

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 2020 (FY2020), guided by the key principles and recommended practices as set out in the MCCG. This statement is to be read together with the CG Report 2020 of the Company which describes how the Company has applied the CG practices vis-à-vis the MCCG during FY2020.

As of the date of this statement, the Company has adopted and applied all recommended practices in the MCCG with the exception of the step up practices and the following practices:

Recommended CG Practices in MCCG

Practice 4.1	For Large Companies, the Board comprises a majority independent directors.
Practice 7.2	Disclosure on a name basis the top five (5) senior management's remuneration in bands of RM50,000.

Explanation on the departure from the said practices are provided in the CG Report 2020 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 conduct of the Group's businesses and the management 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. The list of matters are provided in the Board Charter approved by the Board.

Separation of functions between the Chairman and the Managing Director

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. He is responsible for leading the Board in its collective oversight of Management and ensure it functions effectively.

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.

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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, meetings of the Board and the Board Committees are scheduled in advance before the commencement of each new financial year. The Board meets on a quarterly basis to review the business and financial performance of the Group and discuss operational and industry 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 FY2020, the Board had six (6) meetings. Two (2) of the meetings were convened on an ad-hoc basis to discuss critical issues impacting the Group business and operations as a result of the Movement Control Order and the related restrictions imposed by the Government to contain the Covid-19 infection. The attendance of each Director at the meetings, was as follows:

Name	Attendance
Dato' Sri Idris Jala Chairman, Independent Non-Executive Director	5/6 *
Martin Giles Manen Senior Independent Non-Executive Director	6/6
Datin Ngiam Pick Ngoh, Linda Independent Non-Executive Director	6/6
Roland Bala Managing Director Non-Independent Executive Director	6/6
Yu Yu-Ping Non-Independent Non-Executive Director	6/6
Seng Yi-Ying Non-Independent Non-Executive Director <i>Appointed on 1 September 2020</i>	1/1

Name	Attendance
Choo Tay Sian, Kenneth Non-Independent Non-Executive Director <i>Appointed on 26 October 2020</i>	1/1
Lim Rern Ming, Geraldine Non-Independent Non-Executive Director <i>Retired on 14 August 2020</i>	5/5
Evers, Leonard Cornelis Jorden Non-Independent Non-Executive Director <i>Resigned on 30 September 2020</i>	5/5

* Absent from one Board Meeting due to other commitment.

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 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 circular resolutions for matters which are administrative in nature.

Access to Information

The Board emphasizes 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 furnished 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.

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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 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.

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.

Training and Professional Development of Directors

From time to time, the Directors attend training to keep abreast with current developments in the market place and changes to the statutory and regulatory requirements to enhance their ability in discharging their duties and responsibilities more effectively. During FY2020, the Directors have attended various development and learning programmes which 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. As of the date of this statement, all newly appointed Directors have completed the MAP.

Induction programme is arranged for the newly appointed Director to enable him to have a full understanding of 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 issues of their function. As part of the induction programme, a brewery tour will also be arranged to provide greater understanding about the production processes.

Code of Business Conduct and Ethics

Directors, officers, employees and business associates of the Group are required to observe and maintain high standards of integrity in carrying out their roles and responsibilities / 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, 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

The HeiCode and the underlying policies are reviewed and updated periodically to reflect the changing business environment. 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. The HeiCode and the underlying policies, communication and training materials are documented and available in a Business Conduct Portal for employee access.

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

The HEINEKEN Supplier Code and the Distributor Code of Conduct outlines the standard for ethical and business conduct expected from distributors and suppliers in their business dealings with the Group. During FY2020, an e-learning programme was developed and rolled out to all distributors and suppliers to drive awareness and assess their understanding of the codes and the underlying principles related to, among others, anti-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 policy was communicated to the employees and the business partners of the Group 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

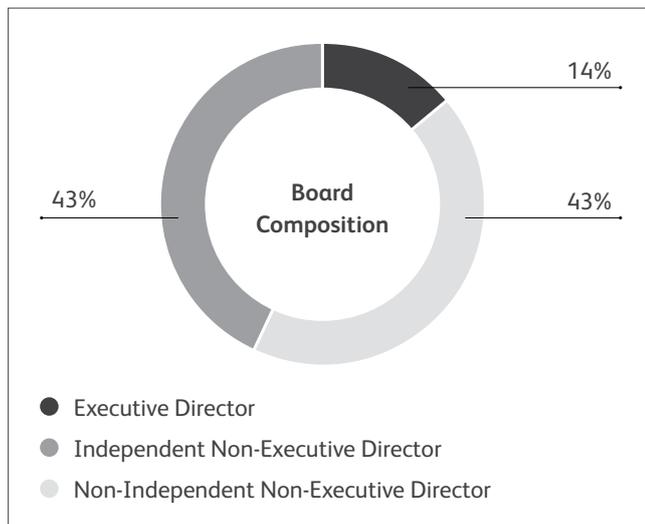
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supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global Human Resources and Global Legal Affairs.

In 2020, six (6) 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 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/>

Board Composition



As of the date of this statement, 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 promote greater accountability and balance in the Board's decision-making process.

The Board acknowledged the practice recommended under the MCCG for large companies to have a majority Independent Non-Executive Directors in the Board. Based on the current shareholding structure of the Company in which 51% of its equity interest are held indirectly by Heineken N.V. via its wholly-owned subsidiary, GAPL Pte Ltd, the Board was of the view that to fully leverage on the experience of the HEINEKEN Group and to ensure focus on long-term value creation, it is in its best interest and that of its stakeholders that the Board includes a fair and adequate representation of the major shareholders.

Board Effectiveness Evaluation

The Board, through its 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 on an annual basis. The evaluation revolves around the following aspects:

How the Board leads

Examine the current composition and activities of the Board and Board Committees and their commitment in discharging their functions.

How the Board manages

Evaluate the rigour of deliberation, information flow and Board administration.

How the Board contributes

Review the manner in which Board members interact and participate and their working relationship with Management.

For FY2020, the NRC conducted the evaluation internally with the support of the Company Secretary. Based on the evaluation, it was concluded 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 with diversity of competencies, capabilities, business experience and knowledge required, taking into considerations the nature of business, scope of the operations and the business requirements of the Group;
- Board members have good understanding and knowledge of the external trends, industry issues as well as the risks and opportunities critical to the Group's future performance. They provide valuable input and devote enough time in deliberating the business strategy, financial performance and the annual business plan and in addressing critical issues from the business and risk management perspectives. They also exercise professional independence during deliberations of matters at meetings; and
- the working relationship between the Board members has been good with open and constructive conversations when discussing issues, driven by the strong leadership process

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demonstrated by the Chairman. In addition, Management has been providing strong support which 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 has served as an Independent Non-Executive Director of the Company for twelve (12) years as of 28 August 2020. Shareholders' approval was obtained via a two-tier voting process at the 56th AGM held on 14 August 2020, to allow Mr Martin Giles Manen to continue as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. Mr Martin Giles Manen has conveyed his decision to vacate his office as Independent Director of the Company after the conclusion at the next AGM.

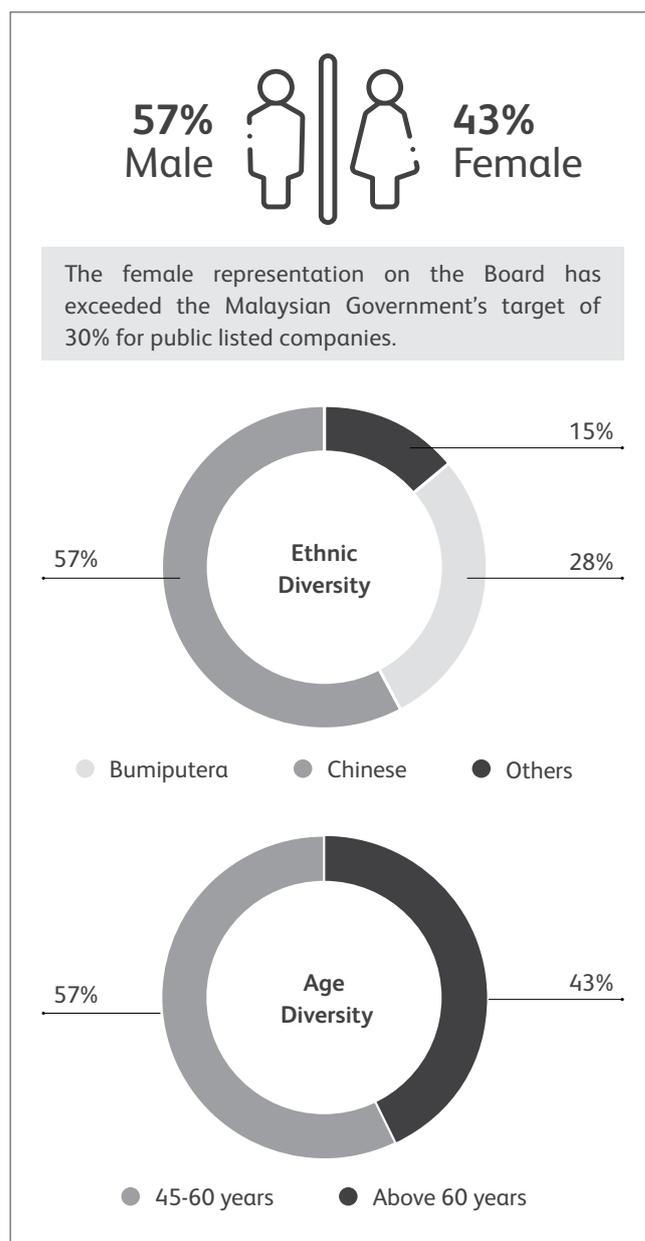
The tenure of Datin Ngiam Pick Ngoh, Linda as Independent Non-Executive Director of the Company is expected to reach the nine-year mark on 3 December 2021. The Board had, via the NRC, conducted an evaluation on the contribution of Datin Ngiam Pick Ngoh, Linda and recommended her to continue as Independent 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) She has fulfilled the criteria of an Independent Director as prescribed under the MMLR;
- (b) She has been with the Company for long and therefore understands the Group's business and operations well;
- (c) She participates actively and provides objective judgement and input to the Board and the Board Committees for informed and balanced decision-making; and
- (d) She has exercised due care in carrying out her professional duties as an Independent Non-Executive Director of the Company in the interest of the Company and shareholders.

Based on the above recommendation, shareholders' approval will be sought at the forthcoming AGM of the Company to allow Datin Ngiam Pick Ngoh, Linda to continue as 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 the date of this statement is depicted as follows:



The Board will continue its commitment to drive a corporate culture that embraces all aspects of diversity and inclusion practices in the Group.

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Appointments to the Board

There is a process for selection, nomination and appointment of suitable candidates to the Board of the Company. Potential candidates will be identified through internal or external sources via recruitment agencies.

The NRC reviews the suitability of candidate identified and recommends appointments to the Board and Board Committees based 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

For appointment of Independent Directors, considerations will be given on whether the candidate meets the independence criteria and requirements as defined in the MMLR.

Nomination & Remuneration Committee

As of the date of this statement, the NRC comprises the following five (5) Non-Executive Directors of the Company with a majority being Independent Director:

Dato' Sri Idris Jala

Chairman

Independent Non-Executive Director

Datin Ngiam Pick Ngoh, Linda

Member

Independent Non-Executive Director

Choo Tay Sian, Kenneth

Member

Non-Independent Non-Executive Director
Appointed on 26 November 2020

Martin Giles Manen

Member

Senior Independent Non-Executive Director

Yu Yu-Ping

Member

Non-Independent Non-Executive Director

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/corporategovernance/>.

The NCR met once during FY2020 and the attendance of each member at the meeting was as follows:

Name	Attendance
Dato' Sri Idris Jala Chairman, Independent Non-Executive Director	1 / 1
Martin Giles Manen Member, Independent Non-Executive Director	1 / 1
Datin Ngiam Pick Ngoh, Linda Member, Independent Non-Executive Director	1 / 1
Yu Yu-Ping Member, Non-Independent Non-Executive Director	1 / 1
Choo Tay Sian, Kenneth Member, Non-Independent Non-Executive Director <i>Appointed as a member on 26 October 2020</i>	**
Evers, Leonard Cornelis Jorden Member, Non-Independent Non-Executive Director <i>Ceased to be a member on 30 September 2020</i>	1 / 1

** No meeting was held during the period from 26 October 2020 to 31 December 2020.

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 FY2020, the NRC performed the following activities:

- Evaluated the effectiveness 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 had served on the Board beyond twelve (12) years.
- Reviewed Management's proposals on performance bonus payout and salary increment for the Group employees.

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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 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 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. Below is an overview of the remuneration package for the Non-Executive Directors approved by the shareholders on 25 November 2015:

Remuneration Package for Non-Executive Directors		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 (<i>per meeting attended</i>)	All Non-Executive Directors	1,200

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. 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 56th AGM held on 14 August 2020, the shareholders of the Company approved the payment of Directors' fees and benefits up to RM700,000 to the Non-Executive Directors for FY2020. Total remuneration paid to the Non-Executive Directors of the Company for FY2020 was RM690,708. The breakdown of the remuneration of all the Directors (including the Managing Director) of the Company who served during FY2020 is as follows:

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RM					
Directors of the Company	Fees & Chairman Allowance	Meeting Allowance	Salary & Other Emoluments	Benefits -in-kind	Total
Non-Executive Directors					
Dato' Sri Idris Jala	186,000	12,000	-	23,950	221,950
Martin Giles Manen	87,000	13,200	-	-	100,200
Datin Ngiam Pick Ngoh, Linda	84,000	13,200	-	-	97,200
Yu Yu-Ping	84,000	13,200	-	-	97,200#
Seng Yi-Ying <i>Appointed on 1 September 2020</i>	25,000	1,200	-	-	26,200#
Choo Tay Sian, Kenneth <i>Appointed on 26 October 2020</i>	15,758	2,400	-	-	18,158#
Evers, Leonard Cornelis Jorden <i>Resigned on 30 September 2020</i>	63,000	10,800	-	-	73,800#
Lim Rern Ming, Geraldine <i>Retired on 14 August 2020</i>	50,000	6,000	-	-	56,000#
Total	594,758	72,000	-	23,950	690,708
Managing Director					
Roland Bala	-	-	3,169,069	725,214	3,894,283

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 FY2020, 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 FY2020.

PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit & Risk Management Committee (ARMC)

As of the date of this statement, 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 evaluates 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.

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Financial Reporting

The Board is responsible for ensuring that financial statements are prepared in accordance with the Companies Act 2016 and applicable approved accounting standards so as to give a true and fair view of the state of affairs and the financial position of the Company and the Group. To assist the Board in this matter, the ARMC is entrusted with the responsibility to review the quarterly financial reports and annual financial statements focusing particularly on compliance with applicable financial reporting standards and other regulatory requirements, changes in accounting policies and practices, implementation of new accounting policies and practices, significant matters highlighted including financial reporting issues, significant adjustments made by Management, significant and unusual events or transactions, and how these matters are addressed.

The Board is satisfied that in preparing the financial statements for FY2020, 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 Board also considers 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.

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 with the presence of the Managing Director and the Management staff. 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 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 FY2020, 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:

- Technical competencies of the audit team
- Audit scope and planning
- Adequacy of resources and relevant specialists/experts employed to conduct the audit
- Independence and objectivity
- Audit communications to the ARMC
- Audit and non-audit fees

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.

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.

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As an integral part of the risk management and internal control systems, an assessment is also performed on key 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 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 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.

Based on the evaluation carried out by the ARMC on the performance of the Internal Audit function for FY2020, 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.

On 1 January 2021, the Internal Audit function was renamed as Corporate Assurance Department (CAD) following its merger with the Process & Control Improvement (P&CI) function. The CAD is led by the Head of Internal Audit who is supported by a P&CI Manager, an Internal Audit Manager and a Senior Internal Audit Executive.

The Board is of the view that the overall risk management and internal control systems in place for FY2020 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.

PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP 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 and 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 physical or virtual meetings and conference calls with investors outside the silent or closed periods.

Corporate Governance Overview Statement

- Corporate events and community outreach programmes.
- AGM.
- Enquiries / feedback via email and calls, the contact details are available on the Company's website.

In 2020, 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 briefing and discussion sessions with investment analysts, fund managers, institutional investors and media in conjunction with the Group financial results announcements.

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 have one-on-one discussions with equity research analysts, fund managers, institutional shareholders and investors outside the Company's silent / closed periods.

During FY2020, the Company held 18 discussion sessions with institutional investors and two (2) briefing sessions for investors and media. Throughout the year, the Company received relatively extensive coverage from large equity research analysts.

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 2020, the Company continued to adopt the same reporting approach based on IIRF in this Annual Report.

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 to provide shareholders adequate time to prepare and make necessary arrangements for attendance and voting at the AGM.

In 2020, the Company's AGM was conducted entirely on a virtual basis using the remote participation and voting facilities. At the AGM, a comprehensive review of the progress and performance of the Group's business together with an overview of the Group's activities, key challenges and market outlook was presented by the Managing Director.

Shareholders were given the opportunity and time to raise questions, seek clarification on the Group performance and share views and suggestions for improvement as well as to cast their votes via the remote participation and voting facilities. The Chairman, on behalf of the Board, and the Managing Director addressed questions submitted in advance by the shareholders as well as the Minority Shareholder Watch Group for the meeting. The ARMC Chairman and all other Board members, the Finance Director and the external auditor were also present at the AGM. A scrutineer was appointed to validate the votes cast at the AGM.

Poll results were announced at the end of the meeting and published on the Company's website and via Bursa Securities on the same day after the meeting. Minutes of AGM and written response to relevant questions raised were also published on the Company's website as soon as practicable following the meeting.

The Company will continue to leverage on technology to enhance the quality of engagement and to ease shareholders participation at AGM.

This CG Overview Statement together with the CG Report were approved by the Board on 15 March 2021.

Appendix 1 - Directors' Training List

Directors	Training attended during the financial year ended 31 December 2020
Dato' Sri Idris Jala	<ul style="list-style-type: none"> ➤ Roundtable Commentary on Budget Impact to small and medium-sized enterprises – Moving into 2021 with Budget 2021 ➤ Malaysian Dutch Business Council webinar on Managing Business in Crisis ➤ The Curve to Flatten talk series on Managing Business in Extreme Crisis by PIKOM, the National Tech Association of Malaysia ➤ Family Business Network Asia – Managing Business in Crisis ➤ Vistage Malaysia webinar – Managing Business in Crisis ➤ Workplace at the River SIBKL – Transformational Leadership in a Crisis : A different perspective ➤ A webinar series on National Transformation and Public Sector Delivery
Roland Bala	<ul style="list-style-type: none"> ➤ HEINEKEN Boost Forum 2020 ➤ HEINEKEN Asia Pacific (APAC) GMs Conference 2020 ➤ HEINEKEN APAC GMs Gathering 2020 ➤ HEINEKEN APAC GMs Forum 2020 ➤ HEINEKEN Malaysia E2E workshop ➤ HEINEKEN Commerce Week 2020 ➤ HEINEKEN Code of Business Conduct 2020 ➤ Preventing Bribery Courses: Interacting with third parties and dealing with complex situation ➤ Fraud Awareness ➤ Fraud Risk Management Workshop ➤ Information Security Awareness Training 2020 ➤ Transformation Leadership ➤ CEO Action Network Forum and working groups meetings ➤ Competition law refresher briefing
Martin Giles Manen	<ul style="list-style-type: none"> ➤ Capital Markets Director Programme Module 2B Business Challenges and Regulatory Expectations – What Directors need to know ➤ Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA 2001): Risks, Challenges, Governance and Transparency in Managing Business and Compliance ➤ Fraud Risk Management Workshop
Datin Ngiam Pick Ngoh, Linda	<ul style="list-style-type: none"> ➤ T.R.U.S.T, the Five Guiding Principles for “Adequate Procedures” ➤ 2020 National Housing & Property Summit ➤ AMLATFPUAA 2001: Risks, Challenges, Governance and Transparency in Managing Business and Compliance
Choo Tay Sian, Kenneth	<ul style="list-style-type: none"> ➤ APAC Digital IT Leadership Conference – Digital & Technology at Heineken Globally ➤ Leadership Coaching ➤ Embedding Resilience Webinar 6 – Predictions Post Covid-19: The New Reality ➤ APAC Commerce Week – Building our Future: Consumers & Customers First ➤ McKinsey SHIFT – Reimagining the next normal for Asia & the World Webinar
Yu Yu-Ping	<ul style="list-style-type: none"> ➤ Women's Leadership Program, Yale School of Management ➤ Digital Awareness – Agile
Seng Yi-Ying	<ul style="list-style-type: none"> ➤ Mandatory Accreditation Programme for Directors of public listed companies in Malaysia

Audit & Risk Management Committee Report

COMPOSITION

Martin Giles Manen (Chairman)

Senior Independent Non-Executive Director
(A Chartered Accountant and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants)

Dato' Sri Idris Jala

Independent Non-Executive Director

Datin Ngiam Pick Ngoh, Linda

Independent Non-Executive Director

Yu Yu-Ping

Non-Independent Non-Executive Director

Choo Tay Sian, Kenneth

Non-Independent Non-Executive Director
Appointed on 26 October 2020

The Audit & Risk Management Committee (ARMC) comprises five (5) members, all of whom are Non-Executive Directors; three (3) including the Chairman, are Independent Non-Executive Directors. The ARMC Chairman, Mr Martin Giles Manen is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Accordingly, the Company complies with paragraph 15.09 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities).

During the financial year ended 31 December 2020 (FY2020), Mr Choo Tay Sian, Kenneth was re-appointed as a Director and a member of the ARMC on 26 October 2020, replacing Mr Evers, Leonard Cornelis Jorden who resigned from the Board on 30 September 2020.

The Board of Directors (the Board), via the Nomination & Remuneration Committee, reviews the composition and performance of the ARMC through an annual Board Committee effectiveness evaluation. Based on the evaluation conducted for FY2020, the Board was of the view that the present composition in the ARMC was appropriate. The representation of the major shareholder in the ARMC was essential in that it provides an avenue for the major shareholder's representatives to share insights on HEINEKEN Global best practices and learning with the Company. The Board was also satisfied that the ARMC and its members have effectively discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference in that the ARMC has provided useful recommendations in assisting the Board in making informed decisions and enabling effective functioning of the Board.

The ARMC is guided by its Terms of Reference which, inter alia, sets out the purpose, composition, roles and responsibilities, authority as well as the internal procedural matters for the ARMC.

The ARMC assists the Board in fulfilling its statutory duties and responsibilities by ensuring:

- accurate and timely financial reporting and compliance with applicable financial reporting standards;
- adequate internal control in the systems and processes which enable the Group to operate effectively and efficiently;
- that an effective risk management framework is in place to manage risks impacting the Group;
- that Internal Audit functions effectively and audits are performed by external auditors objectively and independently; and
- the Group complies with applicable laws, rules and regulations and has in place an appropriate code of business conduct.

The Terms of Reference of the ARMC is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>

MEETINGS

During FY2020, the ARMC had four (4) meetings and the attendance of each member at the meetings was as follows:

Name	Attendance
Martin Giles Manen Chairman, Senior Independent Non-Executive Director	4 / 4
Dato' Sri Idris Jala Member, Independent Non-Executive Director	4 / 4
Datin Ngiam Pick Ngoh, Linda Member, Independent Non-Executive Director	4 / 4
Yu Yu-Ping Member, Non-Independent Non-Executive Director	4 / 4
Choo Tay Sian, Kenneth Member, Non-Independent Non-Executive Director <i>Appointed as a member on 26 October 2020</i>	1 / 1
Evers, Leonard Cornelis Jorden Member, Non-Independent Non-Executive Director <i>Ceased to be a member on 30 September 2020</i>	3 / 3

The Managing Director, the Finance Director and the Head of Internal Audit of the Company normally attend the meetings. Certain members of the Management Team were also invited to attend these meetings to assist in clarifying matters raised at the meeting.

Audit & Risk Management Committee Report

The ARMC met with the Group's external auditors to discuss the external audit plan prior to the commencement of the audit; and audit findings and any other observations they may have during the audit process. The ARMC also met the external auditors without the presence of the Managing Director and Management staff twice during the year under review. The ARMC enquired about Management's co-operation with the external auditors, their sharing of information, proficiency and adequacy of resources in financial reporting functions and key areas of concern or issues encountered by the external auditors during their audit.

Separately, the ARMC Chairman had two meetings with the external auditors without the Management's presence. The ARMC Chairman also held separate meetings with the Managing Director, Finance Director and the Head of Internal Audit prior to every scheduled ARMC Meeting.

The ARMC Chairman reports to the Board on matters deliberated and recommendations made by the ARMC for the Board's consideration and decision.

ACTIVITIES OF THE ARMC

The ARMC carried out its duties in accordance to its Terms of Reference. The main activities carried out by the ARMC during FY2020 were as follows:

Financial Reporting

- Reviewed the Group's unaudited quarterly financial results and the annual audited financial statements, and the relevant announcements to Bursa Securities before recommending them for the Board's approval. In deliberating the financial results and statements, the ARMC focused particularly on the following areas to ensure that the financial reporting and disclosures are in compliance with the MMLR, the Companies Act, 2016, applicable International Financial Reporting Standards, approved accounting standards issued by the Malaysian Accounting Standards Board and any other relevant legal and regulatory requirements:
 - changes in or implementation of major accounting policy or accounting standards;
 - significant matters and unusual events or exceptional transactions highlighted including the adequacy of disclosures in the financial reports and statements;
 - Management's judgements, estimates or assessments made on the recognition, measurement and presentation of the financial results and statements.

Risk Management and Internal Control

- Reviewed the quarterly top strategic risks and emerging risks including fraud and bribery risks, changes to the risk profiles of the Group and the mitigation strategies and measures put in place to manage risks.

- Reviewed the adequacy and effectiveness of the Group's risk management and internal control systems based on the following assessments performed by Management:
 - Control Self-Assessment which assesses the implementation and execution of the mandatory standards and procedures required under the HEINEKEN Rules.
 - Assessment under the HEINEKEN Risk and Control Matrix compliance programme which assesses the key controls surrounding the Group financial reporting processes.
- Reviewed Management's initiatives among others, the continuous process improvement projects and the communication programme to drive employee awareness on the HEINEKEN Code of Business Conduct and its underlying policies including the anti-bribery and corruption policies.

Related Party Transactions

- Reviewed the quarterly related party transactions as disclosed in the quarterly financial report to ensure that transactions with related parties were carried out within the mandate approved by shareholders.
- Reviewed the proposed shareholders' mandate for recurrent related party transactions (RRPT) to be entered into by the Group for the ensuing year.
- Reviewed the processes that the Company has in place for identifying, evaluating, approving, reporting and monitoring of RRPT. The ARMC was satisfied that the processes are adequate to ensure that transactions will be made at arm's length basis and not prejudicial to the interest of the Group or its minority shareholders and will be tracked and reported in a timely manner.

External Audit

- Reviewed the audit plan of the external auditors which outlined the materiality, audit scope, audit methodology, audit focus areas, timing of audit, involvement of component auditors and the impact of the Covid-19 pandemic as well as the audit fees prior to the commencement of the annual statutory audit.
- Reviewed the external audit finding report and the accompanying management reports and management responses, focusing particularly on key audit matters and key accounting and audit adjustments.
- Discussed with the external auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group, and the plans, processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.
- Had two private sessions with the external auditors without the presence of the Management in conjunction with the ARMC meetings held on 21 February 2020 and 26 November 2020 to discuss area of concern or additional matters which may be of a confidential nature.

Audit & Risk Management Committee Report

- Assessed the independence and objectivity of the external auditors in performing statutory audit and prior to the engagement of the external auditors for non-audit services. 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. Based on this, the ARMC was satisfied that they were not likely to create any conflict of interest nor impair the independence and objectivity of the external auditors.
- Evaluated the performance of the external auditors and made recommendation to the Board on their re-appointment and remuneration for FY2020. The re-appointment of external auditors is subject to shareholders' approval being sought at the upcoming Annual General Meeting.

For FY2020, the fees paid / payable to the external auditors, Messrs Deloitte PLT in relation to the audit and non-audit services rendered to Heineken Malaysia Berhad and its subsidiaries are as follows:

	Company RM'000	Group RM'000
Statutory audit services	123	198
Non-audit services		
(i) Review of reporting deliverables to Deloitte Netherlands	30	30
(ii) Review of the Statement on Risk Management and Internal Control	10	10
	163	238

The ARMC believes that the provision of these services by the external auditors to the Group was fair and reasonable given the scope of the audit and the size of the Group business as well as their knowledge and understanding of the Group operations, and they did not compromise their independence and objectivity.

Internal Audit

- Reviewed the annual 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 and provided input on key areas to be included in the plan.
- Reviewed the quarterly internal audit reports which encompassed the audit issues, audit opinion or conclusion, audit recommendations, Management's responses to these

recommendations and improvement actions in the area of internal controls, systems and process effectiveness enhancements; and suggested additional improvement opportunities in the said areas.

- Reviewed findings from audits performed by the HEINEKEN Global Audit Team on selected operating processes in the Group.
- Reviewed the progress of the implementation of audit recommendations on a quarterly basis to ensure all key risks and control issues were addressed.
- Reviewed outcome of ad-hoc investigations / special reviews conducted by the Internal Audit function on matters reported via the Speak Up channel concerning misconduct and suspicion of fraud or operational failures within the Group.
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance and contributions of the Internal Audit function as well as the competency and performance of the Head of Internal Audit.

Other Activities

- Reviewed the final dividend payment for FY2019 and the Company's approach on dividend distribution for FY2020 taking into consideration the Group's earnings and its cash flow requirements and solvency position.
- Reviewed the key observations from the assessment conducted by Bursa Malaysia and the Institute of Internal Auditors Malaysia on the effectiveness of Internal Audit function of listed issuers versus the on-going governance and practices within the Internal Audit function of the Company.

INTERNAL AUDIT FUNCTION

The ARMC is supported by the Internal Audit function in discharging its duties and responsibilities. The Internal Audit function is an integral part of the assurance framework and its principal role is to undertake independent and systematic reviews of the Group's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Group's overall governance, risk management and internal control processes.

The Internal Audit function is performed in-house which has since been renamed as Corporate Assurance Department (CAD) following its merger with the Process & Control Improvement (P&CI) function on 1 January 2021. The CAD is led by the Head of Internal Audit who reports functionally to the ARMC and administratively to the Managing Director and the Finance Director for P&CI related matters. The Internal Audit function does not have any direct operational responsibility or authority over any of the activities it audits or has engaged in any activity that might impair the internal auditor's judgement. All the internal audit staff had confirmed via an annual declaration

Audit & Risk Management Committee Report

that they were free from any relationships or conflict of interests which could impair their objectivity and independence.

The Head of Internal Audit, Mr Eugene Ding Diew Ping, is a holder of a Bachelor's Degree of Business (Accounting) from the University of Technology Sydney, Australia. He is a Chartered Accountant of the Malaysian Institute of Accountants. He is also a Chartered Member of the Institute of Internal Auditors Malaysia (IIA). The Head of Internal Audit has 20 years of internal audit experience. He is currently supported by a P&CI Manager, an Internal Audit Manager and a Senior Internal Audit Executive who are also members of the IIA.

The Internal Audit function is guided by an Internal Audit Charter approved by the ARMC. The charter sets out the purpose, scope, responsibility and authority of the function.

The Internal Audit function carried out its activities based on the Internal Audit Plan approved by the ARMC. The ARMC reviews the extent of the audit scope and coverage of the Group's activities; and the adequacy and competency and the internal audit resources to support the completion of the plan. At the quarterly ARMC meetings, the Head of Internal Audit reports to the ARMC on the progress of Internal Audit activities and the resource requirements, including interim changes and the impact of resource limitations. The report to the ARMC also covers significant risk and control issues, including fraud risks, governance issues and other matters that require the ARMC's attention.

In carrying the audit activities, the Internal Audit function has adopted and is committed to the application of the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the International Internal Audit Standards Board. The internal audit staff adhere to the Code of Ethics adopted by the IIA which sets out, among others, the principles relevant to the profession and practice of internal auditing and the rules of conduct expected of internal auditors.

The Internal Audit function maintains a Quality Assurance and Improvement Programme (QAIP) to evaluate the internal audit activity's conformance with the IIA Standards and the Code of Ethics. The QAIP includes periodic internal self-assessment and external assessment to be conducted at least once every five (5) years by a qualified independent assessor or assessment team from outside the organisation. In early 2020, the Internal Audit function conducted an internal assessment via the QAIP. Following the assessment, the Internal Audit function has documented an Internal Audit Manual outlining the internal audit standards and policies which are consistent with the International Professional Practices Framework of the Institute of Internal Auditors.

During FY2020, the Internal Audit function completed 19 audit assignments which included the investigative audits on matters reported via the Speak Up channel and the support rendered to the HEINEKEN Global Audit Team on their audits on selected operating processes in the Group. The audits were performed using a risk-based approach followed by root-cause analysis and were consistent with the Group's established framework in designing, implementing and monitoring of its control systems. The audit covered various operational areas within the Group, which included:

- (a) Sales operations and distributor management
- (b) Contract management processes
- (c) E-commerce and trade marketing operations
- (d) Management of equipment loaned to outlets, premiums, amenities and point of sales materials
- (e) Cost and overtime management in Supply Chain function
- (f) Procurement processes and sourcing practices
- (g) Corporate governance
- (h) Related party transactions

Findings from the audits were highlighted to Management who is responsible for ensuring that the agreed action plans to address the reported weaknesses are implemented within the required timeframe. On a regular basis, the Internal Audit function reviewed the status of implementation of the recommended actions and preventive measures. The audit findings, audit opinion or conclusion and the status of implementation of the action plan were reported to the Risk and Control Workgroup and presented to the ARMC for review at their respective quarterly meetings.

The Internal Audit function also works collaboratively with the P&CI Manager to review the risk management processes of the Group as a whole. During the financial year under review, the Internal Audit function also supported the P&CI Manager on the implementation of several process improvement and cost reduction initiatives.

The total expenses incurred by Internal Audit function in discharging its functions and responsibilities for FY2020 amounted to about RM883,000 (FY2019 : RM997,000). The expenses incurred comprised mainly salaries and departmental overheads.

The ARMC had evaluated the performance of the Internal Audit function for FY2020 and was satisfied with the overall performance of the function in that it had been effective in performing its duties despite the challenges posed by the Covid-19 pandemic, it provided value added recommendations to the organisation and was able to function independently.

This report was approved by the Board on 15 March 2021.

Statement on Risk Management and Internal Control

The Board of Directors (the Board) is pleased to present this Statement on Risk Management and Internal Control, which outlines the nature and key elements of the risk management and internal control systems of Heineken Malaysia Berhad (HEINEKEN Malaysia) and its subsidiaries (the Group) for the financial year ended 31 December 2020 (FY2020). This statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers which is in line with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (MMLR) and Principle B of the Malaysian Code on Corporate Governance (MCCG).

BOARD’S RESPONSIBILITY

The Board is responsible and accountable for the Group’s system of risk management and internal control and for reviewing the effectiveness, adequacy and integrity of the system. In this regard, the Board is assisted by the Audit & Risk Management Committee (ARMC) who is responsible to ensure that appropriate methods and procedures are adopted in the risk management and internal control activities and to obtain the level of assurance required by the Board.

BUSINESS FRAMEWORK

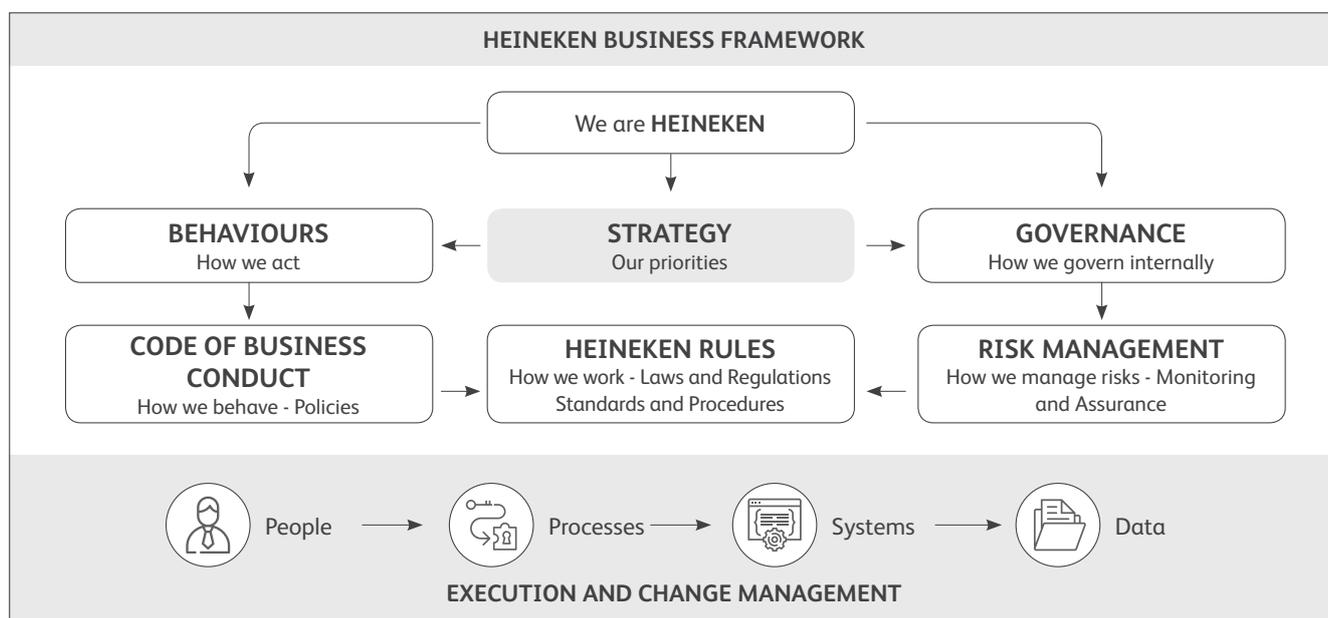
As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Business Framework (the Framework) established by HEINEKEN NV. The Framework articulates the key elements that the Company relies on to operate effectively and deliver long-term value creation whilst protecting the Company’s people, assets and reputation.

HEINEKEN’s Vision, Purpose and Values “We are HEINEKEN” underpin the Company’s strategic objectives, enabled by our organisational structure and Governance. The behaviours provide clear guidance to all employees on how to act and foster

a culture of achievement, collaboration and growth, underpinned by a Behaviours framework that reflects the expected attitude in decision-making, including risk taking.

Continuous Risk Management supports the achievement of our business objectives based on our Risk Assessment Cycle, the HEINEKEN Code of Business Conduct (HeiCode) and the HEINEKEN Rules (HeiRules). As part of the Risk Assessment Cycle, the Management Team reviews and update the risks faced by the Group on a continuous basis throughout the year. The HeiCode and its underlying policies set out the Group’s commitment to conduct business with integrity and fairness, and respect for the law and our values. The HeiRules articulate how we work and the standards to which we commit. They are a key element for managing the risks faced by our Company and translate our objectives into clear instructions on how to conduct our daily business.

The Group’s systems of risk management and internal control, which are based on the Committee on Sponsoring Organisations (COSO) Enterprise Risk Management and Internal Control Reference model, form a fundamental part of the HEINEKEN’s Business Framework.

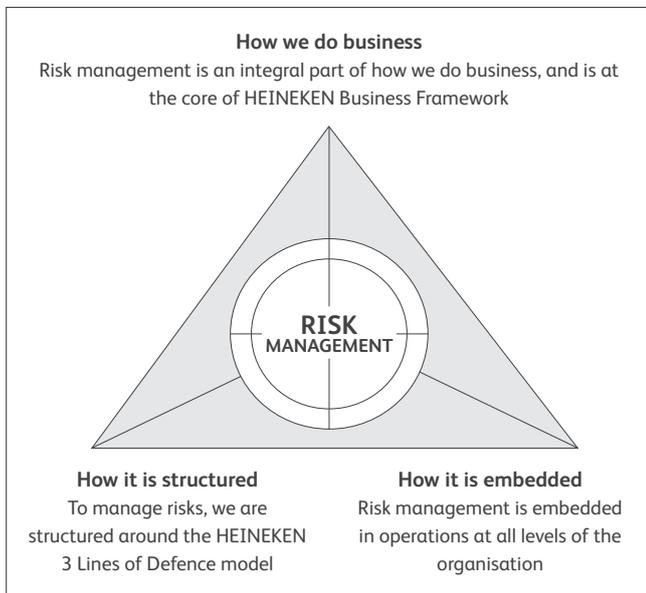


Statement on Risk Management and Internal Control

RISK MANAGEMENT

The Covid-19 outbreak and consequent measures imposed by the Government to contain the spread of the virus have negatively impacted our business in 2020. The extent of the pandemic remains uncertain and it is expected to further affect our way of doing business. To deal with this and other uncertainties, the Group has applied an integrated approach to managing risks arising from its strategy and daily operations.

At HEINEKEN Malaysia, risk management is an integral part of doing business and is supported by good governance. The Group has adopted the HEINEKEN Risk Management Framework which is embedded within the HEINEKEN Business Framework.



The Risk Management Framework comprises of a four-step processes and it is supported by six (6) key pillars:



KEY PILLARS

Risk Management supports the achievement of our objectives, through more effective decision making



1. Structure

Risk Management is an integral part of how we do business and is embedded in operations at all levels of organisation.



2. Governance & Performance

The risk management governance aligns with the organisational governance, with strong tone at the top and functional integration.



3. Process & Tasks

Processes are key for effective risk management, this is done via a continuous four-step processes, embedded in our daily activities.



4. People & Competencies

Having people with the right mindset and behaviour, equipped to address opportunities, risks and required activities.



5. Reward & Recognition

Employees are recognised for their contribution to risk management.



6. Information & Systems

Utilising risk management information system that contains a comprehensive database of key risks faced by the Group.

Statement on Risk Management and Internal Control

The risk profile of the Group is established during risk assessment sessions with the Management Team. This exercise is facilitated by the Process & Control Improvement (P&CI) Team and is fully embedded as a key activity of the Risk and Control Workgroup (RCW). At each assessment session, members of the Management Team are engaged to identify and update the existing risk profiles of their specific areas. The risks identified as well as mitigating action plans are assessed and categorised based on the level of impact and likelihood as set out in the following Risk Management Matrix adopted by the Group:

IMPACT	RISK MANAGEMENT MATRIX				
Major	Medium	Medium	High	High	Major
Significant	Medium	Medium	Medium	High	High
Moderate	Low	Medium	Medium	Medium	High
Minor	Low	Low	Medium	Medium	Medium
Insignificant	Low	Low	Low	Low	Medium
	Nearly Impossible	Unlikely	Possible	Likely	Almost Certain
	LIKELIHOOD				

The identified risks are then deliberated by the Management Team members collectively during the quarterly RCW meeting. In determining the most appropriate risk response actions to be taken to address the risk, the following risk mitigation strategy will be considered and action plans will be drawn up once the appropriate response action is determined:



Statement on Risk Management and Internal Control

For the managing of risk management activities, the Group applies the HEINEKEN's "Three-lines of Defence" model as follows:

Board and ARMC		
1st Line – Management Ownership and Responsibility	2nd Line – P&CI Improve, Monitor, Design & Implement	3rd Line – Internal Audit Independent, Objective Assurance
Management is ultimately responsible for identifying, assessing and mitigating risks.	Management is supported by the P&CI Team that oversees compliance with the Group policies, processes and controls, facilitate the implementation of effective risk management practices and drive continuous improvements of internal controls.	Internal Audit function is tasked to review key processes, projects and systems based on the Group's strategic priorities and most significant risk areas and provide independent and objective assurance on the effectiveness of governance, risk management and internal control processes.

The above is supported by an assurance activity carried out by the external auditors whose responsibility is to evaluate and provide independent and objective assurance on the organisation's governance and risk management processes including reliability of information, compliance with regulations and procedures; and efficient and effective use of resources.

The RCW, which is made up of members of the Management Team and is chaired by the Managing Director, oversees the areas of risk management and internal control of the Group. It meets on a quarterly basis to review the risk management activities and internal control issues raised. Matters deliberated in the RCW meetings are reported to the ARMC. The RCW is supported by the P&CI Team who is tasked to oversee compliance with the Group's Risk Management and Internal Control Systems and drive continuous process improvement.

The P&CI Team was administered as a function within the Finance Department. Effective 1 January 2021, as a means to drive functional efficiency and synergies, the P&CI function and the Internal Audit function have been merged and renamed as Corporate Assurance Department. The newly formed department is led by the Head of Internal Audit who is supported by a P&CI Manager, an Internal Audit Manager and a Senior Internal Audit Executive. The Head of Internal Audit reports functionally to the ARMC and administratively to the Managing Director and the Finance Director for P&CI related matters.

INTERNAL CONTROL

As an integral part of the Framework, internal control activities are carried out with the aim of providing reasonable assurance as to the accuracy of financial information, non-financial disclosures, the Company's compliance with applicable laws and internal policies, and the effectiveness of internal processes. The internal control standard within the Group is evaluated via the Control Self-Assessment (CSA) performed by each function

to assess the implementation and execution of the mandatory standards and procedures required under the HeiRules. The Group has also adopted HEINEKEN's Risk and Controls Matrix (RACM) compliance programme that emphasises on internal controls over financial reporting where assessment is performed on key controls surrounding the Group financial reporting process based on materiality level; and it focuses on transparency, accountability and safeguarding of assets in its reviews.

The P&CI Team coordinates both CSA and RACM assessment on an annual basis. The assessments are performed by competent assessors and the outcome of the assessments are tested by qualified testing reviewers. The P&CI Team discusses non-compliance areas, if any, and control deficiencies with relevant process owners to ensure a remediation action plan is undertaken. Completed actions are then retested to ensure adequate remediation. Unremediated deficiencies, if any, will be assessed and reported to the RCW and the ARMC during their quarterly meetings.

INTERNAL AUDIT

The Internal Audit function is performed in-house and it has since been renamed as Corporate Assurance Department (CAD) following its merger with the P&CI function on 1 January 2021. Its primary role is to provide independent and objective assessment on the adequacy and effectiveness of the governance, risk management and internal control processes established by Management and the Board within the Group.

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The Internal Audit function has a clear reporting line to the ARMC and its performance is reviewed by the ARMC annually. It is independent of the operational and management activities they audit and has unrestricted access to information, records, physical properties, and personnel, in order for it to complete the audit assignments.

Audits are carried out based on the audit plan approved by the ARMC. The audit plan is developed based on the risk profiles identified in accordance with the Group's Risk Management Framework in consultation with the Management Team. The audit reports which highlight significant findings, audit opinion or conclusion and audit recommendations in respect of effectiveness of governance, risk management and internal control processes are presented to the RCW and the ARMC at their quarterly meetings.

Details of activities carried out by the Internal Audit function during FY2020 are further disclosed in the Audit & Risk Management Committee Report.

KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The key elements of the Group's risk management and internal controls system are described below:

Authority and Responsibility

- As part of the Risk Management Framework, and in line with the MCCG, the Board has an organisational structure with clearly defined lines of accountability and responsibilities and delegated authority to the Board Committees and the Management to ensure they discharge their duties. Matters concerning risk management and internal controls are under the purview of the ARMC that is chaired by the Senior Independent Director.
- There is a schedule of key matters reserved specifically for Board deliberation and decision. The Group is practicing segregation of duties to ensure that specific tasks or duties within related business processes or associated with the systems supporting business processes are allocated to different employees, to prevent unintentional or fraudulent transactions.
- Internal policies and procedures of core business processes with limits of authority delegated to appropriate levels of employees are documented and stored in a document repository portal. These documents are subject to review and improvements to reflect changing risks or resolve operational deficiencies.

Monitoring, Reporting and Performance Measurement

- The Management Team meets on a monthly basis to review business performance, identify, discuss and resolve operational, financial and key management issues. On a quarterly basis, the Managing Director reports to the Board on key business and operational issues covering, but not limited to strategy, performance, resources and regulatory compliance. During FY2020, ad-hoc meetings were held on a daily or weekly basis during which the Management Team discussed the critical issues impacting the Group business and operations as a result of the Movement Control Order and related restrictions imposed by the Government to contain the Covid-19 infection and the measures undertaken by Management to mitigate the impact.
- The RCW meets on a quarterly basis to review risk management and internal control activities and discuss risk mitigation strategies and follow-up on action plans implemented in response to matters raised as a result of reviews, assessments and tests performed by the P&CI Team and the internal and external auditors.
- Compliance audit in line with the ISO 9001:2015 Quality Management System and the Hazard Analysis Critical Control Point (HACCP) requirements are conducted based on the frequency determined by the Ministry of Health to monitor compliance with product safety requirements. During FY2020, a compliance audit was conducted by SIRIM in September 2020 in line with the ISO 9001:2015 requirements.
- Annual planning process where respective functions prepare and review their strategies and activity plans including budgets before a new financial year commences. The annual plan which embeds the budget is reviewed by the Management Team and approved by the Board. Monthly review of performance and expenditure versus the plan is carried out by the Management Team to ensure effectiveness of execution and spends are managed in line with the strategic and financial objectives of the organisation and performance gaps or key variances, if any, are followed up and addressed by respective functions.
- Visits are made to regional offices to conduct regional reviews by the Management Team. For FY2020, no physical visit was made to regional sales offices due to the movement restrictions imposed by the Government to contain the Covid-19 infection. Nevertheless, the regional reviews for FY2020 were conducted virtually by the Sales Director who reports to the Management Team on a regular basis.

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- Regular stakeholder engagement with employees, investors, analysts, media, trade partners and relevant authorities are held to better gauge the needs of the stakeholders and gather feedback for continuous improvements.
- On behalf of the Management Team, the Managing Director and the Finance Director sign-off on a bi-annual Letter of Representation (LOR) to the Chief Financial Officer of Heineken NV, demonstrating management's accountability over financial and non-financial reporting disclosures, financial reporting controls, compliance with the HeiCode and HeiRules and reporting of fraud and irregularities.

Integrity and Ethical Values

- The Group has adopted the HeiCode which governs the standards of ethics and responsible business conduct expected from employees at all levels. The HeiCode has embedded 19 policies which covers all aspects of the Group's business operations, categorised under four (4) broad areas namely, Responsible Consumption, Respect People and the Planet, Conducting Business with Integrity and Fairness and Safeguarding Company's Assets. The areas covered are responsible alcohol consumption; commitment to health and safety, human rights and sustainable initiatives, avoidance and disclosure of conflicts of interest, management of intellectual property and confidential information, data protection; fair competition practices, responsible communication, fraud, bribery, offering and acceptance of gifts, entertainment, hospitality and donations; and money laundering.
- The Group has taken proactive actions to strengthen its internal processes and practices to ensure that it has adequate procedures in place to prevent persons associated with the Group from undertaking corrupt conduct. Among others, the Group conducted an assessment and gap analysis on the Anti-Bribery and Anti-Corruption policy and procedures versus the Guidelines on Adequate Procedures issued pursuant to Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009. The Group will conduct periodic review to ensure the effectiveness of the Anti-Bribery and Anti-Corruption policy and procedures.
- The Group also adopted the HEINEKEN Speak Up Policy, which provides employees with a standard process to raise concerns about suspected misconducts within the Group in confidence and without fear of retaliation. Speak Up allows and encourages employees to report suspected misconducts through their line managers/Human Resources representatives/P&CI/legal function/trusted representatives appointed by the Company. 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 comprise 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. The Speak Up policy was also communicated to distributors and suppliers via an e-learning programme focusing on the Distributor Code of Conduct and Supplier Code of Conduct to encourage business partners to raise their concerns about suspected misconducts within the Group. The Speak Up policy is available for reference at the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>
- Employees are guided by HEINEKEN's Vision, Purpose and Values which are embedded within the Group's policies and procedures and work culture.

Employees Competency and Awareness

- E-Learning programmes are assigned to all employees to drive awareness and assess employees' understanding of the HeiCode. It is compulsory for all employees to complete the e-Learning programmes. The results from the e-Learning assessment are closely monitored by the HR Team who will report the results to the RCW.
- Training and development programmes such as knowledge, health and safety, technical training and leadership are organised for employees to ensure that they are equipped with necessary knowledge and skills and kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Group's objectives. During the year, the Group has rolled out an enhanced integrated learning platform for all employees to access to a vast selection of courses ranging from cross functional business skills and digital trends to self-development.
- Briefings are conducted to keep employees informed of changes to legislation that are expected to affect the Group's operations or the way the Group conducts its business.
- Induction programmes for new joiners are organised with the aim of raising their awareness and educating them on the Group's approach to risk management and internal control. Such sessions also provide a forum to enhance the participants' understanding on the Group's risk management and control procedures as well as their roles in managing risks.

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Other Policies

- The Distributor Code of Conduct and the HEINEKEN Supplier Code which outline the standard for ethical and business conduct expected from distributors and suppliers in their business dealings with the Group. During FY2020, an e-learning programme on the said Distributor Code of Conduct and the Supplier Code was developed and rolled out to all distributors and suppliers to drive awareness and assess their understanding of the codes and the underlying principles related to, among others, bribery, fraud and offering and acceptance of gifts and entertainment.
- The Group's assets are insured against any mishap that will result in material losses. Measures are also put in place to ensure major assets within the Group are physically safeguarded.
- The Group has adopted the HEINEKEN's Crisis Manual and has in place a Contingency Plan and an Emergency Preparedness & Response Plan which lays out contingency plans and procedures to follow in the event of a crisis. The Group has a Crisis Management Team which comprises members of the Management Team, to provide leadership and timely decision making to ensure continuity of business operations in the event of a significant disruption or disaster. Among the crisis scenarios covered under the plan are fire / explosion, product contamination and IT disaster. During FY2020, the Group activated the Contingency Plan when the brewery suspended its operations during the nationwide lockdown under the Movement Control Order (MCO) imposed by the Government to contain the Covid-19 infection. The Crisis Management Team has been proactively managing the impact of the MCO and the consequent containment measures on the Group business and operations by ensuring strict compliance with the required standard operating procedures and has since put in place various measures to ensure the health and well-being of our people and our business continuity.

Board Assessment

The Board is of the view that, the overall risk management and internal control systems in place for FY2020, and up to the date of approval of this statement are operating adequately and effectively. This covers all material aspects, based on, the same assurance provided by the Managing Director and the Finance Director who represent the Management Team of the Company via the LOR submitted to Heineken N.V. During the financial year under review, there were no material financial and non-financial losses reported as a result of weaknesses or inadequacies in internal control. The Board will continue to review the systems and ensure that measures will be taken to strengthen the risk management and internal control environment within the Group.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report 2020. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide 3 (AAPG3) issued by the Malaysian Institute of Accountants. AAPG3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on the review, the external auditors have reported that nothing has come to their attention that had caused them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is the Statement factually inaccurate.

This statement was approved by the Board on 15 March 2021.