

# Corporate Governance Overview Statement

The Board of Directors (the Board) of Heineken Malaysia Berhad (HEINEKEN Malaysia or the Company) firmly believes that commitment to good business ethics and corporate governance is essential to the long term sustainability of the business and performance of the Company and its subsidiaries (the Group). The Company supports the principles of good governance and the recommended practices provided in the Malaysian Code on Corporate Governance (MCCG).

The Board is pleased to present this statement to provide shareholders and investors with an overview of the corporate governance (CG) practices adopted by the Company over the financial year ended 31 December 2019 (FY2019), guided by the main principles and recommended practices as set out in the MCCG. This overview is to be read together with the CG Report 2019 of the Company which provides more details on the application of the Company's CG practices vis-à-vis the MCCG during FY2019.

As of 31 December 2019, the Company in principle endorses the key principles of good corporate governance and applies all recommended practices in the MCCG with the exception of the following practices:

Recommended CG Practices in MCCG	
Practice 4.2	For Large Companies, the Board comprises a majority independent directors.
Practice 7.2	Disclosure of top five (5) senior management's remuneration on a name basis.
Practice 12.3	Leveraging technology to facilitate remote participation and voting at general meetings.

Explanation on the departure from the said practices are provided in the CG Report 2019 which is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

### Board Responsibilities

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.

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 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/>

The Board is assisted by the following Board Committees, which are entrusted with specific responsibilities, in the discharge of its oversight function:

- Audit & Risk Management Committee (ARMC)
- Nomination & Remuneration Committee (NRC)

The Board Committees are granted the authorities to function in accordance with their respective terms of reference approved by the Board. The Chairman of the respective Board Committees reports on matters deliberated and recommendations made by the Board Committees.

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.

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.

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### Separation of functions between the Chairman and the Managing Director

The primary responsibility of the Chairman is to lead the Board in its collective oversight of Management and ensure it functions effectively in all aspects of its roles.

The roles of the Chairman and the Managing Director are distinct and separate with a clear division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Chairman of the Company is an Independent Non-Executive Director, who provides effective oversight over Management and reflects the Company's commitment to uphold corporate governance.

The Managing Director is 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 Group. The Managing Director is supported by a Management Team who is assisted by several functional committees that are tasked to oversee key operating areas.

### Senior Independent Non-Executive Director

Mr Martin Giles Manen, the ARMC Chairman, is designated as the Senior Independent Non-Executive Director of the Company. His roles, as defined in the Board Charter, are as follows:

- To act as a sounding board for the Chairman;
- To 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
- To act as a point of contact between the Independent Directors and Chairman on sensitive issues.

### Board Meetings

In order to facilitate Directors to plan ahead, a meeting schedule is prepared and circulated to the Directors before the commencement of each new financial year. The meeting schedule includes dates for meetings of the Board and Board Committees, annual general meeting (AGM) as well as the closed period for dealings in the Company's securities based on the targeted date of announcement of quarterly results of the Group.

The Board meets on a quarterly basis to review the business, operational and financial performance of the Group and discuss issues and challenges impacting the Group. Additional meetings are convened as and when necessary, to deliberate urgent and important matters. Directors may participate at a Board / Board Committee Meeting via telephone or video conferencing.

During FY2019, the Board had four (4) meetings and the attendance of each Director at the meetings, was as follows:

Name	Attendance
<b>Dato' Sri Idris Jala</b> Chairman, Independent Non-Executive Director	4/4
<b>Martin Giles Manen</b> Senior Independent Non-Executive Director	4/4
<b>Datin Ngiam Pick Ngoh, Linda</b> Independent Non-Executive Director	4/4
<b>Lim Rern Ming, Geraldine</b> Non-Independent Non-Executive Director	3/4*
<b>Roland Bala</b> Managing Director, Non-Independent Executive Director	4/4
<b>Yu Yu-Ping</b> Non-Independent Non-Executive Director	4/4
<b>Evers, Leonard Cornelis Jorden</b> Non-Independent Non-Executive Director <i>Appointed on 1 October 2019</i>	1/1
<b>Choo Tay Sian, Kenneth</b> Non-Independent Non-Executive Director <i>Resigned on 1 October 2019</i>	3/3

\* Absent from one Board Meeting due to other meeting commitment abroad.

At Board Meetings, Directors are encouraged to participate in the meeting and share their views and insight in the course of deliberation. They are also encouraged to pose queries (if any) to Management prior to each Board Meeting to enable them to better prepare for the meeting. Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting on the respective resolution. Decisions of the Board are made by consensus.

Members of the Management Team are also invited to attend Board Meetings to report and update on areas within their responsibility to provide Board members insights into the business and operations, and clarify any issues raised by the Directors.

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 documented in the minutes of meetings by the Company Secretary. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions for matters which are administrative in nature.

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### Access to Information

All Directors have unrestricted 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. The Board also has access to any form of independent professional advice, information and the advice and services of the Company Secretary in carrying out its functions.

Subject to the approval of the Board, the Directors, whether as a full Board or Board Committees or in their individual capacity, may seek and obtain independent professional advice at the Company's expense on specific issues to assist them in discharging their duties. Appropriate procedures are in place to facilitate the Directors' access to such advice.

The Board recognises the importance of timely, relevant and up-to-date information be provided to ensure an effective decision-making process by the Board. In this regard, the Board is provided with not only quantitative information but also those of qualitative nature which is pertinent to enable the Board to discharge its duties effectively.

Prior to each 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. 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. As an initiative to promote environmental sustainability and efficiencies, the Board has adopted paperless meetings which allow immediate and secure access to meeting materials.

### Training and Professional Development of Directors

The Board recognises the importance of continuing education for its Directors to keep abreast with developments in the market place and changes to the statutory and regulatory requirements to assist them in the discharge of their duties. During FY2019, the Directors have attended various development and learning programmes according to their individual needs to enhance their ability in discharging their duties and responsibilities more effectively. Some of the learning programmes in which Directors have participated during FY2019 are listed in Appendix 1 of this statement.

Under the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), newly appointed Directors (if appointed for the first time in a listed issuer) are required to complete the Mandatory Accreditation Programme (MAP) within four (4) months from the date of appointment. Mr Evers, Leonard Cornelis Jorden, the newly appointed Director of the Company, will complete the MAP in June 2020. He has been granted an extension of time by Bursa Securities to complete the MAP in June 2020.

Induction programme is arranged for the newly appointed Director to enable him to have a full understanding of the nature of the businesses, current issues within the Group and corporate strategies as well as the structure and management of the Group. The Management Team members will present their respective area of responsibility with an overview of the key strategies and issues of their function. As part of the induction programme, a brewery tour is also arranged to provide greater understanding about the production processes.

The Board is of view that the training programmes attended and/or participated by the Directors, and the updates provided to the Directors from time to time are sufficient to enable them to carry out their duties as Directors of the Company. Nevertheless, the Board will, on a continuous basis, evaluate and determine the training needs of the Directors.

### Code of Business Conduct and Ethics

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.

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.

### *HEINEKEN Code of Business Conduct ("HeiCode")*

The HeiCode has embedded 19 policies that covers all aspects of the Group's business operations, categorised under four (4) key commitments namely:

- We advocate for responsible consumption
- We respect people and the planet
- We conduct business with integrity and fairness
- We safeguard our Company's assets

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The HeiCode and the underlying policies are reviewed and updated periodically to reflect the changing business environment and the last review was carried out in 2018. On an annual basis, all employees are required to attend an awareness session and complete an e-learning programme to assess their understanding of the HeiCode.

### **HEINEKEN Responsible Marketing Code**

The Group strictly adheres to legal and regulatory guidelines and has a stringent Responsible Marketing Code that governs how we do business. The Code also covers low and no-alcohol business as well as our digital media and self-regulation initiatives. Our license to operate depends on our efforts in marketing our brands responsibly and in driving sensible consumption. All marketing materials undergo a diligent check against our Responsible Marketing Code before they are published.

### **HEINEKEN Supplier Code**

The HEINEKEN Supplier Code 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.

### **Distributor Code of Conduct**

The Distributor Code of Conduct 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.

### **HEINEKEN Speak Up Policy**

The HEINEKEN Speak Up Policy provides employees with a standard process to report concerns about suspected misconduct within the Group in confidence and without fear of retaliation.

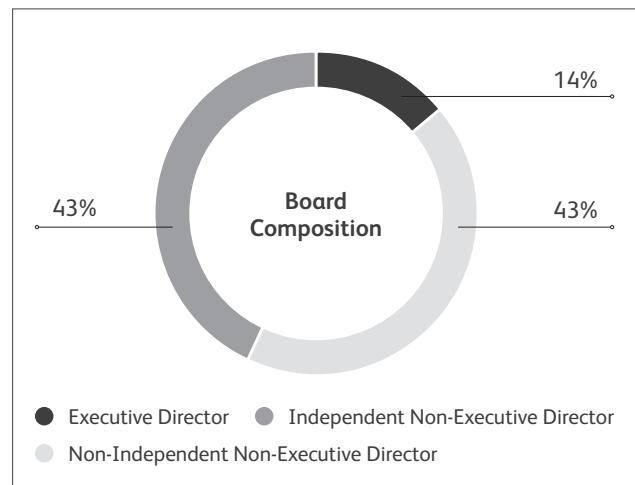
The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Report can be submitted through the Speak Up Service via online or phone call. All Speak Up reports are handled by a Case Manager who works under the supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global Human Resources and Global Legal Affairs.

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.

In 2019, nine (9) reports were received via the HEINEKEN Speak Up channel and investigated by the Internal Audit Department. The nature of these Speak Up reports were centered around allegations of fraudulent claims, conflict of interest and non-compliances with the Company's policies and procedures. Corrective and preventive actions including disciplinary measures as well as process and control improvements were taken by the Company subsequent to the investigations. None of the nine (9) Speak Up cases has caused any material financial impact to the Company. The Company will continue to educate and encourage employees to Speak Up given that this is an effective mechanism to protect the Company against fraud and non-compliance with rules and policies.

The HeiCode and the HEINEKEN Speak Up Policy are available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>

### **Board Composition**



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.

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

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promote greater accountability and balance in the Board's decision-making process.

The Board acknowledged the practice recommended under the MCGG 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.

### Board Effectiveness Assessment

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:

#### *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.

#### *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.

#### *How the Board contributes*

Review the manner in which Board members interact and participate as well as how decisions are made.

For FY2019, the NRC had conducted the assessment internally. The assessment was led by the NRC Chairman and supported by the Company Secretary. Based on the assessment, the Board concluded that the Board as a whole and its Board Committees have been effective in their discharge of function and duties:

- The current size and composition of the Board was optimum and well balanced with diversity of competencies, capabilities, business experience and knowledge required, taking into consideration the nature and the scope of the Group operations and its business requirements.
- Board members have good understanding of the business strategy, external trends and opportunities critical to the Group's future performance as well as knowledge of major

business and industry issues. They provided valuable input and devoted enough time in discussing the business strategy, financial performance and annual business plan.

- The working relationship between the Board members has been good with open and constructive conversations when discussing issues, driven by the strong leadership demonstrated by the Chairman. There was also sufficient support provided by Management to enable the Board to effectively discharge its function and duties.

### Tenure of Independent Non-Executive Directors

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.

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 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 following justifications:

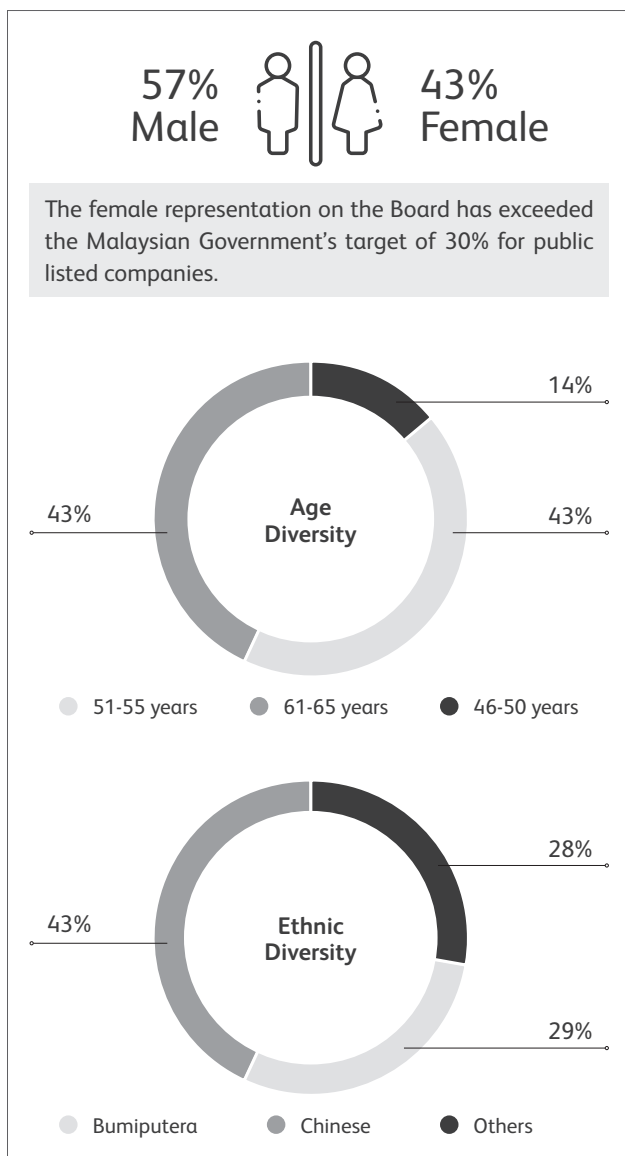
- (a) He has met the independence criteria adopted by the Company and fulfilled the independence definitions as prescribed under the MMLR and therefore he is able to bring independent and objective judgement to the Board;
- (b) His vast experience in the audit and accounting fields enable him to contribute to the Group's performance monitoring and enhancement of good corporate governance;
- (c) He has been with the Company for long and therefore understands the Group's business and operations which enable him to participate actively and contribute at Board Committees and Board Meetings;
- (d) He has devoted sufficient time and efforts and attended all the Board Committees and Board Meetings for informed and balanced decision-making; and
- (e) He has discharged his role as Chairman of the ARMC with due care and diligence and has carried out his professional duties as an Independent Non-Executive Director of the Company in the interest of the Company and shareholders.

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Based on the above recommendation of the Board, shareholders' approval will be sought through a two-tier voting process in accordance to the MCCG 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.

### Board Diversity

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. The Board Diversity of HEINEKEN Malaysia as of 31 December 2019 is depicted as follows:



The Board is also committed to building a corporate culture that embraces all aspects of diversity and inclusion practices in the Group.

### Appointments to the Board

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 or any shareholder or other senior executive within the Company, through internal or external sources via recruitment agencies.

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. The suitability of a candidate is assessed taking into consideration the following aspects:

- 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

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.

### Nomination & Remuneration Committee

The NRC comprises the following five (5) Non-Executive Directors of the Company with a majority being Independent Director:

<b>Dato' Sri Idris Jala</b> Chairman Independent Non-Executive Director	
<b>Datin Ngiam Pick Ngoh, Linda</b> Member Independent Non-Executive Director	<b>Evers, Leonard Cornelis Jordan</b> Member Non-Independent Non-Executive Director <i>Appointed on 1 October 2019</i>
<b>Martin Giles Manen</b> Member Senior Independent Non-Executive Director	<b>Yu Yu-Ping</b> Member Non-Independent Non-Executive Director



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The roles and responsibilities of the NRC are defined in the NRC's Terms of Reference which is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>.

The NRC met once during FY2019 and the attendance of each member at the meeting was as follows:

Name	Attendance
<b>Dato' Sri Idris Jala</b> Chairman, Independent Non-Executive Director	1/1
<b>Martin Giles Manen</b> Member, Senior Independent Non-Executive Director	1/1
<b>Datin Ngiam Pick Ngoh, Linda</b> Member, Independent Non-Executive Director	1/1
<b>Yu Yu-Ping</b> Member, Non-Independent Non-Executive Director	1/1
<b>Evers, Leonard Cornelis Jorden</b> Members, Non-Independent Non-Executive Director <i>Appointed on 1 October 2019</i>	**
<b>Choo Tay Sian, Kenneth</b> Member, Non-Independent Non-Executive Director <i>Ceased as a member on 1 October 2019</i>	1/1

\*\* No meeting was held during the period from 1 October 2019 to 31 December 2019

The NRC Meeting is normally held before or in conjunction with the Board Meeting. When necessary, decisions can also be made via circular resolutions. At Board Meeting, the Chairman of the NRC reports to the Board on matters deliberated at the NRC Meeting. During FY2019, the NRC performed the following activities:

- Assessed the effectiveness of the size, mix and the composition of the Board and the Board Committees and the contribution of individual Directors in relation to the effective decision-making of the Board and the independence of Independent Directors.
- Reviewed the re-nomination of Directors who were due for retirement at the Company's AGMs.
- Reviewed the re-appointment of Independent Non-Executive Director who served on the Board beyond nine years.
- Reviewed Management's proposals on performance bonus payout to the Group employees, salary increment and performance bonus KPIs.

### Remuneration

The remuneration matters of the Group fall under the purview of the NRC. The NRC is guided by the following principles:

- Remuneration should reflect performance, complexity and responsibility with a view to attracting, motivating and retaining high performance individuals and promoting the enhancement of the value of the Company to its shareholders.
- Remuneration practices are benchmarked against external market data through the use of remuneration surveys to ensure staff are fairly remunerated.
- The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.

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. 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. 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.

The remuneration package for the Non-Executive Directors approved by the shareholders on 25 November 2015 is set out as follows:

		RM
Annual fee	Non-Executive Director	75,000
	ARMC member	5,000
	NRC member	4,000
Annual allowance	Board Chairman	100,000
	ARMC Chairman	8,000
	NRC Chairman	6,000
Meeting attendance allowance (per meeting attended)	All Non-Executive Directors	1,200

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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.

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.

The shareholders of the Company had, at the 55<sup>th</sup> AGM held on 24 May 2019, approved the payment of Directors' fees and benefits up to RM700,000 to the Non-Executive Directors for FY2019. Total remuneration paid to the Non-Executive Directors of the Company for FY2019 was RM681,550. The breakdown of the remuneration of all the Directors (including the Managing Director) of the Company who served during FY2019 is as follows:

RM					
Directors of the Company	Fees & Chairman Allowance	Meeting allowance	Salary & Other Emoluments	Benefits-in-kind	Total
<b>Non-Executive Directors</b>					
Dato' Sri Idris Jala	186,000	10,800	-	23,950	220,750
Martin Giles Manen	87,000	10,800	-	-	97,800
Datin Ngiam Pick Ngoh, Linda	84,000	10,800	-	-	94,800
Lim Rern Ming, Geraldine	75,000	3,600	-	-	78,600#
Yu Yu-Ping	84,000	10,800	-	-	94,800#
Evers, Leonard Cornelis Jordan <i>Appointed on 1 October 2019</i>	21,000	2,400	-	-	23,400#
Choo Tay Sian, Kenneth <i>Resigned on 1 October 2019</i>	63,000	8,400	-	-	71,400#
<b>Total</b>	<b>600,000</b>	<b>57,600</b>	<b>-</b>	<b>23,950</b>	<b>681,550</b>
<b>Managing Director</b>					
Roland Bala	-	-	2,266,792	355,910	2,622,702
<b>Total</b>	<b>600,000</b>	<b>57,600</b>	<b>2,266,792</b>	<b>379,860</b>	<b>3,303,252</b>

*Benefits-in-kind include rental, motor vehicle, fuel consumption, club membership and leave passage.*

*Other emoluments include children's education allowance, entertainment allowance, healthcare insurance and house maintenance expenses.*

*# Paid directly to Heineken Asia Pacific Pte Ltd for Directors who represent the major shareholder*

For FY2019, the Chairman of the Board namely Dato' Sri Idris Jala was also paid an annual consultancy services fee of RM142,000 for assisting the Company in managing its industry issues and providing consultancy support to Management and employees of the Group for business improvement. Pursuant to Section 232 of the Companies Act 2016, a copy of the consultancy services agreement is kept at the registered office of the Company and is available for shareholders' inspection.

Dato' Dominic Joseph Puthuchery, a Director of Heineken Marketing Malaysia Sdn Bhd (HMMSB), was paid an annual fee of RM6,000 for serving as a Director of HMMSB for FY2019.

For the financial year ending 31 December 2020, the aggregate remuneration payable to the Non-Executive Directors of the Company is estimated to be around RM700,000 calculated based on the above fees and allowances and the current composition of the Board and Board Committees. Shareholders' approval will be sought at the 56<sup>th</sup> AGM of the Company on the payment of Directors' fees and benefits up to the said amount to the Non-Executive Directors of the Company in 2020.



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### PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

#### Audit & Risk Management Committee (ARMC)

The ARMC is responsible to establish and oversee the effectiveness of the Group's risk management and internal controls system and its financial reporting process.

The ARMC comprises five (5) members, all of whom are Non-Executive Directors; three (3) including the Chairman, are Independent Non-Executive Directors. The Chairman of the ARMC is not the Chairman of the Board. The members of the ARMC are financially literate and have sufficient understanding of the Group's business. Details of the composition and responsibilities of the ARMC are set out in the Audit & Risk Management Committee Report in this Annual Report.

Annually, the Board, via the NRC assesses the composition, performance and effectiveness of the ARMC. The Board is satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

#### Suitability and Independence of External Auditors

The Board through the ARMC has established a professional relationship with the Group's external auditors. The ARMC has explicit authority to communicate directly with external auditors.

The ARMC meets with the external auditors at least twice a year to discuss their audit plan, audit findings and their reviews of the Group's financial statements with the presence of the Managing Director and the Management staff. The ARMC also meets the external auditors twice annually without the presence of the Managing Director and the Management staff to discuss the audit findings and any other observations they may have during the audit process.

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.

The external auditors are engaged mainly to perform statutory audit on the Group's financial statements. For FY2019, the external auditors also undertook the following non-audit related reviews:

- Review of reporting deliverables to Deloitte Netherlands
- Review of the Statement on Risk Management and Internal Control

The amount of fees paid for the above services were reported in the Audit & Risk Management Committee Report in this Annual Report.

The ARMC also considers the re-appointment, remuneration and terms of engagement of the external auditors, guided by the following criteria:

<b>Calibre</b>	<ul style="list-style-type: none"> <li>▪ Adequacy of resources and relevant specialists/experts employed to conduct the audit.</li> </ul>
<b>Quality processes</b>	<ul style="list-style-type: none"> <li>▪ Audit approach, judgements, issues and key risks factored into the audit plan.</li> <li>▪ Audit conducted in line with the audit scope, plan and the required timing.</li> </ul>
<b>Audit Team</b>	<ul style="list-style-type: none"> <li>▪ Requisite skills and expertise, including industry knowledge.</li> <li>▪ Level of involvement in the audit process.</li> <li>▪ Ability to provide a clear and understandable explanation on auditing and accounting issues.</li> </ul>
<b>Independence &amp; Objectivity</b>	<ul style="list-style-type: none"> <li>▪ Highlight concerns over non-audit services which might be perceived to affect the independence of the auditors and measures put in place to safeguard against impairment to their independence.</li> <li>▪ Maintain professional and open dialogues with the ARMC and share findings in a frank manner.</li> </ul>
<b>Audit Communications</b>	<ul style="list-style-type: none"> <li>▪ Highlight significant issues and discuss critical accounting treatment and quality of financial reporting, including the reasonableness of accounting estimates and judgements.</li> <li>▪ Update ARMC on new applicable accounting practices and auditing standards and new developments regarding risk management, corporate governance and control matters.</li> <li>▪ Seek feedback on the quality and effectiveness of the services they are providing.</li> </ul>
<b>Audit fees</b>	<ul style="list-style-type: none"> <li>▪ Fair and reasonable and on par with other similar sized fast moving consumer goods companies.</li> </ul>

## Corporate Governance Overview Statement

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.

### Risk Management and Internal Control

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.

The Board is assisted by the ARMC who provides an objective review of the adequacy, integrity and effectiveness of the risk management and internal control systems to ensure that the same are soundly conceived, in place, effectively administered and regularly monitored.

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.

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.

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.

Based on the assessment carried out by the ARMC on the effectiveness of the Internal Audit function for FY2019, 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.

The Board is of the view that the overall risk management and internal control systems in place for FY2019 are operating adequately and effectively for the purpose of safeguarding the Group's assets, as well as shareholders' investments and the interests of customers, employees and other stakeholders. The key features of the risk management and internal control systems are set out in the Statement on Risk Management and Internal Control in this Annual Report.

### Financial Reporting

The Board is committed to ensure that a balanced, clear and meaningful assessment of the Group's financial position and prospects is presented in the disclosures in the quarterly financial reports and the annual financial statements to shareholders and investors.

The Board, assisted by the ARMC, oversees the financial reporting of the Group. The ARMC reviews the Group's quarterly financial reports and annual financial statements, the appropriateness of the Group's accounting policies and the changes to these policies to ensure that these financial statements are prepared in accordance with the requirements of the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act, 2016 and the MMLR, and give a true and fair view of the financial position of the Group at the end of the financial year.

The Directors are satisfied that in preparing the financial statements for FY2019, the Group has adopted and applied consistently appropriate accounting policies, supported by reasonable and prudent judgements and estimates; and implemented relevant internal controls to ensure the financial statements are free from material misstatement. The Directors also consider that all applicable approved accounting standards in Malaysia have been adopted and the financial statements have been prepared on a going concern basis.

The Chairman's Statement and the Management Discussion and Analysis in this Annual Report provide additional analysis and insights on the state of the Group's business. The Statement by Directors pursuant to the Companies Act, 2016 is set out in the Financial Statements section of this Annual Report.

## Corporate Governance Overview Statement

### PRINCIPLE C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

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:

- 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.

The Company is guided by the following policies and guidelines:

- (i) HEINEKEN Media Policy and HEINEKEN Financial Disclosure Guidelines which stipulate the authorised spokespersons through which/whom certain information shall be disclosed to internal and external stakeholders and specific guidance on the disclosure of material information, maintenance of confidentiality of information and dissemination of information.

The Company's authorised spokespersons are the Chairman and the Managing Director of the Company. In appropriate circumstances, the Managing Director may from time to time authorise other spokespersons on particular issues and those within their area of expertise.

- (ii) Corporate Disclosure Guide issued by Bursa Malaysia which provides guidance on:

- how to assess whether a particular information is material and warrants an immediate announcement;
- when to make the announcement including when to withhold making the announcement;
- minimum contents to be included in the announcements; and
- how to comply in substance rather than in form when making disclosures pertaining to transactions.

### Communication with Stakeholders

The Company leverages on various communication platforms to reach out to shareholders and stakeholders. These include among others:

- Company's website and social media maintained by the Company.
- Bursa LINK maintained by Bursa Securities.
- Investors and media briefings organised by the Investor Relations Team and the Corporate Communications Team.
- Direct engagement via face-to-face meetings and conference calls with investors outside the silent or closed periods.
- Corporate events and community outreach programmes.
- AGM.
- Enquiries / feedback via email and calls, the contact details are available on the Company's website.

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 this Annual Report.

### Investors Relations (IR)

The 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.

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.

## Corporate Governance Overview Statement

During FY2019, 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.

The Finance Director reports to the Board on investor relations activities, recommendations by analysts, comments from the investment community as well as commentary on stock price information and performance.

### Integrated Reporting

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 2019, the Company continued to adopt the same integrating reporting approach based on IIRF in this Annual Report.

### Conduct of General Meetings

Company's AGM is a principal platform for Directors and Senior Management to engage shareholders to facilitate a greater understanding of the Group's business, governance and performance. Shareholders are encouraged to attend and participate at AGM through the following means:

- AGMs are held in a central location which is easily accessible by public transportation.
- Shareholders are notified on the AGM and the relevant reports are published via the Company's and Bursa Malaysia's website at least 28 clear days before the meeting to provide shareholders adequate time to prepare and make necessary arrangements for attendance and voting at the AGM.
- 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 will be presented at each AGM.
- Shareholders are 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, Managing Director, Chairman of respective Board Committees, Finance Director and other Board members are available to respond to queries raised

during the meeting. Other members of the Management Team also attend the AGM to handle other face-to-face enquiries from shareholders. Where appropriate, a written response will be provided to any significant question that cannot be readily answered at the meeting.

- External auditors are invited to attend the AGM to answer any questions relating to the conduct of the audit in respect of the Group audited financial statements.
- The Chairman, on behalf of the Board, also addresses questions submitted in advance by the Minority Shareholder Watch Group for the meeting. A written reply will be published on the Company's website after the meeting.

In line with the requirements of the MMLR, the Company has implemented electronic poll voting for all resolutions proposed at AGMs since year 2017. A scrutineer is appointed to validate the votes cast at the AGM. Poll results are announced to shareholders / proxies present immediately after each poll is conducted and such results are also published on the Company's website and via Bursa Securities on the same day after the meetings. Minutes of AGMs are published on the Company's website as soon as practicable following the meeting.

The Company will leverage on technology to enhance the quality of engagement and provide ease for shareholders participation at the 56<sup>th</sup> AGM.

# Appendix 1 - Directors' Training List

Directors	Training attended during the financial year ended 31 December 2019
<b>Dato' Sri Idris Jala</b>	<ul style="list-style-type: none"> <li>▪ International Conference on Emerging Africa 2019</li> <li>▪ Administrative Development in light of Saudi Vision 2030, National Center for Performance Management</li> <li>▪ Djibouti Presidential and Cabinet Retreat by World Bank</li> <li>▪ Harvard Ministerial Leadership Forum for Finance Ministers</li> <li>▪ Harvard Ministerial Leadership Forum for Health and Education Ministers</li> <li>▪ Pakistan Trade and Investment Growth Knowledge Transfer by World Bank</li> <li>▪ 6 Secrets of Corporate Transformation</li> <li>▪ Economic Management Retreat for Edo State</li> <li>▪ Corporate Transformation</li> <li>▪ Transformational Leadership</li> </ul>
<b>Roland Bala</b>	<ul style="list-style-type: none"> <li>▪ HEINEKEN Forum 2019</li> <li>▪ HEINEKEN GMs Gathering 2019</li> <li>▪ HEINEKEN Asia Pacific (APAC) General Managers (GMs) Conference 2019</li> <li>▪ HEINEKEN APAC GMs Forum 2019</li> <li>▪ HEINEKEN APAC Inclusive Leadership Workshop</li> <li>▪ Revive &amp; Renew Workshop</li> <li>▪ Guinness Immersion</li> <li>▪ Crisis Management Training</li> <li>▪ Uncage Capabilities to Win</li> <li>▪ Uncage Our Courage to Win Big</li> <li>▪ Transformation of Leadership Culture</li> </ul>
<b>Martin Giles Manen</b>	<ul style="list-style-type: none"> <li>▪ Directors' Duties &amp; Powers – Recent Developments in law and how it affects you</li> <li>▪ Audit Committee Institute (ACI) Breakfast Roundtable :Evolving Global and Local Landscape of Anti-Money Laundering (AML) &amp; Sanction - Should I be concerned, Cyber Security An Enterprise Risk – AC's Perspective; and Tax Risk Management and Board Responsibility</li> <li>▪ Integrated Reporting – Leaping to Sustainable Value Creation</li> <li>▪ Financial Industry Conference 2019 : Launch of MyFintech Week “Shifting Tides: Future of Finance”</li> <li>▪ Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: Risk, Challenges, Governance &amp; Transparency in Managing Business &amp; Compliance</li> <li>▪ Malaysian Financial Reporting Standard (MFRS) 17 : Insurance Contracts</li> <li>▪ ACI Breakfast Roundtable : Corporate Liability Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC), Governance Revelations from Inquest Reports; and Business Continuity Management (BCM) - Counting the costs and benefits: A Critical Perspective</li> <li>▪ Bursa Thought Leadership : Convergence Digitalisation and Sustainability</li> <li>▪ Financial Institutions Directors' Education Forum : Leadership in a Disruptive World: The Changing Role of Boards</li> <li>▪ Securities Commission Malaysia Audit Oversight Board Conversations with Audit Committees</li> </ul>
<b>Datin Ngiam Pick Ngoh, Linda</b>	<ul style="list-style-type: none"> <li>▪ Directors' Duties &amp; Powers – Recent Developments in the law and how it affects you</li> <li>▪ Enhancing Corporate Governance by Understanding Legal Liabilities. Act or Resign.</li> <li>▪ Corporate Liability Provisions under the MACC Amendment Act 2018</li> <li>▪ Leadership Greatness in Turbulent Times : Building Corporate Longevity</li> <li>▪ The Convergence of Digitisation and Sustainability</li> </ul>

## Appendix 1 - Directors' Training List

Directors	Training attended during the financial year ended 31 December 2019
<b>Lim Rern Ming, Geraldine</b>	<ul style="list-style-type: none"> <li>▪ HEINEKEN Forum 2019</li> <li>▪ HEINEKEN GMs Conference 2019</li> <li>▪ HEINEKEN GMs Forum 2019</li> <li>▪ HEINEKEN Regional Legal Roundtable 2019</li> <li>▪ HEINEKEN APAC Inclusive Leadership Workshop</li> <li>▪ HEINEKEN APAC GMs Forum 2019</li> <li>▪ HEINEKEN Build Our Own Sustainable Talent (BOOST) : BTF Mentor Training Session</li> <li>▪ HEINEKEN Ambition Workshop</li> <li>▪ American Conference Institute's 8<sup>th</sup> Asia Pacific Summit on Anti-Corruption</li> <li>▪ Clifford Chance's Risk Series</li> <li>▪ YSIAC (Singapore International Arbitration Centre) Event – The Spirit of Arbitration</li> </ul>
<b>Yu Yu-Ping</b>	<ul style="list-style-type: none"> <li>▪ HEINEKEN Forum 2019</li> <li>▪ HEINEKEN Boost Forum 2019</li> <li>▪ HEINEKEN Ambition Workshop</li> <li>▪ HEINEKEN Regional HR Conference 2019</li> <li>▪ HEINEKEN APAC GMs Conference 2019</li> <li>▪ HEINEKEN APAC Inclusive Leadership Workshop</li> <li>▪ Impactt Harassment Training</li> <li>▪ Optimal Workshop with Ryan Ross – A Safer Personality</li> <li>▪ Rapid Innovation Workshop</li> <li>▪ Digital Deep Dive Workshop</li> <li>▪ Senior HR Leadership Programme : HR Leading in the Boardroom</li> <li>▪ Insead Future – Ready Summit on the topic of “Leading Transformation”</li> <li>▪ Mandatory Accreditation Programme for Malaysian Directors</li> </ul>
<b>Evers, Leonard Cornelis Jorden</b>	<ul style="list-style-type: none"> <li>▪ Commerce Strategy in Digital Age</li> <li>▪ HEINEKEN GMs Forum 2019</li> <li>▪ HEINEKEN APAC GMs Conference 2019</li> </ul>