

THE ALL-TIME  
LOCAL FAVOURITE  
ANCHOR SMOOTH

WORLD-ACCLAIMED  
ICONIC ASIAN BEER  
TIGER BEER

WORLD'S NO. 1  
INTERNATIONAL  
PREMIUM BEER  
HEINEKEN®

WORLD'S NO. 1  
STOUT GUINNESS

WORLD'S NO. 1  
CIDER STRONGBOW

 **HEINEKEN**

**A NEW ERA**







WE ARE  
**HEINEKEN**

We build true human connections and break down barriers, because we believe great moments of shared experiences are the best in life.

We are inspired by consumers to brew the best beers and extend that same passion to all of our brands, products and activities.

We are proud of our family history and Dutch heritage and derive from them our entrepreneurial spirit that takes us to every corner of the world.

We are brand builders. The Heineken® brand defines and unites us while our many local, regional and global brands make our portfolio diverse and unique.

People are at the heart of our company. We see our strength in trust, diversity and progress.

We stand by our values: passion for quality, enjoyment of life, respect for people and for the planet.

We always advocate for responsible consumption. We are committed to our communities and strive to consistently improve the impact we make on the planet.

We work with our customers and partners to grow together and seek to win with integrity and fairness.

And we are convinced that by staying true to these commitments, we create value for our shareholders.

**WE ARE HEINEKEN.**



# ABOUT THIS REPORT

In FY16, we stepped into a new era as Heineken Malaysia Berhad, building on a strong track record of more than 50 years in Malaysia. In this new era, sustainability is at the core of our business, where people and the planet are key priorities on our agenda whilst delivering long-term value for our shareholders.

We are proud to present this combined report, which merges our Annual Report and Sustainability Report into a single publication, demonstrating our commitment to integrate sustainability into all areas of our business, with the goal of Brewing a Better World.

The Heineken Malaysia Berhad Annual Report 2016 has been prepared in accordance with Bursa Malaysia Main Market Listing Requirements. This FY16 report covers a cumulative period of 18 months, from 1 July 2015 to 31 December 2016, as we aligned ourselves with the HEINEKEN Group financial year which ends on 31 December.

As part of our efforts in delivering sustainable value, we have printed this publication using FSC-mix paper, which is environmentally friendly.



Scan this QR code to find more information online at [www.heinekenmalaysia.com](http://www.heinekenmalaysia.com)



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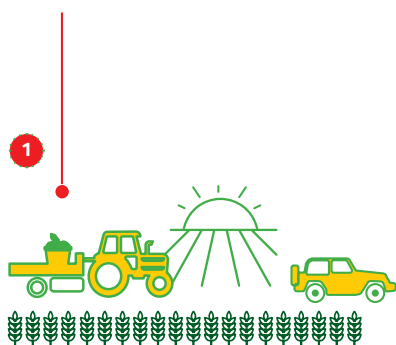
Forms of Proxy

Group Directory



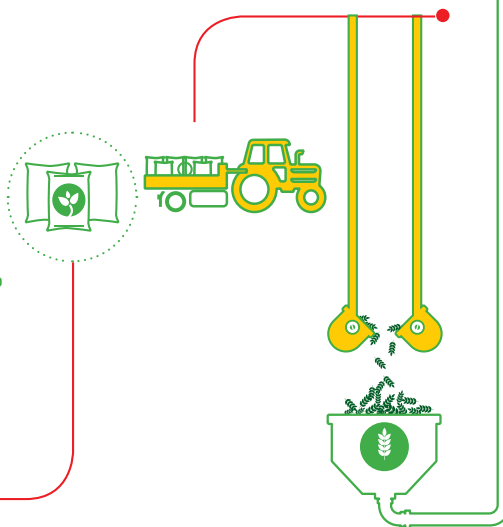
# SUSTAINABILITY FROM BARLEY

WE PURSUE AN INCREASINGLY HOLISTIC APPROACH TO SUSTAINABILITY. OUR STRATEGY FOCUSES ON THE ENTIRE VALUE CHAIN 'FROM BARLEY TO BAR'.



## 1 AGRICULTURE

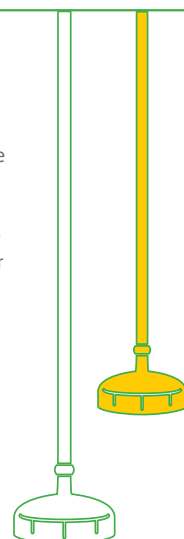
HEINEKEN Malaysia is committed to only importing the highest quality raw materials from Europe and Australia. From the researching of seeds, farming to harvesting, processes are subjected to strict supervision by HEINEKEN. Only the best malted barley and hops are selected and imported from HEINEKEN pre-approved suppliers.



2

## BREWING

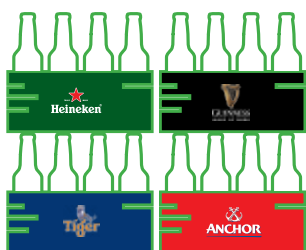
Brewing beer is a craft. Strict safety standards are adhered to. HEINEKEN Malaysia and our Master Brewers are committed to improve energy and water efficiency and switching to more environmentally friendly energy sources where feasible.



4

## PACKAGING

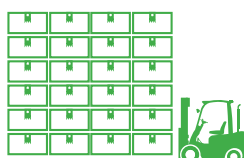
Our beer is served in bottles, cans and kegs. We are constantly looking to innovate, finding ways to optimise the production of our packaging materials, such as light-weighting and increasing the recycling and re-use rate.



5

## DISTRIBUTION

The movement of our products across the local market is carefully managed. We optimise distribution by effectively managing our distribution networks. Health and Safety Policies are in place to ensure a safe working environment.



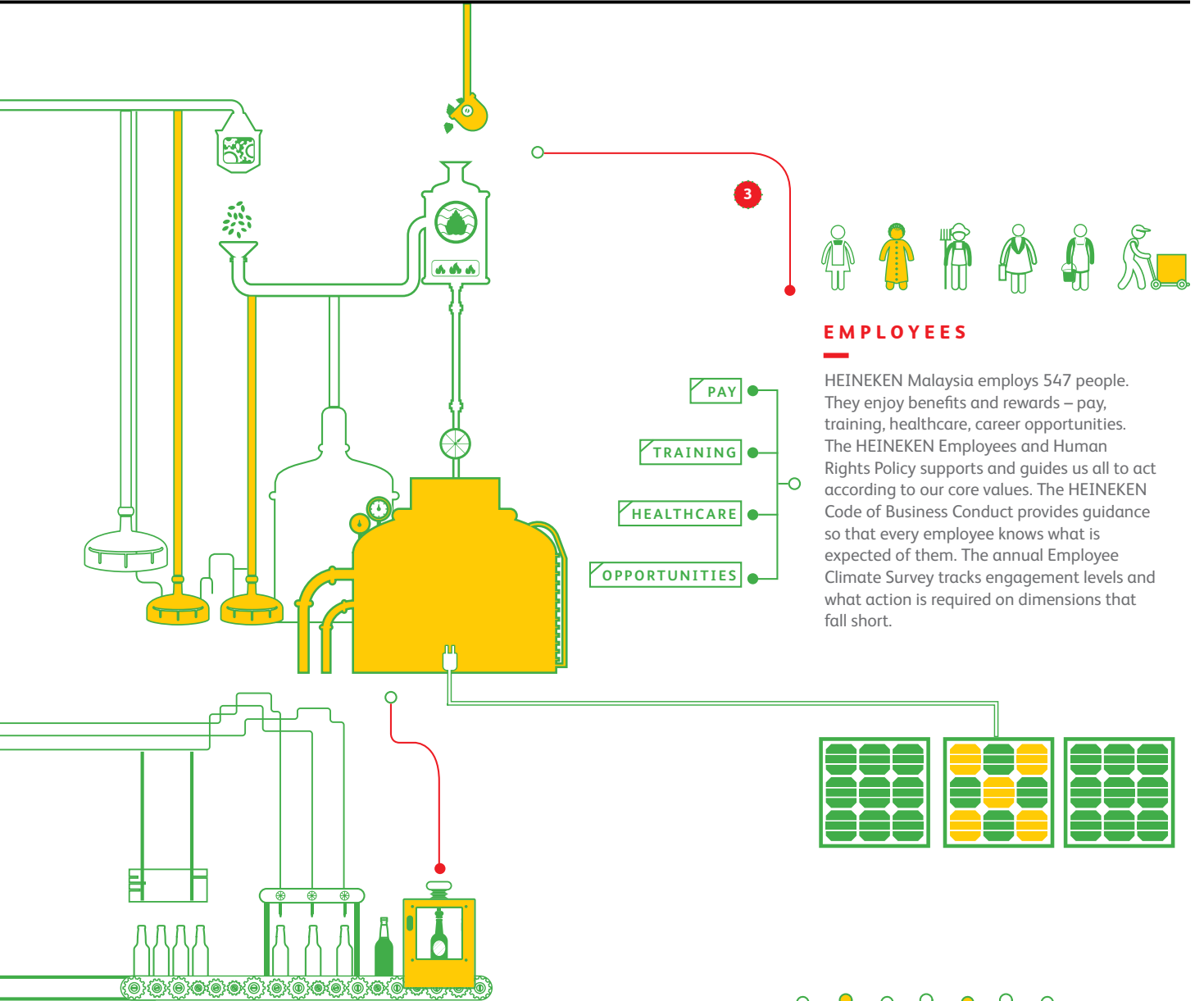
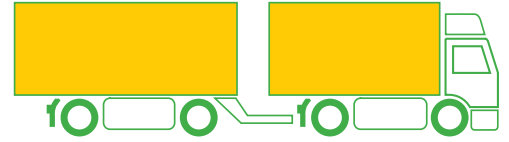
6



## CUSTOMERS

Thousands of retailers, bars, restaurants and clubs serve a selection of our brands. We promote awareness on responsible serving and sensible drinking to ensure our products are consumed responsibly.

# TO BAR



## EMPLOYEES

HEINEKEN Malaysia employs 547 people. They enjoy benefits and rewards – pay, training, healthcare, career opportunities. The HEINEKEN Employees and Human Rights Policy supports and guides us all to act according to our core values. The HEINEKEN Code of Business Conduct provides guidance so that every employee knows what is expected of them. The annual Employee Climate Survey tracks engagement levels and what action is required on dimensions that fall short.

- PAY
- TRAINING
- HEALTHCARE
- OPPORTUNITIES



## CONSUMERS

Through our portfolio of premium and mainstream brands, we continue to innovate to bring consumers enjoyment with new products and creative drinking experiences. At the same time, we campaign strongly to reinforce responsible consumption under our Drink Sensibly banner.



## COMMUNITIES

We are committed to making a positive impact where we work, live and sell our products. Investing in programmes geared to protect our natural water resources and education led initiatives. We work closely with local communities, NGOs and key government stakeholders to this outcome.

# PEOPLE · PLANET

AT HEINEKEN MALAYSIA, WE BELIEVE IN THE LONG-TERM SUSTAINABILITY OF OUR BUSINESS AND IN CREATING VALUE FOR OUR KEY STAKEHOLDERS. WE BELIEVE THAT BUSINESS GROWTH AND SUSTAINABILITY GO HAND IN HAND, WITH OUR FOCUS ON PEOPLE, PLANET AND PERFORMANCE.

## PEOPLE



NUMBER OF EMPLOYEES

547



COMMUNICATIONS

Employee Climate Survey  
HEINEKEN Speak Up Policy



GENDER DIVERSITY

42% Female  
Senior Managers



HEALTH & SAFETY

HEINEKEN Life Saving Rules

## PLANET

+ RM1.6 million



on growing  
communities  
through  
the GAB  
FOUNDATION

5 NEW  
COMMUNITIES

engaged in the  
SUNGAI PENCHALA  
W.A.T.E.R  
PROJECT

4.7%



Reduction  
in Water  
Usage  
vs 2015



215,000

consumers engaged  
through Drink  
Sensibly social  
media campaigns

## PERFORMANCE

OPERATING CASH  
(POST-CAPEX)



2.6%

RM488 million



# PERFORMANCE



**21,000**

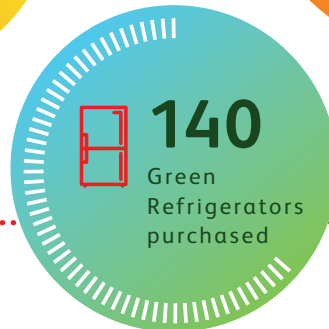
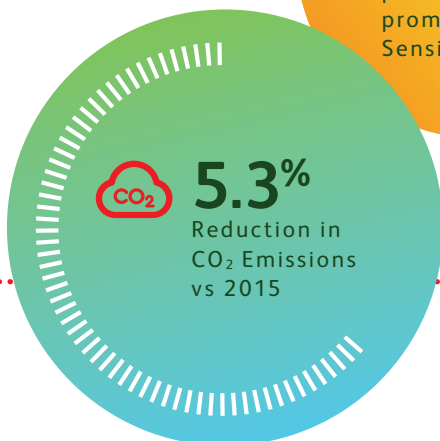
training hours with an investment of over RM1.5 million

## CULTURAL DIVERSITY – NATIONALITIES



## TALENT DEVELOPMENT

Short Term Assignments abroad  
Asia Pacific Graduate Programme



## PROFIT BEFORE TAX



**11.1%**

RM549 million

## REVENUE



**4.9%**

RM2.8 billion

# CORPORATE INFORMATION



## DIRECTORS

**Dato' Sri Idris Jala** (Chairman)  
**Hans Essaadi** (Managing Director)  
**Martin Giles Manen**  
**Datin Ngiam Pick Ngoh, Linda**  
**Frans Erik Eusman**  
**Choo Tay Sian, Kenneth**  
**Yong Weng Hong**

## SECRETARY

Ng Sow Hoong  
(MAICSA 7027552)  
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 Darul Ehsan, Malaysia  
Tel : 603-7861 4688  
Fax : 603-7861 4602  
Email : general.enquiry@heineken.com  
Website : www.heinekenmalaysia.com

## AUDITORS

**KPMG PLT**  
Chartered Accountants  
Level 10, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Tel : 603-7721 3388  
Fax : 603-7721 3399

## 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

**Tricor Customer Service Centre**  
Unit G-3, Ground Floor  
Vertical Podium  
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

## PRINCIPAL BANKERS

Citibank Berhad  
BNP Paribas Malaysia Berhad  
Standard Chartered Bank Malaysia Berhad  
HSBC Bank Malaysia Berhad

## STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia  
Stock short name : HEIM  
Stock number : 3255

# BOARD OF DIRECTORS



*Sitting from left to right:*

**DATIN NGIAM  
PICK NGOH, LINDA**

*INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR*

**DATO' SRI  
IDRIS JALA**

*INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR*

**HANS  
ESSAADI**

*MANAGING  
DIRECTOR*

*Standing from left to right:*

**MARTIN  
GILES MANEN**

*SENIOR INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR*

**FRANS  
ERIK EUSMAN**

*NON-INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR*

**YONG  
WENG HONG**

*NON-INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR*

**CHOO TAY SIAN,  
KENNETH**

*NON-INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR*

# DIRECTORS' PROFILES



Malaysian  
—  
Age 58  
—  
Male

## DATO' SRI IDRIS JALA

Date of Appointment : 1 January 2017

INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR  
CHAIRMAN

Dato' Sri Idris Jala is President and Chief Executive Officer (CEO) of Performance Management and Delivery Unit (PEMANDU) Associates, and Advisor to the Prime Minister of Malaysia on the National Transformation Programme. He was also the Minister in the Prime Minister's Department from 2009 to 2015, completing the two terms of Senatorship.

Dato' Sri Idris Jala is 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. He has continuously delivered sustainable socio economic reforms which, in 2014, saw Bloomberg place him among the top 10 most influential policy makers in the world.

Under his leadership, PEMANDU was also named by NESTA, UK and Bloomberg Philanthropies as one of the top 20 most innovative Government agencies in the world. Today, Dato' Sri Idris Jala travels around the world assisting governments deliver their very own transformation journeys.

In addition, Dato' Sri Idris Jala is an Expert Resource Speaker at the Harvard Health Leaders' Ministerial Forum and a Visiting Fellow of Practice at the Oxford Blavatnik School of Government. He also served on

the Advisory panel for the World Economic Forum on New Economic Growth and also on the Advisory Panel of World Bank.

Prior to his Government stint, Dato' Sri Idris Jala was Managing Director/CEO at Malaysia Airlines (MAS) for three years. He was brought on board to turn around the airline which was in crisis due to a prolonged bout of losses from operational inefficiencies.

Before 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.

In view of his contribution to society, Dato' Sri Idris Jala has received honorific titles from the King of Malaysia and various State Governments of Malaysia. He was conferred the 'First Order' medal by the Italian Government.

Dato' Sri Idris Jala also serves on the Board of Malaysia Petroleum Resources Corporation, Johor Petroleum Development Corporation Berhad and Talent Corporation Malaysia Berhad.

MASTER'S  
DEGREE IN  
INDUSTRIAL  
RELATIONS,  
UNIVERSITY OF  
WARWICK

BACHELOR'S  
DEGREE IN  
DEVELOPMENT  
STUDIES AND  
MANAGEMENT,  
UNIVERSITY  
SAINS MALAYSIA

## DIRECTORS' PROFILES



Dutch  
—  
Age 51  
—  
Male

### HANS ESSAADI

Date of Appointment : 1 March 2013

Hans started his career in 1991 as a Sales Representative with HEINEKEN Netherlands and in 1995, he moved to HEINEKEN Germany as Sales Manager. He returned to HEINEKEN Netherlands in 1997, first serving as Heineken Export Manager with the Heineken Export Group and then as Senior Brand Manager with Vrumona, a major Dutch soft drinks manufacturer and a wholly – owned subsidiary of HEINEKEN until the end of 2002. In early 2003, Hans was appointed Country Manager of HEINEKEN Puerto Rico, a key market for the Heineken® brand. By the end of 2005, he was appointed General Manager of Brau Union International based in Vienna, Austria, the export operations of HEINEKEN Central and Eastern Europe, overseeing offices in Slovenia, Serbia and Germany.

Subsequently, in 2008, Hans was appointed General Manager of Sirocco, a joint venture between HEINEKEN and Emirates in Heineken Region – Africa and Middle East, his most recent role prior to joining HEINEKEN Malaysia. In this role, he oversaw several key markets in the Gulf Region and managed a portfolio of brands from various principals including HEINEKEN International, AB InBev, Molson Coors and Asia Pacific Breweries.

Hans currently serves as a Governing Council Member of the Confederation of Malaysian Brewers Berhad.

MANAGING  
DIRECTOR

BACHELOR'S  
DEGREE IN  
FINANCE,  
HOTELSCHOOL,  
THE HAGUE

## DIRECTORS' PROFILES



Malaysian  
—  
Age 62  
—  
Male

### MARTIN GILES MANEN

Date of Appointment : 29 August 2008

Martin served more than 21 years with Sime Darby Group, holding various senior positions including Group Tax Controller, Group Company Secretary, Group Finance Director and Divisional Director of the Allied Products & Services Division. After leaving the Sime Darby Group in 2007, he served as Chief Executive Officer of a public relations and communications consultancy until May 2009. Martin started his career at KPMG with whom he served 11 years in Malaysia and the United Kingdom, undertaking audit, tax and business advisory assignments.

Martin has served as a member of the Malaysian Accounting Standards Board and the Executive Committee of the International Fiscal Association (Malaysia Branch).

Martin also serves on the Board of Hong Leong Investment Bank Berhad and Unisem (M) Berhad.

SENIOR  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

CHARTERED  
ACCOUNTANT

MEMBER OF THE  
MALAYSIAN  
INSTITUTE OF  
ACCOUNTANTS  
AND THE  
MALAYSIAN  
INSTITUTE  
OF CERTIFIED  
PUBLIC  
ACCOUNTANTS

## DIRECTORS' PROFILES



Malaysian  
—  
Age 61  
—  
Female

### DATIN NGIAM PICK NGOH, LINDA

Date of Appointment : 3 December 2012

Datin Ngiam was the Group Managing Director/Chief Executive Officer of Star Publications (M) Bhd (now known as Star Media Group Berhad) from 1 July 2008 to 30 June 2011. She was 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 in 2008, a position she held till her retirement in 2011.

She was a Board Member of the Audit Bureau of Circulations (ABC) Malaysia and Chairperson of the ABC Content & Communications Committee. She represented The Star on the Malaysian Newspapers Publishers Association (MNPA) as its Honorary Secretary and was a Board Member of the Advertising Standards Authority (ASA) Malaysia.

Datin Ngiam also serves on the Board of Star Media Group Berhad, MUI Properties Berhad and Hong Leong Assurance Berhad. She also serves as a Trustee of Yayasan Sin Chew.

INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

BACHELOR OF  
ARTS (HONS) IN  
SOCIAL SCIENCES,  
UNIVERSITY OF  
MALAYA

DIPLOMA IN  
ADVERTISING  
AND MARKETING,  
INSTITUTE OF  
COMMUNICATIONS,  
ADVERTISING AND  
MARKETING  
(CAM), UK

## DIRECTORS' PROFILES



Dutch  
—  
Age 54  
—  
Male

### FRANS ERIK EUSMAN

Date of Appointment : 9 October 2015

Frans joined HEINEKEN in 1987. He has worked in various finance and general management positions in Europe and Asia, which included his role as Corporate Control & Accounting Director from 2003 to 2005. From 2005 to 2010, he was Managing Director of HEINEKEN France. From 2010 until 2015, he was Chief Business Services Officer and member of the Executive Committee of HEINEKEN N.V. In July 2015, he was appointed President of HEINEKEN Asia Pacific.

NON-  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

—  
MASTER OF  
BUSINESS  
ADMINISTRATION,  
VU UNIVERSITY  
AMSTERDAM,  
THE NETHERLANDS



## DIRECTORS' PROFILES



Singaporean  
—  
Age 49  
—  
Male

### CHOO TAY SIAN, KENNETH

Date of Appointment : 15 August 2013

Kenneth Choo is the Managing Director of Heineken Asia Pacific Pte Ltd (HAP) responsible for the growth and development of its operating companies within the Asia Pacific region. He joined HAP in 2003 and has held senior positions in Finance and Business Development with HAP. He played a key leadership role during HEINEKEN's acquisition of Asia Pacific Breweries Limited (APB) and following that, the successful integration of APB.

From 2013 to 2014, Kenneth led the Finance function across Asia Pacific as Senior Director Regional Finance, overseeing planning and control, strategy development, accounting and reporting, tax and treasury as well as people and competency development. He took on the Regional Director role in 2014, leading the operating companies in Singapore, Indochina and exports cluster at HAP.

Before joining HEINEKEN, Kenneth was the Regional Business Development Director of global retailer, Royal Ahold NV.

NON-  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

ADVANCED  
MANAGEMENT  
PROGRAMME,  
HARVARD  
BUSINESS SCHOOL

CHARTERED  
ACCOUNTANT,  
SINGAPORE

BACHELOR OF  
ACCOUNTANCY  
DEGREE (HONS),  
NANYANG  
TECHNOLOGICAL  
UNIVERSITY,  
SINGAPORE

## DIRECTORS' PROFILES



Singaporean  
—  
Age 48  
—  
Male

### YONG WENG HONG

Date of Appointment : 18 August 2015

NON-  
INDEPENDENT  
NON-EXECUTIVE  
DIRECTOR

BACHELOR OF  
ACCOUNTANCY,  
NANYANG  
TECHNOLOGICAL  
UNIVERSITY,  
SINGAPORE

Weng Hong is the Business Control Director at Heineken Asia Pacific Pte Ltd. He has over 23 years of experience in Finance across Singapore listed companies, government agency and multinational companies.

Weng Hong first joined Asia Pacific Breweries Limited (APB) (now known as Heineken Asia Pacific Pte Ltd) in 2001 as a Project Manager. He was promoted several times over the years and eventually to General Manager, Group Finance in 2007. He played instrumental roles in overseeing accounting and reporting, financial planning and analysis, strategic planning, M&A deals, post-acquisition integration, people development and investor relationships.

After the acquisition of APB by HEINEKEN, he led the integration of the finance function in Asia Pacific region. In his current role, he acts as an active business partner to the operating companies and various functions in supporting business decisions, driving business performance and developing people capabilities in the region.

# MANAGEMENT TEAM



From left to right:

**RENUKA  
INDRARAJAH**

*CORPORATE AFFAIRS &  
LEGAL DIRECTOR*

**LIM  
KWAN-SEK**

*HUMAN RESOURCES  
DIRECTOR*

**MAUD MEIJBOOM  
VAN WEL**

*MARKETING DIRECTOR*

**ANDREW WOON  
KEAN LEONG**

*SALES DIRECTOR*

**HANS  
ESSAADI**

*MANAGING DIRECTOR*

**TEO  
HONG KENG**

*FINANCE DIRECTOR*

**WILLIAM  
MATHERS**

*SUPPLY CHAIN  
DIRECTOR*

**CHOW  
YI LIN**

*IT DIRECTOR*

# MANAGEMENT TEAM PROFILES



## HANS ESSAADI

MANAGING  
DIRECTOR

Appointment Date : 1 March 2013

Dutch  
Male

BACHELOR'S  
DEGREE IN  
FINANCE,  
HOTELSCHOOL,  
THE HAGUE

### WORKING EXPERIENCE

- Within the HEINEKEN Group:**
- Managing Director, HEINEKEN Malaysia, since March 2013
  - General Manager, Sirocco (joint venture between HEINEKEN and Emirates in Heineken Region – Africa and Middle East) (2008 - 2012)
  - General Manager, Brau Union International, Vienna, Austria (2005 - 2008)
  - Country Manager of HEINEKEN Puerto Rico (2003 - 2005)
  - Held various roles within HEINEKEN Group, including Senior Brand Manager with Vrumona, Heineken Export Manager, Sales Manager with HEINEKEN Germany and Sales Representative with HEINEKEN Netherlands (1991 - 2002)

## TEO HONG KENG

FINANCE  
DIRECTOR

Appointment Date : 19 July 2016

Singaporean  
Male

CHARTERED  
ACCOUNTANT,  
SINGAPORE  
  
BACHELOR OF  
ACCOUNTANCY,  
NANYANG  
TECHNOLOGICAL  
UNIVERSITY,  
SINGAPORE

### WORKING EXPERIENCE

- Within the HEINEKEN Group:**
- Over 15 years experience serving in various finance roles
  - Previous roles include Head of Finance of Cambodia Brewery Limited, and Finance Manager and Management Accountant of Tiger Export Pte Ltd
  - Most recent role before joining HEINEKEN Malaysia was as Finance Director in Asia Pacific Breweries (Singapore) Pte Ltd
- Previous experience:**
- Honeywell Singapore Pte Ltd - Business Analyst
  - BNP Paribas Merchant Bank Asia Ltd - Assistant Regional Management Accountant

## MANAGEMENT TEAM PROFILES



**ANDREW WOON  
KEAN LEONG**

SALES  
DIRECTOR

Appointment Date : 19 September 2016

Malaysian

Male

BACHELOR OF  
INFORMATION  
TECHNOLOGY  
(HONS),  
UNIVERSITY  
UTARA MALAYSIA

### WORKING EXPERIENCE

#### Within the HEINEKEN Group:

- Overseeing the sales portfolio for HEINEKEN Malaysia, growth and expansion

#### Previous experience:

- Over 20 years experience across retail, consumer electronics and telecommunications in both domestic and regional capacities
- Samsung Electronics - Regional Director for Home Appliances; TV & AV division
- Kraft Food Singapore - Country Manager
- Other roles include Johnson & Johnson (Singapore and Malaysia); Procter & Gamble Malaysia



**MAUD MEIJBOOM  
VAN WEL**

MARKETING  
DIRECTOR

Appointment Date : 1 April 2016

Dutch

Female

MASTER OF  
SCIENCE IN  
ECONOMICS, RIJKS  
UNIVERSITEIT  
GRONINGEN,  
THE NETHERLANDS

### WORKING EXPERIENCE

#### Within the HEINEKEN Group:

- Over 15 years experience within the Group
- Held various roles in The Netherlands and abroad, ranging from Brand Development, Marketing Strategy, Communication - Media Strategy and Innovation
- Previously Marketing Director at DB Breweries (New Zealand), focusing on strengthening brands like Heineken®, Tiger, Monteith's, Orchard Thieves and Old Mount

## MANAGEMENT TEAM PROFILES



### RENUKA INDRARAJAH

Appointment Date : 1 February 2002

CORPORATE  
AFFAIRS  
& LEGAL  
DIRECTOR

Malaysian

Female

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 the HEINEKEN Group:

- 15 years experience within the Group
- Held various roles including Head of Legal Affairs before being promoted to Corporate Relations & Legal Director (now Corporate Affairs & Legal Director)
- Since June 2007, serving as a Governing Council Member of the Confederation of Malaysian Brewers Berhad and since May 2013 as Trustee of the GAB Foundation

##### Previous experience:

- Over 20 years of working experience in legal including over 10 years experience in corporate affairs
- Skrine - Advocate & Solicitor specialising in corporate law
- Sema Group - Regional Legal Counsel
- Schlumberger Sema - Vice President of Legal

### WILLIAM MATHERS

Appointment Date : 15 April 2015

SUPPLY  
CHAIN  
DIRECTOR

British

Male

MASTER BREWER,  
THE INSTITUTE  
OF BREWING AND  
DISTILLING

BACHELOR  
OF SCIENCE  
IN BREWING,  
HERIOT WATT  
UNIVERSITY, UK

#### WORKING EXPERIENCE

##### Within the HEINEKEN Group:

- Over 9 years experience within the Group
- Held several senior supply chain roles including Head Brewer at John Smiths Courage Brewery; Group Manufacturing Development Manager; and Operations Integration Manager at Scottish & Newcastle Plc.

##### Previous experience:

- Over 30 years brewing experience covering technical and operation functions with several major brewing companies in UK, Europe including The Netherlands
- Started as an entrepreneur in 1981 with a micro brewery in Glasgow, Scotland

## MANAGEMENT TEAM PROFILES



### LIM KWAN - SEK

Appointment Date : 1 January 2014

HUMAN  
RESOURCES  
DIRECTOR

Malaysian

Male

MASTERS OF  
SCIENCE IN  
ECONOMICS  
MANAGEMENT,  
LONDON SCHOOL  
OF ECONOMICS,  
UK

BACHELOR OF  
ARTS (HONS)  
IN SOCIOLOGY,  
READING  
UNIVERSITY, UK

#### WORKING EXPERIENCE

##### Within the HEINEKEN Group:

- Overseeing HEINEKEN Malaysia's human resource portfolio

##### Previous experience:

- Over 18 years domestic and multi-sectoral experience
- AIA Malaysia - Chief HR Officer
- Sime Darby Bhd - Head of Organisational Performance
- Malayan Banking Berhad - Head of Organisational Development
- Accenture - Management Consultant



### CHOW YI LIN

Appointment Date : 1 December 2014

IT DIRECTOR

Malaysian

Female

BACHELOR  
OF SCIENCE  
(INFORMATION  
SYSTEMS),  
UNIVERSITY  
OF NEW SOUTH  
WALES, SYDNEY

#### WORKING EXPERIENCE

##### Within the HEINEKEN Group:

- Over 17 years experience in various roles including Head of Information Services and Technology

##### Previous experience:

- Over 29 years experience in total covering IT Management, Service Delivery and IT Solutions
- Burberry Singapore - Senior IT Manager
- Diageo Singapore - Regional Service Delivery Manager

# CHAIRMAN'S STATEMENT



“

I consider it a privilege to be part of Heineken Malaysia Berhad (HEINEKEN Malaysia), a strong and well-governed company within an iconic global organisation. HEINEKEN has a rich heritage of over 150 years, stellar track record and presence in more than 170 countries across the globe, and in Malaysia, we build on more than 50 years of growing together with the nation.

”

**DATO' SRI IDRIS JALA**  
*Chairman*



## CHAIRMAN'S STATEMENT

**HEINEKEN Malaysia's transformation journey in the new era will feature sustainability at the core of our business.**



Many ask me why the brewery industry, and I ask them back, "Why not?" The Dutch connection is strong. I had a stint with Shell, an Anglo-Dutch company for 23 years. It is nice to be coming back into the 'circle' once again in a different portfolio.

This latest assignment adds variety, having come from rather different areas like oil and gas, aviation, and government transformation. It is a fun industry, premised on connecting people over great drinks, good times and awesome experiences, yet one that advocates moderation and responsible consumption. Who would not want to be part of that?

I joined HEINEKEN Malaysia on the cusp of exciting times. I have come to be known as a 'transformative man', and it seems very apt that my appointment comes at a time when the Company has transformed from Guinness Anchor Berhad to HEINEKEN Malaysia.

### People • Planet • Performance

HEINEKEN Malaysia's transformation journey in the new era will feature sustainability at the core of our business. Ultimately, we focus on creating long-term value for our shareholders by operating sustainably in a responsible manner.

On a personal note, these are matters close to my heart, and I am glad that HEINEKEN has these values engrained into its DNA as well. We know from experience that when we take care of our people, consumers, business partners and communities, as well as the sustainability impact we create through our business, the financial yield will naturally follow suit.

People are the heartbeat of our organisation, and HEINEKEN Malaysia invests in training and development for our team. We can arrange cross-postings or staff exchange for

career development with our integration into HEINEKEN's global network. The safety of our employees is our number one priority, thus, we rolled out 100% induction on HEINEKEN's Life Savings Rules (LSR) module towards achieving a zero-accident workplace.

Vendors and suppliers are part of our family and we support better business and work processes towards making their work more equitable. In financial year 2016 (FY16), we rolled out Project Breakout, a mega IT-engineered project which has transformed the way we do business with increased operational and cost efficiencies through our new Route-to-Market process.

We believe business growth and sustainability go hand in hand, which is why sustainability is embedded into our business plan under the HEINEKEN sustainability strategy Brewing a Better World. Substantial efforts are invested to reduce our environmental footprint year-on-year, and our Drink Sensibly consumer campaign continues as a trademark of HEINEKEN Malaysia's responsible consumption education and awareness initiatives. We have engaged over 215,000 consumers nationwide in 2016. This year alone, we invested RM1.6 million on growing communities through our signature W.A.T.E.R Project and English Enrichment Training Programme.

**We stand by our values – passion for quality, enjoyment of life, respect for people and for the planet.**

## CHAIRMAN'S STATEMENT

### HEINEKEN Malaysia Poised for Greater Growth

My previous assignments have been to transform and turn-around organisations into profitability, but here at HEINEKEN Malaysia, I helm an establishment that is already on solid ground, with commendable results year-on-year, a remarkable feat led by Hans and his team.

We achieved solid results despite a persistently challenging environment marked by a tough economic climate. Adding on the sectoral elements with increase in excise duty rates, regulatory tightening, ongoing contraband insurgence, all in all provided an interesting business canvas. Through all this, HEINEKEN Malaysia continued to deliver a solid performance on the back of strong fundamentals, iconic brand portfolio and effective commercial execution, improved planning and production processes as well as a robust commercial strategy.

HEINEKEN Malaysia's financial results demonstrate that we are on the right track. We will continue to deliver what we do best – quality brews each and every time.

We will continue to work closely in cooperation with the Royal Malaysian Customs Department, and with our counterparts, on a united agenda in stamping out contraband products. Illicit alcohol causes the government to lose revenue and does not support the Malaysian economy, and we will not tolerate this. We appreciate the ongoing efforts of the authorities and will continue to support all initiatives aimed at fighting contraband.

### Stewardship, Governance, Integrity

In today's times, more than ever, it is critical that the Board dispenses its fiduciary duties and responsibilities judiciously as steward and counsel in overseeing and protecting shareholders' value. This covers the entire spectrum, from returns on investment, all the way to ensuring the ongoing and long-term sustainability of the business to the value we create and contribute in the society as a corporate citizen. You can be assured that the Board and I will continue to uphold and safeguard these priorities.

We do not believe in focusing entirely on short-term gain. Preserving corporate brand and reputation is paramount on our agenda. The Board will act as a 'check and balance' to ensure that great financial gain does not come at the cost of destroying the Company's reputation. We are steadfast to preserve and continue the good legacy of HEINEKEN's 150-year heritage as well as our Company's history of more than 50 years in Malaysia.

Over FY16, HEINEKEN Malaysia rolled out the induction into the HEINEKEN Code of Business Conduct to all employees, from brewery staff all the way to senior management. Our Speak Up policy introduced in FY15 is firmly in place, and we renew our commitment to it on a yearly basis. We also rolled out the HEINEKEN Supplier Code, bringing our suppliers on board the HEINEKEN way.

### Where Do We Go from Here

Challenges will continue to come our way, which is the norm, but HEINEKEN Malaysia is well positioned with a resilient business to overcome them. We will continue to push our sustainability agenda in line with local priorities and global goals, and are working towards further reduction of waste and our environmental footprint in the near future. With the spirit of innovation leading our way and our pulse close to the ground, we will challenge ourselves to innovate and create new breakthroughs operationally and commercially, in winning the game.

HEINEKEN is a great company. Combining our expertise and passion with taking responsibility for our values will pave the way for future success. I am honoured to be working alongside a talented team at HEINEKEN Malaysia, and on behalf of the Board, thank them for their dedication and commitment that has seen so many good things achieved in FY16 amidst a challenging environment.

**In FY16,  
HEINEKEN Malaysia  
engaged more than  
215,000  
consumers and  
partnered with  
60 outlets nationwide  
to spread awareness  
on responsible  
consumption.**

To my fellow Board members, thank you for the warm welcome, and together, we will continue the good work laid down by previous Boards, and most recently, Tan Sri Saw Choo Boon, the previous Chairman in building the strong foundation that has enabled GAB, and now HEINEKEN Malaysia, to grow to greater heights. On behalf of the Board, I would like to record our appreciation to Tan Sri Saw for his contributions to the Company.

We would also like to thank our shareholders, business partners, customers, consumers and stakeholders for your continued confidence, trust and support in us.

I look forward to the many more successes we will create together in the next era of HEINEKEN's journey in Malaysia.

**DATO' SRI IDRIS JALA**  
Chairman, HEINEKEN Malaysia

# MANAGEMENT DISCUSSION & ANALYSIS



“

In summary, FY16 was a solid year for HEINEKEN Malaysia that showcased our business resilience, with strong fundamentals and sound commercial strategy. This has enabled us to improve our market position despite a challenging environment.

”

**HANS ESSAADI**  
*Managing Director*

## MANAGEMENT DISCUSSION & ANALYSIS

On 7 October 2015, Heineken N.V.'s acquisition of the remaining stake held by Diageo PLC in our principal shareholder, GAPL Pte Ltd, propelled us to a new chapter in our ongoing journey building on a strong track record of more than 50 years in Malaysia. The Company was incorporated on 24 January 1964 and listed on the Main Market of Bursa Malaysia since 1965. The Sungei Way Brewery in Petaling Jaya, Selangor has been in operation since 1965.



To commemorate this historical milestone, Heineken Holding N.V. Executive Directors, Charlene de Carvalho-Heineken and Michel de Carvalho visited the Sungei Way Brewery in May 2016 and formally welcomed us into the world of HEINEKEN.

- As an organisation, we entered into a new era, with a name change from Guinness Anchor Berhad (GAB) to Heineken Malaysia Berhad (HEINEKEN Malaysia) to reflect the corporate identity of the Company and its relationship with the HEINEKEN Group.
- As a business, we reported double-digit growth with 11.1% increase in profit before tax to RM549 million, and 4.9% growth in revenue to RM2.8 billion for the cumulative 18-month period ended 31 December 2016.
- As a business partner and manufacturer, we continued to unlock efficiencies along our entire value chain, which translated into performance excellence and cost-savings for our distributors, trade partners, as well as for us.
- As an employer, we continued to invest in the development and wellbeing of our people which shines through their level of engagement and commitment to the Company.
- As a responsible corporate citizen, we made good progress towards Brewing a Better World. We reduced our water usage by 4.7% and CO<sub>2</sub> emissions by 5.3% in 2016.

### Entering a New Era

On 21 April 2016, to align with HEINEKEN's corporate identity, we changed the Company's name from Guinness Anchor Berhad to Heineken Malaysia Berhad while maintaining our shareholding structure with 51% held by GAPL Pte Ltd, a wholly owned subsidiary of Heineken N.V and 49% by the general public. We celebrated this momentous occasion with over 1,000 stakeholders comprising business partners, media, and employees.

On behalf of the Board and Management Team, I would like to express our sincere appreciation for the continued trust and loyalty of our shareholders, employees, business partners, and consumers, whose support along the journey enabled a smooth transition with no disruption to the business.

At HEINEKEN Malaysia, we are committed to make sustainability a paramount focus of our business, with respect for people and the planet being a core value for us. Alongside this, we will continue to prioritise new innovations and optimise process and system improvements, to create sustained value for our shareholders.

### Navigating a Challenging Market Landscape

The operating environment continued to be challenging. In FY16, we navigated a market landscape characterised by the following observations:

- Global geo-political uncertainties, rising oil prices, and a tightening domestic economy flanked by currency volatility and the rising cost of living continued to pressure consumer sentiment;
- As consumers seek better value for money (in quality or price), this translated into growth for our Premium and Value segments;

## MANAGEMENT DISCUSSION & ANALYSIS

- Dining out and entertainment became increasingly costly and resulted in a shift towards consuming at home, allowing us to tap into off-trade growth;
- While the beer market continued to grow ahead of population growth, innovation remained a key strategy to drive penetration.

### Winning with Brands and Strategies for Greater Returns

As a market leader in the Malaysian beer and stout industry operating across Peninsular Malaysia, as well as Sabah and Sarawak, we continued to lead the charge with a robust and competitive offering of our portfolio of iconic brands. Heineken® and Guinness spearheaded growth in the premium segment. Tiger continued to be our leading mainstream offering whilst Anchor achieved solid growth reflecting consumers' desire for value. This is supported strongly by other well-established brands in our portfolio including Anglia Shandy, Malta as well as our imported brands Strongbow, Smirnoff Ice, Paulaner and Kirin Ichiban.

In terms of leading edge brand experiences, for the first time, Heineken® took on the prestigious Formula 1® global sponsorship, while the return of the Guinness Amplify campaign had a reach of over 5 million. Tiger's crowd appeal attracted some 4,000 fans to its Tiger Jams Centrestage event celebrating emerging talents in the music and arts scene, while igniting widespread reactions over social media

### REVENUE

**RM2.8** billion

with over 770,000 conversations. Tiger STREATS, the first ever culinary cross-collaboration of street food and fine dining by Michelin-starred chefs, generated 12 million impressions online.

We also continued to strengthen our product portfolio through innovation, in tune with market trends and consumer feedback, with a long-term view of improving market penetration. Our innovation platform ensured we continue winning the game with a consumer-inspired approach to balance our portfolio with current and innovative new line extensions. In FY16, we introduced four new variants into the market with Tiger White – Asia's first wheat beer, Anchor Smooth Draught, Smirnoff Ice Black and Strongbow Dark Fruit.

With strong support from a flexible and efficient supply chain, we have strengthened our market position. Through ongoing efforts to yield improved efficiencies across the value chain, we have been able to better monitor and control product

### PROFIT BEFORE TAX

**RM549** million

freshness, ensuring our customers have the right product levels, translating into costs savings across the chain. Just as important, operational efficiencies ensured our consumers get the freshest products every time.

Our innovation also unlocked efficiencies in our business processes, streamlined work tracks and optimised key enablers to effect greater cost savings that contributed to our bottom line. In FY16, we successfully completed Project Breakout, a mega IT-engineered project which has transformed our Route-to-Market processes. This has enabled us to leverage on an empowered sales force with access to up-to-date sales information, a streamlined distribution network that operates with greater clarity, and a modern structure with new capacities to better manage outlet contracts and trade promotions, enabling us to serve an outlet universe of 28,000 business partners throughout Malaysia more efficiently.



## MANAGEMENT DISCUSSION & ANALYSIS

The Operational Review will provide a deeper outline and results to the various operating activities and processes that supported HEINEKEN Malaysia's business objectives and strategies.

### Our Financial Performance

Our financial year has been aligned to the HEINEKEN Group to end on 31 December, which accounts for the cumulative 18-month performance results (1 July 2015 to 31 December 2016 – FY16) being reported under this Annual Report. We will adopt the usual cycle of 12 months for FY17 onwards.

Over the cumulative 18-month period, HEINEKEN Malaysia has recorded healthy growth performance across all financial indicators. We marked consistent growth in revenue and profit before tax in each cumulative quarter versus the previous financial year.

Revenue increased by 4.9% to RM2.8 billion and profit before tax grew by 11.1% to RM549 million during the cumulative 18-month period. We attribute the solid growth numbers to the results of the goals and strategies we had uniformly worked on across the Company, which led to strong portfolio performance with growth across all brands; while our operational capacities benefit from cost efficiencies through global procurement initiatives, effective commercial execution and growth in the modern off-trade channel.

The volatile currency market and weakened Ringgit posed a challenge to our input cost. This was mitigated by leveraging on HEINEKEN's global contracts as well as improved operational efficiency.

Our operating cash flow post capital expenditure (capex) increased by 2.6% from the comparative 18-month period mainly through working capital improvements in better credit and inventory management; offset partially by higher capex investments incurred for Project Breakout.

**As a result of our performance, HEINEKEN Malaysia for the period under review has proposed a final single tier dividend of 60 sen per stock unit, payable in May 2017, subject to the approval of shareholders at the forthcoming Annual General Meeting. The total dividend for the 18 months ended 31 December 2016 is 145 sen per stock unit, which represents 103% of the Group profit after tax.**

### Managing Risks Proactively

Contraband results in loss of government revenue and undermines our business. It is a key risk that is high on our agenda. As an industry leader, HEINEKEN Malaysia continued to engage closely with the Government to support all efforts aimed at eradicating contraband.

As a result of the new excise duty structure based on alcohol content which came into effect on 1 March 2016, beers at 5% Alcohol By Volume (ABV) saw a 10% increase in taxes. Whilst the new excise duty structure has done away with ad valorem, it has not entirely addressed the inequitable tax rates for beer as compared to wine, spirits and compounded hard liquor. We will continue our engagement with the Government to create an equitable tax system in line with World Health Organisation (WHO) recommendations, which specify that higher content alcohol should be taxed at a higher rate.

Further, we acknowledge the change in Legal Purchasing Age (LPA) from 18 to 21, which will come into effect on 1 December 2017. Whilst contraband remains a significant issue, the LPA change may not be effective in deterring underage purchase due to the availability of cheap contraband products. We maintain our commitment towards encouraging moderation and responsible consumption, and believe education and outreach efforts would be more effective to achieving this goal.

With respect to the Customs' bills of demand dated 28 August 2015 demanding payment of additional excise duties and sales tax, totaling RM56.3 million, we continued to maintain our position that these bills of demand are without basis and we have good grounds to resist this.

### A Culture of Integrity and Governance

Integrity and governance is the guiding light to our business sustainability and our role as a responsible corporate citizen. We hold these values very highly. Sustainable growth requires that we act according to HEINEKEN's core values – Passion for Quality, Enjoyment of Life, Respect for People and for the Planet. Our Code of Business Conduct and Speak Up policy guide us in how we conduct ourselves and our business each and every day. I am pleased to report that 100% of our employees have completed the HEINEKEN's eLearning module on our Code of Business Conduct. HEINEKEN Malaysia also adopts a proactive and transparent approach to risk. We actively monitor and track risk through a stringent risk management and audit framework overseen by our Risk and Control Workgroup and the Audit Committee.

### Investing in Our People and Our Communities

People are at the heart of our Company. With a total headcount of 547, we see our strength in trust, diversity and progress. At HEINEKEN Malaysia, we continued to invest in our employees' developmental progression, and their overall wellbeing. We invested over 21,000 training hours during the period under review for employees' training and development, to the tune of over RM1.5 million.

## MANAGEMENT DISCUSSION & ANALYSIS

Being part of HEINEKEN's global network of over 73,500 employees, our people have access to cross-market postings for career development. On top of being a great place to work, I am pleased to share that from October to December 2016, we have placed five of our employees on Short Term Assignments in the Asia Pacific region.

We also continued to carry out extensive corporate responsibility initiatives and community outreach programmes through our Foundation. In FY16, we spent RM1.6 million on growing communities through our W.A.T.E.R Project and the English Enrichment Training Programme (EETP). The W.A.T.E.R Project in Selangor and Perak have collectively educated and engaged more than 3,600 people from local and business communities to improve awareness on the importance of protecting our rivers. In FY16, the EETP was held for the fifth year and trained some 63 teachers from 45 schools across Perak, Melaka, Negeri Sembilan, Kedah, Sabah, Sarawak and Johor.

Our Drink Sensibly (DS) campaign demonstrated our commitment to encourage responsible consumption. For us the goal is to make moderate, responsible consumption aspirational. In 2016, more than 215,000 consumers were engaged through our DS social media campaigns. In addition, we partnered with 60 trade partners to spread awareness on the importance of responsible consumption.

These are just some of the many good initiatives the team and myself have been driving. Our positive environmental impacts are stated in the Brewing a Better World section of the report.

### On The Horizon

We have made good strides in 2016, but it does not stop here. In 2017, HEINEKEN rolled out a refreshed Company Purpose – We Are HEINEKEN, uniting the global organisation with a collective long-term focus. It is a Manifesto about who we are, what we believe in and what values bind us together. It captures the DNA of our Company as we feel it has always been, in a plain, simple and truthful style.



In the pipeline, we will push our sustainability agenda further and target to further reduce our environmental footprint. Promoting a safe and secure zero-accident workplace also continues as a priority for the wellbeing of our employees and we will be working further on improving compliance with HEINEKEN Life Saving Rules.

FY17 is expected to remain challenging due to both global and domestic economic uncertainties with increased regulatory requirements. Consumer sentiment is expected to remain soft, with a growing contraband market that continues to be a significant challenge to the industry. HEINEKEN Malaysia is determined to continue to outperform by delivering on our key strategies, through growing our iconic portfolio of brands, strengthening our commercial strategies and investing in our people. At the same time, as part of the HEINEKEN Group, we will leverage on the integrated global supply chain to further improve efficiencies, as well as implement long-term cost saving measures enabled by fact-based decision making.

The success we continue to have would not be possible without the dedication, commitment and passion of the great team we have in HEINEKEN Malaysia. And for that, I am honoured to be working alongside each and every one of them. To all employees, thank you for making FY16 a great success!

I would also like to thank the Board of Directors for their guidance especially through external challenges and through the transition into HEINEKEN Malaysia.

On behalf of the Board and the Management Team, we would like to record our deepest appreciation to our former Chairman, Tan Sri Saw Choo Boon who has been our beacon of light and kept us on solid ground since 2012. His stewardship on the Board has been characterised by strategic thinking and his tireless support to Management in engaging the Government to address challenging issues faced by the industry. He has a combined gift of wisdom and amazing charisma and we have benefited from his depth of knowledge and understanding. We are grateful for Tan Sri Saw's steadfast support and dedication to HEINEKEN Malaysia and the Foundation over the past years.

We are honoured to welcome an inspirational business leader in the form of Dato' Sri Idris Jala, who took over the helm as Chairman on 1 January 2017. We look forward to working with him closely as HEINEKEN Malaysia navigates this exciting new era.

**Hans Essaadi**  
Managing Director

# BREWING A BETTER WORLD

Brewing a Better World (BaBW) is HEINEKEN's global strategy to creating long term sustainable value. Our goal is to make sustainability a business imperative rather than something that lies outside the Company's day-to-day operations – mitigating the impact of environmental and social risks while looking at ways to create genuine economic opportunities and value across the board for HEINEKEN Malaysia, our key stakeholders and the local community.

## Scope

Under BaBW, there are six focus areas where we believe we can make significant and meaningful differences. We are pleased to share that we are making good progress in our 2016 milestones and are working towards fulfilling our BaBW commitments for 2020.



















## OUR VALUE CHAIN

### HEINEKEN Malaysia's Value Chain

Our sustainability strategy is aligned with the HEINEKEN approach and is customised towards the needs of our market. At the global level, this covers the entire value chain 'From Barley to Bar'. At HEINEKEN Malaysia, the value chain starts from the brewing process and ends with the consumers.

We aim to report our sustainability performance annually as a way to communicate and be accountable to our valued stakeholders.

FOCUS AREAS	 Agriculture	 Malting	 Brewing	 Packaging	 Distribution	 Customer	 Consumer
 PROTECTING WATER RESOURCES	✓	✓	✓	✓	✓	✓	✓
 REDUCING CO <sub>2</sub> EMISSIONS	✓	✓	✓	✓	✓	✓	✓
 SOURCING SUSTAINABLY	✓	✓	✓	✓	✓	✓	✓
 ADVOCATING RESPONSIBLE CONSUMPTION	✓	✓	✓	✓	✓	✓	✓
 PROMOTING HEALTH AND SAFETY	✓	✓	✓	✓	✓	✓	✓
 GROWING WITH COMMUNITIES	✓	✓	✓	✓	✓	✓	✓
 VALUES AND BEHAVIOURS	✓	✓	✓	✓	✓	✓	✓



**SUSTAINABILITY GOVERNANCE**














Currently, sustainability efforts are led by our Management Team members and are reported to our Board of Directors on a quarterly basis. We are in the process of formalising a Board elected committee and will disclose the structure in our next report.

### Reliability, Completeness and Methodology

We aim to improve our sustainability milestones by constantly seeking feedback from our stakeholders, refining our internal controls and extracting meaningful data from our systems as outlined above.

## OUR PROGRESS

Our Corporate Responsibility performance was initially tracked based on four core areas; responsible marketplace, good environmental performance, workplace best practices and enriching communities. As we are now part of HEINEKEN, we will track our milestones against BaBW goals, which focuses on embedding sustainability into our business.

Focus Areas	2015 Results	2016 Achievements	Indicator	2018 Global Milestones	2020 Global Commitments
 <b>PROTECTING WATER RESOURCES</b>	Water consumption 3.83 hl/hl	Water consumption 3.65 hl/hl		Reduce specific water consumption to 3.6 hl/hl	Reduce specific water consumption to 3.5 hl/hl
 <b>REDUCING CO<sub>2</sub> EMISSIONS</b>	Reduced CO <sub>2</sub> by 6.14% when compared to 2014	Reduced CO <sub>2</sub> emissions by 5.3% when compared to 2015 <sup>1</sup>		Reduce CO <sub>2</sub> emissions from production by 37% <sup>2</sup>	Reduce CO <sub>2</sub> emissions from production by 40% <sup>2</sup> as compared to 2008
	Out of scope for 2015	Purchased 140 green refrigerators		100% green refrigerators purchased	Reduce CO <sub>2</sub> emissions of our refrigerators by 50% <sup>3</sup>
 <b>SOURCING SUSTAINABLY</b>	Out of scope for 2015	85% of our suppliers have signed the HEINEKEN Supplier Code		95% compliance with four-step Supplier Code Procedure	Ongoing compliance with our Supplier Code Procedure
 <b>ADVOCATING RESPONSIBLE CONSUMPTION</b>	Interacted with more than 140,000 consumers via Drink Sensibly	Interacted with more than 215,000 consumers via Drink Sensibly		Report publicly on a measurable partnership on advocating responsible consumption	Every market reports publicly on a measurable partnership
		Two measurable partnerships recorded			
 <b>PROMOTING HEALTH AND SAFETY</b>	Out of scope for 2015	100% employees have been educated on HEINEKEN Life Saving Rules (LSR)		Operating companies accomplish 80% of the actions coming from HEINEKEN LSR plans	HEINEKEN LSR action plans fully implemented
 <b>GROWING WITH COMMUNITIES</b>	W.A.T.E.R Project: Engaged 20 companies on best practices on waste management	W.A.T.E.R Project: Engaged five new communities		No milestones have been set	Global commitments to be decided in the coming years
	English Enrichment Training Programme: Trained 60 educators from underprivileged school in seven states	English Enrichment Training Programme: Trained 63 educators from underprivileged school in seven states			

Reference:

Indicator  Achieved  On-going

<sup>1</sup> CO<sub>2</sub> calculation was defined differently before 2014 therefore Malaysia's 2018 and 2020 achievement will be reported against Baseline 2014.  
<sup>2</sup> Global milestone was required to be against Baseline 2008. In relation to item 1, CO<sub>2</sub> progress will be reported against Baseline 2014.  
<sup>3</sup> Global milestones makes reference to Baseline 2010. For Malaysia, this was only in scope effective April 2016, therefore, future assessments will be made against Baseline 2016.

# STAKEHOLDER ENGAGEMENT

## How We Engage with Our Stakeholders

Engaging our diverse stakeholders in long-term dialogue sessions provide important input that informs our decision making and help us to continuously improve and make progress towards our sustainability commitments.

We engage with our stakeholders in a variety of formal and informal settings. Our engagements range from meetings with local, regional and national groups to ongoing dialogues with our suppliers and consumers. By proactively working together with external stakeholder partners, we are able to identify and address issues by bringing together the expertise, knowledge and passion of many organisations and individuals. This approach helps us achieve greater positive impact on environmental, social and economic issues.

Under the guidance and direction of an independent consultancy, PricewaterhouseCoopers (PwC), we embarked on an exercise with our Leadership Team in HEINEKEN Malaysia to prioritise and define our key stakeholders. The outcome of this exercise will be used in the coming financial year, to further strategise how we communicate and respond to our stakeholders.



# STAKEHOLDER ENGAGEMENT

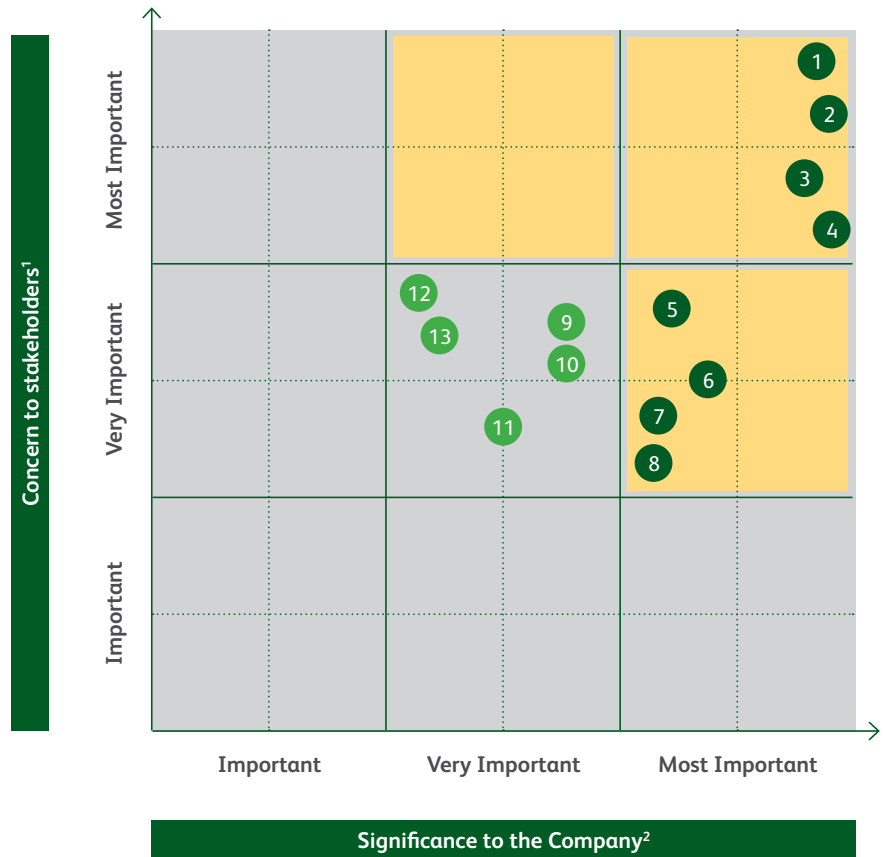
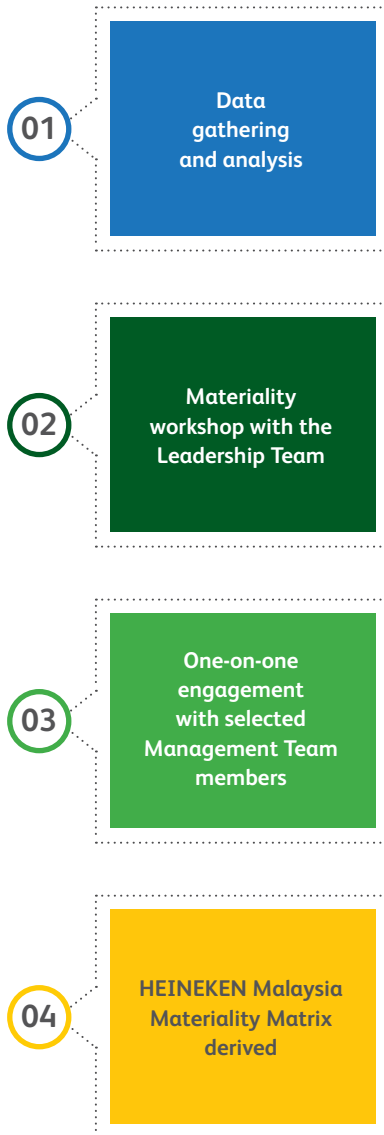
Our key stakeholders and communications strategies for 2016 are outlined below:

WHO WE ENGAGE	HOW WE ENGAGE	OUR FOCUS
<b>EMPLOYEES/EMPLOYEE REPRESENTATIVES</b> 	<ul style="list-style-type: none"> <li>• Annual HR roadshow (HR4U)</li> <li>• Department Away Day/Teambuilding</li> <li>• Department meetings</li> <li>• Employee Climate Survey</li> <li>• Inclusive, supportive and open office work environment</li> <li>• Quarterly Leadership Team meetings</li> <li>• Quarterly lunch and meet with Union employees</li> <li>• Quarterly Townhall meetings</li> <li>• Union Work-Site Committee engagements</li> </ul>	<ul style="list-style-type: none"> <li>• Insight gathering for better work environment</li> <li>• Industrial relationship management</li> <li>• Strategic direction and performance management</li> <li>• Talent development</li> <li>• Create a 'Great Place to Work'</li> <li>• Foster industrial harmony and positive employee relations</li> </ul>
<b>REGULATORS &amp; PUBLIC AUTHORITIES</b> 	<ul style="list-style-type: none"> <li>• Courtesy visits</li> <li>• Dialogue sessions</li> <li>• Industry workshops</li> <li>• Regular scheduled meetings</li> <li>• Round-table discussions</li> <li>• Industry and F&amp;B sector engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Industry issues</li> <li>• Alcohol tax structure</li> <li>• Licensing and regulatory matters</li> <li>• Anti-Contraband initiatives</li> </ul>
<b>SHAREHOLDERS/INVESTORS</b> 	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Write-in to Company Secretary and Investor Relations</li> <li>• Analysts and media briefings</li> <li>• One-on-one meetings with investors</li> <li>• Timely announcement to Bursa Securities</li> <li>• Annual Report</li> <li>• Company website</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic direction and business performance</li> <li>• Shareholders' returns</li> </ul>
<b>CONSUMERS</b> 	<ul style="list-style-type: none"> <li>• One-on-one interviews</li> <li>• Social media</li> <li>• Brand events</li> </ul>	<ul style="list-style-type: none"> <li>• Consumption trends</li> <li>• Consumer needs</li> <li>• Drink Sensibly</li> <li>• Product quality and freshness</li> </ul>
<b>CUSTOMERS</b> 	<ul style="list-style-type: none"> <li>• Annual trade partner engagement</li> <li>• Distributor Engagement session</li> <li>• One-on-one interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Business strategy and targets</li> <li>• Identification of areas for improvement</li> <li>• Drink Sensibly engagement with outlet owners</li> <li>• Professional solutions training for frontline staff</li> </ul>
<b>SUPPLIERS</b> 	<ul style="list-style-type: none"> <li>• Biennial supplier engagement programmes</li> <li>• Engagement and education programme on new requirements</li> <li>• Supplier evaluation and feedback sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers comply to the HEINEKEN Supplier Code</li> <li>• Win-win solutions</li> <li>• Long-term partnerships</li> </ul>
<b>ASSOCIATIONS</b> 	<ul style="list-style-type: none"> <li>• Engagement session</li> <li>• Dialogue sessions</li> <li>• One-on-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Industry issues</li> </ul>
<b>MEDIA/ANALYSTS</b> 	<ul style="list-style-type: none"> <li>• Media and analyst briefings</li> <li>• One-on-one interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic direction and business performance</li> <li>• Issues impacting industry</li> </ul>
<b>NON GOVERNMENTAL ORGANISATION &amp; COMMUNITIES</b> 	<ul style="list-style-type: none"> <li>• Direct engagement through GAB Foundation</li> <li>• Facilitated engagement through local non-governmental organisation</li> </ul>	<ul style="list-style-type: none"> <li>• W.A.T.E.R Project</li> <li>• English Enrichment Training Programme (EETP)</li> </ul>

# MATERIALITY MATRIX

## Materiality Assessment for HEINEKEN Malaysia

In line with Bursa Malaysia’s sustainability reporting guide, we conducted a materiality assessment through data analysis and stakeholder engagement to gather insights on material related to economic, environmental and social issues, which are key to our Company. PwC conducted an internal workshop with the Leadership Team and analysed data from all functions in relation to our BaBW focus areas to derive to a materiality matrix that is relevant to our Company. The preliminary matrix was then validated by our Management Team. Our materiality process is detailed as below:



- 1 Responsible Marketing and Consumption
- 2 Product Safety, Quality, Hygiene
- 3 Regulatory Compliance
- 4 Water Management
- 5 Occupational Health and Safety
- 6 Human Capital Development
- 7 Supply Chain Management
- 8 Waste Management
- 9 Employees’ Labour Relations
- 10 Economic Impact and Tax
- 11 Energy and Carbon Management
- 12 Community Investment and Development
- 13 Human Rights

  Priority issues

**Reference:**








<sup>1</sup> 'Concern to stakeholders' is defined as the importance of a sustainability issue to the stakeholders.

<sup>2</sup> 'Significance to the Company' is defined as the importance of a sustainability issue to HEINEKEN Malaysia










HEINEKEN Malaysia has in place a structured Risk Management Framework. The key features of the framework are reported in pages 96 to 100 of this report

## SUSTAINABILITY ISSUES UNIVERSE

No.	Material Issues	Description	GRI Aspects	BaBW Focus Areas
1	Responsible Marketing and Consumption	<ul style="list-style-type: none"> <li>Ensures all marketing advertising, promotional, and sponsorship activities are in compliance with local laws and regulations; in line with the commitment to sensible drinking and that no banned or disputed products are being sold within the value chain.</li> <li>Advertise the Company's brands and consumption in an accountable and positive manner, including responsible product labelling.</li> <li>Promote moderation when enjoying alcoholic beverages.</li> </ul>	Marketing Communications Product Service and Labelling Local Communities	Advocating Responsible Consumption 
2	Product Safety, Quality and Hygiene	<ul style="list-style-type: none"> <li>Maintain high standards in product safety, quality and hygiene.</li> </ul>	Customer Health and Safety	Promoting Health and Safety 
3	Regulatory Compliance	<ul style="list-style-type: none"> <li>Compliance to the local regulations and other core operational regulations (e.g. environmental, labour, health and safety).</li> </ul>	Compliance	Values and Behaviours 
		<ul style="list-style-type: none"> <li>Anti-corruption policies that the Company has in place to implement controls, mechanisms and initiatives to assess risk as well as the prevention and identification of corruption.</li> </ul>	Anti-Corruption	
4	Water Management	<ul style="list-style-type: none"> <li>Systematic effort to monitor and improve the efficient use of water in the brewing and production process.</li> </ul>	Water	Protecting Water Resources 
5	Occupational Health and Safety	<ul style="list-style-type: none"> <li>Cultivate a strong culture of Health and Safety with all the employees. This includes encouraging employees to lead by example on responsible consumption.</li> </ul>	Occupational Health and Safety	Promoting Health and Safety 
6	Human Capital Development	<ul style="list-style-type: none"> <li>Maintain and improve human capital development, particularly through training and education. This involves skills development and employee performance monitoring.</li> <li>Ensuring timely discussion of significant operational changes and engaging with employees to negotiate and implement these changes.</li> <li>Level of diversity, work culture and Company's approach to equal opportunity.</li> </ul>	Training and Education Labour/Management Relations Diversity and Equal Opportunity	Values and Behaviours 
7	Supply Chain Management	<ul style="list-style-type: none"> <li>Policies, processes and practices in place to increase efficiency and minimise risks.</li> <li>Screen suppliers for issues relating to their labour practices, environmental concerns and human rights-related issues.</li> <li>Assess suppliers impact on society and ability to mitigate negative social impacts.</li> </ul>	Procurement Practices Supplier Assessment for Labour Practices	Sourcing Sustainably 

## SUSTAINABILITY ISSUES UNIVERSE

No.	Material Issues	Description	GRI Aspects	BaBW Focus Areas
7	<b>Supply Chain Management</b> <i>(Cont'd)</i>	<ul style="list-style-type: none"> <li>Support of local suppliers to avoid practices that may cause or contribute to negative impacts in the supply chain e.g. stability or length of relationships with suppliers, lead times, ordering and payment routines, purchasing prices, changing or cancelling order, etc.</li> </ul>	<p>Supplier Environment Assessment</p> <p>Supplier Human Rights Assessment</p> <p>Supplier Assessment for Impact on Society</p>	<p>Sourcing Sustainably</p> 
8	<b>Waste Management</b>	<ul style="list-style-type: none"> <li>Minimise waste generation.</li> <li>Reuse and recycle waste.</li> <li>Sound effluent management to ensure the Company complies with local, state and federal regulations.</li> </ul>	Effluents and Waste	<p>Protecting Water Resources</p> 
9	<b>Employees' Labour Relations</b>	<ul style="list-style-type: none"> <li>Good labour relations between employees and management is key to the Company's license to operate in the manufacturing industry. This includes identifying any circumstances which may need rectification.</li> </ul>	Forced or Compulsory Labour	<p>Values and Behaviours</p> 
10	<b>Economic Impact and Tax</b>	<ul style="list-style-type: none"> <li>Generate sustainable economic value and creating wealth for stakeholders is important to ensure the Company's financial sustainability. This includes contribution of positive economic impact, infrastructure investments and services (e.g. job creation for the local community as a result of the construction of new facilities or extension of existing facilities)</li> </ul>	<p>Economic Performance</p> <p>Indirect Economic Impacts</p>	<p>Growing with Communities</p> 
11	<b>Energy and Carbon Management</b>	<ul style="list-style-type: none"> <li>Efficient use of total energy consumption from either renewable or non-renewable sources (e.g. fuel, electricity, heating, cooling and steam) within and outside the Company. The efficient use of energy in production and refrigerators reduces direct and indirect greenhouse gas (GHG) emissions</li> </ul>	Energy Emissions	<p>Reducing Carbon (CO<sub>2</sub>) Emissions</p> 
12	<b>Community Investment and Development</b>	<ul style="list-style-type: none"> <li>In order to sustain the Company's license to operate, we engage local communities through development programmes based on area of need.</li> <li>Development of grievance mechanisms for external stakeholders in order to manage complaints from the community.</li> </ul>	Local Communities	<p>Growing with Communities</p> 
13	<b>Human Rights</b>	<ul style="list-style-type: none"> <li>To address human and labour rights that impact operations and incidents of discrimination.</li> <li>Includes developing of grievance mechanisms and screening protocols into operational processes.</li> </ul>	<p>Human Rights' Grievance Mechanisms</p> <p>Investment in Human Rights Screening and Training</p> <p>Non-Discrimination</p> <p>Child Labour</p>	<p>Values and Behaviours</p> 

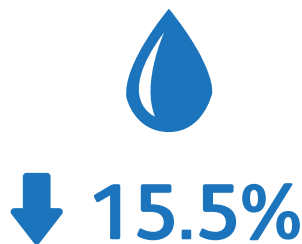
## SPOTLIGHT ON PROGRESSIVE POLICIES, SYSTEMS & PRACTICES



### PROTECTING WATER RESOURCES

Water is a key ingredient in our products. Our consumption is in the form of raw materials used to produce our products and extends to packaging and the cleaning process. This is why we are focusing on minimising our water footprint throughout our value chain. We have embarked on various water optimisation efforts including the reduction of our bottle washer nozzle that reduced our consumption from 9.0m<sup>3</sup>/hr to 4.5m<sup>3</sup>/hr.

2014 vs 2016



#### Wastewater Treatment

Our wastewater is treated to ensure that no harmful substance is released from our brewery. Utilising a process called anaerobic treatment, a biochemical reaction takes place in the absence of oxygen resulting in organic carbon being converted into carbon dioxide, methane and biomass. The second method utilises an aerobic treatment where oxygen is associated in biological reactions and results in organic carbon being converted to carbon dioxide and biomass. Our processes warrant our wastewater quality is compliant and as prescribed by the Department of Environment, Malaysia.

We have set ambitious water and CO<sub>2</sub> emission reduction targets across our value chain. Our policies, systems and practices govern the way we conduct our business and paves the pathway to achieve our goals by 2020.

#### HEINEKEN Utilities Benchmark

Our pursuit of preserving natural resources is practised by all operating companies under HEINEKEN. With the HEINEKEN Utilities benchmarking model, we are able to identify the optimal level of energy and water for breweries to operate in. Thus, enabling us to stay true to our ambitions of preserving our natural resources in the most efficient ways.

#### Promoting Environment Stability

Under HeiRule 6 of our HEINEKEN Rules, we continuously seek to improve the environmental footprint of our products, services and other business activities. It is this commitment towards being environmentally responsible in every aspect of our business that will help us achieve our global ambition to be the world's greenest brewer by 2020. We will get closer to this goal by continuously working to reduce our natural resource consumption and carbon emissions. We will focus on avoiding and reducing waste and pollution because we understand the key to sustainability begins with us.



OTHER REFERENCE  
FOR MORE INFORMATION



W.A.T.E.R Project on pages 55 and 56 to see how we protect our water resources through external initiatives.



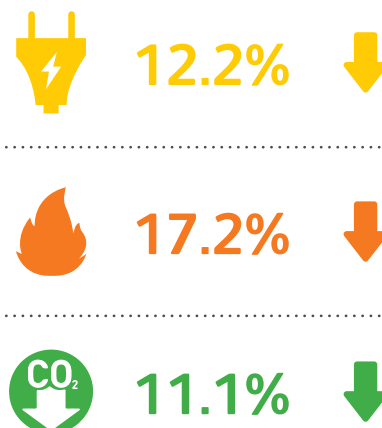
## SPOTLIGHT ON PROGRESSIVE POLICIES, SYSTEMS & PRACTICES



### REDUCING CO<sub>2</sub> EMISSIONS



2014 vs 2016



We appointed an independent third party, Rapid Genesis Sdn Bhd, a consulting company specialising in carbon footprinting to provide independent assessment, validation and verification for our environmental performance. Please refer to Appendix B for the verification report.

#### Energy Management

We are well aware of the importance and need to manage our energy efficiently as brewing and distribution involves energy intensive processes. In 2016, we improved energy savings through various initiatives including improving our boilers to optimisation of our building air-conditioning system.

On the external front, we have invested on 140 green refrigerators, which are non-ozone depleting beer cooler model. This model has Energy Management System that is approved for usage by the Government of Malaysia.

#### Supply Chain Operations and Continuity

HeiRule 7 of our HEINEKEN Rules strives for world-class operational performance and customer service with a minimum amount of disruptions in the supply chain. This is to ensure that the impact of disruptions in our supply chain is minimised by having controlled of our weakest link. Critical business functions are designed to be resilient, arrangements are made to recover or restore business and a response plan is established to cope effectively with any major incidents or disasters.

#### Business Comparison System

We have in place a software system which enables us to track our water, thermal, electricity and CO<sub>2</sub> emissions. The Business Comparison System (BCS) allows us to assess, review, store and validate all the environmental data, leading to more efficient and sustainable use of our resources through improved strategies and execution.



OTHER REFERENCE  
FOR MORE INFORMATION



Supply Chain Highlights on pages 45 to 47

## SPOTLIGHT ON PROGRESSIVE POLICIES, SYSTEMS & PRACTICES



# SOURCING SUSTAINABLY

### Sourcing Sustainably

Disruptions to our supply chain can pose operational risks. An internal global supply chain policy and management process mitigates this risk and minimises the effect of any disruption. Our policies mandate the identification of back-up suppliers for raw materials should the primary supplier fail to meet its obligations. These policies and management systems have been put into place to ensure a smooth transition.

### Aligning Our Procurement Processes

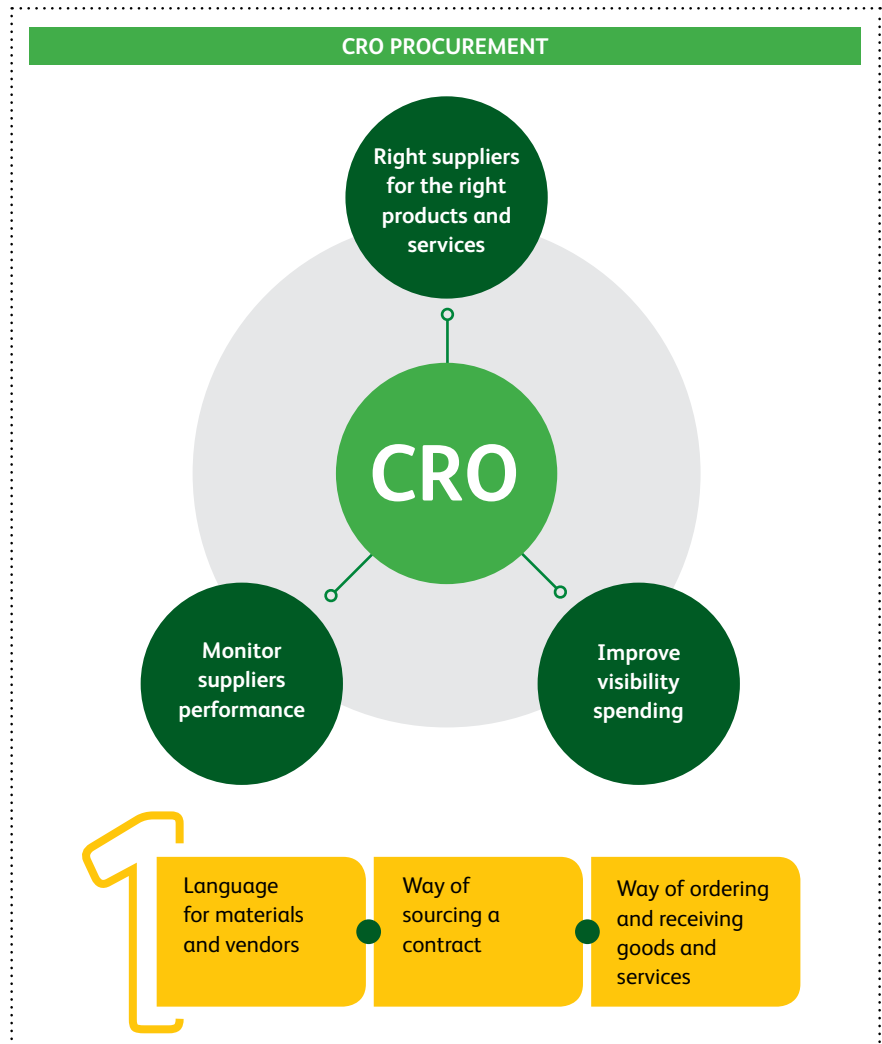
In continuing our integration processes with our global operations, Capability Roll Out (CRO) Procurement was rolled out to standardise our system with that of HEINEKEN Global Procurement. The automation process aims to drive higher efficiency and increase effectiveness in our procurement process, thus ultimately resulting in cost savings.

### Rolling Out Our Supplier Code

Our suppliers are key to achieving our sustainability commitments, as much of our impact lies indirectly with them. During the year, we rolled out our HEINEKEN Supplier Code, along with the HEINEKEN Malaysia Supplementary Code. The Codes detail our resolute commitment and enforcement of Integrity and Business Conduct, the adherence to human rights and the environment. The way in which suppliers should communicate, monitor and comply are also included.

### Ensuring Quality and Cost Efficiencies

HeiRule 21 of our HEINEKEN Rules requires that we purchase the required quality and quantity of goods, materials and services whilst delivering operational cost efficiencies to ensure sustainable procurement leadership in our industry.



We leverage on the strength of our position to scale our procurement purchases and drive operational efficiencies, improve working capital and reduce volatility of some of our key input costs.

We maintain strong relationships with our key suppliers to ensure an uninterrupted supply of required quality and quantity of materials and services at the right commercial terms.



## SPOTLIGHT ON PROGRESSIVE POLICIES, SYSTEMS & PRACTICES



# ADVOCATING RESPONSIBLE CONSUMPTION

### Self Regulation

We strongly believe in responsible marketplace practices. Every employee and representative is required to follow our Code of Marketing Practice Provisions, supported by an internal approval system.

- PROV. 01** Complies with laws and regulations
- PROV. 02** Does not target underage drinkers
- PROV. 03** Encourages sensible drinking
- PROV. 04** Shows respect for abstinence
- PROV. 05** Does not display offensive marketing
- PROV. 06** Present clear and factual information on alcohol content
- PROV. 07** Does not imply medicinal and therapeutic benefits
- PROV. 08** Does not promote drinking and driving
- PROV. 09** Does not imply social and sexual success
- PROV. 10** Does not portray anti-social activities
- PROV. 11** Promotions do not encourage excessive drinking

### Industry Standards and Commitment

We are one of the signatories to the Confederation of Malaysian Brewers Code of Marketing that highlights principles in relation to responsible marketing, retailing and consumption. The Code ensures we are in line with the Malaysian law, regulatory guidelines and are respectful of social, cultural and religious norms.

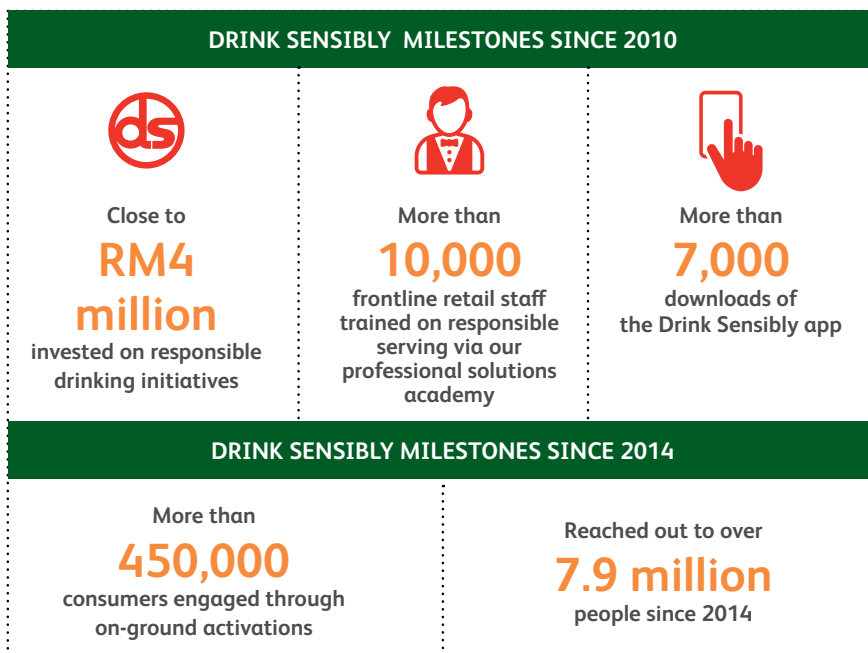
The Governing Council members from the two breweries meet and discuss any non-compliance of the Code and how these will be addressed.

### Enjoy Responsibly and Drink Sensibly

We are committed to building a culture of responsible consumption amongst our internal and external stakeholders.

We participated in a global initiative HEINEKEN rolls out annually to reinforce the importance of responsible consumption – HEINEKEN Enjoy Responsibly Day. In Malaysia, to mark this special day and to reinforce awareness of drinking responsibly, we worked in collaboration with our Heineken brand team on a targeted 'Don't Drink and Drive' campaign in conjunction with the 2016 Formula 1® Petronas Malaysia Grand Prix event in Sepang.

Our consumer education campaigns have been rolled out under our Drink Sensibly (DS) banner since 2010. Our DS platform focuses on using social media as a core outreach channel. Two milestone campaigns were implemented for the year in review, DS Truism and 'Gift of Safety' campaigns.



OTHER REFERENCE  
FOR MORE INFORMATION



Drink Sensibly campaigns in Corporate Responsibility Highlights on page 53

## SPOTLIGHT ON PROGRESSIVE POLICIES, SYSTEMS & PRACTICES



### PROMOTING HEALTH AND SAFETY



We believe that a safe and healthy workplace is a fundamental right of every person and also a business imperative. Nothing is more important than ensuring our employees and the people we work with are safe when they perform their duties. 'Safety First' is our number one priority.

#### Product Quality and Safety

We subscribe to ISO 9001:2008 which specifies requirements for a quality management system. Compliance to this standard means a demonstration of our ability to consistently provide products that meets statutory and regulatory requirements and processes for continued improvement to enhance customer satisfaction.

#### Hazard Analysis and Critical Control Point (HACCP)

Our food and safety system is HACCP certified by the Ministry of Health, Malaysia. It is a management system in which food safety is addressed through the analysis and control of biological, chemical and physical hazards in the food manufacturing chain. It ensures that we adhere to the highest standards of food safety in our production processes.



OTHER REFERENCE  
FOR MORE INFORMATION



HEINEKEN Life Saving Rules on pages 46 and 50

## SPOTLIGHT ON PROGRESSIVE POLICIES, SYSTEMS & PRACTICES



### GROWING WITH COMMUNITIES

We believe it is important to contribute to the communities in which we operate. We make our greatest contribution through our business itself – by creating jobs, supporting suppliers, contributing to the tourism sector and paying taxes. In addition, we improve the quality of lives of our surrounding communities through our corporate social responsibility arm – GAB Foundation.

#### Our Approach to Tax

We believe that being a responsible tax payer is an essential element of our sustainability strategy. The taxes we pay are an important part of our contribution to the growth of the Malaysian economy. In 2016, we contributed more than RM1.3 billion in excise duties and taxes.

To support government revenue collection, we set up the Joint Action Task Force with the Royal Malaysian Customs Department (RMCD) through the Confederation of Malaysian Brewers Berhad (CMBB). We believe that this initiative played an important supportive role and is one of the factors which enabled RMCD to successfully collect an additional 6% revenue in 2016.

#### GAB Foundation

Our initiatives are focused on three main building blocks; Environment, Education and Community. Over the last 10 years, we have contributed more than RM15 million through our Foundation.



OTHER REFERENCE  
FOR MORE INFORMATION



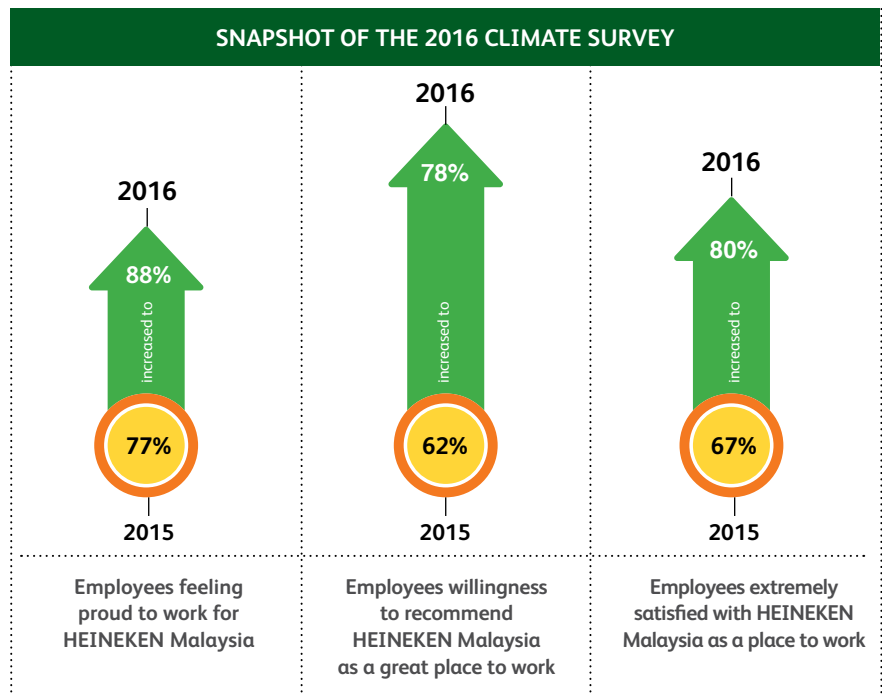
Activities of GAB Foundation on pages 54 to 57

## SPOTLIGHT ON PROGRESSIVE POLICIES, SYSTEMS & PRACTICES



### VALUES AND BEHAVIOURS

People are at the heart of our Company. We see our strength in trust, diversity and progress. Our values represent what we stand for as a corporate citizen, a business partner and an employer. They are part of our Company culture, and our Code of Business Conduct, Supplier and Marketing Codes.



#### Employee Engagement

The HEINEKEN Employee Climate Survey is conducted annually in coordination with IBM to assess our people’s view on the working environment.

In the 2016 survey, 95% of our employees responded to this survey. The results concluded that our people’s pride, advocacy and satisfaction are above local FMCG and global norm. Our people’s intention to stay within the Company is now in line with the global norm and above the FMCG norm.

Our Management Team has reviewed each individual department findings and developed action plans to further improve the working environment for our people.

#### Code of Business Conduct

The current HEINEKEN Code of Business Conduct has been in place across our business since 2013. Supported by a variety of communication and training materials, it ensures all our people understand what is expected of them when acting on behalf of the Company. The Code and its policies are available in more than 30 languages both online and as a printed booklet.

#### Employees and Human Rights

The HEINEKEN Global Employees and Human Rights Policy (EHRP) has underpinned the HEINEKEN Code of Business Conduct since 2013. It endorses the principles of the Universal Declaration of Human Rights and the Core Conventions of the International Labour Organisation (ILO) – setting out 11 standards on employees and human rights including non-discrimination, forced labour, harassment, and grievance procedures.



OTHER REFERENCE  
FOR MORE INFORMATION



Human Resource Highlights on pages 48 to 51

# SUPPLY CHAIN HIGHLIGHTS

## MAKING A DIFFERENCE – DELIVERING PERFORMANCE THROUGH OUR PEOPLE

We wanted to uplift the performance of our Supply Chain operations by involving all our Supply Chain employees and utilising all their skills and abilities. We launched the theme 'Making a Difference' to empower decision making to drive engagement and involvement. The theme is embedded throughout the entire process in maintaining our commitment to deliver great drinks consistently each and every time. Our team focused on operational excellence, productivity and consistency in product quality.

### OUR PRIORITIES ARE MAINTAINED, WHERE WE



Ensure we have the right stock in the right place with the right quality



Drive down total cost per hectoliter



Enable flexible supply chain solutions through innovation

### ACTIONED THROUGH THE FOLLOWING KEY PILLARS



Safety and Compliance



Service and Performance



Cost Awareness and Control



Quality in Everything



Mindset that Everything can be Improved

In FY16, we achieved the following:

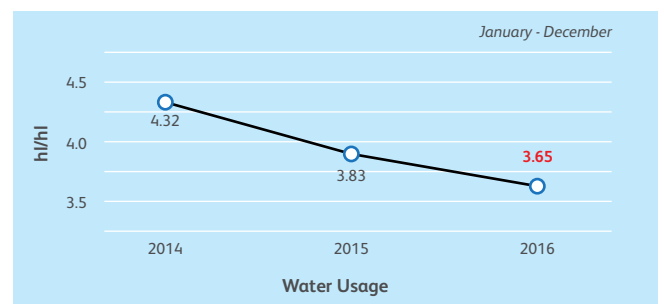
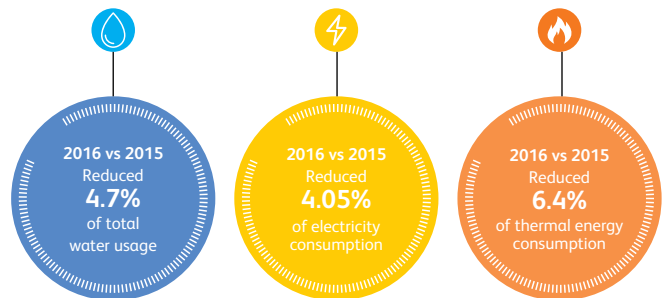
- ▶ Maintained excellent levels of product quality against HEINEKEN Global Standards
- ▶ Enhanced safety standards through the adoption of HEINEKEN Life Saving Rules (LSR)
- ▶ Improved environmental performance with reductions in water, electricity and thermal consumptions, contributing to a reduction of CO<sub>2</sub> emissions.
- ▶ IT processes that standardised our procurement systems with HEINEKEN Global, driving higher efficiency

#### Supply Chain and Sustainability

Sustainability is a key strategic pillar which helped us make a difference. In the lifecycle of our products and services, we ensured that best practices are applied across our operations. This enables us to deliver long-term environmental and economic benefits for the business and our stakeholders.

#### Protecting Water Resources

Water security is an increasing concern for our nation and people. Water is the ultimate shared resource – and it is everyone's responsibility to safeguard it for the future. We made it a priority to use this shared resource responsibly. As a Company, we ensured that we reduce the use of water year-on-year through innovation and change of behaviours. Since 2014, we have reduced our water consumption by 15.5%.



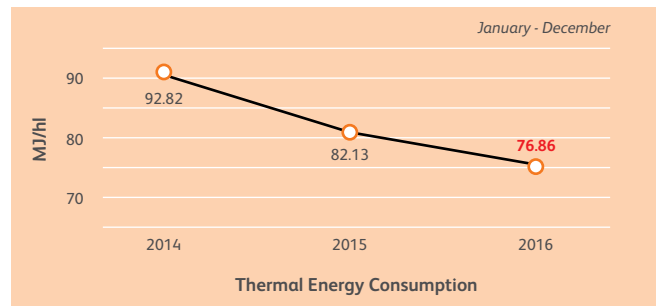
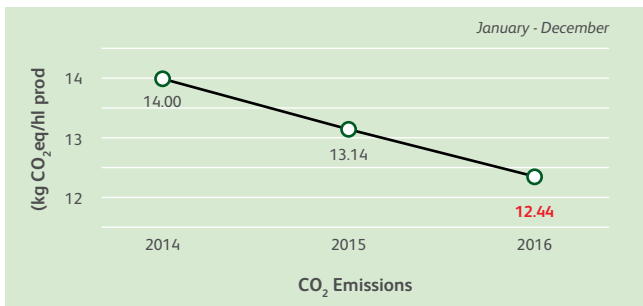
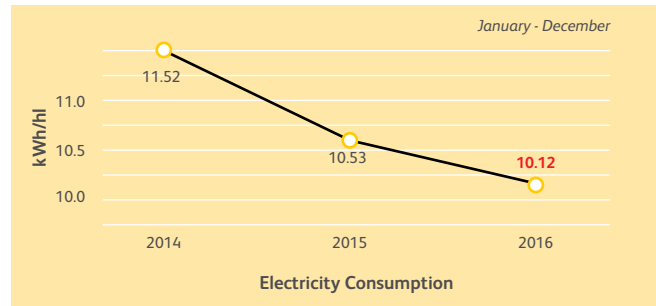
Innovation was key. We made a difference and reduced water consumption in our bottle washer by 50%.

## SUPPLY CHAIN HIGHLIGHTS

### Reducing CO<sub>2</sub> Emissions

CO<sub>2</sub> emissions directly contribute to climate change, causing temperature increases and a rise in sea level. We are committed to reducing CO<sub>2</sub> emissions across our value chain, From Barley to Bar through our energy saving best practices and will continuously explore new ways to minimise our impact on the environment. Since 2014, we have reduced our electricity consumption by 12.2% and our thermal energy consumption by 17.2%.

In total, we have reduced CO<sub>2</sub> emissions by 11.1% based on 2014 levels.



### Safety First

To us, the safety of our employees, contractors, consumers and the public is everyone's responsibility. Our ultimate goal is 'Zero Accidents'. Building a 'Safety First' culture remains our number one priority. In FY16, we launched HEINEKEN Life Saving Rules with a 'Dos and Don'ts' guideline for employees and will continue to assess our performance and implement action plans to close any gaps on our safety agenda.

In collaboration with the Human Resources Department, we report incidences through an Accident Reporting and Investigation Software programme (ARISO).

**Building a 'Safety First' culture is our number one priority.**





## SUPPLY CHAIN HIGHLIGHTS

### HEINEKEN Supplier Code

To ensure we source sustainably, we rolled out the HEINEKEN Supplier Code in April 2016 where vendors and suppliers were briefed and educated on the new standard which covers prevention of child labour, anti-bribery and conflicts of interest.

### Supply Chain Conference





A Supply Chain Conference was held in conjunction with the launch of 'Making a Difference' with the participation of all supply chain employees at Cameron Highlands in April 2016.



Building on our performance for FY16, we will continue to engage key stakeholders to adopt HEINEKEN LSR and will continue to innovate and find solutions to further improve our environmental performance with further reduction on water, energy and thermal consumption, as well as CO<sub>2</sub> emissions.

# HUMAN RESOURCES HIGHLIGHTS





Our purpose, values and behaviours represent what we stand for as an employer, business partner and corporate citizen. We believe that continued, sustained growth is only possible with a corporate culture that embeds sustainability into the mindset of our people. Towards this, we constantly communicate and engage our people to ensure that our conduct and decisions are in line with HEINEKEN’s objectives, core values, key behaviours and policies.

HIGHLIGHTS			
 <p>Smooth Transition for Employees into HEINEKEN</p>	 <p>Over RM1.5 million Invested on Training and Development</p>	 <p>Over 21,000 hours Spent on Training and Development</p>	 <p>Short Term Assignments across Asia Pacific</p>

### Smooth Transition to HEINEKEN Malaysia

Employees’ wellbeing and morale were our paramount priority during the transition to HEINEKEN Malaysia. We engaged our employees through four townhalls, supplemented by ongoing line manager 1-on-1 sessions to ensure employees were well-informed, and any matters they had were addressed during this period. The Managing Director was actively involved in the communications, and regularly shared integration updates with employees.

The integration exercise progressed smoothly without disruptions to the business whilst ensuring that employees continued to remain engaged. From a company culture perspective, there was a seamless follow-through as HEINEKEN’s Greenprint to Win Behaviours were introduced to all employees, engaging everyone with not just a new identity but also actionable behaviours that define the HEINEKEN way.

CORE VALUES	GREENPRINT TO WIN
 <p>PASSION FOR QUALITY</p>	
 <p>ENJOYMENT OF LIFE</p>	
 <p>RESPECT FOR PEOPLE AND FOR THE PLANET</p>	

- 1 PUT SAFETY FIRST!
- 2 ACT AS AN ENTREPRENEUR
- 3 COLLABORATE THROUGH TRUST

- 4 FOCUS ON SUPPORT OVER CONTROL
- 5 KEEP IT SIMPLE
- 6 LEARN TO IMPROVE

In FY16, we adopted the HEINEKEN Greenprint to Win – Six Behaviours. The Six Behaviours reaffirm our commitment to our core values and our long-standing culture of safety, learning and zero-accidents. This inspires us to further improve and achieve the excellence of a high performing company. We cascaded the communications through the 6-month Transition (6T) employee performance review form, and Greenprint booklets distributed at 24 HR4U roadshows.

## HUMAN RESOURCES HIGHLIGHTS

### Growing Talent

Our employees continued to benefit from the guidance and experience of a multicultural Management Team. On the ground, more career opportunities to build exposure and experience opened up with Short Term Assignments (STA) for local talents. Employees were given the opportunity for short-term placements of between three to six months at regional HEINEKEN operational companies (OpCos) across Asia Pacific, namely in East Timor, Hanoi, Myanmar, Singapore and Sri Lanka. During the year under review, HEINEKEN Malaysia also introduced the Asia Pacific Graduate Programme, a regional initiative aimed at building Asian leaders in HEINEKEN.

We continued to groom our Leadership Team and promising talents through various result-driven programmes to help our people build a fulfilling career with our company. These include regional and local Business Partnering and Leadership Programmes.

Concurrently, we focused on employee development. We invested over RM1.5 million during the year under review on various training and development programmes for all employees across the Company, where over 21,000 hours were routed into training.



**Phuang Hun Chung**  
*Business Controller, Finance*

*APB Alliance  
Brewery  
Company Ltd*

"The short stint in Myanmar has brought a great deal of new knowledge to me, especially in the area of strategic planning and budgeting for a young OpCo. It also offered the opportunity to gain experiences from other cultures and working styles, which gave me a better sense of diversity and versatility."



**Debra Deyvith**  
*Tiger Global Design Coordinator*

*Heineken  
Asia Pacific  
Pte Ltd*

"Working with the Global Tiger Team in Singapore has been a productive and fruitful experience. I understand strategy a lot better and am also privileged to work with markets from all over the world which is enriching. The STA program not only grows you in your career, it also helps with personal growth which is brilliant."



**Sze Ming Hui**  
*Cellar Loss Reduction Project*

*Asia Pacific  
Brewery  
Lanka*

"The STA in Sri Lanka was an eye opening experience as I have never travelled to any foreign country. With the help of my colleagues in Sri Lanka, I improved their brewing process. I also got to know how another brewery operates."



## HUMAN RESOURCES HIGHLIGHTS

### Promoting Health and Safety

Our employees' well-being is a priority to us. We are committed to stringent safety standards to create a zero accident environment and have robust systems, policies and procedures in place to help reduce the incidence of injury or harm in the workplace. This includes an Accident Reporting and Investigation Software Programme (ARISO) that provides us with data and analysis to help us improve our safety standards across the Company.




We also focused on building a safety culture and mindset by introducing the HEINEKEN Life Saving Rules which clearly outline the dos and don'ts for high-risk activities. This effort required close collaboration particularly with Supply Chain and Sales Departments.



### Progressive Policies and Code of Business Conduct

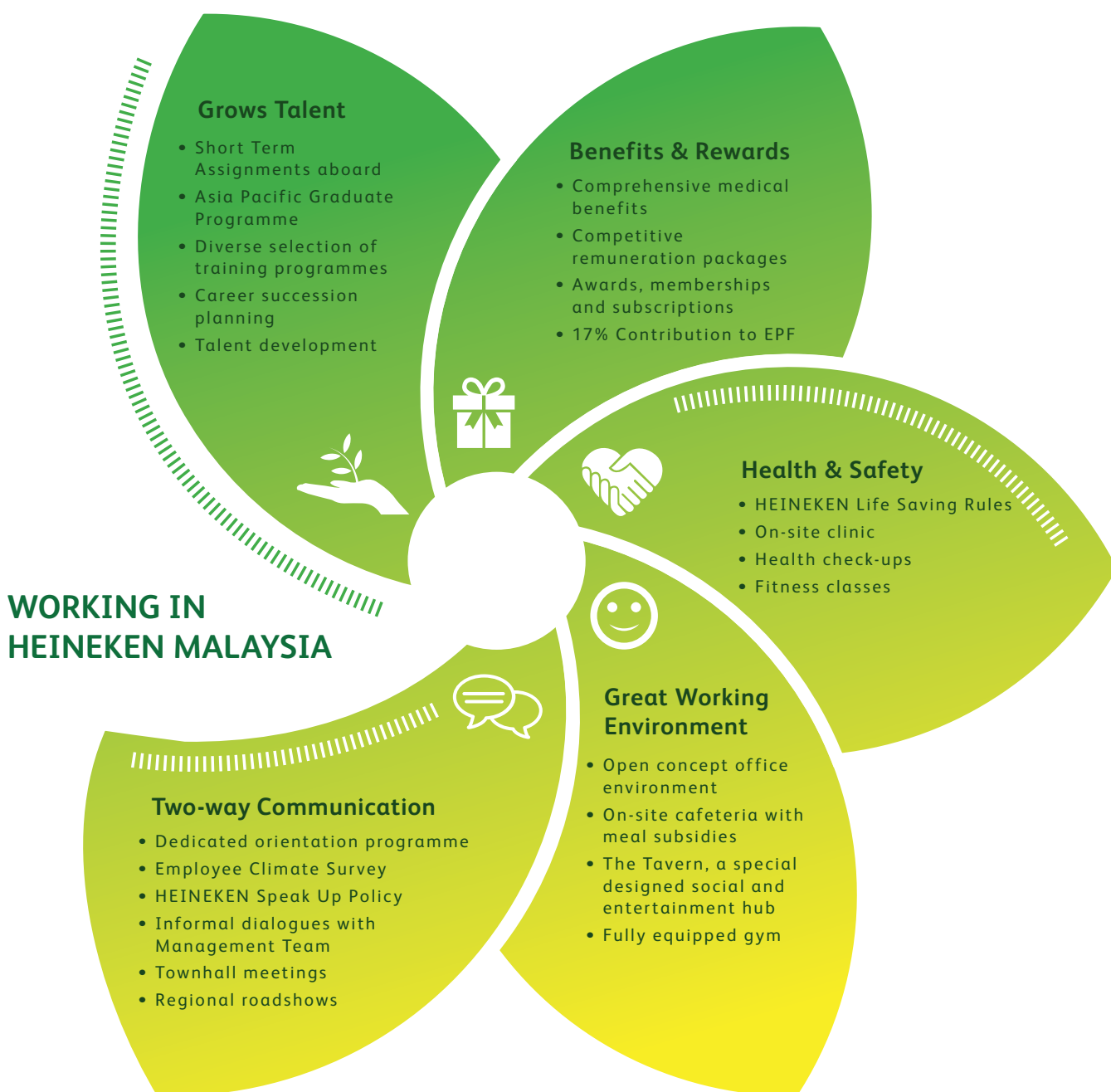
Integrity and governance continued to be staple conduct expected from all employees. We rolled out various courses and modules as required from the HEINEKEN Code of Business Conduct (HeiCode) and HEINEKEN Rulebook (HeiRules) to help employees fully assimilate into the HEINEKEN culture.

Leveraging our access and touchpoints with the larger HEINEKEN Group, as a priority, we will continue to invest into progression development and the welfare of our employees across the board.

		
<b>HEINEKEN CODE OF BUSINESS CONDUCT (HeiCode)</b>	<b>HEINEKEN RULES (HeiRules)</b>	<b>HEINEKEN SPEAK UP POLICY</b>
<p><b>What:</b> Our commitment to conduct business with integrity, fairness and respect for the law and values is demonstrated through this code as it sets clear expectations for our people when taking action on behalf of our Company.</p> <p><b>Results:</b> 100% of our employees completed the eLearning Module.</p>	<p><b>What:</b> A set of 25 rules that define how we work and conduct our day-to-day business. Each HeiRule has reference to relevant HEINEKEN standards and procedures which help us achieve our business objectives, minimise financial and reputational risk, and protect the health and safety of our people.</p> <p><b>Results:</b> Assessments will be done on an annual basis to ensure continuous benchmarking against the prescribed rules.</p>	<p><b>What:</b> Speak Up is a global process that allows our stakeholders to raise concerns about suspected misconduct in a confidential manner. In addition, our employees can also directly file a report on a global website that is reviewed at the corporate level to ensure they are dealt with appropriately and confidentially.</p> <p><b>Results:</b> 24 awareness sessions rolled out to educate employees on the policy.</p>

## HUMAN RESOURCES HIGHLIGHTS

Because we believe people are the lifeblood of our business, our Company culture is focused on shaping and developing our most important asset.



# CORPORATE RESPONSIBILITY HIGHLIGHTS




At HEINEKEN Malaysia, we strive to find sustainable solutions to make a difference within the world we operate in. We are fully committed to supporting our local communities and actively engage with various stakeholders in a continued effort to drive positive change.

## HIGHLIGHTS

 <p>Proactive engagement with the government on industry issues</p>	 <p>Reached out to 4 million people through various campaigns since 2010</p> <p>Invested approximately RM4 million in our responsible consumption agenda since 2010</p>	 <p>Engaged with over 40,000 Malaysians, 85 local businesses and communities as well as 215 educational institutions since 2007</p>
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### Regulatory Stakeholder Engagement

As a key player operating in a highly regulated environment, HEINEKEN Malaysia continues to engage closely with the Government, serving as a voice on the ground by providing sound and fair counsel to the relevant authorities and stakeholders. Below are some key highlights of our ongoing stakeholder engagements with the Government in 2016.

		
<h4>FIGHT AGAINST CONTRABAND</h4>	<h4>CHANGES TO EXCISE DUTY ON BEER AND STOUT</h4>	<h4>INCREASE OF LEGAL PURCHASING AGE</h4>
<p>We continued to engage and support the Royal Malaysian Customs to combat contraband which undermines the legitimate beer industry and negatively impacts the Government's total tax revenue collection.</p>	<p>We have engaged the Government for years on the inequitable tax structure for alcohol. On 1 March 2016, the Ministry of Finance announced an alcohol tax system reform, however, a tax gap still remains between beer and higher content alcohol.</p> <p>In light of this, we have continued our engagement with Government to review and close the tax gaps between the different categories of alcohol products in accordance with international practices.</p>	<p>In June 2016, the Government announced that the legal purchasing age would be raised from 18 to 21 years, effective 1 December 2017. While acknowledging and complying with the regulatory change, we have engaged with the Government to highlight the concerns we have. Namely, that an increase in the legal purchasing age without addressing the presence of contraband products in the marketplace is counterproductive.</p> <p>Illicit alcohol is widely available in the market, suggesting a growing demand for such cheap products, the origins of which are often unknown. A change of legal purchasing age in isolation will drive consumers to resort to cheap and potentially unsafe illicit alcohol.</p> <p>We have demonstrated our commitment to education initiatives on moderate consumption.</p>

## CORPORATE RESPONSIBILITY HIGHLIGHTS



### DRINK SENSIBLY 2014 – 2016 MILESTONES



Reached out to more than  
**7.9million**  
consumers



Engaged more than  
**450,000**  
consumers



Partnered with  
**60 outlets**  
to educate consumers



Offered  
**3,000**  
discounted rides to revelers

**Close to RM4 million invested into Drink Sensibly to date**

#### Advocating Responsible Consumption

We continued to drive Drink Sensibly (DS), one of our key Corporate Responsibility initiatives. The programme champions responsible choices through creative marketing campaigns to build a sensible drinking culture and make moderation a key part of life and enjoyment. We want consumers to enjoy our brands and strongly encourage responsible consumption.

#### DS Truism

In FY16, we launched the DS Truism campaign in collaboration with Pestle & Mortar, a well known local bespoke t-shirt label. They designed a series of t-shirts for us with DS puns printed on them that were given away as part of a creative digital campaign to encourage the public to become DS advocates. From a social media perspective the campaign reached out to 1.7 million and engaged more than 180,000 people in terms of clicks, likes, shares and comments. The campaign was timed with the launch of our Drink Sensibly Facebook page.

#### DS Festive - 'The Gift of Safety'

In the fourth quarter of 2016, to reinforce the 'Don't Drink and Drive' message and to encourage party goers to stay safe during the year end festive season, we partnered with Grab Cars to offer 3,000 discounted rides to revelers in the Klang Valley for the month of December and into the New Year. Awareness for the campaign was built with creative Facebook ads with an estimated reach of 500,000 directly via our DS Facebook page.

#### Collaboration with Trade Outlets

We continued our mission to educate consumers on responsible consumption by partnering with 60 outlets to embed DS messages in their restrooms. DS 'Girl Tips' and 'Bro Tips' were placed prominently behind cubicle doors and DS decals adorned mirrors to reinforce the message of moderation, responsibility and safety.



## CORPORATE RESPONSIBILITY HIGHLIGHTS



We strive to enrich the lives of communities in areas where our business operates in. We do this actively through our Foundation which was established in 2007. Our Foundation was formed on 5 July 2007 under the Trustees (Incorporation) Act 1952.

### Board of Trustees

Our Foundation is governed by a Board of Trustees which comprises of the following individuals, who are well respected leaders from the community and experts from the business and corporate sectors:



### OUR FOCUS IS BASED ON THREE BUILDING BLOCKS



ENVIRONMENT



EDUCATION



COMMUNITY

Our main programmes under the GAB Foundation are the W.A.T.E.R Project and the English Enrichment Training Programme.

**OUTREACH**  
SINCE 2007

**40,000**  
MALAYSIANS

**85**  
LOCAL AND BUSINESS  
COMMUNITIES

**215**  
EDUCATIONAL  
INSTITUTIONS



## CORPORATE RESPONSIBILITY HIGHLIGHTS

# W.A.T.E.R PROJECT

### W.A.T.E.R Project (Working Actively Through Education And Rehabilitation)

Water is not just a key ingredient of our products, but more importantly it is the source of life. For this reason, we are committed to do our part in protecting our water resources. We are proud that W.A.T.E.R Project in collaboration with Global Environment Centre (GEC), government agencies and communities has continued to be an effective platform that empowers Malaysians to help care for our rivers. In FY16, we expanded our W.A.T.E.R Project outreach to new communities.

W.A.T.E.R Project Selangor  
launched in Sungei Way

2007

2009

Water Quality in Sungei Way  
improved from Class IV-V to  
Class III

Extended W.A.T.E.R  
Project to Perak

2013

2015  
to  
2016

Expanded W.A.T.E.R Project  
Selangor to Sungai Penchala,  
which is 20 times longer than  
Sungei Way



# CORPORATE RESPONSIBILITY HIGHLIGHTS

## W.A.T.E.R PROJECT SELANGOR

Engaged  
**40** local and  
**5** business communities

Reached out to  
more than  
**2,600**  
people



Conducted four river walks for the public

Capacity building for communities through three River Ranger training programmes

Organised more than 25 engagement programmes for local and business communities, government agencies and youth

River clean up initiated saw participation from more than 150 local communities

## W.A.T.E.R PROJECT PERAK

Engaged  
**14** local and  
**3** business communities

Reached out to  
more than  
**1,000**  
people

Maintained our River Care Education Centre for communities

Organised 'Save our River' Ecological Thinking Programme with local government agencies for more than 250 youths

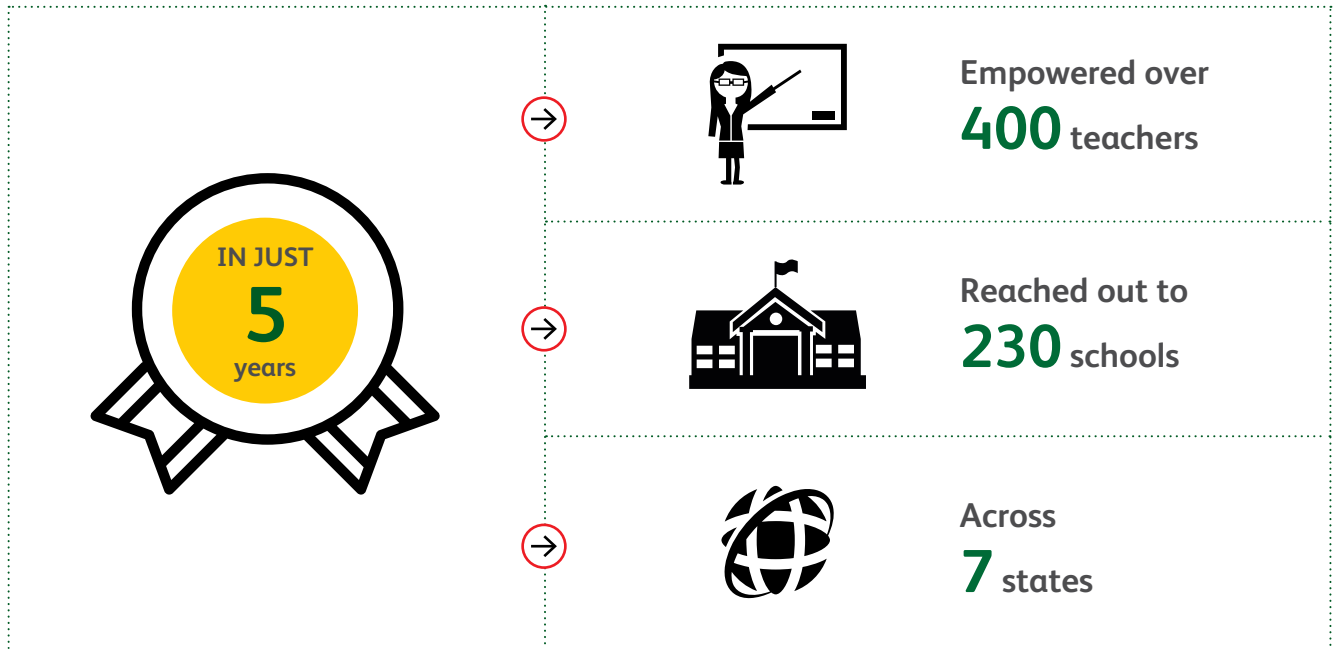
Organised more than 20 engagement programmes for local and business communities, government agencies and youth

Engaged more than 300 participants for 'Do Good Volunteer' Sungai Kinta river clean-up programme in collaboration with The Star newspaper, Indah Water Konsortium (IWK), Department of Irrigation and Drainage Perak (DID) and Ipoh City Council



## CORPORATE RESPONSIBILITY HIGHLIGHTS

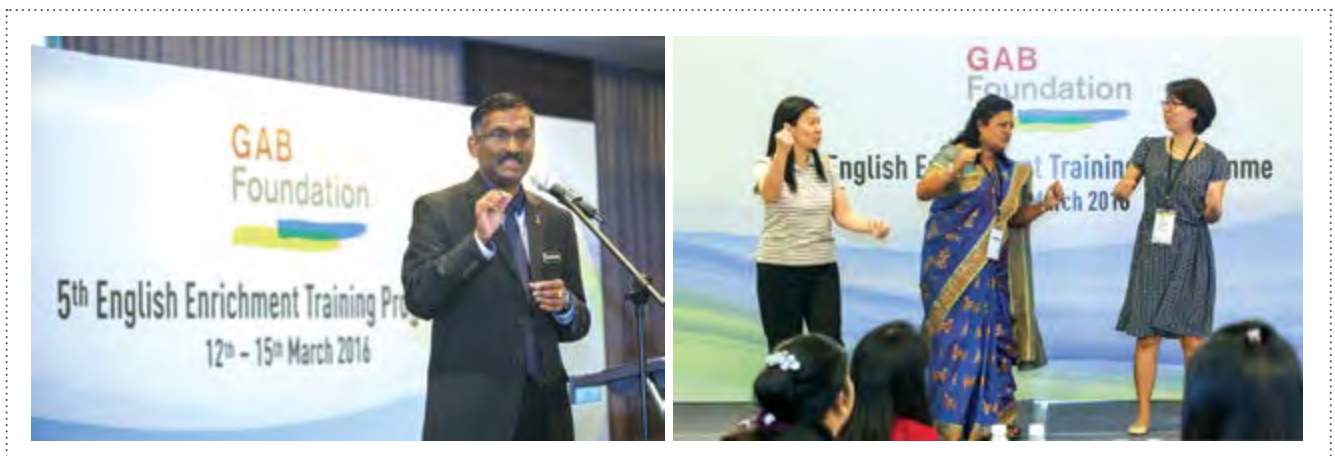
### ENGLISH ENRICHMENT TRAINING PROGRAMME



#### English Enrichment Training Programme (EETP)

Our programme is designed to enhance the standard and quality of teaching of the English language for primary school students. EETP training is a four-day intensive session which equip teachers with new, creative ideas to make learning English fun for their students. Teachers will then need to conduct 22 weeks supplementary English classes to apply what they have learned from our programme. Post-training support is provided by mentors to ensure the sustained impact the programme and continuous development and improvement of the teachers.

We are pleased to share that our beneficiaries under this programme have demonstrated improvement in the areas of teaching, writing, listening and speaking.



We will continue to grow our surrounding communities, creating positive social impact and focus on capacity building to reach a wider audience.

# IT HIGHLIGHTS

## HIGHLIGHTS



Major business transformation for Route-to-Market processes, supported by data-driven decision making

### Four Key Pillars

Sales Force Automation	Distributor Management System
Outlet Contract Management	Trade Promotion Management

SFA Breakthrough:

**28,000**

outlets covered by sales force of 300

DMS:

**70**

distributor locations use DMS for their end-to-end business operations

OCM & TPM:

capacity to process

**high volume**

of contracts and promotions

### Equipped for the New Era

In FY16, HEINEKEN Malaysia embarked on and completed several key IT projects which enabled the business to perform more efficiently. We are well equipped for the new era and our IT systems and solutions will be a key competitive edge for the Company. This period was also especially critical and required the IT team to align our Malaysian operations with HEINEKEN Global IT systems and processes, as part of our integration with the HEINEKEN Group.

### Optimising IT Solutions for Better Business Operations

Project Breakout which commenced in FY15 was completed on time in FY16. Implemented in phases, Project Breakout has transformed HEINEKEN Malaysia's entire Route-to-Market processes, which enhanced operational and cost efficiencies as well as addressed operational gaps and enabled effective performance tracking along the entire process chain.

The project created efficiencies through four key areas:

#### Sales Force Automation (SFA)



Empowering our sales force to better service trade customers with immediate data on retrieval. This supports them with quicker order execution, traceability of sales information, and tracking of stock visibility and freshness at outlets as they are on the road servicing trade customers.

#### Distributor Management System (DMS)



Synergising our business with distributors through implementation of a comprehensive and new system, thereby enabling seamless tracking and enhanced clarity. The new system provides end-to-end coverage of distributors' operations, real-time reporting, with better visibility and tracking of stocks.

#### Outlet Contract Management (OCM)



Enabling more efficient management and execution of contracts with outlets, by reducing manual work through automation, as well as accurate and timely reports with powerful business insights.

#### Trade Promotion Management (TPM)



Creating a sharper competitive edge for HEINEKEN Malaysia in assessing, planning and enabling complex promotion combinations with different outlets, analysis for better budget tracking and performance of the promotional bundles.

The automation of business systems and processes will empower HEINEKEN Malaysia with data-driven decision making hence improving efficiencies and effectiveness when implementing business strategies.

## IT HIGHLIGHTS

### Integration with HEINEKEN Group Unlocks Benefits

With the completion of Project Green, HEINEKEN Malaysia is now fully integrated and aligned with the HEINEKEN Group infrastructure. We are now equipped to work and leverage on benefits of HEINEKEN's global system and tools. The phased integration included email migration, better mobility using VPN connectivity and cloudbased storage, access to HEINEKEN Group's intranet portal and upgrades of IT software on both laptops and work-related mobile devices.

### Better Efficiencies and Governance Integration

We have streamlined other processes including our central procurement system with HEINEKEN Global Procurement. The Capability Roll Out (CRO) Procurement project will reinforce our capability in sourcing as well as managing supplier performance. We have also implemented Project SCOA (Single Chart of Accounts) for efficient financial data management and reporting.

We have also embarked on the first phase of Project Track & Trace, that will provide for better visibility and traceability over the movement of raw materials from shipment, to finished goods stage, and onto final delivery to trade customers.

Moving forward, IT will continue to play a key role in enabling the Company's business strategies, leveraging on the power of information and the HEINEKEN Group infrastructure, to enhance competitiveness and shape new breakthrough innovations in winning the game.

### HIGHLIGHTS



green



**PROJECT GREEN**  
HEINEKEN Malaysia  
Infrastructure Integration



**CRO PROCUREMENT**  
Working with HEINEKEN  
Global Procurement to  
implement a standard system  
for procurement process



**PROJECT SCOA**  
Implemented SCOA for  
financial data management  
and reporting

# FINANCIAL HIGHLIGHTS

## FY16 18-MONTH HIGHLIGHTS



REVENUE

**+ 4.9%**



PROFIT BEFORE TAX

**+11.1%**



**+2.6%**

OPERATING CASH  
(POST-CAPEX)



TOTAL DIVIDEND

**145 sen**

### Solid Growth Trend Despite a Challenging Environment

HEINEKEN Malaysia continued to deliver solid financial performance in FY16. We recorded consistent growth in revenue and profit before tax across all quarters over the cumulative 18-month period. Revenue increased 4.9% to RM2.8 billion, while double-digit growth in profit before tax registered at RM549 million.

We can attribute our strong brand portfolio, effective marketing strategy and sales execution, backed by improved production and cost efficiencies as key growth drivers responsible for the solid performance. In addition, HEINEKEN Malaysia's focus on driving premium growth led by Heineken® and Guinness, and innovation were key strategies in supporting the Company to deliver our profit growth targets despite a challenging environment marked by currency volatility and soft consumer sentiment.

The financial performance was also underpinned by shifting market trends and consumption habits for new variants and better value for money. This created opportunities for HEINEKEN Malaysia to leverage growth in the Off-Trade segment and expand our product portfolio with four new variants in FY16.

We kept our focus on managing and improving our cost efficiencies via strategic procurement initiatives. Notwithstanding excise hikes weighing us down in 2016, our raw material and packaging costs and distribution, sales and administrative costs as a percentage of revenue were lower than in the preceding year.

Currency fluctuations were volatile in FY16, with the Ringgit Malaysia (RM) weakening significantly. Whilst the majority of our revenue and costs are denominated in RM, the adverse currency fluctuations put pressure on our cost base, and we kept close oversight over our foreign currency exposure to ensure we were not significantly impacted. In this aspect, we employed hedging strategies when necessary taking into consideration our foreign currency collections and payments.

Our operating cash flow post capital expenditure (capex) has increased 2.6% from the comparative 18-month period mainly through working capital improvements in better credit and inventory management; offset partially by higher capex expenditure arising from investments made for Project Breakout.

We continuously reviewed our working capital requirements to ensure we achieved the optimal level of debt and equity required to effectively fund our operations whilst maximising shareholder value. In FY16, we fully repaid our Medium Term Notes issued through our Commercial Papers/Medium Term Note Programme, and instead leveraged on the global banking partners which provided us with increased flexibility and reduced borrowing costs from lower interest rates. During the year, RAM reaffirmed our AAA rating, which is testament to our strong credit standing in the market.

We remain committed in distributing dividends to shareholders from earnings in excess of our business requirements to optimise shareholders' returns. For the 18-month period we were pleased to declare a total dividend of 145 sen per stock unit, representing an annualised dividend yield of 5.9%.

While 2017 is expected to remain challenging in view of the turbulent global and domestic economy, and keeping in view the ongoing battle against contraband products, we will continue to deliver on our key business strategies to stay ahead of the game.

## FINANCIAL HIGHLIGHTS

### **Delivering Value in the New Era: HEINEKEN Integration**

Since becoming a subsidiary of HEINEKEN on 7 October 2015, we have focused our efforts on integration activities to deliver value for shareholders. In Finance, we have concentrated our efforts on standardising processes to unlock efficiencies and to leverage on HEINEKEN know-how and technology where possible.

On 25 November 2015, we have changed our financial year to become 1 January to 31 December from 1 July to 30 June, to be in line with HEINEKEN's financial year. The current financial reporting period is for an 18-month period from 1 July 2015 to 31 December 2016 in consideration of this transition.

We have also embarked on Project SCOA (Single Chart of Accounts) to align our financial reporting systems with HEINEKEN. This enables us to unlock gains in speed of reporting and analysis. We have also reviewed our accounting policies to affirm our adherence to accounting standards and HEINEKEN best practices and know-how.

As part of treasury integration into HEINEKEN Global Treasury network, we effected a change in cash management structure to leverage on HEINEKEN Global Treasury's association and connection with the global banking partners. Moving forward, we will be looking towards a bank connectivity solution to align our systems with that of our partner bank's platform to simplify processes and improve system efficiencies.

Our Process and Control Improvement (P&CI) Team collaborated with HEINEKEN to ensure our seamless adoption of best practices and policies relating to our risk management and internal control systems. This enabled us to cultivate further improvement in our already robust control environment in FY16. More details on these efforts can be found in our Statement on Risk Management and Internal Control (SORMIC).

Going forward, Finance will continue act as a key partner of the business in providing strategic insights and will continue the journey in capitalising on HEINEKEN's expertise and knowledge to deliver sustained value.

# COMMERCIAL HIGHLIGHTS

## HIGHLIGHTS

### OPTIMISED DISTRIBUTION NETWORK

Streamlined network by

12%

### Developed 5-point roadmap

Modernises distributors' business competencies for better customer service to outlets



Excellent  
Outlet  
Execution

Deliver fresh, cold and perfect serve each and every time

Empowered Sales force



Real-time  
data-driven  
information



Embedded  
**SAFETY-FIRST**  
culture for sales team

### Developing and Modernising our Distribution Network

In FY16, we further optimised efficiencies across our entire value chain by streamlining our distribution network from 41 to 36 distributors and three key accounts nationwide.

Our distributors benefit from HEINEKEN's win-win partnership approach. We developed a 5-point roadmap that helps them improve their commercial performance by modernising and notching up their business process management. The results will carry over into creating better excellence in customer service to the outlets. Five areas covered under this programme are Strategic Growth, Commercial Excellence, Supply Chain Excellence, Financial Health and Empowered Workforce.

### Delivering Fresh, Cold and Perfect Serve Every Time

Our advantaged Supply Chain with improved efficiencies across the value chain in turn allows us to deliver on our commitment to Excellent Outlet Execution. We are now able to better monitor and control product freshness, ensuring our customers have the right stock weight forecasts, thereby ensuring our consumers get the freshest brews each and every time.

### Driving Results with a Dynamic and Effective Sales Force

Through Project Breakout, our sales force is now better equipped and empowered to deliver results more efficiently backed by real-time data. A backroom system for distributors that our sales force can access through their digital devices allows them to make data-driven business plans and reviews, on matters such as stock and order taking, coverage, call rates, outlet promotions, etc.

As part of the HEINEKEN world, Malaysia is proud to have exported many of our local talents in Commercial departments (Sales and Marketing). The demand for our commercial know-how is reflected by Short Term Assignments (STA) of our talent from Malaysia to the Asia Pacific region, contributing to HEINEKEN's wider expansion and growth not only in Malaysia but in the region as well. In this regard, we strive to be a commercial center of excellence in Asia Pacific with an empowered and engaged team.

### Embedding a Culture of Safety

In HEINEKEN Malaysia, our sales force comprise the largest employee segment. In line with our promotion of a zero-accident workplace under the HEINEKEN Life Saving Rules umbrella, our sales force has been inducted in various safety programmes. As they spend a significant amount of time travelling on the road, we have rolled out Defensive Driving training for our sales staff in batches. We also enforced a strict 'NO drinking and driving' policy, and provide for alternative travel options including allowing employees to claim for taxis and ride-hailing services.

Moving forward, our Commercial team will continue to optimise efficiencies through our distributor network and drive effective sales and strategies, in supporting the organisation's business growth targets and retaining HEINEKEN Malaysia's lion share of the market.