

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3255
COMPANY NAME : Heineken Malaysia Berhad
FINANCIAL YEAR : 31 December 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	: Applied
Explanation on application of the practice	<p>The Board leads and determines the strategic direction and oversees the overall management of the Company and its subsidiaries ("the Group"). It also ensures appropriate risk management and internal control systems are in place and regularly reviews such systems to ensure their adequacy, integrity and effectiveness.</p> <p>The Board is responsible to set the corporate values and promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior and ensure that its obligations to shareholders and other stakeholders are met.</p> <p>The Managing Director, who is appointed by the Board, is responsible for the day-to-day management of the Group operations and business as well as implementation of business plans and strategies, policies and decisions approved by the Board. The Managing Director is supported by a Management Team whose members are tasked to oversee key operating areas within the Group. The responsibilities and authorities of the Management Team are clearly defined in the Statement of Authority approved by the Board.</p> <p>There is a schedule of key matters reserved specifically for the Board deliberation and decision to ensure the direction and control of the Group are in its hands. The schedule of key matters is set out in the Board Charter which is published on the Company's website at www.heinekenmalaysia.com.</p> <p>The Board is supported by the following Board Committees and has delegated specific responsibilities to respective committees:</p> <ul style="list-style-type: none"> ▪ Nomination & Remuneration Committee ▪ Audit & Risk Management Committee <p>The Board Committees discharge their duties in accordance to the Terms of Reference approved by the Board. The Terms of Reference are available on the Company's website at www.heinekenmalaysia.com.</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman is primarily responsible for ensuring the effective functioning of the Board and leading the Board in its collective oversight of management by focusing on strategy, governance and compliance.</p> <p>The roles and responsibilities of the Chairman are clearly specified in the Board Charter. They include, but not limited to, the following:</p> <ul style="list-style-type: none"> ▪ To provide leadership to the Board, and oversee the Board in the effective discharge of its fiduciary duties; ▪ To set the agenda for Board Meetings and ensure efficient and effective conduct of the Board Meetings; ▪ To ensure that complete and accurate information to facilitate decision-making are provided to the Board members in a timely manner; ▪ To lead Board Meetings and encourage active participation and allow dissenting views to be freely expressed; ▪ To promote constructive and respectful relations between Board members and manage the interface between the Board and Management; ▪ To ensure that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and ▪ To lead the Board in establishing and monitoring good corporate governance in the Company. <p>The Chairman of the Board also acts as Chairman at all Board Meetings and meetings of members.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman, Dato' Sri Idris Jala, and the Managing Director, Mr Hans Essaadi, both holds separate position. There is a clear division of responsibilities between the Chairman and the Managing Director to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.</p> <p>The Chairman is responsible in leading the Board in its collective oversight of Management whilst the Managing Director is responsible to implement the policies and strategies approved by the Board for the purposes of running the business and the day-to-day management of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by the Company Secretary who advises the Board on corporate governance matters, corporate disclosures and ensure adherence to the relevant statutory and regulatory requirements.</p> <p>The Company Secretary manages all Board and Board Committee meetings logistics as well as the processes pertaining to Annual General Meeting (“AGM”), attends and records minutes of all Board and Board Committees meetings and AGM.</p> <p>The Company Secretary also facilitates induction programme for newly appointed Directors and co-ordinates training programme for the Directors.</p> <p>The Company Secretary has the requisite credentials and she is a qualified Chartered Secretary and an Associate member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>A full year meeting schedule which sets out the meeting dates is prepared and circulated to the Directors before the start of each calendar year to allow Directors to plan ahead to attend such meetings.</p> <p>Prior to the scheduled meeting, Directors will be provided a structured agenda together with management reports and proposal papers at least 5 days prior to the meeting. The papers contain relevant information required to enable the Directors to discharge their duties effectively.</p> <p>In order for meetings to be effective, the meeting agenda is organised taking into consideration the complexity of the proposals / matters to be deliberated. An indication will be provided to guide the Board / Board Committees as to whether the matters are for approval, discussion or for notation purpose with time allocation determined for each agenda item in order for the meetings to be conducted efficiently.</p> <p>All Directors have unrestricted and constant access to and interaction with the Management Team in that they may have informal meetings with Management Team members to brief them on matters or major developments concerning the Group operations.</p> <p>Where necessary, members of the Management Team will be invited to attend Board / Board Committee meetings to report and update on areas of business within their responsibility to provide Board members insights into the business, and clarify any issues raised by the Directors in relation to the Group operations.</p> <p>All issues discussed, decisions and conclusions including dissenting views made and whether any Director abstained from voting or deliberating on a particular matter at the Board/Board Committee Meeting with required actions to be taken by responsible parties are documented in the minutes by the Company Secretary.</p> <p>Minutes of meetings are circulated to all Board members in a timely manner and signed by the Chairman of the Board/Board Committees as a correct record of the proceedings of the meeting based on confirmation from all the Board/Board Committee members.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- ✦ the respective roles and responsibilities of the board, board committees, individual directors and management; and
- ✦ issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by its Charter. Pursuant to the new CG Code issued on 26 April 2017 and the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) issued on 29 November 2017, the Board had, on 14 February 2018, reviewed its Charter and approved the adoption of a new Charter consistent with the CG Code and the MMLR. it is available on the Company's website at www.heinekenmalaysia.com</p> <p>The new Charter sets out, among others, the following:</p> <ul style="list-style-type: none">▪ Strategic intent of the Board▪ Roles and responsibilities of the Board and its Board Committees, individual Directors and the Chairman▪ Separation of functions between the Chairman and the Managing Director▪ Matters reserved for Board deliberation and decision▪ Meeting requirements of the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company’s website.

Application	: Applied						
Explanation on application of the practice	<p>The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. It has the responsibility to set the tone and standards of the Company through a code of conduct and ethics for the Company.</p> <p>As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Code of Business Conduct (“HeiCode”) which governs the standards of ethics and responsible business conduct expected from all the employees, individually and as a team at every level, when acting for and on behalf of the Company. It is integrated into company-wide management practices and empowers and guides Directors, Management and employees in dealing confidently with their day-to-day challenges.</p> <p>The HeiCode has embedded 15 policies which are grouped into three broad areas, namely:</p> <table border="1" data-bbox="558 1129 1421 1623"> <thead> <tr> <th data-bbox="558 1129 829 1163">Personal integrity</th> <th data-bbox="829 1129 1162 1163">Commercial integrity</th> <th data-bbox="1162 1129 1421 1163">Company integrity</th> </tr> </thead> <tbody> <tr> <td data-bbox="558 1163 829 1623"> <ul style="list-style-type: none"> ▪ Responsible consumption and communication ▪ Standards on employees’ and human rights, harassment and discrimination ▪ Commitment to health, safety and environment ▪ Avoidance and disclosure of conflicts of interest </td> <td data-bbox="829 1163 1162 1623"> <ul style="list-style-type: none"> ▪ Fair competition ▪ Avoidance of bribery and improper advantages ▪ Offering and acceptance of gifts ▪ Provision and acceptance of entertainment and hospitality ▪ Political contributions and charitable donations ▪ Dealing with business partners </td> <td data-bbox="1162 1163 1421 1623"> <ul style="list-style-type: none"> ▪ Use of company resources ▪ Management of confidential information ▪ Avoidance of insider trading ▪ Maintenance of financial and non-financial records ▪ Fraud prevention and reporting </td> </tr> </tbody> </table> <p>Awareness sessions were conducted nationwide. In addition, all employees are required to complete an eLearning programme to ensure their understanding of the HeiCode. The results from the eLearning assessment are reported to the Board via the Audit & Risk Management Committee.</p> <p>The HeiCode is published on the Company’s website at www.heinekenmalaysia.com as well as on the HEINEKEN Portal, which is accessible by all employees.</p>	Personal integrity	Commercial integrity	Company integrity	<ul style="list-style-type: none"> ▪ Responsible consumption and communication ▪ Standards on employees’ and human rights, harassment and discrimination ▪ Commitment to health, safety and environment ▪ Avoidance and disclosure of conflicts of interest 	<ul style="list-style-type: none"> ▪ Fair competition ▪ Avoidance of bribery and improper advantages ▪ Offering and acceptance of gifts ▪ Provision and acceptance of entertainment and hospitality ▪ Political contributions and charitable donations ▪ Dealing with business partners 	<ul style="list-style-type: none"> ▪ Use of company resources ▪ Management of confidential information ▪ Avoidance of insider trading ▪ Maintenance of financial and non-financial records ▪ Fraud prevention and reporting
Personal integrity	Commercial integrity	Company integrity					
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Explanation for departure	:						

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Measure :		
Timeframe :		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Speak Up Policy that provides employee with a standard process to raise concerns about suspected misconduct within the Group without repercussion in a safe and confidential manner.</p> <p>The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Reports can be submitted through the Speak Up Service via online or phone call. All Speak Up reports are reviewed by a Review Team which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit and Global Human Resources.</p> <p>The Speak Up Policy was communicated to all employees to create awareness and encourage them to raise concerns about suspected misconduct within the Group.</p> <p>The HEINEKEN Speak Up Policy is published on the Company's website at www.heinekenmalaysia.com as well as on the HEINEKEN Portal, which is accessible by all employees.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board currently has seven members who are of high caliber with diverse experience and collectively has an appropriate mix of skills and expertise required to effectively discharge its oversight responsibilities. Out of the seven members, three (including the Chairman) are Independent Non-Executive Directors, representing approximately 43% of the Board.</p> <p>The Board deliberated on the Practice 4.1 recommended under the CG Code. Given the current shareholding structure of the Company in which 51% of its equity interest are held indirectly by HEINEKEN NV via its wholly-owned subsidiary, GAPL Pte Ltd, the Board was of the view that to fully leverage on the experience of the HEINEKEN Group and to ensure focus on long term value creation, it is in its best interest and that of its stakeholders that the Board includes a fair and adequate representation of the major shareholders.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied – Annual shareholders' approval for retention of Independent Directors serving beyond 9 years.
Explanation on application of the practice	:	<p>As of 28 August 2017, Mr Martin Giles Manen had served as an Independent Director of the Company for nine years.</p> <p>The Board undertook an assessment on the contributions of Mr Martin Giles Manen based on following criteria and recommended him to continue to act as Independent Director of the Company:</p> <ul style="list-style-type: none"> ▪ Fulfill the independence criteria adopted by the Company and the independence definitions as prescribed under the MMLR. ▪ Experience and contributions to the Group's performance. ▪ Understanding of the Group's business operations and ability to participate actively at Board and Board Committee Meetings. ▪ Ability to discharge his professional duties in the interest of the Company and shareholders. ▪ Commitment to attend Board and Board Committee Meetings. <p>Based on the Board's recommendation, on 13 April 2017, Shareholders' approval was sought and obtained for Mr Martin Giles Manen to continue his office as an Independent Director until the conclusion of the next AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has incorporated the following provisions in its Charter effective 14 February 2018:</p> <ul style="list-style-type: none">▪ The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years term, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director.▪ The Board must justify and seek shareholders' approval in the event it intends to retain a person who has served in the capacity as an Independent Director for more than nine (9) years.▪ If the Board continues to retain the Independent Director after year twelve (12), the Board should provide justification and seek annual shareholders' approval through a two-tier voting process in accordance to the CG Code.▪ The Board should undertake an assessment of the Independent Directors annually to assess their ability to bring unbiased and objective judgement to the Board's deliberations.

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board assess the suitability of candidate for directorship based on the following aspects and ensure that appointments are made on merit:</p> <ul style="list-style-type: none"> ▪ Core competencies that meet the needs of the Company ▪ Personal qualities in terms of leadership skills, ability to provide strategic insight and direction, work ethics and professionalism ▪ Industry knowledge, business judgement, expertise and special skills ▪ Understanding of local economic and operating environment ▪ Ability to commit time and effort to carry out duties and responsibilities effectively ▪ Ability to represent the Company at any occasion that involves the Company ▪ Educational qualification ▪ Factors that promote boardroom diversity, including gender diversity <p>For appointment of Independent Directors, considerations will also be given on whether the candidate meets the independence criteria adopted by the Company and requirements for independence as defined in the MMLR.</p> <p>The appointment of Ms Lim Rern Ming, Geraldine, a representative nominated by the major shareholder, to the Board on 1 November 2017 was deliberated and approved by the Board based on the above approach.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	<p>The Board does not have any gender, ethnicity and age diversity policies and targets.</p> <p>The Board was of the opinion that gender is only one element of diversity, and that experience, background, knowledge, skills and insight are equally important and relevant criteria in selecting new Board members.</p> <p>The Board acknowledged the merits of gender diversity in strengthening the performance of the Board and had, in 2017, taken steps to increase the women representation on the Board from 14% to 28%.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :	Taking into account the current Board size for effective decision-making, the Board will continue to aim at achieving/maintaining the current percentage of women directors on the Board by placing gender diversity as one of the considerations for new appointments to the Board.	
Timeframe :	Nil	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application :	Applied	
Explanation on application of the practice :	<p>There is a process for selection, nomination and appointment of suitable candidates to the Board. Potential candidates can be identified by the Nomination & Remuneration Committee, existing Directors, Managing Director or any shareholder or other senior executive within the Company through internal or external source via recruitment agencies.</p> <p>The recent appointment of Ms Lim Rern Ming, Geraldine, was nominated by the major shareholder of the Company, given that her appointment was to replace Mr Frans Erik Eusman who resigned from the Board on 1 November 2017. Mr Fran Erik Eusman was a board representative of the same major shareholder of the Company.</p> <p>For appointment of new independent director, the Board will leverage on its HR search network and explore other independent sources to source for potential candidates.</p> <p>The NRC reviews the suitability of candidate identified and recommends to the Board, for appointment to the Board and it is responsible to ensure that appointments are made on merit. There are specific criteria for assessing candidature for directorship as stated under Practice 4.4.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	<p>Dato' Sri Idris Jala, the current Chairman of the Nomination & Remuneration Committee ("NRC") is an Independent Director.</p> <p>The Chairman of the NRC assumes the following responsibilities:</p> <ul style="list-style-type: none"> ▪ Conduct the NRC meetings and report to the Board on matters deliberated and recommended by the NRC. ▪ Lead the succession planning and appointment of Board members, including the future Chairman and Managing Director; and ▪ Lead the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed. <p>The above are stipulated in the Terms of Reference of the NRC which is published on the Company's website at www.heinekenmalaysia.com</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through its NRC, conducts an annual assessment on the Board's effectiveness based on the composition, conduct, responsibilities of the Board and the Board Committees in accordance with the Board Charter and the Board Committees' Terms of Reference.</p> <p>During the financial year ended 31 December 2017, the Company had engaged Deloitte Enterprise Risk Services Sdn Bhd, an independent consultant, to facilitate the Board Effectiveness Assessment.</p> <p>The assessment, which was conducted via questionnaires and a one-on-one session with Directors, covered a broad spectrum of governance attributes that encompassed nine main elements, namely performance, strategy, governance, talent, integrity, compliance, reporting, operations and planning. The observations of the assessment indicated that the performance of the Board, the Board Committees and the individual Directors during the year had been good in that they had been effective in their overall discharge of functions and duties. It was also noted that the relationship between the Board members was good with positive and constructive interactions, coupled with strong leadership shown by the Chairman. Nevertheless, several suggestions were raised to further enhance the effective functioning of the Board.</p> <p>Based on the assessment, the Board was broadly satisfied that taking into consideration the nature and the scope of the Group operations and its business requirements, the current size and composition of the Board was appropriate and well balanced with diversity of skill set, knowledge and experience which would facilitate effective decision-making. The Board was also satisfied with the level of independence demonstrated by the Directors throughout the year and their abilities to act in the best interest of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a remuneration framework and procedures to determine the remuneration of the Directors which is clear and transparent, designed to attract and retain the right talent in the Board to drive the Group's long-term objectives.</p> <p>The Nomination & Remuneration Committee ("NRC") is responsible to review the remuneration framework for the Non-Executive Directors of the Company to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions; and competitive compared with the prevalent market practices.</p> <p>The Board collectively determined the remuneration for the Non-Executive Directors based on the recommendation of the NRC. Each of the Non-Executive Directors abstained from deliberating and voting on their own remuneration.</p> <p>In respect of the remuneration of the Managing Director of the Company, the NRC is guided by the compensation framework of the HEINEKEN Global Human Resources. The remuneration package of the Managing Director consists of both fixed and performance-linked elements. The performance of the Managing Director is reviewed annually taking into consideration the corporate and individual performance. The Managing Director is not entitled to annual fee or allowance nor is he is entitled to receive any meeting allowances for the Board and Board Committees Meetings he attends.</p> <p>The remuneration details for the Non-Executive Directors and the Managing Director of the Company are disclosed in the Statement on Corporate Governance in the Annual Report 2017 which was published on the Company's website at www.heinekenmalaysia.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure		
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>In November 2014, the Nomination Committee and the Remuneration Committee were merged and reconstituted as a single committee known as Nomination & Remuneration Committee (NRC").</p> <p>The NRC consists of four Non-Executive Directors with a majority being Independent Directors. The Chairman of the NRC is Dato' Sri Idris Jala, an Independent Director.</p> <p>The NRC is responsible in reviewing and recommending to the Board the remuneration package for Non-Executive Directors and ensure it is consistent with the Group business strategy and long-term objectives to attract and retain Directors.</p> <p>The NRC's roles and functions are governed by its Terms of Reference. In February 2018, the Board had reviewed and updated the NRC Terms of Reference to reflect the requirements of the applicable practices and guidance of the CG Code. The Term of Reference is published on the Company's website at www.heinekenmalaysia.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure on a named basis for individual directors has been made in the Statement on Corporate Governance in the Annual Report 2017.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Due to confidentiality and sensitivity of the information, the Company departs from the practice for this year. Nevertheless, details of the remuneration of the Managing Director were disclosed in the Statement on Corporate Governance in the Annual Report 2017 whilst an aggregate amount of remuneration / compensation of the key management personnel was disclosed under Note 20 to the Audited Financial Statements for the financial year ended 31 December 2017.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will review its internal process and consider the recommended disclosure practice for next year.
Timeframe	:	2019

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not adopted
Explanation on application of the practice	:	

Intended Outcome

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Audit & Risk Management Committee ("ARMC") is Mr Martin Giles Manen, who is a Senior Independent Director and not the Chairman of the Board.</p> <p>Whilst this practice has always been observed by the Company, the Board had reviewed and updated the Terms of Reference of the ARMC in February 2018 to reflect this practice and the responsibilities of the ARMC Chairman. The Terms of Reference of the ARMC is available on the Company's website at www.heinekenmalaysia.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Departure
Explanation on application of the practice	:	.
Explanation for departure	:	<p>The ARMC does not have a policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the ARMC.</p> <p>However, the Company has always recognised the need to uphold independence. None of the Board members was a former key audit partner. Hence, none of the ARMC members was a former key audit partner.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board noted such practice and will observe a cooling-off period of at least two years in the event any potential candidate who is a former key audit partner is being considered to be appointed as a member of the ARMC.
Timeframe	:	N/A

Intended Outcome

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC meets with the external auditors at least twice a year to discuss their audit plan and audit findings in relation to the Group's financial statements. Prior to some ARMC Meetings, private sessions between the ARMC and the external auditors were held without the presence of the Managing Director and Management staff to discuss the audit findings and any other observations they may have during the audit process.</p> <p>The ARMC reviews the audit and non-audit services provided by the external auditors. In reviewing such services, the ARMC ensures that the independence and objectivity of the external auditors are not compromised.</p> <p>The ARMC also considers the re-appointment, remuneration and terms of engagement of the external auditors, guided by the criteria adopted by the Company, the details of which are disclosed in the Statement on Corporate Governance in the Annual Report 2017.</p> <p>The external auditors, Messrs Deloitte PLT, have confirmed that they have complied with the independence requirements set out in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>Members of the ARMC have the relevant experience and expertise to effectively discharge their duties. The profile of the members are disclosed in the Directors' profile in the Annual Report 2017. The ARMC Chairman, Mr Martin Giles Manen is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>The Board assesses the composition and performance of the ARMC and its members through an annual Board Committee effectiveness assessment. Based on the assessment conducted for the financial year ended 31 December 2017, the Board was satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.</p> <p>The Directors are mindful of the need to continue to enhance their skills and knowledge to assist them in the discharge of their duties and they have attended relevant development and training programmes according to their individual needs to keep abreast of relevant developments in accounting and auditing standards and other relevant changes in laws and regulations and to enhance their ability in discharging their duties and responsibilities more effectively.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has in place a risk management and internal control systems which enables Management to identify, assess, prioritise and manage risks on a continuous and systematic basis.</p> <p>The Board is assisted by the ARMC who provides an objective review of the adequacy, integrity and effectiveness of the Group's risk management and internal control systems to ensure that the same are soundly conceived, in place, effectively administered and regularly monitored.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The features and the key elements of risk management and internal control systems adopted by the Group are disclosed in the Statement on Risk Management and Internal Control ("SORMIC") in the Annual Report 2017.</p> <p>The SORMIC has been reviewed by the external auditors who have reported that nothing has come to their attention that had caused them to believe that this Statement is inconsistent with their understanding of the process the Group has adopted in the review of the adequacy and effectiveness of the Group's risk management and internal control systems.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Applied
Explanation on application of the practice	:	<p>In 2017, the Board renamed the Audit Committee to "Audit & Risk Management Committee" to reflect its oversight of the risk management governance. The Board had also reviewed and updated the ARMC's Terms of Reference to reflect the requirements of the applicable practices and guidance of the CG Code.</p> <p>The ARMC comprises five members, all of whom are Non-Executive Directors; three including the Chairman, are Independent Non-Executive Directors.</p>

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group's internal audit function, which is carried out in-house, assists the ARMC and the Management in the effective discharge of their responsibilities in respect of risk management, internal control and governance. It provides independent and objective reviews on the Group's internal control system to ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures.</p> <p>The internal audit function is led by the Head of Internal Audit who reports functionally to the ARMC and administratively to the Managing Director. The appointment of the Head of Internal Audit is reviewed and endorsed by the ARMC. The Head of Internal Audit has unrestricted access to the ARMC.</p> <p>The ARMC reviewed the performance of the internal audit function on an annual basis. The ARMC also reviews the internal audit plan including the adequacy of the scope, approach, methodology, resources and authority of the internal audit function in carrying out its audit activities. As such, it is independent of the operational and management activities they audit.</p> <p>Further details of the internal audit activities are disclosed in the ARMC Report in the Annual Report 2017.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- ✦ whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- ✦ the number of resources in the internal audit department;
- ✦ name and qualification of the person responsible for internal audit; and
- ✦ whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their audit.</p> <p>The Internal Audit Department (“IAD”) has four personnel comprising the Head of Internal Audit, an Internal Audit Manager and two Internal Auditors. The Head of Internal Audit, Mr Ding Diew Ping, Eugene, is a holder of a Bachelor’s Degree of Business (Accounting) from the University of Technology Sydney, Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants. He is also a Chartered Member of The Institute of Internal Auditors Malaysia.</p> <p>The IAD adopts a risk-based audit approach towards the planning and conduct of audit consistent with the established audit framework of the HEINEKEN Global Audit Team in designing, implementing and monitoring of control system. The IAD also works collaboratively with the Process & Controls Improvement Team to review the risk management processes of the Group as a whole. The monitoring process and the controls and risk management assessment approach are in line with the HEINEKEN Business Framework adopted by the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company recognises the importance of being accountable to its shareholders and stakeholders and it remains committed to maintain an active and proactive communication approach with its shareholders and stakeholders to facilitate mutual understanding of each other's objectives and expectations. The Company firmly believes that timely, accurate and effective communication with its shareholders and stakeholders is key to enable them to make informed decisions with respect to the Group's business, its policies on governance, the environment and corporate responsibility.</p> <p>The Company employs various communication platforms to reach out to shareholders and stakeholders. This includes among others, publications of Company's announcements and presentations on the Group's financial performance and corporate developments, publication of annual report, issuance of press releases for significant events, holding of investors and media briefings post-results announcements, engaging with media, business partners and surrounding communities at various events and community outreach programmes. In 2017, numerous engagement activities were carried out for the Company to engage its stakeholders. The details of the engagement activities are available in the Brewing a Better World section in this Annual Report.</p> <p>The Company's mobile-friendly website www.heinekenmalaysia.com is a key communication channel with its stakeholders. It provides information on the Group business activities, financial results and corporate responsibility initiatives. The website further outlines the Group's business principles, governance framework and the code of business conduct. It also allows investors and stakeholders to inquire about investor relations matters, provide feedback and post queries or concerns regarding the Group. The Company will review each enquiry / message received and respond accordingly to its stakeholders in a timely manner.</p> <p>The Company has a dedicated investor relations function which organizes post-announcement of results briefings and discussions with investment analysts, fund managers, institutional investors and the media. The briefings, which are conducted by the Managing Director and the Finance Director, are intended not only to promote the dissemination of the financial results of the Group but to provide comprehensive insights and to address concerns raised about the Group's business strategies, market prospects, major development of the Group's business initiatives and matters affecting the Group and industry. In addition, the investor relations personnel together with the Finance Director meet with equity research analysts, fund managers, institutional shareholders and investors on a one-on-one basis outside the Company's closed period.</p>

	<p>During the financial year ended 31 December 2017, the Company conducted 12 face-to-face meetings and three conference calls with institutional investors, including brewery tours, and held two investor briefing sessions and one media briefing session. Throughout the financial year under review, the Company received relatively extensive coverage from approximately 20 equity research analysts.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Applied
Explanation on application of the practice	:	Driven by a commitment to transparency, the Company has since 2016 adopted the International Integrated Reporting Framework (IIRF) in its annual report with the objective of demonstrating how the Company's strategy, actions, performance, governance and prospects lead to stakeholder value creation. For 2017, the Company continued to adopt the same integrating reporting approach based on IIRF in its Annual Report 2017.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The notices of the 52nd and 53rd AGMs of the Company, which were held on 13 April 2017, were issued on 22 March 2017, prior to the release of the new CG Code on 26 April 2017.</p> <p>However, for the 54th AGM, the notice is dispatched to shareholders on 12 April 2018, 28 days before the AGM scheduled for 11 May 2018. The AGM notice is accompanied by explanatory notes to shareholders regarding their entitlement to attend the AGM and their right to appoint a proxy and detailed explanations for each motion to be tabled at the AGM to enable shareholders to make informed decisions in exercising their voting rights.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied
Explanation on application of the practice	:	<p>At the 52nd and 53rd AGMs, all the Directors, including the Chairman of the Board Committees, were present in person at the meetings and they were available to provide responses to question or concerns addressed to them. Members of the Management Team and external auditors were also present and available to respond to questions addressed to them.</p> <p>The proceedings of the 52nd and 53rd AGM included the Managing Director's presentation of the Company's operations and financial performance for 2016 and a Questions & Answers session during which the Chairman invited shareholders to raise questions pertaining to the Company's financial statements and other matters tabled at the meeting, before putting a resolution to vote. At the AGM, the Chairman also shared the Company's responses to questions/points raised by the Minority Shareholder Watchdog Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- ✦ including voting in absentia; and
- ✦ remote shareholders' participation at General Meetings.

Application :	Applied	
Explanation on application of the practice :	<p>The Company's AGMs are always held in the Kuala Lumpur city centre. In 2017, the Company had two AGMs and both were held at Connexion @ Nexus which is located in Bangsar South, Kuala Lumpur, a venue that is easily accessible via public transport.</p> <p>Adequate notice with relevant information about the AGMs are provided to shareholders prior to the AGMs to allow them to plan ahead to attend such meetings. Shareholders are allowed to appoint more than one proxy to attend, participate, speak and vote in his stead at the AGMs.</p> <p>The Company has adopted electronic voting for the conduct of poll on all resolutions tabled at the AGMs held in 2017 whereby electronic voting devices were deployed to provide a more efficient voting process and accurate outcome of the results.</p> <p>The poll results / outcome of the AGMs were announced by the Company via Bursa LINK and also published on the Company's website on the same day for the benefit of all shareholders.</p> <p>To enhance the quality of engagement and facilitate further participation of shareholders at AGMs, the Company is exploring the leveraging of technology.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Not applicable
