

## REPORT OF THE SUPERVISORY BOARD TO THE SHAREHOLDERS

**During the year under review, the Supervisory Board performed its duties in accordance with the law and the Articles of Association of Heineken N.V. and supervised and advised the Executive Board on an ongoing basis.**

### Financial statements and profit appropriation

The Executive Board has submitted its financial statements 2008 to the Supervisory Board. The financial statements can be found on pages 67 to 143 of this Annual Report.

KPMG ACCOUNTANTS N.V. audited the financial statements. Their report appears on page 146 in the printed document.

The Supervisory Board recommends that shareholders, in accordance with the Articles of Association, adopt these financial statements and, as proposed by the Executive Board, appropriate the entire profit of €209 million, as well as €95 million of the retained earnings for payment of dividend. The underlying principle of the dividend policy is that 30-35 per cent of net profit before exceptional items and amortisation of brands (net profit beia) is placed at the disposal of shareholders for distribution as dividend.

The proposed dividend amounts to €0.62 per share of €1.60 nominal value, of which €0.28 was paid as an interim dividend on 3 September 2008.

### Supervisory Board composition and remuneration

The Annual General Meeting of Shareholders on 17 April 2008 appointed Mrs. M.E. Minnick as member of the Supervisory Board. Mrs. Minnick is consulted regularly in view of her marketing knowledge and her experience in the drinks industry.

Messrs. Das and Hessels will resign by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on 23 April 2009. Both are eligible for immediate re-appointment for a period of four years. Non-binding nominations for their appointments will be submitted to the Annual General Meeting of Shareholders. Furthermore, it is proposed to re-appoint Mr. Das as delegated member of the Supervisory Board. The notes to the agenda contain further information.

The Supervisory Board consists of eight members. All members of the Supervisory Board comply with best practice provision III.3.4 of the Dutch Corporate Governance Code (maximum number of Supervisory Board seats). The Supervisory Board has a diverse composition in terms of experience, gender and age. Two out of eight members are women; three out of eight members are non-Dutch and the average age is: 60 (ranging between 47 and 71). The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. The 2005 Annual General Meeting of Shareholders resolved to adjust the remuneration of the Supervisory Board effective 1 January 2006. The detailed amounts are stated on page 132 of the financial statements.

### Corporate Governance

The Annual General Meeting of Shareholders of 20 April 2005 sanctioned the way Heineken deals with the Dutch Corporate Governance Code of 9 December 2003, and in particular the non-compliance with a limited number of best practice provisions, as a consequence of the special character of the Company (see page 54). Since then there has been no change in the governance of Heineken N.V.

On 10 December 2008 the amended Dutch Corporate Governance Code was published. This Code will come into force with effect from the financial year 2009. As recommended by the Corporate Governance Code Monitoring Committee Heineken will include a chapter in the Annual Report on the broad outline of the corporate governance structure and compliance with the amended Code and present this chapter to the Annual General Meeting of Shareholders in 2010. Heineken will prepare for presentation in this meeting a full Comply or Explain report. Heineken expects that it will apply almost all best practice provisions, with some exceptions relating to the structure of the Heineken Group.

## TO THE SHAREHOLDERS CONTINUED

### Meetings and activities of the Supervisory Board

The Supervisory Board held seven meetings in the presence of the Executive Board, including meetings by telephone conference. The agenda included subjects, such as the Company's strategy, the financial position of the Group, the results of the operating companies, acquisitions, large investment proposals, the yearly budget, management changes, the risk profile and control systems. The acquisition and the integration of Scottish & Newcastle was a regular topic in the meetings. Beginning 2009, the Supervisory Board discussed and approved the adjustments to the remuneration policy for the Executive Board.

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

One meeting was held without the Executive Board present. In this meeting, the Supervisory Board discussed, based on a self-assessment survey, the functioning of the Supervisory Board, its committees and its members as well as the functioning of the Executive Board and its members.

One meeting was held in Edinburgh, Scotland, where the Regional President Western Europe presented the main developments in his region, with specific attention to the markets in the UK, Belgium, Portugal and Finland. In 2008, the Director Group Commerce presented the marketing issues. The Director Group Control & Accounting presented the post-audits. Post-audits are made of larger acquisitions after a few years.

The Chairman of the Supervisory Board met frequently with the CEO, amongst others, to prepare the Supervisory Board meetings and to monitor progress.

None of the members of the Supervisory Board was frequently absent. An absence of twice or more is considered frequent.

### Independence

The Supervisory Board endorses the principle that all members are able to act critically and independently and considers the members of the Supervisory Board as independent. In a strictly formal sense, however, Messrs. De Jong, Das and de Carvalho do not meet the applicable criteria of the Dutch Corporate Governance Code dated 9 December 2003. In this respect reference is made to the best practice provision III.2.2 of the Dutch Corporate Governance Code as contained in the 'Comply or Explain' report of 21 February 2005 (see also page 54).

### Committees

The Supervisory Board has four committees, the Preparatory Committee, the Audit Committee, the Selection & Appointment Committee and the Remuneration Committee.

#### Preparatory Committee

Composition: Messrs. Van Lede (Chairman), Das and de Carvalho.

The Preparatory Committee met six times. The committee prepares decision-making by the Supervisory Board.

#### Audit Committee

Composition: Messrs. De Jong (Chairman), Hessels and Mrs. Fentener van Vlissingen.

The members collectively have the experience and financial expertise to supervise the financial statements and the risk profile of Heineken N.V. The Audit Committee met four times to discuss regular topics, such as the annual and interim financial statements, the effectiveness of risk management, the adequacy of internal control policies and internal audit programmes, the external audit scope, approach and fees, as well as reports from both the internal and external audits. The Group Director IT presented the international IT programmes.

The Audit Committee also reviewed the achievement of targets for the annual bonus for the Executive Board and Senior Management and decided on the procedure for the assessment of the external auditor, in view of the re-appointment. The Annual General Meeting of Shareholders on 17 April 2008 reappointed KPMG Accountants N.V. as the external auditors for a four-year period (financial statements 2008 – 2011).

The CEO and the CFO attended all the meetings, as well as the external auditor, the Director Group Control & Accounting and the Group Internal Auditor.

#### Selection & Appointment Committee

Composition: Messrs. Van Lede (Chairman), Das, de Carvalho and Lord MacLaurin.

The Selection & Appointment Committee met three times. In these meetings the composition and the rotation schedule of the Supervisory Board were discussed.

### Remuneration Committee

Composition: Messrs. Das (Chairman), Van Lede and de Carvalho.

The Remuneration Committee met six times. The Remuneration Committee discussed the adjustments to the remuneration policy for the Executive Board. The adjustments will be submitted to the Annual General Meeting of Shareholders on 23 April 2009. They also reviewed the target setting and payout levels for the annual bonus and the long-term incentive plan for the Executive Board (Heineken N.V. shares).

### Remuneration Executive Board

In 2005 the Annual General Meeting of Shareholders approved the remuneration policy for the Executive Board. Every two years the policy is evaluated. In 2007 the Annual General Meeting of Shareholders approved the first adjustments.

Details of the policy and its implementation are described on page 63 of this Annual Report. The current pension scheme was introduced in 2006.

The adjustments to the revised remuneration policy, as from 1 January 2009, will be submitted for approval to the Annual General Meeting of Shareholders on 23 April 2009. The policy is described on page 65 of this Annual Report. The structure of the revised remuneration policy does not contain significant changes and aims to ensure that highly qualified managers can be attracted and retained as members of the Executive Board. The package includes a base salary, an annual bonus and a long-term incentive scheme.

### Appreciation

Given the particularly challenging year 2008 for the Company, not only because of the historic acquisition of a part of Scottish & Newcastle, but also in view of the deteriorating trading conditions, the Executive Board and all employees have shown remarkable resilience based on their strong loyalty to the Company.

The Supervisory Board wishes to express its gratitude to the members of the Executive Board and all Heineken employees for their contributions in 2008.

### Supervisory Board Heineken N.V.

Van Lede  
De Jong  
Das  
de Carvalho  
Hessels  
Fentener van Vlissingen  
MacLaurin  
Minnick

**SUPERVISORY BOARD****AS AT 18 FEBRUARY 2009****Cees (C.J.A.) van Lede (1942)****Dutch nationality; male.**

Appointed in 2002; latest reappointment in 2006\*.

Chairman (2004).

Profession: Company Director.

Supervisory directorships Dutch stock listed companies:

Royal Philips Electronics N.V.

Other: Sara Lee Corporation, Air Liquide S.A., Air France/KLM, Senior Advisor Europe, JP Morgan Plc., London.

**Jan Maarten (J.M.) de Jong (1945)****Dutch nationality; male.**

Appointed in 2002; latest reappointment in 2006\*.

Vice-Chairman (2004).

Profession: Banker.

Supervisory directorships Dutch stock listed companies:

Nutreco Holding N.V.

Other: CRH plc, Ireland, AON Groep Nederland B.V., Kredietbank S.A. Luxembourgeoise, Luxembourg, Theodoor Gilissen Bankiers N.V.

**Maarten (M.) Das (1948)****Dutch nationality; male.**

Appointed in 1994; latest reappointment in 2005\*. Delegated member (1995).

Profession: Advocaat (Attorney at law)

Supervisory directorships Dutch stock listed companies: none.

Other: Greenfee B.V. (Chairman).

Other posts\*\*\*: Heineken Holding N.V. (Chairman), L'Arche Green N.V. (Chairman), Stichting Administratiekantoor Piores, LAC B.V.

**Michel (M.R.) de Carvalho (1944)****British nationality; male.**

Appointed in 1996; latest reappointment in 2007\*.

Profession: Banker, Investment Banking (Vice-Chairman)

Citigroup Inc., UK.

No supervisory directorships Dutch stock listed companies.

Other posts\*\*\*: L'Arche Green N.V.

**Jan Michiel (J.M.) Hessels (1942)****Dutch nationality; male.**

Appointed in 2001; latest reappointment in 2005\*.

Profession: Company Director.

Supervisory directorships Dutch stock listed companies:

Royal Philips Electronics N.V. (Chairman)

Other: NYSE Euronext (Chairman), S.C. Johnson Europlant N.V. (Chairman), Netherlands Bureau for Economic Policy Analysis (CPB) (Chairman).

**Annemiek (A.M.) Fentener van Vlissingen (1961)****Dutch nationality; female.**

Appointed in 2006\*.

Profession: Company Director

Supervisory directorships Dutch stock listed companies:

Draka Holding N.V.

Other: SHV Holdings N.V. (Chairman), De Nederlandsche Bank.

**Ian (I.C.) MacLaurin (1937)****British nationality; male.**

Appointed in 2006\*.

Profession: Company Director

No supervisory directorships Dutch stock listed companies.

Other: Evolution Group Plc., Chartwell Group.

**Mary (M.E.) Minnick (1959)****American nationality; female.**

Appointed in 2008\*.

Profession: Partner in Lion Capital LLP, UK

No supervisory directorships Dutch stock listed companies.

If applicable, board memberships mentioned under 'Other' only list other key board memberships.

\* For a period of four years.

\*\* Where relevant to performance of the duties of the Supervisory Board.

## REMUNERATION REPORT

The remuneration policy and structure reflects the strategic ambitions of the Company and takes into account internal and external circumstances. The policy seeks to maintain a tight focus on both short-term and long-term strategic results. A review of the policy is conducted every two years. The existing policy was approved in the Annual General Meeting of Shareholders in 2005 and adjusted in 2007. Adjustments to the policy, as from 1 January 2009, will be submitted to the Annual General Meeting of Shareholders 2009.

### Remuneration Executive Board as from 2007

The remuneration package of the Executive Board includes a base salary, a short-term incentive and a long-term incentive. Base salary accounts for 33 per cent of the total remuneration package at target level for the CEO and 40 per cent for the CFO. Target percentage for both the short- and long-term incentive is 100 per cent of base salary for the CEO and 75 per cent for the CFO. The equal division of variable pay between short- and long-term incentive ensures a balanced focus, on both short- and long-term performance.

The Company aims to achieve consistency in the structure of the remuneration packages of both Executive Board members and senior Heineken executives. The variable elements in Executive Board members' remuneration are more strongly emphasised than those of senior executives, reflecting the principle of increasing performance sensitivity in line with the impact on Group results.

Both internal pay relativities and relevant market data are used to define the remuneration package for the Executive Board. For market data, a specific labour market is defined.

The reference for market data according to the existing policy is primarily other Dutch multinational companies. To reflect the specific business of Heineken a minority of continental European companies that operate in the branded consumer products markets are included. The labour market peer group consists of the following companies:

- Akzo Nobel (NL),
- Anheuser-Busch InBev (B),
- Henkel (G),
- Koninklijke Ahold (NL),
- Koninklijke DSM (NL),
- Koninklijke KPN (NL),
- Koninklijke Numico (NL)\*,
- Koninklijke Philips (NL),
- Nestlé (CH),
- L'Oréal (F),
- Reed Elsevier (NL),
- TNT (NL),
- Unilever (NL).

\* Replacement of Koninklijke Numico N.V., following its take-over, is part of the revised policy as per 2009.

### Base salary

The members of the Executive Board are paid at the median of the labour market peer group. This represents €750,000 for the CEO and €550,000 for the CFO.

### Short-term incentive

The focus of the short-term incentive is on annual operational performance. Organic net profit growth is the measure used to assess the operational performance of Heineken on a one-year basis and accounts for 75 per cent. Each year, the Supervisory Board determines an ambitious, yet realistic organic net profit growth target. The threshold level of payout is set at 60 per cent of target. A linear payout curve applies. Part of the payout is subject to meeting an acceptable cash conversion rate. The remaining 25 per cent is linked to yearly personal targets. The specific targets are commercially sensitive and cannot be disclosed. At target level, the short-term incentive level for the CEO is €750,000 and for the CFO €412,500. The maximum payout will not exceed 1.5 times the target level.

As not all targets were met in 2008, the pay out for the 2008 bonus of the Executive Board is 81.5 per cent of target, translating into a short-term bonus of €611,250 for the CEO and €336,187 for the CFO.

### Long-term incentive

The long-term incentive plan for the Executive Board, in effect since 1 January 2005, is a performance share plan. A similar plan was implemented for senior management in 2006. Each year a number of performance shares are conditionally awarded, the vesting of which is subject to meeting a stretching performance target after three years. The value of the performance shares at target level for 2008 for the CEO is €750,000 and for the CFO €412,500. The performance condition according to the existing policy is Total Shareholder Return (TSR), measured over a three-year period, relative to a performance peer group. The

## REMUNERATION REPORT CONTINUED

performance peer group is different from the labour market peer group and includes companies with which Heineken competes for shareholder preference. It is composed of other brewers, but also includes European companies operating in the branded consumer products market. The performance peer group consists of the following companies:

- Anheuser-Busch InBev (B),
- Cadbury (UK),\*
- Carlsberg (DK),
- Danone (F),\*
- Diageo (UK),
- Henkel (G),
- LVMH (F),
- Nestlé (CH),
- L'Oréal (F),
- SABMiller (UK),
- Unilever (NL).

\* Following its take-over, Anheuser-Busch has been replaced in the performance peer group by Cadbury. The replacement has effect as of the plan period 2006 – 2008. Following its take-over, Scottish & Newcastle has been replaced in the performance peer group by Danone. The replacement has effect as of the plan period 2006 – 2008.

If, over a three-year period, Heineken performs better than the median of the peer group a proportion of the performance shares will vest. A linear vesting schedule applies from position 6 to position 1. At position 3 the targeted amount of performance shares will vest. At position 1 the maximum number of performance shares will vest. This is 1.5 times the target amount of shares. The net vested shares are subject to a holding restriction of two years.

At the end of 2008 Heineken was ranked as follows for the running LTIP performance period:

- Period 2008 – 2010: 10th
- Period 2007 – 2009: 8th
- Period 2006 – 2008: 8th

Heineken is acquiring the shares that are required for vesting.

The Executive Board performance share allocation at target level is as follows:

- For the year starting 1 January 2006, based on the share price of €26.78 at 31 December 2005, 15,777 performance shares for the CEO and 12,136 performance shares for the CFO. On the basis of the fulfilment of the performance condition (TSR ranking for the LTIP performance period 2006 – 2008 at eighth position), no performance shares will vest.

- For the year starting 1 January 2007, based on the share price of €36.03 at 31 December 2006, 20,816 performance shares for the CEO and 11,449 performance shares for the CFO. These will vest, subject to the fulfilment of the performance condition, in 2010.
- For the year starting 1 January 2008, based on the share price of €44.22 at 31 December 2007, 16,960 performance shares for the CEO and 9,328 performance shares for the CFO. These will vest, subject to the fulfilment of the performance condition, in 2011.

### Pensions

The pension policy (as from 2006) is based on the principle of defined contribution. Executive Board members can choose to participate in the Defined Contribution Plan or to allocate, within the fiscal rules, the amounts into a Capital Creation option. In the Defined Contribution Plan, apart from the survivor's pension, a separate lump sum of two times base salary will be paid in the event of death whilst in service.

In the Capital Creation option the Executive Board member may elect to receive as income the Defined Contribution premium amounts from the pension scheme, less an amount equivalent to the employee contribution. Instead of a survivor's pension, a lump sum of, depending on age, ten, eight, six or four times base salary will be paid, in the event of death whilst in service.

The retirement age is 65, but individual Executive Board members may retire earlier with a reduced level of benefit. Contribution rates are designed to enable the current Executive Board members to retire from the Company at the age of 62.

### Contracts

The contracts of the Executive Board are for an indefinite period of time. The general notice period is six months for the Company and three months for the members of the Executive Board. There is no specific scheme in the event of dismissal.

### Shares held by the Executive Board

As at 31 December 2008, in addition to the above-mentioned performance shares, Mr. van Boxmeer held 9,244 shares of Heineken N.V. and Mr. Hooft Graafland held 6,544 shares of Heineken N.V.

Mr. Hooft Graafland held 3,052 shares of Heineken Holding N.V. as per 31 December 2008.

### Remuneration Supervisory Board

The amounts paid to the members of the Supervisory Board are stated on page 132 of the financial statements. These amounts came into force in 2006. The General Meeting of Shareholders determines the remuneration of the Supervisory Board.

### Shares held by the Supervisory Board

As at 31 December 2008, Mr. de Carvalho held 8 shares in Heineken N.V. The other Supervisory Board members do not hold any of the Company's shares, convertible bonds or option rights. As at 31 December 2008 Mr. Van Lede held 2,656 shares in Heineken Holding N.V. and Mr. de Carvalho held 8 shares in Heineken Holding N.V.

### Adjustments to the Remuneration policy for the Executive Board as from 2009

The Supervisory Board adopted the following adjustments to the remuneration policy as from 2009, which are submitted to the Annual General Meeting of Shareholders for approval. The key principles of the 2005 remuneration policy (and adjustments in 2007) will not change, but fixed and variable pay are adjusted to be in line with a new Labour Market Peer Group (LMPG).

### Labour market peer group

Through acquisitions and new brewery constructions over 2007 and 2008 Heineken has built positions in new markets, and strengthened positions in some existing markets. In this way the footprint of the Company has changed considerably over the last two years. To reflect this, a new LMPG has been adopted changing from a predominantly Dutch peer group to a broader group of European- and UK-based multinational companies operating in the brewing and branded consumer products sectors:

### Labour market peer group as from 2009

- Akzo Nobel (NL),
- Anheuser-Busch Inbev (B),
- Cadbury (UK),
- Carlsberg (DK),
- Danone (F),
- Diageo (UK),
- Henkel (G),
- LVMH (F),
- Nestlé (CH),
- L'Oréal (F),
- Reckitt Benckiser (UK),
- Koninklijke Philips (NL),
- SABMiller (UK),
- Unilever (NL).

Remuneration data from the peer group companies is scaled to reflect the size of Heineken, a technique commonly used by independent remuneration experts.

### Long-term Incentive Plan Awards

	At 1 January 2008	Awards granted during the year	Awards vesting during the year	Awards lapsed during the year	At 31 December 2008	Target level value of awards at grant date
	Number	Number	Number	Number	Number	in thousand EUR
<b>Van Boxmeer</b>						
– 2005	14,244	–	14,244 <sup>1</sup>	–	–	349
– 2006	15,777	–	–	–	15,777 <sup>2</sup>	423
– 2007	20,816	–	–	–	20,816	750
- 2008	–	16,960	–	–	16,960	750
<b>Hooft Graafland</b>						
– 2005	13,250	–	13,250 <sup>1</sup>	–	–	325
– 2006	12,136	–	–	–	12,136 <sup>2</sup>	325
– 2007	11,449	–	–	–	11,449	412.5
– 2008	–	9,328	–	–	9,328	412.5

<sup>1</sup> This number is the gross entitlement. As Heineken N.V. fulfilled the tax payment obligations related to vesting on their behalf, the amount of Heineken N.V. shares received was a net amount (9,244 shares for Mr. Van Boxmeer and 6,544 shares for Mr. Hooft Graafland).

<sup>2</sup> None of these awards will vest.

## REMUNERATION REPORT CONTINUED

### Base salary

The base salary policy for the Executive Board is the median level of the labour market peer group. The median of the new labour market peer group is substantially higher than the 2008 base salary levels. In view of the current exceptional economic conditions, the Executive Board wishes to freeze their 2008 base salary levels, being €750,000 for the CEO and €550,000 for the CFO for 2009, which the Supervisory Board respects.

### Short-term incentive

The median level of short-term incentive in the new labour market peer group, as a percentage of base salary, is similar to that of the old labour market peer group, so there is no change in level of incentive. At target level, the short-term incentive for the CEO is 100 per cent of base salary and for the CFO 75 per cent. The maximum payout is set at a multiple of 1.5 times the target level.

The focus of the short-term incentive performance measures remains on annual operational performance. In 2008 organic net profit growth accounted for 75 per cent of the incentive opportunity, and special annual targets accounted for the remaining 25 per cent.

For 2009, to reflect the evolving priorities of the Company, 50 per cent of the incentive opportunity will be linked to organic net profit growth, 25 per cent to free operating cash flow, and 25 per cent to special annual targets.

### Long-term incentive

The median level of long-term incentive in the new labour market peer group, as a percentage of base salary, is above that of the old labour market peer group. Consequently, the target levels will increase. For the CEO the target level will increase to 150 per cent of base salary and for the CFO to 100 per cent of base salary, relative to the current levels of 100 per cent and 75 per cent respectively.

Based on the share price as per 31 December 2008 of €21.90, for 2009 this corresponds at target level to 51,370 performance shares for the CEO and 25,114 performance shares for the CFO. These will vest, subject to the fulfilment of the performance condition, in 2012. The TSR performance peer group is different from the labour market peer group and includes companies with which Heineken competes for shareholder preference. It is composed of other brewers, and also European- and UK-based multinational companies that operate in the branded consumer products market. Following acquisition activity in 2007 and 2008, the TSR performance peer group is as follows:

### TSR Performance Peer Group

- Anheuser-Busch InBev (B) (formerly InBev),
- Cadbury (UK) (replaced Anheuser-Busch as from the 2006 – 2008 performance period),
- Carlsberg (DK),
- Danone (F) (replaced S&N as from the 2006 – 2008 performance period),
- Diageo (UK) (replaced Numico as from the 2005 – 2007 performance period),
- Henkel (G),
- LVMH (F),
- Nestlé (CH),
- L'Oréal (F),
- SABMiller (UK),
- Unilever (NL).

In each case when a company leaves the TSR performance peer group it is replaced from the beginning of all current performance periods.

The requirements of the new Dutch Corporate Governance code, dated 10 December 2008, II.2.10 (upward/downward clause) and II.2.11 (claw-back clause) will be included in the Long- and Short-Term Incentive Plans.

### Supervisory Board Heineken N.V.

17 February 2009