

Our Chairman's Message

Brew the Joy of True Togetherness to Inspire a Better World

I take the opportunity to recognise the efforts of the Management Team and all employees at HEINEKEN Malaysia for the immense resilience demonstrated as we rode through this bumpy journey that was filled with uncertainties. The effort, in collaboration with our business partners and valued customers, enabled us to not only survive, but emerge stronger together.



Our Chairman's Message

Dear Shareholders,

2021 was another challenging year for the Group. Government-imposed restrictions on social and economic activities continued as the world battled the rise of new variants of the COVID-19 pandemic. These prolonged lockdowns put great pressure on supply chains and the external business environment, putting the brakes on the pace of economic recovery.

Heineken Malaysia Berhad (HEINEKEN Malaysia) was required to suspend operations at our Sungei Way Brewery for 11 weeks from June to August 2021 as brewers were again classified as non-essential and placed in the National Security Council's negative list. In addition to the 7 weeks we stopped operations in 2020, the total of 18 weeks we were not able to operate is unprecedented in nature and brought significant impact to our performance.

In this regard, I take the opportunity to recognise the efforts of the Management Team and all employees at HEINEKEN Malaysia for the immense resilience demonstrated as we rode through this bumpy journey that was filled with uncertainties. The effort, in collaboration with our business partners and valued customers, enabled us to not only survive, but emerge stronger together.

The Group sharpened its focus on various initiatives designed to enable recovery whilst improving operational efficiency to protect profitability. These efforts, which started in the year before, were further accelerated in 2021:

- Front-load cost and value measures to right-size the cost base and organisation
- Fund the growth by investing in our core brands and innovations that have potential to scale
- Accelerate digital and technology through B2B and B2C e-Commerce
- Raise the bar on sustainability and responsibility
- Unlock talent by developing people and embedding the HEINEKEN culture

The effectiveness of these big bold moves helped mitigate the negative impacts of the lockdowns and so, despite the longer period of stoppage in our operations, Group revenue FY21 increased 12% to RM1.98 billion, mainly due to improved revenue management and higher in-home consumption as a result of the recovery of business and economic activities. The effectiveness of our cost and value initiatives as well as efficiency of commercial and marketing investments contributed to the Group Profit Before Tax increase of 62% to RM321 million in FY21.

The Board at HEINEKEN Malaysia has proposed a single tier final dividend of 66 sen per stock unit for the year ended 31 December 2021, subject to the approval of shareholders at the forthcoming Annual General Meeting. The single tier dividend will be paid on 28 July 2022 to shareholders registered at the close of business on 30 June 2022.

The total dividend for the year ended 31 December 2021 is 81 sen per stock unit comprising:

- a single tier interim dividend of 15 sen per stock unit which was paid on 18 November 2021; and
- a proposed single tier final dividend of 66 sen per stock unit.

During the year, the health and safety of our people remained a key priority. We appreciate the effort of the Government's roll-out of vaccines to the general population and cooperated by encouraging our employees to sign up voluntarily to participate in the National COVID-19 Immunisation Programme (PICK), the Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS), or the AstraZeneca Voluntary Opt-in. This effort enabled 100% of our brewery's essential workforce to receive their first dose of the vaccine by July 2021 and enabled all other employees and contractors required to work on site to be fully vaccinated during the second half of the year.

By implementing a rigorous process to proactively screen for and prevent the spread of COVID-19 at the workplace, we were able to create a safe workplace at our brewery. Besides fully complying with all required SOPs by the Government, we test our on-site employees and contractors on a bi-weekly basis. Our operations are highly automated, thus requiring only a minimal number of workers to handle systems and machines on our 23.72-acre site and allowing physical distancing of at least 10 metres between operators. With no external visitors allowed to our brewery and our office-based employees returning to the office on a split-teams basis, this method has ensured zero workplace clusters. We remain confident that a fully vaccinated workforce and strict observation of SOPs will minimise the risk of transmission at the workplace.

At the time of writing, Malaysia is fighting a surge in new COVID-19 cases due to the wave of Omicron variant infections. On the positive side, the Government has announced that Malaysia will begin its transition to the endemic phase from 1 April 2022, with a national strategy named #ReopeningSafely. We remain hopeful that the gradual relaxation of restrictions and reopening of the country's borders will spur tourism and reignite the hospitality industry, which will be beneficial to the recovery of the vibrant

SINGLE TIER INTERIM DIVIDEND

15 sen

per stock unit paid on
18 November 2021

PROPOSED SINGLE TIER FINAL DIVIDEND

66 sen

per stock unit, payable in
July 2022



Our Chairman's Message



In total, we successfully channelled more than 250,000 meals and care packages to communities in need from July to December 2021."

food and beverages scene Malaysia is so well known for.

In 2021, we reinforced our commitment to sustainability. Launching the next phase of our Brew A Better World sustainability strategy, Raise the Bar 2030 represents an ambitious undertaking with clear targets in three key areas – Environmental Sustainability, Social Sustainability and Responsible Consumption. Amongst the commitments is a stepped-up 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 15.7% in 2021. We still have more to do to reach our net zero carbon ambition and will continue exploring feasible pathways that will enable us to achieve this goal.

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 used in the production of our beers and ciders. In 2021, we are proud to have exceeded this target, achieving 289% of the targeted volume. Undoubtedly, it will take a bigger collective effort to safeguard Malaysia's long term water security. In 2022 and the years ahead,

we aim to step up collaboration and engagement with key stakeholders including the Government, civil society, other companies, as well as our surrounding communities.

In 2021, we joined the 30% Club Malaysia, a local chapter of the global business-led campaign focused on building an ecosystem of businesses to promote diversity, equity and inclusion (DEI) with a focus on gender balance on boards and C-suites. Launched in May 2015, 30% Club Malaysia aims to activate the Chairs and CEOs to be visible in adopting DEI best practices in their organisations as well as engage wider stakeholders with market influence through its activities. We lead by example when it comes to advocating for inclusion and diversity, 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 companies on Bursa Malaysia benchmarked in the Board Diversity Index 2021 and have a 55:45 male to female ratio in the middle to senior management positions.

Despite the challenges we faced in 2021, we did not forget our commitment to support our local communities. We launched HEINEKEN Cares and worked with 8 community partners across Peninsular Malaysia, Sabah and Sarawak. In total, we successfully channelled more than 150,000 meals to communities in need from July to December 2021. During the massive flood disaster in December, we committed a further 100,000 meals and urgent care packages to victims of the floods in the states of Selangor, Negeri Sembilan, Johor as well as Pahang.

I take this opportunity to thank the Government for not increasing excise duties on beer and stout during its Budget 2022 announcement. As it is, Malaysia's excise rate for beer and stout ranks amongst the highest in the world. We also commend the Government for committing to further clamp down

on illicit trade through its Multi-Action Task Force. We greatly appreciate this approach by the Government and we believe that this will be a win-win solution for both Industry and Government.

Acknowledgements

On behalf of the Board, I would like to welcome Lau Nai Pek (David) to the Board. David has over 35 years professional experience in finance and leading financial organisations in various locations in Australia, Brunei, China, Malaysia, New Zealand, Netherlands and UK. He retired from Shell Malaysia in August 2011 after serving the Shell Group for about 30 years. He succeeds Martin Giles Manen who retired from the Board in May 2021 having served the Board as an Independent Director for over 12 years. I would also like to welcome Raquel Batallones Esquerro (Rocky) who joined the Board in September 2021. Rocky replaces Yu Yu-Ping who left the HEINEKEN Group in August 2021. I look forward to working closely with both of them.

On behalf of the Board and Management, I take this opportunity to thank both Martin and Yu-Ping for their valuable contributions and wise counsel to the Board.

I would like to give sincere appreciation to our shareholders, business partners and consumers for their confidence and relentless support despite the challenging times over the past two years. I would also like to thank our Management Team, led by Roland Bala, 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

15 March 2022