

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3255
COMPANY NAME : Heineken Malaysia Berhad
FINANCIAL YEAR : 31 December 2019

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 is collectively responsible for leading and determining the strategic direction and overseeing the overall management of the Group. The Board is accountable to the Company shareholders in that it provides an effective oversight of the conduct of the Group's businesses, ensures appropriate risk management and internal control systems are in place as well as regularly reviews such systems to ensure their adequacy, integrity and effectiveness. The Board takes into consideration the interests of all stakeholders in its decision-making to ensure the Group's objectives of creating long-term sustainable value for the benefit of our stakeholders are met.</p> <p>The Board is also responsible to set the corporate values and promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior and ensure that its obligations to shareholders and other stakeholders are met.</p> <p>The Board is guided by its Charter which sets out the purpose, composition, key roles and principal responsibilities as well as the internal procedural matters for the Board. The principal responsibilities of the Board are in line with that provided in the Malaysian Code on Corporate Governance ("MCCG"). The Board Charter serves as a source of reference for Board members to assist them in discharging their fiduciary duties as Directors. It is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/</p> <p>The Board delegates, with appropriate oversight, to the Management Team for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on Company's business in the ordinary course, managing Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The responsibilities and authorities of the Management Team are 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, among others, it includes setting of the strategic direction of the Group, material acquisitions and disposals of assets, investments, financial related matters, remuneration policy and succession planning for the Board and the Management Team. The list of matters are provided in the Board Charter approved by the Board.</p> <p>In 2019, the Board reviewed the Group's strategy plans and the performance versus the targets on a quarterly basis. At the quarterly Board Meeting, the Board deliberated Management's proposals and discussed various key business and operational matters covering, but not be limited to market environment, issues and challenges, sustainability initiatives, organisation resources and governance development. The Board also considered reports and recommendations from the Board Committees on financial reports, dividend payments, audit matters, risk management and internal control activities, regulatory compliance, appointment to the Board and Board evaluation.</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 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. He plays an important leadership role and is responsible for 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 shall also act as Chairman at all Board Meetings and general meetings. He facilitates discussion during Board meetings and encourages open participation and constructive discussions when deliberating issues. He also ensures that there is a good balance between the time allocated to discussions on business performance, strategies, key issues and governance matters during Board meetings.</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 positions of Chairman and Managing Director are held by two different individuals. The Chairman, Dato' Sri Idris Jala, is primarily responsible for the stewardship and smooth functioning of the Board. He is an Independent Director who has never assumed an executive position in the Company.</p> <p>The Managing Director, Mr Roland Bala, is a nominee of the major shareholder and leads the Management Team. He is primarily responsible for the day to day management of the business and operations of the Company and its subsidiaries ("the Group"), organisational effectiveness and the implementation of the Group's strategies and policies approved by the Board.</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 Company Secretary is a qualified Chartered Secretary. She is an Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators and she holds a Practising Certificate for Secretaries under Section 241 of the Companies Act, 2016.</p> <p>The Company Secretary is responsible for ensuring that the Board is advised and kept updated on the regulatory requirements governing the Company and its business. As and when required, the Company Secretary provides advice to the Board on its roles and responsibilities, corporate governance and corporate disclosures requirements.</p> <p>The Company Secretary also manages all Board and Board Committee Meetings logistics as well as the proceedings pertaining to Shareholders' Meetings (AGM), attends and records minutes of all Board and Board Committees Meetings and AGM.</p> <p>All Board members have access to the advice and services of the Company Secretary in carrying out their duties.</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>Prior to each Board/Board Committee meeting, a structured agenda together with management reports and proposals will be furnished to the Directors at least five (5) days (or in any event not less than three (3) days) prior to the meeting, to enable them to prepare for these meetings.</p> <p>In order for meetings to be more effective, the meeting agenda is organised taking into consideration the priority of the matters / proposals to be deliberated. An indication will also be provided in the agenda to guide the Board / Board Committees as to whether the matters are for approval, discussion or for notation purpose with adequate time allocated for each agenda item in order for the meetings to be conducted efficiently.</p> <p>The proceedings of all meetings, including 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 raised are minuted and circulated to the Board members in advance of the next Board/Board Committee meeting for their comments and input.</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 Company is guided by its Charter which, inter alia, sets out the purpose, composition, key roles and principal responsibilities as well as the internal procedural matters for the Board. The principal responsibilities of the Board are in line with that provided in the Malaysian Code of Corporate Governance.</p> <p>The Board Charter serves as a source of reference for Board members to assist them in discharging their fiduciary duties as Directors.</p> <p>The Board Charter is reviewed periodically and the last review was on 14 February 2018. It is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/.</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 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 understands that it has the responsibility to set the tone and standards of the Company and is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders business integrity, fairness and approach to health and safety.</p> <p>The Group has adopted the following codes which outline its commitment to conducting business with integrity, fairness, respect for the laws and the values and principles for ethical and business conduct expected from relevant stakeholders in their business conduct and dealing with the Group:</p> <p>(i) HEINEKEN Code of Business Conduct (“HeiCode”) which has embedded 19 policies that covers all aspects of the Group’s business operations, categorised under four (4) key commitments namely:</p> <ul style="list-style-type: none"> o We advocate for responsible consumption o We respect people and the planet o We conduct business with integrity and fairness o We safeguard our Company’s assets <p>Among the areas covered are responsible alcohol consumption; commitment to health and safety, human rights and sustainable initiatives, avoidance and disclosure of conflicts of interest, management of confidential information, data protection; fair competition practices, fraud, bribery, offering and acceptance of gifts, entertainment, hospitality and donations; and money laundering.</p> <p>(ii) HEINEKEN Responsible Marketing Code which governs how we do business to ensure we market our brands responsibly. The Code also covers low and no-alcohol business as well as our digital media and self-regulation initiatives. All marketing materials undergo a diligent check against our Responsible Marketing Code before they are published.</p> <p>(iii) HEINEKEN Supplier Code which outlines clear standard of responsibility for the Group’s suppliers in the areas of integrity and business conduct, human rights, and the environment. The Group engages suppliers to raise their awareness on the Group’s expectations on the standards of business ethics and to review their performance based on the obligations committed to the Group.</p> <p>(iv) Distributor Code of Conduct which outlines the standard for ethical and business conduct expected from distributors in their business dealing with the Group. Briefing sessions are conducted nationwide for distributors to drive awareness and assess the understanding of the Code and the underlying principles relating to, among others, bribery, fraud and offering and acceptance of gifts and entertainment.</p> <p>The HeiCode, Responsible Marketing Code and the Supplier Code are available on the Company’s website at https://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 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>The Company adopted the HEINEKEN Speak Up Policy which provides employees with a standard process to report concerns about suspected misconduct within the Group in confidence and without fear of retaliation.</p> <p>The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Report can be submitted through the Speak Up Service via online or phone call. All Speak Up reports are handled by a Case Manager who works under the supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global Human Resources and Global Legal Affairs.</p> <p>The Speak Up Policy was communicated to all employees to create awareness that there is an established channel for them to raise concerns about suspected misconduct within the organisation.</p> <p>The HEINEKEN Speak Up Policy are available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/</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 has seven (7) Directors, led by a Non-Executive Independent Chairman, and supported by a Managing Director as well as five (5) Non-Executive Directors. Three (3) of the Non-Executive Directors (including the Chairman) are Independent Directors, representing 43% of the Board whilst the remaining three (3) Non-Executive Directors are Non-Independent Directors.</p> <p>The primary responsibility of Independent Directors is to protect the interests of minority shareholders and other stakeholders. They play a key role in providing independent views and advice and their effective participation serves to promote greater accountability and balance in the Board's decision-making process.</p> <p>The Board acknowledged the practice recommended under the MCCG for large companies to have a majority Independent Non-Executive Directors in the Board. Based on the current shareholding structure of the Company in which 51% of its equity interest are held indirectly by Heineken N.V. via its wholly-owned subsidiary, GAPL Pte Ltd, the Board was of the view that to fully leverage 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	:	The Company has no plan to change the current Board composition.
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	:	Shareholders' approval is sought for retention of Independent Directors serving beyond 9 years.
Explanation on application of the practice	:	<p>The Board is guided by the recommended approach under the MCGG for retention of Independent Directors beyond the cumulative term limit of nine (9) years and twelve (12) years. Independent Directors who exceed the cumulative term limit shall be re-designated as Non-Independent Director, unless shareholder approval is sought for him/her to remain as Independent Director providing justification. Notwithstanding this, the Board will continue to evaluate and assess this approach and take appropriate steps to adopt the recommended practice, taking into consideration the best interest of the Company.</p> <p>Mr Martin Giles Manen had served as an Independent Non-Executive Director of the Company for eleven (11) years as of 28 August 2019. The shareholders of the Company had, at the 55th AGM held on 24 May 2019, approved the continuing in office of Mr Martin Giles Manen as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. The Board had via the Nomination & Remuneration Committee ("NRC") conducted an assessment on the contribution of Mr Martin Giles Manen and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the justifications as disclosed in the Corporate Governance Overview Statement in the Annual Report.</p> <p>In accordance with the recommended practice under the MCGG, shareholders' approval will be sought through a two-tier voting process at the forthcoming AGM of the Company to allow Mr Martin Giles Manen to continue to act as an Independent Non-Executive Director 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

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	Not applied
Explanation on adoption of the practice	

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, via the NRC, reviews the suitability of candidate for appointment to the Board and ensure that appointments are made on merit. There are specific criteria for assessing candidature for directorship. The suitability of a candidate is assessed taking into consideration the following aspects:</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 Bursa Malaysia Main Market Listing Requirements ("MMLR").</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	:	Applied
Explanation on application of the practice	:	The Board recognises the importance of diversity in its membership, including gender, ethnicity and age, and strives to maintain the right balance for effective functioning of the Board. Presently, the Board comprises of 43% women directors, which has surpassed the 30% requirement for Large Companies.
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 4.6

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	:	There is a process for selection, nomination and appointment of suitable candidates to the Board of the Company. Potential candidates can be identified by the NRC, existing Directors, Managing Director or any shareholder or other senior executive within the Company, through internal or external sources via recruitment agencies based on the needs of the Board. The NRC reviews the suitability of candidate identified and recommends to the Board for approval. The Board is responsible to ensure that appointments are made on merit. As disclosed under Practice 4.4, there are specific criteria for assessing candidature for directorship.
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 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 available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/.</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 to ensure that the Board functions effectively. The purpose of the assessment is also to identify and address any areas of concern which may require improvements for the Board and the Board Committees. The assessment revolves around the following aspects:</p> <p>How the Board leads Examine how the Directors were chosen, the skills and experience, independence and knowledge, and diversity including the gender of the Board members.</p> <p>How the Board manages Evaluate the manner in which meetings and boardroom activities are conducted, including strategic and operational risk oversight, risk management and internal control reviews.</p> <p>How the Board contributes Review the manner in which Board members interact and participate as well as how decisions are made.</p> <p>For FY2019, the NRC had conducted the assessment internally via questionnaires. The assessment was led by the NRC Chairman and supported by the Company Secretary. Outcome of the assessment is disclosed in the Corporate Governance Overview Statement in the Annual Report.</p> <p>An external consultant is engaged once every three years to facilitate an objective and candid board evaluation. The Company had engaged an independent consultant to conduct the assessment in 2018 and will consider engaging an independent consultant to conduct the assessment in 2021.</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 for the Non-Executive Directors, designed to attract and retain high calibre Directors to drive the Group's strategic objectives, business sustainability and create long-term value for shareholders.</p> <p>The NRC is responsible to review the remuneration framework to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions; and competitive compared with the prevalent market practices. Any changes to the remuneration framework will be presented to the Board for approval.</p> <p>The Board, collectively, determines the remuneration of the Non-Executive Directors based on the recommendation of the NRC. Each of the Non-Executive Directors shall abstain from deliberating and voting on their own remuneration. Fees of Directors, and any benefits payable to Non-Executive Directors shall be subject to shareholders' approval at AGM.</p> <p>Non-Executive Directors are paid an annual fee for serving as members of the Board and Board Committees. They are also paid a meeting attendance allowance for each meeting they attended. The Chairmen of the Board and the Board Committees receive an annual allowance for the additional responsibility and commitment required. The above remuneration structure was determined based on a benchmarking exercise conducted by the Company with advice from an external consultant. The benchmarking exercise was done based on information and survey data on the remuneration practices of comparable companies obtained from independent sources.</p> <p>The remuneration of the Managing Director and other members of the Management Team is guided by the HEINEKEN Global Senior Management Reward Policy. Their remuneration package consists of both fixed and performance-linked elements. Salaries payable to the Managing Director shall not include a commission on or percentage of the Group turnover. The performance of the Managing Director is reviewed annually taking into consideration the corporate and individual performance. The Managing Director is not entitled to annual fee nor any meeting allowances for the Board and Board Committees Meetings he attended.</p> <p>The remuneration framework and details for the Non-Executive Directors and the Managing Director of the Company are disclosed in the Corporate Governance Overview Statement in the Annual Report.</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>The NRC consists of five (5) 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's responsibilities include 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 which is available on the Company's website at https://www.heinekenmalaysia.com/corporate-governance/</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	:	<p>The detailed disclosure on a named basis for the remuneration of individual directors has been made in the Corporate Governance Overview Statement in the Annual Report.</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 7.2

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	:	<p>In view of the confidentiality and sensitivity of the information, the Board is of the view that it would not be in the best interest of the Company and the key senior management members for the Company to disclose their remuneration on a named basis.</p> <p>Nevertheless, details of the remuneration of the Managing Director were disclosed in the Corporate Governance Overview Statement in the Annual Report whilst an aggregate amount of remuneration / compensation of the key management personnel was disclosed under Note 22 of the Audited Financial Statements for the financial year ended 31 December 2019. Such information is deemed adequate to enable stakeholders to assess the reasonableness of the remuneration paid to the senior management of the Company.</p> <p>The Company always benchmarks the remuneration practices against external market data through the use of remuneration surveys and ensures that the remuneration of the Directors and senior management members are fairly remunerated.</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 will continuously review and consider the appropriateness of the disclosure in the future.
Timeframe	:	Others

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	:	As provided in the Terms of Reference of the Audit & Risk Management Committee (ARMC), the Chairman of the ARMC shall be an Independent Director and is not the Chairman of the Board. The Chairman of the ARMC is Mr Martin Giles Manen, a Senior Independent Director. He is not the Chairman 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 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	:	Applied
Explanation on application of the practice	:	None of the existing Board members of the Company was a former key audit partner. The Board 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. Such requirement is also set out in the ARMC's Terms of Reference.
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 8.3

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 assesses the independence and objectivity of the external auditors in carrying out statutory audit for the Group and prior to the engagement of non-audit services of the external auditors. The ARMC also reviews the nature of the non-audit services and the related fee levels individually and in aggregate relative to the audit fee to ensure they do not compromise their independence and objectivity.</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 Corporate Governance Overview Statement in the Annual Report.</p> <p>In performing the audit on the Group's financial statements for the year ended 31 December 2019, 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. 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 2019, the Board was satisfied that the ARMC and its members have effectively discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference in that the ARMC has provided useful recommendations in assisting the Board in making informed decisions and enabling effective functioning of the Board.</p> <p>The ARMC members 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 adopted the HEINEKEN 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 Risk Control Workgroup ("RCW"), which is made up of members of the Management Team and is chaired by the Managing Director, oversees the areas of risk management and internal control of the Group. It meets on a quarterly basis to review the risk management activities and internal control issues raised. Matters deliberated in the RCW meetings are reported to the ARMC. The RCW is supported by the Process & Control Improvement Team who is tasked to oversee compliance with the Group's Risk Management and Internal Control Systems and drive continuous process improvement.</p> <p>The ARMC 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> <p>As an integral part of the risk management and internal control framework, an assessment is performed on key controls surrounding the Group financial reporting process on an annual basis, focusing on transparency, accountability and safeguarding of the Group assets. Outcome of the assessment is reported to the ARMC during their quarterly meetings.</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 key features of the risk management and internal control systems are set out in the Statement on Risk Management and Internal Control in the Annual Report.</p> <p>The Statement on Risk Management and Internal Control 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 not prepared, in all material respects, in accordance with the disclosures required by the Statement on Risk Management and Internal Control : Guidelines for Directors of Listed Issuers to be set out, nor is the statement factually inaccurate.</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	:	Not applied
Explanation on application of the practice	:	

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 is guided by its Charter and its principal responsibility is to provide independent and objective reviews on the Group's internal control system so as to ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The Internal Audit function also ensures that recommendations to improve controls are followed through by Management.</p> <p>The Internal Audit function, which is led by the Head of Internal Audit, has a clear line of reporting to the ARMC and its performance is reviewed by the ARMC on an annual basis. The ARMC also reviews the internal audit plan including the adequacy of the 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>Based on the assessment carried out by the ARMC on the effectiveness of the Internal Audit function for 2019, the Internal Audit function was found to be effective in discharging its responsibilities in that it has completed all the audit assignments in accordance with the plan with appropriate recommendations provided and implemented to strengthen the internal controls within the Group.</p> <p>Further details of the internal audit activities are disclosed in the ARMC Report in the Annual Report.</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>The Internal Audit function is led by the Head of Internal Audit who reports functionally to the ARMC and administratively to the Managing Director.</p> <p>The Head of Internal Audit, Mr Eugene Ding Diew Ping, is a holder of a Bachelor's Degree of Business (Accounting) from the University of Technology Sydney, Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants. He is also a Chartered Member of the Institute of Internal Auditors Malaysia. The Head of Internal Audit is currently supported by an Internal Audit Manager, two Assistant Managers and an Internal Audit Executive.</p> <p>The Internal Audit Department ("IAD") has direct access to the ARMC Chairman on all internal control and audit issues. The Internal Auditors may also communicate with the external auditors to assist in clarifying matters raised by the external auditors when necessary. All internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence in conducting their audit.</p> <p>The IAD is governed by an Internal Audit Charter approved by the ARMC. The charter sets out the purpose, scope, responsibility and authority of the IAD.</p> <p>The IAD carried out its activities based on the annual audit plan approved by the ARMC. 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 systems. 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 maintains an active and proactive communication approach with its shareholders and other stakeholders to facilitate mutual understanding of each other's objectives and expectations. To enable shareholders and other stakeholders to make informed decisions with respect to the Group's business, its policies on governance, the environment and corporate responsibility, the Company is committed to:</p> <ul style="list-style-type: none"> ▪ complying with the continuous disclosure principles stipulated in the Companies Act 2016 and the MMLR; ▪ preventing the selective or inadvertent disclosure of material price sensitive information; ▪ ensuring shareholders and the market are provided with full and timely information about the Company's activities; and ▪ ensuring that all shareholders and investors have equal opportunity to information published by the Company. <p>The Company is guided by HEINEKEN Media Policy and HEINEKEN Financial Disclosure Guidelines and the Corporate Disclosure Guide issued by Bursa Malaysia.</p> <p>The Company leverages on various communication platforms to reach out to shareholders and stakeholders. In 2019, numerous engagement activities were carried out by the Company to engage its stakeholders. Details of the engagement activities are reported in the Stakeholder Engagement section in the Annual Report.</p> <p>The Investor Relations ("IR") function of the Company is led by the Head of Accounting, Tax & IR who reports directly to the Finance Director. It organises briefings and discussions with investment analysts, fund managers, institutional investors and the media post-announcement of financial results. Briefings are conducted by the Managing Director and the Finance Director to disseminate the financial results of the Group, provide comprehensive insights and 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 the industry. Presentation materials used in the briefing sessions are uploaded to the Company's website as soon as practicable after the briefing.</p> <p>The Company considers that one-on-one discussions and meetings with investors and stockbroking analysts are an important part of proactive IR management. The Head of Accounting, Tax and IR 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 silent / closed periods. Unpublished price sensitive information about the Company will not be disclosed in any meeting with an investor or stockbroking analyst unless such information has previously been fully disclosed and disseminated to the public.</p> <p>During 2019, the Company had 12 face-to-face meetings and three (3) conference calls with institutional investors and held two (2) briefing sessions for investors and media, including brewery tours. Throughout the year, the Company received relatively extensive coverage from large equity research analysts.</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 11.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>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.</p> <p>For 2019, the Company continued to adopt the same integrated reporting approach based on IIRF in its Annual Report which focuses on linking the financial and non-financial aspects of the Group business to provide a clear picture of what strategies and initiatives the Group have implemented to meet the stakeholders' expectation.</p> <p>In addition to adhering to the principles of the IIRF, the Company is guided by the MMLR for the non-financial statements which cover environmental performance and social impact reporting; the MCCG for its governance section; the Malaysian Companies Act 2016, Malaysian Financial Reporting Standards and the International Financial Reporting Standards for the Group financial statements; and the Global Reporting Initiative G4 for sustainability reporting.</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 12.1

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 55th AGM of the Company was held on 24 May 2019 and the AGM notice was issued on 25 April 2019, 28 clear days in advance of the said AGM to provide shareholders adequate time to prepare and make necessary arrangements for attendance and vote at the AGM.</p> <p>The AGM notice is accompanied by the following information:</p> <ul style="list-style-type: none"> (i) explanatory notes to shareholders regarding their entitlement to attend the AGM and their right to appoint 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; and (ii) administrative details regarding the AGM to allow the shareholders to plan and make necessary arrangements to attend and participate in the AGM.
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>Save for Ms Lim Rern Ming, Geraldine who was not able to attend the 55th AGM held on 24 May 2019 at the very last minute due to other meeting commitment abroad, all Directors including the Chairman of the Board and the Board Committees, were present in person at the said meeting and they were available to respond to queries raised during the meeting. Other members of the Management Team also attended the AGM to handle other face-to-face enquiries from shareholders. Written response were provided to any significant question that were readily answered at the meeting.</p> <p>At the said AGM, the Managing Director presented a comprehensive review of the progress and performance of the Group's business together with an overview of the Group's activities, key challenges and market outlook.</p> <p>A Questions & Answers session was part of the meeting proceedings during which Shareholders were given the opportunity and time to raise questions, seek clarification on the Group performance as well as to share views and suggestions for improvement. The Chairman also shared the Company's responses to questions/points raised by the Minority Shareholder Watch 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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company's AGM are always held within the Kuala Lumpur City Centre at a venue that is centrally accessible via public transport.</p> <p>At least 28 days' notice with relevant information about the AGM are provided to shareholders prior to the AGM to allow them to plan ahead to attend the meeting. As an alternative practice, shareholders who are not able to attend the AGM in person are allowed to appoint more than one proxy to attend, participate, speak and to vote on their behalf at the AGM.</p> <p>Since 2017, the Company has implemented electronic voting for the conduct of poll for all resolutions proposed at AGM during which electronic voting devices were deployed to provide a more efficient voting process and accurate outcome of the results.</p> <p>The voting results / outcome of the AGM were announced by the Company and published on the Company's website on the same day after the meeting for the benefit of all shareholders.</p>
<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 conduct its 56 th AGM virtually through live streaming using the remote participation and voting facilities to facilitate voting in absentia and remote participation and voting.
Timeframe	:	2020

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
