

People ■ Planet ■ Performance

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

624 Employees

Board of Directors

57% Male
43% Female

Middle to Senior Management

50% Male
50% Female



Talent Development

International assignments to accelerate talent and Asia Pacific Graduate Programme



Growing with Communities:

Engaged **46,000** Malaysians and **158** communities through SPARK Foundation

Since 1994, **RM355 million** raised for schools through Tiger Sin Chew Chinese Education Charity Concert

Since 2017, built **19** alternative water supply solutions for needy communities



People ■ Planet ■ Performance

Planet

15%

reduction in water usage vs 2014



18.4%

reduction in CO₂ emissions since 2014

Zero Waste

to landfill

Reforested

1 hectare of degraded peatland forest with more than **600 trees** to offset CO₂ emissions of **1,400 cars** annually

Built

305-metre clay dyke in Raja Musa Forest Reserve to help store **150 million litres** of water annually

Performance

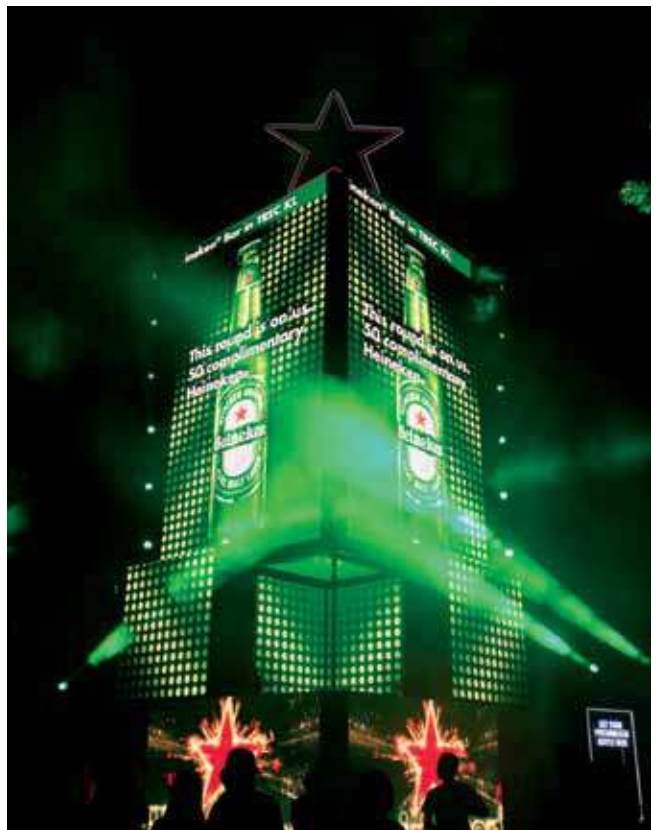
+14%

Revenue growth vs 2018

+8%

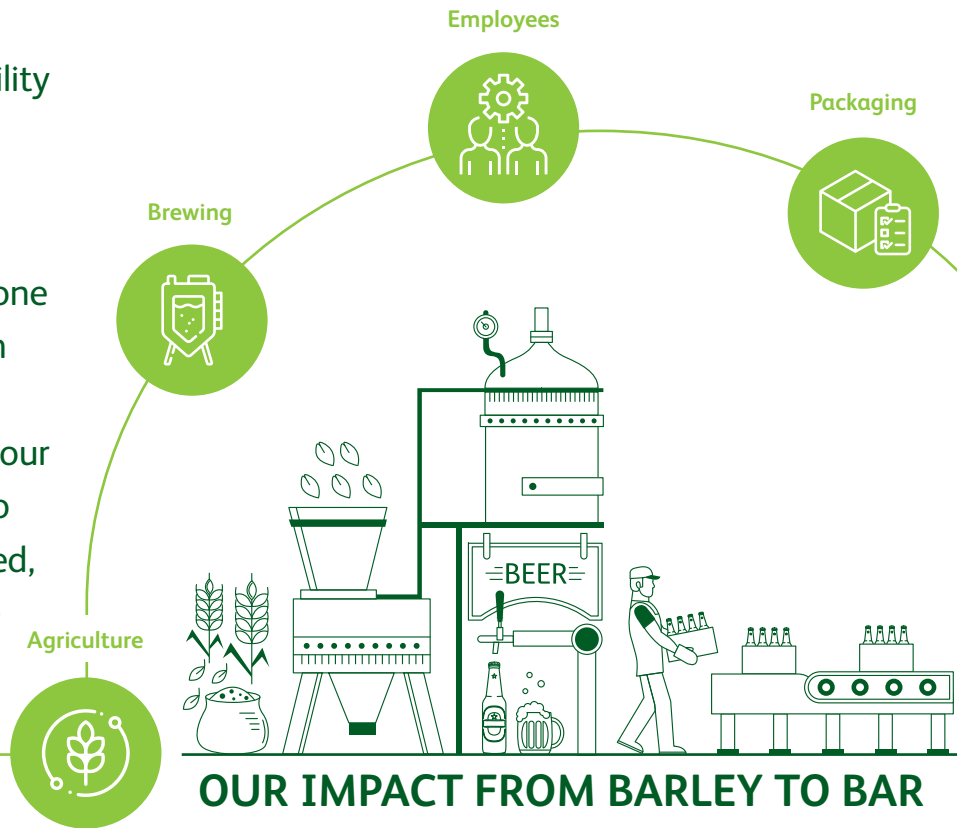
Profit before tax growth vs 2018

Contributed **RM1.26 billion** in taxes to the Government



Our Business Model

We are committed to embedding sustainability at the core of our business. This means looking at Brewing a Better World in every one of our activities – from sourcing, producing, marketing and selling our products all the way to how they are consumed, and how we can reuse and recycle waste.



OUR IMPACT FROM BARLEY TO BAR

Agriculture



We brew beer and make cider from natural ingredients. We support the sustainable cultivation of agricultural raw materials to brew our drinks. Our suppliers comply with the HEINEKEN Supplier Code, which details our commitment and enforcement of ethical business conduct, human rights, and environment.

Brewing



At our Sungei Way Brewery in Petaling Jaya, Selangor, the highest quality and safety standards are adhered to in the brewing process. We are committed to improving energy and water efficiencies, including increasing our use of renewables.

Employees



We employ over 600 full-time employees and we are committed to developing our people. At HEINEKEN Malaysia, we always aim to dream big and uncage our courage to inspire with our world class brands, guided by a purpose to brew a sustainable future for our people, business and planet.

Packaging



Our beers and ciders are served in bottles, cans and kegs. We aim for our packaging design to stand out from the crowd while we also strive to reduce its environmental footprint by innovating the materials we use as well as improve recycling and reusing.

United Nations Sustainable Development Goals



Our Business Model

Distribution



We work to optimise efficiencies throughout our distribution networks across Malaysia. Put Safety First is our number one behaviour and we continually engage our employees and distributors to stay safe on the road.

Customers



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

Consumers

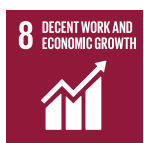
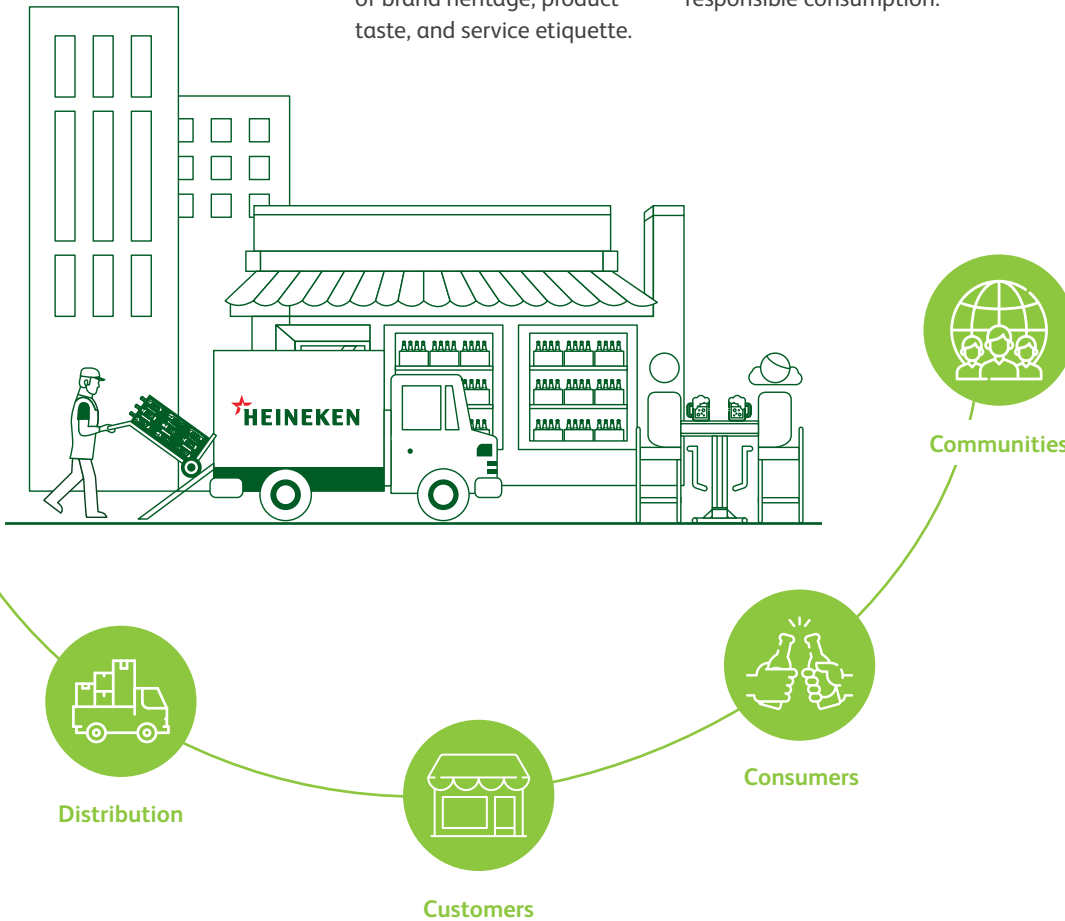


Millions of consumers enjoy the great tasting beers and ciders brewed by HEINEKEN Malaysia. We strictly market our products to those who are non-Muslims and aged 21 and above only. We are committed to advocate responsible consumption and dedicate 10% of the Heineken® brand's media spend annually to promote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

Communities



We believe in growing with our surrounding communities. Through our corporate social responsibility arm, SPARK Foundation, we reach out to communities with projects that focus on three key areas – Environment, Education and Partnerships.



Brewing a Better World

SCOPE

This section covers our performance under the six focus areas outlined by the HEINEKEN Global sustainability strategy, Brewing a Better World (BaBW). We are pleased to share that we are making good progress towards fulfilling our BaBW commitments and targets set for 2020. Through our sustainability strategy, we are supporting eight out of 17 of the United Nations Sustainable Development Goals, mainly Good Health & Well-being, Quality Education, Gender Equality, Clean Water & Sanitation, Affordable & Clean Energy, Decent Work & Economic Growth, Responsible Consumption & Production, Climate Action, Life on Land and Partnerships for the Goals.



Brewing a Better World

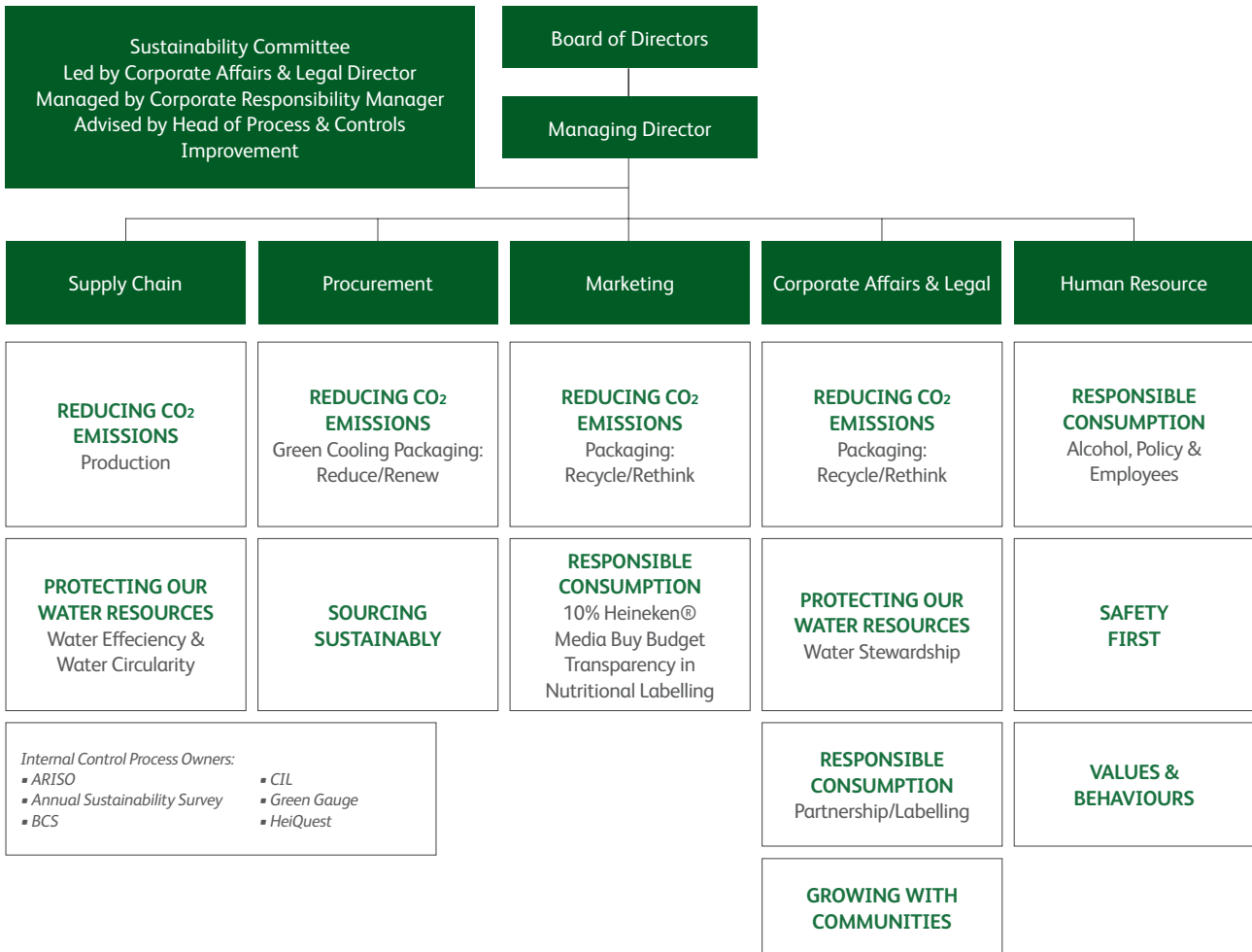
SUSTAINABILITY GOVERNANCE

HEINEKEN N.V. and HEINEKEN Malaysia

HEINEKEN N.V.	HEINEKEN Malaysia - Corporate Affairs	HEINEKEN Sustainability Governance	Business Units / Support Functions
Curates sustainability strategy, sets commitments, assesses our progress and discusses challenges and opportunities.	Receives advice, leads implementation of BaBW Sustainability Strategy in Malaysia and ensure compliance.	Ensures BaBW sustainability strategy is embedded across operations in Malaysia.	Implements BaBW initiatives in Malaysia.

HEINEKEN Malaysia

Our sustainability governance is led by the Sustainability Committee, which meets on a quarterly basis and reports to the Board of Directors and Managing Director on a bi-annual basis, the Committee comprises of key stakeholders across various functions with the objective to ensure that key sustainability targets are met. The Committee is led by the Corporate Affairs & Legal Director, supported by the Corporate Responsibility Manager and advised by the Head of Process & Controls Improvement, who consults and reviews on the internal controls within the framework. In May 2018, the structure was further aligned, taking into consideration HEINEKEN global goals and HEINEKEN Malaysia deliverables.



Brewing a Better World




Reliability, Completeness and Methodology

We aim to improve our sustainability milestones by seeking feedback from our stakeholders, refining our internal controls and better extracting meaningful data from our data collection systems.




Our data are extracted from internal control system as below:

1. Accident Reporting & Investigation Software (ARISO) system, for safety reporting
2. Annual Sustainability Survey, for all other sustainability-related reporting
3. Business Comparison System (BCS) for environmental reporting
4. Company Information Logistic (CIL), for business control and taxation tracking
5. Green Gauge reporting system, for progress reporting on HEINEKEN global sustainability commitments
6. HeiQuest for the monitoring of the 12 HEINEKEN Life Saving Rules

WHAT WE SAID AND WHAT WE HAVE DONE

Focus Areas	2018 Achievement	2019 Achievement	Indicator	2020 Global Commitments	Materiality
 Protecting Water Resources	Water efficiency: 3.79 hl/hl Water circularity: All wastewater treated Water Stewardship: 3 year strategy launched RM2.5 million invested for projects in Sungei Way, Sungai Penchala and Sungai Selangor	Water efficiency: 3.67 hl/hl Reduced by 15% since 2014 Water circularity: All wastewater treated beyond the standards of the Department of Environment Water Stewardship: Year 2 implementation of strategy. A science based method to quantify water stewardship programme identified. Results will be reported in the Annual Report 2020	Ongoing	Reduce specific water consumption to 3.5 hl/hl	Regulatory compliance Water management Community investment and development
 Reducing CO ₂ Emission	15.4% reduction since 2014 Sustained zero by-product waste status since September 2017 Purchased 425 fridges in compliance with HEINEKEN policy	Reduced CO ₂ emission by 18.4% since 2014 resulting in 11.42 kg CO ₂ eq/hl Zero waste to landfill. Purchased 284 fridges in compliance with HEINEKEN policy.	Ongoing	Reduce CO ₂ emissions from production by 40% as compared to 2008 All new fridges must be environmentally friendly as defined by HEINEKEN Global standards	Regulatory compliance Waste management Energy and carbon management Energy and carbon management
 Sourcing Sustainably	100% of our suppliers have signed our HEINEKEN Supplier Code together with the HEINEKEN Malaysia Supplementary code	100% of suppliers compliant with HEINEKEN Supplier Code	Achieved ahead of schedule.	100% compliance with HEINEKEN Supplier Code	Supply Chain management

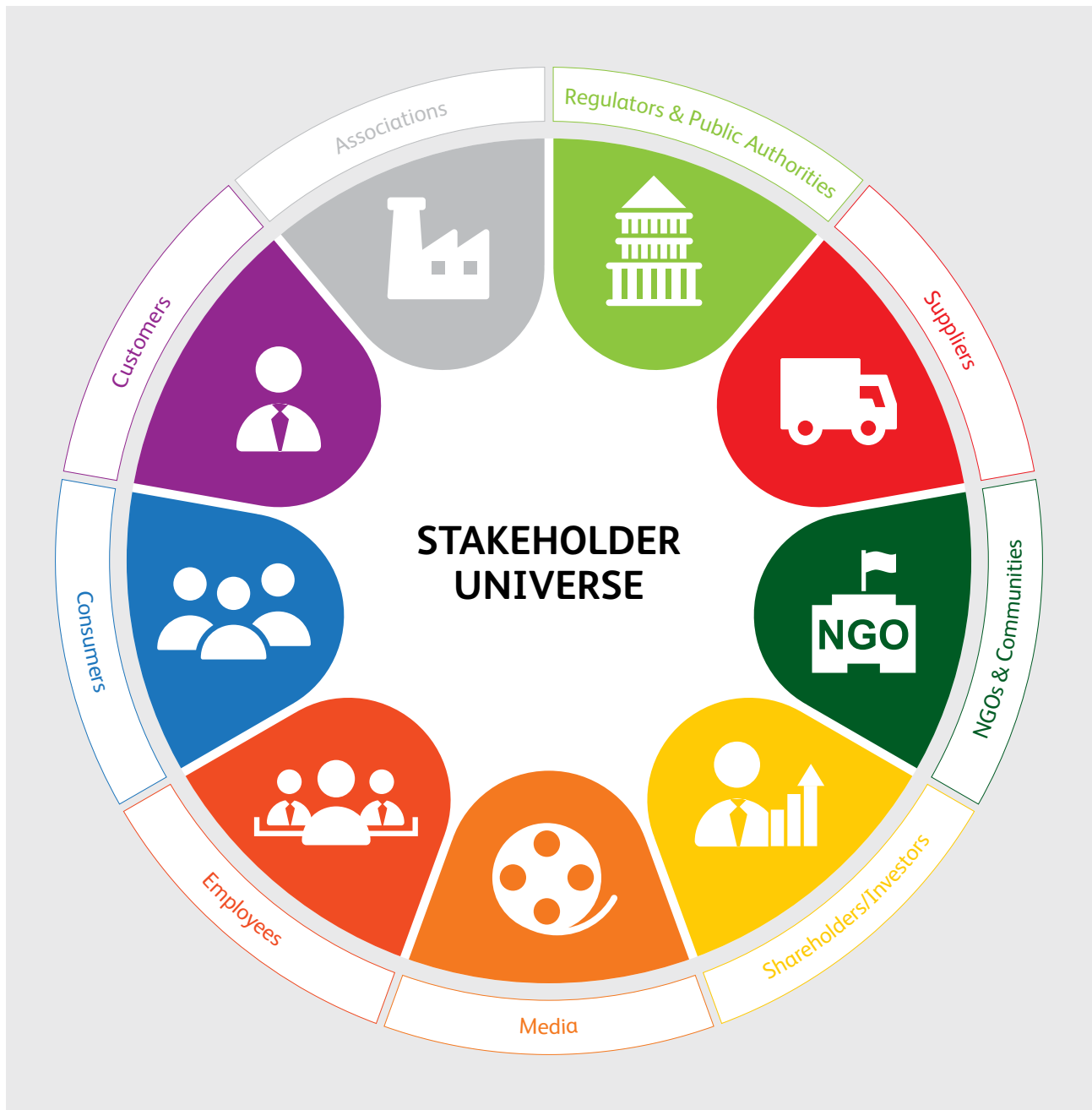
Brewing a Better World

Focus Areas	2018 Achievement	2019 Achievement	Indicator	2020 Global Commitments	Materiality
 <p>Advocating Responsible Consumption</p>	<p>Partnered with GRAB Malaysia (ride hailing service) and 3 social media influencers</p> <p>Ongoing education on responsible consumption to more than 18,000 consumers on Drink Sensibly Facebook page</p> <p>100% transparency on nutritional information for all brands available on brand and corporate websites</p>	<p>Partnered with GRAB Malaysia (ride hailing service) and 2 social media influencers</p> <p>10% of the HEINEKEN® brand's media budget committed to advocate responsible consumption</p> <p>Ongoing education on responsible consumption to more than 18,000 consumers on Drink Sensibly Facebook page</p> <p>100% transparency on nutritional information for all brands available on brand and corporate websites</p>	Achieved	Reports publicly on a measurable partnership aimed at addressing alcohol abuse.	<p>Responsible marketing and consumption</p> <p>Regulatory compliance</p>
 <p>Promoting Health and Safety</p>	<p>100% employees have been educated on HEINEKEN Life Saving Rules (LSR)</p> <p>Safety Council established.</p>	Ongoing implementations of LSR action plans	Achieved	Life Saving Rules action plans fully implemented	<p>Product safety, quality and hygiene</p> <p>Occupational health and safety</p>
 <p>Growing with Communities</p>	<p>Contributed RM1.2 billion through taxes to the Malaysian government</p> <p>More than 8,300 people engaged through the W.A.T.E.R project.</p> <p>Built 6 alternative water supply solutions in Sabah benefitting more than 5,000 villagers since 2017</p> <p>English Enrichment Programme: Reached out to 70 teachers from underprivileged schools across 7 states</p>	<p>Contributed RM1.26 billion through taxes to the Malaysian government</p> <p>Reached out to 46,000 Malaysians</p> <p>Built 19 alternative water supply solutions in Selangor and Sabah since 2017</p> <p>English Enrichment Programme: Reached out to 70 teachers from underprivileged schools across 7 states</p>	N/A	Global commitments to be decided in the coming years	<p>Economic impact and tax</p> <p>Community investment and development</p>

Brewing a Better World

STAKEHOLDER ENGAGEMENT

Our stakeholders are important to our sustainability journey. Through engagement and communication, we are able to work towards delivering our BaBW commitments through cross-functional collaboration and partnerships with external stakeholders.



Brewing a Better World

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

Who We Engage	How We Engage	Our Focus	Materiality
 <p>Regulators and Public Authorities</p>	<ul style="list-style-type: none"> ▪ Courtesy visits ▪ Dialogue sessions ▪ Workshops and training ▪ Regular scheduled meetings ▪ Round-table discussions ▪ Industry and F&B sector engagement 	<ul style="list-style-type: none"> ▪ Industry issues ▪ Excise duty ▪ Licensing and regulatory matters ▪ Anti-contraband initiatives ▪ Support for business operations 	<p>Regulatory compliance</p> <p>Economic impact and tax</p>
 <p>Employees</p>	<ul style="list-style-type: none"> ▪ Online communication platform – Workplace by Facebook ▪ Employee Climate Survey ▪ Quarterly Townhalls ▪ Department Away Day/Teambuilding ▪ Quarterly meet & lunch with Union employees ▪ Inclusive, supportive & open work environment ▪ Quarterly Leadership Team meetings ▪ Union Work-Site Committee engagements ▪ Department meetings ▪ On-boarding program for new employees ▪ Employer value proposition agenda ▪ Festive get-together ▪ Monthly Management Team meetings ▪ Periodic visits from regional offices ▪ Opportunities for career growth through assignments ▪ SpeakUp Platform 	<ul style="list-style-type: none"> ▪ Insight gathering for better work environment ▪ Industrial relationship management ▪ Strategic direction and cross-functional collaboration ▪ Developing talents ▪ Fostering industrial harmony and positive employee relations ▪ Employee welfare ▪ Employer value proposition ▪ Asia Pacific Graduate Programme ▪ Short term assignment ▪ Addressing employee grievances 	<p>Responsible marketing and consumption.</p> <p>Human capital development</p> <p>Employees' labour relation</p> <p>Human rights</p>
 <p>Suppliers</p>	<ul style="list-style-type: none"> ▪ Engagement and education programme on new requirements ▪ Familiarisation of the HEINEKEN Supplier Code 	<ul style="list-style-type: none"> ▪ All suppliers to comply with HEINEKEN Supplier Code and HEINEKEN Malaysia Supplementary code ▪ Win-win situation ▪ Long-term partnership ▪ Communication on changes i.e. payment terms 	<p>Product Safety, Quality, Hygiene</p> <p>Regulatory compliance</p> <p>Water management</p> <p>Supply chain management</p>
 <p>Customer/ Trade partners</p>	<ul style="list-style-type: none"> ▪ Annual trade partner engagement ▪ Distributor engagement session ▪ One-on-one engagements ▪ Joint business planning meeting 	<ul style="list-style-type: none"> ▪ Business strategy and targets ▪ Identification of areas for improvement 	<p>Responsible marketing and consumption</p> <p>Regulatory compliance</p>

Brewing a Better World

Who We Engage	How We Engage	Our Focus	Materiality
 <p>Media/Analysts</p>	<ul style="list-style-type: none"> Media and analyst briefings One-on-one interviews 	<ul style="list-style-type: none"> Strategic direction and business performance 	<ul style="list-style-type: none"> Regulatory compliance Economic impact and tax Community investment and development
 <p>Shareholders and potential investors</p>	<ul style="list-style-type: none"> Q&A session at Annual General Meeting Write-in to Company Secretary and Investor Relations (IR) Enquiry via telecommunications Analysts and media briefings One-on-one meetings with investors Timely announcement to Bursa Securities and press releases Annual Report and quarterly financial results report. IR platform on Company website 	<ul style="list-style-type: none"> Strategic direction and business performance Shareholders' returns Sustainability agenda 	<ul style="list-style-type: none"> Responsible marketing and consumption Regulatory compliance
 <p>Chambers of Commerce</p>	<ul style="list-style-type: none"> Engagement session Dialogue sessions Regular scheduled meetings 	<ul style="list-style-type: none"> Industry issues 	<ul style="list-style-type: none"> Regulatory compliance Economic Impact and Tax
 <p>Consumers</p>	<ul style="list-style-type: none"> Brand events Social media contest Third party one-on-one interviews / online interview Focus groups 	<ul style="list-style-type: none"> Brand campaigns and engagement activities Drink Sensibly Product quality and freshness Consumer attitude and behaviour 	<ul style="list-style-type: none"> Responsible marketing and consumption Product safety, quality and hygiene
 <p>Communities</p>	<ul style="list-style-type: none"> Direct engagement through SPARK Foundation Facilitated engagement through local non-governmental organisation Engagement with local communities through one-on-one meeting Positive social impact programmes Collaboration with like-minded partners 	<ul style="list-style-type: none"> W.A.T.E.R Project in collaboration with the Global Environment Centre English Enrichment Training Programme Tiger Sin Chew Chinese Education Charity Concert (CECC) East Malaysia alternative potable water solution project 	<ul style="list-style-type: none"> Community investment and development

Five-Year Financial Indicators

	2015	2016*	2017	2018	2019
KEY OPERATING RESULTS (RM'000)					
Revenue	1,748,885	2,810,308	1,874,322 [#]	2,029,672	2,320,249
PBIT	295,361	551,051	366,403	383,134	414,399
Tax Expense	(78,206)	(121,963)	(93,116)	(98,244)	(99,159)
Profit After Tax	214,193	427,260	270,058	282,520	312,968
Net Cash from Operating Activities	295,017	445,543	357,856	348,437	411,333
OTHER KEY DATA (RM'000)					
Total Assets	713,900	841,654	867,780	940,323	1,099,993
Total Liabilities	(337,752)	(449,099)	(507,265)	(569,176)	(705,892)
Reserves	225,099	241,506	209,466	220,098	243,052
Total Equity	376,148	392,555	360,515	371,147	394,101
Capital Expenditures	38,429	87,195	77,235	99,522	117,112
FINANCIAL RATIOS (%)					
Operating working capital % of revenue	8.7	7.7	10.3 [#]	8.3	6.1
EBITDA margin	19.3	22.1	22.3 [#]	21.1	20.3
Return on equity	78.5	140.4	101.6	103.2	105.2
SHARE INFORMATION					
Earnings per stock unit (sen)	70.9	141.4	89.4	93.5	103.6
Net dividend per stock unit (sen)	71.0	145.0 [^]	90.0	94.0	108.0
Dividend yield (%)	5.0	8.9 [^]	4.8	4.6	4.0
Net assets per stock unit (sen)	125.0	130.0	119.0	123.0	130.0
Market capitalisation (RM'billion)	4.3	4.9	5.7	6.2	8.2

EBITDA : Earnings before interest, tax, depreciation and amortisation

PBIT : Profit before interest and tax

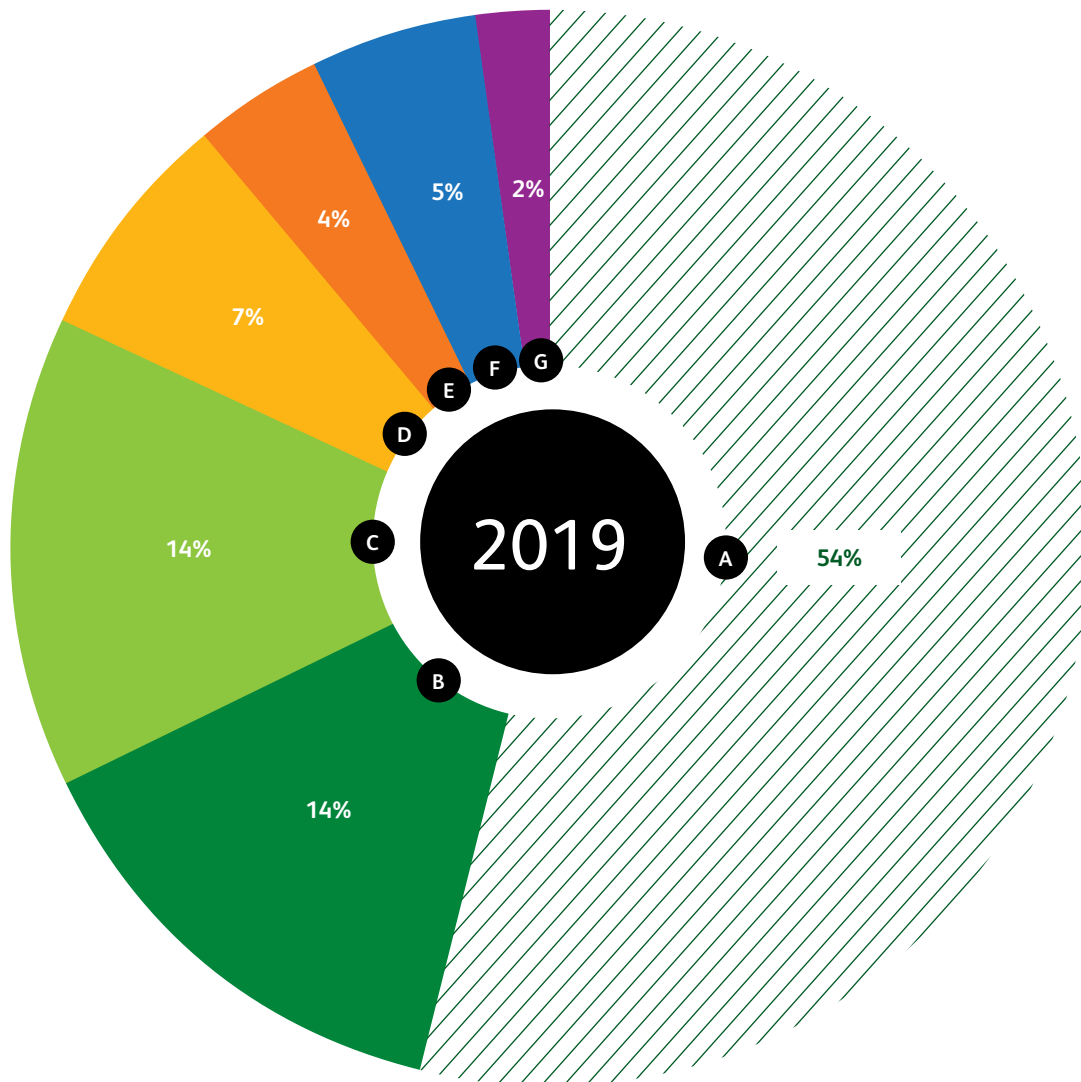
* The financial reporting period in 2016 is for an 18-month period from 1 July 2015 to 31 December 2016 as a result of the change of financial year end from 30 June to 31 December in November 2015.

[^] Includes special dividend.

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

Analysis Of Group Revenue

For The Financial Year Ended 31 December 2019



A Excise, Custom Duties & Sales Tax
54%

B Profit After Taxation
14%

C Distribution, Sales & Administrative Expenses
14%

D Raw Materials & Packaging Costs
7%

E Corporate Tax
4%

F Personnel Expenses
5%

G Depreciation & Amortisation
2%

Management Discussion & Analysis

A photograph of Roland Bala, a middle-aged man with a shaved head, smiling. He is wearing a dark navy blue suit jacket over a light blue button-down shirt, dark navy trousers, and black dress shoes. He is sitting on a modern, light-colored wooden stool with his arms crossed. The background is a bright, minimalist studio setting with a light blue wall and a grey floor. There are two potted plants, one on the left and one on the right, and a white rectangular object on the floor to the left.

ROLAND BALA

Managing Director

Management Discussion & Analysis

Heineken Malaysia Berhad delivered a commendable performance in 2019 and continued to maintain market leadership despite the challenging external environment. The focus on our core brands and big innovations are bringing results, as we continued to excite consumers with world-class experiences, whilst ensuring we create value sustainably for our stakeholders.

OVERVIEW

2019 was a challenging year with consumer confidence sliding downwards after peaking in the previous year attributed to new found optimism partly due to the change in Government as well as the Goods and Services Tax (GST) holiday for several months that helped spur consumption.

Since my appointment as Managing Director in September 2018, I have completed my first full year at the helm of this great Company and I am proud to report that the organisation is in good shape as we continued building on the strong foundations and our 55-year history of growing together with Malaysia.

We made sure to reflect on our vision, values and what we wanted to achieve as One Strong Winning Team. We asked difficult questions of ourselves, who we are and what drives us forward. And this resulted in the realisation of our collective purpose as HEINEKEN Malaysia. We Are HEINEKEN. Our Purpose: Brewing a Sustainable Future for Our People, Business & Planet. Our Ambition: To be the undisputed market leader in volume, revenue and sustainability.

OUR STRATEGY

At HEINEKEN Malaysia, we embed focus and simplicity at the core of our strategy. We are the leading brewer in the country, with a portfolio of iconic international and local brands that are supported by consumers who share the same Passion for Quality that is a key HEINEKEN value. In 2019, we put

our focus into growing our core brands and big innovations. This approach has given the team greater clarity and enabled us to leverage the key drivers of our revenue and earnings. And we can only do this by taking care of our people with the number one HEINEKEN behaviour in mind – Put Safety First, whilst also ensuring we do the right things for our planet today for a sustainable future.

In 2019, we put our focus into growing our core brands and big innovations. This approach has given the team greater clarity and enabled us to leverage the key drivers of our revenue and earnings.

Looking back, we have sharpened our commercial execution, enabling us to grow our mainstream and premium categories. 2019 was an eventful year and we continued to excite consumers with world-class brand activations and promotions. Amongst notable campaigns, Heineken®, the proud official partner of UEFA Champions League, offered Malaysians the ultimate football experience through its “Unmissable” campaign. Staying true to its identity as a beer born on the streets of Asia, Tiger Beer uncaged Malaysian talents and brought football legend Rio Ferdinand to Kuala Lumpur for its Tiger Street Football Festival. Guinness, the World’s No. 1 Stout, once again hosted the iconic St Patrick’s celebration, while Apple Fox Cider made it into the Malaysia Book of Records with its giant fox installation in conjunction with the brand’s ‘Wayyyy More Apples’ campaign.

The big highlights included the launch of Heineken® 0.0 and Tiger Crystal, the two new additions to our winning portfolio. Heineken® 0.0 is a dealcoholised beer that caters to new occasions for beer drinkers who enjoy the taste of beer but not necessarily the effects of alcohol. Heineken® 0.0 is also a great choice for those seeking to moderate their alcohol consumption as part of a balanced lifestyle. Globally, we observe a growing demand for healthier food options, thus we are confident that Heineken® 0.0 is an excellent proposition that addresses the needs of both today’s and tomorrow’s consumers.

Tiger Crystal, meanwhile, is an ultra-refreshing, easy-to-drink, and less bitter beer. Crystal cold filtered at -1°C to lock in the most desirable flavours and aromas, we are already seeing positive reception and growing demand for this less bitter proposition, which is what we call a sessionable beer. Another big innovation that we continued growing in 2019 is Apple Fox, a New Zealand inspired cider, that continued to help us engage new consumers and drive penetration. With these three big innovations on the table, we are well poised to grow for the future.



Management Discussion & Analysis



I am pleased to report that HEINEKEN Malaysia's world-class brand building efforts were once again recognised by Malaysian consumers at the Putra Brand Awards 2019. Heineken® won the Platinum award, while both Tiger Beer and Guinness secured Gold. HEINEKEN Malaysia's portfolio of brands have received a total of 30 awards at the Putra Brand Awards since 2010, truly securing its place amongst Malaysia's favourite brands.

Innovation does not stop with our brands. It is also about our route-to-market as well as our ways of working. With the rapid growth of technology and increasing importance of data-driven solutions, we are readying ourselves to be at the forefront of this revolution by investing in strategic platforms and channels that will be crucial for the future success of our business. Launched in 2018, Drinkies.my is a one-stop-shop that curates drinks, snacks, and services for all party occasions. Beyond enhancing the end-to-end consumer experience from purchasing to delivery of alcoholic beverages, the online platform is the first in the country to deliver chilled beers and ciders on demand to

consumers' doorstep within 60 minutes for selected areas. The on-demand delivery service is currently available in major cities of Peninsular Malaysia.

OUR PERFORMANCE

Revenue for the year ended 31 December 2019 grew by 14% to RM2.32 billion for the year primarily driven by robust sales performance of all core brands and successful new product launches of Heineken® 0.0 and Tiger Crystal.

The Group registered higher profits before tax, which grew 8% to RM412 million. The growth was supported by our effective execution in commercial initiatives and improved operational efficiency. Earnings per share increased by 10.6% from RM0.94 to RM1.04 per share.

Net cash from operating activities was RM411 million for the year, an increase of 18% resulted mainly from higher operating profits and improved operational efficiency which drives favorable working capital movement.

+14%

REVENUE

RM2.32 billion

+8%

PROFIT BEFORE TAX

RM412 million

+10.6%

EARNINGS PER SHARE

RM1.04 per share

+18%

NET CASH FROM OPERATING ACTIVITIES

RM411 million

Management Discussion & Analysis

Net assets increased to RM394 million as compared to RM371 million as at 31 December 2018, in line with the continued capex investments to support supply chain capacity upgrades along with the enhancement to digital and IT capabilities.

HEINEKEN Malaysia paid a total of RM1.26 billion in excise, custom duties, and sales tax for the year. For income taxes, the Group has incurred a total of RM99 million, translated into an effective tax rate of 24%.

Based on our 2019 results, the Board has proposed a single tier final dividend of 66 sen per stock unit for the financial year ended 31 December 2019. Subject to approval of the shareholders at the forthcoming Annual General Meeting, the single tier dividend will be paid on 12 November 2020 to shareholders registered at the closing of business on 15 October 2020. Together with a single tier interim dividend of 42 sen, which was paid on 25 October 2019, our total dividend payout for the year amounts to 108 sen per stock unit. The dividend payout ratio and shareholder return for the year is 104.2% and 37% respectively.

PEOPLE & PLANET

The results of our performance in 2019 is due to the hard work and dedication of our people - our One Strong Winning Team. During the year, our efforts in listening to our people better, speeding up processes, reviewing rewards and benefits, and embedding safety, focus and clarity as winning mindsets have contributed to the creation of a sharper team. Putting the right people in the right roles and empowering them to do the right things have an overall effect of motivating people to contribute above and beyond the call of duty. In 2019, HEINEKEN Malaysia's employee engagement score improved to 82% from 62% the previous year, whilst performance enablement improved to 77% from 71%.

We recognise that diversity and inclusion as important drivers of performance. Women's representation on the Board has exceeded the Malaysian Government's target of 30% for public listed companies, with a 57:43 male to female ratio. Amongst our employees, we have a 50:50 male to female ratio in middle to senior management positions. We continue to tap on the rich diversity and experience of HEINEKEN's global community as we work towards creating a more inclusive workplace for all.

The safety of our people is always a top priority at HEINEKEN Malaysia. Our goal is for zero accidents and for everyone to go home safely at the end of every day. In 2019, we had zero fatalities, but reported seven accidents ranging from minor to serious, of which four were amongst employees and three amongst contractors. We take safety seriously and continuously engage and remind our people to practice the HEINEKEN Life Saving Rules, whilst following the following principles: (1) Safety is everyone's responsibility, (2) If it is not safe, don't do it, and (3) If there is a rule, don't test it. Moving forward, it is important we further improve on our efforts, encourage proactive reporting of near misses and incidents and embed a safety

mindset in every person, be it our direct employee, contractor, or our business partners including distributors and retailers.

Sustainability is at the core of our business. I take pride in the fact that HEINEKEN Malaysia won three awards at the Sustainable Business Awards 2019 – winning the Best Water Management award for the second consecutive year, in recognition of the Company's outstanding efforts in protecting and managing water resources for production and beyond. HEINEKEN Malaysia also received a Special Recognition for Sustainability in the Community and a Special Recognition for Waste & Material Productivity.

We reaffirm our commitment to the HEINEKEN Global sustainability strategy, Brewing a Better World. Compared to 2014, we have reduced our water consumption for production by 15%, cut CO₂ emissions by 18.4%, and continued to increase use of renewable sources of energy, practice sustainable sourcing, and ensure zero waste to landfill through proper waste management. We remain focused on improving our environmental performance but we also go beyond our immediate operations to do



Management Discussion & Analysis

our part in helping to conserve our watershed. Our community outreach and education programmes through HEINEKEN Malaysia's corporate social responsibility arm SPARK Foundation have made significant impact to our surrounding communities, especially in creating greater awareness and participation in environmental protection initiatives.

Over the years, we have invested RM19.5 million in river rehabilitation, watershed health protection initiatives, education and partnership programmes. SPARK Foundation's programmes have engaged more than 46,000 people across 158 communities. In 2019, we collaborated with our partners from Government agencies, NGOs, as well as local communities and our employees to reforest 1 hectare of degraded peat swamp in the Raja Musa Forest Reserve. We also became the first corporation to build a 305-metre clay dyke in the forest, which is estimated to store up to 150 million litres of water for Sungai Selangor annually.

Besides the environment, education is another key focus area in HEINEKEN Malaysia's corporate responsibility efforts. In 2019, our Tiger Sin Chew Chinese Education Charity Concert (Tiger CECC) raised more than RM20 million for 12 schools. Since 1994, we have helped raise more than RM355 million for 559 schools nationwide. We are proud to see this platform resonate well with local communities as we strive to create a positive and lasting impact through better access to education. I take this opportunity to salute all who have supported the Tiger CECC platform whether through monetary donations or in volunteering time and effort in organising the fundraising activities. Such acts of generosity and kindness remind us of the power of community spirit, and how society is able to come together to build a better future together.

Through SPARK Foundation, we also run the English Enrichment Training Programme (EETP) with the aim of building up the capabilities of English Language teachers in rural communities. Since EETP's launch in 2012, we have invested close to RM6.5 million in the programme and successfully trained more than 630 educators from 366 schools in rural communities. In 2019, we are proud to report that the Foundation expanded the programme to benefit more teachers and schools in Sabah and Sarawak.

We believe that investing in our people and protecting the planet will enable us to grow sustainably and continue contributing positively to the socioeconomic wellbeing of Malaysia.

MANAGING OUR RISKS

Our approach to risk management is detailed in our Statement on Risk Management and Internal Control on page 77 to 83. The following table contains a general description of different areas of risks and actions undertaken by Management to mitigate the risk:

REGULATORY & TAX

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

ILLCIT ALCOHOL

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

GROWING SENSITIVITIES

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

SAFETY & SECURITY

We continue to increase awareness and practice of the HEINEKEN Life Saving Rules amongst our people. With regards to the ongoing Covid-19 pandemic, we have put in place strict guidelines and practices which are in line with the Government's Standard Operating Procedures, with daily monitoring and reporting that ensure compliance.

Management Discussion & Analysis

OUR OUTLOOK

In 2020, we are faced with a global health crisis of unprecedented proportions. The Covid-19 pandemic is expected to pose major challenges to our business. Our top 3 priorities are (a) ensuring the health, safety and wellbeing of our people, (b) ensuring business continuity, and (c) preserving cash.

As I write this, the ongoing containment measures introduced by the Government in the form of various Movement Control Orders have affected all forms of economic activity. This included the mandatory closure of business activities deemed as non-essential by the Government whilst social distancing measures continue to pose unprecedented challenges to on-trade businesses and consumers' purchasing power. These, as well as the closure of the brewery from 18 March 2020 to 3 May 2020, resulted in a material decline in our revenue and the disruption from this is expected to persist and continue to have a significant adverse impact on the overall business performance of the Group for the financial year 2020.

The Board has stress-tested the Group's balance sheet, profit and loss, and cash flow across multiple scenarios. Group operating cash flow is expected to be significantly impacted in the second quarter of 2020 and over the rest of the financial year given slower cash

collections from the trade and weak demand particularly from the on-trade and tourism channels.

In order to mitigate the impact on the business, various initiatives have been implemented to accelerate business activities and improve operational efficiency to protect profitability and preserve cash. These include:

- Aggressive cost saving measures which include revision of commercial and marketing spend.
- Optimising working capital management and utilising borrowing facilities to ensure the ongoing liquidity of the Group.
- Acceleration of e-commerce channel and digital campaigns.
- Continuing to support key stakeholders to restart their respective business.
- Actionable and pragmatic commercial initiatives to adapt to the new business conditions.

We expect the overall business environment to remain challenging, particularly also with the continued challenges related to contraband beer. I take this opportunity to commend the Government and enforcement authorities for the efforts in combating illicit trade, which represent a loss of revenue to both Government and Industry. Undoubtedly, the economic impact of Covid-19 is expected to affect the spending power of consumers. With the high excise duties on beer (Malaysia ranks second highest in the world behind Norway and alongside Singapore), legal duty paid beer may become relatively less affordable for many and this phenomenon may spur the growth of illicit trade as consumers seek cheaper albeit illegal options. We are committed to continue engaging the Government on this key Industry issue.



Management Discussion & Analysis

SUPPORTING OUR STAKEHOLDERS

I am also pleased to share that HEINEKEN Malaysia has proactively reached out to support our stakeholders through this challenging period. As soon as the economic restrictions due to the Government's Movement Control Order kicked in, we launched a working group internally to identify all relevant stakeholders who needed our support. During this difficult time, we reached out with a helping hand to support in whatever little ways we can. A summary of key initiatives is available below, but you may read more about our efforts which are published on www.heinekenmalaysia.com/covid-19.

PROTECTING OUR EMPLOYEES

- Safety & Health of people as a top priority
- Working from home
- Split teams back to the brewery and offices
- Health screening, social distancing and increased sanitisation measures at the workplace
- HEINEKEN Malaysia has committed until the end of 2020 that it will not carry out structural lay-offs as a consequence of Covid-19

SUPPORTING OUR BUSINESS PARTNERS

- Tiger Beer launched the Save our Street Food campaign, pledging RM1.5 million to support Malaysian restaurants, coffee shops and street food vendors during the challenging period
- HEINEKEN Malaysia launched the Raise Our Bars initiative, pledging RM1 million to support bars and pubs in recovering from financial difficulties during the crisis
- We equipped restaurants and bars with the necessary tools to continue selling beers for delivery and take away
- Additionally we published useful information for trade partners to understand available financing support from the Government, relevant health and safety guidelines, and standard operating procedures on reopening their business
- We also worked closely with our distributors nationwide to ensure they have access to the right financing support to sustain cash flow needs during this period

HELPING OUR COMMUNITIES

- We reached out to our neighbouring communities and provided B40 families with access to basic food items.
- This initiative, in collaboration with MyKasih Foundation, enabled us to provide 80,000 meals to 3,120 Malaysians during the Movement Control Order period

ENGAGING OUR CONSUMERS

- We engaged consumers to "Socialise Responsibly" through the use of technology to be together while staying apart
- Heineken® 0.0 launched a campaign that encouraged consumers to stay fit, connected and safe at home featuring social media influencers who demonstrated creative dance and workout routines
- In preparation of restaurants and bars reopening, we engaged consumers on new habits to stay safe by practising social distancing, personal hygiene, as well as reminders to never drink and drive.

KEEPING OUR INVESTORS INFORMED

- We proactively updated investors, media and analysts on key developments on HEINEKEN Malaysia's operational continuity and business impact via company announcements to Bursa Securities, media releases and our corporate website



Management Discussion & Analysis



ACKNOWLEDGEMENTS

In 2019, we welcomed several new Management Team members including Vasily Baranov (Sales Director) who joined us from HEINEKEN Vietnam, Salima Bekoeva (Supply Chain Director) who joined us from Multi Bintang Indonesia, Pablo Chabot (Marketing Director) who joined us from HEINEKEN China, and Kuhan Kanagarajan (Human Resources Director) who has wide experience in the HR field and comes from the banking and finance industry. With the additions of these capable leaders, the Management Team was able to focus on driving ahead on key business priorities, which contributed to sharper commercial execution and improved results.

In January 2020, we welcomed Janina Vriesekoop from HEINEKEN Netherlands as our new Transformation & Technology Director. Reporting to me and joining the Management Team,

Janina now leads the transformation agenda at HEINEKEN Malaysia with an aim to make digital technology a key enabler for our business.

Recently on 1 June 2020, our Asia Pacific President Dolf van den Brink succeeded Jean-François van Boxmeer as Chairman of the Executive Board and Chief Executive Officer (CEO) Heineken N.V. I take this opportunity to record our sincere appreciation to Jean-François for his outstanding leadership and invaluable contributions throughout his 15-year leadership that helped transform HEINEKEN into a truly global company. Jean-François leaves behind an impressive legacy and we wish Dolf many congratulations and all the best as he takes over the baton of leadership. I am sure we will miss Dolf's direct presence in the Asia Pacific region, and we will remember how he made the time to visit HEINEKEN Malaysia twice in the past two years, nevertheless we look forward with

excitement to a new era with Dolf at the helm of HEINEKEN globally.

Thank you.

Roland Bala
Managing Director
20 May 2020



Heineken Malaysia Berhad Home of World Class Brands

Heineken®

The World's No. 1
International Premium Beer

Tiger Crystal

Crystal cold
filtered beer

Heineken® 0.0

Dealcoholised beer, great
taste of Heineken®



Kilkenny

The premium Irish ale

Strongbow Apple Ciders

The World's No. 1 cider

Tiger Beer

World-acclaimed Asian lager and
Malaysia's No.1 beer



Heineken Malaysia Berhad Home of World Class Brands

Guinness

The World's No. 1 stout



Apple Fox Cider

The New Zealand inspired cider



Kirin Ichiban

Japan's No. 1 100% malt beer



Anglia

The real shandy



Malta

Premium quality non-alcoholic malt beverage

Anchor Smooth

A Malaysian favourite since 1933

Paulaner

No. 1 German wheat beer



Brand Management

HEINEKEN Malaysia celebrated yet another year of success led by an iconic portfolio of international and local brands. We continued to connect and engage with consumers, growing our premium portfolio with a focus on delivering world-class experiences to our consumers.



PUTRA BRAND AWARDS 2019

HEINEKEN Malaysia cemented the unparalleled position of its brands by clinching three awards at the Putra Brand Awards for the tenth consecutive year. This year's wins have brought HEINEKEN Malaysia's total awards won at the Putra Brand Awards to 30 since 2010.

In 2019, the Putra Brand Awards introduced for the first time its highest-ranking Platinum Award. Heineken® was awarded with the Platinum Award thanks to its exceptional position among Malaysian consumers as the beer brand of choice. Tiger Beer and Guinness both won Gold. This prestigious award recognises brand-building excellence across various platforms, measured by consumer preference.

The wins at the Putra Brand Awards demonstrate HEINEKEN Malaysia's strong efforts in engaging with consumers through innovative commercial and marketing campaigns that provide our consumers with exceptional experiences.



Brand Mangement

Heineken®

World's No.1 International Premium Beer Brand



Heineken®'s "Unmissable" UEFA Champions League Campaign

Heineken® once again offered Malaysians the ultimate football experience with its "Unmissable" UEFA Champions League campaign. The launch saw the introduction of the Limited Edition Heineken® Trophy Bottles & Cans nationwide alongside two TV commercials featuring football legend, Andrea Pirlo. Six of the biggest fans who journeyed through the football season with Heineken® each won an all-inclusive trip to Madrid to watch the final match. A core component of our premium category, Heineken® enables us to continue exciting consumers with world-class experiences.



Brand Mangement

Heineken® 2020 New Year Eve Party at TREC

Heineken® celebrated the New Year's Eve with a high energy countdown party. Partygoers joined Heineken® at TREC, in the heart of KL to usher in the new year with a myriad of activities specially curated to create a night to remember. Throughout the celebration, guests were interacting with the virtual Count Your Lucky Stars game projected on the Heineken® Star Tower. Guests also took home their own personalised Heineken® bottles and experienced their 15 seconds of fame in the Heineken® Cheers Cam. As the night drew closer to midnight, the energy from the crowd showed no signs of slowing down and as the clock struck 12, guests were treated to a dazzling display of fireworks to officially welcome the start of a new decade.



Heineken® 0.0 launched in Malaysia

In 2019, we launched our latest innovation Heineken® 0.0, a dealcoholised beer brewed with a unique recipe for a distinct balanced taste. Heineken® 0.0 caters to new occasions for beer drinkers who enjoy the taste of beer but not necessarily the effects of alcohol and for those seeking to moderate their alcohol consumption as part of a balanced lifestyle. Available in bars, restaurants, supermarkets and convenience stores nationwide, as well as on HEINEKEN Malaysia's e-commerce site - Drinkies.my, Heineken® 0.0 is for non-Muslim consumers aged 21 and above.



Brand Mangement

Tiger Beer

Malaysia's No.1 Beer



Tiger Beer Uncage New Beginnings 2019 Chinese New Year (CNY) Campaign

The lunar year of the Pig was welcomed with an exciting nationwide consumer promotion. Themed Uncage New Beginnings, the campaign invited consumers to toast to a fresh start as they usher in the new year with HEINEKEN Malaysia's portfolio of brews, with thousands of ringgit in angpows, limited edition Tiger Beer Mahjong sets, exclusive Tiger Beer Prosperity bowl sets and so many other branded merchandise up for grabs. With a sharp focus and strengthened commercial execution, the CNY campaign led by Tiger Beer contributed to the improved top line in Q1 2019.

Introducing Tiger Crystal - Crystal Cold Filtered for Ultimate Refreshment

Crystal cold filtered at -1°C to lock in the most desirable flavours and aromas, Tiger Crystal was launched as an ultra-refreshing, easy-to-drink, and less bitter beer. Tiger Crystal is packaged in a beautiful colourless 'flint' bottle and was launched to the public at 'KL's Coolest Bar' – a specially-constructed cold room with a sub-zero temperature – at The Square in Publika Mall. Tiger Crystal is available for purchase from bars, clubs, coffee shops, food courts, convenience stores, supermarkets, and Drinkies.my.



Tiger ROAR Project

The Tiger ROAR Project inspired Malaysians to 'Uncage' themselves and create unexpected possibilities. In 2019, Tiger Beer selected four unique and emerging talents from the streets of Malaysia to front this project. They are hip-hop artist and rapper Dato' Maw; musician and chef Kent Lee; fashion designer Yong Sheng; as well as pyrographer and artist Sonia Luhong. Celebrating raw, emerging talent from the streets of Malaysia, the Tiger ROAR Project champions musicians, artists, fashion designers and chefs who challenge conventions, giving them a community, voice, and the courage to roar for all the world to hear.

Tiger Street Football 2019: Legend Rio Ferdinand visits Malaysia

Tiger Beer brought Tiger Street Football Ambassador Rio Ferdinand to Malaysia for the Tiger Street Football Festival held at TREC KL, which saw the best eight teams from across Peninsular Malaysia competing for the championship. In addition to receiving their prize and trophy from Rio Ferdinand, the winning team also had the once-in-a-lifetime experience of playing against the legend in an exhibition match. Tiger Street Football celebrates those who have uncaged their footie skills on the street, where many of the world's best footballers – including Rio Ferdinand himself – started out honing their craft.



Brand Mangement

Guinness

No. 1 Stout in Malaysia and the world over



Guinness St. Patrick's Festival

In March 2019, Guinness, the World's No. 1 Stout, organised a vibrant two-day festival filled with live performances, fun and games, Guinness-infused food, and cold, creamy Guinness Stout, creating the largest "Sláinte" in Malaysia. Across the country, Guinness fans celebrated all things Irish and enjoyed their favourite brew with Guinness promotions that lasted the month of March. As a core brand of our portfolio of world class brands, Guinness continues to play an important role in our premium category growth.



Open Up, It's Guinness Time

With a series of promotions and activations from September until November 2019, Guinness encouraged drinkers to get to know their colleagues and friends better over a pint after work. Throughout the month of September, bars and pubs across the country saw a special deal on Guinness Draught – buy one set and get another Guinness free – which is perfect for sharing. The Guinness Time fun continued throughout October, with a series of parties taking place in bars and pubs, featuring promotions, music, entertainment and specially-curated food to pair with Guinness.

Guinness 'Flavour by Fire'

In November 2019, the Guinness 'Flavour by Fire' food festival gave fans the opportunity to pair the flavour of Guinness' roasted barley with rich flavours of roasted meat for an unforgettable culinary experience. Fire is a force with an awesome transformative power. When it comes to food, fire is what turns simple raw ingredients into mouth-watering meals. Guinness understands this better than anyone – the barley used to brew Guinness is roasted at exactly 232° Celsius, which gives the beer its distinctive dark colour and delicious roasted flavour notes. The Guinness Flavour by Fire festival brought together some of KL's hottest chefs and musicians for a two-day feast for the senses at The Gasket Alley in Petaling Jaya. Serving up a range of delectable dishes for the thousands of hungry party-goers in attendance were five chefs, each with their own signature styles and techniques.



Brand Mangement

Apple Fox

the New Zealand inspired cider



Bringing Wayyyy More Apples into the Malaysia Book of Records

Apple Fox Cider takes its quality seriously as it emphasises on the quantity and quality of the ingredients it uses. This represents the core of the 'Wayyyy More Apples' campaign, where the brand also revealed a record setting giant fox installation made with 6,148 real apples. Standing tall at 6.5 feet and 24 feet long this Apple Fox installation was officially certified by the Malaysia Book of Records as the first ever fox shaped display made with the most number of real apples in Malaysia. The installation is a representation of Apple Fox Cider which is made with wayyyy more apples giving consumers the delicious taste of apples in every sip.

Apple Fox "Why The Fox Not" Can Exchange Promotion

To drive further trials in the fast growing cider category, Apple Fox Cider's campaign in Q12019 featured a promotion that enabled consumers to exchange an empty can/bottle of any cider brand for a can of Apple Fox Cider. Held at over 60 participating outlets nationwide, more than 10,000 cans of Apple Fox Cider were redeemed during the period. The cider category continues to attract new consumers and penetrate new occasions, and as part of our innovation strategy, extends our portfolio to cater to the evolving tastes and needs of the modern consumer.



A Celebration of Wayyyy More Apples with Apple Fox Cider

Apple Fox Cider invited consumers to experience wayyyy more apples through a series of exciting activities in the month of October 2019. The Fox Mobile toured Klang Valley and across the region to bring consumers a taste of Apple Fox Cider, whilst educating fans on the process cider making and organising exciting activities for exclusive Apple Fox merchandise to be won. In the spirit of Apple Day, consumers enjoyed a free glass of Apple Fox Cider by participating in the "bring your own" (B.Y.O) glass activity to participating outlets nationwide.

