

Our Chairman's Message



Group Revenue

RM2.64 billion (FY2022: RM2.86 billion)



Group Profit Before Tax (PBT)

RM511 million (FY2022: RM595 million)

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Dear Shareholders,

As we reflect on the past year, I am pleased to present the 2023 Annual Report for HEINEKEN Malaysia. Despite the challenges posed by the various economic uncertainties, rising inflation, as well as increasing pressures on cost of living, we have navigated through the challenges with great resilience and I am proud to share that we have emerged stronger together.

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Dato' Sri Idris Jala
Chairman



During the year, inflation was on the increase around the world, with food and energy prices hitting new highs. The global landscape remained complex, fuelled by geopolitical conflicts that intensified supply chain challenges, contributing to rising input costs for various industries including ours. In Malaysia, according to the Ministry of Finance, 2023 growth normalised to 3.7%, following the robust growth registered in the previous year (2022: 8.7%). Similarly, consumer sentiments measured by the Malaysian Institute of Economic Research, which recovered above the threshold level in 2022 declined for most of 2023 except for the last quarter when an improvement was recorded, indicating that inflation and cost of living worries persisted and had a detrimental effect on consumer spending during the year. However, the sentiment going into 2024 appears to show signs of recovery.

Similarly for HEINEKEN Malaysia, we had a strong 2022 having recorded a strong rebound where we accelerated our recovery to perform above pre-pandemic 2019 levels of revenue and profit. With the economy fully reopened, the restrictions that had suppressed consumer spending for an extended period lifted and a tidal wave of pent-up demand surged. People yearned for experiences – travel, dining out, entertainment, and retail therapy. This demand ultimately proved to be unsustainable and as we observed, the market experienced an extended phase of correction and normalisation in 2023.

Post COVID-19 pandemic, HEINEKEN Malaysia's revenue rose to an all-time high in 2022. This unprecedented growth is largely due to customers "making up for lost time" during the intermittent COVID-19 lockdowns in 2020 – 2021. In addition, many distributors placed more orders than their normal.

In 2023, HEINEKEN Malaysia's revenue decreased by 8% to RM2.64 billion compared to the previous year (FY2022). This was mainly due to market correction and weak consumer sentiment attributed

to growing macroeconomic concerns in 2023. In perspective, the group also underwent a notable recovery in 2022 (Revenue +44% versus 2021) post the COVID-19 pandemic restrictions. Correspondingly, Group PBT decreased by 14% principally due to lower revenue while the Group's net profit decreased by 6% due to the absence of the one-off Prosperity Tax in 2023.

The Board of Directors (Board) has proposed a single tier final dividend of 88 sen per stock unit for FY2023, subject to the approval of shareholders at the forthcoming Annual General Meeting. The total dividend for the year amounts to 128 sen per stock unit comprising:

▶ **A single tier interim dividend of 40 sen per stock unit paid on 10 November 2023**

▶ **A proposed single tier final dividend of 88 sen per stock unit**



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 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 HEINEKEN Global 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

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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.

In 2023, we made significant progress towards our Brew a Better World sustainability and responsibility ambitions 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 reach net zero in Scope 1 & 2 emissions by 2030 and the full value chain by 2040. Compared with the base year of 2018, we have reduced Scope 1 & 2 carbon emissions by 65% in 2023. We continued to maintain procurement of 100% renewable electricity through the Malaysian Renewable Energy Certificates (mRECs) which are purchased through utility provider Tenaga Nasional Berhad's Green Electricity Tariff (GET) programme. Our project to install an on-site solar power generation facility is still ongoing, and we target to go live by June 2024.

As a responsible brewer, we renewed our commitment to protect water resources through our "Towards Healthy Watersheds" programme, committing to invest RM6 million in our water stewardship project across the next eight years until 2030. Our three-pronged approach combines water efficiency, water circularity and water balancing 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 2023, we are proud to have exceeded this target again just as we have done since 2020, achieving over 200% of the targeted volume. In terms of water efficiency,

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we improved our water consumption by 1% versus 2022 and 21% versus our 2014 baseline. As for water circularity, we continued treating 100% of our wastewater before release.

We continued our practice of recycling or upcycling 100% of our bi-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 recognitions externally at the ESG Positive Impact Awards organised by the Star Media Group, winning Gold in the Waste Management and Innovative Partnership categories. At the UN Global Compact Network Malaysia & Brunei's Forward Faster Awards, we are proud to be the winner in the Water Resilience category.

We continued to lead by example when it comes to advocating for Diversity, Equity and Inclusion (DEI), with women comprising 43% of our Board, exceeding the Government's target of 30% women on the Boards of public listed companies. We are also proud to be recognised at the 2023 HR Excellence Awards winning Silver in the Work Life Harmony category and Bronze in the Workplace Culture category.

Our commitment to improving social sustainability extends beyond our business. Our long running Tiger Sin Chew Chinese Education Charity Concert broke several records, successfully raising RM26 million for eight institutions in 2023 which is the highest ever raised in a single year. Since 1994, this initiative has raised RM407 million for schools

across Malaysia. Recognising community resilience and food security as a growing societal concern, our HEINEKEN Cares community food aid programme, collaborated with Sokong, a civil society fundraising platform by online news organisation Malaysiakini. Our partnership resulted in RM250,000 channelled to six NGOs and social enterprises that focus on community farming and access to water and renewable electricity for underprivileged communities.

As a progressive and responsible corporate citizen, HEINEKEN Malaysia also contributed RM1.4 billion in taxes to the Government in 2023. I take this opportunity to thank the Government for not increasing excise duties on beer and stout. As it is, Malaysia's excise rate for beer and stout ranks among the highest in the world and any increase in taxes on legitimate beer and stout products will only fuel the illicit trade. We 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

On behalf of the Board, I put on record sincere appreciation to Datin Linda Ngiam Pick Ngoh who retired from the Board after more than 10 years of service. Datin Linda Ngiam played an instrumental role in providing valuable guidance and insights in the Group's strategic matters on stakeholder communications, ESG/ sustainability, people development and corporate governance. We convey our

heartfelt gratitude to Datin Linda Ngiam for her invaluable contributions as a long-serving member of the Board. In her place, we are pleased to welcome Carmen Chua as Independent Director. Carmen is the Chief Executive Officer of ONE IFC Sdn Bhd, the developer of the St. Regis Hotel and Residences Kuala Lumpur, and the Managing Director of ONE KLCC Sdn Bhd, the developer of ONE KL condominium. She also sits on the Board of various companies within the CMY Capital Group and she is a Trustee of Amanah Warisan Negara, a National Public Trust founded by Khazanah Nasional Berhad.

During the year, we welcomed another new Board member, Erin Sakinah Atan who replaced Raquel B. Esguerra (Rocky) who has left the HEINEKEN Group to pursue other opportunities. Erin is the Regional Corporate Affairs Director of Heineken Asia Pacific Pte Ltd. Erin is an experienced Corporate Affairs professional with an extensive background in brand strategy, reputation and crisis management, public affairs, integrated communications and sustainability across different sectors, including aviation, automotive, conglomerates and financial services.

On behalf of the Board, we thank Datin Linda Ngiam and Rocky for their contributions and wish them the best. We welcome Carmen and Erin and I look forward to serving alongside both capable leaders on the Board together.

On behalf of the Board, I also take this opportunity to thank our shareholders and our trade partners for your continued trust and support during this challenging year.

I would also like to thank our Management Team, led by Roland, as well as all employees at HEINEKEN Malaysia for their One Strong Winning Team spirit, united by our common purpose to **Brew the Joy of True Togetherness to Inspire a Better World.**

Thank you.

Dato' Sri Idris Jala
Chairman
20 March 2024

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