

Our Chairman's Message

Brew the Joy of True Togetherness to Inspire a Better World



DEAR SHAREHOLDERS,

After two extremely challenging years due to the COVID-19 pandemic, 2022 was a year of recovery. With close to 100% vaccination rate in the adult population in Malaysia, we saw the worst of the pandemic pass whilst Government-imposed restrictions on social and economic activities began easing. The prolonged lockdowns that

had put great pressure on supply chains and the external business environment were lifted and we observed the gradual revival of various economic sectors. In particular, the abolishment of the National Security Council's negative list during the pandemic which prohibited certain businesses including entertainment outlets further aided the recovery of the food and beverage industry.

Despite this positive development, we observed inflation on the increase around the world, with food and energy prices hitting record highs. The rise has been driven in large part by pent-up consumer demand after the pandemic and the ongoing geopolitical conflict. Indeed, rising cost of living is a key concern in Malaysian society and incidences of shortage in supply of certain food staples including poultry and eggs during the year indicate the need for strategic measures to strengthen the country's resilience in facing the evolving challenges of our time.

On the political front, the historic 15th General Elections of Malaysia in November 2022 resulted in a hung Parliament where no single political party or coalition secured an outright majority to form the next Government. Ultimately, upon forming multiple alliances for a unity government, Dato' Seri Anwar Ibrahim from the Pakatan Harapan coalition was appointed the 10th Prime Minister of Malaysia. He further cemented his position with a two-thirds majority which stood the test of a vote of confidence in Parliament in December 2022. Anwar's appointment as Prime Minister, which comes after more than two decades since he was last Deputy Prime Minister, brings renewed hope for much needed reforms in Government. It is therefore positive that he has committed towards addressing the issues of economic recovery, cost of living, food security, and governance. We are also confident that the new administration will adopt a business-friendly and consultative approach towards policy making.

I take the opportunity to recognise the efforts of the Management Team and all employees at HEINEKEN Malaysia for the extraordinary commitment towards transforming our organisation for a stronger future. Despite the many uncertainties and obstacles we have had to deal with in the past few years, the team's immense effort in collaboration with our business partners

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and valued customers helped to deliver commendable results on all fronts, accelerating our recovery above pre-pandemic levels in 2019.

As an operating company of Heineken N.V, we adopted the global Heineken strategy – EverGreen, which is a multi-year strategy designed to enable our next chapter of our growth. Through EverGreen, we aim to deliver superior and balanced growth with greater focus on meeting the needs of our consumers and customers. We will drive premiumisation, invest behind our brands and capabilities, and do these with a cost and value mindset that will fund this growth journey. EverGreen leverages our existing strengths and new opportunities to chart the next chapter of our growth. 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. And we are stepping up our focus to deliver continuous productivity improvements and raising the bar on our environmental and social sustainability ambitions.

I am pleased that the Group has reported an increase in revenue and profit as compared to the same period in 2021 as the Group recovers above pre-pandemic levels with reopening of on-trade and entertainment channel and Malaysia's international borders. HEINEKEN Malaysia's revenue increased by 44% to RM2.86 billion (FY2021: RM1.98 billion), mainly attributable to an increase in sales volume following the reopening of international borders, increased on-trade consumption, as well as a positive mix impact from premium portfolio growth. The spike in revenue growth in 2022 was mainly due to lower comparison against 2021 as the brewery was closed for 11 weeks due to the Movement Control Order. Group Profit Before Tax (PBT) increased by 85% to RM595 million (FY2021: RM321 million), as we bounced back post-Covid with a gradual recovery of the on-trade business, as well as improved revenue and cost management. Group Revenue and PBT

performance increased above pre-pandemic levels, with an 23% increase in Revenue (FY2019: RM2.32 billion) and 44% gain in PBT (FY2019: RM412 million), an indication that its business is seeing solid recovery.

The Board at HEINEKEN Malaysia has proposed a single tier final dividend of 98 sen per stock unit for the year ended 31 December 2022, subject to the approval of shareholders at the forthcoming Annual General Meeting. The total dividend for the year ended 31 December 2022 is 138 sen per stock unit comprising:

- a single tier interim dividend of 40 sen per stock unit which was paid on 11 November 2022; and
- a proposed single tier final dividend of 98 sen per stock unit.

During the year, the health and safety of our people remained a key priority. Despite the easing of COVID-19 restrictions, we continued to proactively screen our employees and contractors at our Sungei Way Brewery, ensuring we operate at a level that ensures the safety and wellbeing of our people.

In 2022, we took bigger steps to raise the bar on sustainability and responsibility. Through HEINEKEN's Brew a Better World sustainability strategy, we have ambitious goals with clear targets in three key areas – Environmental Sustainability, Social Sustainability and Responsible Consumption. I am proud that we have accelerated our progress in our Net Zero Carbon roadmap, which sets out our ambition to decarbonise our production by 2030 and the full value chain by 2040. Compared with the base year of 2018, we have reduced carbon emissions in production at our Sungei Way Brewery by 49% in 2022. A major contributor to our progress in this area was Management's decision to secure our transition to 100% renewable electricity through the Malaysian Renewable Energy Certificates (mRECs) which are purchased through utility provider Tenaga Nasional Berhad's



Compared with the base year of 2018, we have reduced absolute carbon emissions in production at our Sungei Way Brewery by **49%** in 2022."

GROUP REVENUE

 **44%**

RM2.86 billion
(FY2021: RM1.98 billion)

GROUP PROFIT BEFORE TAX (PBT)

 **85%**

RM595 million
(FY2021: RM321 million)

SINGLE TIER INTERIM DIVIDEND OF

40 sen per stock unit
which was paid on
11 November 2022

PROPOSED SINGLE TIER FINAL DIVIDEND OF

98 sen per stock unit
payable on 20 July 2023



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Green Electricity Tariff (GET) programme. We are proud that we have taken this crucial step forward, which paves the way for the exploration and adoption of new innovative approaches that will hasten our journey towards a greener future. We are in the midst of installing on-site solar energy generation at our Sungei Way Brewery and expect to go live later this year.

Without water, we cannot brew beer. As a responsible brewer, we continued to demonstrate leadership in water conservation. Our three-pronged approach combines water efficiency, water circularity and water stewardship to ensure we do our part to protect our watersheds. We have a target to balance 1.5 litres of water for every 1 litre of water in our products. In 2022, we are proud to have exceeded this target again just as we have done in 2020 and 2021, achieving 203% of the targeted volume. In terms of water efficiency, we reduced our water consumption by 5% vs 2021 and 20% vs our 2014 baseline. As for water circularity, we continue treating 100% of our wastewater before release. Going forward, we will need to step up collaboration and engagement with key stakeholders including the Government, civil society, other companies, as well as our surrounding communities.

We continued our practice of recycling or upcycling 100% of our by-products and waste from production. Indeed, we are proud of achieving Zero Waste to Landfill since 2017. As a result of our achievements in environmental sustainability, we are proud to have received recognition externally at the Sustainability & CSR Malaysia Awards 2022 and United Nations Global Compact Network Malaysia & Brunei's Sustainability Performance Awards 2022.

We continue to lead by example when it comes to advocating for Diversity, Equity and Inclusion (DEI), with women comprising 43% of our Board of Directors, exceeding the Government's target of having at least 30% women on

the Boards of public listed companies. We also ranked number two out of 312 Bursa listed companies in the Board Diversity Index 2021 and have 63% women in senior management positions. Management's efforts in embedding DEI in the organisation was recognised at the 2022 HR Excellence Awards, with HEINEKEN Malaysia winning Gold in the category of Excellence in DEI.

Our commitment to improving social sustainability also extends beyond our organisation. At HEINEKEN Malaysia, we invest in two social impact projects. Our long running Tiger Sin Chew Chinese Education Charity Concert returned with physical fundraising concerts after a two-year hiatus due to the pandemic, successfully raising RM20 million for eight schools in 2022. Since 1994, this initiative has raised RM380 million for schools across Malaysia. Recognising food security as an emerging issue, our HEINEKEN Cares community food aid programme, which delivered 250,000 meals and care packages in 2021, returned with a target to deliver 600,000 meals in 2022 and 2023 through the amazing work of 7 NGO partners who work on various sustainable farming projects with communities in need.

As a progressive and responsible corporate citizen, HEINEKEN Malaysia also contributed RM1.6 billion in taxes to the Government in 2022. We are honoured to continue playing a proactive role in contributing to the growth of Malaysia's economy. I must take this opportunity to thank the Government for not increasing excise duties on beer and stout. We also commend the Government for committing to further clamp down on illicit trade and pledge our support for a more holistic approach in addressing this issue, which represents a loss of revenue for both Industry and Government.

ACKNOWLEDGEMENTS

I would like to announce the upcoming retirement of Datin Ngiam Pick Ngoh, Linda, Independent Non-Executive Director, from the Board which will take effect after the conclusion of our upcoming AGM. On behalf of the Board, I would like to extend my sincere and heartfelt appreciation to her for her invaluable contributions as a long-serving member of the Board. The appointment of her successor will be announced by the Company in due course.

On behalf of the Board, I take this opportunity to thank our shareholders and business partners for their continued trust and support. We take pride in continuing our efforts to create sustainable value and superior growth for the future.

I would also like to thank our Management Team, led by Roland, as well as all employees at HEINEKEN Malaysia for their resilience, courage and commitment towards our purpose, which is to **Brew the Joy of True Togetherness to Inspire a Better World.**

Thank you.

Dato' Sri Idris Jala
Chairman

20 March 2023



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