



HEINEKEN MALAYSIA BERHAD

60th ANNUAL GENERAL MEETING

16 May 2024

QUESTIONS RAISED BY MINORITY SHAREHOLDERS WATCH GROUP

OPERATIONAL & FINANCIAL MATTERS

1. The Group recorded a profit after tax (“PAT”) of RM386.80 million in FY2023, representing a decrease of 6.30% compared to a PAT of RM412.82 million in FY2022 with dividend payout ratio for the year of approximately 100%.

Capital expenditure for FY2023 decreased by 28% to RM143 million, mainly due to lower spending incurred.

(Page 21 of Annual Report 2023 “AR2023”)

With a decline in net profit recorded for FY2023, how does the Company plan to balance dividend payouts with the need for capital expenditure to support future growth, especially considering the decreased capital expenditure in FY2023?

HMB's response

Despite a decline in net profit in FY2023, we maintain our commitment to shareholders by paying out 100% of our net profit as dividends, in consistency with prior years. This demonstrates our dedication to rewarding our shareholders for their continued support and confidence in our Company.

Although our capital expenditure (CAPEX) investment in FY2023 was lower than in 2022, it is important to highlight that we still invested more than our depreciation, as financed from annual operating cash flow. This indicates our ongoing commitment to enhancing our brewery, commercial assets, sustainability agenda, and digital & technology infrastructure, all of which are integral to supporting our superior growth ambitions and EverGreen objectives.

To effectively fund our growth agenda and sustain healthy dividend payouts, we have implemented strategic measures to optimize our working capital, including implementation of a non-recourse factoring program.

We remain focused on prudent financial management, strategic investment decisions, and transparent communication with our shareholders and stakeholders. Our aim is to continue delivering sustainable value and growth, supported by a robust capital allocation strategy that balances dividends with investments in our core business areas and future growth opportunities.

2. The total borrowings decreased from RM170.00 million in FY2022 to RM135.00 million in FY2023. However, finance costs increased from RM2.92 million in FY2022 to RM8.59 million in FY2023, mainly due to revolving credit and trade finance.

What is the reason for such a substantial increase in finance cost in view of the lower bank borrowings?

HMB's response

The substantial increase in finance costs can be attributed to several factors, including:

- Impact of Overnight Policy Rate (OPR) Increase: Bank Negara Malaysia's gradual increase in the OPR on a median average of 0.75% from FY2022 to FY2023, directly impacted our interest expenses. This rise in borrowing costs due to external monetary policy changes contributed to the overall increase in finance costs.
 - Fluctuations in Borrowings: While our borrowings were lower for FY2023 compared to the previous year, it is important to note that throughout the year, there were months where borrowings exceeded those of the prior year. This fluctuation was primarily driven by higher working capital requirements necessary to support our business operations effectively.
 - Our Debt/Equity ratio remained at a healthy level of 1.72 for FY2023, reflecting our commitment to maintaining a sound financial structure while meeting our operational needs.
 - Focus on Working Capital and Capital Management: Moving forward, we are focused on further improving our working capital management to optimize liquidity and operational efficiency. Additionally, we maintain a disciplined approach to capital requirements, ensuring that we fund our growth agenda organically and prudently manage our financial resources.
3. *"With a soft beer market in 2023, we maintain a cautious approach and expect the business environment in 2024 to remain challenging. This alongside the rising cost of living, geopolitical uncertainties, and weakening Ringgit could have a negative impact on consumer sentiment and spending. We will continue to adopt an agile approach in delivering our 2024 ambition."* (Page 25 of AR2023)

How does the Company plan to navigate these challenges while delivering on the EverGreen strategy and ensuring superior and balanced growth?

HMB's response

HEINEKEN Malaysia takes a long term view of its business hence, all the strategic initiatives are anchored in our EverGreen Strategy. Which is about:

- a) driving longer term Superior Growth through innovations and premiumising the category
- b) funding the growth by driving cost efficiencies/productivity
- c) becoming the best-connected brewer by accelerating our Unified Customer Ecosystem with consumer first approach
- d) building our talents pipeline and capabilities; and finally
- e) as a responsible brewer continue raising the bar on sustainability and responsibility.

CORPORATE GOVERNANCE MATTERS

1. The remuneration of the Managing Director, Roland Bala, has increased from RM6.06 million in FY2022 to RM6.93 million in FY2023.

What performance metrics or achievements justified the increase in the Managing Director's remuneration from RM6.06 million in FY2022 to RM6.93 million in the financial year 2023?

HMB's response

A large component of the MD's incremental income in 2023 was mainly due to Other Emoluments from long term variable incentive plan for performance year 2020 - 2022.

The nature of remuneration for this position is largely driven by performance and delivery of business KPIs for HEINEKEN Group as a whole. HEINEKEN reported double digit results in organic growth and operating profit for the performance period ended 2022, which resulted in payment to the long term incentive plan for the same period.

This long term variable incentive plan follows the HEINEKEN Group Senior Managers Reward Policy.

SUSTAINABILITY MATTERS

1. *"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."*
 - (a) Given the exemplary water stewardship demonstrated by the Company, how much has been spent on the "Towards Healthy Watersheds" programme to date (excluding the aforementioned RM6 million)?

HMB's response

Since 2007, when the Company's water stewardship initiatives were first launched, the Company has invested approximately RM10 million towards river rehabilitation, watershed protection, community outreach and education, as well as in driving partnerships with both Government and civil society stakeholders towards ensuring the continued sustainability of our shared water sources. These water stewardship initiatives are external to our brewery operations, where we also focus on water efficiency, circularity and wastewater treatment.

- (b) Considering the significant efforts in water stewardship, what is the rationale behind allocating an additional RM6 million to this commitment?

HMB's response

This is in line with our Brew a Better World Agenda as reported on page 35 of our Annual Report where one of our 3 main focus is on Environmental Sustainability and towards healthy watershed.

The Company's water stewardship initiatives have enabled it to achieve its water balancing goal. Annually, the Company has a target to balance 1.5 litres of water for every 1 litre of water used in its products. Since 2020, the Company has consistently exceeded this target and achieved more than 200% of the targeted volume. This was achieved through science-based initiatives focusing on the continued rehabilitation and conservation of Sungai Way, Sungai Penchala and Sungai Selangor. The initiatives to protect our watersheds are not a one-off project but require consistent, long-term efforts. To ensure we meet our 2030 Brew A Better World sustainability goals, we are committed to continue expanding our efforts, in partnership with Government, civil society, and local communities.

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