concern about a (suspected) violation(s) of the Code of Business Conduct and its underlying policies or the law, reported via one of the Speak Up channels (such as the Speak Up website, phone line or email).	All consolidated entities.

Zero tolerance to bribery and corruption

Key performance indicator	Baseline	Measurement/units	Key Definitions	Scope
– The % of employees that completed the Code of Business Conduct (CoBC) training – The % of employees out of the pre-assigned target audience that completed the Anti-Bribery & Corruption (ABAC) training	N/A	– Percentage of individual trainings completed compared to the total number of employees – Percentage of total number of individual training completions compared to the total number of employees to whom the training is assigned	– CoBC training: Annual dilemma based e-learning covering the topics within the Code of Business Conduct. – ABAC training: Dilemma based e-learning aimed to recognise and resist bribery & corruption. – Pre-assigned target audience: the training is mandatory for employees in certain functions, such as Management teams, Sales and Distribution, Procurement, Finance, Corporate Affairs, Legal, Customer Service and Logistics and other employees who interact with public officials or manage relations with third parties who interact with public officials on our behalf.	All consolidated entities.

Appropriation of Results

Article 12, paragraph 7, of the Articles of Association stipulates:

"Of the profits, payment shall first be made, if possible, of a dividend of six % of the issued part of the authorised share capital. The amount remaining shall be at the disposal of the General Meeting of Shareholders."

Civil Code

Heineken N.V. is not a 'structuurvennootschap' within the meaning of Section 2:152-164 of the Dutch Civil Code. Heineken Holding N.V., a company listed on Euronext Amsterdam, holds 50.005% of the issued shares of Heineken N.V.

Authorised capital

The Company's authorised capital amounts to €2,500 million.

Independent Auditor's Report

To the Annual General Meeting of Heineken N.V.

Report on the audit of the financial statements for the year ended 31 December 2021 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 December 2021 of Heineken N.V. (the 'company' or 'HEINEKEN'), based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2021, and of its result and its cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2021, and of its result for the year ended 31 December 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position for the year ended 31 December 2021.
- The following statements for the year ended 31 December 2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2021.
- The company income statement for the year ended 31 December 2021.
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Heineken N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €170 million (2020: € 140 million). The increase compared to 2020 is predominantly the result of business recovery during 2021, and the substantial initial impact of the COVID-19 pandemic on the 2020 financial statements of Heineken N.V. The materiality of 2021 is based primarily on a materiality benchmark of consolidated revenues and supporting benchmarks, including profit before tax and total assets as compared to a singular benchmark of 7% of profit before tax in the pre-COVID year 2019. We have also taken into account misstatements and/or possible misstatements that, in our opinion, are material for the users of the financial statements for qualitative reasons.

Audits of group entities (components) were performed using materiality levels determined by the judgement of the group audit team, having regard to the materiality of the consolidated financial statements. Component materiality for our three largest components was €57 million, and our materiality for other components did not exceed €51 million.

We agreed with the supervisory board that misstatements in excess of €8.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that, in our view, must be reported on qualitative grounds.

Scope of the group audit

Heineken N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Heineken N.V.

Our group audit mainly focused on significant group entities in terms of size and financial interest or where significant risks or complex activities were present, leading to full scope audits performed for 28 components, including 2 non-consolidated components.

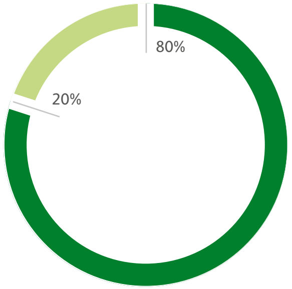
We have performed audit procedures ourselves at Heineken N.V., corporate entities and certain operations in the Netherlands. Furthermore, we performed audit procedures at group level on areas such as consolidation, disclosures, impairment testing for goodwill and other non-current assets, joint ventures, financial instruments, acquisitions and divestments. Specialists were involved amongst others in the areas of treasury, information technology, tax, accounting, pensions and valuations. For selected component audit teams, the group audit team provided detailed written instructions, which, in addition to communicating the requirements of component audit teams, detailed significant audit areas and information obtained centrally relevant to the audit of individual components, including awareness for risks related to management override of controls.

Furthermore, we developed a plan for overseeing each component audit team based on its relative significance and specific risk characteristics, also considering COVID-19 related travel and containment restrictions. Our oversight procedures included remote working paper reviews for The Netherlands, United Kingdom, France, Spain, Italy, Austria, Poland, Brazil, Mexico, USA, Russia, Nigeria, Vietnam, South Africa, Democratic Republic of Congo, Indonesia, Ethiopia, Cambodia, China, and India, virtual meetings with the component auditor and component management. We also reviewed component audit team deliverables for the countries listed above and additional countries in scope to gain a sufficient understanding of the work performed based on our instructions. Due to current realities, almost all oversight procedures have been performed remotely whereby we varied the nature, timing and extent of these procedures based on both quantitative and qualitative considerations. For smaller components, we have performed review procedures or specific audit procedures.

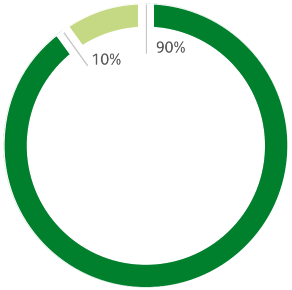
Independent Auditor's Report

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

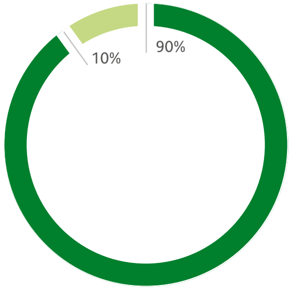
Revenues



Operating result



Assets



Full scope auditor coverage
Other coverage

Fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law. The risk of undetected material misstatements due to fraud is even higher, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, we are not responsible for the prevention and detection of fraud and non-compliance with all laws and regulations. Our audit procedures differ from a forensic or legal investigation, which often have a more in-depth character.

In identifying potential risks of material misstatement due to fraud and non-compliance with laws and regulations, we evaluated the Company's risk assessment, had inquiries with management, those charged with governance and others within the group, including but not limited to, in-house legal teams, compliance officers, internal audit and financial reporting teams. We further involved a forensic specialist, evaluated integrity committee reports (which include the Company's Speak Up reports) and material litigation reports.

Following these procedures and the presumed risks under the prevailing audit standards, we considered fraud risks related to management override of controls and related to manual entries to revenue. Our audit procedures to respond to these fraud risks include, amongst others, an evaluation of relevant internal controls and supplementary substantive audit procedures, including journal entry testing and detailed testing of manual entries to revenues. Data analytics, including analyses for high-risk journals, are part of our audit approach to address fraud risks, which could have a material impact on the financial statements.

Further, we performed procedures including the following:

- Incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures. Among others, these include a periodical reassessment of the group audit scope, planning and audit findings meetings or video calls with auditors of reporting entities. Reference is made to the section "Scope of the group audit".
- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Significant management estimates and judgements that might have a major impact on the financial statements are disclosed in note 3(b) of the financial statements. Certain management estimates and judgements are considered most significant to our audit; reference is made to the section "Our key audit matters".
- Performed a retrospective review of management judgments and assumptions related to significant accounting estimates, as disclosed in note 3(b) of the financial statements, reflected in prior year financial statements.

Resulting from our risk assessment procedures, and whilst considering that effects from non-compliance could considerably vary, we considered adherence to (corporate) tax and pension laws and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures to the extent material for the related financial statements. Apart from these, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Examples of such other laws and regulations are those relating to anti-bribery and corruption, competition and data privacy laws, and human rights. As required by auditing standards, we performed audit procedures to identify non-compliance with these laws and regulations through inquiries with management, those charged with governance and others within the group and inspection of relevant correspondence with regulatory authorities. We also inspected lawyers' letters and remained alert to indications of (suspected) non-compliance throughout the audit, held inquiries with group legal counsel and internal audit, and obtained a written representation that all known instances of (suspected) non-compliance with laws and regulations were disclosed to us.

Going concern

Our responsibilities, as well as the responsibilities of the Executive Board and the Supervisory Board, related to going concern under the prevailing standards, are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we performed procedures including evaluating management's assessment of the Company's ability to continue as a going concern and considering the impact of financial, operational, and other conditions. Based on these procedures, we did not identify any reportable findings related to the entity's ability to continue as a going concern. '

Independent Auditor's Report

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

The matters considered as key to our audit continue to include impairment testing of intangible assets and property, plant and equipment and management judgment related to provisions for uncertain tax positions and the recoverability of deferred tax assets. For this year, we did not include revenues from contracts with customers, expected credit losses and internal control over financial reporting as separate key audit matters due to their individual significance to the audit of the financial statements, the results of our audit including risk assessment procedures and less complex auditor judgement involved with the evaluation of related estimates, and the design of further audit procedures respectively. The ongoing impact of COVID-19 on Heineken N.V.'s business has been reflected in the specific audit considerations related to the projecting of future cash flows for impairment testing and assessing recoverability of deferred tax assets.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of intangible assets and property, plant and equipment — Refer to Notes 8.1 and 8.2 to the financial statements

<table>
<tr><td>Key audit matter</td><td>Intangible assets (including goodwill) and property, plant and equipment amounted to €33,163 million at 31 December, 2021 and represented 68% percent of the consolidated total assets. For purposes of impairment testing, goodwill is allocated and monitored on a (groups of) Cash Generating Unit ('CGU') level. Other intangibles and property, plant and equipment, are grouped to CGUs. For goodwill, management is required to assess the recoverable amount of the respective CGUs (or groups of CGUs). Recoverable amounts of other non-current assets are assessed upon the existence of a triggering event.

In view of the ongoing effects of COVID-19, the projected sales volumes, revenues and discount rates used in impairment testing continue to involve a higher degree of uncertainty. As a result of impairment testing for the current year, management concluded on an impairment loss of €207 million. Further details on the accounting and disclosures under IAS 36 Impairment of Assets are included in notes 8.1 and 8.2 to the financial statements.

Given the significant judgement made by management to estimate recoverable amounts in the current economic climate, procedures to evaluate the reasonableness of projected sales volumes, revenues and discount rates used in management's impairment tests of intangible assets (including goodwill) and property, plant and equipment required a high degree of auditor judgement and an increased extent of effort, including the need to involve our fair value specialists.</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>Our audit procedures related to the projected cash flows and discount rates used by management included the following, amongst others:
– We obtained an understanding of management's process over the impairment trigger tests and the resulting impairment tests.
– We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
– We evaluated sensitivities in management's projections that could cause a substantial change to the impairments recorded, and or cause headroom to change in an impairment.
– We evaluated projected cash flows by:
  – Comparing the projections to historical forecasts, historical growth rates, including assessing the effects from the ongoing pandemic, and information included in HEINEKEN's internal communications to the management and the Executive Board.
  – Challenging and comparing the projected sales volumes and revenues to, for example, external economic outlook data, external market data on the beer market and expected inflation rates.
With the assistance of our fair value specialists, we evaluated the reasonableness of discount rates, including testing the source information underlying the determination of the discount rates, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rates selected by management.</td></tr>
<tr><td>Observation</td><td>Applying the aforementioned materiality, we did not identify any reportable findings in management's assessment of the recoverability of intangible assets (including goodwill) and property, plant and equipment, the impairments recorded and the disclosures in Note 8.1 and 8.2.</td></tr>
</table>

Independent Auditor's Report

Management judgement related to the provisions for uncertain tax positions and the recoverability of deferred tax assets — Refer to Notes 9.2 and 12 to the financial statements	
Key audit matter	HEINEKEN operates across several tax jurisdictions and is subject to periodic challenges by local tax authorities during the normal course of business. In those cases where the amount of tax payable is uncertain, management establishes provisions based on its judgement of the probable amount of the related tax liability. Deferred tax assets are only recognized to the extent that it is probable that future taxable income will be available, against which unused tax losses can be utilized. This assessment is performed annually and based on budgets and business plans for the coming years, including planned commercial initiatives and the impact of COVID-19. HEINEKEN recorded uncertain tax positions and deferred tax assets for an amount of €344 million and €682 million, respectively, as of 31 December 2021. The accounting for uncertain tax positions and deferred tax assets, as detailed in Notes 9.2 and 12 to the financial statements, inherently requires management to apply judgement in quantifying appropriate provisions (including assessing probable outcomes) for uncertain tax positions, and in determining the recoverability of deferred tax assets. Given the significant judgement applied by management, performing procedures to evaluate the reasonableness of probable outcomes for uncertain tax positions and the recoverability of deferred tax assets based on budgets and business plans, required a higher degree of auditor judgement, an increased extent of effort and a need to involve our own in-country tax specialists.
How the scope of our audit responded to the key audit matter	Our audit procedures to address management's judgements related to the provisions for uncertain tax positions and recoverability of deferred tax assets included the following, amongst others: – We obtained an understanding of management's tax process related to the assessment of uncertain tax positions and the recoverability of deferred tax assets. – We involved our in-country tax specialists to assess tax risks, tax carry forward facilities, legislative developments and the status of ongoing local tax authority audits. – We challenged, with the help of our tax specialists, management's judgement applied in quantifying provisions for tax uncertainties and assessing probable outcomes based on correspondence with tax authorities, case law and opinions from management's tax experts. – We evaluated management's ability to forecast taxable income accurately by comparing prior forecasts on future taxable income with the actual income for the year. – We evaluated management's recoverability assessment, including the likelihood of generating sufficient future taxable income based on budgets, business plans, and tax losses carry forward facilities in the various tax jurisdictions (including expiry dates).
Observation	Applying the aforementioned materiality, we have audited the provisions for uncertain tax positions and the valuation of deferred tax assets as well as the related disclosure in notes 9.2 and 12 and have no reportable findings.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information as included on the pages 2 to 69 and pages 166 that consists of:

– Report of the Executive Board.
– Report of the Supervisory Board.
– Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
– Other information included in the Annual Report.

Based on the following procedures performed, we conclude that the other information:

– Is consistent with the financial statements and does not contain material misstatements.
– Contains the information regarding the Report of the Executive Board and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Heineken N.V. on April 24, 2014, as of and for the audit for the year ending 31 December 2015 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format ("ESEF")

In the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format is regulated that the Annual Report of the Company has to be prepared in a single electronic reporting format ("ESEF"). The requirements to be met are set out in the aforementioned delegated regulation (these requirements are hereinafter referred to as: the regulatory technical standards or RTS on ESEF).

In our opinion, the Annual Report made up in XHTML format, including the partly tagged Consolidated Financial Statements as included in the reporting package by the Company, has been prepared in all material respects in accordance with the RTS on ESEF.

Independent Auditor's Report

Management is responsible for preparing the Annual Report, including the financial statements in accordance with the RTS on ESEF, whereby management combines the various components in a reporting package.
Our responsibility is to obtain reasonable assurance for our conclusion whether the Annual Report in this reporting package, is in accordance with the requirements. We have taken into consideration what is stated in Alert 43.

Our procedures included:
- Obtaining an understanding of the HEINEKEN's financial reporting process, including the preparation of the reporting package;
- Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications; and
- Examining the information related to the Consolidated Financial Statements in the reporting package to determine whether all required tagging has been applied and whether they are in accordance with the RTS on ESEF.

Description of responsibilities regarding the Financial Statements

Responsibilities of the Executive Board and the supervisory board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations or has no realistic alternative but to do so.

The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit, review or other procedures had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect, we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, February 15, 2022

Deloitte Accountants B.V.

M.J. van der Vegte

Assurance Report of the Independent Auditor (of non-financial indicators)

Assurance Report of the Independent Auditor with respect to selected 2021 sustainability data of Heineken N.V.

To: the Annual General Meeting and other stakeholders of Heineken N.V.

Our conclusion

We have reviewed a selection of sustainability data as stated on page 125-165 of the accompanying Annual Report for the year 2021 ("the sustainability data") of Heineken N.V ("the Company"), Amsterdam. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability data in scope for our review is not prepared in all material respects, in accordance with the reporting criteria as included in the section 'Reporting Basis and Governance for non-financial indicators'.

The scope of our review was to provide limited assurance on the following sustainability data ("KPIs") in the section "Our Brew a Better World 2030 commitments and progress in 2021", on the pages 129-131 namely:

Areas	Key performance indicator as disclosed in the column "Our progress by 2021"
Net zero carbon emissions	1. Reduction of tCO_2e % vs. baseline 2018 in production
	2. % energy from renewable sources
	3. Reduction of tCO_2 % versus 2018 across value chain
	4. % sustainable ingredients (barley and hops)
Circularity	5. # of sites that are landfill free
Healthy watersheds	6. % of water-stressed sites that are fully water balanced
	7. # of sites that do not have wastewater treatment plants
	8. Average water usage (hl/hl) in water-stressed areas and globally
Inclusion and Diversity	9. % of women in senior management
	10. # of regions that have at least 65% regional nationals in leadership team
	11. % of management trained in inclusive leadership
Fair & Safe workplace	12. % of fair wage assessment across operating companies and % of direct employees in assessed operating companies that earn at least a fair wage
	13. % of operating companies that have been assessed and % that have action plans in place
	14. Fatal accidents (as disclosed on page 141)
Community impact	15. % increase in volume from locally sourced agricultural ingredients in Africa
Always a choice	16. volume % for markets with a zero alcohol option for at least two strategic brands of beer and cider
Moderation	17. % of Heineken® media spend by operating companies in dedicated responsible consumption campaigns
	18. # unique consumers reached worldwide

The information in scope of this assurance report needs to be read and understood in conjunction with the Reporting Basis and Governance for non-financial indicators as included in the Annual Report 2021 on page 157-165.

Assurance Report of the Independent Auditor (of non-financial indicators)

Basis for our conclusion

We have conducted our review of the sustainability data in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie' (Assurance engagements other than audits or reviews of historical financial information). This assurance engagement is aimed at obtaining limited assurance. Our responsibilities in this regard are further described in the 'Our responsibilities for the review of the sustainability data'.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We do not provide any assurance on the achievability of the Company's objectives, targets and expectations.We are independent of the Company in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting criteria

The sustainability data needs to be read and understood together with the reporting criteria. Heineken N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability data are disclosed on page 157-165 of the annual report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

The references to external sources or websites in the sustainability data are not part of the sustainability data as reviewed by us. We therefore do not provide assurance on this information.

Responsibilities of the Executive Board and the Supervisory Board for the sustainability data

The Executive Board of the Company is responsible for the preparation of sustainability data in accordance with the internally applied reporting criteria, including the identification of the intended users and the criteria being applicable for the purposes of the intended users. The choices made by the Executive Board regarding the scope of the sustainability data and the reporting policy are summarised on page 157-165 of the annual report.

The Executive Board is also responsible for such internal control as it determines is necessary to enable the preparation, measurement or evaluation of the sustainability data that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the Company's reporting process.

Our responsibilities for the review of the sustainability data

Our responsibility is to plan and perform the limited assurance assignment in a manner that allows us to obtain sufficient and appropriate evidence for our conclusion.

The procedures performed in this context differ in nature and timing and are less extent as compared to reasonable assurance engagements. The level of assurance obtained in a limited assurance engagement is therefore substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company including a media search to identify relevant risks and issues within the scope of the assurance engagement during the reporting period;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability data..
- Obtaining an understanding of the reporting processes for the sustainability data, including obtaining a general understanding of internal control relevant to our review;
- Obtaining an understanding of the procedures performed by the internal audit department
- Identifying areas of the sustainability data where a material misstatement, whether due to errors of fraud, are most likely to occur, designing and performing procedures responsive to these areas, and obtaining information that is sufficient and appropriate to provide a basis for our conclusion.
- Evaluating the presentation, structure and content of the sustainability data;
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

Amsterdam, February 15, 2022

Deloitte Accountants B.V.

M.J. van der Vegte

Shareholder Information

Investor relations

HEINEKEN is committed to maintaining an open and constructive dialogue with shareholders and bondholders. We aim to keep them updated by informing clearly, accurately and in a timely manner about our strategy, performance and other matters and developments that could be relevant to investors' decisions.

Ownership structure

Heading the HEINEKEN Group and pursuant to its Articles of Association, the objective of Heineken Holding N.V., is to manage or supervise the management of the HEINEKEN Group and to provide services for Heineken N.V. The role Heineken Holding N.V. has performed for the HEINEKEN Group since 1952 has been to safeguard its continuity, independence and stability and create conditions for controlled and steady growth of the activities of the HEINEKEN Group. The stability provided by this structure has enabled the HEINEKEN Group to remain independent and to rise to its present position as the brewer with the broadest international presence and one of the world's largest brewing groups.

Every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued at the level of Heineken Holding N.V. These shares are traded at a lower price due to technical factors that are market-specific. Heineken Holding N.V. holds 50.005% of the Heineken N.V. issued shares. L'Arche Green N.V. holds 52.599% of the Heineken Holding N.V. shares. The Heineken family holds 88.86% of L'Arche Green N.V. The remaining 11.14% of L'Arche Green N.V. is held by the Hoyer family. Mrs. de Carvalho-Heineken also owns a direct 0.03% stake in Heineken Holding N.V.

Heineken N.V. shares and options

Heineken N.V. shares are traded on Euronext Amsterdam, where the Company is included in the main AEX Index. The shares are listed under ISIN code NL0000009165. Prices for the shares may be accessed on Bloomberg under the symbol HEIA.NA and on the Reuters Equities 2000 Service under HEIA. AS. Options on Heineken N.V. shares are listed on Euronext Amsterdam.

In 2021, the average daily trading volume of Heineken N.V. shares was 532,102 shares.

Market capitalisation Heineken N.V.

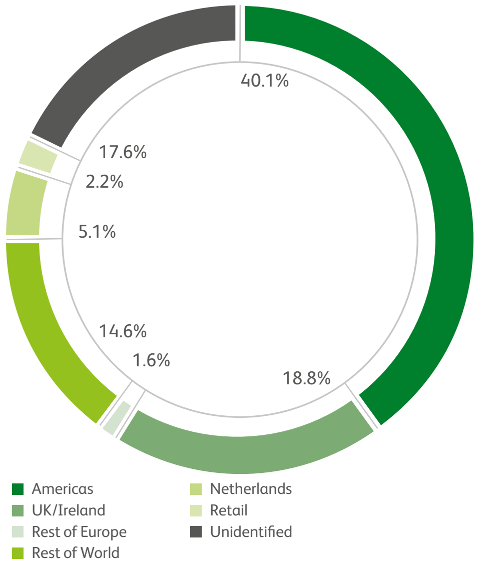
Shares outstanding as at 31 December 2021: 575,594,561 shares of €1.60 nominal value (excluding own shares held by the Company).

At a year-end price of €98.86 on 31 December 2021, the market capitalisation of Heineken N.V. on the balance sheet date was €56.9 billion.

Year-end price	€98.86	31 December 2021
Highest closing price	€103.45	24 June 2021
Lowest closing price	€81.36	3 March 2021

Share distribution by geography Heineken N.V. shares*

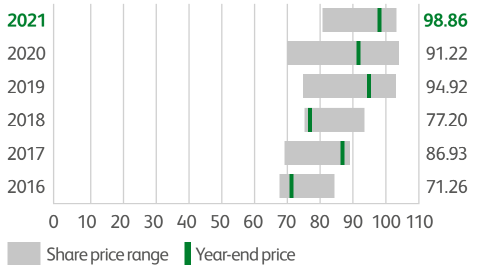
Based on 238.3 million shares in free float (excluding the holding of Heineken Holding N.V. and FEMSA in Heineken N.V.)



* Source: Cmi2i estimate based on available information December 2021.

Heineken N.V. share price

In €, Euronext Amsterdam



Average trade in 2021: 532,102 shares per day

Dividend per share

In €

Heineken Holding N.V. shares

The shares of Heineken Holding N.V. are traded on Euronext Amsterdam. The shares are listed under ISIN code NL0000008977. Prices for the shares may be accessed on Bloomberg under the symbol HEIO.NA and on the Reuters Equities 2000 Service under HEIO.AS.

In 2021, the average daily trading volume of Heineken N.V. shares was 89,792 shares.

Shareholder Information

Market capitalisation Heineken Holding N.V.

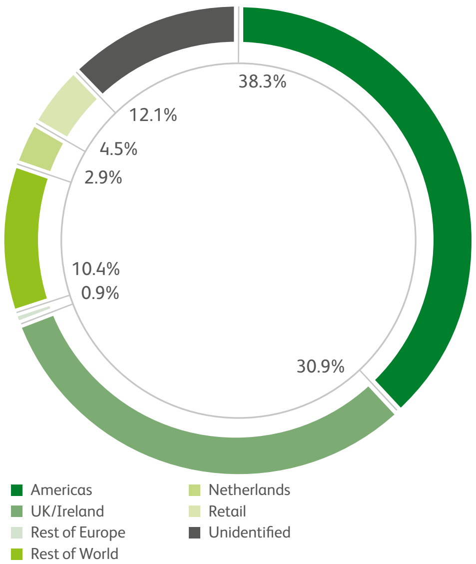
Shares outstanding as at 31 December 2021: 288,030,168 shares of €1.60 nominal value.

At a year-end price of €81.15 on 31 December 2021, the market capitalisation of Heineken N.V. on the balance sheet date was €23.4 billion.

Year-end price	€81.15	31 December 2021
Highest closing price	€86.05	13 July 2021
Lowest closing price	€71.20	26 February 2021

Share distribution by geography Heineken Holding N.V. shares*

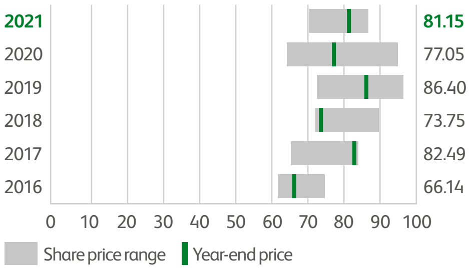
Based on 101.2 million shares in free float (excluding the holding of L'Arche Green N.V. and FEMSA in Heineken Holding N.V.)



* Source: Cmi2i estimate based on available information December 2021.

Heineken Holding N.V. share price

In €, Euronext Amsterdam



Average trade in 2021: 89,792 shares per day

Dividend per share

In €

American Depositary Receipts (ADRs)

HEINEKEN's shares are trading Over-the-Counter (OTC) in the US as American Depositary Receipts (ADRs). There are two separate HEINEKEN ADR programmes representing ownership respectively in: 1) Heineken N.V. and 2) Heineken Holding N.V. For both programmes, the ratio between HEINEKEN ADRs and the ordinary Dutch (€ denominated) shares is 2:1, i.e. two ADRs represent one HEINEKEN ordinary share. Deutsche Bank Trust Company Americas acts as depositary bank for HEINEKEN's ADR programmes.

Heineken N.V.	Heineken Holding N.V.
Ticker: HEINY	Ticker: HKHHY
ISIN: US4230123014	ISIN: US4230081014
CUSIP: 423012301	CUSIP: 423008101
Structure: Sponsored Level I ADR	Structure: Sponsored Level I ADR
Exchange: OTCQX	Exchange: OTCQX
Ratio (DR:ORD): 2:1	Ratio (DR:ORD): 2:1

ADR contact information

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Shareholder Service (international) Tel. +1 718 921 8137

www.astfinancial.com

Shareholder Information

Financial calendar in 2022 for both Heineken N.V. and Heineken Holding N.V.

Announcement of 2021 results	16 February
Publication of Annual Report 2021	25 February
Trading update first quarter 2022	20 April
Annual General Meeting of Shareholders	21 April
Quotation ex-final dividend 2021	25 April
Final dividend 2021 payable	3 May
Announcement of half year results 2022	1 August
Quotation ex-interim dividend 2022	3 August
Interim dividend 2022 payable	11 August
Trading update third quarter 2022	26 October

Dividend policy

The dividend policy of Heineken N.V. intends to preserve the independence of the Company, to maintain a healthy financial structure and to retain sufficient earnings in order to grow the business both organically and through acquisitions.

The dividend payments are related to the annual development of the net profit before exceptional items and amortisation of brands (net profit beia), which translates in a dividend payout of 30-40%.

Dividends are paid in the form of an interim dividend and a final dividend. The interim dividend is fixed at 40% of the total dividend of the previous year. Annual dividend proposals will remain subject to shareholder approval.

Contact Heineken N.V. and Heineken Holding N.V.

Further information on Heineken N.V. and Heineken Holding N.V. is available from the Investor Relations department, telephone + 31 20 523 95 90 or by email: investors@heineken.com.

Further shareholder information is available on the Company's website: www.theHEINEKENcompany.com/investors.

Bondholder Information

In September 2008, HEINEKEN established a Euro Medium Term Note (EMTN) Programme which was last updated in March 2021. The programme allows Heineken N.V. to issue Notes for a total amount of up to €20 billion. Approximately €10.1 billion is outstanding under the programme as at 31 December 2021.

Traded Heineken N.V. Notes	Issue date		Total face value	Interest rate	Maturity	ISIN code
144A/RegS 2022	3 Apr 2012	USD	750 million	3.400%	1 Apr 2022	US423012AA16
144A/RegS 2023	10 Oct 2012	USD	1,000 million	2.750%	1 Apr 2023	US423012AD54
EUR EMTN 2023	23 Oct 2015	EUR	140 million	1.700%	23 Oct 2023	XS1310154536
EUR EMTN 2024	19 Mar 2012	EUR	500 million	3.500%	19 Mar 2024	XS0758420748
EUR EMTN 2024	7 Dec 2015	EUR	460 million	1.500%	7 Dec 2024	XS1330434389
EUR EMTN 2025	25 Mar 2020	CHF	100 million	0.638%	25 Mar 2025	XS2145099201
EUR EMTN 2025	30 Mar 2020	EUR	600 million	1.625%	30 Mar 2025	XS2147977479
EUR EMTN 2025	2 Aug 2012	EUR	750 million	2.875%	4 Aug 2025	XS0811555183
EUR EMTN 2025	20 Oct 2015	EUR	225 million	2.000%	20 Oct 2025	XS1309072020
EUR EMTN 2026	4 May 2016	EUR	1,000 million[1]	1.000%	4 May 2026	XS1401174633
EUR EMTN 2027	29 Nov 2016	EUR	500 million	1.375%	29 Jan 2027	XS1527192485
EUR EMTN 2027	17 Sep 2018	EUR	600 million	1.250%	17 Mar 2027	XS1877595444
144A/RegS 2028	29 Mar 2017	USD	1,100 million	3.500%	29 Jan 2028	US423012AF03
EUR EMTN 2029	30 Jan 2014	EUR	200 million	3.500%	30 Jul 2029	XS1024136282
EUR EMTN 2029	3 Oct 2017	EUR	800 million	1.500%	3 Oct 2029	XS1691781865
EUR EMTN 2030	30 Mar 2020	EUR	800 million	2.250%	30 Mar 2030	XS2147977636
EUR EMTN 2031	17 Sep 2018	EUR	750 million[2]	1.750%	17 Mar 2031	XS1877595014
EUR EMTN 2032	12 May 2017	EUR	500 million	2.020%	12 May 2032	XS1611855237
EUR EMTN 2033	15 Apr 2013	EUR	180 million	3.250%	15 Apr 2033	XS0916345621
EUR EMTN 2033	7 May 2020	EUR	650 million	1.250%	7 May 2033	XS2168629967
EUR EMTN 2033	19 Apr 2013	EUR	100 million	2.562%	19 Apr 2033	XS0920838371
EUR EMTN 2040	7 May 2020	EUR	850 million	1.750%	7 May 2040	XS2168630205
144A/RegS 2042	10 Oct 2012	USD	500 million	4.000%	1 Oct 2042	US423012AE38
144A/RegS 2047	29 Mar 2017	USD	650 million	4.350%	29 Mar 2047	US423012AG85

1 Includes €200 million tap issued on 15 July 2019.
2 Includes €100 million tap issued on 5 June 2019.

The EMTN programme and the above Heineken N.V. Notes issued thereunder are listed on the Luxembourg Stock Exchange.

Traded Heineken Asia MTN Pte. Ltd. Notes	Issue date	Total face value	Interest rate	Maturity	ISIN code
SGD MTN 2022	7 Jan 2010	SGD 16.25 million	0.04	7 Jan 2022	SG7U93952517

The above Heineken Asia MTN Pte. Ltd. Note was listed on the Singapore Exchange.

HEINEKEN has a €2.0 billion Euro Commercial Paper (ECP) programme to facilitate its cash management operations and to further diversify its funding sources. There was no ECP in issue as per 31 December 2021.

Historical Summary

	2021	2020	2019	2018[1]	2017
Revenue and profit					
In millions of €					
Revenue[2]	26,583	23,770	28,521	25,811	25,843
Net revenue	21,941	19,715	23,969	22,489	21,609
Net revenue (beia)	21,901	19,724	23,894	22,471	21,629
Operating profit	4,483	778	3,633	3,121	3,352
Operating profit (beia)	3,414	2,421	4,020	3,808	3,759
as % of net revenue	15.6	12.3	16.8	16.9	17.4
as % of total assets	7.0	5.7	8.6	9.0	9.2
Net profit/(loss)	3,324	(204)	2,166	1,913	1,935
Net profit (beia)	2,041	1,154	2,517	2,385	2,247
as % of shareholders' equity	11.8	8.6	15.6	16.4	16.9
Dividend (proposed)	714	403	967	912	838
as % of net profit (beia)	35.0	34.9	38.4	38.2	37.3
Per share					
In €					
Cash flow from operating activities	7.26	5.45	7.56	7.70	6.81
Net profit (beia) - basic	3.55	2.00	4.39	4.18	3.94
Net profit (beia) - diluted	3.54	2.00	4.38	4.18	3.94
Dividend (proposed)	1.24	0.70	1.68	1.60	1.47
Shareholders' equity	30.15	23.27	28.15	25.48	23.37

1 Restated for IAS 37.
2 2017 revenue has been restated due to changes in accounting policy on revenue (IFRS 15).

	2021	2020	2019	2018[1]	2017
Cash flow statement					
In millions of €					
Cash flow from operations	5,127	4,232	5,556	5,540	4,924
Cash flow related to interest, dividend and income tax	(946)	(1,096)	(1,219)	(1,152)	(1,042)
Cash flow from operating activities	**4,181**	3,136	4,337	4,388	3,882
Cash flow (used in)/from operational investing activities	(1,667)	(1,623)	(2,109)	(2,142)	(1,851)
Free operating cash flow	**2,514**	1,513	2,228	2,246	2,031
Cash flow (used in)/from acquisitions and disposals	(610)	185	(2,764)	(213)	(1,114)
Dividends paid	(796)	(811)	(1,223)	(1,090)	(1,011)
Cash flow (used in)/from financing activities, excluding dividend	(2,087)	2,049	207	123	45
Net cash flow	**(979)**	2,936	(1,552)	1,066	(49)
Cash conversion ratio	110.0%	111.3%	80.2%	85.4%	81.1%
Financing ratios					
Net debt/EBITDA (beia)	2.6	3.4	2.6	2.3	2.5

Historical Summary

	2021	2020	2019	2018[1]	2017
Operating profit (beia)/net interest expense (beia)	8.5	5.2	9.2	10.1	10.1
Free operating cash flow/net debt	18%	11%	15%	19%	16%
Net debt/shareholders'equity	0.79	1.06	0.95	0.83	0.89

Financing

In millions of €

	2021	2020	2019	2018[1]	2017
Share capital	922	922	922	922	922
Reserves and retained earnings	16,434	12,470	15,225	13,603	12,399
Shareholders' equity	**17,356**	**13,392**	**16,147**	**14,525**	**13,321**
Non-controlling interest	2,344	1,000	1,164	1,183	1,200
Total equity	19,700	14,392	17,311	15,708	14,521
Post-retirement obligations	668	938	1,189	954	1,289
Provisions (including deferred tax liabilities)	2,908	2,103	2,362	2,428	2,643
Non-current borrowings	13,640	14,616	13,366	12,628	12,166
Other liabilities (excluding provisions)	11,934	10,583	12,276	10,433	10,415
Liabilities (excluding provisions and post-retirement obligations)	**25,574**	**25,199**	**25,642**	**23,061**	**22,581**
Total equity and liabilities	**48,850**	**42,632**	**46,504**	**42,151**	**41,034**
Shareholders' equity/ Total liabilities	**0.60**	**0.47**	**0.55**	**0.55**	**0.50**

Employment of capital

In millions of €

	2021	2020	2019	2018[1]	2017
Property, plant and equipment	12,401	11,551	13,269	11,359	11,117
Intangible assets	20,762	15,767	17,769	17,459	17,670
Other non-current assets	6,109	6,294	7,047	4,208	3,999
Total non-current assets	**39,272**	**33,612**	**38,085**	**33,026**	**32,786**
Inventories	2,438	1,958	2,213	1,920	1,814
Trade and other current assets	3,892	3,062	4,385	4,302	3,992
Cash, cash equivalents and current other investments	3,248	4,000	1,821	2,903	2,442
Total current assets	**9,578**	**9,020**	**8,419**	**9,125**	**8,248**
Total assets	**48,850**	**42,632**	**46,504**	**42,151**	**41,034**
Total equity/total non-current assets	**0.50**	**0.43**	**0.45**	**0.48**	**0.44**
Current assets/current liabilities (excluding provisions)	**0.81**	**0.86**	**0.69**	**0.89**	**0.80**

1 Restated for IAS 37.

Glossary

Acquisition-related intangible assets
Acquisition-related intangible assets are assets that HEINEKEN only recognises as part of a purchase price allocation following an acquisition. This includes, among others, brands, customer-related and certain contract-based intangibles.

Beia
Before exceptional items and amortisation of acquisition-related intangible assets.

Cash conversion ratio
Free operating cash flow/net profit (beia) before deduction of non-controlling interests.

Cash flow (used in)/from operational investing activities
This represents the total of cash flow from sale and purchase of Property, plant and equipment and Intangible assets, proceeds and receipts of Loans to customers and Other investments.

Centrally available financing headroom
This consists of the undrawn part of revolving credit facility and cash minus commercial paper and other short-term borrowings.

Consolidation changes
Changes as a result of acquisitions and disposals.

Depletions
Sales by distributors to the retail trade.

Dividend payout
Proposed dividend as percentage of net profit (beia).

Digital sales value
Value of the digital transactions with our customers for our products via our eB2B platforms at outlet level, including our net revenue and the margin captured by third-party distributors.

Earnings per share (EPS)
Basic
Net profit/(loss) divided by the weighted average number of shares – basic – during the year.

Diluted
Net profit/(loss) divided by the weighted average number of shares – diluted – during the year.

EBITDA
Earnings before interest, taxes, net finance expenses, depreciation and amortisation. EBITDA includes HEINEKEN's share in net profit of joint ventures and associates.

Effective tax rate
Income tax expense expressed as a percentage of the profit before income tax, adjusted for share of profit of associates and joint ventures.

Eia
Exceptional items and amortisation of acquisition-related intangible assets.

Exceptional items
Items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period.

Free operating cash flow
Total of cash flow from operating activities and cash flow from operational investing activities.

Group net revenue (beia)
Consolidated net revenue (beia) plus attributable share of net revenue (beia) from joint ventures and associates.

Group operating profit (beia)
Consolidated operating profit (beia) plus attributable share of operating profit (beia) from joint ventures and associates, excluding Head Office and eliminations.

Net debt
Non-current and current interest-bearing borrowings (incl. lease liabilities), bank overdrafts and market value of cross-currency interest rate swaps less cash and cash equivalents.

Net profit/(loss)
Profit/(loss) after deduction of non-controlling interests (profit/(loss) attributable to shareholders' of the Company).

Net revenue
Revenue as defined in IFRS 15 (after discounts) minus the excise tax expense for those countries where the excise is borne by HEINEKEN.

Net revenue per hectolitre
Net revenue divided by total consolidated volume.

Organic growth
Growth excluding the effect of foreign currency translational effects, consolidation changes, exceptional items and amortisation of acquisition-related intangible assets.

Organic volume growth
Growth in volume, excluding the effect of consolidation changes.

Price mix on a constant geographic basis
Refers to the different components that influence net revenue per hectolitre, namely the changes in the absolute price of each individual sku and their weight in the portfolio. The weight of the countries in the total revenue in the base year is kept constant.

Profit/(Loss)
Total profit/(loss) of HEINEKEN before deduction of non-controlling interests.

®
All brand names mentioned in this report, including those brand names not marked by an ®, represent registered trademarks and are legally protected.

Region
A region is defined as HEINEKEN's managerial classification of countries into geographical units.

Volume
Brand specific volume (Heineken® volume, Amstel® volume, etc.)
Brand volume produced and sold by consolidated companies plus 100% of brand volume sold under licence agreements by joint ventures, associates and third parties.

Beer volume
Beer volume produced and sold by consolidated companies.

Premium beer
Beer sold at a price index equal or greater than 115 relative to the average market price of beer.

Non-beer volume
Cider, soft drinks and other non-beer volume produced and sold by consolidated companies.

Third-party products volume
Volume of third-party products (beer and non-beer) resold by consolidated companies.

Total consolidated volume
The sum of beer volume, non-beer volume and third-party products volume.

Licensed volume
100% of volume from HEINEKEN's beer brands sold under licence agreements by joint ventures, associates and third parties.

Group beer volume
The sum of beer volume, licensed beer volume and attributable share of beer volume from joint ventures and associates.

Weighted average number of shares
Basic
Weighted average number of outstanding shares.

Diluted
Weighted average number of outstanding shares and the weighted average number of shares that would be issued on conversion of the dilutive potential shares into shares as a result of HEINEKEN's share-based payment plans.

Disclaimer and Reference Information

This Annual Report contains forward-looking statements with regard to the financial position and results of HEINEKEN's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond HEINEKEN's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of raw materials, interest-rate and exchange-rate fluctuations, changes in tax rates, changes in law, changes in pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in this Annual Report.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report.

HEINEKEN does not undertake any obligation to update the forward-looking statements contained in this Annual Report. Market share estimates contained in this Annual Report are based on outside sources, such as specialised research institutes, in combination with management estimates.

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