HEINEKEN MALAYSIA BERHAD
ANNUAL REPORT 2021

In This Year's *Report*

Who We Are

Our Business Model

Performance Review

Sustainability Review

How We Are Governed

Our Numbers And Other Information

58th

VIRTUAL ANNUAL GENERAL MEETING

THURSDAY, 12 MAY 2022

9.30 A.M.

For more information, visit: https://www.heinekenmalaysia.com/annual-general-meetings.html

Note: This annual report focuses on our activities, performance and results for the financial year ended 31 December 2021. This report has been prepared in accordance with the GRI Standards: Core option.

Our Purpose & Values

Our Purpose

Our Values

About Us

Heineken Malaysia Berhad (HEINEKEN Malaysia) is a leading brewer, with a portfolio of world-class brands that includes:

- The World's No. 1 international premium beer - Heineken®
- The great taste of Heineken® with dealcoholised Heineken® 0.0
- The World-acclaimed iconic Asian beer – Tiger Beer
- The crystal-cold filtered beer – Tiger Crystal
- The World's No. 1 stout – Guinness
- The premium wheat beer born in the Alps Edelweiss
- The World's No. 1 cider – Strongbow Apple Ciders
- The New Zealand inspired cider – Apple Fox Cider
- The all-time local favourite – Anchor Smooth
- The premium Irish ale – Kilkenny
- The real shandy – Anglia
- The premium quality non-alcoholic Malta

Heineken Malaysia Berhad's (HEINEKEN Malaysia) history in the country dates back to 1964, and the Company's shares have been listed on the Main Market of Bursa Malaysia since 1965.

HEINEKEN Malaysia is 51% owned by GAPL Pte Ltd (GAPL) and 49% by the public. The Company's name was changed to Heineken Malaysia Berhad on 21 April 2016 following Heineken NV's acquisition of Diageo Plc's stakes in GAPL in October 2015. GAPL is a subsidiary 100% owned by Heineken NV, the world's most international brewer.

Our 23.72-acre Sungei Way Brewery is the first in Malaysia to receive the MS 1480: 2007 Hazard Analysis Critical Control Point (HACCP) Certification from the Ministry of Health in August 2002. The brewery also received the ISO 9002 Certification since 1995 and has upgraded to MS ISO 9001: 2008 in 2010 and, subsequently, to ISO 9001:2015 in 2018.

HEINEKEN Malaysia employs more than 500 people at our headquarters and brewery in Petaling Jaya, Selangor, as well as our 13 sales offices throughout Peninsular and East Malaysia.

Our people are the heart of the Company, driving us forward with their energy and dedication. Through their every action and day-to-day interactions, they reflect HEINEKEN's values of Passion for customers & consumers, Courage to dream & pioneer, Care for people & planet, and Enjoyment of life.

These values strengthen our stakeholder relationships From Barley to Bar, and underline our global sustainability strategy to Brew A Better World. We believe it is critical to be responsible in order to be sustainable, and take our responsibility to our people, planet and performance seriously.

While promoting the enjoyment of our beers and ciders, we take the lead in advocating responsible consumption. Through HEINEKEN Malaysia's corporate social responsibility arm SPARK Foundation, we extend our commitment to grow with local communities for a better tomorrow.

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.

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

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 a 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

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 Esquerra (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

Directors' Profile

DATO' SRI IDRIS JALA
Chairman, Independent Non-Executive Director

Malaysian ▪ Male ▪ Age 63
Appointed on 1 January 2017

Qualifications

- Bachelor's Degree in Development Studies and Management, Universiti Sains Malaysia
- Master's Degree in Industrial Relations, University of Warwick

Board Committees Membership

- Nomination & Remuneration Committee (Chairman)

Working Experience

- Presently, President and Chairman of PEMANDU Associates.
- Former Managing Director of BFR Institute and CEO of PEMANDU, a unit in the Prime Minister's Department, Malaysia, the organisation tasked with spearheading Malaysia's transition towards high income status by 2020.
- Served as Minister in the Prime Minister's Department for 6 years, and later as the Advisor to the Prime Minister on the National Transformation Programme.
- A renowned transformation guru in turning around companies' performance through his big fast results methodology and transformational strategies that are innovative, rigorous and relevant to today's demands.
- Has continuously delivered sustainable social economic reforms which, in 2014, saw Bloomberg place him among the top 10 most influential policy makers in the world.
- Founder and Executive Chairman of the Global Transformation Forum (GTF), the world's singular platform for influential, global leaders to engage and share experiences and best practices on how to drive transformation.
- An Expert Resource Speaker at the Harvard Health Leaders' Ministerial Forum and a Visiting Fellow of Practice at the Oxford Blavatnik School of Government.
- Served on the Advisory panel for the World Economic Forum (WEF) on New Economic Growth and also on the Advisory Panel of World Bank.
- Former Managing Director / CEO at Malaysia Airlines (MAS) for 3 years. He was brought on board to turn around the airline which was in crisis brought about by a prolonged bout of losses from operational inefficiencies.
- Prior to MAS, he spent 23 years at Shell, rising up the ranks to hold senior positions including Vice President, Shell Retail International and Vice President Business Development Consultancy, based in UK. This included successful business turnarounds in Malaysia and Sri Lanka.

Directorship in other Public Companies / Organisations in Malaysia

- Sunway Berhad
- Jeffrey Cheah Foundation

Directors' Profile

ROLAND BALA
Managing Director, Non-Independent Executive Director

Malaysian ▪ Male ▪ Age 56
Appointed on 1 September 2018

Qualifications
Bachelor's Degree in Business Administrations, UiTM Malaysia

Board Committees Membership
Nil

Working Experience
Within HEINEKEN Group:
- From February 2012 to August 2018, Managing Director of Cambodia Brewery Ltd (CBL), HEINEKEN's operating company in Cambodia. In this role, he has led CBL to increase its market share by more than double, establishing CBL as the market leader in Cambodia.
- From March 2009 to February 2012, General Manager for Danang and Quang Nam Breweries in the central region of Vietnam.
- February 2008 to February 2009, Special Assistant to the Regional Director of Asia Pacific Breweries.

Previous Experience:
- Started his career with British Petroleum (BP) where he spent 16 years working in sales, logistics, operations and planning roles in retail, gas and lubes businesses.
- He was then appointed as General Manager for BP Vietnam from 2003 to 2005 and subsequently as the Sales Director for the lubes business for Malaysia and Singapore from 2005 to 2007.

Directorship in other Public Companies / Organisations in Malaysia
- Confederation of Malaysian Brewers Berhad

LAU NAI PEK
Senior Independent Non-Executive Director

Malaysian ▪ Male ▪ Age 69
Appointed on 22 May 2021

Qualifications
- Member of the Malaysia Institute of Accountants
- Bachelor of Commerce Degree, Canterbury University, New Zealand

Board Committees Membership
- Audit & Risk Management Committee (Chairman)
- Nomination & Remuneration Committee

Working Experience
- A finance professional with more than 35 years of working experience in various location including New Zealand, Brunei, United Kingdom, Malaysia, China and the Netherlands.
- Retired from Shell Malaysia in August 2011 after serving the Royal Dutch Shell Group for over 30 years. His major assignments include Finance Director of Shell Malaysia, Finance Director of Shell China, Global Controller of the Exploration & Production Division of Royal Dutch Shell Group, and Vice-President Finance of Shell International Exploration and Production B.V., in the Netherlands.
- Upon his retirement from Shell, David served 12 years with Axiata Group Berhad and Celcom Axiata Berhad as an Independent non-executive Director and Chairman of their Board Audit Committees, and 11 years with Employees Provident Fund, Malaysia as an Independent Investment Panel member.

Directorship in other Public Companies / Organisations
- KKB Engineering Bhd
- Malaysia Airlines Group
- Dialog Axiata PLC, Sri Lanka

Directors' Profile

DATIN NGIAM PICK NGOH, LINDA
Independent Non-Executive Director

Malaysian ▪ Female ▪ Age 67
Appointed on 3 December 2012

Qualifications

- Bachelor of Arts (Hons) in Social Sciences, University of Malaya
- Diploma in Advertising and Marketing, Institute of Communications, Advertising and Marketing (CAM) of United Kingdom

Board Committees Membership

- Audit & Risk Management Committee
- Nomination & Remuneration Committee

Working Experience

- Former Group Managing Director/Chief Executive Officer of Star Publications (M) Bhd (The Star) from 1 July 2008 to 30 June 2011. First employed in The Star as Advertising Sales Promotions Manager in 1985 before serving as General Manager, Advertising and Business Development in 1995. In 2004, she was appointed as Deputy Group General Manager and in 2007 she was promoted to Executive Director/Group Chief Operating Officer before assuming the office as Group Managing Director/Chief Executive Officer of The Star in 2008, a position she held till her retirement in 2011.
- Former Board Member of the Audit Bureau of Circulations (ABC) Malaysia and Chairperson of the ABC Content & Communications Committee.
- Represented The Star on the Malaysian Newspapers Publishers Association as its Honorary Secretary.
- Former Board Member of the Advertising Standards Authority Malaysia.

Directorship in other Public Companies / Organisations in Malaysia

- MUI Properties Berhad
- Yayasan Sin Chew
- Make A Wish Malaysia Welfare Association

SENG YI-YING
Non-Independent Non-Executive Director

Singaporean ▪ Female ▪ Age 49
Appointed on 1 September 2020

Qualifications

- Bachelor of Law, 2^{nd} Class Upper (Honours), University of Nottingham, U.K.
- Diploma in Singapore Law, National University of Singapore

Board Committees Membership

Nil

Working Experience

- Presently, Regional Legal Director of Heineken Asia Pacific Pte Ltd ("APAC"), responsible for the functional oversight of legal in Asia Pacific. She is also a member of the APAC Management Team.
- Has more than 20 years of in-house legal experience, with 15 years in the alcohol and beverage industry.
- Joined the APAC team as Senior Legal Manager in 2006. During this time, she successfully advised on and negotiated various mergers and acquisition projects in various markets within APAC.
- In 2015, she moved to Asia Pacific Breweries (Singapore) Pte Ltd as Legal Director and a member of the Management Team.
- In 2018, she undertook a short term assignment to HEINEKEN Cambodia for three months to establish a robust legal framework and processes.
- In 2019, she moved back to the APAC Legal Affairs team to take on the position as Legal Manager for APAC where she was responsible to oversee a broad range of legal issues for various Heineken operating companies across the region as well as manage a range of mergers and acquisitions and joint venture matters.
- Prior to joining HEINEKEN, she was the Legal Counsel for Sembcorp Utilities Pte Ltd for five years.

Directorship in other Public Companies / Organisations in Malaysia

- Nil

Directors' Profile

CHOO TAY SIAN, KENNETH
Non-Independent Non-Executive Director

Singaporean ▪ Male ▪ 54
Appointed on 26 October 2020

Qualifications

- Advanced Management Program, Harvard Business School
- Chartered Accountant, Singapore
- Bachelor of Accountancy Degree (Hons), Nanyang Technological University, Singapore

Board Committees Membership

- Audit & Risk Management Committee
- Nomination & Remuneration Committee

Working Experience

- Currently serves as Managing Director of Heineken Asia Pacific Pte Ltd ("APAC") responsible for overseeing HEINEKEN operating companies in the Asia Pacific region (2014 – present).
- Since joining APAC in 2003, he has held a number of strategic positions including Chief Financial Officer of APAC.
- Before joining HEINEKEN, he was the Regional Business Development Director of Royal Ahold N.V., a global retailer.
- He was a Non-Independent Non-Executive Director of HEINEKEN Malaysia from 15 August 2013 until 30 September 2019 prior to his re-appointment on 26 October 2020.

Directorship in other Public Companies / Organisations in Malaysia

- Nil

RAQUEL BATALLONES ESGUERRA
Non-Independent Non-Executive Director

Filipino ▪ Female ▪ Age 56
Appointed on 1 September 2021

Qualifications

- Bachelor of Science in Management Engineering, Ateneo de Manila University.

Board Committees Membership

- Nomination & Remuneration Committee

Working Experience

- A senior regional HR executive with very strong HR experiences in various disciplines.
- Presently, Senior Director, People Function for HEINEKEN Asia Pacific, heading the Human Resources function for the region in HEINEKEN.
- Prior to joining HEINEKEN, she was the Regional Senior Director – HR for the Emerging Markets Asia of Pfizer, Inc., a growth engine and innovation powerhouse for the Company (2017 – 2021).
- Prior to Pfizer, she had a long, distinguished HR career at Procter & Gamble, starting in the Philippines and eventually being assigned to country and regional roles in Indonesia, Thailand, Taiwan and Singapore (1987 – 2017).

Directorship in other Public Companies / Organisations in Malaysia

Nil

Management Team's Profile

ROLAND BALA

Managing Director

Malaysian | Male | 56
Appointed on 1 September 2018

Qualifications

- Bachelor's Degree in Business Administrations, UiTM Malaysia

Working Experience

Within HEINEKEN Group:

- From February 2012 to August 2018, Managing Director of Cambodia Brewery Ltd (CBL), HEINEKEN's operating company in Cambodia. In this role, he has led CBL to increase its market share by more than double, establishing CBL as the market leader in Cambodia.
- From March 2009 to February 2012, General Manager for Danang and Quang Nam Breweries in the central region of Vietnam.
- February 2008 to February 2009, Special Assistant to the Regional Director of Asia Pacific Breweries.

Previous Experience:

- Started his career with British Petroleum (BP) where he spent 16 years working in sales, logistics, operations and planning roles in retail, gas and lubes businesses.
- He was then appointed as General Manager for BP Vietnam from 2003 to 2005 and subsequently as the Sales Director for the lubes business for Malaysia and Singapore from 2005 to 2007.

CHRISTIAAN JOHANNES FOLKERTS

Finance Director

Dutch | Male | 40
Appointed on 15 June 2021

Qualifications

- Bachelor and Master of Science in International Business (Financial Management), Tilburg University, Netherlands

Working Experience

Within HEINEKEN Group:

- Prior to his appointment to HEINEKEN Malaysia, he was Chief Financial Officer/ Head of Finance, Procurement and Digital & Technology for AB Heineken Philippines (ABHP) since January 2020, where he navigated ABHP through continuous COVID-19 lockdowns. Under these difficult circumstances, he has shaped a new future for HEINEKEN in the Philippines. He successfully managed the transition of the Philippines business from a joint venture structure with Asia Brewery to a new partnership.
- Before moving to Manila, he was Finance Manager for Europe Export & Global Duty-Free ("EE&GDF") for three years. Under his leadership, the Finance team has significantly improved business partnering capabilities, professionalised the revenue management approach in EE&GDF and strengthened the control environment, considerably impacting the business.
- Joined HEINEKEN in 2007 as Finance Management Trainee, after which he was in Business Control and Project Management positions in VRUMONA, HEINEKEN Netherlands, and HEINEKEN Brazil.

VASILY BARANOV

Sales Director

Russian | Male | 44
Appointed on 4 February 2019

Qualifications

- Bachelor's Degree in Environmental Engineering & Ecology Russian State Environmental University, St. Petersburg, Russia

Working Experience

Within HEINEKEN Group:

- Head of Sales at HEINEKEN Hanoi from November 2015 to January 2019. In this tenure, he developed and implemented long-term company commercial strategy; as well as maximised company top line and profit growth; while he also strengthened and built the sales team with talent development and succession planning programs implementation.
- He was previously the Commercial Manager at Mongolian Beverages Company Pte Ltd, HEINEKEN's operating company in Mongolia, from 2012-2013; then as a Sales Development Manager at HEINEKEN APAC from 2013 to 2015. In total, he has 7 years of experience managing sales performance in the Asia Pacific region.
- First joined HEINEKEN in 2001 at its Russia operating company where he worked his way up from Area Sales Manager to Business Development Manager and finally Regional Sales Manager before pursuing a career outside of HEINEKEN in 2009.

Previous Experience:

- He worked at Nike Russia from 2009 to 2012, where he held various roles such as Regional General Manager (St. Petersburg region), Field Sales Director, and Football & Team Sports Category Sales Manager.

Management Team's Profile

PABLO CHABOT

Marketing Director

Dutch | Male | 39
Appointed on 1 May 2019

Qualifications

- ⇨ Master of Science in Marketing Management, Erasmus University Rotterdam, Netherlands

Working Experience

Within HEINEKEN Group:

- ⇨ Joined HEINEKEN in 2008 as a Commercial Management Trainee and has held various roles in both Marketing and Trade Marketing across multiple HEINEKEN operating companies, including Netherlands, Nigeria, and Switzerland.
- ⇨ In his most recent role, he was Heineken® Marketing Manager at HEINEKEN China from November 2017 to April 2019. In this role, he focused on building a winning team while championing a more digital and mobile first marketing approach. He also leveraged on partnership platform such as F1 and thematic campaigns to drive growth.
- ⇨ He was with HEINEKEN China from April 2016, where he was first appointed as the Commercial Organisation & Capability Manager then subsequently the Head of Innovation.
- ⇨ A strong track record of working across the Heineken® brand and other portfolio brands, driving both equity and commercial performance.

RENUKA INDRARAJAH

Corporate Affairs & Legal Director

Malaysian | Female | 54
Appointed on 1 February 2002

Qualifications

- ⇨ Formerly an Advocate and Solicitor of the High Court of Malaya
- ⇨ Solicitor of the High Court of Australia
- ⇨ Solicitor of the Supreme Court of Queensland
- ⇨ Post Graduate Diploma in Legal Practice (QUT)
- ⇨ Bachelor of Laws, University of Queensland

Working Experience

Within HEINEKEN Group:

- ⇨ Over 20 years of experience within the Group.
- ⇨ Held various roles including Head of Legal Affairs before being promoted to Corporate Affairs & Legal Director.
- ⇨ Trustee of SPARK Foundation since 2013.

Directorships:

- ⇨ Since June 2007, serving as a Governing Council Member of the Confederation of Malaysian Brewers Berhad
- ⇨ Vice President of Malaysian International Chamber of Commerce & Industry (MICCI).
- ⇨ Exco of National Chamber of Commerce & Industry of Malaysia (NCCIM).

Previous experience:

- ⇨ Over 25 years of working experience in legal including 15 years of experience in corporate affairs.
- ⇨ Advocate & Solicitor specialising in corporate law at Skrine.
- ⇨ Regional Legal Counsel at Sema Group.
- ⇨ Vice President of Legal at Schlumberger Sema.

SALIMA BEKOEVA

Supply Chain Director

Russian | Female | 51
Appointed on 1 April 2019

Qualifications

- ⇨ Economist – Mathematician, Moscow Plekhanov University of Economics
- ⇨ Certified Professional Accountant and Auditor, Moscow Professional Educational Center, Russia

Working Experience

Within HEINEKEN Group:

- ⇨ Brewery Manager at Sampang Agung, Multi Bintang Indonesia (MBI), HEINEKEN's operating company in Indonesia, from October 2017 to March 2019. During her time with MBI, she enhanced its route to market efficiencies and cost management, as well as played a key role in the brewery's expansion.
- ⇨ Previously the Branch Director at the Volga Brewery in Russia where she developed and implemented the vision and strategic direction of the brewery amongst others. Under her leadership, Volga Brewery was the first brewery to achieve TPM Bronze and was nominated as the best employer in Nizhegorodsky region in 2014. In 2017, the brewery achieved the highest productivity and lowest cost results, successfully passed ISO 14000 and OHSAS standards audits. Volga Brewery became a winner of Heineken AMEE region Supply Chain award on a basis of 2017 results.
- ⇨ Joined the HEINEKEN Group in 2005 and has held multiple roles across the finance and supply chain divisions.

Previous Experience:

- ⇨ More than 13 years of experience in audit and finance; 3 years in sales and distribution; and more than 8 years in supply chain.

Management Team's Profile

JANINA VRIESEKOOP

Digital & Technology Director

Dutch | Female | 39

Appointed on 15 January 2020

Qualifications

- Pre-master Culture, Organisation & Management, Vrije University Amsterdam
- Bachelor of Communications, INHolland Rotterdam

Working Experience

Within HEINEKEN Group:

- Started her career in HEINEKEN Netherlands in 2013 as a Digital Media Consultant and worked her way up to a Senior Digital Consultant and then to her current role as Innovation Digital Manager.
- Key milestones included kick starting iDDM (Individualised Data Driven Marketing), creating an Innovation mindset within her organisation and being the frontrunner in Agile by defining the organisation's ambition and programmes.

Previous Experience:

- Owner and founder of online publisher 'Ons Woord'.
- Account Manager & Project Manager in Internet agency, Virtual Affairs.
- Site Manager Internet & Intranet, AkzoNobel.

VICTORIA ANG SU LIM

People Director

Malaysian | Female | 45

Appointed on 26 April 2021

Qualifications

- Executive Education in Strategic Human Resources, National University of Singapore

Working Experience

- 12 years with BASF (Malaysia) Sdn. Bhd. with last position held as Vice Director, Human Resources, Malaysia – Singapore.
- 12 years with Levi Strauss (Malaysia) Sdn. Bhd. with last position held as HR Manager and Acting Retail Manager.
- Experience includes mergers & acquisition, systems implementation and deployment, change management, culture transformation, leadership development, talent management for workforce planning and development of people capabilities for future workforce requirements. Experience encompasses working with local stakeholders as well as in collaborative projects either regionally or globally.

Our Business Model

Our Impact
From Barley to Bar

We are committed to embedding sustainability at the core of our business. Our Brew A Better World 2030 strategy directly contributes to the United Nations Sustainable Development Goals (UN SDGs) and is woven into the fabric of our balanced growth strategy.

AGRICULTURE

We brew beer and make cider from natural ingredients. By supporting sustainable farming, 100% of our main ingredients (barley and hops) will come from sustainable sources by 2030. Our suppliers comply with the HEINEKEN Supplier Code, which details our commitment and enforcement of ethical business conduct, human rights, and care for the environment.

BREWING

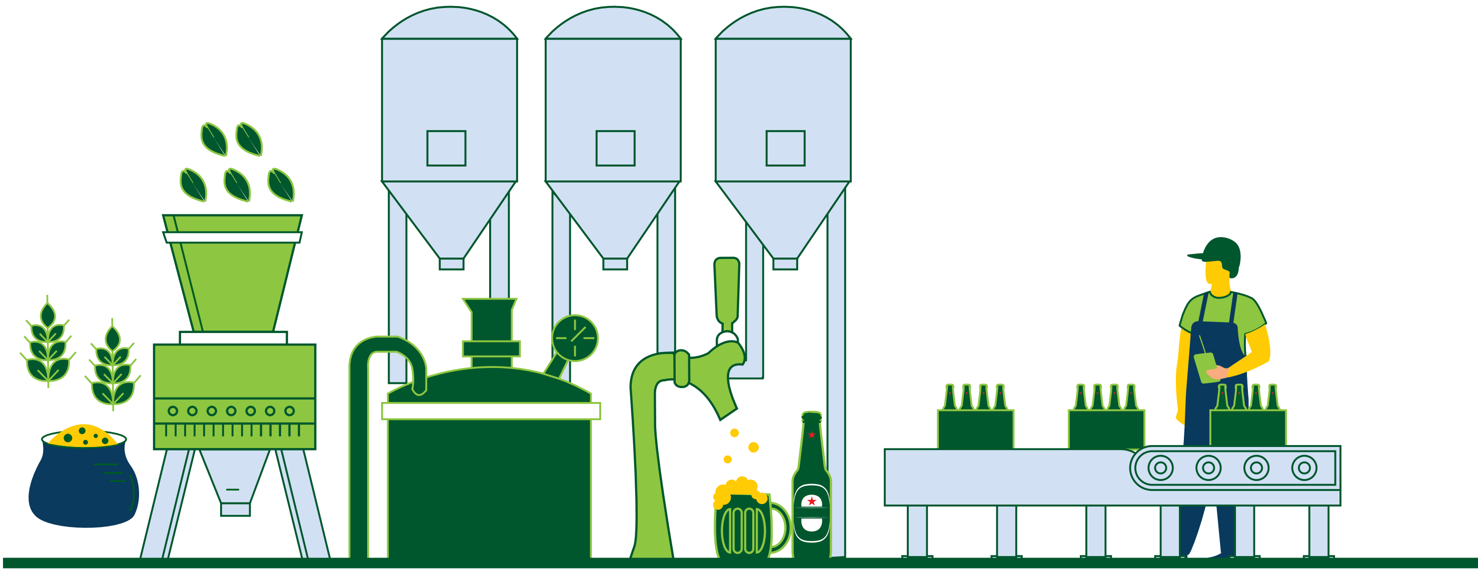
At our Sungei Way Brewery in Petaling Jaya, Selangor, we are on the path to net zero carbon emissions in production by 2030. Our water strategy focuses on working towards healthy watersheds by combining internal and external efforts to support water security. Our brewery has achieved zero waste to landfill since 2017.

EMPLOYEES

We employ over 500 full time employees and we are committed to developing our people. At HEINEKEN Malaysia, we always aim to dream big and uncage our courage. Our One Strong Winning Team is guided by HEINEKEN's purpose to brew the joy of true togetherness to inspire a better world, as well our values of Passion for customers & consumers, Courage to dream & pioneer, Care for people & planet, and Enjoyment of life.

PACKAGING

Our beers and ciders are served in bottles, cans and kegs. We aim for our packaging design to stand out from the crowd while we also strive to reduce its environmental footprint by innovating the materials we use as well as improve recycling and reusing.
We work closely with our suppliers to create and scale efficient and sustainable packaging, reduce packaging waste and increase the returnability of our glass bottles.



Our Business Model

Brew A Better World 2030 supports the following UN SDGs:

Path to zero impact...

Path to an inclusive, fair and equitable world...

Path to moderation and no harmful use...

DISTRIBUTION

We work to optimise efficiencies throughout our distribution networks across Malaysia. Safety is a key priority and we continually engage our employees, distributors and logistics partners to stay safe on the road.

CUSTOMERS

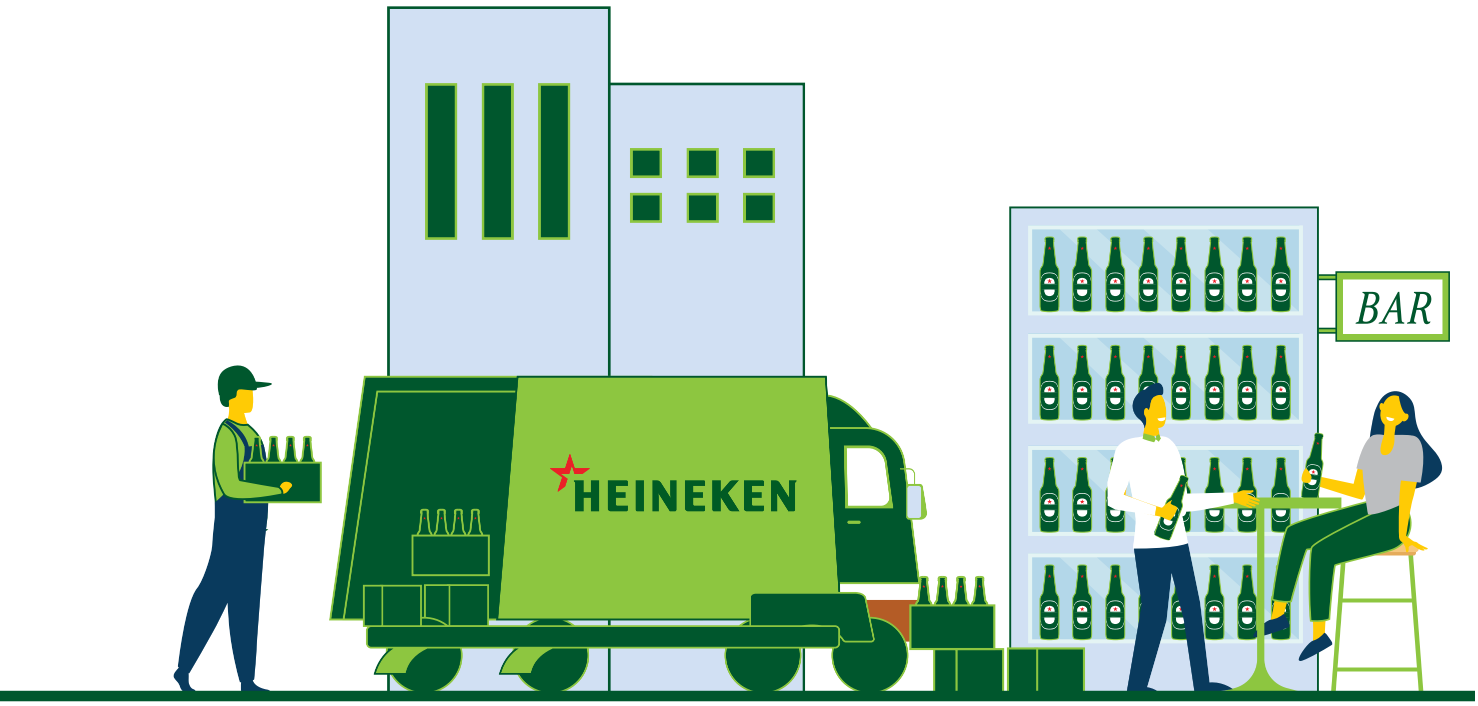
Thousands of businesses rely on selling our products for a source of revenue. We promote awareness of responsible serving with the aim of ensuring our products are enjoyed responsibly. Through HEINEKEN Malaysia's Star Academy quality programmes, we also improve product knowledge and empower our customers to promote appreciation of brand heritage, product taste, and service etiquette.

CONSUMERS

Millions of consumers enjoy the great tasting beers and ciders brewed by HEINEKEN Malaysia. We strictly market our products to those who are non-Muslims and aged 21 and above only. We are committed to advocate responsible consumption and dedicate 10% of the Heineken® brand's media spend annually to promote responsible consumption.

COMMUNITIES

We believe in growing with our surrounding communities. Through our corporate social responsibility arm, SPARK Foundation, we are committed to creating positive social impact and grow with our communities through our projects that focus on environmental conservation as well as providing aid to communities in need.



Five-Year Financial Indicators

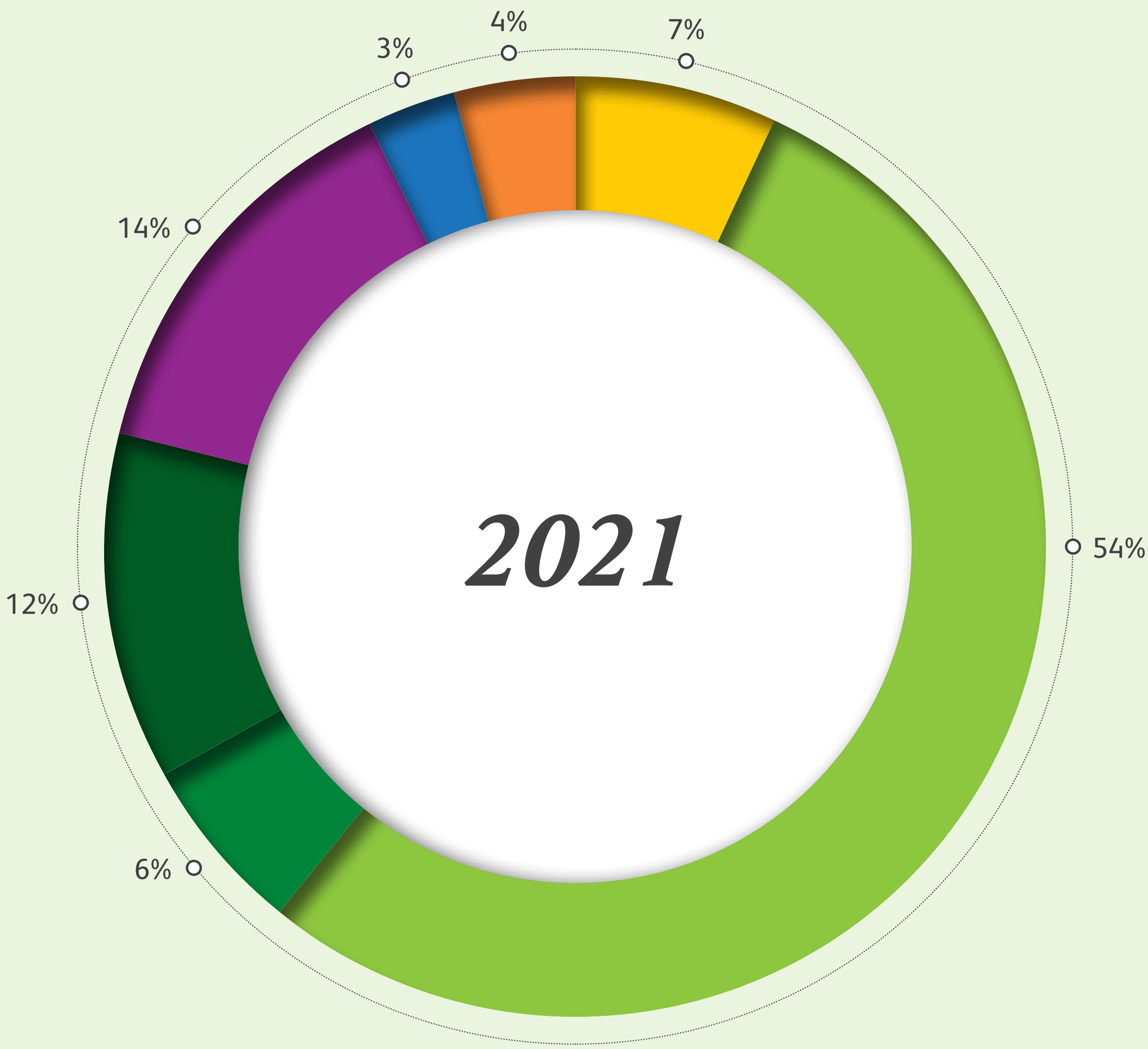
Financial year ended 31 December	2017	2018	2019	2020	2021
KEY OPERATING RESULTS (RM'000)					
Revenue	1,874,322#	2,029,672	2,320,249	1,762,396	**1,979,348**
PBIT	366,403	383,134	414,399	203,652	**323,925**
Tax Expense	(93,116)	(98,244)	(99,159)	(44,519)	**(75,749)**
Profit After Tax	270,058	282,520	312,968	154,197	**245,678**
Net Cash from Operating Activities	357,856	348,437	411,333	226,300	**339,871**
OTHER KEY DATA (RM'000)					
Total Assets	867,780	940,323	1,099,993	1,046,708	**1,088,173**
Total Liabilities	(507,265)	(569,176)	(705,892)	(697,325)	**(692,497)**
Reserves	209,466	220,098	243,052	198,334	**244,627**
Total Equity	360,515	371,147	394,101	349,383	**395,676**
Capital Expenditures	77,235	99,522	117,112	63,422	**112,865**
FINANCIAL RATIOS (%)					
Operating Working Capital % of Revenue	10.3#	8.3	6.1	7.3	**4.5**
EBITDA Margin	22.3#	21.1	20.3	15.5	**19.9**
Return on Equity	101.6	103.2	105.2	58.3	**81.9**
SHARE INFORMATION					
Earnings per stock unit (sen)	89.4	93.5	103.6	51.0	**81.3**
Net Dividend per stock unit (sen)	90.0	94.0	108.0	51.0	**81.0**
Dividend Yield (%)	4.8	4.6	4.0	2.2	**3.9**
Net Assets per stock unit (sen)	119.0	123.0	130.0	116.0	**131.0**
Market Capitalisation (RM'billion)	5.7	6.2	8.2	7.0	**6.3**

EBITDA : Earnings before interest, tax, depreciation and amortisation
PBIT : Profit before interest and tax

\# Revenue was restated to conform to Malaysian Financial Reporting Standard 15 : Revenue from Contracts with Customers.

Analysis of Group Revenue

For The Financial Year Ended 31 December 2021



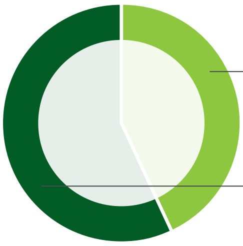
- Raw Materials & Packaging Costs **7%**
- Distribution, Sales & Administrative Expenses **14%**
- Excise, Customs Duties & Sales Tax **54%**
- Depreciation & Amortisation **3%**
- Personnel Expenses **6%**
- Corporate Tax **4%**
- Profit After Taxation **12%**

Performance Highlights

People

Total Employees
510

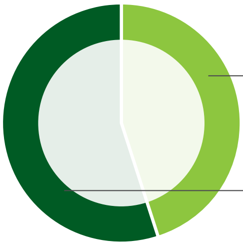
Board of Directors



43%
Female

57%
Male

Middle to Senior Management



45%
Female

55%
Male

Employee Engagement score
84%
(+2% vs 2020)

Performance Enablement Score
80%
(+2% vs 2020)

HEINEKEN cares

>155 million steps
by HEINEKEN Malaysia employees (July to December 2021)

150,000 meals
for communities in need during the pandemic

100,000 care packages
for victims of the December 2021 flood disaster

Performance Highlights

Planet

15.7%
reduction in CO_2 emissions compared with 2018

15.5%
reduction in water consumption since 2014

Balanced
289%
of water used in our beer and ciders
1st company in Malaysia to fully balance water used in its products

Zero Waste
to landfill

Performance

Revenue
+12%
to RM1.98 billion vs 2020

Profit Before Tax
+62%
to RM321 million vs 2020

FY21 Dividend
81 sen
per stock unit
(2020: 51 sen)

Contributed
RM1.14 billion
in taxes to the Government

Management Discussion & Analysis

Navigating through the storm

We kept an all hands on deck approach by keeping the team connected and motivated through regular communications and updates, despite the many uncertainties in the external environment. Building on our experience in the previous year, our team had adapted to the new normal and leveraged agile ways of working to unlock greater efficiency and productivity.

Management Discussion & Analysis

After a difficult 2020 due to the COVID-19 pandemic, we went into 2021 hopeful of continued recovery. The prolonged restrictions and lockdowns had adversely impacted the Group's business performance in the previous year and dampened economic recovery in the country. To protect our business, adapt to the new realities and accelerate recovery, we front-loaded our cost and value initiatives by right-sizing our cost base and the organisation. These bold moves were crucial to help the Group navigate the crisis whilst building for a stronger future.

Unfortunately, due to the continued spike in COVID-19 cases, the Government announced another lockdown which took effect in June 2021. For the second time in two years, we had to suspend our brewery operations for 11 weeks from June 2021 to August 2021, whilst operating restrictions were once again imposed on food & beverage (F&B) outlets, which continued until Q4. The pause in our brewery operations was significantly longer than the seven week stoppage we faced in 2020 due to the first MCO and this impeded on the Group's ability to conduct our normal business operations.

Nevertheless, I am pleased to share that the bold moves we took proved effective and helped to mitigate the adverse impacts of the longer pause in our operations. The following is a review of our business performance, highlights of our marketing campaigns, as well as our sustainability progress.

OUR PERFORMANCE

Despite a longer lockdown, Group revenue increased by 12% in FY21 to RM1.98 billion, mainly due to improved revenue management and improved agility in managing our supply chain that helped mitigate the adverse impacts of the pause in our brewery operations.

The improvement in revenue, coupled with highly disciplined cost management, enabled the Group's Profit Before Tax (PBT) to grow by 62% in FY21 to RM321

“Despite the longer lockdown in 2021, we delivered revenue growth of +12% and PBT growth of +62%. This was possible due to the bold moves we took to right-size our cost base.

million. Excluding the one-off settlement Customs' Bill of Demand amounting to RM7.2 million incurred in June 2020 and the one-off provision of RM14 million in December 2020 for costs associated with the organisational restructuring exercise implemented in 2021, Group PBT would have grown by 46%.

However, compared with pre-pandemic levels, the Group Revenue and PBT performance was still below the 2019 levels where Revenue was at RM2.32 billion and PBT was RM412 million, an indication that business is still under the recovery phase.

Net cash from operating activities for FY21 increased by 50% to RM340 million attributed to the improvement in working capital. Net assets for FY21 was recorded at RM396 million, 13% higher versus FY20 mainly due to better business performance during the year.

The Group paid a total of RM1 billion in excise, customs duties, and sales tax for the year. The Group incurred a total of RM76 million in income tax, translated into an effective tax rate of 24%.

Based on our 2021 results, the total dividend for the year 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 payable in July 2022 upon shareholders' approval at forthcoming Annual General Meeting.

The dividend payout ratio for the year is approximately 99.6% of the Group's profit after tax.

HOME OF WORLD CLASS BRANDS

We started 2021 with our Chinese New Year campaign led by Tiger Beer, Malaysia's No. 1 Beer. Tiger's 'Bring on the ONG' campaign welcomed the year of the Ox with an exciting and rewarding nationwide promotion, giving loyal consumers RM1,000,000 worth of prizes up for grabs, including RM18,888 'ONGsome' cash Ang Pows, among others. Throughout the campaign period from January to mid-February, various promotions and contests were activated across channels in participating restaurants, coffeeshops, supermarkets, convenience stores, as well as through HEINEKEN Malaysia's e-Commerce platform Drinkies.

“Our FY21 performance was still below 2019 levels, an indication that business is still under the recovery phase.”

Due to ongoing social restrictions during the year, Tiger hosted its Virtual Street Food Festival for the second year in a row, bringing together streetwear, street food and many new exciting features for the virtual festivalgoers. As part of Tiger's consistent efforts to support the local street food scene, over 100 street food vendors took part in the festival. Fans could enjoy their favourite street food dishes paired with Tiger Beer and Tiger Crystal, all delivered to their doorsteps.

After more than a year of waiting, UEFA Euro 2020™ finally took place from 12 June to 12 July 2021. Heineken®, the proud official beer partner of UEFA Euro

Management Discussion & Analysis

2020™, encouraged fans to join in the fun with through its campaign 'Enjoy the Rivalry'. Accompanying the campaign was a range of Limited-Edition Heineken® UEFA Euro 2020™ bottles and cans, featuring the flags of participating teams.

With working from home being the new norm in 2021 and in line with the brand's mission to refresh consumers' next long day of work, Heineken® gave away 10,000 units of Heineken® 0.0 4-can packs. Our message? #NowYouCan work responsibly while enjoying a cold Heineken® 0.0 - a refreshing beer, minus the guilt and minus the alcohol.

After a difficult 2020, which was defined by social distancing and isolation, Guinness gave consumers a chance to celebrate all of the previous year's missed occasions during St. Patrick's month. For 31 days in a row in March, Guinness spread joyful St. Patrick's spirit to its fans in Klang Valley and Penang with the Guinness St. Patrick's Celebration Kits, which were curated exclusively with a dash of Guinness and St. Patrick's elements to it.

When the lockdown was lifted, restaurants were finally able to welcome guests back for dine-in. Guinness gave family and loved ones an opportunity to reconnect post lockdown through its 'Ready When You Are' campaign. Whenever they are ready, fans will finally be able to reunite with friends, family and loved ones at their favourite outlets, while catching up with long-overdue conversations. Guinness brought back the renowned STOUTie machines to selected partner restaurants and bars where consumers can print their selfies on top of a cold and creamy glass of Guinness.

During the year, we also launched a new brand – the premium wheat beer Edelweiss. Born in the Alps and made with all-natural mountain ingredients, Edelweiss is now available across Peninsular Malaysia in bottles, cans and on draught. Easy-to-drink with a refreshing finish and a subtle, fruity aftertaste, Edelweiss is a smooth wheat beer with a golden hue and a natural cloudiness. We are confident that Edelweiss will cater to growing demand amongst consumers for refreshingly smooth wheat beer.

I am pleased to share that our world-class brands continued to be recognised by consumers amongst Malaysia's most trusted and preferred brands at the Putra Brand Awards 2021. Heineken® and Tiger won Gold, and Guinness took home a Silver award. The triple win brings HEINEKEN Malaysia's total awards tally at Putra Brand Awards to 36 awards since 2010.

CARE FOR PEOPLE & PLANET

Our performance was made possible by the resilience and commitment of our One Strong Winning Team at HEINEKEN Malaysia. Navigating through the storm whilst building for the future, we kept an all hands on deck approach by keeping the team connected and motivated through regular communications and updates, despite the many uncertainties in the external environment.

Building on our experience in the previous year, our team had adapted to the new normal and leveraged agile ways of working to unlock greater efficiency and productivity. This enabled us to be better prepared and mitigated the adverse impacts of the 11-week suspension of operations at our brewery, compared with the 7-week stoppage in the previous year. Our priority has always been to safeguard the health and safety of our people. When the COVID-19 vaccination programmes were made available by the Government, we proactively encouraged our employees to receive their vaccinations. By getting our employees and contractors who were required to work on site fully vaccinated, we were able to demonstrate to the Government our industry's readiness to resume operations in a safe manner.

I am pleased to share that as a result of the various employee engagement efforts in 2021, HEINEKEN Malaysia's employee engagement score improved by 2% to 84%, whilst our performance enablement score improved by 2% to 80%.

> **"I am pleased to share that our world-class brands continued to be recognised by consumers amongst Malaysia's most trusted and preferred brands at the Putra Brand Awards 2021."**

Diversity, equity and inclusion are indeed important drivers of performance. In 2021, we joined the 30% Club Malaysia to support the drive for more balanced representation at the highest levels of business. I am happy to report that HEINEKEN Malaysia continues to exceed the Government's target for public listed companies to have 30% of women on company boards, with 43% representation on our Board of Directors.

In our Management Team, we have a 50:50 balance of men and women, whilst at middle to senior management, we have a 55:45 ratio of men and women. We acknowledge that we have more to do to support more women to grow with us, especially in our Sales and Supply Chain functions, which are traditionally male-dominated.

Representation alone is not sufficient, we are committed to train 100% of our people managers on inclusive leadership practices by 2023. In 2021, we had already trained 80% of our people managers and we are on track to meet this target to create a more inclusive and diverse workforce at HEINEKEN Malaysia. In 2022, we will be launching a new set of HEINEKEN Behaviours to complement our refreshed Purpose and Values. Once again, continued engagement with employees will be key to build and sustain a culture of high performance to shape our future growth journey.

Management Discussion & Analysis

In 2021, we trained 80% of our people managers on inclusive leadership practices. We are on track to reach 100% by 2023.

In 2021, we launched our Brew A Better World 2030 sustainability commitments. Our sustainability strategy is now driven through three key pillars – Environmental Sustainability, Social Sustainability, and Responsible Consumption. More details on our progress can be found in the Sustainability Review section of this Annual Report.

Amongst our key commitments are to reach net zero CO_2 emissions in production by 2030 and the wider value chain by 2040. This is indeed a bold commitment and requires us to immediately evaluate the possible pathways to reach net zero in the years ahead. I am glad to share that we already have a roadmap to cut CO_2 emissions in production by 50% by the year 2025, compared with our 2018 baseline. In 2021, we had reduced 15.7% of CO_2 emissions compared with 2018 and we will continue exploring available innovations that will reduce our reliance on non-renewable sources for energy generation, whilst continuing improvements in energy efficiency to reduce consumption where possible.

We continued to demonstrate leadership as a responsible water user through our water strategy that is focused on protecting healthy watersheds. Through our water triangle, we focus on reducing what we use (Water Efficiency), treating, reusing and recycling our waste (Water Circularity) and investing in projects that conserve our watersheds (Water Stewardship). In 2021, our average water consumption was 3.65 hl/hl, a 15.5% reduction compared to 2014 despite efficiency being impacted by the 11-week suspension of operations at our brewery.

We still have more to do in the years ahead to reach our 2030 target of 2.6 hl/hl. For water circularity, we continue to treat 100% of our wastewater beyond the standards prescribed by the Department of Environment and will need to continue to identify the right opportunities to maximise reuse and recycling of our treated wastewater. In terms of water stewardship, after years of investment in projects in collaboration with civil society organisations and local communities, we reached more than 100% water balanced in 2020 by balancing 267% of the target balancing volume. In 2021, our water stewardship project achieved 289% of the target balancing volume.

We are committed to reach net zero CO_2 emissions in production by 2030 and the wider value chain by 2040. In 2021, we reduced CO_2 emissions in production by 15.7% vs our 2018 baseline.

Building on the work we started in 2020 to bring relief to those impacted by the pandemic, prolonged lockdowns and natural disasters, we launched HEINEKEN Cares in 2021 to deliver a bigger impact to those in need. Undoubtedly, the pandemic had brought significant impact to communities who endured the effects of loss of income during times of lockdown.

HEINEKEN Cares brought together eight civil society organisations and community partners across Peninsular Malaysia and East Malaysia, and supported their work in reaching out to B40 communities to offer a helping hand. All HEINEKEN Malaysia employees played a part to support this effort as every 1,000 steps an employee made during the period of July to December 2021 equaled 1 meal being provided for someone in need. Every step counts, every meal matters. We exceeded our target by collectively achieving 155 million steps during the period and this enabled us to channel more than 150,000 meals during the period. Additionally, during the December 2021 flood disaster that hit the Klang Valley and several other areas in Peninsular Malaysia, we activated HEINEKEN Cares to deliver more 100,000 meals and urgent care packages to flood victims, including a number of our own employees who were also badly affected.

We are the first company in Malaysia to fully balanced the water we use in or products, achieving 289% of our target balancing volume in 2021.

We are also proud of the positive impact made by our long-running Tiger Sin Chew Chinese Education Charity Concert (Tiger CECC) platform. After a pause in 2020 due to the pandemic, we brought Tiger CECC back in 2021 as a virtual concert, successfully helping to raise close to RM6 million for five schools. Since 1994, the Tiger CECC has raised more than RM361 million for schools across Malaysia, enabling the enhancement of teaching and learning environments through upgrade of facilities and amenities that has benefitted multiple generations of students who go on to contribute to Malaysia's growth.

In 2021, HEINEKEN Malaysia was accepted as one of the 54 members of the CEO Action Network (CAN), a closed-door peer-to-peer informal network of CEOs and Board members focused on sustainability advocacy, capacity building, action and performance. Through a dedicated Working Group, Workstreams and active members driving bespoke initiatives, CAN aspires to catalyse its members towards shaping future-ready and ESG-integrated business models and ecosystems. As a member, we are committed to engage with various stakeholders including our supply chain, regulators and policy makers, government, as well as our peers across various sectors to forge partnerships that are committed

Management Discussion & Analysis

to responsible business practices and sustainable development In the process, we will not only exchange industry best practices, but also share proven strategies and future proof ideas with CAN participants.

MANAGING OUR RISKS

Our approach to risk management is detailed in our Statement on Risk Management and Internal Control on page 64 to 70. The following table contains a general description of different areas of risks and actions undertaken by Management:

REGULATORY & TAX

We continue to engage the Government on key issues affecting the industry, in support of the country's growth ambition as well as recovery from the significant economic impact attributed to the ongoing global pandemic.

ILLICIT ALCOHOL

We fully support the Government's efforts in eradicating illicit alcohol, which represents a loss of revenue to both Government and Industry. We continue to work proactively to raise awareness about the dangers of illicit alcohol through engagements with relevant enforcement authorities, our trade partners and consumers.

GROWING SENSITIVITIES

We advocate responsible consumption. The Heineken® brand spends 10% of its media budget annually on promoting moderation and responsible consumption. Through our global partnership with F1, we reinforce a bold message – When You Drive, Never Drink. We also adhere strictly to the HEINEKEN Responsible Marketing Code to ensure that all promotional activities are respectful of cultural sensitivities.

SAFETY & SECURITY

We continue to increase awareness and practice of the HEINEKEN Life Saving Rules amongst our people. 100% of our employees and contractors are fully vaccinated against COVID-19, and we continue to conduct bi-weekly screening tests to minimise risk of workplace transmissions and clusters. We also continue practicing strict health and safety SOPs that ensure we create a safe workplace.

OUR OUTLOOK

We observed encouraging business recovery in the last quarter of 2021 when most states moved to Phase 4 of the National Recovery Plan and local tourism and food & beverage sectors started reopening. However, the Group remains cautious on the outlook for 2022 given the continual discovery of new COVID-19 variants.

In early 2022, the Omicron variant sparked a new wave of infections globally and Malaysia has not been spared, with new cases surging to a 7-day average of more than 30,000 cases per day in early March. The Government has proactively encouraged the population to receive booster doses of the vaccine and at the time of writing, this strategy appears to be succeeding in keeping hospitalisations relatively low with the majority of cases demonstrating mild symptoms only.

The Government has further announced that Malaysia will begin its transition to the endemic phase in April 2022. This represents light at the end of the long tunnel and with the gradual reopening of international borders and revival of international tourism, Malaysia's hospitality and food & beverage sector is expected to accelerate further recovery after two extremely challenging years. Having said that, pubs and nightclubs continue to be on the negative list in the endemic phase. In this regard, we will support the industry through continued engagement with the Government to address any remaining concerns.

The adverse impacts of the pandemic on the global supply chain are expected to pose continued challenges to the industry. The rise in prices for commodities and services, coupled with logistics constraints are factors that could drive higher input costs.

The Group welcomes the stance taken by the Government not to increase excise duties on beers and stouts in its Budget 2022, as any hike in excise rates will drive greater demand for illicit alcohol. HEINEKEN Malaysia remains committed to support the Government to stamp out illicit trade through holistic efforts including strengthening enforcement and raising greater awareness in the market.

The Government's one-off tax of 33% on taxable income above RM100 million in 2022 is another factor that will impact the Group's bottom line in FY22.

Management Discussion & Analysis

In 2021, we launched our EverGreen strategy with the goal to future-proof the business, adapt to new external dynamics and emerge stronger from the COVID-19 crisis. EverGreen is a bold strategy to deliver superior and balanced growth and the next evolution of our HEINEKEN business.

Our EverGreen priorities are as follows:

OUR 2022 FOCUS

DRIVE SUPERIOR GROWTH

- With consumer centricity, we shape and lead the premium category and continue investing behind our brands.

FUND THE GROWTH, FUEL THE PROFIT

- Cost and value to drive efficiency to enable reinvestments into our brands and business.

RAISE THE BAR ON SUSTAINABILITY AND RESPONSIBILITY

- Full commitment to deliver on our ambition to become net zero carbon in our productions by 2030 and the full value chain by 2040.

BECOME THE BEST CONNECTED BREWER

- Accelerate digital and technology to create a Unified Customer Ecosystem with a customer and consumer-first approach.

UNLOCK THE FULL POTENTIAL OF OUR PEOPLE

- Promote a high-performance culture that boosts our strategic capabilities, nurture the best talents, and foster an organisation where people thrive.

ACKNOWLEDGEMENTS

I would like to welcome Christiaan Johannes Folkerts (Karsten) who joined us in June 2021 as Finance Director, replacing Szilard Voros who has left the HEINEKEN Group. Prior to joining us, Karsten was Head of Finance, Procurement and Digital & Technology for HEINEKEN's business in the Philippines. He joined the HEINEKEN Group in 2007 as a Finance Management Trainee and has taken on on increasingly senior roles in HEINEKEN's businesses in the Netherlands and Brazil. I take this opportunity to thank Szilard for his contributions to the Group.

I would also like to thank Aileen Aumentado who supported us as Interim Human Resources Director for five months from December 2020. In April 2021, we welcomed Victoria Ang as our new People Director. Victoria brings on board more than two decades of experience in the HR field having worked with American and European organisations in sectors including consumer goods, manufacturing as well as shared services.

The past two years have been extraordinarily challenging. I would like to also put on sincere appreciation to our shareholders, business partners, customers, consumers and most importantly our employees who have persevered through this storm together and now emerge stronger than ever. Striving to win in the market, our One Strong Winning Team will continue to be driven by our purpose – to brew the Joy of True Togetherness to inspire a better world.

Thank you.

Roland Bala
Managing Director
15 March 2022

Brand Highlights

36 Putra Brand Awards
since 2010

PUTRA BRAND AWARDS

Cheers To Yet Another Triple Win At Putra Brand Awards 2021

HEINEKEN Malaysia's world-class brands continued its winning streak, seizing three outstanding accolades at the Putra Brand Awards 2021. It was yet another triple win as Heineken® and Tiger Beer won Gold, while Guinness achieved Silver. These new wins bring the total awards tally to 36 since the inception of the Putra Brand Awards.

Despite the challenges in the external environment, we continued to invest behind our brands and stay connected with our customers and consumers whilst adapting to the new normal. This achievement was made possible by the team at HEINEKEN Malaysia and our business partners who demonstrated resilience, courage, commitment, and passion to ensure we delivered the best to our consumers.

By putting our consumers at the centre, we enabled the creation of innovative, meaningful, and exciting campaigns. The pandemic challenged existing norms and pushed us to be more creative as we strived to connect with consumers whilst delivering premium, world-class experiences just as we have been known to do.

Brand Highlights

Heineken®

World's No.1 International Premium Beer Brand

Heineken® - Enjoy the rivalry of UEFA Euro 2020™

Heineken®, the proud official beer partner of UEFA Euro 2020™, encouraged fans to join in the fun with its new campaign 'Enjoy the Rivalry'. After more than a year of waiting, UEFA Euro 2020™ finally took place from 12 June to 12 July 2021. Accompanying the campaign is a range of Limited-Edition Heineken® UEFA Euro 2020™ bottles and cans, featuring the flags of participating teams. Available in special combo packs at participating supermarkets, hypermarkets, convenience stores and on Drinkies, HEINEKEN Malaysia's e-Commerce platform, where exciting promotions and special bundles included Limited-Edition jerseys, football scarves and official Heineken® glassware.

Heineken® 0.0 Dry March – Enjoy Guilt Free March

After the exciting holiday and festive season when many indulged in food and drinks after overindulging in food and drinks, Heineken® 0.0 helped consumers take a step back and refresh with the Heineken® 0.0 Dry March campaign. Taking inspiration from the popular global trend of Dry January where consumers give up alcohol for a month, Heineken® 0.0 encouraged Malaysian consumers to adopt a balanced lifestyle by having their own Dry March. To keep consumers motivated, Heineken® 0.0 partnered with local fitness instructors and a celebrity chef to curate a series of virtual activities to enjoy with a can of ice cold Heineken® 0.0.

#PerfectWithHeineken Festive Campaign

In conjunction with the year-end festive period, Heineken® launched the #PerfectWithHeineken campaign to elevate festivities and make celebrations perfect. Consumers were asked to share their #PerfectWithHeineken Wishlist and winners got to experience unique celebrations with friends and family, accompanied by the Artificial Intelligence (AI) beer companion - Heineken® Beer Outdoor Transporter (B.O.T.), an autonomous robot cooler that utilises AI and motion sensor technology to transport Heineken® beer and follow its user wherever they go.

Tiger Beer

World-acclaimed iconic Asian beer

'Bring on the ONG' Chinese New Year Festive Campaign

Tiger's 'Bring on the ONG' campaign welcomed the year of the Ox with an exciting and rewarding nationwide promotion, giving loyal consumers RM1,000,000 worth of prizes up for grabs, including RM18,888 'ONGsome' cash Ang Pows, among others. Tiger also launched limited edition festive cans. The collectible cans in auspicious colours of red and gold were designed with the Chinese greeting 'Wang Shi Ru Yi' symbolising prosperity. Throughout the campaign period from January to mid-February, various promotions and contests were activated across channels in participating restaurants, coffeeshops, supermarkets, convenience stores, as well as through HEINEKEN Malaysia's e-Commerce platform Drinkies.

'Xperience The Xtraordinary' With Tiger Street Food

Due to ongoing social restrictions, the Tiger Street Food Virtual Festival was held again, this time bringing together streetwear, street food and many new exciting features for the virtual festivalgoers. As part of Tiger's consistent efforts to support the local street food scene, over 100 street food vendors took part in the festival. Fans could enjoy their favourite street food dishes paired with Tiger Beer and Tiger Crystal, all delivered to their doorsteps. Breaking the boundaries of street food, the brand also partnered with Malaysian streetwear brands to curate limited-edition streetwear apparels specially for this virtual festival. The six-week-long campaign featured many other attractive promotions available for fans outside of the virtual festival too, including rewarding Tiger Beer consumers with exclusive vouchers of food delivery platforms to drive support towards street food vendors.

Uncage Your Inner Fire with Tiger Crystal

Tiger Crystal – crystal cold refreshment, brewed for your fire, is all about inspiring fans to uncage their inner fire. Tiger Crystal launched the #FireStarter platform to encourage fans to explore and discover new skills and passions with confidence. Featuring local mentors, surfskate pro Aaron Chan, Don Michael of Happyfingers Jumps, Meng from All Is Amazing and Mavic from Craft at No.7, the #FireStarterSquad welcomed fans to learn tricks of the trade and master the basics from them. To keep the fire burning and to put the skills learnt to the test, each mentor ran a contest on their respective Instagram pages to give away an exclusive Tiger Crystal Fire Starter Kit, for fans to kick start their new passion.

Brand Highlights

Guinness

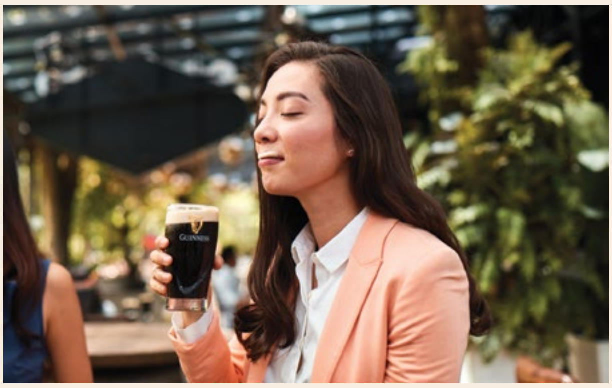
No.1 Stout in Malaysia and the world over

Add joy to Mid-Autumn Festival with Guinness Mooncakes

Just in time for the Mid-Autumn Festival, local bar chain The Beer Factory (TBF) and Malaysia's favourite stout, Guinness, partnered once again to create the limited-edition Guinness Snowskin Mooncakes. Wrapped up in a velvety black snowskin, Guinness Mooncakes set themselves apart with deep roasted flavours of Guinness and chocolate-infused lotus paste with an alcohol-infused golden bean paste centre, creating a rich and indulgent treat. Exclusively available at selected TBF outlets across Peninsular Malaysia, the Guinness Snowskin Mooncakes were housed in a premium presentation box of black and gold layering, making it an ideal gift for Guinness-lovers.

31 Days of St. Patrick's Celebration with Guinness

Guinness gave consumers a chance to celebrate all last year's missed occasions this St. Patrick's month. For 31 days in a row in March, Guinness spread joyful St. Patrick's spirit to its fans in Klang Valley and Penang with the Guinness St. Patrick's Celebration Kits, which were curated exclusively for fans to catch up on their missed celebrations. Each kit is carefully curated with a dash of Guinness and St. Patrick's elements to it. Guinness partnered with various vendors across the Klang Valley and Penang to create these masterpieces, namely myBurgerLab with Tipsy Boar, Coley, Makhan By Kitchen Mafia, The Ice Cream Bar and Anniekins Cakehouse in the Klang Valley as well as Mish Mash, Cake By X and Three Tiers Ice Cream in Penang. Besides that, also available at participating outlets nationwide was a free limited-edition Guinness tumbler with any purchase of Guinness Draught or Guinness Foreign Extra Stout all through March.



Guinness is Ready When You Are

When the lockdown was lifted, restaurants were finally able to welcome guests back for dine-in. Guinness gave family and loved ones an opportunity to reconnect post lockdown through its 'Ready When You Are' campaign. Whenever they are ready, fans will finally be able to reunite with friends, family and loved ones at their favourite outlets, while catching up with long-overdue conversations. Doing all that with a glass of fresh, cold, smooth and creamy Guinness in hand is the perfect commemoration to all those months of waiting. Guinness brought back the renowned STOUTie machines to selected partner restaurants and bars where consumers can print their selfies on top of a cold and creamy glass of Guinness.

Edelweiss

The premium wheat beer born in the Alps

New Brand Launch: Edelweiss, the premium wheat beer

In June 2021, HEINEKEN Malaysia launched the latest addition to its portfolio of award-winning beers and ciders – the premium wheat beer Edelweiss. Born in the Alps, Edelweiss offers a fresh, contemporary twist to a centuries-old wheat beer.

Edelweiss is brewed with all-natural ingredients and a unique blend of mountain herbs, it is easy to drink with a refreshing finish and a subtle, fruity aftertaste. It is a smooth wheat beer with a distinctive golden cloudiness.

Edelweiss is available across Peninsular Malaysia in bottles, cans and on draught. Stylish and beautifully designed, the new Edelweiss Blade machine is a countertop draught dispenser, which serves Edelweiss at a crisp Alpine temperature of 2°C. With its "Brewlock" technology, BLADE delivers pints of Edelweiss through a keg of eight litres and keeps beer fresh for 30 days without the need to finish the keg in a single seating.

#FeelTheAlps in your City with Edelweiss

Edelweiss, the premium wheat beer born in the Alps, inspired fans to hit the refresh button and awaken their senses to enjoy life in a fun way whilst rediscovering their cities in a new light. Edelweiss kicked off the #FeelTheAlps journey by rallying various influencers share their inspirations on how they rediscovered their cities. Fans were invited to share their #FeelTheAlps experience in the comments section of Edelweiss' social media post, or take part in contests run by influencers and stand to get rewarded with exclusive prizes and Edelweiss experiences.

In conjunction with the campaign, Edelweiss took the Alpine experience to a whole new altitude by launching the first Edelweiss Flagship outlet – The Alps Bar in Genting. The modern and sophisticated bar was majestically decked out to depict the essence of the Alps, and a highlight was the breath-taking view experienced from the first floor of the bar that truly brought the #FeelTheAlps experience to new heights.

Brew A Better World

Over the past decade, we have been guided by HEINEKEN's global Brew A Better World sustainability strategy. This strategy has driven us to deliver on our commitment as a responsible and progressive brewer, working towards protecting our planet, growing our people and supporting local communities – all with a focus on delivering the United Nations Sustainable Development Goals (SDGs).

In our 2020 Annual Report, we had reported strong progress on all key indicators against our 2020 targets in the areas of protecting water resources, reducing CO_2 emissions, sourcing sustainably, advocating responsible consumption, promoting health and safety, and growing with communities. We know we can only thrive if our planet and communities thrive. For this reason, in 2021, we announced our Brew A Better World 2030 ambitions, a new set of ambitious commitments aimed at driving a positive impact on the environment, social sustainability and the responsible consumption of alcohol.

Our Brew A Better World 2030 ambitions are woven into the fabric of a balanced growth strategy, putting sustainability and responsibility front and centre as we write our next growth chapter. Our 2030 ambitions raise the bar across three pillars, nine ambition areas and 22 commitments.

Transparency is key and we have disclosed our sustainability efforts in line with the Global Reporting Initiative (GRI) and Climate Disclosure Project (CDP) for many years. In 2021, HEINEKEN Global committed to the World Economic Forum's (WEF) Stakeholder Capitalism Metrics and to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which aim to advance global efforts to improve quality and consistency of climate-related disclosures.

Brew A Better World

Sustainability Governance

In line with our Brew A Better 2030 sustainability commitments, we have refreshed our sustainability governance structure that comprises key stakeholders across various functions. HEINEKEN Malaysia's Sustainability Committee is chaired by the Managing Director, supported by a secretariat led by the Corporate Affairs & Legal Director, and comprising sponsors and area owners from functions across the business who are responsible for driving progress against our sustainability targets.

Board of Directors

Sustainability Committee Chairperson
Managing Director

Sustainability secretariat
- *Led by Corporate Affairs & Legal Director*
- *Managed by Head of Communications & Sustainability*
- *Advised by Process & Controls Improvement function*

ENVIRONMENTAL			SOCIAL			RESPONSIBLE		
Sponsors: Finance Director Supply Chain Director Corporate Affairs & Legal Director			Sponsors: People Director Corporate Affairs & Legal Director Digital & Technology Director			Sponsors: Marketing Director Sales Director Corporate Affairs & Legal Director		
Net Zero Carbon	**Circularity**	**Healthy Watersheds**	**Inclusion & Diversity**	**Fair & Safe Workplace**	**Community Impact**	**Always a Choice**	**Address Harmful Use**	**Make moderation cool**
▪ Net zero in production ▪ Net zero in value chain	▪ Zero waste in landfill ▪ Waste to Value	▪ Water Effeciency ▪ Water Circularity ▪ Water Stewardship	▪ Gender diversity ▪ Cultural Diversity ▪ Inclusive Leadership Training for managers	▪ Fair Wage ▪ Equal Pay ▪ Fair Living standards for 3rd party employees ▪ Zero Accidents	▪ Social Impact Initiative	▪ 0.0 (non alcoholic) options ▪ Transparent information on labelling	▪ Partnership in addressing harmful use	▪ 10% Media Spend to promote Responsible Consumption ▪ Employee engagement on Responsible Consumption
Area Owners: Supply Chain Corporate Affairs & Legal Procurement Safety, Health & Environment			Area Owners: People Function Procurement Safety, Health & Environment Corporate Affairs & Legal Marketing			Area Owners: Marketing Sales Corporate Affairs & Legal		

SPONSORS ROLE
- *Review quarterly progress of respective pillars in line with HEINEKEN's global Brew A Better World 2030 commitments*
- *Provide direction to respective area owners on roadmap towards achieving the targets*
- *Ensure sufficient resources to enable success in respective pillars*
- *Support people development with necessary competencies and coaching in respective areas*

Brew A Better World

Stakeholder Engagement

Our stakeholders are important to our sustainability journey. Through engagement and communication, we are able to work towards delivering our Brew A Better World commitments supported by cross-functional collaboration and partnerships with external stakeholders.

Brew A Better World

Our engagement with key stakeholders and communication strategies to address our materiality are as below.

WHO WE ENGAGE	HOW WE ENGAGE	OUR FOCUS	MATERIALITY
Regulators and Public Authorities	▪ Courtesy visits ▪ Dialogue sessions ▪ Workshops and training ▪ Regular scheduled meetings ▪ Round-table discussions ▪ Industry and F&B sector engagement via chambers of commerce and trade associations	▪ Industry issues ▪ Excise duty ▪ Licensing and regulatory matters ▪ Anti-contraband initiatives ▪ Support for business operations	Regulatory compliance Economic impact and tax Business continuity
Employees	▪ Online communication platform – Workplace by Facebook ▪ Employee Pulse Survey ▪ Employee Climate Survey ▪ Quarterly town halls ▪ Meetings with Union employees ▪ Flexible and open workspace ▪ Management Team meetings ▪ Leadership Team meetings ▪ Union Work-Site Committee engagements ▪ Department meetings ▪ On-boarding program for new employees ▪ Employee engagement get-togethers ▪ Annual Dinner ▪ Festive get togethers ▪ Inclusive Behaviours workshops	▪ Safety and health ▪ Alignment on business strategy, direction and goals ▪ Industrial relationship management ▪ Talent development ▪ Cross-function collaboration ▪ Employee engagement and team morale ▪ Employee wellbeing ▪ Productivity ▪ Addressing grievances ▪ Whistleblowing (SpeakUp) ▪ Responsible consumption	Responsible marketing and consumption. Human capital development Industrial relations Human rights
Suppliers	▪ Compliance with HEINEKEN Supplier Code ▪ Supplier meetings ▪ Vendor registration briefings/ requirements	▪ Safety and health ▪ Anti-bribery and corruption ▪ Cost and value	Product safety, quality and hygiene Regulatory compliance Human rights Supply chain management
Customer / Trade partners	▪ Trade partner engagements ▪ Distributor engagement sessions ▪ One-on-one engagements ▪ Joint business planning/ review meetings	▪ Business strategy and targets ▪ Identification of areas for improvement	Responsible marketing and consumption Regulatory compliance

Brew A Better World

WHO WE ENGAGE	HOW WE ENGAGE	OUR FOCUS	MATERIALITY
Media/Analysts	▪ Media briefings ▪ Media interviews ▪ Media visits ▪ Product launches ▪ Brand marketing campaigns	▪ Strategic direction and business performance ▪ Sustainability agenda ▪ Brand activities	Regulatory compliance Economic impact and tax Community investment and development Responsible marketing and consumption
Shareholders and investors	▪ Annual General Meeting ▪ Investor Relations enquiries ▪ Enquiries to Company Secretary ▪ Analysts and media briefings ▪ Investor calls/meetings ▪ Quarterly financial announcements via Bursa Malaysia ▪ Annual Reports ▪ Investor Relations section on corporate website	▪ Strategic direction and business performance ▪ Business strategy and targets ▪ Shareholders' returns ▪ Sustainability agenda	Economic impact and tax Responsible marketing and consumption Regulatory compliance
Industry associations	▪ Engagement session ▪ Dialogue sessions ▪ Regular scheduled meetings	▪ Industry issues	Regulatory compliance Economic Impact and Tax
Consumers	▪ Brand events ▪ Social media campaigns ▪ Product sampling ▪ Consumer research interviews and focus groups ▪ Virtual consumer engagements	▪ Brand campaigns and engagement activities ▪ Responsible consumption campaigns ▪ Product quality and freshness ▪ Consumer attitude and behaviour	Responsible marketing and consumption Product safety, quality and hygiene
Communities	▪ SPARK Foundation activities ▪ NGO partner activities ▪ Community engagement programmes ▪ Fundraising initiatives ▪ Community events	▪ Environmental conservation projects ▪ Water stewardship projects ▪ Fundraising for schools via Tiger Sin Chew Chinese Education Charity Concert ▪ HEINEKEN Cares community food aid programme	Community investment and development

Environmental Sustainability

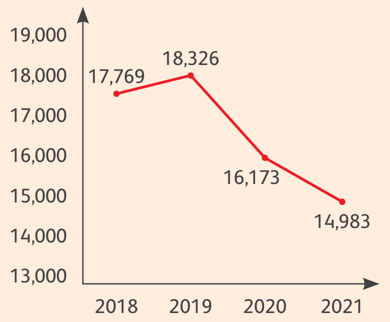
ENVIRONMENTAL SUSTAINABILITY	OUR 2021 PROGRESS	OUR BREW A BETTER WORLD GLOBAL COMMITMENTS
REACH NET ZERO CARBON EMISSIONS	15.7% reduction in CO_2 emissions compared with 2018 baseline	Net zero emissions in production by 2030
	Carbon footprint for emissions beyond our production being assessed with aim to identify suitable pathways to net zero across the value chain.	Net zero across the value chain by 2040 30% absolute reduction by 2030
MAXIMISE CIRCULARITY	Zero waste to landfill achieved since 2017.	Zero waste to landfill for all production sites by 2025
	Circularity strategy and targets under development.	Turn waste into value and close material loops throughout the value chain
TOWARDS HEALTHY WATERSHEDS	Fully water balanced since 2020. In 2021, we achieved 289% of our water balancing target.	Fully balance* water used in our products in water-stresssed areas * *For every 1 litre of water in our products, we aim to balance 1.5 litres of water through water stewardship projects.*
	Average water usage of 3.65 hl/hl. Efficiency of water use was impacted by the 11-week suspension of operations at the Sungei Way Brewery due to the Government's Movement Control Order.	Reduce average water usage to 2.6 hl/hl in water-stressed areas and 2.9 hl/hl globally
	100% of wastewater is treated beyond the standards required by the Department of Environment (DOE).	Treat 100% of wastewater of all breweries

Net Zero Carbon

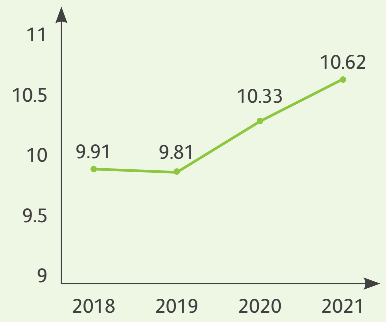
In 2021, we announced our target to reach net zero emissions in production by 2030. The main contributors to emissions in production are electricity consumption and thermal energy generation. During the year, the Sustainability Committee worked on a net zero roadmap that aims at reducing 50% of CO_2 emissions in production by the year 2025 compared with our 2018 baseline. Our decarbonisation strategy for the years ahead will bring together a combination of innovations and options that will increase the share of renewables in our energy mix, whilst aggressively improving energy efficiency to manage our consumption.

We are happy to report that the total CO_2 emissions in production at our Sungei Way Brewery in Petaling Jaya have reduced by 15.7% to a 14,983 tCO_2e compared with our 2018 baseline of 17,769 tCO_2e. Electricity consumption was marginally higher at 10.62 kWh/hl compared with 10.33/hl in 2020 due to the 11-week suspension of operations that impacted energy efficiency. Thermal energy efficiency improved by 5.5% to 69.2 mJ/hl in 2021 from 73.3 mJ/hl in 2020. This was attributed to the improvements in piping insulation that reduced losses significantly.

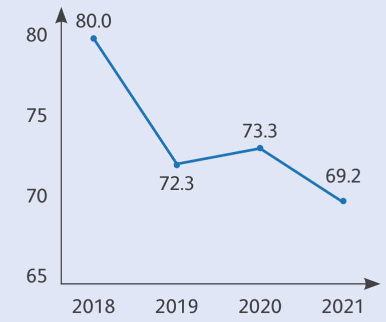
CO_2 emissions in production (tCO_2e)



Electricity Consumption (kWh/hl)



Thermal Energy (mJ/hl)



Environmental Sustainability

Zero Waste to Landfill

Since 2017, we have practiced zero production waste to landfill. We continue to recycle and upcycle production waste including spent grains, spent yeast, rejected malt, spent kieselguhr, and other materials including cartons, glass and mixed steel scrap. Such waste are managed responsibly through licensed waste management partners. In 2021, we generated a total of 23,834 tonnes of waste, of which 100% were recycled.

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23,834 tonnes
of waste, of which 100% were recycled.

Towards Healthy Watersheds

Water is a shared resource that must be protected. Based on projected demand, the world will face a 40% shortfall in freshwater supply within 10 years. HEINEKEN's water strategy is aimed at addressing our water vulnerabilities, especially in water-stressed areas. We believe our long-term impact will be created by adopting three key principles of our water triangle: Water Stewardship (restore watersheds to absorb more water), Water Circularity (treat wastewater and reuse water) and Water Efficiency (using as little water as possible).

100%
of wastewater treated beyond standards of DOE

Water Efficiency: Improved by
15.5%
since 2014 to 3.65 hl/hl.

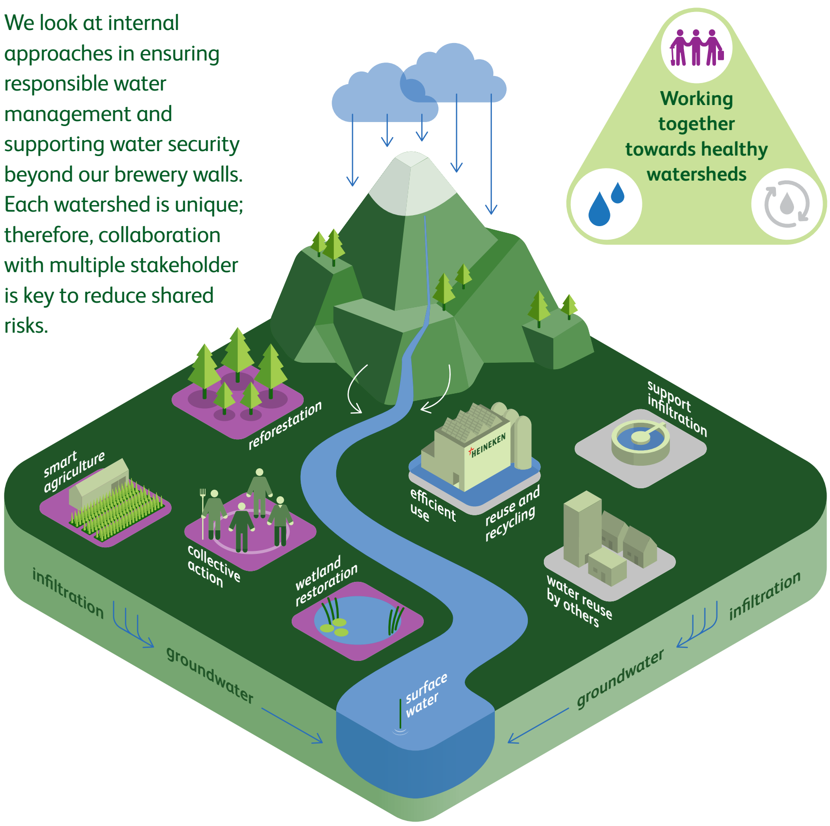
HEINEKEN BREW A BETTER WORLD RAISE THE BAR 2030

Our 2030 water strategy, Towards Healthy Watersheds, looks beyond traditional water metrics and prioritises the health of local watersheds, especially in water-stressed areas.

Our Commitments

Water **Effeciency**	Water **Circularity**	Water **Balancing**
Reduce average water usage to 2.6hl/hl in water-stressed areas and 2.9 hl/hl worldwide by 2030	Treat 100% of wastewater of breweries by 2023 Maximise reuse and recycling in water-stressed areas by 2030	Fully balance water used in our products in water-stressed areas by 2030, through water balancing programme and collective action

We look at internal approaches in ensuring responsible water management and supporting water security beyond our brewery walls. Each watershed is unique; therefore, collaboration with multiple stakeholder is key to reduce shared risks.



Environmental Sustainability

Water Stewardship

Our goal is to balance the equivalent amount of water used in our products by investing in water stewardship projects that conserve our watersheds. For every 1 litre of water in our beers and ciders, we have a target to balance 1.5 litres of water in the environment. We reached this goal in 2020 and we are happy to report that we have maintained this achievement in 2021, balancing 289% of the targeted volume during the year. Our water balancing volumes are quantified and verified in line with the Volumetric Water Benefit Accounting (VWBA) framework by the World Resources Institute. The volumetric benefit evaluation is independently verified by LimnoTech, a leading water sciences and environmental engineering firm based in the United States.

Our key projects include:

- Rehabilitation and conservation of Sungai Way, a river that flows adjacent to our brewery in Petaling Jaya
- Construction and maintenance of a 305-metre clay dyke at the Raja Musa Forest Reserve
- Installation and maintenance of rainwater harvesting systems for communities in Selangor
- Reforestation of degraded peatland at the Raja Musa Forest Reserve

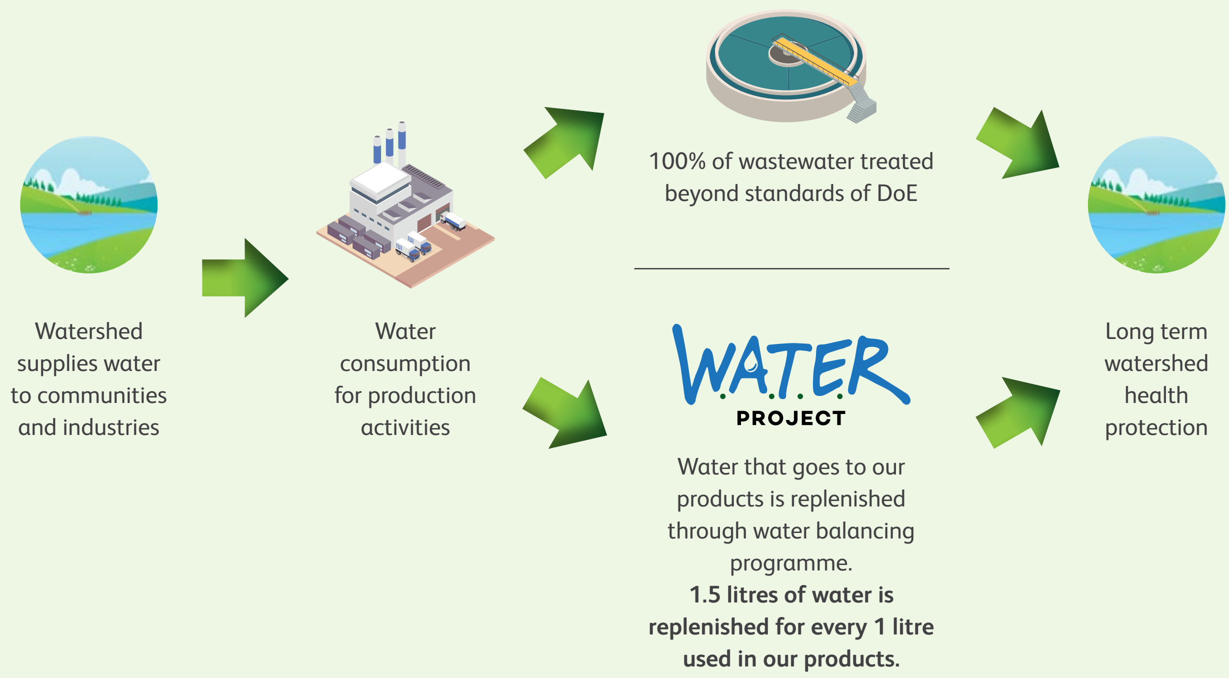
HEINEKEN Malaysia Target:

Balance Volume (m^3) = Water Intake (m^3) – Treated Effluent (m^3)

Balancing amount to be more than water used in our products

1 litres of water per litre produced plus unavoidable losses from evaporation and moisture included in by products like spent grains (~0.5 litre per litre)

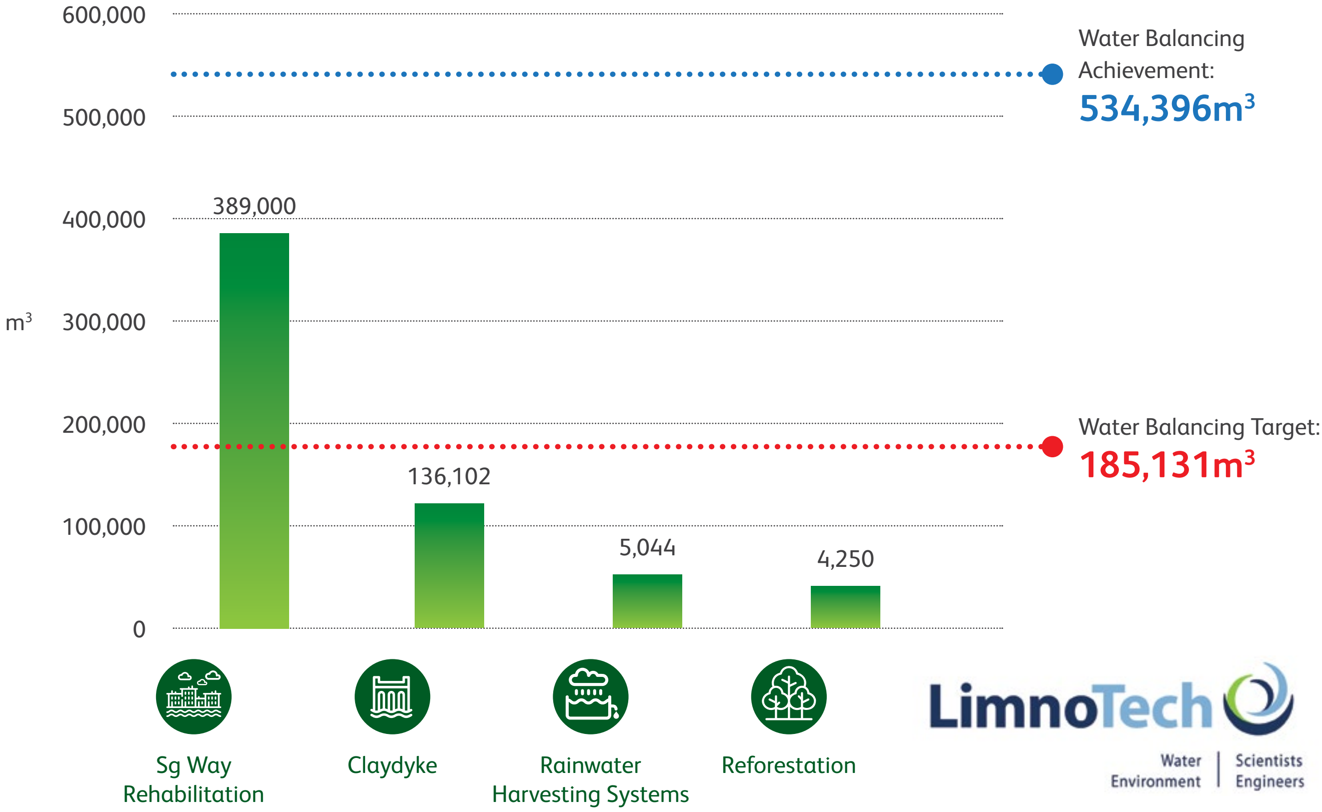
Target Water Balancing 2020 (1.5 x water used in our products)



Environmental Sustainability

2021: Achieved 289% of target water balancing volume

2021 Water balancing achievement through Water Stewardship initiatives



Water Balancing volumes are measured & quantified in line with the Volumetric Water Benefit Accounting (VWBA) framework by the World Resources Institute.

HEINEKEN Malaysia's water balancing volumetric benefit evaluation is independently verified by LimnoTech, a leading water sciences and environmental engineering consulting firm based in the United States.

Sungai Way River Rehabilitation

WHERE

Sungai Way river

Petaling Jaya

WHY

Located next to HEINEKEN Malaysia's Sungei Way Brewery, this is where our **treated wastewater is discharged**

WHAT

Transformed water quality from Class IV-V (extremely polluted) to Class III (suitable for living organisms)

HOW

- Pollution reduction: point source mapping, rubbish traps, solid waste monitoring
- Water quality improvement: food oil grease (FOG) traps systems and biological treatment
- River within river concept/Constructed wetlands to improve quality of water in the river

RESULTS

Reduction in pollution

- Improved habitat and biodiversity

VOLUMETRIC WATER BENEFIT

389,000 m³

(389 million litres)

Construction of Clay Dyke for Water Retention

WHERE

Raja Musa Forest Reserve

Hulu Selangor

WHY

Sungai Selangor watershed as a key water resource

WHAT

Constructed **305-metre clay dyke** at Raja Musa Forest Reserve

HOW

- Built 4-5 meters vertical wall of clay below the peat surface to prevent peatland fires by promoting wetter soil conditions
- Blocks water flow from the peatlands into disused mining ponds, effectively raising the water table in the areas up-gradient to the dyke

RESULTS

- Increase in soil water retention
- Decrease in the risks of peatland fires
- Restoration of peatland, contributes to the long-term sustainability of the watershed

VOLUMETRIC WATER BENEFIT

136,102 m³

(136 million litres)

Rain Water Harvesting for Local Communities

WHERE

Klang Valley

WHY

Help communities

get access to alternative water sources to reduce reliance on treated water

WHAT

Rainwater Harvesting System

consists of an interconnected rooftop area that serves as a catchment for the rainwater and storage tanks to collect and store rainwater

HOW

- The rainwater collected serves as non potable water supply including cleaning, landscaping and irrigation
- Increase water availability in the local community to reduce wastage on treated water and stress on our water resources

RESULTS

- Reduced demands on treated water source
- Rainwater harvesting systems are linked to 10 community farming projects which helps in supplementing income and food

VOLUMETRIC WATER BENEFIT

5,044 m^3

(5 million litres)

Reforestation of Degraded Peatland

WHERE

Raja Musa Forest Reserve

Hulu Selangor

WHY

Prevent peatland fires

by promoting wetter soil conditions

WHAT

600 trees planted

and maintained on one hectare of degraded peatland. In December 2021, we reforested an additional 1-hectare of degraded peatland. The water benefit from this additional 1-hectare will be accounted for the year 2022.

HOW

- **Open planting techniques**
- **Cleared invasive weeds and plants**

RESULTS

- Offsets 2,000 tonnes of soil carbon
- Prevent further degradation of the peat
- Increased soil water retention

VOLUMETRIC WATER BENEFIT

4,250 m^3

(4 million litres)

Social Sustainability

SOCIAL SUSTAINABILITY	OUR 2021 PROGRESS	OUR BREW A BETTER WORLD GLOBAL COMMITMENTS
EMBRACE INCLUSION & DIVERSITY	50% women in HEINEKEN Malaysia's Management Team.	Gender balance: 30% women across senior management by 2025 40% women across senior management by 2030
	80% of people managers trained in inclusive leadership.	100% people managers trained in inclusive leadership by 2023
A FAIR & SAFE WORKPLACE	100% assessments completed.	Fair wage for employees: close any gaps by 2023
	100% assessments completed and action plan defined.	Equal pay for equal work: assesssments and action by 2023
	1 accident, 0 fatalities in 2021. Continual trainings on HEINEKEN Life Saving Rules to increase awareness and compliance amongst employees and contractors.	Create leadership capacity to drive zero fatal accidents and serious injuries
POSITIVE IMPACT IN OUR COMMUNITIES	2 social impact initiatives: - Tiger Sin Chew Chinese Education Charity Concert - HEINEKEN Cares community food aid programme	A social impact initiative in 100% of markets by 2030

Embrace Inclusion & Diversity

At HEINEKEN, we believe that embracing inclusion and diversity sparks joy and fosters a sense of true togetherness. Our core value of care for people drives us to seek deeper connection with our increasingly diverse employees, consumers and customers. We employ, reward and promote, based on the principle of equal opportunity. We are building an inclusive culture, ensuring our people feel a strong sense of belonging, providing fair and progressive policies as well as listening and dialogue sessions.

In 2021, we trained 80% of our people managers on inclusive leadership behaviours and we are on-track to ensure 100% of people managers are trained by 2023. To foster a culture of inclusion, functional leaders were supported by I&D Ambassadors who listen directly to employees to understand views and inspire action.

Despite the continued challenges of COVID-19 restrictions, we kept our One Strong Winning Team engaged throughout the year, leveraging digital platforms during times of lockdown and bringing back certain physical gatherings whilst observing strict SOPs on testing and social distancing. Our office-based teams continued working on a hybrid, split-teams arrangement to allow everyone back to the office on a rotation basis, whilst ensuring we continued minimising the risk of workplace transmission and the formation of workplace clusters. The results of our 2021 Climate Survey indicate that our people have adapted well to this new normal.

80%
of People Managers trained on Inclusive Leadership

Climate Survey Scores 2021:

Employee Engagement
84%
(+2% vs 2020)

Performance Enablement
80%
(+2% vs 2020)

Social Sustainability

In terms of gender balance, HEINEKEN Malaysia has a 57:43 male to female ratio at the Board of Directors level, exceeding the 30% target set by the Government. We have a Management Team that has 50:50 representation, whilst middle to senior managers have a 55:45 male to female ratio.

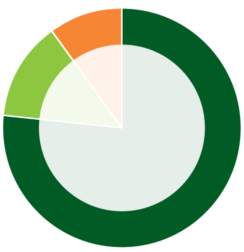
GENDER BALANCE:

Board of Directors	57:43
Management Team	50:50
Middle to senior managers	55:45

AGE GROUP

By age	No. of employees
>55	35
50-55	59
40-49	152
30-39	209
25-29	51
<25	4

LONG SERVICE AWARDS



10 years	23
25 years	4
35 years	3

A Fair & Safe Workplace

Safety continues to be a key priority at HEINEKEN Malaysia. In support of the Government's drive to vaccinate the population against COVID-19, we encouraged all employees and contractors to be fully vaccinated through the National COVID-19 Immunisation Programme (PICK), the Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS), or the AstraZeneca Voluntary Opt-in Programme.

In addition to this, we have been implemented a rigorous process to proactively screen for and prevent the spread of COVID-19 at the workplace. 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 a 23.72-acre site and allowing physical distancing of at least 10 metres between operators. With no visitors allowed to our brewery, we effectively created a workplace bubble comprised of essential workers who are critical for production operations. This method ensured zero workplace cluster during the year and demonstrated that our industry can indeed operate safely.

100% Vaccinated

Zero Workplace Cluster

Social Sustainability

Our employees are also educated on the HEINEKEN Life Saving Rules, which set out clear and simple 'Do's' and 'Don'ts' for our highest risk activities. These rules must be followed by employees across our operations. In 2021, although we had no fatalities, we reported one accident involving an employee. Although this is an improvement compared with the 9 accidents recorded in 2020, we are still committed to ensure zero accidents and ensure the wellbeing of every individual.

Positive Impact in our Communities

As a responsible and progressive brewer, we work to be a positive force for change. Our business cannot thrive unless the communities we operate in thrive also. Our biggest contribution to the social and economic well-being of communities is through our core business – the jobs we create, the businesses we support and the taxes we pay.

1 Brewery in Petaling Jaya

13 sales offices nationwide

Provides ***>500*** jobs directly

Supports ***>30,000*** jobs indirectly

Contributed ***RM1.14 billion*** in taxes

Social Sustainability

Tiger Sin Chew Chinese Education Charity Concert

After a pause in 2020 due to the COVID-19 pandemic, our long-standing social impact project Tiger Sin Chew Chinese Education Charity Concert returned in 2021 as a virtual event, successfully raising RM5.96 million for five schools. Since 1994, Tiger Beer together with Sin Chew Daily and Guang Ming Daily have helped to raise more than RM361 million for schools in Malaysia. The concerts and events, which are sponsored by Tiger Beer, become a platform for local businesses and communities to come together and raise funds to help schools improve their facilities.

HEINEKEN Cares

150,000
meals for communities in need

100,000
care packages for flood victims in December 2021

In 2021, we launched the HEINEKEN Cares programme, pledging 150,000 meals to vulnerable communities across Malaysia to help mitigate the negative impacts of a prolonged COVID-19 lockdown. The pandemic had taken a toll on many communities, leaving many families without stable income to obtain food and other basic needs. In this challenging period, we reached out with a helping hand to support those in need. The HEINEKEN Cares programme, which connected employee wellness with community purpose, encouraged all HEINEKEN Malaysia employees to take action as every 1,000 steps taken by an employee from July to December 2021 equaled 1 meal for someone in need. In total, HEINEKEN Malaysia's employees exceeded the 150 million steps target by recording a total of 155 million steps during the period.

The HEINEKEN Cares programme was administered by SPARK Foundation, which is HEINEKEN Malaysia's CSR arm. The programme brought together eight organisations across Malaysia in a joint effort, including Epic, Dialogue Includes All, PWD Smart FarmAbility, Soroptimist International Damansara, and the Make It Right Movement in Peninsular Malaysia. In East Malaysia, food aid was channeled through Hope Place Kuching in Sarawak, as well as Kupikupi FM and Hopes Malaysia in Sabah. The type of food aid generally includes cooked meals, groceries, fresh vegetables and fish, and other essentials depending on the needs of the different local communities.

In December 2021, during the flood disaster that hit the Klang Valley and several other areas in Peninsular Malaysia, an additional 100,000 meals and emergency care packages were delivered via our community partners in the Klang Valley. A number of HEINEKEN Malaysia's distributors and industry partners, including the Malaysian International Chamber of Commerce & Industry (MICCI) and the Sarawak Chamber of Commerce & Industry (SCCI), donated graciously to support this urgent effort to bring relief to thousands of flood victims.

Responsible Consumption

RESPONSIBLE CONSUMPTION	OUR 2021 PROGRESS	OUR BREW A BETTER WORLD GLOBAL COMMITMENTS
ALWAYS A CHOICE	Heineken® 0.0 is available in Malaysia since 2019.	A zero-alcohol option for two strategic brands in the majority of our markets
	100% of products disclose clear and transparent consumer information* on our website.	100% of products to include clear and transparent consumer information*
ADDRESS HARMFUL USE	Currently being explored.	100% of markets in scope to have a partnership to address alcohol-related harm
MAKE MODERATION COOL	Over 10% of Heineken® media spend invested in responsible consumption campaigns globally.	10% of Heineken® media spend invested in responsible consumption campaigns annually

* consumer information includes ABV, calories, ingredients, allergens, nutrient information and harm reduction symbols

We are committed to create a responsible consumption culture. As a brewer, we believe that our products should be enjoyed responsibly and in moderation. Since 2012, HEINEKEN has been one of the signatories of the Beer, Wine and Spirits Producers' Commitments to Reduce Harmful Drinking. We continue leading the effort in engaging and educating our customers and consumers on enjoying beers and ciders responsibly. The Heineken® brand dedicates 10% of media spend globally to promote responsible consumption campaigns. This investment includes the 'When You Drive, Never Drink' programme, which leverages the reach and appeal of the Heineken® brand to to help change attitudes and behaviours and reduce drink driving around the world.

Our Responsible Marketing Code

Our commitment to advocate responsible consumption is supported by a stringent and comprehensive Responsible Marketing Code (RMC). To help ensure our brands communicate ethically and enable consumers to enjoy our beers and ciders responsibly and in moderation, we have a process in place where all marketing materials are reviewed according to the eight principles below:

1. We do not primarily appeal to minors
2. We actively restrict exposure of our branding to minors
3. We are always legal, ethical and truthful
4. We advocate drinking responsibly, driving responsibly and general safety
5. We do not associate our brands with anti-social behaviour of over-consumption
6. We never claim that consuming our brands leads to social or sexual success or enhanced performance
7. We are committed to our brands being part of a healthy lifestyle
8. We are progressive about cultural context and its evolution

Responsible Marketing Code Approval Process Flow:

External agency develops marketing material → Reviewed by brand team → Verified by Marketing Manager → Signed off by Head of Communications & Sustainability → Signed off by Senior Legal Manager → Signed off by Marketing Director

Awards & Recognitions


SBA my Sustainable Business Awards Malaysia

Brought to you by: global initiatives

Highly Commended

HEINEKEN

For the strength and quality of their sustainability programs and progress vis-a-vis peers
Sustainable Business Awards Malaysia 2020/21

Presented on 23rd September 2021

Shefali Chaddha,
Executive Director & Chief Operating Officer,
Global Initiatives

Knowledge partner: pwc
Supported by: wbcsd, bcsd Malaysia, MIGHT, novelusion, thought for food, Green Growth, The Malaysian Reserve

SUSTAINABLE BUSINESS AWARDS 2021

HEINEKEN Malaysia received the Highly Commended Award at the Sustainable Business Awards (SBA) 2020/2021 for the third consecutive year, an award series committed to sustainability, which comprehensively assesses corporate sustainability programmes across areas including sustainability strategy, community, energy and water management, supply chain, business responsibility and ethics, and contributions towards the UN SDGs, among others.

ASIA RESPONSIBLE ENTERPRISE AWARDS 2021

HEINEKEN Malaysia won the Green Leadership Award at the Asia Responsible Enterprise Awards (AREA) 2021 for its water stewardship efforts that culminated with the achievement of balancing more than 100% of the water used in its products in 2020.

SUSTAINABILITY & CSR MALAYSIA AWARDS 2021

For the fourth time since 2017, HEINEKEN Malaysia was recognised for its excellence in social and environmental sustainability, winning the Company of the Year award in the Manufacturing & Beverage Category in recognition of efforts towards supporting micro-businesses and enterprises during the pandemic as well as our water stewardship initiatives that enabled us to reach reach more than 100% water balanced, 10 years ahead of our 2030 commitment.

Corporate Governance Overview Statement

The Board of Directors (the Board) of Heineken Malaysia Berhad (HEINEKEN Malaysia or the Company) firmly believes that commitment to good business ethics and corporate governance (CG) is essential to the long-term sustainability of the business and performance of the Company and its subsidiaries (the Group). The Company supports the principles of good governance and the recommended practices provided in the Malaysian Code on Corporate Governance (MCCG).

Financial year 2021 (FY2021) was another challenging year when COVID-19 pandemic continued to impact the global and domestic economy resulting a slowdown in economic recovery. Despite the challenging economic environment, the Board remained focus on building resilience by providing an effective stewardship whilst continuing its commitment in maintaining high CG standards and embracing a responsible business culture throughout the Group. This has enabled the Group to deliver a solid and sustainable performance for FY2021.

The Board is pleased to present this statement to provide shareholders and investors with an overview of the CG practices applied by the Company during FY2021. This overview makes reference to the following key CG principles and the recommended practices as set out in the MCCG and it should be read in conjunction with the Audit & Risk Management Committee Report, Statement on Risk Management and Internal Control, Sustainability Review and the Corporate Governance Report (CG Report) for FY2021 which is available on the Company's website https://www.heinekenmalaysia.com/corporate-governance/

Principle A	Principe B	Principle C
Board Leadership and Effectiveness	Effective Audit and Risk Management	Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

As of the date of this statement, the Company has complied in all material aspects with the principles and has applied all recommended practices including two of the step-up practices in the MCCG with the exception of the following practices:

Practice 1.4	Chairman of the Board should not be a member of the Nomination & Remuneration Committee
Practice 5.2	For Large Companies, the Board comprises a majority independent directors
Practice 5.3	Tenure of an independent director does not exceed nine years
Practice 6.1	For Large Companies, the Board engages independent experts at least every three years, to facilitate objective and candid board evaluations
Practice 8.2	Disclosure on a named basis the top five (5) senior management's remuneration in bands of RM50,000

The details of how the Company has complied with the MCCG principles and applied the CG practices and the explanation on the departed practices are outlined in the CG Report 2021. The Board will continue its commitment to provide effective leadership and promote ethical standards by ensuring good governance principles and practices are adhered to throughout the Group.

PRINCIPLE A
BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is collectively responsible for defining the Group's strategic direction and overseeing the conduct of the Group's businesses and the management effectiveness. It takes into consideration the interests of all stakeholders in its decision-making to ensure the Group's objectives of creating long-term sustainable value for the benefit of our stakeholders are met.

The Board is also responsible to set the corporate values and promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior and ensure that its obligations to shareholders and other stakeholders are met.

The Board is guided by its Charter which sets out the purpose, composition, key roles and principal responsibilities as well as the internal procedural matters for the Board. The principal responsibilities of the Board are in line with that provided in the MCCG. The Board Charter serves as a source of reference for Board members to assist them in discharging their fiduciary duties as Directors.

The Board Charter is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has in place a governance framework where specific powers of the Board are delegated to the relevant Board Committees and the Managing Director and his team. The governance framework is depicted as follows:

Corporate Governance Overview Statement

The Board is supported by the Audit & Risk Management Committee (ARMC) and the Nomination & Remuneration Committee (NRC), which are entrusted with specific responsibilities and authorities to review matters before tabling to the Board for approval. The Chairman of the respective Board Committees reports to the Board on matters deliberated and recommendations made by the Board Committees.

The roles of the Chairman and the Managing Director are held by separate individuals. The roles of the Chairman are defined in the Board Charter. The Managing Director, who is appointed by the Board, is primarily responsible for the day-to-day management of the business and operations of the Group, oganisational effectiveness and the implementation of the Group's strategies and policies approved by the Board. He is supported by the Management Team who is assisted by several functional committees that are tasked to oversee key operating areas.

The Board delegates the following responsibilities, with appropriate oversight, to the Management Team for meeting the defined corporate objectives:

- Implementing approved strategy and operating plans
- Managing the Group's business and operations
- Managing the Group's resources, cash flow and investments
- Evaluating risks and opportunities arising from changing market environment
- Ensuring compliance with applicable regulatory requirements.

The responsibilities and authorities of the Management Team are defined in the Statement of Authority approved by the Board.

There is a schedule of key matters reserved specifically for the Board deliberation and decision to ensure the direction and control of the Group are in its hands. The list of matters is provided in the Board Charter approved by the Board.

Board Meetings

The Board meets on a quarterly basis to review the Group's business and financial performance and discuss operational and industry issues as well as challenges impacting the Group. Additional meetings may be convened as and when necessary, to deliberate urgent and important matters. Directors may participate at the meeting remotely via a designated virtual meeting platform. In order to facilitate Directors and Management's planning for the whole financial year, meetings of the Board and the Board Committees are scheduled in advance before the commencement of each new financial year.

In 2021, the Board had four (4) meetings. The Finance Director and the Company Secretary are in attendance in every meeting whilst the other Management Team members are invited to attend the Board meetings at designated sessions for them to report and update on areas within their responsibility. The attendance of each Director at the Board meetings, was as follows:

Corporate Governance Overview Statement

Name	Designation	Attendance
Dato' Sri Idris Jala (Chairman)	Independent Non-Executive Director	4/4
Datin Ngiam Pick Ngoh, Linda	Independent Non-Executive Director	4/4
Roland Bala	Managing Director	4/4
Choo Tay Sian, Kenneth	Non-Independent Non-Executive Director	4/4
Seng Yi-Ying	Non-Independent Non-Executive Director	4/4
Lau Nai Pek (Appointed on 22 May 2021)	Senior Independent Non-Executive Director	2/2 #
Raquel Batallones Esguerra (Appointed on 1 September 2021)	Non-Independent Non-Executive Director	1/1
Yu Yu-Ping (Resigned on 31 August 2021)	Non-Independent Non-Executive Director	3/3
Martin Giles Manen (Retired on 21 May 2021)	Senior Independent Non-Executive Director	2/2

\# Attended one Board meeting by invitation as part of the transition process prior to his appointment

At Board Meetings, the Managing Director would lead the presentation to the Board and provide comprehensive explanation of the Group's strategy and priorities, business performance and other pertinent issues whilst the Finance Director would report to the Board on the Group's financial performance and matters related to the finance function. Other Management Team members would update the Board on activities and issues within their responsibility.

During the meetings, Directors are encouraged to participate in the meeting and share their views and insight in the course of deliberation. They are also encouraged to pose queries (if any) to Management prior to each Board Meeting to enable them to better prepare for the meeting. Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting on the respective resolution. Decisions of the Board are made by consensus.

The proceedings of all meetings, including issues discussed, decisions and conclusions including dissenting views made and whether any Director abstained from voting or deliberating on a particular matter at the meetings with required actions to be taken by responsible parties are documented in the minutes by the Company Secretary. In the intervals between Board meetings, Board's decisions or approvals for matters that are urgent or administrative in nature will be sought via circular resolutions which are supported with relevant information and explanations and the same applies to the Board Committees.

Access to Information

The Board emphasises on provision of timely and quality information by Management to facilitate effective deliberation and decision-making process. Prior to each meeting, a structured agenda together with management reports and proposals will be provided to the Directors at least five (5) days (or in any event not less than three (3) days) before the meeting. In order for meetings to be more effective, the meeting agenda is organised according to the priority of the matters / proposals to be deliberated with an indication to guide the Directors as to whether the matters are for approval, discussion or for notation purpose and time allocated for each agenda item in order for the meetings to be conducted efficiently.

All Directors have unrestricted access to the Management Team in that they may have informal meetings with the Management Team members to brief them on matters or major developments concerning the Group operations. The Board also has full access to information and the advice and services of the Company Secretary who is a Chartered Secretary and is qualified under the Companies Act 2016. The Company Secretary ensures the Directors are provided with adequate information and time to prepare for Board meetings. The Company Secretary also prepares minutes of meetings in a timely manner and provides advisory services to the Board on corporate administration and governance matters including compliance with relevant regulatory requirements.

Subject to the approval of the Board, the Directors, either as a group or individually may seek and obtain independent professional advice at the Company's expense on specific issues to assist them in discharging their duties effectively.

Directors' Professional Development

Directors are mindful of the needs to broaden their perspective and to keep abreast with developments in the marketplace as well as changes to the regulatory requirements in order to enhance their ability in discharging their duties and responsibilities more effectively. The Board, through its annual effectiveness evaluation, assessed the training needs based on feedback gathered from the Directors. From time to time, Directors may also request training on specific areas which may help in discharging their responsibilities. When necessary, learning sessions on particular topics which are relevant to the Group's business will also be organised for the Directors.

During FY2021, the Directors have attended various development and learning programmes on relevant topics

Corporate Governance Overview Statement

among others, leadership, corporate governance, sustainability, business management, information technology and security, risk management and legal.

Under the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), newly appointed Directors (if appointed for the first time in a listed issuer) are required to complete the Mandatory Accreditation Programme (MAP) within four (4) months from the date of appointment. The newly appointed Directors Mr Lau Nai Pek had completed the MAP prior to his appointment to the Board whilst Ms Raquel Batallones Esguerra has been granted an extension of time by Bursa Securities to complete the MAP in April 2022.

For newly appointed Directors, induction programme is arranged with the objectives of assisting them in the nature of business, business strategies, corporate structure and management functions as well as issues and challenges facing the Group and the industry. The Management Team members will present their respective area of responsibility with an overview of the key strategies and priorities of their function. As part of the induction programme, a brewery tour will also be arranged to provide greater understanding about the production processes. In 2021, induction sessions were conducted for the newly appointed Directors Mr Lau Nai Pek and Ms Raquel Batallones Esguerra.

Commitment to Integrity and Ethical Conduct

Establishing a culture of integrity and ethical in the organisation is essential in preservation of the Group's reputation and thereby increase the confidence of stakeholders. The Board continues to uphold good business conduct by ensuring there are adequate policies and procedures in place driven by the Management Team. Directors, officers, employees and business partners of the Group are required to observe and maintain high standards of integrity and ethical behaviour in the performance of their responsibilities or conducting business and to comply with relevant regulatory requirements and policies adopted by the Group, including those relating to anti-bribery and anti-corruption.

The Group has in place the following codes which outline its commitment to conducting business with integrity and fairness, respect for the laws, our values and our Company Manifesto - We are HEINEKEN; as well as the principles for ethical and business conduct expected from relevant stakeholders in their dealing with the Group.

HEINEKEN Code of Business Conduct (HeiCode)

The HeiCode has embedded 17 policies that covers all aspects of the Group's business operations, categorised under four (4) key commitments namely:

- ⇨ We advocate for responsible consumption
- ⇨ We respect people and the planet
- ⇨ We conduct business with integrity and fairness
- ⇨ We safeguard our Company's assets

The HeiCode and the underlying policies, communication and training materials are documented and available in a Business Conduct Portal for employee access. They are reviewed and updated periodically to reflect the changing business environment. On an annual basis, all employees are required to complete the following online courses as part of the Company's efforts to drive awareness and assess their understanding of the respective codes and the underlying principles:

- ⇨ Code of Business Conduct
- ⇨ Anti-Bribery and Corruption
- ⇨ Responsible Marketing Code
- ⇨ Security Awareness
- ⇨ Fraud Awareness
- ⇨ Data Privacy
- ⇨ Competition law

Employees are also required to disclose to the Company on a yearly basis if there is a possible conflict between their interest and that of the Company or any of its subsidiaries. This is to ensure decisions within the Group are based on sound and objective business judgement, not influenced by any possible personal interests or gain.

HEINEKEN Responsible Marketing Code

The Group strictly adheres to legal and regulatory guidelines and has a stringent Responsible Marketing Code that governs how we do business. The Code also covers low and no-alcohol business as well as our digital media and self-regulation initiatives. Our licence to operate depends on our efforts in marketing our brands responsibly and in driving sensible consumption. All marketing materials undergo a diligent check against our Responsible Marketing Code before they are published.

HEINEKEN Supplier Code and Distributor Code of Conduct

All business partners are required to adhere to all applicable laws and regulations where they operate and affirm their commitment to responsible business conduct at all times. They are expected to live up to the Group expectations towards conducting business responsibly, respecting human rights, ensuring health and safety, and protecting the environment as outlined in the HEINEKEN Supplier Code and the Distributor Code of Conduct.

The Group has taken proactive steps to ensure its business partners embrace our values and commitment to responsible business conduct. In 2021, the Group implemented a due-diligence tool which is designed to identify, assess, and remedy risks associated with third parties engaged by the Group including

Corporate Governance Overview Statement

suppliers and distributors. Anti-bribery and corruption are among the risks to be assessed by the tool.

HEINEKEN Speak Up Policy

The HEINEKEN Speak Up Policy provides employees and stakeholders with a standard process to report concerns about suspected misconduct within the Group in confidence and without fear of retaliation. The policy was communicated to the Group employees and business partners to create awareness of the Speak Up platform for them to raise concerns about suspected misconduct within the organisation.

The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Report can be submitted through the Speak Up Service via online or phone call. All Speak Up reports are handled by a Case Manager who works under the supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global Human Resources and Global Legal Affairs.

In 2021, four (4) reports were received via the HEINKEN Speak Up channel and investigated by the Internal Audit function. The nature of these Speak Up reports were centered around non-compliances with the Group's policies and procedures. Corrective and preventive actions including disciplinary measures as well as process and control improvements were taken by the Company subsequent to the investigations. None of the Speak Up cases has caused any material financial impact to the Group. The Group will continue to educate and encourage its employees and business partners to Speak Up given that this is an effective mechanism to protect the Group against fraud and non-compliance with rules and policies.

The HeiCode and the HEINEKEN Speak Up Policy are available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/.

Sustainability Governance

In recent years, there has been an increased interest from stakeholders and regulators on matters relating to sustainability and environmental, social and governance (ESG), The Board is responsible for ensuring that the Company has in place appropriate sustainability strategy which is aligned with the Company's strategic direction to support the Group's long-term objectives. The Board emphasises on strategic management of material sustainability risks and opportunities, which includes integration of ESG factors in their decision-making process and in the Group's operations.

The Group has adopted the HEINEKEN Global's sustainability strategy - Brew A Better World (BABW) with commitments until year 2030 that prioritise on the following areas to protect the environment, support local communities and make a positive contribution to the society:

Environmental	Social	Responsible
Net zero carbon	Embrace inclusion & diversity	Always a choice to consumer
Maximise circularity	Fair & safe workplace	Address harmful use
Healthy watersheds	Growing with community	Promoting moderation

The BABW ambitions and targets are aimed to contribute to the United Nations Sustainable Development Goals to protect the planet, ensure prosperity and end poverty. Initiatives within each priority area are driven by relevant functions /departments across the organisation.

The Board is supported by a Sustainability Committee which is responsible for the formulation and implementation of the Group's sustainability priorities and initiatives. The Sustainability Committee comprises selected representatives from various key functions, led by the Corporate Affairs & Legal Director (CAL Director) who is entrusted by the Board to oversee the sustainability matters of the Group. The CAL Director reports to the Managing Director and the Board on a quarterly basis on the progress of the sustainability priorities and initiatives undertaken by the Group.

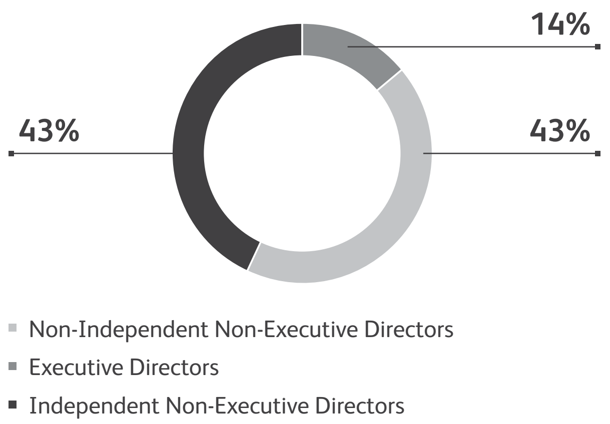
Further information about the Company's approach to sustainability are disclosed in the Sustainability Review in this Annual Report.

Corporate Governance Overview Statement

Board Size, Composition and Diversity

As of the date of this statement, the Board has seven (7) Directors, led by an Independent Non-Executive Chairman, and supported by a Managing Director as well as five (5) Non-Executive Directors. Three (3) of the Non-Executive Directors (including the Chairman) are Independent Directors, representing 43% of the Board whilst the remaining three (3) Non-Executive Directors are Non-Independent Directors.

Board Composition



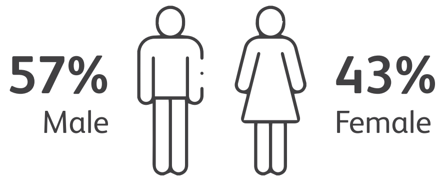
All the Directors are professionals of high calibre and integrity. As a whole, the Board possesses a diverse set of skills, experience and expertise in various fields including strategy and risk, business and administration, finance and accounting, media and public relations, legal and human resource which are necessary for the overall Board and Board Committees' effectiveness.

The primary responsibility of Independent Directors is to protect the interests of minority shareholders and other stakeholders. They play a key role in providing independent views and advice and their effective participation serves to promote greater accountability and balance in the Board's decision-making process.

Mr Lau Nai Pek, the ARMC Chairman who was appointed to the Board in May 2021, has been designated as the Senior Independent Non-Executive Director of the Company. His roles are defined in the Board Charter.

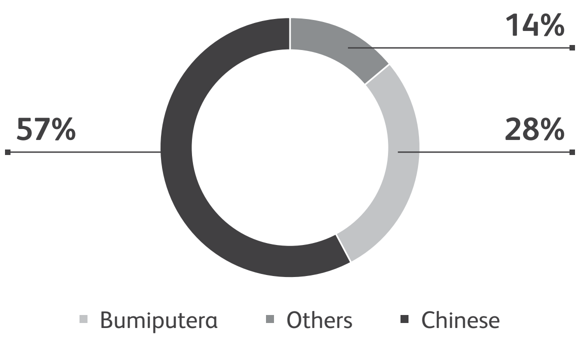
The Board acknowledged the practice recommended under the MCCG for large companies to have a majority Independent Non-Executive Directors in the Board. Based on the current shareholding structure of the Company in which 51% of its equity interest are held indirectly by Heineken N.V. via its wholly-owned subsidiary, GAPL Pte Ltd, the Board was of the view that to fully leverage the experience of the HEINEKEN Group and to ensure focus on long-term value creation, it is in its best interest and that of its stakeholders that the Board includes a fair and adequate representation of the major shareholders.

The Group recognises the importance of ensuring an inclusive and diverse Board and has continued to maintain the right size and balance of gender, ethnicity and age diversity with adequate independent elements for effective functioning. The Board gives appropriate weight to diversity considerations in the selection and appointment process, whilst taking into account the overall profile and selection criteria for appointments to the Board. The Board diversity as of the date of this statement is depicted as follows:

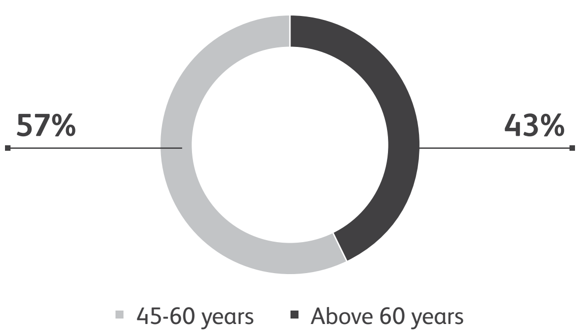


The female representation on the Board has exceeded the Malaysian Government's target of 30% for public listed companies.

Ethnic Diversity



Age Diversity



The Group has adopted the HeiCode and the HEINEKEN Human Rights Policy which outline the principles of non-discrimination without distinction according to, among others, race, gender, nationality and age. Embracing a diversity and inclusion culture that promotes diversity and gender equality across the organisation will remain a key priority for the Group going forward.

Corporate Governance Overview Statement

During the year, the Board composition was refreshed with the appointment of Mr Lau Nai Pek as the new Independent Non-Executive Director and ARMC Chairman, succeeding Mr Martin Giles Manen who retired at the Company's 57th Annual General Meeting (AGM) in May 2021; followed by the appointment of Ms Raquel Batallones Esquerra who filled the vacancy arising from the resignation of Ms Yu, Yu-Ping as an Non-Independent Non-Executive Director in September 2021. The Board believes that the newly appointed Directors will bring new perspective to the boardroom and that their breadth of expertise and experience will further enhance the core competencies of the Board.

On the limitation of tenure of Independent Directors, the Board is guided by the recommended approach under the MCCG. Shareholders' approval is sought for retention of Independent Directors whose cumulative tenure exceeds the 9-year limit, failing which he/she shall be re-designated as Non-Independent Director.

At the 57th AGM held in 2021, the Company has obtained shareholders' approval via a single-tier voting process to allow Datin Ngiam Pick Ngoh, Linda, whose tenure had reached the 9-year mark on 3 December 2021, to continue as an Independent Non-Executive Director of the Company until the conclusion of the forthcoming AGM.

The Board had, via the NRC, conducted an evaluation on the performance, contribution and independence of Datin Ngiam Pick Ngoh, Linda. Based on the outcome of the NRC's evaluation, the Board recommended her to continue as Independent Non-Executive Director of the Company on the basis that she possesses the following attributes necessary in discharging her duties and responsibilities as an Independent Non-Executive Director:

(a) Leveraged her good understanding of the Group's business and operations, she has contributed effectively to the Board and the Board Committees' deliberations during which she has participated actively and provided objective judgement and input for informed and balanced decision-making;
(b) She has demonstrated her diligence and commitment in carrying out her professional duties in the interest of the Company and shareholders; and
(c) She continued to fulfill the criteria of an Independent Director as prescribed under the MMLR.

Based on the above recommendation, shareholders' approval will be sought via a 2-tier voting process at the forthcoming AGM of the Company to allow Datin Ngiam Pick Ngoh, Linda to continue as Independent Non-Executive Director of the Company.

Appointments to the Board

There is a formal and transparent process for selection, nomination and appointment of suitable candidates to the Board. The NRC is responsible to review the existing composition of the Board, identifying the gaps and subsequently determining the selection criteria for the new appointment with a view to close the gap or to strengthen the Board composition. In reviewing and recommending any new Director appointment to the Board, the NRC assesses the suitability of candidate identified taking into consideration the following objective criteria:

⇨ Core competencies that meet the needs of the Company
⇨ Personal qualities in terms of leadership skills, ability to provide strategic insight and direction, integrity, work ethics and professionalism
⇨ Knowledge and skills, expertise and business judgement
⇨ Regional and industry experience and understanding of local economic and operating environment
⇨ Ability to devote time as needed to discharge duties and responsibilities effectively
⇨ Factors that promote boardroom diversity
⇨ Composition requirements for the Board and Board Committees
⇨ Ability to represent the Company at any occasion that involves the Company
⇨ Independence requirements for the appointment of Independent Directors.

In order to promote objectivity and independent judgement in line with the best practices of the MCCG, the Board will ensure that no person is to be appointed as a Director of the Board or continue to serve as a Director if the person is or becomes an active politician. The Board also observes a cooling-off period of 3 years before any appointment of former audit partners and its affiliates as Independent Directors to the Board.

The NRC shall consider potential candidates from internal and external sources and conduct engagement sessions with shortlisted candidates before its final recommendation to the Board for approval.

In respect of the two new Directors appointed in 2021, Mr Lau Nai Pek was shortlisted based on recommendation from internal source whilst Ms Raquel Batallones Esguerra was a representative nominated by the major shareholder. Both appointments were deliberated and approved by the Board based on the above processes.

Board Effectiveness Evaluation

On an annual basis, the Board through the NRC, evaluates the Board's collective performance by examining the effectiveness of the structure and activities of the Board and Board Committees as well as the contribution of Board members. The evaluation revolves around the following aspects:

Corporate Governance Overview Statement

How the Board leads

Examine the composition and the diversity of the Board and the Board Committees, the skills and experience the directors bring and their commitment in discharging their duties.

How the Board manages

Evaluate the activities undertaken by the Board and the Board Committees, including Board dynamics and information flow.

How the Board contributes

Review the manner in which Board members interact and participate; how decisions are made as well as the working relationship between the Board members and the Management.

For FY2021, the NRC conducted the evaluation internally with the support of the Company Secretary. Based on the evaluation, the overall results were generally positive. The Board is satisfied that the Board as a whole and the Board Committees have been effective in their discharge of functions and duties in that:

- the current size and composition of the Board is optimum and well balanced and represented with appropriate diversity of skills and competencies, knowledge and business experience, gender and ethnicity, contributing to the overall effectiveness of the decision-making process for the Company and the Group;
- Board members have good understanding and knowledge of the Group's business and market trends, industry issues and the risks and opportunities critical to the Group's future performance. They scrutinised the Group's performance and provided valuable insights and strategic directions to enable Management to take effective decisions. Board members have also exercised professional independence during deliberations of matters at meetings;
- the Board and the Board Committees devoted adequate time in deliberating matters under their purview whilst meetings have been effective with productive discussion focusing on important and high impact matters; and
- the working relationship between the Board members has been good with open and constructive conversations when discussing issues, driven by the strong leadership demonstrated by the Chairman. In addition, Management has been providing strong support which enable the Board to effectively discharge its function and duties.

Based on the feedback gathered from the Board members, the Board agreed to implement the following recommendations for enhancement:

(i) The Board is to devote more space for learning and sharing of sustainability and ESG matters as a means to keep abreast with the latest developments and trends in this area.
(ii) Independent Directors are to meet at least once a year without the Management's presence, to discuss among others, strategic, governance and operational issues of the Group.

NRC

The NRC is entrusted by the Board to assist the Board with regard to its nomination and remuneration matters. As of the date of this statement, The NRC comprises the following five (5) Non-Executive Directors, with majority being Independent Directors including the Chairman:

Name	Designation	Date appointed	Years of service
Dato' Sri Idris Jala (Chairman)	Independent Non-Executive Director	1 January 2017	5 years +
Datin Ngiam Pick Ngoh, Linda	Independent Non-Executive Director	8 April 2013	8 years +
Choo Tay Sian, Kenneth*	Non-Independent Non-Executive Director	26 October 2020	1 year +
Lau Nai Pek	Senior Independent Non-Executive Director	22 May 2021	Less than a year
Raquel Batallones Esguerra*	Non-Independent Non-Executive Director	1 September 2021	Less than a year

* *Representing HEINEKEN, major shareholder of the Company.*

Corporate Governance Overview Statement

The roles and responsibilities of the NRC are defined in the NRC's Terms of Reference which is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/.

The NRC met once in 2021 and the attendance of each member at the meeting was as follows:

Name	Designation	Attendance
Dato' Sri Idris Jala (Chairman)	Independent Non-Executive Director	0/1*
Datin Ngiam Pick Ngoh, Linda	Independent Non-Executive Director	1/1
Choo Tay Sian, Kenneth	Non-Independent Non-Executive Director	1/1
Lau Nai Pek (Appointed on 22 May 2021)	Senior Independent Non-Executive Director	**
Raquel Batallones Esguerra (Appointed on 1 September 2021)	Non-Independent Non-Executive Director	**
Yu Yu-Ping (Resigned on 31 August 2021)	Non-Independent Non-Executive Director	1/1
Martin Giles Manen (Retired on 21 May 2021)	Senior Independent Non-Executive Director	1/1

* Absent due to an emergency matter.
** No meeting was held since their appointment until 31 December 2021.

The Managing Director and the Company Secretary are in attendance in every meeting whilst the People Director attends the meeting by invitation as and when required by the NRC. The NRC Meeting is normally held before or in conjunction with the Board Meeting. When necessary, decisions are made via circular resolutions. At Board Meeting, the Chairman of the NRC reports to the Board on matters deliberated at the NRC Meeting.

During FY2021, the NRC deliberated and reported the following matters to the Board:

- Evaluation of the effectiveness of the Board and the Board Committees and the Directors' contribution in relation to the effective decision-making of the Board and the independence of Independent Directors.
- Recommendation for re-election of retiring Directors at the Company's AGM based on satisfactory evaluation of the Directors' performance and contribution to the Board;
- Recommendation for retention of Datin Ngiam Pick Ngoh, Linda, who had served on the Board beyond nine years, as Independent Director of the Company; and
- Mr Martin Giles Manen's retirement from the Board in view of his 12-year term and the agreed profile of the position to be filled and the search process, which includes soliciting recommendations from existing Directors.

The NRC also considered candidates recommended by Directors and major shareholder to fill the casual vacancies and recommended the following appointments for the Board's approval:

(i) Appointment of Mr Lau Nai Pek as the new Independent Non-Executive Director and the ARMC Chairman, succeeding Mr Martin Giles Manen who retired from the Board in May 2021. The NRC, represented by the Chairman and the major shareholder's representative, went through a rigorous assessment process including engagement sessions with proposed candidates prior to recommending the shortlisted candidate for the Board's approval.
(ii) Appointment of Ms Raquel Batallones Esguerra as Non-Independent Non-Executive Director, to fill the vacancy arising from the resignation of Ms Yu, Yu-Ping from the Board in September 2021.
(iii) Appointment of Mr Christiaan Johannes Folkerts as the new Finance Director, succeeding Mr Szilard Voros who left the Company in June 2021.

Remuneration

The remuneration matters of the Group fall under the purview of the NRC. The NRC is guided by the following principles:

- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performance individuals and promoting the enhancement of the Company's value to its shareholders.
- Remuneration practices are benchmarked against external market data through the use of remuneration surveys to ensure staff are fairly remunerated.

Corporate Governance Overview Statement

⇨ The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.

The remuneration of the Management Team including the Managing Director is guided by the HEINEKEN Global Senior Management Reward Policy. Their remuneration package consists of both fixed and performance-linked elements. Salaries payable to the Managing Director shall not include a commission on or percentage of the Group turnover. The performance of the Managing Director is reviewed annually taking into consideration the corporate and individual performance. The Managing Director is not entitled to annual fee nor any meeting allowances for the Board and Board Committees Meetings he attended.

The remuneration for the Non-Executive Directors is based on a standard fixed fee with the Chairman of the Board and the Board Committees receiving additional allowance for additional responsibilities and commitment required. An additional fee is also paid to Non-Executive Directors sitting on Board Committees. A meeting allowance is paid for attendance at meetings of the Board and Board Committees. The remuneration package for the Non-Executive Directors is disclosed in the CG Report 2021.

The NRC is responsible to review the remuneration package for the Non-Executive Directors to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions; and competitive compared with the prevalent market practices. Any changes to the remuneration package will be presented to the Board for approval.

The Board, collectively, determines the remuneration of the Non-Executive Directors based on the recommendation of the NRC. Each of the Non-Executive Directors shall abstain from deliberating and voting on their own remuneration. Fees of Directors, and any benefits payable to Non-Executive Directors shall be subject to shareholders' approval at AGM.

At the 57th AGM held on 21 May 2021, shareholders' approval was sought for the payment of Directors' fees and benefits up to RM700,000 to the Non-Executive Directors for FY2021. Total remuneration paid to the Non-Executive Directors of the Company for FY2021 was RM674,149. The detailed breakdown of the remuneration paid to the Directors, including the Managing Director, of the Company who served during FY2021 is disclosed in the CG Report 2021.

PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT

ARMC

As of the date of this statement, the ARMC comprises three (3) Non-Executive Directors, with majority being Independent Directors including the Chairman. The ARMC Chairman is not the Chairman of the Board. All the members are financially literate, they possess the appropriate level of expertise and experience and have sufficient understanding of the Group business and are able to objectively review, analyse, challenge and make recommendations on matters under the purview of the ARMC including the financial reporting process. None of the ARMC members were former audit partners who are required to observe a cooling-off period of at least three (3) years before being appointed. Details of the composition and responsibilities of the ARMC are set out in the Audit & Risk Management Committee Report.

In May 2021, the Board reviewed and reconstituted the composition of the ARMC in line with the best practices recommended in the MCCG. The Board also via the NRC, evaluated the performance and effectiveness of the ARMC for FY2021 and is satisfied that the ARMC and its members have been able to discharge their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

The Board is responsible for ensuring that the Group's financial statements comply with the relevant financial reporting standards and any other applicable legislations and regulations. The Statement by the Directors in relation to the preparation of the Group's financial statements is set out in the Financial Statements section of this Annual Report.

Suitability and Independence of External Auditors

The Board, through the ARMC, maintains a professional relationship with the external auditors. The ARMC has explicit authority to communicate directly with external auditors. The ARMC meets the external auditors at least twice a year to discuss their audit plan, audit findings and their reviews of the Group's financial statements. The ARMC also have private meetings with the external auditors twice annually without the presence of the Managing Director and the Management staff to discuss the audit findings and any other observations they may have during the audit process.

The ARMC assesses the independence and objectivity of the external auditors in carrying out statutory audit for the Group and prior to the engagement of non-audit services of the external auditors. The external auditors, Messrs Deloitte PLT, have confirmed that they have complied with the independence requirements set out in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and that they have fulfilled their ethical responsibilities in accordance with the said By-Laws and Code.

The ARMC also reviews the nature of the non-audit services and the related fee levels individually and in aggregate relative to the

Corporate Governance Overview Statement

audit fee to ensure they do not compromise their independence and objectivity. The external auditors are engaged mainly to perform statutory audit on the Group's financial statements. For FY2021, the external auditors also reviewed the reporting deliverables to Deloitte Netherlands and the Company's Statement on Risk Management and Internal Control. The fees paid for the above services were reported in the Audit & Risk Management Committee Report.

The ARMC considers the re-appointment and terms of engagement of the external auditors, guided by the following criteria and the assessment performed by HEINEKEN Global on the external auditors at the global level:

- Technical and competencies of the audit team
- Adequacy of resources and relevant specialist/experts deployed to conduct the audit
- Audit scope and planning taking into consideration the size and complexity of the Group
- Audit communications to the ARMC
- Audit and non-audit fees
- Independence and objectivity

Risk Management and Internal Control

The Board is also responsible for ensuring the Group has in place an effective risk management and internal control system to manage and mitigate significant risks across the Group and to safeguard stakeholders' interests and the Group's assets. The Group adopted the HEINEKEN Risk Management and Internal Control Systems which enable Management to identify, assess, prioritise and manage risks on a continuous and systematic basis. The Board, through the ARMC continually reviews the adequacy, integrity and effectiveness of the risk management and internal control systems to ensure that the same are soundly conceived, in place, effectively administered and regularly monitored.

As an integral part of the risk management and internal control systems, an assessment is also performed on the internal controls surrounding the Group financial reporting process on an annual basis, focusing on transparency, accountability and safeguarding of the Group's assets. Outcome of the assessment is reported to the ARMC during their quarterly meetings.

The Internal Audit function, which is performed in-house, assists the ARMC and the Management in the effective discharge of their responsibilities in respect of risk management, internal control and governance. It is guided by its Charter and its principal responsibility is to provide independent and objective reviews on the Group's internal control system so as to ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Internal Audit function also ensures that recommendations to improve controls are followed through by Management.

The Internal Audit function, which is led by the Head of Corporate Assurance, has a clear line of reporting to the ARMC and its performance is reviewed by the ARMC on an annual basis. The ARMC also reviews the internal audit plan including the adequacy of the audit scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities. It is independent of the operational and management activities they audit. Further information on the Internal Audit function were reported in the Audit & Risk Management Committee Report.

Based on the evaluation carried out by the ARMC on the performance of the Internal Audit function for FY2021, the Internal Audit function was found to be effective and able to function independently in discharging its responsibilities in that it provided value added recommendations that helped strengthen the internal controls within the Group.

The Board is of the view that the overall risk management and internal control systems in place for FY2021 are operating adequately and effectively for the purpose of safeguarding the Group's assets, as well as shareholders' investments and the interests of customers, employees and other stakeholders. The key features of the risk management and internal control systems are set out in the Statement on Risk Management and Internal Control.

PRINCIPLE C
INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Company acknowledges the importance of timely and equal dissemination of material information to shareholders, investors and public at large. It continued to maintain an active and proactive communication approach with its shareholders and other stakeholders to facilitate mutual understanding of each other's objectives and expectations.

The Company is guided by the disclosure requirements of the MMLR along with the Corporate Disclosure Guide issued by Bursa Securities and the HEINEKEN Media Policy and HEINEKEN Financial Disclosure Guidelines which stipulate the authorised spokepersons through which/whom certain information shall be disclosed to internal and external stakeholders with specific guidance on the disclosure of material information, maintenance of confidentiality of information and dissemination of information.

The Company leverages on various communication platforms to reach out to shareholders and stakeholders. These include among others, announcements via Bursa LINK, disclosures on the Company's website, engagements through the Investor

Corporate Governance Overview Statement

Relations function and the Company's social media. In 2021, numerous engagement activities were carried out by the Company to engage its stakeholders. Details of the engagement activities are reported in the Stakeholder Engagement section in this Annual Report.

Driven by a commitment to transparency, the Company has since 2016 adopted the International Integrated Reporting Framework (IIRF) in its annual report with the objective of demonstrating how the Company's strategy, actions, performance, governance and prospects lead to stakeholder value creation. For the Annual Report 2021, the Company continued to adopt the same reporting approach based on IIRF which focuses on linking the financial and non-financial aspects of the Group business to provide a clear picture of what strategies and initiatives the Group have implemented to meet the stakeholders' expectation.

Conduct of General Meetings

AGM is a principal platform for Directors and Senior Management to engage shareholders to provide them a greater understanding of the Group's business, governance and performance. Prior to the AGM, shareholders were notified on the meeting and the relevant reports were published via the Company's and Bursa Malaysia's website at least 28 clear days ahead of the meeting and they were allowed to send pre-meeting questions in relation to the AGM agenda items to the Tricor's TIIH Online website.

In 2021, the Company's AGM was conducted entirely on a virtual basis using the remote participation and voting (RPV) facilities. All the local Board members were present at the broadcast venue together with the external auditor, the Company Secretary and the Finance Director whilst Board members who were based outside of Malaysia and the other Management Team members were in attendance virtually via a designated virtual meeting platform as a precautionary measure in view of the COVID-19 pandemic. At the AGM, a comprehensive review of the Group's business and financial performance together with an overview of the Group's activities, key challenges, market outlook the Group's strategies and priorities for the ensuring year was presented by the Managing Director.

During the meeting, shareholders were given the opportunity and time to submit real-time questions, provide comments or suggestions for improvement and cast their votes via the RPV facilities. The Chairman, on behalf of the Board, and the Managing Director also addressed questions submitted in advance by the shareholders including the Minority Shareholder Watch Group. A scrutineer was appointed to validate the votes cast at the AGM, after which, the poll results were announced and published on the Company's website and via Bursa LINK on the same day after the meeting. Minutes of AGM together with the written response to relevant questions raised were also published on the Company's website within 30 business days after the AGM.

The Company will continue to leverage technology to enhance the quality of engagement and to ease shareholder's participation at AGM.

LOOKING AHEAD

The Board will continue to ensure the Group maintains a robust governance framework and embraces an ethical corporate culture by strengthening its sustainability practices to deliver sustainable growth and performance for the Group.

This CG Overview Statement was approved by the Board on 15 March 2022.

Audit & Risk Management Committee Report

In May 2021, the Audit & Risk Management Committee (ARMC) was reconstituted in line with the best practice recommended in the Malaysian Code on Corporate Governance 2021 (MCCG) to comprise the following three (3) Non-Executive Directors, with majority being Independent Directors including the Chairman:

Name	Designation	Date appointed	Years of service
Lau Nai Pek (Chairman)	Senior Independent Director	22 May 2021	Less than a year
Datin Ngiam Pick Ngoh, Linda	Independent Director	21 August 2014	7 years +
Choo Tay Sian, Kenneth*	Non-Independent Director	26 October 2020	1 year +

* Representing HEINEKEN, major shareholder of the Company.

The representation of the major shareholder in the ARMC is essential in that it provides an avenue for the major shareholder's representative to share insights on HEINEKEN Global best practices and learning with the Company. None of the ARMC members were former audit partners who are required to observe a cooling-off period of at least three (3) years before being appointed.

Mr Lau Nai Pek is a member of the Malaysian Institute of Accountants. On 22 May 2021, he was appointed as Chairman of the ARMC, succeeding Mr Martin Giles Manen, who retired from the Board of Directors (Board) on 21 May 2021.

The ARMC discharges its functions according to its Terms of Reference in that it assists the Board in fulfilling its statutory duties and responsibilities by ensuring:

- accurate and timely financial reporting and compliance with applicable financial reporting standards;
- adequate internal control in the systems and processes which enable the Company and its subsidiaries (Group) to operate effectively and efficiently;
- that an effective risk management framework is in place to manage risks impacting the Group;
- that Internal Audit functions effectively and audits are performed by external auditors objectively and independently; and
- the Group complies with applicable laws, rules and regulations and has in place an appropriate code of business conduct.

The Terms of Reference of the ARMC is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/.

ACTIVITIES OF THE ARMC

During the financial year ended 31 December 2021 (FY2021), the ARMC had four (4) meetings with a 100% attendance rate. The Managing Director, the Finance Director and the Head of Corporate Assurance of the Company normally attend the meetings. When necessary, certain members of the Management Team will be invited to the meetings to assist in clarifying matters raised at the meeting.

The main activities carried out by the ARMC during FY2021 were as follows:

Financial Reporting

- Reviewed the quarterly financial reports to Bursa Malaysia based on the Group's financial performance, borrowings and cashflow positions as well as its performance outlook.
- Reviewed the annual audited financial statements including the pertinent disclosures in the notes to the financial statements.

Risk Management and Internal Control

- Reviewed the top 10 risks and emerging risks together with the risk mitigating measures and the progress of mitigating actions on a quarterly basis. COVID-19 pandemic related risks, cyber security risks and rising input costs were among the key risk areas deliberated.
- Reviewed the adequacy and effectiveness of the Group's risk management and internal control framework based on the following self-assessment performed by Management:
  - (i) business self-assessment under the HEINEKEN Risk and Control Matrix compliance programme which assesses the Group's internal controls over financial reporting; and
  - (ii) control self-assessment which focuses on the implementation and execution of the mandatory standards and procedures under the HEINEKEN Rules that describe the boundaries within which the Group can operate, with the objectives of protecting the Group's assets and reputation.
- Reviewed the control issues reported in the BWise system, an online risk management reporting system which tracks key processes compliance, on a quarterly basis to ensure all key risks and control issues were effectively addressed.

Internal Audit

- Reviewed the internal audit annual plan including the adequacy of the audit scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities and provided input on key areas to be included in the plan.

Audit & Risk Management Committee Report

- ⇨ Reviewed the quarterly internal audit reports which encompassed the audit issues, audit opinion or conclusion, audit recommendations, Management's responses to these recommendations and improvement actions in the area of internal controls, systems and process efficiency enhancements; and suggested additional improvement opportunities in the said areas.
- ⇨ Reviewed the progress of the implementation of audit recommendations on a quarterly basis to ensure all key risks and control gaps were addressed.
- ⇨ Reviewed outcome of ad-hoc investigations / special reviews conducted by the Internal Audit function on matters reported via the Speak Up channel concerning misconduct and suspicion of fraud or operational failures within the Group.
- ⇨ Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance and contributions of the Internal Audit function as well as the competency and performance of the Head of Corporate Assurance.

External Audit

- ⇨ Reviewed the external audit plan including the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group prior to commencement of annual statutory audit by the external auditors.
- ⇨ Reviewed the external audit findings and observations and the accompanying management reports and representation, focusing particularly on key audit matters and key accounting and audit adjustments.
- ⇨ Held two private sessions with the external auditors without the presence of the Management in conjunction with the ARMC meetings held on 18 February 2021 and 11 November 2021. The ARMC enquired about Management's co-operation with the external auditors, their sharing of information, proficiency and adequacy of resources in financial reporting functions and key areas of concern or issues encountered by the external auditors during their audit.
- ⇨ Assessed the independence and objectivity of the external auditors in performing statutory audit and prior to the engagement of the external auditors for non-audit services. Based on the written assurance obtained from Deloitte PLT which confirmed that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, the ARMC was satisfied that they were not likely to create any conflict of interest nor impair the independence and objectivity of the external auditors.
- ⇨ Evaluated the performance of the external auditors taking into consideration the competencies, the quality of the audit deliverables and the resource capacity of the audit team; and recommended to the Board on their re-appointment and remuneration for FY2021. The re-appointment of external auditors will be tabled at the forthcoming Annual General Meeting for shareholders' approval.

For FY2021, the fees paid / payable to the external auditors, Deloitte PLT in relation to the audit and non-audit services rendered to the Company and the Group are as follows:

	Company RM'000	Group RM'000
Statutory audit services	126	203
Non-audit services		
(i) Review of reporting deliverables to Deloitte Netherlands	30	30
(ii) Review of the Statement on Risk Management and Internal Control	10	10
	166	243

The ARMC believes that the provision of these services by the external auditors to the Group was fair and reasonable given the scope of the audit and the size of the Group business as well as their knowledge and understanding of the Group operations, and they did not compromise their independence and objectivity.

Related Party Transactions (RPT)

- ⇨ Reviewed the quarterly recurrent RPT to ensure transactions with related parties were carried out within the mandate approved by shareholders.
- ⇨ Reviewed the proposed shareholders' mandate for recurrent RPT to be entered into by the Group for the ensuing year.
- ⇨ Reviewed the processes that the Company has in place for identifying, evaluating, approving, reporting and monitoring of recurrent RPT based on the assurance from the Internal Audit function.

Others

- ⇨ Reviewed Management's recommendation on dividend distribution for FY2020 and FY2021, taking into consideration of the Group's earnings and cashflow requirements and its solvency position.
- ⇨ Reviewed the potential impact of the material litigation involving the Company and its operating subsidiary (Companies) which was disclosed under Note 26 of the Group's Audited Financial Statements, and the Companies' legal position against the litigation case.

Audit & Risk Management Committee Report

During FY2021, the ARMC Chairman had two meetings with the external auditors without the Management's presence and had separate meetings with the Managing Director, Finance Director and the Head of Corporate Assurance prior to every scheduled ARMC Meeting.

The ARMC Chairman reports to the Board on matters deliberated and highlighted significant matters including unusual events or transactions for Board's attention. The ARMC has provided useful recommendations in assisting the Board in making informed decisions and enabling effective functioning of the Board.

The ARMC has unrestricted access to any information pertaining to the Group enabling it to discharge its duties effectively.

INTERNAL AUDIT FUNCTION

The ARMC is supported by the Internal Audit function in discharging its duties and responsibilities. The Internal Audit function is an integral part of the assurance framework and its principal role is to undertake independent and systematic reviews of the Group's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Group's risk management, internal controls, anti-bribery and anti- corruption, Speak Up and the overall governance processes.

The Internal Audit function is performed in-house under the purview of the Corporate Assurance Department (CAD) which oversees both internal audit and process and control improvement (P&CI) matters. The CAD is headed by Mr Eugene Ding Diew Ping who reports functionally to the ARMC and administratively to the Managing Director and the Finance Director for P&CI related matters. The Internal Audit function does not have any direct operational responsibility or authority over any of the activities it audits nor has it engaged in any activity that might impair the internal auditor's judgement. All the internal audit staff had confirmed via an annual declaration that they were free from any relationships or conflict of interests which could impair their objectivity and independence.

The Head of CAD, Mr Eugene Ding Diew Ping, is a holder of a Bachelor's Degree of Business (Accounting) from the University Of Technology Sydney, Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Member of the Institute of Internal Auditors Malaysia (IIA). He has over 20 years of internal audit experience. Currently, he is supported by a P&CI Manager, an Internal Audit Manager and an Internal Audit Executive who are also members of the IIA.

The Internal Audit function is guided by an Internal Audit Charter approved by the ARMC. The charter sets out the purpose, scope, responsibility and authority of the function.

The Internal Audit function carried out its activities based on the Internal Audit Plan approved by the ARMC. The Internal Audit Plan is developed based on the risk profiles identified in accordance with the Group's Risk Management Framework in consultation with the Management Team. The ARMC reviews the extent of the audit scope and coverage of the Group's activities; and the adequacy, competency and the internal audit resources to support the completion of the plan. At the quarterly ARMC meetings, the Head of CAD reports to the ARMC on the progress of internal audit activities and the resource requirements, including interim changes and the impact of resource limitations. The report to the ARMC also covers significant risk and control issues, including fraud risks, governance issues and other matters that require the ARMC's attention.

In carrying out the audit activities, the Internal Audit function has adopted the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the International Internal Audit Standards Board. The internal audit staff adhere to the Code of Ethics adopted by the IIA which sets out, among others, the principles relevant to the profession and practice of internal auditing and the rules of conduct expected of internal auditors.

The Internal Audit function maintains a Quality Assurance and Improvement Programme (QAIP) to evaluate the internal audit activity's conformance with the IIA Standards and the Code of Ethics. The QAIP includes periodic internal self-assessment and external assessment to be conducted at least once every five (5) years by a qualified independent assessor or assessment team from outside the organisation.

During FY2021, the Internal Audit function completed 21 audit assignments which included 4 investigative audits on matters reported via the Speak Up channel. The audits were performed using a risk-based approach followed by root-cause analysis and were consistent with the Group's established framework in designing, implementing and monitoring of its internal control systems. The audit covered various operational areas within the Group, which included:

- Sales operations and distributor management.
- Brand marketing resource management and effectiveness of consumer promotions.
- Trade marketing control processes mainly around management of commercial assets and sales data and retailers' trading terms and conditions.
- E-commerce operations mainly on sales transactions and management of stock movements.
- Management of finished goods at bonded warehouse.

Audit & Risk Management Committee Report

- ⇨ Employees' disclosure on conflict of interest.
- ⇨ Related party transactions.

Findings from the audits were highlighted to Management who are responsible for ensuring that the agreed action plans to address the reported weaknesses are implemented within the required timeframe. On a regular basis, the Internal Audit function reviewed the status of implementation of the recommended actions and preventive measures. The audit findings, audit opinion or conclusion and the status of implementation of the action plan were reported to the Risk and Control Workgroup and presented to the ARMC for review at their respective quarterly meetings.

The Internal Audit function also works collaboratively with the P&CI Manager to review the risk management process of the Group as a whole. During the financial year under review, the Internal Audit function also supported the P&CI Manager on the implementation of several process improvement and cost reduction initiatives.

The total expenses incurred by Internal Audit function in discharging its functions and responsibilities for FY2021 amounted to RM780,000 (FY2020 : RM883,000). The expenses incurred comprised mostly of salaries and departmental overheads.

The ARMC had evaluated the performance of the Internal Audit function for FY2021 and was satisfied with the overall performance of the function as it had been effective in performing its duties. The Internal Audit function also provided value added recommendations to the organisation, strengthening its internal controls whilst enabling cost savings, and was able to function independently.

EFFECTIVENESS OF ARMC

The Board, via the Nomination & Remuneration Committee, reviewed the composition and performance of the ARMC through its annual Board and Board Committees effectiveness evaluation. Based on the evaluation conducted for FY2021, the Board was of the view that the present composition in the ARMC was appropriate in that the ARMC members possess the appropriate level of expertise and experience. They have sufficient understanding of the Group's business and are able to objectively review, analyse, challenge and make recommendations on matters under the purview of the ARMC including the financial reporting process. During the year, all members of the ARMC have attended various development and learning programmes to keep themselves abreast of current developments in the market place and changes in the statutory and regulatory requirements.

The Board agreed that the ARMC had continued to support the Board in matters related to the Group's financial and audit, risk management and internal control. The Board was also satisfied that the ARMC has effectively discharged its functions, duties and responsibilities in accordance with its Terms of Reference in that it had provided useful recommendations to the Board for better decision-making and consequently made Board Meetings more efficient and effective.

This report was approved by the Board on 15 March 2022.

Statement on Risk Management and Internal Control

The Board of Directors (the Board) is pleased to present this Statement on Risk Management and Internal Control, which outlines the nature and key elements of the risk management and internal control systems of Heineken Malaysia Berhad (HEINEKEN Malaysia or the Company) and its subsidiaries (the Group) for the financial year ended 31 December 2021 (FY2021). This statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers which is in line with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements (MMLR) and Principle B of the Malaysian Code on Corporate Governance (MCCG).

BOARD'S RESPONSIBILITY

The Board is responsible and accountable for the Group's systems of risk management and internal control and for reviewing the effectiveness, adequacy and integrity of the system. In this regard, the Board is assisted by the Audit & Risk Management Committee (ARMC) who is responsible to ensure that appropriate methods and procedures are adopted in the risk management and internal control activities and to obtain the level of assurance required by the Board.

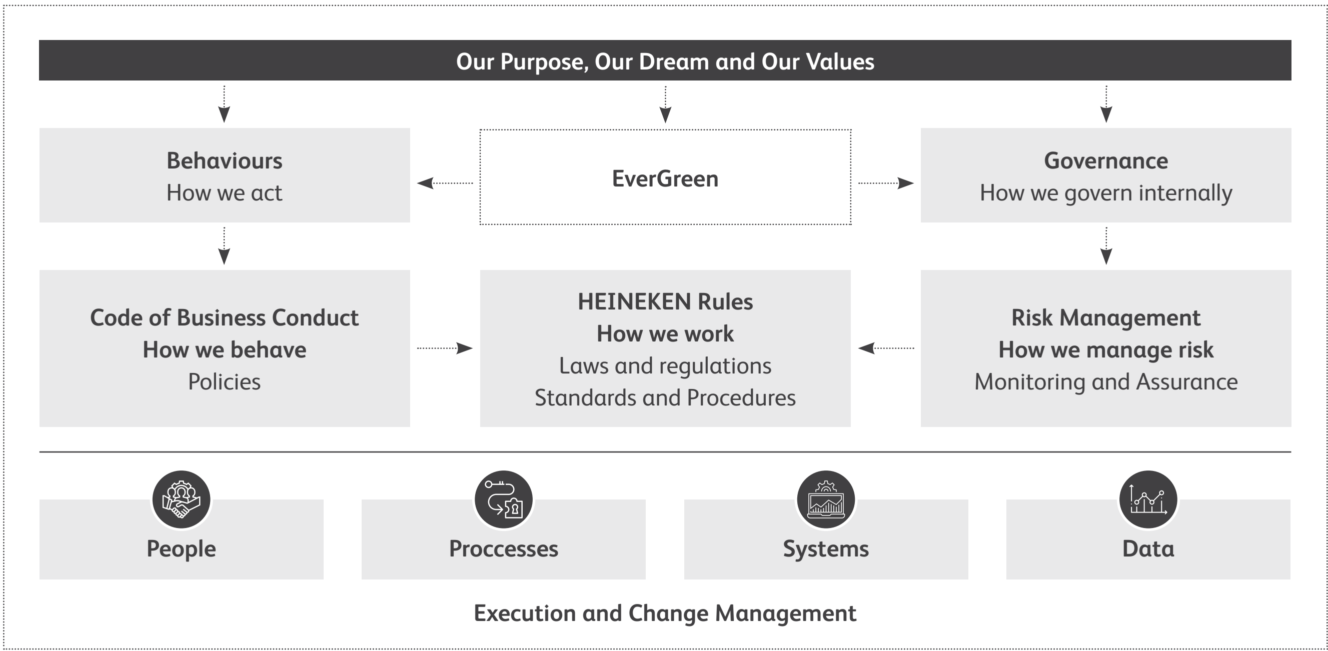
BUSINESS FRAMEWORK

As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Business Framework (the Framework) established by HEINEKEN NV. The Framework articulates the key elements that the Company relies on to operate effectively and deliver long-term value creation whilst protecting the Company's people, assets and reputation.

HEINEKEN's Purpose, Dream and Values underpin the HEINEKEN's EverGreen strategy, enabled by our organisational structure and governance. The expected behaviours provide clear guidance to all employees on how to act and foster a culture of achievement, collaboration and growth, underpinned by a Behaviours Framework that reflects the expected attitude in decision-making, including risk taking.

Continuous Risk Management supports the achievement of business objectives based on our Risk Assessment Cycle, the HEINEKEN Code of Business Conduct (HeiCode) and the HEINEKEN Rules (HeiRules). As part of the Risk Assessment Cycle, the Management Team reviews and updates the risks faced by the Group on a continuous basis throughout the year. The HeiCode and its underlying policies set out the Group's commitment to conduct business with integrity and fairness, and respect for the law and our values. The HeiRules articulate how we work and the standards to which we commit. They are a key element for managing the risks faced by our Company and translate our objectives into clear instructions on how to conduct our daily business.

The Group's systems of risk management and internal control, which are based on the Committee on Sponsoring Organisations (COSO) Enterprise Risk Management and Internal Control Reference model, form a fundamental part of the HEINEKEN Business Framework.

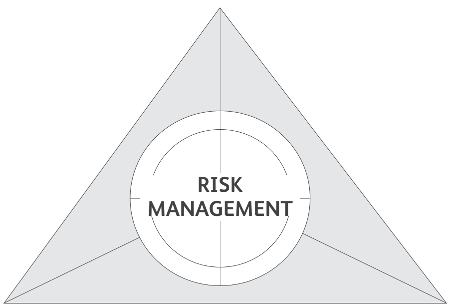


Statement on Risk Management and Internal Control

RISK MANAGEMENT

Risks are an essential element when opportunities are assessed and strategies set. At HEINEKEN Malaysia, risk management is an integral part of doing business, supported by good governance. The Group has adopted the HEINEKEN Risk Management Framework which is embedded within the HEINEKEN Business Framework. The risk management framework addresses the risks the Company inevitably faces in delivering its strategy. Managing risks in a conscious manner increases the likelihood of delivering our strategies and business objectives. The Group has adopted a proactive approach to ensure risk management is embedded in our processes for effective decision-making which is essential to create and preserve the Group's long-term value.

How we do business
Risk management is an integral part of how we do business, and is at the core of HEINEKEN Business Framework



How it is structured
To manage risks, we are structured around the HEINEKEN 3 Lines of Defence model

How it is embedded
Risk management is embedded in operations at all levels of the organisation

The Risk Management Framework comprises a four-step process and is supported by six (6) key pillars:

Objective
Strategic and business objectives are aligned to the Group strategy

↓

Risks
Risk assessment is performed on identified risk based on impact and likelihood of occurrence

↓

Actions & Controls
Management actions to mitigate the identified risk are periodically monitored

↓

Evaluation
Management action plan is reviewed as part of business performance review and risk assessment cycle

KEY PILLARS

Risk Management supports the achievement of our objectives, through more effective decision making

Structure

Risk management is an integral part of how we do business and is embedded in operations at all levels of the organisation.

Governance & Performance

Risk management aligns with the organisational governance with a strong tone at the top.

Processes & Tasks

Processes are key for effective risk management, this is done via a four step process embedded into our daily activities.

People & Competencies

Having people with the right mindset and behaviour, equipped to address opportunities, risks and required actions.

Reward & Recognition

Employees are recognised for their contributions towards risk management.

Information & Systems

Utilising risk management information system that contains a comprehensive database of key risks faced by the Group.

The risk profile of the Group is established during the risk assessment sessions with the Management Team. This exercise is facilitated by the Process & Control Improvement (P&CI) Team and is fully embedded as a key activity of the Risk and Control Workgroup (RCW). At each assessment session, members of the Management Team are engaged to identify and review key risk areas within their responsible function and they are responsible to ensure the adequacy and effectiveness of action plans to manage the risks identified. The risks landscape as well as the mitigation plans are assessed and categorised based on the level of impact and likelihood as set out in the following Risk Management Matrix adopted by the Group:

Statement on Risk Management and Internal Control

IMPACT	RISK MANAGEMENT MATRIX				
Major	Medium	Medium	High	High	Major
Significant	Medium	Medium	Medium	High	High
Moderate	Low	Medium	Medium	Medium	High
Minor	Low	Low	Medium	Medium	Medium
Insignificant	Low	Low	Low	Low	Medium
	Nearly Impossible	**Unlikely**	**Possible**	**Likely**	**Almost Certain**
	LIKELIHOOD				

The identified risks will be mapped out in a heat map and ranked according to the level of risk and impact and the same will be tabled to the Management Team at the quarterly RCW meeting. In determining the most appropriate responses to be taken to address the risks, the following risk mitigation strategy will be applied:

RISK RESPONSE ACTIONS

TAKE
Accept the risk, the probability and possible impact on the business are accepted

TREAT
Take action to reduce the risk by lessening the impact. This can involve improved procedures and internal controls

TRANSFER
Decide to pass the risk or costs of the impact outside the organisation, through third party contracts or take out insurance to cover the costs of the impact

TERMINATE
Decide to eliminate the risk by terminating the activity or the pursuance of the objective that causes the risk

Statement on Risk Management and Internal Control

For the managing of risk management activities, the Group applies the "Three-lines of Defence" model as follows:

Board and ARMC

1st Line – Management	2nd Line – P&CI	3rd Line – Internal Audit
Ownership and Responsibility	Support, Improvement and Monitoring	Independent, Objective Assurance
Management is ultimately responsible for identifying, assessing and mitigating risks.	Management is supported by the P&CI Team that oversees compliance with the Group policies, processes and controls, facilitate the implementation of effective risk management practices and drive continuous improvements of internal controls.	Internal Audit function is tasked to review key processes, projects and systems based on the Group's strategic priorities and most significant risk areas and provide independent and objective assurance on the effectiveness of governance, risk management and internal control processes.

The above is supported by assurance activities carried out by the external auditors whose responsibility is to evaluate and provide independent and objective assurance on the organisation's governance and risk management processes including reliability of information, compliance with regulations and procedures; and efficient and effective use of resources.

The RCW, which is made up of members of the Management Team and is chaired by the Managing Director, oversees the areas of risk management and internal control of the Group. It meets on a quarterly basis to review the risk management activities and internal control issues raised. Matters deliberated in the RCW meetings are reported to the ARMC. The RCW is supported by the P&CI Team who is tasked to oversee compliance with the Group's Risk Management and Internal Control Systems and drive continuous process improvement.

The P&CI Team is administered as a function within the Corporate Assurance Department led by the Head of Corporate Assurance who in turn is supported by a P&CI Manager, an Internal Audit Manager and a Senior Internal Audit Executive. The Head of Corporate Assurance reports functionally to the ARMC and administratively to the Managing Director and the Finance Director for P&CI related matters.

INTERNAL CONTROLS

As an integral part of the Framework, internal control activities are carried out with the aim of providing reasonable assurance as to the accuracy of financial information, non-financial disclosures, the Company's compliance with applicable laws and internal policies, and the effectiveness of internal processes.

The internal controls are defined in HeiRules, which comprise all mandatory standards and procedures including financial reporting, IT and Tax. On an annual basis, a Control Self-Assessment (CSA) is performed by each function to assess the implementation and execution of the mandatory standards and procedures required under the HeiRules. The Group has also adopted the HEINEKEN's Risk and Control Matrix (RACM) compliance programme that focuses on internal controls over financial reporting. The RACM assessment is performed on key controls surrounding the Group's financial reporting process based on materiality level; and it focuses on transparency, accountability and safeguarding of assets.

The P&CI Team coordinates both CSA and RACM assessments on an annual basis. The assessments are performed by competent assessors and the outcome are tested by qualified reviewers. The P&CI Team discusses non-compliance areas, if any, and control deficiencies with relevant process owners and reports it in a monitoring tool whilst ensuring the necessary remediation action plan is in place. Completed actions are then retested to ensure adequate remediation. Deficiencies, if any, will be assessed and reported to the RCW and the ARMC during their quarterly meetings.

INTERNAL AUDIT

The Internal Audit function is performed in-house under the purview of the Corporate Assurance Department (CAD) which oversees both internal audit and P&CI matters. The primary role of the Internal Audit function is to undertaken independent and systematic reviews of the Group's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Group's risk management, internal controls, anti-bribery and anti-corruption, Speak Up and the overall governance processes within the Group.

Statement on Risk Management and Internal Control

The Internal Audit function has a clear reporting line to the ARMC and its performance is reviewed by the ARMC annually. It is independent of the operational and management activities they audit and have unrestricted access to information, records, physical properties, and personnel, in order for it to complete the audit assignments.

Audits are carried out based on the Internal Audit Plan approved by the ARMC. The audit plan is developed based on the risk profiles identified in accordance with the Group's Risk Management Framework in consultation with the Management Team. The audit reports which highlight significant findings, audit opinions or conclusions and audit recommendations in respect of the effectiveness of governance, risk management and internal control processes are presented to the RCW and the ARMC at their quarterly meetings.

Details of activities carried out by the Internal Audit function during FY2021 are further disclosed in the Audit & Risk Management Committee Report.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The key elements of the Group's risk management and internal controls system are described below:

Authority and Responsibility

- As part of the Risk Management Framework, and in line with the MCCG, the Board has an organisational structure with clearly defined lines of accountability and responsibilities and delegated authority to the Board Committees and the Management to ensure they discharge their duties. Matters concerning risk management and internal controls are under the purview of the ARMC that is chaired by the Senior Independent Director.

- There is a schedule of key matters reserved specifically for Board deliberation and decision. The Group practices segregation of duties to ensure that specific tasks or duties within related business processes or associated with the systems supporting business processes are allocated to different employees, to prevent unintentional or fraudulent transactions.

- Internal policies and procedures of core business processes together with limits of authority delegated to appropriate levels of employees are documented and stored in a document repository portal. These documents are subject to review and improvements to reflect changing risks or resolve operational deficiencies.

Monitoring, Reporting and Performance Measurement

- The Management Team meets on a monthly basis to review business performance, identify, discuss and resolve operational, financial and key management issues. On a quarterly basis, the Managing Director reports to the Board on key business and operational issues covering, but not limited to strategy, performance, resources and regulatory compliance.

- The RCW meets on a quarterly basis to review risk management and internal control activities and discuss risk mitigation strategies and follow-up on action plans implemented in response to matters raised as a result of reviews, assessments and tests performed by the P&CI Team and the internal / external auditors.

- Compliance audit in line with the ISO 9001:2015 Quality Management System and the Hazard Analysis Critical Control Point (HACCP) requirements are conducted based on the frequency determined by the Ministry of Health to monitor compliance with product safety requirements.

- The Group has adopted the HEINEKEN's Information Security Maturity Assessment (ISMA) framework as part of the Group's internal control to protect and detect threats against the Company's information systems. Quarterly ISMA assessment is performed to evaluate the strength of the Group's information security management system and the effectiveness of the Group's cybersecurity risk management measures. The outcome of the assessment is reported to the RCW at its quarterly meeting.

- The annual planning process involves respective functions preparing and reviewing their strategies and activity plans including budgets before a new financial year commences. The annual plan which embeds the budget is reviewed by the Management Team and approved by the Board. Monthly review of performance and expenditure versus the plan is carried out by the Management Team to ensure effectiveness of execution and spends are managed in line with the strategic and financial objectives of the organisation. Performance gaps or key variances, if any, are followed up and addressed by respective functions.

- Regular stakeholder engagements with employees, investors, analysts, media, trade partners and relevant authorities are held to better gauge the needs of the stakeholders and gather feedback for continuous improvements.

- On behalf of the Management Team, the Managing Director and the Finance Director sign-off on a bi-annual Letter of Representation (LOR) to the Chief Financial Officer of Heineken NV, demonstrating management's accountability

Statement on Risk Management and Internal Control

over financial and non-financial reporting disclosures, financial reporting controls, compliance with the HeiCode and HeiRules and reporting of fraud and irregularities.

Integrity and Ethical Values

⇨ The Group has adopted the HeiCode which governs the standards of ethics and responsible business conduct expected from employees at all levels. The HeiCode has embedded 17 policies which covers all aspects of the Group's business operations, categorised under four (4) broad areas namely, Responsible Consumption, Respect People and the Planet, Conducting Business with Integrity and Fairness and Safeguarding of Company's Assets. The four areas cover responsible alcohol consumption; commitment to health and safety, human rights and sustainable initiatives, equal opportunities and no discrimination, avoidance and disclosure of conflicts of interest, insider trading, management of intellectual property and confidential information, privacy and data protection; fair competition practices, responsible communication, fraud, bribery, offering and acceptance of gifts, entertainment, hospitality and donations, money laundering and sanctions; and business partner governance. On a yearly basis, all employees are required to disclose to the Company if there is a possible conflict between their interest and that of the Company or any of its subsidiaries. This is to ensure decisions within the Group are based on sound and objective business judgement, not influenced by any possible personal interests or gain.

⇨ The Group has taken proactive actions to ensure the business partners share our values and commitment to responsible business conduct. In 2021, the Group implemented a due-diligence tool which is designed to identify, assess, and remedy risks associated with third parties engaged by the Group including suppliers and distributors. Anti-bribery and corruption are among the risks to be assessed by the tool.

⇨ The Group also adopted the HEINEKEN Speak Up Policy, which provides employees and stakeholders a standard process to raise concerns about suspected misconducts within the Group in confidence and without fear of retaliation. Speak Up allows and encourages employees and stakeholders to report suspected misconducts through their line managers, to a colleague in the people or legal function or to a trusted representatives appointed by the Company. The Speak Up service is managed by an independent third party and is available 24/7, 365 days a year. Report can be made online or via a phone call. All Speak Up reports are handled by a Case Manager who works under the supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global Human Resources and Global Legal Affairs. The Speak Up Policy was communicated to all employees to create awareness that there is an established channel for them to raise concerns about suspected misconduct within the organisation. The Speak Up Policy was also communicated to distributors and suppliers via an e-learning programme focusing on the Distributor Code of Conduct and Supplier Code of Conduct to encourage business partners to raise their concerns about suspected misconducts within the Group. The Speak Up policy is available for reference at the Company's website https://www.heinekenmalaysia.com/corporate-governance/

⇨ Employees are guided by HEINEKEN's Purpose, Dream and Values which are embedded within the Group's policies and procedures and work culture.

Employees' Competency and Awareness

⇨ On an annual basis, all employees are required to complete the following online courses as part of the Company's efforts to drive awareness and assess their understanding of the respective codes and the underlying principles, the results from the online courses assessment are closely monitored by the people function and is reported to the RCW.

- Code of Business Conduct
- Anti-Bribery and Corruption
- Responsible Marketing Code
- Security Awareness
- Fraud Awareness
- Data Privacy
- Competition law

⇨ Training and development programmes such as health and safety, technical knowledge training and leadership are organised for employees to ensure that they are equipped with necessary knowledge / skills and kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives. The Group has in place an enhanced integrated learning platform for employees to access a vast selection of courses ranging from cross functional business skills and digital trends to self-development.

⇨ The Group relies on the IT systems to support its operations via data, analysis and reports essential for business decision making. As part of the measures to raise awareness on cyber security, mandatory trainings were conducted for all employees through an online learning platform. A simulated phishing email exercise was also carried out during the year to enhance awareness on phishing and its methods of attack.

Statement on Risk Management and Internal Control

- Briefings are conducted to keep employees informed on changes to legislation that are expected to affect the Group's operations or the way the Group conducts its business.

- Induction programmes for new joiners are organised with the aim of raising their awareness and educating them on the Group's approach to risk management and internal control. The programmes also provide a forum to enhance the participants' understanding of the Group's risk management and control procedures as well as their roles in managing risks.

Other Policies

- The Distributor Code of Conduct and the HEINEKEN Supplier Code which outline the standard for ethical and business conduct expected from distributors and suppliers in their business dealings with the Group. E-learning programmes on the said Distributor Code of Conduct and the Supplier Code were developed and rolled out to all distributors and suppliers to drive awareness and assess their understanding of the codes and the underlying principles related to, among others, bribery, fraud and offering and acceptance of gifts and entertainment.

- The Group's assets are insured against any mishap that will result in material losses. Measures are also put in place to ensure major assets within the Group are physically safeguarded.

- The Group has adopted the HEINEKEN Crisis Manual and has in place a Contingency Plan and an Emergency Preparedness & Response Plan which lays out contingency plans and procedures to follow in the event of a crisis. The Group has a Crisis Management Team which comprises members of the Management Team, to provide leadership and timely decision making to ensure continuity of business operations in the event of a significant disruption or disaster. Among the crisis scenarios covered under the plan are fire / explosion, product contamination and IT disaster. Leveraging the learning from the challenges facing the Group during the first nationwide lockdown imposed by the Government due to the COVID-19 pandemic in 2020, the Group's pandemic preparedness was strengthened as seen from the excellent teamwork amidst work-from-home arrangement during the second nationwide lockdown in 2021.

Board Assessment

The Board is of the view that, the overall risk management and internal control systems in place for FY2021, and up to the date of approval of this statement are operating adequately and effectively. This covers all material aspects, based on, the same assurance provided by the Managing Director and the Finance Director who represent the Management Team of the Company via the LOR submitted to Heineken N.V. During the financial year under review, there were no material financial and non-financial losses reported as a result of weaknesses or inadequacies in internal control. The Board will continue to review the systems and ensure that measures will be taken to strengthen the risk management and internal control environment within the Group.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report 2021. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide 3 (AAPG3) issued by the Malaysian Institute of Accountants. AAPG3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on the review, the external auditors have reported that nothing has come to their attention that had caused them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement factually inaccurate.

This statement was approved by the Board on 15 March 2022.

Our Numbers & Other Information

Directors' Report

The directors of **HEINEKEN MALAYSIA BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the production, packaging, marketing and distribution of beverages, primarily alcoholic, whilst the principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group	Company
	RM'000	RM'000
Profit for the year attributable to:		
Owners of the Company	245,678	238,159

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than the significant events as disclosed in Note 30 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid or proposed by the Company are in respect of the following:

(i) A first and final ordinary dividend of 51 sen per stock unit under the single tier tax system totalling RM154,069,980 in respect of the financial year ended 31 December 2020 on 28 July 2021; and

(ii) An interim ordinary dividend of 15 sen per stock unit under the single tier tax system totalling RM45,314,700 in respect of the financial year ended 31 December 2021 on 18 November 2021.

The directors now recommend the declaration of a final ordinary dividend of 66 sen per stock unit under the single tier system totalling RM199,384,680 in respect of the financial year ended 31 December 2021 which if approved by the owners of the Company will be payable on 28 July 2022.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

Directors' Report

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; and

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year except as disclosed in Note 26 to the financial statements.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year other than the significant events as disclosed in Note 30 to the financial statements.

Directors' Report

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Sri Idris Jala
Datin Ngiam Pick Ngoh, Linda
Roland Bala
Choo Tay Sian, Kenneth
Seng Yi-Ying
Lau Nai Pek (Appointed on 22 May 2021)
Raquel Batallones Esguerra (Appointed on 1 September 2021)
Yu Yu-Ping (Resigned on 31 August 2021)
Martin Giles Manen (Retired on 21 May 2021)

The directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Dominic Joseph Puthucheary
Roland Bala
Renuka a/p V. Indrarajah
Christiaan Johannes Folkerts ^
Szilard Voros #

^ Appointed during the financial year.
# Resigned during the financial year.

DIRECTORS' INTERESTS

The interest in the ordinary stock units of the Company of a director at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Number of ordinary stock units			
	Balance as at 1.1.2021	**Bought**	**Sold**	**Balance as at 31.12.2021**
Datin Ngiam Pick Ngoh, Linda	6,700	-	-	6,700

By virtue of the director's interest in the ordinary stock units of the Company, she is also deemed to have interest in ordinary stock units/shares of the subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year held shares or had beneficial interest in the ordinary stock units/shares of the Company or its related corporation during or at the beginning and end of the year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, save for the consultancy services fee paid to a director of the Company during the financial year 2021, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the Note 23 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Report

DIRECTORS' BENEFITS (CONTINUED))

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a directors and officers liability insurance for the purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Group. The amount of insurance premium paid during the financial year amounted to RM44,360.

No indemnity was given to or insurance effected for auditors of the Company and the Group during the financial year.

HOLDING CORPORATIONS

The directors regard GAPL Pte. Ltd. ("GAPL") and Heineken Asia Pacific Pte. Ltd. ("HAPPL"), both corporations incorporated in the Republic of Singapore, as the immediate and intermediate holding corporations.

HAPPL is owned by Heineken N.V., a corporation incorporated in the Netherlands, which in turn is the ultimate holding corporation of the Company.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 December 2021 is as disclosed in Note 7 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

Signed on behalf of the Board of Directors
in accordance with a resolution of the directors,

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DATO' SRI IDRIS JALA

____
ROLAND BALA

Petaling Jaya,
16 February 2022

Independent Auditors' Report

To The Members Of Heineken Malaysia Berhad (Incorporated In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of **HEINEKEN MALAYSIA BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2021, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 132.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition - Accruals for promotional allowances and volume rebates

Accounting for promotional allowances and volume rebates impacts the amounts of revenue recognised during the year. The revenue accounting policies are disclosed in Note 3 to the financial statements. Management judgement is required to estimate the value of promotional allowances and volume rebates. This estimate is considered to be a key audit matter relevant to our audit of the financial statements.

Our audit response

Our audit procedures included, amongst others, evaluating controls relating to management's process for determining the value of promotional allowances and volume rebates. In addition, we performed substantive testing and analytical procedures to test the accuracy and completeness of the underlying calculation of the accruals. These procedures included challenging the appropriateness of management's assumptions and estimates, and agreeing input data, including pricing and allowance data to the underlying agreements entered into with customers. We also compared the actual promotional discounts and rebates incurred against the accrual made in the prior year.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Independent Auditors' Report

To The Members Of Heineken Malaysia Berhad (Incorporated In Malaysia)

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the Chairman's Statement, Five-Year Financial Indicators, Analysis of Group Revenue, Management Discussion and Analysis, Properties owned by the Group and Directors' Report (but does not include the financial statements of the Group and of the Company and our auditors' report thereon) which we obtained prior to the date of this auditors' report and the Analysis of Stockholdings, Corporate Governance Overview Statement, Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information that are expected to be made available to us after the date of this auditors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditors' Report

To The Members Of Heineken Malaysia Berhad (Incorporated In Malaysia)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are as disclosed in Note 13 to the financial statements.

Independent Auditors' Report

To The Members Of Heineken Malaysia Berhad (Incorporated In Malaysia)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)

LAI CAN YIEW
Partner - 02179/11/2022 J
Chartered Accountant

Kuala Lumpur
16 February 2022

Statements of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue		1,979,348	1,762,396	1,203,511	1,253,124
Cost of sales		(1,379,166)	(1,283,544)	(1,158,862)	(1,206,086)
Gross profit		600,182	478,852	44,649	47,038
Other operating income		5,849	3,970	4,070	2,843
Distribution, marketing and selling expenses		(171,520)	(165,920)	(992)	(963)
Administrative expenses		(102,029)	(91,965)	(31,059)	(28,130)
Other operating expenses		(8,557)	(6,904)	(1,782)	(2,126)
Restructuring costs	21	-	(14,381)	-	(3,308)
Dividend income		-	-	227,904	89,737
Results from operating activities		323,925	203,652	242,790	105,091
Finance income	5	1,559	4,186	1,528	4,146
Finance costs	6	(4,057)	(9,122)	(3,790)	(8,761)
Net finance costs		(2,498)	(4,936)	(2,262)	(4,615)
Profit before tax	7	321,427	198,716	240,528	100,476
Income tax expense	8	(75,749)	(44,519)	(2,369)	(850)
Profit/Total comprehensive income for the year attributable to:					
Owners of the Company		245,678	154,197	238,159	99,626
Basic/Diluted earnings per ordinary stock unit (sen)	9	81.3	51.0		

The accompanying Notes form an integral part of the Financial Statements.

Statements of Financial Position

As At 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Non-current Assets					
Property, plant and equipment	10	388,404	341,916	360,483	309,627
Intangible assets	11	15,657	16,526	15,542	16,349
Right-of-use assets	12	18,719	21,897	14,238	15,604
Investment in subsidiaries	13	-	-	14,344	14,344
Deferred tax assets	14	5,782	4,956	-	-
Other receivables and prepaid expenses	15	1,546	3,878	32	144
Total Non-current Assets		430,108	389,173	404,639	356,068
Current Assets					
Inventories	16	151,178	188,262	54,331	52,946
Current tax assets		15,155	10,722	15,155	10,722
Receivables, deposits and prepaid expenses	15	415,253	326,649	64,286	62,948
Cash and bank balances		76,479	131,902	72,787	129,567
Total Current Assets		658,065	657,535	206,559	256,183
Total Assets		1,088,173	1,046,708	611,198	612,251
Equity					
Share capital	17	151,049	151,049	151,049	151,049
Reserves		244,627	198,334	93,385	54,611
Total Equity Attributable To Owners of The Company		395,676	349,383	244,434	205,660
Non-current Liabilities					
Lease liabilities	19	5,015	6,723	2,322	2,977
Deferred tax liabilities	14	32,207	31,774	33,295	33,128
Total Non-current Liabilities		37,222	38,497	35,617	36,105
Current Liabilities					
Borrowings	18	160,131	249,208	160,131	249,208
Trade and other payables	20	478,051	386,390	167,057	116,184
Provision for restructuring	21	3,648	13,590	2,613	3,308
Lease liabilities	19	3,283	4,485	1,346	1,786
Current tax liabilities		10,162	5,155	-	-
Total Current Liabilities		655,275	658,828	331,147	370,486
Total Liabilities		692,497	697,325	366,764	406,591
Total Equity and Liabilities		1,088,173	1,046,708	611,198	612,251

The accompanying Notes form an integral part of the Financial Statements.

Statements of Changes In Equity

For The Year Ended 31 December 2021

Group	Note	Share capital RM'000	Capital reserve RM'000	Distributable -Retained earnings RM'000	Total RM'000
As at 1 January 2020		151,049	-	243,052	394,101
Total comprehensive income for the year		-	-	154,197	154,197
Credit to equity for equity-settled share-based payments		-	470	-	470
Dividends	22	-	-	(199,385)	(199,385)
As at 31 December 2020/1 January 2021		151,049	470	197,864	349,383
Total comprehensive income for the year		-	-	245,678	245,678
Dividends	22	-	-	(199,385)	(199,385)
As at 31 December 2021		151,049	470	244,157	395,676
Company					
As at 1 January 2020		151,049	-	153,900	304,949
Total comprehensive income for the year		-	-	99,626	99,626
Credit to equity for equity-settled share-based payments			470	-	470
Dividends	22	-	-	(199,385)	(199,385)
As at 31 December 2020/1 January 2021		151,049	470	54,141	205,660
Total comprehensive income for the year		-	-	238,159	238,159
Dividends	22	-	-	(199,385)	(199,385)
As at 31 December 2021		151,049	470	92,915	244,434

The accompanying Notes form an integral part of the Financial Statements.

Statements of Cash Flows

For The Year Ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		321,427	198,716	240,528	100,476
Adjustments for:					
Depreciation of property, plant and equipment	10	59,310	55,426	47,072	44,318
Amortisation of prepaid contractual promotion expenses		27,299	38,807	-	-
Amortisation of intangible assets	11	6,214	8,002	6,028	7,970
Inventories written down		5,486	7,265	960	2,391
Depreciation of right-of-use assets	12	5,182	5,419	2,252	2,125
Finance costs	6	4,057	9,122	3,790	8,761
Property, plant and equipment written off	10	1,700	3,446	1,698	3,446
Bad debts written off		953	-	-	-
Net unrealised loss/(gain) on foreign exchange		729	(604)	764	(627)
Intangible assets written off		15	-	15	-
Gain on disposal of right-of-use assets		(8)	(45)	(8)	(19)
Gain on disposal of property, plant and equipment		(818)	(210)	(605)	(5)
Reversal of impairment loss on trade receivables		(1,285)	-	-	-
Finance income	5	(1,559)	(4,186)	(1,528)	(4,146)
Dividend income from a subsidiary		-	-	(227,904)	(89,737)
Provision for restructuring	21	-	14,381	-	3,308
Impairment loss on trade receivables		-	1,285	-	-
Operating Profit Before Working Capital Changes		428,702	336,824	73,062	78,261
Movement in working capital:					
(Increase)/Decrease in:					
Receivables, deposits and prepaid expenses		(113,238)	245,363	(1,226)	99,562
Inventories		31,598	(121,682)	(2,345)	(14,628)
Increase/(Decrease) in:					
Trade and other payables		72,434	(147,501)	40,947	(32,632)
Cash Generated From Operations		419,496	313,004	110,438	130,563
Income tax paid		(75,568)	(83,205)	(6,635)	(6,735)
Income tax refunded		-	5,623	-	5,623
Interest paid		(4,057)	(9,122)	(3,790)	(8,761)
Net Cash From Operating Activities		339,871	226,300	100,013	120,690

Statements of Cash Flows

For The Year Ended 31 December 2021

		Group		Company	
	Note	**2021**	**2020**	**2021**	**2020**
		RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	10	(98,819)	(57,475)	(90,942)	(45,722)
Acquisition of intangible assets	11	(5,360)	(3,935)	(5,236)	(3,726)
Interest received		1,559	4,186	1,528	4,146
Proceeds from disposal of property, plant and equipment		825	211	607	5
Dividend received		-	-	227,904	89,737
Net Cash (Used In)/From Investing Activities		(101,795)	(57,013)	133,861	44,440
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Dividends paid	22	(199,385)	(199,385)	(199,385)	(199,385)
(Repayment)/Drawdown of revolving credit and trade financing - net		(89,208)	152,000	(89,208)	152,000
Repayment of lease liabilities		(4,906)	(5,068)	(2,061)	(1,846)
Net Cash Used In Financing Activities		(293,499)	(52,453)	(290,654)	(49,231)
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES		(55,423)	116,834	(56,780)	115,899
CASH AND BANK BALANCES AT BEGINNING OF YEAR		131,902	15,068	129,567	13,668
CASH AND BANK BALANCES AT END OF YEAR		76,479	131,902	72,787	129,567

The accompanying Notes form an integral part of the Financial Statements.

Notes To The Financial Statements

1. GENERAL INFORMATION

Heineken Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally engaged in the production, packaging, marketing and distribution of beverages, primarily alcoholic, whilst the principal activities of the subsidiaries are as stated in Note 13.

The registered office and principal place of business of the Company is located at Sungei Way Brewery, Lot 1135, Batu 9, Jalan Klang Lama, 46000 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 16 February 2022.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Application of Amendments to MFRS

In the current financial year, the Group and the Company adopted all the Amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") and effective for an annual financial period beginning on or after 1 January 2021:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the above Amendments to MFRS did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company.

Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

Effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRSs	Annual Improvements to MFRS Standards 2018-2020
Amendments to MFRS 3	Reference to Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

Effective immediately for annual periods beginning before 1 January 2023

Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Disclosure of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 – Comparative Information

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Standards and Amendments in issue but not yet effective (continued)

Effective date deferred to a date to be announced by MASB

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of Consolidation and Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation and Subsidiaries (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

<u>Business combinations</u>

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation and Subsidiaries (continued)

<u>Business combinations (continued)</u>

Non-controlling interests in subsidiary are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

<u>Changes in Group's ownership interest in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

<u>Subsidiaries</u>

Investment in subsidiaries, which are eliminated on consolidation, are stated at cost less any accumulated impairment losses, if any, in the Company's financial statements.

Translation of Foreign Currency Transactions

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the period (i.e. the closing rates). Non-monetary items carried at fair values that are denominated in foreign currencies are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items that are measured at their historical cost amounts continue to be translated at their respective historical rates and are not retranslated.

All exchange differences arising on settled transactions and on unsettled monetary items are recognised in profit or loss in the period in which they arise.

Functional and Presentation Currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to nearest thousand, unless otherwise stated.

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's and the Company's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time at which the customer obtains control of the promised goods or services.

(i) **Sales of Goods**

Revenue is generated by the sale and delivery of products to customers. Revenue is measured based on the consideration specified in a contract with a customer. The products are mostly own-produced finished goods from the Group's brewing activities, but also contain purchased goods from related companies for resale to customers. The Group and the Company recognise revenue at a point in time when they transfer control over a product or service to a customer and satisfy their performance obligation to a customer. Where applicable, rebates and discounts to customers are accounted as net of revenue according to contract. The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) **Dividend Income**

Dividend income is recognised in profit or loss on the date that the Group's or the Company's rights to receive payment is established.

(iii) **Interest Income**

Interest income is recognised as it accrues using the effective interest method in profit or loss.

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits

(i) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which employees of the Group and of the Company render the associated services. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

The Group and the Company and their eligible employees are required by law to make monthly contributions to Employees Provident Fund ("EPF"), a statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. The Group's and the Company's contributions to EPF are disclosed separately while the employees' contributions to EPF are included in staff costs. Once these contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Share-based payment transactions

Certain employees of the Group and of the Company are entitled to a long term incentive plan established by Heineken N.V., ultimate holding corporation, that gives the right to Heineken N.V. shares. The grant date fair value is calculated by deducting expected foregone dividends from the grant date during the performance period share price. The costs of the share plans are adjusted for expected performance and forfeiture and spread evenly over the service period. The grant date fair value of the plan granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in amount due to related parties.

Any excess or shortfall in relation to the incentive plan provision is treated as a capital contribution or distribution respectively and would be recorded directly in equity.

(iv) Termination Benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised in the cost of those assets until the assets are substantially ready for their intended use or sale. Subsequently, borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (continued)

Deferred tax is provided for, using the "liability" method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting date. Deferred tax is recognised in profit or loss except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

Leases

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment except for long term leasehold land which the estimated useful life is determined at 61 to 95 years. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The lease term is determined as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in "Impairment of Non-Financial Assets" policy.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM25,000 each when purchased new.

Impairment of Non-Financial Assets

The carrying amounts of property, plant and equipment and right-of-use asset are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in profit or loss.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss in the year in which they are incurred.

Returnable bottles and kegs in circulation are recorded within property, plant and equipment and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use.

The following annual rates based on the estimated useful lives of the various assets:

Buildings	50 years
Plant and machinery	13 - 20 years
Movable plant	2 - 10 years

Where significant parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

At each reporting date, the residual values, useful lives and depreciation method of property, plant and equipment are reviewed, and the effects of any change in estimates are recognised prospectively.

Notes To The Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)

Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Computer software that are acquired by the Group and the Company, which have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Capital work-in-progress is measured at cost and is not amortised until the assets are ready for their intended use.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Computer software are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 5 years. Amortisation methods, useful life and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is calculated using weighted average method, and includes cost of raw materials, duties where applicable, and other expenses incurred in acquiring inventories and bringing them to their existing location and condition. For finished goods and work-in-progress, cost also includes direct labour and an appropriate proportion of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortisation cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Amortisation cost and effective interest method (continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with MFRS 16 Leases.

If the Group measures the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities and Equity Instruments (continued)

Foreign exchange gains and losses (continued)

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivatives Instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

At each reporting date, the provisions are reviewed by the directors and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

Restructuring

A restructuring provision is recognised when the Group and the Company have developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

Earnings per ordinary stock unit

The Group presents basic earnings per stock unit data for its ordinary shares. Basic earnings per ordinary stock unit is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

(i) **Critical judgements in applying the Group's and the Company's accounting policies**

In the process of applying the Group's and the Company's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) **Key sources of estimation uncertainty**

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group and the Company within the next financial year except as discussed below.

4. CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Key sources of estimation uncertainty (continued)

Accruals for promotional discounts and volume rebates

Significant management judgment is required relative to the consideration of the Group's ability to estimate the promotional allowances and volume rebates, which impact revenue recognition. In making the estimates, the Group refers to the terms agreed with the customers and relies on the historical and current sales information to determine the accruals for promotional discounts and rebates as at the end of the reporting period.

Depreciation of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimate due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Recognition of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. This involves judgement regarding the future financial performance of the Group in which the deferred tax assets have been recognised.

Impairment losses of trade receivables

The Group recognises impairment loss for financial assets based on assumption about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and impairment loss in the period in which such estimate has been changed.

Allowance for obsolete and slow moving inventories

The Group and the Company review the inventory age listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow moving items. In addition, the Group and the Company conduct physical counts on inventories on a periodic basis in order to determine whether an allowance is required to be made.

Returnable packaging deposits

The Group collects deposits from customers on returnable packaging materials such as bottles, kegs, crates and cylinders. Management estimates the returnable packaging materials being circulated in the market and the expected return from customers. The estimate is based on circulation time and losses of returnable packaging materials in the market.

Right-of-use assets and lease liabilities

Significant management judgement is required to determine the lease term and the incremental borrowing rate. Management assesses whether the Group and the Company are reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities recognised. The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

Notes To The Financial Statements

5. FINANCE INCOME

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Interest income received from deposits placed with licensed banks	1,558	4,185	1,527	4,145
Interest income received from staff loans	1	1	1	1
Recognised in profit or loss	1,559	4,186	1,528	4,146

6. FINANCE COSTS

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Interest expenses of financial liabilities that are not at fair value through profit or loss:				
Revolving credit and trade financing	3,588	8,592	3,588	8,592
Lease liabilities	469	530	202	169
Recognised in profit or loss	4,057	9,122	3,790	8,761

7. PROFIT BEFORE TAX

Profit before tax is arrived at after the following:

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
After charging:				
Personnel expenses (including key management personnel):				
Wages, salaries and others	97,197	89,390	29,310	26,552
Contributions to state plans	14,018	12,353	4,295	3,688
Depreciation of property, plant and equipment (Note 10)	59,310	55,426	47,072	44,318
Amortisation of prepaid contractual promotion expenses	27,299	38,807	-	-

Notes To The Financial Statements

7. PROFIT BEFORE TAX (CONTINUED)

Profit before tax is arrived at after the following: (continued)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
After charging: (continued)				
Amortisation of intangible assets (Note 11)	6,214	8,002	6,028	7,970
Inventories written down	5,486	7,265	960	2,391
Depreciation of right-of-use assets (Note 12)	5,182	5,419	2,252	2,125
Rental expense on buildings	4,545	4,470	96	184
Property, plant and equipment written off	1,700	3,446	1,698	3,446
Hire of equipment	1,229	1,165	579	511
Bad debts written off	953	-	-	-
Net unrealised loss on foreign exchange	729	-	764	-
Auditors' remuneration:				
Statutory audit	203	198	126	123
Other services	40	40	40	40
Intangible assets written off	15	-	15	-
Impairment loss on trade receivables [Note 28.4 (a)]	-	1,285	-	-
And after crediting:				
Dividend income from unquoted subsidiary	-	-	227,904	89,737
Net realised gain on foreign exchange	1,285	959	1,136	800
Reversal of impairment loss on trade receivables [Note 28.4 (a)]	1,285	-	-	-
Gain on disposal of property, plant and equipment	818	210	605	5
Gain on disposal of right-of-use assets	8	45	8	19
Net unrealised gain on foreign exchange	-	604	-	627

Notes To The Financial Statements

8. INCOME TAX EXPENSE

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable:				
Current year	77,091	56,197	3,086	5,443
Overprovision in prior years	(949)	(175)	(884)	(349)
	76,142	56,022	2,202	5,094
Deferred tax (Note 14):				
Current year	(705)	(6,809)	158	(1,415)
Under/(Over)provision in prior years	312	(4,694)	9	(2,829)
	(393)	(11,503)	167	(4,244)
	75,749	44,519	2,369	850

The Finance Act 2021 gazetted on 31 December 2021 enacts the Prosperity Tax on companies that generate high income during the Year of Assessment 2022 i.e. chargeable income up to first RM100 million will be taxed at 24% and the remaining chargeable income will be taxed at a one-off rate of 33%. Accordingly, the computation of deferred tax assets and deferred tax liabilities has been adjusted to reflect such changes.

A reconciliation of income tax expense applicable to profit before tax at the applicable statutory income tax rate to the income tax expense at the effective income tax rates of the Group and of the Company is as follows:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	321,427	198,716	240,528	100,476
Tax at statutory tax rate of 24% (2020: 24%)	77,142	47,692	57,727	24,114
Tax effects of:				
Effect of change in tax rate relating to Prosperity Tax	(1,619)	-	-	-
Expenses not deductible for tax purposes	863	1,696	214	1,451
(Over)/Underprovision in prior years:				
Current tax	(949)	(175)	(884)	(349)
Deferred tax	312	(4,694)	9	(2,829)
Tax exempt dividend	-	-	(54,697)	(21,537)
	75,749	44,519	2,369	850

9. EARNINGS PER ORDINARY STOCK UNIT

Basic earnings per ordinary stock unit

The calculation of basic earnings per ordinary stock unit at 31 December 2021 was based on the profit attributable to the holders of ordinary stock units of RM245,678,000 (2020: RM154,197,000) and the number of ordinary stock units outstanding of 302,098,000 (2020: 302,098,000).

	Group	
	2021	**2020**
Issued ordinary stock unit ('000)	302,098	302,098
Basic earnings per ordinary stock unit (sen)	81.3	51.0

There were no diluted earnings per ordinary stock unit for the Group as at 31 December 2021.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 January 2020	4,037	99,433	431,519	288,091	17,630	840,710
Additions	-	699	503	26,362	31,923	59,487
Write offs	-	(14)	-	(11,539)	-	(11,553)
Disposals	-	-	-	(1,532)	-	(1,532)
Reclassifications	-	3,928	6,978	8,176	(19,082)	-
At 31 December 2020/ 1 January 2021	4,037	104,046	439,000	309,558	30,471	887,112
Additions	-	67	1,054	24,670	81,714	107,505
Write offs	-	-	(1,982)	(6,521)	-	(8,503)
Disposals	-	-	-	(9,755)	-	(9,755)
Reclassifications	-	2,024	13,849	3,427	(19,300)	-
At 31 December 2021	4,037	106,137	451,921	321,379	92,885	976,359

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation						
At 1 January 2020	-	54,480	285,198	159,730	-	499,408
Charge for the year	-	4,866	15,121	35,439	-	55,426
Write offs	-	(13)	-	(8,094)	-	(8,107)
Disposals	-	-	-	(1,531)	-	(1,531)
At 31 December 2020/ 1 January 2021	-	59,333	300,319	185,544	-	545,196
Charge for the year	-	4,867	17,747	36,696	-	59,310
Write offs	-	-	(1,982)	(4,821)	-	(6,803)
Disposals	-	-	-	(9,748)	-	(9,748)
At 31 December 2021	-	64,200	316,084	207,671	-	587,955
Carrying amounts						
At 31 December 2021	4,037	41,937	135,837	113,708	92,885	388,404
At 31 December 2020	4,037	44,713	138,681	124,014	30,471	341,916

Company	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in-progress RM'000	Total RM'000
Cost					
At 1 January 2020	93,386	431,519	223,770	17,042	765,717
Additions	699	503	23,564	22,968	47,734
Write offs	-	-	(11,479)	-	(11,479)
Disposals	-	-	(244)	-	(244)
Reclassifications	3,569	6,978	2,027	(12,574)	-
At 31 December 2020/ 1 January 2021	97,654	439,000	237,638	27,436	801,728
Additions	67	1,054	22,617	75,890	99,628
Write offs	-	(1,982)	(6,339)	-	(8,321)
Disposals	-	-	(7,249)	-	(7,249)
Reclassifications	5	13,849	-	(13,854)	-
At 31 December 2021	97,726	451,921	246,667	89,472	885,786

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Buildings RM'000	Plant and machinery RM'000	Movable plant RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation					
At 1 January 2020	48,912	285,198	121,950	-	456,060
Charge for the year	4,421	15,121	24,776	-	44,318
Write offs	-	-	(8,033)	-	(8,033)
Disposals	-	-	(244)	-	(244)
At 31 December 2020/ 1 January 2021	53,333	300,319	138,449	-	492,101
Charge for the year	4,199	17,747	25,126	-	47,072
Write offs	-	(1,982)	(4,641)	-	(6,623)
Disposals	-	-	(7,247)	-	(7,247)
At 31 December 2021	57,532	316,084	151,687	-	525,303
Carrying amounts					
At 31 December 2021	40,194	135,837	94,980	89,472	360,483
At 31 December 2020	44,321	138,681	99,189	27,436	309,627

During the financial year, the Group and the Company acquired property, plant and equipment as follows:

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash payments	98,819	57,475	90,942	45,722
Other payables	8,686	2,012	8,686	2,012
Total additions	107,505	59,487	99,628	47,734

11. INTANGIBLE ASSETS

Group	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2020	86,872	4,067	90,939
Additions	230	3,705	3,935
Write off	(760)	-	(760)
Disposals	(2,356)	-	(2,356)
Reclassifications	3,517	(3,517)	-
At 31 December 2020/1 January 2021	87,503	4,255	91,758
Additions	124	5,236	5,360
Write off	(58)	-	(58)
Reclassifications	4,652	(4,652)	-
At 31 December 2021	92,221	4,839	97,060
Amortisation			
At 1 January 2020	70,346	-	70,346
Amortisation for the year	8,002	-	8,002
Write off	(760)	-	(760)
Disposals	(2,356)	-	(2,356)
At 31 December 2020/1 January 2021	75,232	-	75,232
Amortisation for the year	6,214	-	6,214
Write off	(43)	-	(43)
At 31 December 2021	81,403	-	81,403
Carrying Amounts			
At 31 December 2021	10,818	4,839	15,657
At 31 December 2020	12,271	4,255	16,526

11. INTANGIBLE ASSETS (CONTINUED)

Company	Computer software RM'000	Capital work-in-progress RM'000	Total RM'000
Cost			
At 1 January 2020	86,855	4,068	90,923
Additions	21	3,705	3,726
Write off	(760)	-	(760)
Disposals	(2,356)	-	(2,356)
Reclassifications	3,517	(3,517)	-
At 31 December 2020/1 January 2021	87,277	4,256	91,533
Additions	-	5,236	5,236
Write off	(58)	-	(58)
Reclassifications	4,652	(4,652)	-
At 31 December 2021	91,871	4,840	96,711
Amortisation			
At 1 January 2020	70,330	-	70,330
Amortisation for the year	7,970	-	7,970
Write off	(760)	-	(760)
Disposals	(2,356)	-	(2,356)
At 31 December 2020/1 January 2021	75,184	-	75,184
Amortisation for the year	6,028	-	6,028
Write off	(43)	-	(43)
At 31 December 2021	81,169	-	81,169
Carrying amounts			
At 31 December 2021	10,702	4,840	15,542
At 31 December 2020	12,093	4,256	16,349

12. RIGHT-OF-USE ASSETS

Group	Long term leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2020	11,426	4,814	7,798	24,038
Additions	-	968	8,937	9,905
Disposals	-	(1,262)	(2,884)	(4,146)
At 31 December 2020/1 January 2021	11,426	4,520	13,851	29,797
Additions	-	1,324	839	2,163
Disposals	-	(599)	(3,017)	(3,616)
At 31 December 2021	11,426	5,245	11,673	28,344
Accumulated Depreciation				
At 1 January 2020	255	1,725	3,559	5,539
Depreciation for the year	255	1,910	3,254	5,419
Disposals	-	(622)	(2,436)	(3,058)
At 31 December 2020/1 January 2021	510	3,013	4,377	7,900
Depreciation for the year	255	1,591	3,336	5,182
Disposals	-	(440)	(3,017)	(3,457)
At 31 December 2021	765	4,164	4,696	9,625
Carrying Amounts				
At 31 December 2021	10,661	1,081	6,977	18,719
At 31 December 2020	10,916	1,507	9,474	21,897

Company	Long term leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2020	11,426	1,588	3,249	16,263
Additions	-	396	3,924	4,320
Disposals	-	(91)	(1,823)	(1,914)
At 31 December 2020/1 January 2021	11,426	1,893	5,350	18,669
Additions	-	529	515	1,044
Disposals	-	(599)	(981)	(1,580)
At 31 December 2021	11,426	1,823	4,884	18,133

12. RIGHT-OF-USE ASSETS (CONTINUED)

Company	Long term leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Total RM'000
Accumulated Depreciation				
At 1 January 2020	255	608	1,528	2,391
Depreciation for the year	255	724	1,146	2,125
Disposals	-	(75)	(1,376)	(1,451)
At 31 December 2020/1 January 2021	510	1,257	1,298	3,065
Depreciation for the year	255	655	1,342	2,252
Disposals	-	(440)	(982)	(1,422)
At 31 December 2021	765	1,472	1,658	3,895
Carrying Amounts				
At 31 December 2021	10,661	351	3,226	14,238
At 31 December 2020	10,916	636	4,052	15,604

13. INVESTMENT IN SUBSIDIARIES

	Company 2021 RM'000	Company 2020 RM'000
Unquoted shares, at cost	14,344	14,344

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Proportion of ownership interest and voting power 2021 %	Proportion of ownership interest and voting power 2020 %	Principal activities
Heineken Marketing Malaysia Sdn. Bhd.	Malaysia	100	100	Marketing and distribution of beverages primarily alcoholic in Malaysia
Ramaha Corporation (M) Sdn. Bhd.*	Malaysia	100	100	Property holding and land development
Heineken East Malaysia Sdn. Bhd.*	Malaysia	100	100	Dormant

* Elected to be exempted from audit under Practice Directive No.3/2017 issued by the Companies Commission of Malaysia.

14. DEFERRED TAX ASSETS/(LIABILITIES)

The deferred tax amounts, determined after appropriate offsetting, are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	5,782	4,956	-	-
Deferred tax liabilities	(32,207)	(31,774)	(33,295)	(33,128)
	(26,425)	(26,818)	(33,295)	(33,128)

As mentioned in Note 8, the Finance Act 2021 gazetted on 31 December 2021 enacts the special one-time "Prosperity Tax" at the rate of 33% on companies with chargeable income exceeding RM100 million for Year of Assessment 2022. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the expected rate.

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	679	144	-	-
Inventories	3,504	2,896	508	693
Receivables, deposits and prepaid expenses	368	676	-	-
Trade and other payables	2,957	4,147	1,019	897
Lease liabilities	2,100	2,690	872	1,143
Tax assets	9,608	10,553	2,399	2,733
Set off of tax	(3,826)	(5,597)	(2,399)	(2,733)
	5,782	4,956	-	-
Liabilities				
Property, plant and equipment	(34,835)	(34,736)	(34,835)	(34,736)
Right-of-use assets	(1,198)	(2,635)	(859)	(1,125)
Tax liabilities	(36,033)	(37,371)	(35,694)	(35,861)
Set off of tax	3,826	5,597	2,399	2,733
	(32,207)	(31,774)	(33,295)	(33,128)
Net				
Property, plant and equipment	(34,156)	(34,592)	(34,835)	(34,736)
Inventories	3,504	2,896	508	693
Receivables, deposits and prepaid expenses	368	676	-	-
Trade and other payables	2,957	4,147	1,019	897
Right-of-use assets and lease liabilities	902	55	13	18
Tax liabilities	(26,425)	(26,818)	(33,295)	(33,128)

Notes To The Financial Statements

14. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the year:

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At beginning of year	(26,818)	(38,321)	(33,128)	(37,372)
Recognised in profit or loss (Note 8):				
Property, plant and equipment	436	3,847	(99)	2,901
Inventories	608	2,896	(185)	693
Receivables, deposits and prepaid expenses	(308)	676	-	-
Trade and other payables	(1,190)	3,912	122	662
Right-of-use assets and lease liabilities	847	172	(5)	(12)
	393	11,503	(167)	4,244
At end of year	(26,425)	(26,818)	(33,295)	(33,128)

15. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivables	98	258	32	144
Prepaid expenses	1,448	3,620	-	-
	1,546	3,878	32	144
Current				
Trade				
Trade receivables	403,523	303,608	-	-
Less: Impairment losses [Note 28.4(a)]	(1,532)	(2,817)	-	-
	401,991	300,791	-	-
Amount due from a related party	-	83	-	83
Amount due from a subsidiary	-	-	56,112	54,257
	401,991	300,874	56,112	54,340

15. RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (CONTINUED)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-trade				
Amount due from intermediate holding corporation	4	43	-	-
Amount due from related parties	765	792	355	329
Amount due from a subsidiary	-	-	4,043	4,043
Deposits	4,451	4,472	2,817	2,844
Other receivables	1,913	4,868	545	1,364
Prepaid expenses	6,129	15,600	414	28
	13,262	25,775	8,174	8,608
	415,253	326,649	64,286	62,948

(a) **Amounts due from related parties, intermediate holding corporation and subsidiaries**

The trade amounts due from a subsidiary and a related party are subject to normal trade terms.

The non-trade amounts due from intermediate holding corporation, related parties and a subsidiary are unsecured, interest-free and repayable on demand.

(b) **Other receivables**

Included in other receivables are staff loans of the Group and of the Company amounting to RM257,000 (2020: RM588,000) and RM123,000 (2020: RM294,000) respectively of which RM98,000 (2020: RM258,000) and RM32,000 (2020: RM144,000) are repayable after the next 12 months for the Group and the Company respectively.

(c) **Prepaid expenses**

Included in prepayments of the Group are upfront payments for contracts with on-trade retailers of RM7,163,089 (2020: RM18,807,063) of which RM1,448,063 (2020: RM3,619,591) are to be amortised over a period of more than 12 months but not exceeding 36 months. The upfront payments are made to the on-trade retailers to carry out promotional activities over the period specified in the contract. The amount is amortised to profit or loss on based on actual volumes sold by the on-trade retailers as stipulated in the contract.

Notes To The Financial Statements

16. INVENTORIES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Raw materials	21,016	23,242	21,016	23,242
Work-in-progress	7,817	7,711	7,817	7,711
Finished goods	104,016	141,069	9,205	7,721
Packaging materials	10,083	7,121	10,083	7,121
Engineering stores and spaces	8,246	9,119	6,210	7,151
	151,178	188,262	54,331	52,946
Recognised in profit or loss:				
Inventories recognised as cost of sales	1,218,405	1,132,389	1,066,648	1,112,151

The Group and the Company have written down inventories by RM5,486,000 (2020: RM7,265,000) and RM960,000 (2020: RM2,391,000) respectively to net realisable value.

17. SHARE CAPITAL

	Group and Company			
	Number of shares		Amount	
	2021	2020	2021	2020
	('000)	('000)	RM'000	RM'000
Issued and fully paid				
Ordinary stock units	302,098	302,098	151,049	151,049

The holders of ordinary stock units are entitled to receive dividends as declared from time to time, and are entitled to one vote per ordinary stock unit at meetings of the Company.

18. BORROWINGS

	Group and Company	
	2021	2020
	RM'000	RM'000
Current		
Revolving credit and trade financing (unsecured)	160,131	249,208

Notes To The Financial Statements

18. BORROWINGS (CONTINUED)

Revolving credit and trade financing as at 31 December 2021 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value (RM'000)
Revolving credit	9	2.05%	24 January 2022	30,000
Trade financing	6	2.08%	19 January 2022	20,000
Trade financing	4	2.08%	20 January 2022	60,000
Trade financing	8	0.30%	14 January 2022	50,000

Revolving credit and trade financing as at 31 December 2020 consist of the following:

	Tenure (weeks)	Interest rate (per annum)	Maturity date	Nominal value (RM'000)
Revolving credit	4	2.25%	13 January 2021	100,000
Trade financing	6	2.09%	22 January 2021	50,000
Trade financing	7	0.56%	4 February 2021	45,000
Trade financing	8	0.56%	11 February 2021	55,000

The principal and interest are repayable in full upon maturity.

19. LEASE LIABILITIES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-current	5,015	6,723	2,322	2,977
Current	3,283	4,485	1,346	1,786
	8,298	11,208	3,668	4,763
Minimum lease payments:				
Not later than 1 year	3,586	4,930	1,483	1,977
Later than 1 year but not later than 5 years	5,294	7,261	2,456	3,225
	8,880	12,191	3,939	5,202
Less: Unexpired finance charges	(582)	(983)	(271)	(439)
	8,298	11,208	3,668	4,763
Present value of lease liabilities:				
Not later than 1 year	3,283	4,485	1,346	1,786
Later than 1 year but not later than 5 years	5,015	6,723	2,322	2,977
	8,298	11,208	3,668	4,763

19. LEASE LIABILITIES (CONTINUED)

The Group and the Company discounted the lease liabilities by using the Group's and the Company's incremental borrowing rates of 3.31% - 5.72% (2020: 5.11% - 5.72%).

During the year, the Group and the Company recognised RM5,773,818 (2020: RM5,634,810) and RM675,339 (2020: RM695,229) respectively of short-term leases and leases of low value assets on a straight-line basis as expenses.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Trade				
Amount due to intermediate holding corporation	11,620	6,351	2,278	448
Amount due to related parties	10,297	6,889	7,541	5,411
Trade payables	137,672	110,429	72,691	61,488
	159,589	123,669	82,510	67,347
Non-trade				
Amount due to intermediate holding corporation	520	-	520	-
Amount due to related parties	3,047	4,556	3,047	4,556
Amount due to a subsidiary	-	-	100	100
Returnable packaging deposits	31,187	13,236	-	-
Other payables	45,783	34,701	41,494	29,581
Derivative financial liabilities	243	986	234	986
Accrued expenses	237,682	209,242	39,152	13,614
	318,462	262,721	84,547	48,837
	478,051	386,390	167,057	116,184

(a) **Amount due to related parties, intermediate holding corporation and a subsidiary**

The trade amount due to related parties and intermediate holding corporation are subject to normal trade terms.

The non-trade amounts due to related parties, intermediate holding corporation and a subsidiary are unsecured, interest-free and repayable on demand.

(b) **Trade payables**

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 90 to 150 days (2020: 90 to 150 days).

(c) **Accrued expenses**

Included in accrued expenses of the Group are accruals for promotional expenses of RM175,017,000 (2020: RM174,778,000).

20. TRADE AND OTHER PAYABLES (CONTINUED)

(d) **Derivative financial liabilities**

The Company's derivatives comprise solely foreign exchange forward contracts incepted to hedge its currency exposures arising from short term borrowings in United States Dollar ("USD"). Foreign exchange forward contracts are entered into with licensed banks. The foreign exchange forward contracts generally have a maturity period between 1 to 2 months.

Details of the Company's derivative financial instruments are outlined below:

	Company	
	2021 RM'000	2020 RM'000
Fair value of remeasured foreign forward exchange contracts	234	986

At 31 December 2021, the Company's foreign exchange forward contracts entered into are as follows:

Hedged items	Currency to be received USD'000	RM'000 equivalent	Average contractual rate
Borrowings	11,962	50,149	4.19

These contracts are executed with credit worthy/reputable financial institutions in Malaysia. As such, credit risk and liquidity risk in respect of non-performance by counterparties to these contracts are minimal.

21. PROVISION FOR RESTRUCTURING

On 28 October 2020, Heineken N.V., ultimate holding corporation, announced a review of the effectiveness and efficiency of the organisations at Head Office, regional offices and each of its local operations as a part of its strategic review. Subsequently on 16 December 2020, the Group and the Company announced the restructuring exercise to the employees.

The provision relates to redundancy costs incurred. The Group and the Company expect to complete the exercise within the financial year 2022.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At beginning of year	13,590	-	3,308	-
Additional provision in the year	-	14,381	-	3,308
Utilisation of provision	(9,942)	(791)	(695)	-
At end of year	3,648	13,590	2,613	3,308

22. DIVIDENDS

Dividends recognised by the Group and the Company are:

	Sen per stock unit	Total amount RM'000	Date of payment
31 December 2021			
Interim 2021 ordinary	15.0	45,315	18 November 2021
First and final 2020 ordinary	51.0	154,070	28 July 2021
Total amount		199,385	
31 December 2020			
Final 2019 ordinary	66.0	199,385	12 November 2020

The Directors now recommend the declaration of a final ordinary dividend of 66 sen per stock unit under the single tier tax system totalling RM199,384,680 in respect of the financial year ended 31 December 2021 which, if approved by the owners of the Company, will be payable on 28 July 2022.

23. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include the directors of the Company and subsidiaries and certain members of senior management of the Group and the Company. Their compensation are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors:				
Fees	601	601	595	595
Remuneration	2,360	2,766	2,360	2,766
Share-based payment	621	403	621	403
Meeting attendance allowance	55	72	55	72
Estimated monetary value of benefits-in-kind otherwise than in cash	587	749	587	749
	4,224	4,591	4,218	4,585
Other key management personnel:				
Short term employee benefits	7,315	7,931	4,710	5,294
Share-based payment	537	352	334	222
	12,076	12,874	9,262	10,101

Other key management personnel comprise persons other than the directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

24. OPERATING SEGMENTS

The Group's business is focussed only in malt liquor brewing including production, packaging, marketing and distribution of its products, principally in Malaysia. In previous financial year, less than 1% of the total sales is exported, mainly to Asian countries. As such, only one reportable segment analysis is prepared. The Managing Director of the Company (the chief operating decision maker) reviews internal management reports at least on a monthly basis.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Managing Director of the Company. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within this industry.

Segment assets and liabilities

Segment assets and liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director of the Company. Hence, no disclosure is made on segment assets and liabilities.

Segment capital expenditure

Segment capital expenditure is the total costs incurred during the financial year to acquire property, plant and equipment, right-of-use assets and intangible assets.

	Group	
	2021	**2020**
	RM'000	**RM'000**
Total additions to property, plant and equipment, right-of-use assets and intangible assets	115,028	73,327
Segment profit		
Included in the measure of segment profits are:		
Revenue from external customers	1,979,348	1,762,396
Depreciation and amortisation	(70,706)	(68,847)
Not included in the measure of segment profit but provided to the Managing Director of the Company:		
Net finance costs	(2,498)	(4,936)

Reconciliation of reportable segment revenue, profit and other material items.

	Group	
	2021	**2020**
	RM'000	**RM'000**
Net finance costs		
Finance income	1,559	4,186
Finance costs	(4,057)	(9,122)
Consolidated net finance costs	(2,498)	(4,936)

No reconciliation is performed for reportable segment profit, revenue, depreciation and amortisation to consolidated figures as there are no differences.

25. CAPITAL COMMITMENTS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital expenditure commitments				
Property, plant and equipment:				
Authorised and contracted for within one year	9,011	5,155	8,501	4,055

26. CONTINGENT LIABILITY – UNSECURED

(i) On 13 April 2021, the Company and its wholly-owned subsidiary, Heineken Marketing Malaysia Sdn. Bhd ("Companies"), had received a Writ of Summons dated 2 April 2021 and Statement of Claim dated 29 March 2021 filed by Thirteen Wings Sdn Bhd, Ashwin Kumar Kandiah (trading under Sivam Kandiah Enterprise, Ashwin Kandiah Enterprise and Skan Ventures), Astrike Sdn Bhd, Axcend Sdn Bhd, Turbo Booze Sdn Bhd and Hops Sdn Bhd ("Plaintiffs") under Kuala Lumpur High Court Civil Suit No. WA-22NCVC-221-04/2021 ("Suit") in respect of a dispute regarding the purchase and supply of the Company's products. The Plaintiffs are claiming among others that the Companies had failed to honour an alleged contract and are seeking for, among others, specific performance of an alleged contract, in the alternative, damages for breach of contract in the liquidated sum of RM26,520,000; and various consequential orders and declarations relating to various contract terms. The Companies had disputed the claims and filed their defence accordingly on 20 May 2021. The matter has been fixed for trial on 27 March 2023 to 31 March 2023.

(ii) On 6 December 2021, the Companies received another Writ of Summons and Statement of Claim filed by the Plaintiffs under Kuala Lumpur High Court Civil Suit No. WA-22NCVC-781-12/2021 ("Claim"). The Claim is related to the Suit filed in April 2021 as they arose from the same series of transactions, dealings and disputes between the Plaintiffs and the Companies. The Plaintiffs claimed that the Companies have breached the contract between the Plaintiffs and Heineken Marketing Malaysia Sdn Bhd relating to the Company's products ("Contract") and they are claiming, among others, the liquidated sum of RM58,225,545. As the Claim and the Suit are inter-related, the Plaintiffs have pleaded that they will be applying to have the Claim and the Suit consolidated and/or heard together.

The directors are of the opinion that they have a strong defence against the Suit, which is frivolous and vexatious and the Claim, which is unwarranted, premature and vexatious. Correspondingly, the Companies had on 10 January 2022 filed their defence and counterclaim against the Plaintiffs in respect of Plaintiffs' breaches of the Contract and are claiming, among others, a sum of RM36,984,914. The Claim has been fixed for case management on 25 April 2022.

27. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The Group has related party relationships with its holding corporations, related corporations, subsidiaries and key management personnel.

Notes To The Financial Statements

27. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

The directors regard GAPL Pte. Ltd. (“GAPL”) and Heineken Asia Pacific Pte. Ltd. (“HAPPL”), both corporations incorporated in the Republic of Singapore, as the immediate and intermediate holding corporations.

HAPPL is owned by Heineken N.V., a corporation incorporated in the Netherlands, which in turn is the ultimate holding corporation of the Company.

Significant related party transactions

Significant related party transactions of the Group and the Company other than those disclosed elsewhere in the financial statements are shown below. The balances related to the below transactions are shown in Notes 15 and 20.

	Group		Company	
	2021 RM’000	2020 RM’000	2021 RM’000	2020 RM’000
Intermediate holding corporation				
Heineken Asia Pacific Pte. Ltd.				
Royalties paid and payable	(27,944)	(21,355)	-	-
Subsidiary				
Heineken Marketing Malaysia Sdn. Bhd.				
Dividend income	-	-	227,904	89,737
Sale of products	-	-	1,203,511	1,252,992
Management service fee received and receivable	-	-	41,800	38,480
Related corporations				
Related corporations of Heineken N.V.				
Sales of goods	-	132	-	132
Purchase of goods	(14,269)	(10,148)	(14,269)	(9,923)
Royalties paid and payable	(6,956)	(4,805)	-	-
Marketing and technical fees paid and payable	(26,291)	(20,933)	(24,645)	(19,704)

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

The Group’s objectives when managing capital is to maintain a strong capital base and safeguard the Group’s ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total equity attributable to owners of the Company. The Board of Directors also monitors the level of dividends to owners of the Company.

The Group monitors and maintains a balanced level of total equity to ensure the Group has adequate capital to support its future development and the payment of dividends to owners of the Company. There was no change in the Group’s approach to capital management during the financial year.

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

Under the requirements of Bursa Malaysia Practice Note 17, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the share capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

28.1 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

28.2 Categories of Financial Instruments

	2021	2020
Group	**RM'000**	**RM'000**
Financial assets		
At amortised cost:		
Receivables and deposits	409,222	311,307
Cash and bank balances	76,479	131,902
Financial liabilities		
At fair value:		
Trade and other payables - derivative financial liabilities	243	986
At amortised cost:		
Trade and other payables - others	477,808	385,404
Provision for restructuring	3,648	13,590
Borrowings	160,131	249,208
Lease liabilities	8,298	11,208
Company		
Financial assets		
At amortised cost:		
Receivables and deposits	63,904	63,064
Cash and bank balances	72,787	129,567
Financial liabilities		
At fair value:		
Trade and other payables - derivative financial liabilities	234	986
At amortised cost:		
Trade and other payables - others	166,823	115,198
Provision for restructuring	2,613	3,308
Borrowings	160,131	249,208
Lease liabilities	3,668	4,763

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.3 **Financial Risk Management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

28.4 **Credit Risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables. The Company's exposure to credit risk arises principally from trade amount subsidiaries and advances to subsidiaries.

(a) **Receivables**

Risk management objectives, policies and processes for managing the risk

Management has credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral to be pledged by most of its customers to cover a percentage of the credit limit granted to them.

New customers are subject to the credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further transactions are suspended and legal actions are taken to attempt recoveries and mitigate losses. Financial guarantees from certain customers may be obtained.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the statement of financial position.

The Group has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. Due to the nature of the industry, a significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

The Group has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under these policies all customers requiring credit are reviewed and new customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. This review can include external ratings, where available, and in some cases bank references. Credit limits are determined for each customer and are reviewed regularly.

The Group has a policy in place in respect of compliance with Anti-Money Laundering Laws. The Group considers it important to know with whom business is done and from whom payments are received.

The Group establishes allowances on trade receivables using an expected credit losses model. These allowances cover specific loss components that relate to individual exposures, and a collective loss component established for groups of similar customers. The collective loss allowance is determined based on historical data of payment statistics and updated periodically to incorporate forward looking information.

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.4 Credit Risk (continued)

(a) **Receivables** (continued)

Exposure to credit risk, credit quality and collateral (continued)

Due to the uncertainty relating to the depth and duration of the COVID-19 pandemic and its related impact on the Group's customers, more judgement is required in the calculation of expected credit losses compared to previous years. As part of these assessments, the Group has incorporated all reasonable and supportable information available such as whether there has been a breach or deterioration of payments terms, a request for extended payment terms or a request for waived payment terms.

At the end of the reporting period, the Group has a concentration of credit risk in the form of trade debtors from 3 (2020: 3) main customers, representing approximately 38% (2020: 45%) of the Group's trade receivables.

The carrying amounts of collateral for trade receivables as at the end of reporting period were:

	Group	
	Carrying amounts	
	2021	2020
	RM'000	RM'000
Type of collateral		
Bank guarantees	61,970	63,120
Properties charged	51,067	51,067
Quoted shares pledged	1,554	1,554
	114,591	115,741

Impairment losses

The Group applies the MFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 180 days will be considered as credit impaired. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period which are grouped together as they are expected to have similar risk nature:

Notes To The Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.4 Credit Risk (continued)

(a) **Receivables** (continued)

Impairment losses (continued)

		Trade receivables - days past due			
2021	**Not past due**	**1 - 30 days**	**31 - 180 days**	**More than 180 days**	**Total**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Expected credit loss rate	0%	0%	0%	100%	
Estimated total gross carrying amount at default	395,752	4,694	1,545	1,532	403,523
Lifetime ECL	-	-	-	(1,532)	(1,532)
					401,991
2020					
Group					
Expected credit loss rate	0%	0%	22%	100%	
Estimated total gross carrying amount at default	288,940	7,362	5,774	1,532	303,608
Lifetime ECL	-	-	(1,285)	(1,532)	(2,817)
					300,791

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group	
	2021	**2020**
	RM'000	**RM'000**
At beginning of year	2,817	1,532
Impairment loss recognised (Note 7)	-	1,285
Reversal of impairment loss (Note 7)	(1,285)	-
At end of year	1,532	2,817

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.4 Credit Risk (continued)

(b) **Amount due from subsidiary, intermediate holding corporation and related parties**

Risk management objectives, policies and processes for managing the risk

The Group and the Company undertake trade and non-trade transactions with the intermediate holding corporation and related parties. The Company also provides unsecured advances to subsidiaries. The Group and the Company monitor their results regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the intercompany balances are not recoverable.

28.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Group's financial position or cash flows.

(a) **Foreign currency risk**

The Group is exposed to foreign currency risk through normal trading activities on sales and purchases that are denominated in currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro Dollar ("EURO") and Great Britain Pound ("GBP").

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts to hedge its foreign currency risk. The outstanding forward exchange contracts as at the end of reporting period are disclosed in Note 20 (d).

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the respective functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
Group	**USD**	**SGD**	**EURO**	**GBP**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2021				
Other receivables	-	-	-	581
Trade payables	(2,175)	(9,183)	(15,887)	-
Borrowings	(50,131)	-	-	-

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.5 Market Risk (continued)

(a) Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in			
Group	**USD**	**SGD**	**EURO**	**GBP**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross exposure	(52,306)	(9,183)	(15,887)	581
Less: Borrowing hedged using forward contracts	50,149	-	-	-
Net exposure	(2,157)	(9,183)	(15,887)	581
2020				
Trade receivables	83	-	-	-
Other receivables	-	-	-	374
Trade payables	(1,281)	(6,756)	(7,863)	-
Borrowings	(99,208)	-	-	-
Gross exposure	(100,406)	(6,756)	(7,863)	374
Less: Borrowing hedged using forward contracts	100,308	-	-	-
Net exposure	(98)	(6,756)	(7,863)	374

A foreign currency risk arising from Group's operations is not material, sensitivity analysis is not presented.

(b) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group does not have a formal policy in place for managing the risk arising from interest rate. The fluctuation of interest rate is however monitored closely by the Group.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of reporting period was:

	Group and Company	
	2021	**2020**
	RM'000	**RM'000**
Fixed rate instruments		
Borrowings	160,131	249,208

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.5 Market Risk (continued)

(b) Interest rate risk (continued)

Interest rate risk sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of reporting period would not affect profit or loss.

28.6 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its trade and other payables and borrowings.

As a result of the COVID-19 pandemic, there is increased attention for and monitoring of risks associated with working capital that might impact the Group's liquidity. The Group remains focused on ensuring sufficient access to money markets to finance business growth and to meet its debt obligations. The Group seeks to align the maturity profile of its financial obligations with its forecasted cash flow generation. More information about borrowing facilities is presented in Note 18. Furthermore, strong cost and cash management are in place to preserve cash and protect the Group's liquidity.

The Group maintains a level of cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. It is not expected that the cash flows included in the maturity analysis could occur significant earlier, on at significant different amounts.

Maturity analysis

The table below summaries the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
As at 31 December 2021						
Borrowings						
- Revolving credit and trade financing	160,131	0.30% to 2.08%	160,407	160,407	-	-
Trade and other payables	478,051	-	478,051	478,051	-	-
Provision for restructuring	3,648	-	3,648	3,648	-	-
Lease liabilities	8,298	3.31% to 5.72%	8,880	3,586	2,366	2,928
	650,128		650,986	645,692	2,366	2,928

Notes To The Financial Statements

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.6 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000
Group						
As at 31 December 2020						
Borrowings						
- Revolving credit and trade financing	249,208	0.56% to 2.25%	249,593	249,593	-	-
Trade and other payables	386,390	-	386,390	386,390	-	-
Provision for restructuring	13,590	-	13,590	13,590	-	-
Lease liabilities	11,208	5.11% to 5.72%	12,191	4,930	2,523	4,738
	660,396		661,764	654,503	2,523	4,738
Company						
As at 31 December 2021						
Borrowings						
- Revolving credit and trade financing	160,131	0.30% to 2.08%	160,407	160,407	-	-
Trade and other payables	167,057	-	167,057	167,057	-	-
Provision for restructuring	2,613	-	2,613	2,613	-	-
Lease liabilities	3,668	3.31% to 5.72%	3,939	1,483	1,066	1,390
	333,469		334,016	331,560	1,066	1,390
As at 31 December 2020						
Borrowings						
- Revolving credit and trade financing	249,208	0.56% to 2.25%	249,593	249,593	-	
Trade and other payables	116,184	-	116,184	116,184	-	-
Provision for restructuring	3,308	-	3,308	3,308	-	-
Lease liabilities	4,763	5.11% to 5.72%	5,202	1,977	1,087	2,138
	373,463		374,287	371,062	1,087	2,138

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

28.7 Fair values

The carrying amounts of cash and bank balances, short term receivables and payables, short term borrowings and lease liabilities reasonably approximate their fair values due to the relatively short term nature of these financial instruments or exposed to floating interest rates.

The fair value of the Group's foreign exchange forward contracts at the end of the reporting period as disclosed in Note 20(d) is determined by reference to the differences between the contract rates and quoted forward exchange rates of contract with similar quantum and maturity profile at the end of the reporting period. The fair value is categorised as Level 2 in the fair value hierarchy and classified as financial liabilities at fair value through profit or loss.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the reconciliation of the opening and closing amounts in the statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the statements of cash flows:

	Note	As at 1.1.2021	Non-cash changes Addition	Cash Flows Drawdown	Cash Flows Repayment	As at 31.12.2021
Group		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Borrowings	18	249,208	131	1,793,000	(1,882,208)	160,131
Lease liabilities	19	11,208	1,996	-	(4,906)	8,298
Company						
Borrowings	18	249,208	131	1,793,000	(1,882,208)	160,131
Lease liabilities	19	4,763	966	-	(2,061)	3,668

	Note	As at 1.1.2020	Non-cash changes Addition	Cash Flows Drawdown	Cash Flows Repayment	As at 31.12.2020
Group		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Borrowings	18	98,000	(792)	1,896,000	(1,744,000)	249,208
Lease liabilities	19	7,504	8,772	-	(5,068)	11,208
Company						
Borrowings	18	98,000	(792)	1,896,000	(1,744,000)	249,208
Lease liabilities	19	2,772	3,837	-	(1,846)	4,763

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In January 2021, the Malaysian Government implemented the Movement Control Order ("MCO") restriction in most states across Malaysia until 26 January 2021. Given the continued increase in the number of COVID-19 cases, the MCO was extended in Selangor, Kuala Lumpur, Johore and Pulau Pinang until 4 March 2021. The imposition of this measure had impacted the market recovery especially the on-trade business.

On 1 June 2021, the Government re-imposed the MCO, a nationwide lockdown and to comply with the MCO, the Sungei Way Brewery temporarily suspended its operations for 11 weeks from 1 June 2021 to 15 August 2021. In consideration of the positive developments from the National COVID-19 Immunisation Programme, the Government announced several privileges for the social and business sectors to allow, among others, dine-ins for fully vaccinated individuals and all non-essential business activities in particular for the manufacturing sector to resume operations from 16 August 2021 at an operating capacity based on the vaccination rates of the workers. In line with this, the brewery resumed operations from 16 August 2021. Whilst the brewery has resumed its operations, the operations of some of the main customers from the on-trade channel such as clubs and entertainment centres were still closed and affected by operating restriction. The restriction had continued to impact the momentum of the market recovery and the performance of the Group for the financial year ended 2021.

Towards the end of 2021, the Government has gradually moved most states into Phase 4 of the National Recovery Plan ("NRP") with the aim to reopen all economic and social activities. As a result, business and economy have further improved since the end of 2021. Despite this, on-trade outlets with liquor licence such as clubs and entertainment centres are still not allowed to operate under Phase 4 of the NRP. This will continue to impact the on-trade business. The Group will closely monitor the market situation and take all necessary steps to mitigate the impact to the Group business.

Statement By Directors

The directors of **HEINEKEN MALAYSIA BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the directors,

DATO' SRI IDRIS JALA

ROLAND BALA

Petaling Jaya,
16 February 2022

Declaration By The Officer Primarily Responsible For The Financial Management Of The Company

I, **CHRISTIAAN JOHANNES FOLKERTS**, the officer primarily responsible for the financial management of **HEINEKEN MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHRISTIAAN JOHANNES FOLKERTS

Subscribed and solemnly declared by the
abovenamed **CHRISTIAAN JOHANNES FOLKERTS**
at **PETALING JAYA** this 16th day of February 2022.

Before me,

GUNALAN
B459
No.13 (Tingkat 1), Jalan 52/10, PJ New Town, 46200 Petaling Jaya, Selangor

COMMISSIONER FOR OATHS

Other Information

PROPERTIES OWNED BY THE GROUP

Address	Land area (acres)	Existing use	Tenure	Approximate age of building (years)	Audited Net Carrying Amount as of 31 December 2021 RM'000	Date of Acquisition/ Revaluation*
Lot 1135, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	20.84	Office building & factory	Leasehold expiring 23 September 2063	55	48,100	30 September 1984*
120, Air Keroh Industrial Estate 75450 Melaka	1.07	Office building & store	Leasehold expiring 13 January 2080	39	253	30 September 1984*
Lot 123, Semambu Industrial Site 25350 Kuantan Pahang	0.52	Office building & store	Leasehold expiring 5 March 2046	39	187	30 September 1984*
Lot 1136, Batu 9 Jalan Klang Lama 46000 Petaling Jaya Selangor	2.88	Storage	Freehold	Not applicable	4,037	31 December 1991
					52,577	

* The revaluation of properties was carried out primarily for the purpose of bonus issue in 1984.

UTILISATION OF PROCEEDS

There was no corporate proposal undertaken by Heineken Malaysia Berhad to raise proceeds during the financial year ended 31 December 2021.

MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by Heineken Malaysia Berhad and/or its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2021 or entered into since the end of the previous financial year.

CONFLICT OF INTEREST / CONVICTION OF OFFENCES / SANCTIONS / PENALTIES

None of the members of the Board and the Management Team has any:

- family relationship with any Director and/or major shareholder of Heineken Malaysia Berhad
- conflict of interest in any business arrangement involving Heineken Malaysia Berhad
- convictions for any offences, other than traffic offences, within the past 5 years
- public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

Analysis of Stockholdings

As of 10 March 2022

Share Capital	: RM151,049,000
Number of Issued Shares	: 302,098,000 ordinary stock units
Class of Shares	: Ordinary stock unit
Voting Rights	: One vote per ordinary stock unit

Size of Holdings	No. of Stockholders	%	No. of Stock Units	%
1 – 99	1,039	8.20	7,225	0.00
100 – 1,000	6,286	49.61	3,760,439	1.24
1,001 – 10,000	4,272	33.72	16,029,887	5.31
10,001 – 100,000	912	7.20	25,941,617	8.59
100,001 – 15,104,899	160	1.26	102,288,932	33.86
15,104,900 and above	1	0.01	154,069,900	51.00
TOTAL	12,670	100.00	302,098,000	100.00

SUBSTANTIAL STOCKHOLDERS AS PER REGISTER OF SUBSTANTIAL STOCKHOLDERS

Name	Direct		Indirect	
	No. of Stock Units	%	No. of Stock Units	%
GAPL Pte Ltd	154,069,900	51.00	-	-
Kayne Anderson Rudnick Investment Management, LLC (KAR)	4,151,529	1.37	12,138,100#	4.02#

\# Deemed interest by virtue of a written sub-advisory agreement pursuant to which KAR has authority to dispose of and vote in respect of shares held by several investment funds on behalf of a series of trusts namely Virtus Opportunities Trust, Virtus Equity Trust, Virtus Variable Insurance Trust and Virtus Global Fund Plc.

DIRECTORS' INTEREST

According to the Register of Directors' Shareholdings, save for the following Director, none of the other Directors (including the spouses or children of the Directors who themselves are not Directors of the Company) holding office as of 10 March 2022 had any interest in the ordinary stock units of the Company or its related corporations:

Name	Direct		Indirect	
	No. of Stock Units	%	No. of Stock Units	%
Datin Ngiam Pick Ngoh, Linda	6,700	negligible	-	-

Analysis of Stockholdings

As of 10 March 2022

30 LARGEST STOCKHOLDERS AS PER RECORD OF DEPOSITORS

	Name	No. of Stock Units	%
1.	GAPL Pte Ltd	154,069,900	51.00
2.	DB (Malaysia) Nominee (Asing) Sdn Bhd		
	- The Bank of New York Mellon for Virtus Kar International Small-Cap Fund	9,795,500	3.24
3.	Citigroup Nominees (Tempatan) Sdn Bhd		
	- Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	8,420,880	2.79
4.	HSBC Nominees (Asing) Sdn Bhd		
	- JPMBL SA for Stichting Depositary APG Emerging Markets Equity Pool	5,680,300	1.88
5.	UOB Kay Hian Nominees (Asing) Sdn Bhd		
	- Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	4,038,959	1.34
6.	Citigroup Nominees (Tempatan) Sdn Bhd		
	- Exempt AN for AIA Bhd	3,746,600	1.24
7.	Cartaban Nominees (Asing) Sdn Bhd		
	- SSBT Fund MMGN for Mawer Global Small Cap Fund	2,899,600	0.96
8.	Tai Tak Estates Sdn Bhd	2,156,000	0.71
9.	Key Development Sdn Berhad	2,037,000	0.67
10.	ChinChoo Investment Sdn Berhad	1,865,000	0.62
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd		
	- The Bank of New York Mellon for Virtus KAR Emerging Markets Small-Cap Fund	1,742,500	0.58
12.	Ho Han Seng	1,600,000	0.53
13.	Hong Leong Assurance Berhad		
	- As Beneficial Owner (Life PAR)	1,591,100	0.53
14.	Citigroup Nominees (Tempatan) Sdn Bhd		
	- Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	1,383,900	0.46
15.	Kam Loong Mining Sdn Bhd	1,320,000	0.44
16.	Cartaban Nominees (Asing) Sdn Bhd		
	- SSBT Fund KG33 for Invesco Asia Pacific Growth Fund	1,306,900	0.43
17.	HSBC Nominees (Asing) Sdn Bhd		
	- JPMBL SA for JPMorgan Funds	1,285,400	0.42
18.	Gan Teng Siew Realty Sdn Berhad	1,277,000	0.42
19.	Cartaban Nominees (Asing) Sdn Bhd		
	- BBH (Lux) SCA for Fidelity Funds Asean	1,217,600	0.40
20.	Cartaban Nominees (Asing) Sdn Bhd		
	- SSBT Fund JNDP for JNL Multi-Manager Emerging Markets Equity Fund	1,202,800	0.40
21.	HLB Nominees (Asing) Sdn Bhd		
	- Tan Eng Chin Holdings (Pte) Limited (CUST.SIN 40555)	1,150,000	0.38
22.	HSBC Nominees (Asing) Sdn Bhd		
	- JPMCB NA for Bureau of Labor Funds-Labor Pension Fund	1,055,445	0.35
23.	Cartaban Nominees (Asing) Sdn Bhd		
	- SSBT Fund DU5J for Caisse De Depot ET Placement DU Quebec	1,050,200	0.35
24.	Cartaban Nominees (Tempatan) Sdn Bhd		
	- PAMB for Prulink Equity Fund	1,014,100	0.33

Analysis of Stockholdings

As of 10 March 2022

30 LARGEST STOCKHOLDERS AS PER RECORD OF DEPOSITORS (CONTINUED)

	Name	No. of Stock Units	%
25.	CIMB GROUP NOMINEES (ASING) SDN. BHD.		
	- Exempt AN for DBS Bank Ltd (SFS)	982,400	0.32
26.	HSBC Nominees (Asing) Sdn Bhd		
	- JPMCB NA for Vanguard Emerging Markets Stock Index Fund	957,900	0.32
27.	Yeoh Saik Khoo Sendirian Berhad	956,669	0.32
28.	HSBC Nominees (Asing) Sdn Bhd		
	- JPMCB NA for Vanguard Total International Stock Index Fund	934,300	0.31
29.	DB (Malaysia) Nominee (Asing) Sdn Bhd		
	- The Bank of New York Mellon for Public Employees Retirement System of Ohio	911,376	0.30
30.	Cartaban Nominees (Tempatan) Sdn Bhd		
	- PAMB for Prulink Equity Income Fund	833,700	0.28
	TOTAL	**218,483,029**	**72.32**

STATEMENT OF EXTERNAL ASSURANCE ON REPORTING OF ENVIRONMENTAL PERFORMANCE & ACTIVITIES

HEINEKEN MALAYSIA

ANNUAL REPORT 2021

RAPID GENESIS SDN. BHD. hereby declares that we have independently determined and verified that the environmental performance data and activities is accurate as reported by HEINEKEN MALAYSIA in:

HEINEKEN MALAYSIA ANNUAL REPORT 2021

RAPID GENESIS had earlier been engaged by HEINEKEN Malaysia for the same verification task between 2011-2020 for similar report publications.

For HEINEKEN Malaysia's Annual Report 2021, we again have been engaged to undertake similar external assurance in in the following scope:

1. Water, electricity & thermal energy consumption & performance 2014 to 2021.
2. Greenhouse gases (CO_2e) emissions & performance from 2014 to 2021.
3. Biogas generation and consumption from 2014 to 2021.
4. Waste recycling and repurposing in accordance to zero waste to landfill policy.
5. Projects in promoting sustainable practices among stakeholders & communities.
6. Water stewardship and water balancing circularity.

For the verification work, the data is sourced from the Production Department, data records, reports and external consultants.

Based on the performance figures and information compiled, RAPID GENESIS hereby confirmed that the performance figures and environmental activities as reported in HEINEKEN Malaysia Annual Report 2021 is accurate to the best of the data and information made available to us.

RAPID GENESIS

11TH APRIL 2022

RAPID GENESIS SDN BHD
TANG KOK MUN
LEAD CONSULTANT

RAPID GENESIS SDN BHD is a technology and consultancy based organization with main focus is the provision of consultancy and research services in areas of sustainability and technologies: in the niche areas of green technology development, R&D commercialisation projects, techno-commercial studies, carbon footprinting, life cycle assessment, environmental study and analysis. Our collaboration with local academic institutions provides us with strong linkages with local academicians and researchers as well as their valuable research resources and experience.

GRI Content Index

This report has been prepared in accordance with the GRI Standards: Core option. The following content index allows access to information we disclose, covering key impacts of our activities on People, Plant and Performance.

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No
GENERAL DISCLOSURES					
GRI 102	Organisational Profile	102-1	Name of the organisation	Who We Are: About us	3
		102-2	Activities, brands, products, and services	Who We Are: About us	3
				Performance Review: Brand Highlights	26-30
		102-3	Location of headquarters	Who We Are: About us	3
		102-5	Ownership and legal form	Who We Are: About us	3
		102-7	Scale of organisation	Who We Are: About us	3
				Our Business Model: Our Impact From Barley to Bar	14-15
				Performance Review: Performance Highlights	18
				Performance Review: Management Discussion & Analysis	20-25
				Sustainability Review: Social Sustainability	42-45
		102-8	Information on employees and other workers	Performance Review: Performance Highlights	18
				Sustainability Review: Social Sustainability	42-44
		102-9	Supply Chain	Sustainability Review: Environmental Sustainability	36-38
		102-10	Significant changes in the organisation	Who We Are: Chairman's Statement	4-6
				Performance Review: Management Discussion & Analysis	20-25
				Who We Are: Directors' Profile	7 - 10
				Who We Are: Management Team's Profile	11-13
		102-12	External initiative	Our Business Model: Our Impact From Barley to Bar	14-15
				Performance Review: Performance Highlights	18-19
				Sustainability Review: Brew A Better World	34-35
				Sustainability Review: Environmental Sustainability	36-41
				Sustainability Review: Social Sustainability	42-45
			Statement from senior decision-maker	Who We Are: Chairman's Statement	4-6
		102-15	Key impact, risks and opportunities	Performance Review: Management Discussion & Analysis	20-25
				Our Business Model: Our Impact From Barley to Bar	14-15
				Sustainability Review: Brew A Better World	31-35
				Performance Review: Management Discussion & Analysis	20-25
				Sustainability Review: Social Sustainability	42-46
				How We Are Governed: Corporate Governance Overview Statement	52-64

GRI Content Index

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No
	Ethics & Integrity	102-16	Values, principles, standards and norms of behaviour	Who We Are: Our Purpose & Values	2
				Our Business Model: Our Impact From Barley to Bar	14-15
				Sustainability Review: Brew A Better World	31-32
				Sustainability Review: Social Sustainability	42-45
				How we are Governed: Corporate Governance Overview Statement	52-64
		102-17	Mechanisms for advices and concerns	How we are Governed: Corporate Governance Overview Statement	64-67
	Governance	102-18	Governance structure	Sustainability Review: Brew A Better World	32
		102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Review: Brew A Better World	32
				How we are Governed: Corporate Governance Overview Statement	52-53
		102-21	Consulting stakeholders on economic, environment and social topics	Sustainability Review: Brew A Better World	33-35
		102-22	Composition of the highest governance body & its committee	Who We Are: Management Team's Profile	4-10
				How we are Governed: Corporate Governance Overview Statement	52-53
		102-23	Chair of the highest governance body	How we are Governed: Corporate Governance Overview Statement	53-54
		102-24	Nominating and selecting the highest governance body	How we are Governed: Corporate Governance Overview Statement	54 & 58-59
		102-25	Conflict of interest	How we are Governed: Corporate Governance Overview Statement	52-64
		102-26	Role of highest governance body in setting purpose, values, and strategy	How we are Governed: Corporate Governance Overview Statement	52-53
		102-29	Identifying & managing economic, environment and social impact	Our Business Model: Our Impact From Barley to Bar	14-15
				Sustainability Review	31-46
		102-30	Effectiveness of risk management processes	How we are Governed: Statement on Risk Management and Internal Control	68-74
		102-33	Communicating critical concerns	Sustainability Review: Social Sustainability	42-45
				Sustainability Review: Responsible Consumption	46
		102-35	Remuneration policy	How we are Governed: Corporate Governance Overview Statement	59-61
	Stakeholder Engagement	102-40	List of stakeholder groups	Sustainability Review: Brew A Better World	34-35

GRI Content Index

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No
		102-43	Approach to stakeholder engagement	Sustainability Review: Brew A Better World	34-35
	Reporting Practices	102-46	Defining report content and topic boundaries	GRI Index	139-142
		102-47	Material topics	Sustainability Review: Brew A Better World	34-35
				Sustainability Review	36, 42 & 46
		102-50	Reporting period	In this year's report	Inside Front Cover
		102-53	Contact point for question regarding the report	Corporate information	Inside Back Cover
		102-56	GRI Content Index	GRI Index	139-142
		102-56	External assurance	Our Numbers and Others	138
MANAGEMENT DISCLOSURES					
103	Management Disclosure	103-1	Explanation of the material topic and its boundary	Sustainability Review: Brew A Better World	34-35
		103-2	Management approach and its components	Who We Are: Chairman's Statement	4-6
		103-3	Evaluation of the management approach	Performance Review: Management Discussion & Analysis	20-25
				Sustainability Review: Social Sustainability	42-45
SPECIFIC DISCLOSURES					
GRI 200	Economic Performance	201-1	Direct economic value generated and distributed	Performance review	16-17
				Our numbers and others	76-141
	Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	Our Business Model: Our Impact From Barley to Bar	14-15
				Performance Review: Performance Highlights	18-19
				Sustainability Review: Brew A Better World	33-35
	Indirect Economic Impacts	203-2	Significant indirect economic impact	Our Business Model: Our Impact From Barley to Bar	14-15
				Performance Review: Performance Highlights	18-19
				Sustainability Review: Brew A Better World	33-35
				Sustainability Review: Social Sustainability	42-45
GRI 300	Energy	302-1	Energy consumption within the organisation	Sustainability Review: Environmental Sustainability	36
	Energy	302-4	Reduction of energy consumption	Performance Review: Performance Highlights	19
				Performance Review: Management Discussion & Analysis	20-25
				Sustainability Review: Environmental Sustainability	36

GRI Content Index

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Report Section	Page No
	Water and Effluent	303-5	Water consumption	Performance Review: Performance Highlights	19
				Performance Review: Management Discussion & Analysis	20-25
				Sustainability Review: Environmental Sustainability	36
	Emissions	305-1	Direct (Scope 1) GHG emissions	Performance Review: Performance Highlights	19
				Sustainability Review: Environmental Sustainability	36
	Effluents and Waste	306-1	Water discharge by quality and destination	Sustainability Review: Environmental Sustainability	36-37
		306-2	Waste by type and disposal method	Sustainability Review: Environmental Sustainability	36-37
	Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	How we are Governed: Corporate Governance Overview Statement	55-56
GRI 400	Occupational Health and Safety	403-9	Work-related injuries	Sustainability Review: Social Sustainability	42-44
	Training and Education	404-1	Average hours of training per year per employee	Sustainability Review: Social Sustainability	42-43
		404-2	Programmes for upgrading employee skills and transition assistance programmes	Sustainability Review: Social Sustainability	42
	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	Sustainability Review: Brew A Better World	32&34
				Sustainability Review: Social Sustainability	42-43
				How we are Governed: Corporate Governance Overview Statement	52-60
	Local communities	413-1	Operations with local community engagement, impact assessments, and development programmes	Sustainability Review: Environmental Sustainability	41
				Sustainability Review: Social Sustainability	42&45

Group Directory

CORPORATE OFFICE
Heineken Malaysia Berhad
Sungei Way Brewery, Lot 1135
Batu 9, Jalan Klang Lama
46000 Petaling Jaya
Selangor Darul Ehsan, Malaysia
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REGIONAL SALES OFFICES
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F : +60 (3)7861 4602

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Taman Perusahaan Pelangi
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Butterworth, Malaysia
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F : +60 (4)5087 288

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31350 Ipoh
Perak, Malaysia
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F : +60 (5)3112 059

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Kawasan Perindustrian Temenggong
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KUANTAN
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Pahang, Malaysia
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MALACCA
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Ayer Keroh Industrial Estate
75450 Malacca, Malaysia
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F : +60 (6)232 2771

MENTAKAB
No. 46 Ground & 1st Floor
Jalan Bendera Mahkota
Taman Bukit Bendera
28400 Mentakab
Pahang, Malaysia
T : +60 (9)2770 832

MIRI
Lot 1448, Block 17 KBLD
Eastwood Valley
Industrial Park Phase 1
98000 Miri
Sarawak, Malaysia
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KUCHING
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RH Park Commercial, Batu 9½
Jalan Penrissen
93250 Kuching
Sarawak, Malaysia
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F : +60 (82)620 796

SIBU
Lot 2983, Block 19
Lorong Then Kung Suk 4
96000 Sibu
Sarawak, Malaysia
T : +60 (84)231 147

SANDAKAN
Lot 32-1F, Jalan Dataran BU 4
Utama Zon 3 Commersil, Batu 6
90000 Sandakan
Sabah, Malaysia
T : +60 (89)271 214 / 210 968
F : +60 (89)274 082

TAWAU
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Jalan Tawau Lama
91000 Tawau
Sabah, Malaysia
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KOTA KINABALU
Building No. 19B, Lot 21
Sedco Light Industrial Estate
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88450 Kota Kinabalu
Sabah, Malaysia
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Corporate Information

BOARD OF DIRECTORS

Dato' Sri Idris Jala
Chairman, Independent
Non-Executive Director

Roland Bala
Managing Director
Non-Independent
Executive Director

Datin Ngiam Pick Ngoh, Linda
Independent
Non-Executive Director

Choo Tay Sian, Kenneth
Non-Independent
Non-Executive Director

Seng Yi-Ying
Non-Independent
Non-Executive Director

Lau Nai Pek
Senior Independent
Non-Executive Director
Appointed on 22 May 2021

Raquel Batallones Esguerra
Non-Independent
Non-Executive Director
Appointed on 1 September 2021

COMPANY SECRETARY

Ng Sow Hoong
MAICSA 7027552
SSM PC No. 202008000593
Tel : +603 7861 4537
Email : rachel.ng@heineken.com

REGISTERED OFFICE

Sungei Way Brewery
Lot 1135, Batu 9, Jalan Klang Lama
46000 Petaling Jaya
Selangor, Malaysia
Tel : +603 7861 4688
Fax : +603 7861 4602
Email : MY1-general.enquiry@heineken.com
Website : www.heinekenmalaysia.com

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : +603 2783 9299
Fax : +603 2783 9222
Email : is.enquiry@my.tricorglobal.com

AUDITORS

Deloitte PLT (AF0080)
Chartered Accountants
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur, Malaysia
Tel : +603 7610 8888
Fax : +603 7726 8986

PRINCIPAL BANKERS

Citibank Berhad
BNP Paribas Malaysia Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia since 1965
Stock name : HEIM
Stock number : 3255

www.heinekenmalaysia.com

HEINEKEN MALAYSIA BERHAD 196401000020 (5350-X)

Sungei Way Brewery
Lot 1135, Batu 9
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