

# 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 (CG) 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).

Financial year 2021 (FY2021) was another challenging year when COVID-19 pandemic continued to impact the global and domestic economy resulting a slowdown in economic recovery. Despite the challenging economic environment, the Board remained focus on building resilience by providing an effective stewardship whilst continuing its commitment in maintaining high CG standards and embracing a responsible business culture throughout the Group. This has enabled the Group to deliver a solid and sustainable performance for FY2021.

The Board is pleased to present this statement to provide shareholders and investors with an overview of the CG practices applied by the Company during FY2021. This overview makes reference to the following key CG principles and the recommended practices as set out in the MCCG and it should be read in conjunction with the Audit & Risk Management Committee Report, Statement on Risk Management and Internal Control, Sustainability Review and the Corporate Governance Report (CG Report) for FY2021 which is available on the Company's website <https://www.heinekenmalaysia.com/corporate-governance/>

Principle A	Principle B	Principle C
Board Leadership and Effectiveness	Effective Audit and Risk Management	Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

As of the date of this statement, the Company has complied in all material aspects with the principles and has applied all recommended practices including two of the step-up practices in the MCCG with the exception of the following practices:

Practice 1.4	Chairman of the Board should not be a member of the Nomination & Remuneration Committee
Practice 5.2	For Large Companies, the Board comprises a majority independent directors

Practice 5.3	Tenure of an independent director does not exceed nine years
Practice 6.1	For Large Companies, the Board engages independent experts at least every three years, to facilitate objective and candid board evaluations
Practice 8.2	Disclosure on a named basis the top five (5) senior management's remuneration in bands of RM50,000

The details of how the Company has complied with the MCCG principles and applied the CG practices and the explanation on the departed practices are outlined in the CG Report 2021. The Board will continue its commitment to provide effective leadership and promote ethical standards by ensuring good governance principles and practices are adhered to throughout the Group.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

### Board Responsibilities

The Board is collectively responsible for defining the Group's strategic direction and overseeing the conduct of the Group's businesses and the management effectiveness. It 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 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.

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.

The Board Charter is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has in place a governance framework where specific powers of the Board are delegated to the relevant Board Committees and the Managing Director and his team. The governance framework is depicted as follows:

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The Board is supported by the Audit & Risk Management Committee (ARMC) and the Nomination & Remuneration Committee (NRC), which are entrusted with specific responsibilities and authorities to review matters before tabling to the Board for approval. The Chairman of the respective Board Committees reports to the Board on matters deliberated and recommendations made by the Board Committees.

The roles of the Chairman and the Managing Director are held by separate individuals. The roles of the Chairman are defined in the Board Charter. The Managing Director, who is appointed by the Board, is primarily responsible for the day-to-day management of the business and operations of the Group, organisational effectiveness and the implementation of the Group's strategies and policies approved by the Board. He is supported by the Management Team who is assisted by several functional committees that are tasked to oversee key operating areas.

The Board delegates the following responsibilities, with appropriate oversight, to the Management Team for meeting the defined corporate objectives:

- ⇒ Implementing approved strategy and operating plans
- ⇒ Managing the Group's business and operations
- ⇒ Managing the Group's resources, cash flow and investments
- ⇒ Evaluating risks and opportunities arising from changing market environment
- ⇒ Ensuring compliance 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. The list of matters is provided in the Board Charter approved by the Board.

## Board Meetings

The Board meets on a quarterly basis to review the Group's business and financial performance and discuss operational and industry issues as well as challenges impacting the Group. Additional meetings may be convened as and when necessary, to deliberate urgent and important matters. Directors may participate at the meeting remotely via a designated virtual meeting platform. In order to facilitate Directors and Management's planning for the whole financial year, meetings of the Board and the Board Committees are scheduled in advance before the commencement of each new financial year.

In 2021, the Board had four (4) meetings. The Finance Director and the Company Secretary are in attendance in every meeting whilst the other Management Team members are invited to attend the Board meetings at designated sessions for them to report and update on areas within their responsibility. The attendance of each Director at the Board meetings, was as follows:

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Name	Designation	Attendance
Dato' Sri Idris Jala (Chairman)	Independent Non-Executive Director	4/4
Datin Ngiam Pick Ngoh, Linda	Independent Non-Executive Director	4/4
Roland Bala	Managing Director	4/4
Choo Tay Sian, Kenneth	Non-Independent Non-Executive Director	4/4
Seng Yi-Ying	Non-Independent Non-Executive Director	4/4
Lau Nai Pek (Appointed on 22 May 2021)	Senior Independent Non-Executive Director	2/2 #
Raquel Batallones Esguerra (Appointed on 1 September 2021)	Non-Independent Non-Executive Director	1/1
Yu Yu-Ping (Resigned on 31 August 2021)	Non-Independent Non-Executive Director	3/3
Martin Giles Manen (Retired on 21 May 2021)	Senior Independent Non-Executive Director	2/2

# Attended one Board meeting by invitation as part of the transition process prior to his appointment

At Board Meetings, the Managing Director would lead the presentation to the Board and provide comprehensive explanation of the Group's strategy and priorities, business performance and other pertinent issues whilst the Finance Director would report to the Board on the Group's financial performance and matters related to the finance function. Other Management Team members would update the Board on activities and issues within their responsibility.

During the 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.

The proceedings of all meetings, including issues discussed, decisions and conclusions including dissenting views made and whether any Director abstained from voting or deliberating on a particular matter at the meetings with required actions to be taken by responsible parties are documented in the minutes by the Company Secretary. In the intervals between Board meetings, Board's decisions or approvals for matters that are

urgent or administrative in nature will be sought via circular resolutions which are supported with relevant information and explanations and the same applies to the Board Committees.

## Access to Information

The Board emphasises on provision of timely and quality information by Management to facilitate effective deliberation and decision-making process. Prior to each meeting, a structured agenda together with management reports and proposals will be provided to the Directors at least five (5) days (or in any event not less than three (3) days) before the meeting. In order for meetings to be more effective, the meeting agenda is organised according to the priority of the matters / proposals to be deliberated with an indication to guide the Directors as to whether the matters are for approval, discussion or for notation purpose and time allocated for each agenda item in order for the meetings to be conducted efficiently.

All Directors have unrestricted access to the Management Team in that they may have informal meetings with the Management Team members to brief them on matters or major developments concerning the Group operations. The Board also has full access to information and the advice and services of the Company Secretary who is a Chartered Secretary and is qualified under the Companies Act 2016. The Company Secretary ensures the Directors are provided with adequate information and time to prepare for Board meetings. The Company Secretary also prepares minutes of meetings in a timely manner and provides advisory services to the Board on corporate administration and governance matters including compliance with relevant regulatory requirements.

Subject to the approval of the Board, the Directors, either as a group or individually may seek and obtain independent professional advice at the Company's expense on specific issues to assist them in discharging their duties effectively.

## Directors' Professional Development

Directors are mindful of the needs to broaden their perspective and to keep abreast with developments in the marketplace as well as changes to the regulatory requirements in order to enhance their ability in discharging their duties and responsibilities more effectively. The Board, through its annual effectiveness evaluation, assessed the training needs based on feedback gathered from the Directors. From time to time, Directors may also request training on specific areas which may help in discharging their responsibilities. When necessary, learning sessions on particular topics which are relevant to the Group's business will also be organised for the Directors.

During FY2021, the Directors have attended various development and learning programmes on relevant topics

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among others, leadership, corporate governance, sustainability, business management, information technology and security, risk management and legal.

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. The newly appointed Directors Mr Lau Nai Pek had completed the MAP prior to his appointment to the Board whilst Ms Raquel Batallones Esguerra has been granted an extension of time by Bursa Securities to complete the MAP in April 2022.

For newly appointed Directors, induction programme is arranged with the objectives of assisting them in the nature of business, business strategies, corporate structure and management functions as well as issues and challenges facing the Group and the industry. The Management Team members will present their respective area of responsibility with an overview of the key strategies and priorities of their function. As part of the induction programme, a brewery tour will also be arranged to provide greater understanding about the production processes. In 2021, induction sessions were conducted for the newly appointed Directors Mr Lau Nai Pek and Ms Raquel Batallones Esguerra.

## Commitment to Integrity and Ethical Conduct

Establishing a culture of integrity and ethical in the organisation is essential in preservation of the Group's reputation and thereby increase the confidence of stakeholders. The Board continues to uphold good business conduct by ensuring there are adequate policies and procedures in place driven by the Management Team. Directors, officers, employees and business partners of the Group are required to observe and maintain high standards of integrity and ethical behaviour in the performance of their responsibilities or conducting business and to comply with relevant regulatory requirements and policies adopted by the Group, including those relating to anti-bribery and anti-corruption.

The Group has in place the following codes which outline its commitment to conducting business with integrity and fairness, respect for the laws, our values and our Company Manifesto - We are HEINEKEN; as well as the principles for ethical and business conduct expected from relevant stakeholders in their dealing with the Group.

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

The HeiCode has embedded 17 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

The HeiCode and the underlying policies, communication and training materials are documented and available in a Business Conduct Portal for employee access. They are reviewed and updated periodically to reflect the changing business environment. On an annual basis, all employees are required to complete the following online courses as part of the Company's efforts to drive awareness and assess their understanding of the respective codes and the underlying principles:

- ⇒ Code of Business Conduct
- ⇒ Anti-Bribery and Corruption
- ⇒ Responsible Marketing Code
- ⇒ Security Awareness
- ⇒ Fraud Awareness
- ⇒ Data Privacy
- ⇒ Competition law

Employees are also required to disclose to the Company on a yearly basis if there is a possible conflict between their interest and that of the Company or any of its subsidiaries. This is to ensure decisions within the Group are based on sound and objective business judgement, not influenced by any possible personal interests or gain.

### **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 licence 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 and Distributor Code of Conduct**

All business partners are required to adhere to all applicable laws and regulations where they operate and affirm their commitment to responsible business conduct at all times. They are expected to live up to the Group expectations towards conducting business responsibly, respecting human rights, ensuring health and safety, and protecting the environment as outlined in the HEINEKEN Supplier Code and the Distributor Code of Conduct.

The Group has taken proactive steps to ensure its business partners embrace our values and commitment to responsible business conduct. In 2021, the Group implemented a due-diligence tool which is designed to identify, assess, and remedy risks associated with third parties engaged by the Group including

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suppliers and distributors. Anti-bribery and corruption are among the risks to be assessed by the tool.

## HEINEKEN Speak Up Policy

The HEINEKEN Speak Up Policy provides employees and stakeholders with a standard process to report concerns about suspected misconduct within the Group in confidence and without fear of retaliation. The policy was communicated to the Group employees and business partners to create awareness of the Speak Up platform for them to raise concerns about suspected misconduct within the organisation.

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.

In 2021, four (4) reports were received via the HEINEKEN Speak Up channel and investigated by the Internal Audit function. The nature of these Speak Up reports were centered around non-compliances with the Group’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 Speak Up cases has caused any material financial impact to the Group. The Group will continue to educate and encourage its employees and business partners to Speak Up given that this is an effective mechanism to protect the Group 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/>.*

## Sustainability Governance

In recent years, there has been an increased interest from stakeholders and regulators on matters relating to sustainability and environmental, social and governance (ESG). The Board is responsible for ensuring that the Company has in place appropriate sustainability strategy which is aligned with the Company’s strategic direction to support the Group’s long-term objectives. The Board emphasises on strategic management of material sustainability risks and opportunities, which includes integration of ESG factors in their decision-making process and in the Group’s operations.

The Group has adopted the HEINEKEN Global’s sustainability strategy - Brew A Better World (BABW) with commitments until

year 2030 that prioritise on the following areas to protect the environment, support local communities and make a positive contribution to the society:

Environmental	Social	Responsible
Net zero carbon	Embrace inclusion & diversity	Always a choice to consumer
Maximise circularity	Fair & safe workplace	Address harmful use
Healthy watersheds	Growing with community	Promoting moderation



The BABW ambitions and targets are aimed to contribute to the United Nations Sustainable Development Goals to protect the planet, ensure prosperity and end poverty. Initiatives within each priority area are driven by relevant functions /departments across the organisation.

The Board is supported by a Sustainability Committee which is responsible for the formulation and implementation of the Group’s sustainability priorities and initiatives. The Sustainability Committee comprises selected representatives from various key functions, led by the Corporate Affairs & Legal Director (CAL Director) who is entrusted by the Board to oversee the sustainability matters of the Group. The CAL Director reports to the Managing Director and the Board on a quarterly basis on the progress of the sustainability priorities and initiatives undertaken by the Group.

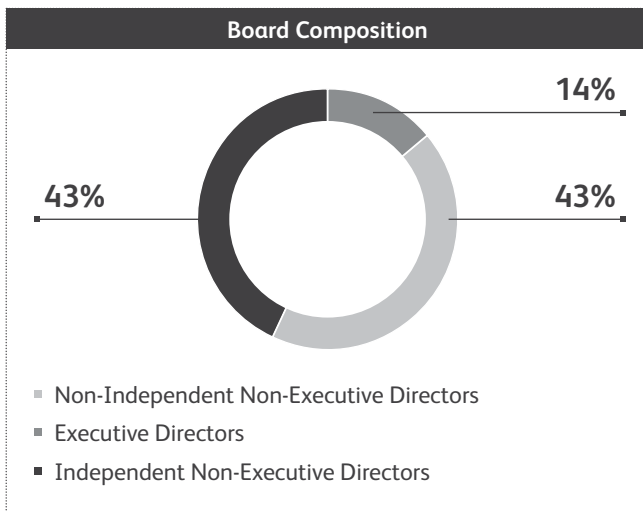
Further information about the Company’s approach to sustainability are disclosed in the Sustainability Review in this Annual Report.



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## Board Size, Composition and Diversity

As of the date of this statement, the Board has seven (7) Directors, led by an Independent Non-Executive 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.



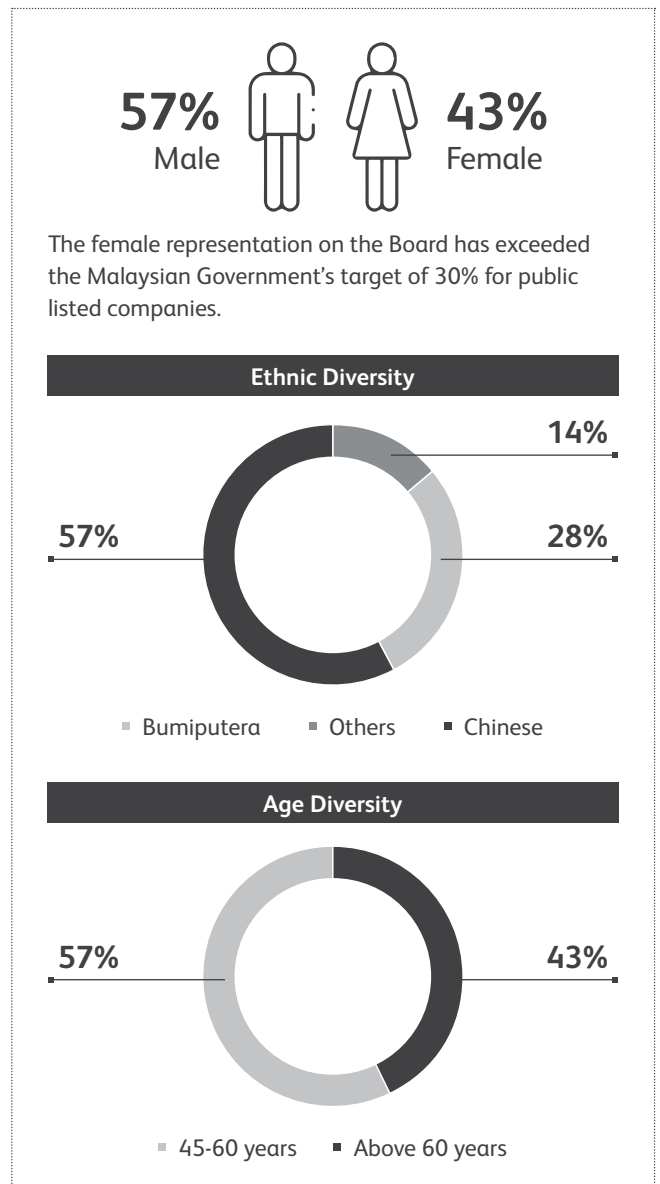
All the Directors are professionals of high calibre and integrity. As a whole, the Board possesses a diverse set of skills, experience and expertise in various fields including strategy and risk, business and administration, finance and accounting, media and public relations, legal and human resource which are necessary for the overall Board and Board Committees' effectiveness.

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.

Mr Lau Nai Pek, the ARMC Chairman who was appointed to the Board in May 2021, has been designated as the Senior Independent Non-Executive Director of the Company. His roles are defined in the Board Charter.

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 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.

The Group recognises the importance of ensuring an inclusive and diverse Board and has continued to maintain the right size and balance of gender, ethnicity and age diversity with adequate independent elements for effective functioning. The Board gives appropriate weight to diversity considerations in the selection and appointment process, whilst taking into account the overall profile and selection criteria for appointments to the Board. The Board diversity as of the date of this statement is depicted as follows:



The Group has adopted the HeiCode and the HEINEKEN Human Rights Policy which outline the principles of non-discrimination without distinction according to, among others, race, gender, nationality and age. Embracing a diversity and inclusion culture that promotes diversity and gender equality across the organisation will remain a key priority for the Group going forward.

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During the year, the Board composition was refreshed with the appointment of Mr Lau Nai Pek as the new Independent Non-Executive Director and ARMC Chairman, succeeding Mr Martin Giles Manen who retired at the Company's 57<sup>th</sup> Annual General Meeting (AGM) in May 2021; followed by the appointment of Ms Raquel Batallones Esquerra who filled the vacancy arising from the resignation of Ms Yu, Yu-Ping as an Non-Independent Non-Executive Director in September 2021. The Board believes that the newly appointed Directors will bring new perspective to the boardroom and that their breadth of expertise and experience will further enhance the core competencies of the Board.

On the limitation of tenure of Independent Directors, the Board is guided by the recommended approach under the MCCG. Shareholders' approval is sought for retention of Independent Directors whose cumulative tenure exceeds the 9-year limit, failing which he/she shall be re-designated as Non-Independent Director.

At the 57<sup>th</sup> AGM held in 2021, the Company has obtained shareholders' approval via a single-tier voting process to allow Datin Ngiam Pick Ngoh, Linda, whose tenure had reached the 9-year mark on 3 December 2021, to continue as an Independent Non-Executive Director of the Company until the conclusion of the forthcoming AGM.

The Board had, via the NRC, conducted an evaluation on the performance, contribution and independence of Datin Ngiam Pick Ngoh, Linda. Based on the outcome of the NRC's evaluation, the Board recommended her to continue as Independent Non-Executive Director of the Company on the basis that she possesses the following attributes necessary in discharging her duties and responsibilities as an Independent Non-Executive Director:

- (a) Leveraged her good understanding of the Group's business and operations, she has contributed effectively to the Board and the Board Committees' deliberations during which she has participated actively and provided objective judgement and input for informed and balanced decision-making;
- (b) She has demonstrated her diligence and commitment in carrying out her professional duties in the interest of the Company and shareholders; and
- (c) She continued to fulfill the criteria of an Independent Director as prescribed under the MMLR.

Based on the above recommendation, shareholders' approval will be sought via a 2-tier voting process at the forthcoming AGM of the Company to allow Datin Ngiam Pick Ngoh, Linda to continue as Independent Non-Executive Director of the Company.

## Appointments to the Board

There is a formal and transparent process for selection, nomination and appointment of suitable candidates to the Board. The NRC is responsible to review the existing composition of the Board, identifying the gaps and subsequently determining the selection criteria for the new appointment with a view to close the gap or to strengthen the Board composition. In reviewing and recommending any new Director appointment to the Board, the NRC assesses the suitability of candidate identified taking into consideration the following objective criteria:

- ⇒ Core competencies that meet the needs of the Company
- ⇒ Personal qualities in terms of leadership skills, ability to provide strategic insight and direction, integrity, work ethics and professionalism
- ⇒ Knowledge and skills, expertise and business judgement
- ⇒ Regional and industry experience and understanding of local economic and operating environment
- ⇒ Ability to devote time as needed to discharge duties and responsibilities effectively
- ⇒ Factors that promote boardroom diversity
- ⇒ Composition requirements for the Board and Board Committees
- ⇒ Ability to represent the Company at any occasion that involves the Company
- ⇒ Independence requirements for the appointment of Independent Directors.

In order to promote objectivity and independent judgement in line with the best practices of the MCCG, the Board will ensure that no person is to be appointed as a Director of the Board or continue to serve as a Director if the person is or becomes an active politician. The Board also observes a cooling-off period of 3 years before any appointment of former audit partners and its affiliates as Independent Directors to the Board.

The NRC shall consider potential candidates from internal and external sources and conduct engagement sessions with shortlisted candidates before its final recommendation to the Board for approval.

In respect of the two new Directors appointed in 2021, Mr Lau Nai Pek was shortlisted based on recommendation from internal source whilst Ms Raquel Batallones Esquerra was a representative nominated by the major shareholder. Both appointments were deliberated and approved by the Board based on the above processes.

## Board Effectiveness Evaluation

On an annual basis, the Board through the NRC, evaluates the Board's collective performance by examining the effectiveness of the structure and activities of the Board and Board Committees as well as the contribution of Board members. The evaluation revolves around the following aspects:

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## How the Board leads

Examine the composition and the diversity of the Board and the Board Committees, the skills and experience the directors bring and their commitment in discharging their duties.

## How the Board manages

Evaluate the activities undertaken by the Board and the Board Committees, including Board dynamics and information flow.

## How the Board contributes

Review the manner in which Board members interact and participate; how decisions are made as well as the working relationship between the Board members and the Management.

For FY2021, the NRC conducted the evaluation internally with the support of the Company Secretary. Based on the evaluation, the overall results were generally positive. The Board is satisfied that the Board as a whole and the Board Committees have been effective in their discharge of functions and duties in that:

- ⇒ the current size and composition of the Board is optimum and well balanced and represented with appropriate diversity of skills and competencies, knowledge and business experience, gender and ethnicity, contributing to the overall effectiveness of the decision-making process for the Company and the Group;
- ⇒ Board members have good understanding and knowledge of the Group's business and market trends, industry issues and the risks and opportunities critical to the Group's future performance. They scrutinised the Group's performance and provided valuable insights and strategic directions to enable Management to take effective decisions. Board members have also exercised professional independence during deliberations of matters at meetings;
- ⇒ the Board and the Board Committees devoted adequate time in deliberating matters under their purview whilst meetings have been effective with productive discussion focusing on important and high impact matters; and
- ⇒ 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. In addition, Management has been providing strong support which enable the Board to effectively discharge its function and duties.

Based on the feedback gathered from the Board members, the Board agreed to implement the following recommendations for enhancement:

- (i) The Board is to devote more space for learning and sharing of sustainability and ESG matters as a means to keep abreast with the latest developments and trends in this area.
- (ii) Independent Directors are to meet at least once a year without the Management's presence, to discuss among others, strategic, governance and operational issues of the Group.

## NRC

The NRC is entrusted by the Board to assist the Board with regard to its nomination and remuneration matters. As of the date of this statement, The NRC comprises the following five (5) Non-Executive Directors, with majority being Independent Directors including the Chairman:

Name	Designation	Date appointed	Years of service
Dato' Sri Idris Jala (Chairman)	Independent Non-Executive Director	1 January 2017	5 years +
Datin Ngiam Pick Ngoh, Linda	Independent Non-Executive Director	8 April 2013	8 years +
Choo Tay Sian, Kenneth*	Non-Independent Non-Executive Director	26 October 2020	1 year +
Lau Nai Pek	Senior Independent Non-Executive Director	22 May 2021	Less than a year
Raquel Batallones Esguerra*	Non-Independent Non-Executive Director	1 September 2021	Less than a year

\* Representing HEINEKEN, major shareholder of the Company.



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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 in 2021 and the attendance of each member at the meeting was as follows:

Name	Designation	Attendance
Dato' Sri Idris Jala (Chairman)	Independent Non-Executive Director	0/1*
Datin Ngiam Pick Ngoh, Linda	Independent Non-Executive Director	1/1
Choo Tay Sian, Kenneth	Non-Independent Non-Executive Director	1/1
Lau Nai Pek (Appointed on 22 May 2021)	Senior Independent Non-Executive Director	**
Raquel Batallones Esguerra (Appointed on 1 September 2021)	Non-Independent Non-Executive Director	**
Yu Yu-Ping (Resigned on 31 August 2021)	Non-Independent Non-Executive Director	1/1
Martin Giles Manen (Retired on 21 May 2021)	Senior Independent Non-Executive Director	1/1

\* Absent due to an emergency matter.

\*\* No meeting was held since their appointment until 31 December 2021.

The Managing Director and the Company Secretary are in attendance in every meeting whilst the People Director attends the meeting by invitation as and when required by the NRC. The NRC Meeting is normally held before or in conjunction with the Board Meeting. When necessary, decisions are made via circular resolutions. At Board Meeting, the Chairman of the NRC reports to the Board on matters deliberated at the NRC Meeting.

During FY2021, the NRC deliberated and reported the following matters to the Board:

- ⇒ Evaluation of the effectiveness of the Board and the Board Committees and the Directors' contribution in relation to the effective decision-making of the Board and the independence of Independent Directors.
- ⇒ Recommendation for re-election of retiring Directors at the Company's AGM based on satisfactory evaluation of the Directors' performance and contribution to the Board;
- ⇒ Recommendation for retention of Datin Ngiam Pick Ngoh, Linda, who had served on the Board beyond nine years, as Independent Director of the Company; and
- ⇒ Mr Martin Giles Manen's retirement from the Board in view of his 12-year term and the agreed profile of the position to be filled and the search process, which includes soliciting recommendations from existing Directors.

The NRC also considered candidates recommended by Directors and major shareholder to fill the casual vacancies and recommended the following appointments for the Board's approval:

- (i) Appointment of Mr Lau Nai Pek as the new Independent Non-Executive Director and the ARMC Chairman, succeeding Mr Martin Giles Manen who retired from the Board in May 2021. The NRC, represented by the Chairman and the major shareholder's representative, went through a rigorous assessment process including engagement sessions with proposed candidates prior to recommending the shortlisted candidate for the Board's approval.
- (ii) Appointment of Ms Raquel Batallones Esguerra as Non-Independent Non-Executive Director, to fill the vacancy arising from the resignation of Ms Yu, Yu-Ping from the Board in September 2021.
- (iii) Appointment of Mr Christiaan Johannes Folkerts as the new Finance Director, succeeding Mr Szilard Voros who left the Company in June 2021.

## 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 Company's value to its shareholders.
- ⇒ Remuneration practices are benchmarked against external market data through the use of remuneration surveys to ensure staff are fairly remunerated.

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⇒ The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.

The remuneration of the Management Team including the Managing Director 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 remuneration for the Non-Executive Directors is based on a standard fixed fee with the Chairman of the Board and the Board Committees receiving additional allowance for additional responsibilities and commitment required. An additional fee is also paid to Non-Executive Directors sitting on Board Committees. A meeting allowance is paid for attendance at meetings of the Board and Board Committees. The remuneration package for the Non-Executive Directors is disclosed in the CG Report 2021.

The NRC is responsible to review the remuneration package for the Non-Executive Directors 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 package 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.

At the 57<sup>th</sup> AGM held on 21 May 2021, shareholders' approval was sought for the payment of Directors' fees and benefits up to RM700,000 to the Non-Executive Directors for FY2021. Total remuneration paid to the Non-Executive Directors of the Company for FY2021 was RM674,149. The detailed breakdown of the remuneration paid to the Directors, including the Managing Director, of the Company who served during FY2021 is disclosed in the CG Report 2021.

## PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

### ARMC

As of the date of this statement, the ARMC comprises three (3) Non-Executive Directors, with majority being Independent Directors including the Chairman. The ARMC Chairman is not the

Chairman of the Board. All the members are financially literate, they possess the appropriate level of expertise and experience and have sufficient understanding of the Group business and are able to objectively review, analyse, challenge and make recommendations on matters under the purview of the ARMC including the financial reporting process. None of the ARMC members were former audit partners who are required to observe a cooling-off period of at least three (3) years before being appointed. Details of the composition and responsibilities of the ARMC are set out in the Audit & Risk Management Committee Report.

In May 2021, the Board reviewed and reconstituted the composition of the ARMC in line with the best practices recommended in the MCCG. The Board also via the NRC, evaluated the performance and effectiveness of the ARMC for FY2021 and is satisfied that the ARMC and its members have been able to discharge their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

The Board is responsible for ensuring that the Group's financial statements comply with the relevant financial reporting standards and any other applicable legislations and regulations. The Statement by the Directors in relation to the preparation of the Group's financial statements is set out in the Financial Statements section of this Annual Report.

### Suitability and Independence of External Auditors

The Board, through the ARMC, maintains a professional relationship with the external auditors. The ARMC has explicit authority to communicate directly with external auditors. The ARMC meets the external auditors at least twice a year to discuss their audit plan, audit findings and their reviews of the Group's financial statements. The ARMC also have private meetings with 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 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' International Code of Ethics for Professional Accountants (including International Independence Standards) and that they have fulfilled their ethical responsibilities in accordance with the said By-Laws and Code.

The ARMC also reviews the nature of the non-audit services and the related fee levels individually and in aggregate relative to the

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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 FY2021, the external auditors also reviewed the reporting deliverables to Deloitte Netherlands and the Company's Statement on Risk Management and Internal Control. The fees paid for the above services were reported in the Audit & Risk Management Committee Report.

The ARMC considers the re-appointment and terms of engagement of the external auditors, guided by the following criteria and the assessment performed by HEINEKEN Global on the external auditors at the global level:

- ⇒ Technical and competencies of the audit team
- ⇒ Adequacy of resources and relevant specialist/experts deployed to conduct the audit
- ⇒ Audit scope and planning taking into consideration the size and complexity of the Group
- ⇒ Audit communications to the ARMC
- ⇒ Audit and non-audit fees
- ⇒ Independence and objectivity

## Risk Management and Internal Control

The Board is also responsible for ensuring the Group has in place an effective risk management and internal control system to manage and mitigate significant risks across the Group and to safeguard stakeholders' interests and the Group's assets. The Group adopted the HEINEKEN Risk Management and Internal Control Systems which enable Management to identify, assess, prioritise and manage risks on a continuous and systematic basis. The Board, through the ARMC continually reviews 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 systems, an assessment is also performed on the internal controls surrounding the Group financial reporting process on an annual basis, focusing on transparency, accountability and safeguarding of the Group's assets. Outcome of the assessment is reported to the ARMC during their quarterly meetings.

The Internal Audit function, which is performed 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 Corporate Assurance, 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 audit scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities. It is independent of the operational and management activities they audit. Further information on the Internal Audit function were reported in the Audit & Risk Management Committee Report.

Based on the evaluation carried out by the ARMC on the performance of the Internal Audit function for FY2021, the Internal Audit function was found to be effective and able to function independently in discharging its responsibilities in that it provided value added recommendations that helped 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 FY2021 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.

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

### Communication with Stakeholders

The Company acknowledges the importance of timely and equal dissemination of material information to shareholders, investors and public at large. It continued to maintain an active and proactive communication approach with its shareholders and other stakeholders to facilitate mutual understanding of each other's objectives and expectations.

The Company is guided by the disclosure requirements of the MMLR along with the Corporate Disclosure Guide issued by Bursa Securities and the 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 with specific guidance on the disclosure of material information, maintenance of confidentiality of information and dissemination of information.

The Company leverages on various communication platforms to reach out to shareholders and stakeholders. These include among others, announcements via Bursa LINK, disclosures on the Company's website, engagements through the Investor

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Relations function and the Company's social media. In 2021, 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.

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 the Annual Report 2021, the Company continued to adopt the same reporting approach based on IIRF 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.

## Conduct of General Meetings

AGM is a principal platform for Directors and Senior Management to engage shareholders to provide them a greater understanding of the Group's business, governance and performance. Prior to the AGM, shareholders were notified on the meeting and the relevant reports were published via the Company's and Bursa Malaysia's website at least 28 clear days ahead of the meeting and they were allowed to send pre-meeting questions in relation to the AGM agenda items to the Tricor's TIIH Online website.

In 2021, the Company's AGM was conducted entirely on a virtual basis using the remote participation and voting (RPV) facilities. All the local Board members were present at the broadcast venue together with the external auditor, the Company Secretary and the Finance Director whilst Board members who were based outside of Malaysia and the other Management Team members were in attendance virtually via a designated virtual meeting platform as a precautionary measure in view of the COVID-19 pandemic. At the AGM, a comprehensive review of the Group's business and financial performance together with an overview of the Group's activities, key challenges, market outlook the Group's strategies and priorities for the ensuing year was presented by the Managing Director.

During the meeting, shareholders were given the opportunity and time to submit real-time questions, provide comments or suggestions for improvement and cast their votes via the RPV facilities. The Chairman, on behalf of the Board, and the Managing Director also addressed questions submitted in advance by the shareholders including the Minority Shareholder Watch Group. A scrutineer was appointed to validate the votes cast at the AGM, after which, the poll results were announced and published on the Company's website and via Bursa LINK on the same day after the meeting. Minutes of AGM together with the written response to relevant questions raised were also published on the Company's website within 30 business days after the AGM.

The Company will continue to leverage technology to enhance the quality of engagement and to ease shareholder's participation at AGM.

## LOOKING AHEAD

The Board will continue to ensure the Group maintains a robust governance framework and embraces an ethical corporate culture by strengthening its sustainability practices to deliver sustainable growth and performance for the Group.

This CG Overview Statement was approved by the Board on 15 March 2022.