



# HEINEKEN MALAYSIA BERHAD

Company no. 196401000020 (5350-X)

## BOARD CHARTER

Approved by the Board on 14 February 2018

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Attachment – Code of Ethics for Company Directors

## **BOARD CHARTER**

This Board Charter sets out the processes, key roles and responsibilities as well as the functions of the Board of Directors of HEINEKEN Malaysia. It serves as a source of reference for Board members to assist them in discharging their fiduciary duties as Directors of HEINEKEN Malaysia.

### **1. Purpose of the Board**

- 1.1 The business and affairs of the Company and its subsidiaries (“the Group”) shall be managed by or under the direction of the Board<sup>1</sup>.
- 1.2 The Board has primary responsibility for the governance and management of the Company, and fiduciary responsibility for the financial and organisational health of the Company.
- 1.3 The Board has the right to establish and delegate some of its responsibilities to the Board Committees in discharging its functions and responsibilities<sup>2</sup>. The Board has established the following Board Committees with their respective Terms of Reference:
  - a) Audit & Risk Management Committee (“ARMC”) which comprises not less than three (3) members, with a majority of independent directors and the required professional qualification as determined by the Malaysian Code of Corporate Governance (“MCCG”).
  - b) Nomination & Remuneration Committee (“NRC”) which comprises all non-executive directors, of whom a majority are independent.

The Board Committees report to the Board with their recommendations. The ultimate responsibility for decision-making lies with the Board.

### **2. Composition**

- 2.1 The Board shall strive to achieve an optimum balance and dynamic mix of competencies and diverse skillsets amongst its Board members. In seeking potential candidate(s) for new appointments, the Board shall take into account the various diversity factors including ethnicity and gender of the Directors to strengthen the Board composition<sup>3</sup>. The Board aims to achieve or maintain the current percentage (approximately 30%) of women directors on the Board<sup>4</sup>.
- 2.2 The Board shall comprise of at least two (2) and not more than twelve (12) members<sup>5</sup>, of which at least two (2) or one-third (1/3) (whichever is higher) must be Independent and Non-Executive Directors. In the event of any vacancy in the Board, resulting in non-compliance with the above, the vacancy must be filled within three (3) months<sup>6</sup>.
- 2.3 The appointment of the Chairman of the Board shall be approved by the Board. The major shareholder may nominate the Chairman. The Chairman appointed shall be an Independent and Non-Executive Director.

<sup>1</sup> Section 211 of the Companies Act 2016, Article 95 of the Company’s Constitution

<sup>2</sup> Clause 119 of the Company’s Constitution

<sup>3</sup> Practice 4.4 of the MCCG

<sup>4</sup> Practice 4.5 of the MCCG

<sup>5</sup> Clause 82 of the Company’s Constitution

<sup>6</sup> Paragraph 15.02(3) of Bursa Securities Listing Requirements

## 2. Composition (Continued)

- 2.4 The Board is guided by the procedures for nomination of Non-Executive Director and Chairman.
- 2.5 All Directors are required to submit themselves for re-election at least once in every three (3) years in accordance with the Company's Constitution<sup>7</sup>. Any new Director appointed during the year shall hold office until the next annual general meeting of the Company and shall be eligible for re-election<sup>8</sup>.
- 2.6 The Board, through the NRC, shall review the size and composition and the effectiveness of the Board and the Board Committees, which include the skillsets, experience and functional knowledge of its members on a periodic basis, to ensure an appropriate balance of skills, experience and diversity<sup>9</sup>.
- 2.7 The office of a Director shall become vacant if the Director<sup>10</sup>:
- (a) becomes disqualified from being a Director under Sections 198 or 199 of the Companies Act 2016;
  - (b) resigns his office by notice in writing to the Company;
  - (c) ceases to be or is prohibited from being a Director by virtue of the Companies Act 2016 or the Bursa Securities Listing Requirements;
  - (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;
  - (e) is removed from his office as Director by ordinary resolution of the Company in a general meeting of which special notice has been given in accordance with Section 206(3) of the Companies Act 2016.
  - (f) if becomes bankrupt or makes any arrangement or composition with his creditors generally; or
  - (g) is absent from more than 50% of the total Board of Directors' meetings held during a financial year unless approval is sought and obtained from the stock exchange.

## 3. Independent Director

- 3.1 An Independent Director means a Director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.
- 3.2 The Board approves the appointment of a Senior Independent Director whose role is to<sup>11</sup>:
- act as a sounding board for the Chairman;
  - serve as a designated contact for direct communication with shareholders and other stakeholders on concerns that cannot be resolved through normal channels of contact with the Chairman or the Managing Director; and
  - act as a point of contact between the Independent Directors and Chairman on sensitive issues.

<sup>7</sup> Clause 84 of the Company's Constitution

<sup>8</sup> Clause 91 of the Company's Constitution

<sup>9</sup> Practice 5.1 of the MCCG

<sup>10</sup> Clause 94 of the Company's Constitution

<sup>11</sup> Practice 2.1 of the MCCG

### **3. Independent Director (Continued)**

- 3.3 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<sup>12</sup>.
- 3.4 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 MCCG.
- 3.5 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.

### **4. Roles and Responsibilities**

#### **4.1 Board of Directors**

In line with the MCCG, the Board should assume the following principal responsibilities<sup>13</sup>:

- (a) 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;
- (b) Review, challenge and decide on Management's proposals for the Company, monitor the implementation by Management;
- (c) Set the strategic aims of the Group and ensure that the strategy and business plan of the Group supports long-term value creation and promote sustainability taking into consideration the economic, environmental and the social aspects;
- (d) Oversee the conduct of the Group's business and operations, and ensure the businesses are being properly managed;
- (e) Ensure the adequacy and integrity of the Group's internal controls and management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (f) Understand the principal business risks and recognise that business decisions involve the taking of appropriate risks;
- (g) Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (h) Ensure that all members of the Board and the Management Team are of sufficient caliber including having in place a process to provide for the orderly succession of the Board and the Management Team;
- (i) Ensure the Company has in place procedures to ensure effective communication with, and appropriate disclosure to, its shareholders and other stakeholders; and
- (j) Ensure the integrity of the Company's financial and non-financial reporting.

<sup>12</sup> Practice 4.2 of the MCCG

<sup>13</sup> Practice 1.1 of the MCCG

#### 4.1 Board of Directors (Continued)

Matters reserved for the Board deliberation and decision include the following<sup>14</sup>:

##### Strategic & Operational

- Business strategy, performance targets, annual budget and changes to the plan / targets.
- Emerging business issues and challenges arising from regulatory changes and changes in business environment.
- Material transactions / major investments / major capital expenditure, acquisition / disposal of a business or assets in excess of the authority limits delegated to Management.
- Related party transactions.
- Company's position in respond to adverse publicity / rumours concerning the Company.
- Changes to management and control structure of the Group, including key policies and authority limits.
- Implementation of corporate governance policies and practices.
- Sustainability strategy and initiatives.

##### Financial

- Financing facilities and banking arrangements including changes to authorised signatories and approval limit.
- Payment of dividends based upon recommendation of the ARMC.
- Release of financial results announcement and approval of audited financial statements.

##### Conduct of the Board

- Appointment of Chairman and Directors.
- Establishment of Board Committees, their membership and delegated authorities and changes to the Board and Board Committees composition.
- Assessment of performance of the Board and Board Committees.
- Appointment of key management positions including Managing Director and Finance Director.
- Appointment and removal of Company Secretary.

##### Remuneration & Succession Planning

- Remuneration policy and package for Non-Executive Directors and recommendation of the fees to shareholders for approval based upon recommendation of the NRC.
- Succession planning for the Board of Directors and the Management Team.

The Board is supported by the Company Secretary to provide sound governance advice, ensure adherence to regulatory requirements, codes, guidance and legislations and advocate adoption of corporate governance best practices<sup>15</sup>.

<sup>14</sup> Practice 2.1 of the MCGG

<sup>15</sup> Practice 1.4 of the MCGG

## 4.2 Directors

A Director shall at all times exercise his powers for a proper purpose and in good faith in the best interest of the Company and shall act honestly and use reasonable care, skill and diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company<sup>16</sup>.

A Director shall at all times avoid conflict of interest, and shall as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of the Directors of the Company. Every Director shall give notice to the Company of such events and matters relating to him as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Companies Act 2016<sup>17</sup>.

## 4.3 Non-Executive Directors

Non-Executive Directors are persons of caliber, credibility and have the necessary skills and experience to bring an independent judgement to bear on the issues of strategy, performance and resources, including key appointments and standard of conduct. For the purpose of discharging the roles and responsibilities as a Director, Non-Executive Directors:

- (a) are required to make an independent assessment of the information, reports or statements, having regard to the directors' knowledge, experience and competency, to provide an independent view and demonstrate objectivity in reviewing and challenging the Management's proposal at meetings;
- (b) act as a channel of communication between Management, shareholders and other stakeholders, and provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied; and
- (c) are expected to commit to their responsibility to the Company, including in the exercise of their fiduciary and leadership roles. All Directors are required to consult the Chairman before accepting new directorship in any other public listed company.

Each Director shall not hold more than five (5) directorships in listed companies or such other requirements as prescribed by the Bursa Securities Listing Requirements<sup>18</sup>.

## 4.4 Chairman

The Chairman of the Board is primarily responsible for the orderly conduct and functioning of the Board and ensure its effectiveness on all aspects of its roles.

The Chairman of the Board shall also act as Chairman at all Board Meetings and general meetings. In the absence of the Chairman in any meeting, the remaining Board members present shall elect one of themselves to chair the meeting in accordance with the provisions set out in the Company's Constitution<sup>19</sup>.

<sup>16</sup> Section 213 of the Companies Act 2016

<sup>17</sup> Section 219 of the Companies Act 2016

<sup>18</sup> Paragraph 15.06 of Bursa Securities Listing Requirements

<sup>19</sup> Clause 113 of the Company's Constitution

#### 4.4 Chairman (Continued)

The responsibilities of the Chairman include, but are not limited to, the following<sup>20</sup>:

- a) To provide leadership to the Board, and oversee the Board in the effective discharge of its fiduciary duties;
- b) To set the agenda for Board Meetings and ensure efficient and effective conduct of the Board Meetings;
- c) To ensure that complete and accurate information to facilitate decision-making are provided to the Board members in a timely manner;
- d) To lead Board Meetings and encourage active participation and allow dissenting views to be freely expressed;
- e) To promote constructive and respectful relations between Board members and manage the interface between the Board and Management;
- f) 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
- g) To lead the Board in establishing and monitoring good corporate governance in the Company.

#### 5. Separation of Functions between the Chairman and the Managing Director<sup>21</sup>.

5.1 The roles of the Chairman and Managing Director are distinct. The distinct and separate roles of the Chairman and Managing Director, with a clear division of responsibilities, ensures a balance of power and authority, such that no one individual has unfettered powers of decision-making.

5.2 The responsibilities of the Chairman include leading the Board in its collective oversight of Management.

5.3 The Managing Director shall be appointed by the Board 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. The Managing Director is supported by a Management Team and other committees which are tasked to oversee key operating areas.

#### 6. Remuneration

6.1 The fees and any benefits payable to the Non-Executive Directors shall be subject to annual shareholder approval at a general meeting<sup>22</sup>.

6.2 The Directors shall be entitled to be reimbursed for all travelling and other expenses as may be incurred in and about the business of the Company in the course of their performance of duties as Directors of the Company<sup>23</sup>.

6.3 The Board has established a formal and transparent process for approving the remuneration of the Non-Executive Directors and the Executive Director / Managing Director, whereby the NRC is responsible for reviewing the remuneration policy and making recommendations on the same to the Board for approval. In its review, the NRC considers various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of them and the Company's performance<sup>24</sup>.

<sup>20</sup> Practice 1.2 of the MCCG

<sup>21</sup> Practice 1.3 of the MCCG

<sup>22</sup> Clause 92.3 of the Company's Constitution and Paragraph 7.24 of Bursa Securities Listing Requirements

<sup>23</sup> Clause 93.1 of the Company's Constitution

<sup>24</sup> Practice 6.1 & 6.2 of the MCCG



## 7. Meetings

- 7.1 The Board shall meet at least four (4) times in each financial year with additional meetings convened as and when necessary.
- 7.2 Meeting schedule is prepared and circulated to Directors before the beginning of each year. The meeting schedule includes dates for meetings of the Board and Board Committees, annual general meeting as well as the closed period for dealings in securities of the Company based on the targeted date of announcement of quarterly results of the Group.
- 7.3 A quorum for Board Meetings shall be two (2) Directors<sup>25</sup>.
- 7.4 Each Director is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes of the Board shall be the decision of the Board<sup>26</sup>.
- 7.5 Each Director shall attend at least 50% of the total Board Meetings held during the year<sup>27</sup>. Any Director may participate at a meeting of Directors by way of telephone and video conferencing or by means of other communication equipment in which event such Director shall be deemed to be present at the meeting<sup>28</sup>.
- 7.6 The Finance Director shall normally attend the Board Meetings. Senior management employees of the Group, professional advisors or external consultants may attend a meeting of the Board only at the invitation of the Chairman.
- 7.7 Meeting materials should be furnished to the Directors at least five (5) days prior to each Board Meeting, to enable them to prepare for these meetings<sup>29</sup>.
- 7.8 A resolution in writing signed by a majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. All such resolutions shall be described as "Directors' Circular Resolutions" and shall be recorded by the Company Secretary in the Company's Minutes Book. A signed Directors' Circular Resolution transmitted by any electronic means shall be deemed to be an original<sup>30</sup>.
- 7.9 The Director should have direct access to the key management and have unrestricted access to all information pertaining to the Group in a timely manner for the discharge of their duties effectively.
- 7.10 Directors are required to inform the Board of conflicts or potential conflict of interest that may have in relation to particular subject matter or business transaction. These Directors shall abstain from deliberation and determination of those matters<sup>31</sup>.

<sup>25</sup> Clause 108 of the Company's Constitution

<sup>26</sup> Clause 109 of the Company's Constitution

<sup>27</sup> Paragraph 15.05 of Bursa Securities Listing Requirements

<sup>28</sup> Clause 112 of the Company's Constitution

<sup>29</sup> Practice 1.5 of the MCCG

<sup>30</sup> Clause 125 of the Company's Constitution

<sup>31</sup> Clause 115 of the Company's Constitution & Section 222 of the Companies Act 2016

## **7. Meetings (Continued)**

- 7.11 The Company Secretary shall act as the Secretary of the Board who shall be in attendance and shall be responsible for keeping minutes of all Board Meetings. The Board also has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions.
- 7.12 The minutes shall record the proceedings of the meeting, the tabling of pertinent issues, the substance of inquiry and response, relevant suggestions and decision made, including whether any Director abstained from voting or deliberating on a particular matter, as well as the rationale behind those decisions. Minutes of meeting should be circulated to all members of the Board in a timely manner<sup>32</sup>.

## **8. Training**

- 8.1 All newly-appointed Directors are required to complete the Mandatory Accreditation Programme (MAP) required under the Bursa Securities Listing Requirements.
- 8.2 The Board shall evaluate the continuous training needs of its members in order to enhance their contribution to the Board and to effectively discharge their duties as Board members.
- 8.3 All Directors are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate training programmes, so as to keep abreast of relevant laws and regulations, industry issues, market development and trend and other business and management-related subjects that may affect the Group's business and compliance requirements.

## **9. Code of Business Conduct and Ethics**

- 9.1 The Board has adopted the HEINEKEN Code of Business Conduct ("HeiCode") which governs the standards of ethics and responsible business conduct expected from the Directors and employees of the Group, individually and as a team at every level. The Board also adopted the HEINEKEN Speak Up Policy that provides a uniform communication channel that facilitates whistleblowing<sup>33</sup>.
- 9.2 The Directors of the Company shall continue to be guided by the attached "Code of Ethics for Company Directors" issued by the Companies Commission of Malaysia.

## **10. Review**

- 10.1 The Board shall review this Board Charter annually or at such other intervals as the Board deems necessary<sup>34</sup>.
- 10.2 This Board Charter was reviewed and approved by the Board on 14 February 2018.

<sup>32</sup> Practice 1.5 of the MCCG

<sup>33</sup> Practice 3.1 & 3.2 of the MCCG

<sup>34</sup> Practice 2.1 of the MCCG

## Code of Ethics for Company Directors

Issued by Companies Commission of Malaysia

### A. PRINCIPLE

The principle of this code is based on principles in relation to sincerity, integrity, responsibility and corporate social responsibility.

### B. PURPOSE

This Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:

1. To establish a standard of ethical behaviour for directors based on trustworthiness and values that can be accepted, are held or upheld by any one person.
2. To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering a company.

### C. DEFINITION

In the context of this code, a company director means any person who holds the position of director in a corporation irrespective of any designation used, including anyone who follows the directives and advice of a corporate director and who usually takes action, as well as an in-turn or substitute director. A director also includes both executive and non-executive directors as well as executive and non-executive chairpersons.

### D. CODE OF ETHICS

In the performance of his duties, a director should at all times observe the following codes:

#### 1. Corporate Governance

- 1.1 Should have a clear understanding of the aims and purpose, capabilities and capacity of the company;
- 1.2 Should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge those functions;
- 1.3 Should ensure at all times that the company is properly managed and effectively controlled;
- 1.4 Should stay abreast of the affairs of the company and be kept informed of the company's compliance with the relevant legislation and contractual requirements;
- 1.5 Should insist on being kept informed on all matters of importance to the company in order to be effective in corporate management;
- 1.6 Should limit his directorship of companies to a number in which he can best devote his time and effectiveness; each director is his own judge of his abilities and how best to manage his time effectively in the company in which he holds directorship;
- 1.7 Should have access to the advice and services of the company secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;

## Code of Ethics for Company Directors

- 1.8 Should at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the company;
- 1.9 Should disclose immediately all contractual interests whether directly or indirectly with the company;
- 1.10 Should neither divert to his own advantage any business opportunity that the company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;
- 1.11 Should at all times act with utmost good faith towards the company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties;
- 1.12 Should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the company is at stake;
- 1.13 Relationship with Shareholders, Employees, Creditors and Customers
  - 1.13.1 Should be conscious of the interest of shareholders, employees, creditors and customers of the company;
  - 1.13.2 Should at all times promote professionalism and improve the competency of management and employees; and
  - 1.13.3 Should ensure adequate safety measures and provide proper protection to workers and employees at the workplace.
- 1.14 Social Responsibilities and the Environment
  - 1.14.1 Should ensure that necessary steps are taken in accordance with the law to properly wind-up or strike off the company register if the company has not commenced business or has ceased to carry on business and is not likely to commence business in the future or resume business as the case may be;
  - 1.14.2 Should adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with government authorities or regulatory bodies;
  - 1.14.3 Should ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities;
  - 1.14.4 Should be more proactive to the needs of the community and to assist in society-related programmes in line with the aspirations of the concept of 'Caring Society' in Vision 2020; and
  - 1.14.5 Should ensure that the activities and the operations of the company do not harm the interest and well-being of society at large and assist in the fight against inflation.