

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 Group's business and performance. The Board continues to embrace good corporate governance and supports the principles 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 2018 (FY2018), guided by the main principles and recommended practices as set out in the MCCG. It is to be read together with the CG Report 2018 of the Company which provides more details on the application of the Company's CG practices vis-à-vis the MCCG during FY2018.

As of 31 December 2018, the Company in principle endorses the key principles of good corporate governance and applies virtually all recommended practices in the MCCG with the exception of the following practices:

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

Explanation on the departure from the said practices are provided in the CG Report 2018 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 always mindful of its responsibilities in leading and determining the strategic direction and overseeing the overall management of the Company and its subsidiaries (the Group). It provides an effective oversight of the conduct of the Group's businesses, ensuring appropriate risk management and internal control systems are in place as well as regularly reviewing such systems to ensure their adequacy, integrity and effectiveness. The Board takes into consideration the interests of all stakeholders in their decision-making so as to ensure the Group's objectives of creating long-term shareholder value are met.

The Board is guided by its Charter which, inter alia, sets out the purpose, composition, key roles and responsibilities as well as the internal procedural matters for the Board. The principal responsibilities of the Board, as set out in the Board Charter, are in line with that provided in the MCCG. The Board Charter serves as a source of reference for Board members to assist them in discharging their fiduciary duties as Directors. The Board Charter is reviewed periodically and the last review was on 14 February 2018. It is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>

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

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

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.

Separation of Functions between the Chairman and the Managing Director

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

The roles of the Chairman and 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, which provides effective oversight over Management and reflects the Company's commitment to uphold corporate governance. The Managing Director is appointed by the Board to implement the policies and strategies approved by the Board for the purposes of running the business and the day-to-day management of the Company. The Managing Director is supported by a Management Team and several functional committees which are tasked to oversee key operating areas. 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 set out in the Board Charter, reserved specifically for the Board deliberation and decision to ensure the direction and control of the Group are in its hands.

Senior Independent Non-Executive Director

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

- To act as a sounding board for the Chairman;
- To serve as a designated contact for direct communication with shareholders and other stakeholders on concerns that cannot be resolved through normal channels of contact with the Chairman or the Managing Director; and
- To act as a point of contact between the Independent Directors and Chairman on sensitive issues.

Board Meetings

In order to facilitate Directors to plan ahead, a full-year schedule which sets out the dates for meetings of the Board, Board Committees and shareholders, as well as the closed periods to restrict dealings in the Company's stocks by Directors is prepared and circulated to the Directors at least four months before the commencement of each new financial year.

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

During FY2018, the Board had four meetings and the attendance of each Director at the meetings, was as follows:

Name	Attendance
Dato' Sri Idris Jala Chairman, Independent Non-Executive Director	4/4
Martin Giles Manen Senior Independent Non-Executive Director	4/4
Datin Ngiam Pick Ngoh, Linda Independent Non-Executive Director	4/4
Choo Tay Sian, Kenneth Non-Independent Non-Executive Director	4/4
Lim Rern Ming, Geraldine Non-Independent Non-Executive Director	4/4
Roland Bala Managing Director, Non-Independent Executive Director Appointed on 1 September 2018	2/2
Yu Yu-Ping Non-Independent Non-Executive Director Appointed on 10 December 2018	**
Hans Essaadi Managing Director Resigned on 1 September 2018	3/3
Yong Weng Hong Non-Independent Non-Executive Director Resigned on 10 December 2018	4/4

** No meeting was held during the period from 10 December 2018 to 31 December 2018

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

The proceedings of all meetings of the Board, including all issues raised, enquiries made and responses thereto, were recorded in the minutes of meetings. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions for matters which are administrative in nature.

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Access to Information

All Directors have unrestricted and constant access to and interaction with the Management Team in that they may have informal meetings with Management Team members to brief them on matters or major developments concerning the Group operations. The Board also has access to any form of independent professional advice, information and the advice and services of the Company Secretary in carrying out its functions.

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

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

Prior to the scheduled Board/Board Committee Meeting, a structured agenda together with management reports and proposals will be circulated to the Directors at least five days prior to the meeting. In order for meetings to be more effective, the meeting agenda is organised taking into consideration the priority of the matters/proposals to be deliberated. An indication will also be provided in the agenda to guide the Board/Board Committees as to whether the matters are for approval, discussion or for notation purpose with adequate time allocated for each agenda item in order for the meetings to be conducted efficiently. As an initiative to promote environmental sustainability and efficiencies, the Board has adopted paperless meetings through the usage of electronic devices which allow immediate and secure access to meeting materials.

Some of the members of the Management Team are also invited to attend Board/Board Committee 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. Directors are encouraged to share their views and insight in the course of deliberation and partake in discussions.

All issues discussed, decisions and conclusions including dissenting views made and whether any Director abstained from voting or deliberating on a particular matter at the Board/Board Committee Meeting with required actions to be taken by responsible parties are documented in the minutes by the Company Secretary. The minutes will be signed by the Chairman of the Board/Board Committees as a correct record of the proceedings of the meeting based on confirmation from all the Board/Board Committee members. Decisions made and policies approved by the Board will be communicated to relevant Management Team members for action after the meeting.

Training and Professional Development of Directors

The Board recognises the importance of continuing education for its Directors to keep abreast with developments in the market place and changes to the statutory and regulatory requirements to assist them in the discharge of their duties. During FY2018, the Directors have attended various development and training programmes according to their individual needs to enhance their ability in discharging their duties and responsibilities more effectively. Some of the training programmes in which Directors have participated during FY2018 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 months from the date of appointment. The two newly appointed Directors of the Company, Mr Roland Bala has completed the MAP in November 2018 whilst Ms Yu Yu-Ping will complete the programme in June 2019. Ms Yu Yu-Ping has been granted an extension of time by Bursa Securities to complete the MAP in June 2019.

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

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

Code of Business Conduct and Ethics

The Board understands that it has the responsibility to set the tone and standards of the Company and is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Code of Business Conduct (HeiCode) and the underlying policies. The HeiCode sets out the basic principles that every employees must observe when acting for or on behalf of the Company and the commitments of the Company to conducting business with fairness, integrity and respect for the law and the Company's values.

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

Our Commitments and Policies	
<p>We advocate for responsible consumption</p> <ul style="list-style-type: none"> Policy on Responsible Alcohol Consumption 	<p>We respect people and the planet</p> <ul style="list-style-type: none"> Policy on Health and Safety and Life Saving Rules Human Rights Policy
<p>We conduct business with integrity and fairness</p> <ul style="list-style-type: none"> Policy on Competition Policy on Bribery Policy on Gifts, Entertainment and Hospitality Policy on Political Contributions, Charitable Donations and Lobbying Policy on Money Laundering and Economic Sanctions Policy on Conflict of Interest 	<p>We safeguard our Company's assets</p> <ul style="list-style-type: none"> Policy on Use of Company Resources Policy and Rules on Conduct for the Usage of HEINEKEN IT systems Policy on Fraud Intellectual Property Policy Policy on Confidential Information Policy on Insider Dealing Policy on Use of Social Media Media Policy Policy on Disciplinary Measures Speak Up Policy

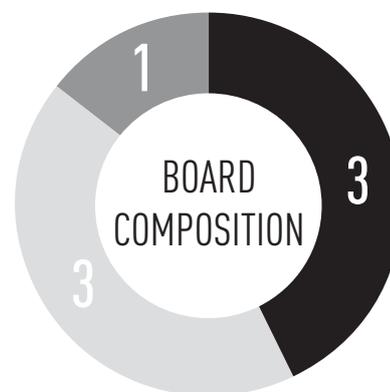
The HeiCode and the underlying policies are reviewed and updated periodically to reflect the changing business environment and the last review was carried out in 2018. Briefing sessions were conducted nationwide and an E-Learning programme was rolled out to all employees to drive awareness and to assess employees' understanding of the HeiCode and the underlying policies.

The Group has also adopted the HEINEKEN Speak Up Policy that provides employees with a standard process to report concerns about suspected misconduct within the Group in confidence and without fear of retaliation. The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Report can be submitted through the Speak Up Service via online or phone call. All Speak Up reports are handled by a Case Manager who works under the supervision and instruction of the HEINEKEN Global Integrity Committee which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit, Global Human Resources and Global Legal Affairs. The Speak Up Policy was communicated to all employees to create awareness and encourage them to raise concerns about suspected misconduct within the Group.

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

In 2018, six reports on suspicion of fraud or operational failures were received via the HEINKEN Speak Up channel.

Board Composition



■ EXECUTIVE ■ INDEPENDENT ■ NON-INDEPENDENT

The Board consists of seven members, led by an Independent Non-Executive Chairman, and supported by a Managing Director as well as five Non-Executive Directors. Three of the Non-Executive Directors (including the Chairman) are Independent Directors, representing 43% of the Board whilst the remaining three are Non-Independent Non-Executive 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 members are experienced professionals in the fields of business development, finance, accounting, media communications, governance, legal and human capital management. They understand and have good knowledge of the industry and the local economic and operating environment. Together, they bring a wide range of competencies, capabilities, relevant business experience and knowledge required for the Board to effectively discharge its oversight responsibilities.

Board Effectiveness Assessment

The Board, through its NRC, conducts an annual assessment on the Board's effectiveness to ensure that the Board functions effectively. The purpose of the assessment is also to identify and address any areas of concern which may require improvements for the Board and the Board Committees. The assessment is based on specific criteria covering the following aspects:

- Composition and mix;
- Meeting processes, quality of information and decision-making; and
- Roles and responsibilities of the Board and the Board Committees

For FY2018, the NRC had conducted the assessment internally. The assessment was led by the NRC Chairman and supported by the Company Secretary. Based on the assessment, the Board concluded that:

- Taking into consideration the nature and the scope of the Group operations and its business requirements, the current size and composition of the Board was optimum and well balanced with diversity of skill set, knowledge and experience.

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- The Board as a whole and its Board Committees have been effective in their discharge of function and duties.
- The relationship between the Board members has been good with positive and constructive interactions, coupled with strong leadership demonstrated by the Chairman.
- The level of independence and the abilities to act in the best interest of the Company demonstrated by the Directors throughout the year have been satisfactory.

The Board noted the practice recommended under the MCCG for large companies to have a majority Independent Non-Executive Directors in the Board. Given the current shareholding structure of the Company in which 51% of its equity interest are held indirectly by HEINEKEN NV 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.

Tenure of Independent Non-Executive Directors

The Board has in place a 9-year policy which limits the tenure of the Independent Non-Executive Directors of the Company to nine years of service. The Board is guided by the recommended approach under the MCCG for retention of Independent Directors beyond the cumulative term of nine years.

Mr Martin Giles Manen had served as an Independent Non-Executive Director of the Company for ten years as of 28 August 2018. The shareholders of the Company had, at the 54th AGM held on 11 May 2018, approved the continuing in office of Mr Martin Giles Manen as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. The Board had via the NRC conducted an assessment on the contribution of Mr Martin Giles Manen and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

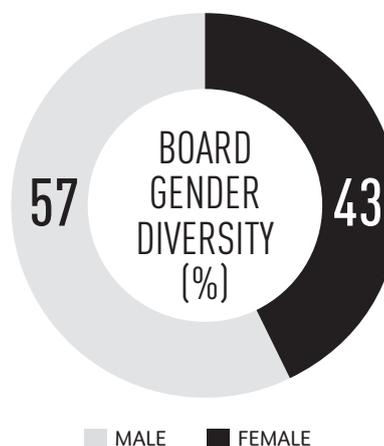
- He has met the independence criteria adopted by the Company and fulfilled the independence definitions as prescribed under the MMLR and therefore he is able to bring independent and objective judgement to the Board;
- His vast experience in the audit and accounting fields enable him to contribute to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

Based on the above recommendation of the Board, shareholders' approval will be sought at the forthcoming AGM of the Company to allow Mr Martin Giles Manen to continue to act as an Independent Non-Executive Director of the Company.

Board Diversity

The Board acknowledged the importance of promoting diversity in its membership, including gender, ethnicity and age, and strives to maintain the right balance for effective functioning of the Board.

Recognising the merits of gender diversity in strengthening the Board performance, the Board had in 2018 taken steps to increase the women representation on the Board from 28% to 43%, surpassed the required percentage of 30% women directors on the Board. The Board will continue to ensure the 30% women representation on the Board is maintained.



Appointments to the Board

There is a process for selection, nomination and appointment of suitable candidates to the Board of the Company. Potential candidates can be identified by the NRC, existing Directors, Managing Director or any shareholder or other senior executive within the Company, through internal or external sources via recruitment agencies.

The NRC reviews the suitability of candidate identified and recommends to the Board for appointment to the Board and it is responsible to ensure that appointments are made on merit. There are specific criteria for assessing candidature for directorship. The suitability of a candidate will be assessed by taking into consideration the following aspects:

- Core competencies that meet the needs of the Company
- Personal qualities in terms of leadership skills, ability to provide strategic insight and direction, work ethics and professionalism
- Industry knowledge, business judgement, expertise and special skills
- Understanding of local economic and operating environment
- Ability to commit time and effort to carry out duties and responsibilities effectively
- Ability to represent the Company at any occasion that involves the Company
- Educational qualification
- Factors that promote boardroom diversity, including gender diversity

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

The appointment of Mr Roland Bala and Ms Yu Yu-Ping, representatives nominated by the major shareholder, to the Board on 1 September 2018 and 10 December 2018 respectively, were deliberated and approved by the Board based on the above approach.

Nomination & Remuneration Committee

The NRC comprises the following five 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
Martin Giles Manen Member Senior Independent Non-Executive Director	Yu Yu-Ping Member Non-Independent Non-Executive Director Appointed on 20 February 2019

The roles and responsibilities of the NRC are defined in the NRC's Terms of Reference which is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>. The NRC's Terms of Reference is reviewed periodically and the last review was on 14 February 2018.

The NRC met once during FY2018 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
Choo Tay Sian, Kenneth Member, Non-Independent Non-Executive Director	1 / 1

Ms Yu Yu-Ping was appointed as a member of the NRC on 20 February 2019.

In the discharge of its duties, the NRC had performed the following activities during FY2018:

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

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.

Remuneration

The Company has in place a remuneration framework for the Non-Executive Directors, designed to attract and retain the right talent in the Board to drive the Group's long-term objectives. The NRC is responsible to review the remuneration framework to ensure the same is appropriately reflective of experience and the level of responsibilities and contributions; and competitive compared with the prevalent market practices. The Board, collectively determines the remuneration for 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.

The current remuneration package for the Non-Executive Directors, which was approved by the shareholders at the 51st AGM held on 25 November 2015, is set out as follows:

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

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All Non-Executive Directors are paid an annual fee for serving as members of the Board and Board Committees. They are also paid a meeting attendance allowance for each meeting they attended. The Chairmen of the Board Committees receive an annual allowance for the additional responsibility and commitment required. The above remuneration structure was determined based on a benchmarking exercise conducted by the Company with advice from an external consultant in 2015. The benchmarking exercise was done based on information and survey data on the remuneration practices of comparable companies obtained from independent sources.

In respect of the remuneration of the Managing Director of the Company, the NRC is guided by the compensation framework of the HEINEKEN Global Human Resources. The remuneration package of the Managing Director consists of both fixed and performance-linked elements. 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 or allowance nor any meeting allowances for the Board and Board Committees Meetings he attended.

The shareholders of the Company had, at the 54th AGM held on 11 May 2018, approved the payment of Directors' fees and benefits up to RM710,000 to the Non-Executive Directors for FY2018. Total remuneration paid to the Non-Executive Directors of the Company for FY2018 was RM668,456. The breakdown of the remuneration of all the Directors (including the Managing Director) of the Company who served during FY2018 is as follows:

Company	RM				Total
	Fees & Chairman Allowance	Meeting Allowance	Salary & Other Emoluments	Benefits-in-kind	
Non-Executive Directors					
Dato' Sri Idris Jala	186,000	10,800	-	14,856	211,656
Martin Giles Manen	87,000	10,800	-	-	97,800
Datin Ngiam Pick Ngoh, Linda	84,000	10,800	-	-	94,800
Choo Tay Sian, Kenneth	84,000	10,800	-	-	94,800 [#]
Lim Rern Ming, Geraldine	75,000	4,800	-	-	79,800 [#]
Yu Yu-Ping Appointed on 10 December 2018	4,730	-	-	-	4,730 [#]
Yong Weng Hong Resigned on 10 December 2018	75,270	9,600	-	-	84,870 [#]
Total	596,000	57,600	-	14,856	668,456
Managing Director					
Roland Bala Appointed on 1 September 2018	-	-	778,078	165,853	943,931
Hans Essaadi Resigned on 1 September 2018	-	-	1,411,254	304,355	1,715,609
Total	-	-	2,189,332	470,208	2,659,540

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

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.

In 2018, 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 Puthuchear, 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 FY2018.

For the financial year ending 31 December 2019, the aggregate remuneration payable to the Non-Executive Directors of the Company is estimated to be around RM700,000 calculated based on the above fees and allowances and the current composition of the Board and Board Committees. Shareholders' approval will be sought at the 55th AGM of the Company on the payment of Directors' fees and benefits up to the said amount to the Non-Executive Directors of the Company in 2019.

**PRINCIPLE B
EFFECTIVE AUDIT AND RISK MANAGEMENT**

Audit & Risk Management Committee

The ARMC comprises five members, all of whom are Non-Executive Directors; three 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 of the ARMC are set out in the ARMC Report in this Annual Report.

The ARMC assists the Board in discharging 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.

Annually, the Board assesses the composition and performance of the ARMC and its members through an annual Board Committee effectiveness assessment. 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. The ARMC's Terms of Reference is reviewed periodically and the last review was on 14 February 2018. It is available on the Company's website at <https://www.heinekenmalaysia.com/corporate-governance/>

Suitability and Independence of External Auditors

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

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

The ARMC reviews the audit and non-audit services provided by the external auditors. In reviewing such services, the ARMC ensures that the independence and objectivity of the external auditors are not

compromised. The external auditors are engaged mainly to perform statutory audit on the Group's financial statements. For FY2018, 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:

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

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The external auditors, Messrs Deloitte PLT, have confirmed that they have complied with the independence requirements set out in the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

Risk Management and Internal Control

The Group has adopted the HEINEKEN Risk Management and Internal Control Systems which enables Management to identify, assess, prioritise and manage risks on a continuous and systematic basis.

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

As an integral part of the risk management and internal control framework, an assessment is performed on key controls surrounding the Group financial reporting process on an annual basis, focusing on transparency, accountability and safeguarding of the Group assets. Outcome of the assessment is reported to the ARMC during their quarterly meetings.

The Group's Internal Audit function, which is carried out in-house, assists the ARMC and the Management in the effective discharge of their responsibilities in respect of risk management, internal control and governance. It is guided by its Charter and its principal responsibility is to provide independent and objective reviews on the Group's internal control system so as to ensure that controls which are instituted are appropriate and can effectively address acceptable risk exposures. The internal audit function also ensures that recommendations to improve controls are followed through by Management.

The Internal Audit function, which is led by the Head of Internal Audit, has a clear line of reporting to the ARMC and its performance is reviewed by the ARMC on an annual basis. The ARMC also reviews the internal audit plan including the adequacy of the scope, approach, methodology, resources and authority of the Internal Audit function in carrying out its audit activities. As such, it is independent of the operational and management activities they audit.

Based on the assessment carried out by the ARMC on the effectiveness of the Internal Audit function for FY2018, the Internal Audit function was found to be effective in discharging its responsibilities in that it has completed all the audit assignments in accordance with the plan with appropriate recommendations provided and implemented to strengthen the internal controls within the Group.

The Board is of the view that the overall risk management and internal control systems in place for FY2018 are operating adequately and effectively for the purpose of safeguarding the Group's assets, as well as shareholders' investments and the interests of employees and other stakeholders. The key features of the risk management and internal control systems are set out in the Statement on Risk Management and Internal Control in this Annual Report.

Financial Reporting

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

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

The Directors are satisfied that in preparing the financial statements for FY2018, the Group has adopted and applied consistently appropriate accounting policies, supported by reasonable and prudent judgements and estimates; and implemented relevant internal controls to ensure the financial statements are free from material misstatement. The Directors also consider that all applicable approved accounting standards in Malaysia have been adopted and the financial statements have been prepared on a going concern basis.

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

PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Company recognises the importance of being accountable to its shareholders and stakeholders and it remains committed to maintain an active and proactive communication approach with its shareholders and stakeholders to facilitate mutual understanding of each other's objectives and expectations. The Company firmly believes that timely, accurate and effective communication with its shareholders and stakeholders is key to enable them to make informed decisions with respect to the Group's business, its policies on governance, the environment and corporate responsibility.

Communication with Stakeholders

The Company leverages on various communication platforms to reach out to shareholders and stakeholders. This includes among others, publications of Company's announcements and presentations on the Group's quarterly financial performance and corporate developments, publication of annual report, issuance of press releases for significant matters, holding of investors and media briefings post financial results announcements on a semi-annually basis, regular engagement with media, business partners and surrounding communities through corporate events and community outreach programmes. In 2018, numerous engagement activities were carried out for the Company to engage its stakeholders. Details of the engagement activities are reported in the Stakeholder Engagement section in this Annual Report.

The Company's mobile-friendly website www.heinekenmalaysia.com is a key communication channel with its stakeholders. It provides information on the Group business activities, financial results and corporate responsibility initiatives. The website further outlines the Group's business principles, governance framework and the code of business conduct. It also allows investors and stakeholders to inquire investor relations matters, provide feedback and post queries or concerns regarding the Group via the following channels:

Investors relations	
T : +603 78614480 E : junhui.ng@heineken.com Ms Ng Jun Hui Head of Accounting, Tax & Investor Relations	T : +603 78614537 E : rachel.ng@heineken.com Ms Rachel Ng Company Secretary
General enquiries	
T : +603 78614688 E : MY1-general.enquiry@heineken.com	

The Company will review each enquiry/message receive and respond accordingly to its stakeholders in a timely manner.

Investors Relations

The Company has a dedicated investor relations function which reports directly to the Finance Director. The investor relations personnel organises post-announcement of results briefings and discussions with investment analysts, fund managers, institutional investors and the media. The briefings, which are conducted by the Managing Director and the Finance Director, are intended not only to promote the dissemination of the financial results of the Group but to provide comprehensive insights and to 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 industry.

In addition, the investor relations personnel together with the Finance Director meet with equity research analysts, fund managers, institutional shareholders and investors on a one-on-one basis outside the Company's closed period.

During FY2018, the Company conducted nine face-to-face meetings and three conference calls with institutional investors and held two investor briefing sessions and two media briefing sessions, including brewery tours. Throughout the year, the Company received relatively extensive coverage from approximately 20 equity research analysts.

The Board is updated on a monthly basis on investor relations activities, recommendations by analysts, comments from the investment community as well as commentary on stock price information and performance.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Board is mindful of ensuring all shareholders are treated fairly and equitably. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information about the Company will not be disclosed on an individual or selective basis to any person unless such information has previously been fully disclosed and disseminated to the public.

As part of the HEINEKEN Group, the Company is guided by the HEINEKEN Communication Rules and the Financial Disclosure Guidelines which stipulates 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 also adheres to the Corporate Disclosure Policy which regulates the following aspects as stipulated in the MMLR:

- Immediate disclosure of material information
- Thorough public dissemination
- Clarification, confirmation or denial of rumours or reports
- Response to unusual market activity
- Unwarranted promotional disclosure activity
- Insider trading

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2018, the Company continued to adopt the same integrating reporting approach based on IIRF in this Annual Report.

Conduct of General Meetings

Company's AGM is a principal platform for Directors and Senior Management to engage shareholders to facilitate a greater understanding of the Group's business, governance and performance. AGM is generally held in a central location which is easily accessible by public transportation. Shareholders are informed of AGM through notices published via the Company's website, Bursa Securities and in a local daily newspaper; and reports and circulars sent to all shareholders. AGM notification is sent to shareholders at least 28 days ahead of the meeting together with relevant administrative details for the meeting to provide shareholders adequate time to prepare and make necessary arrangements for attendance and voting at the AGM.

At each 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 will be presented. Shareholders are given the opportunity and time to raise questions, seek clarification on the Group performance as well as to share views and suggestions for improvement. The Chairman, Managing Director, Chairman of respective Board Committees, Finance Director and other Board members are available to respond to queries raised during the meeting. External auditors are also invited to attend the AGM to answer any questions relating to the conduct of the audit and the Auditors' Report in respect of the audited financial statements of the Group, if any. Members of the Management Team are also present to handle other face-to-face enquiries from shareholders. Where appropriate, a written response will be provided to any significant question that cannot be readily answered at the meeting.

In addition to the above, the Company also addresses questions submitted in advance by the Minority Shareholder Watchdog Group. Written reply is published together with the Minutes of AGM on the Company's website at https://www.heinekenmalaysia.com/annual_general.html within 2 weeks after the meeting.

In line with the requirements of the MMLR, the Company has implemented electronic poll voting for all resolutions proposed at AGMs since year 2017. A scrutineer is appointed to count and validate the votes cast at the AGMs. Votes cast for and against and the respective percentages, on each resolution are announced to shareholders/proxies present immediately after each poll is conducted. The voting results of the said AGMs are announced via Bursa Securities on the same day after the meetings.

The Company continues to explore the leveraging of technology to enhance the quality of engagement and facilitate further participation of shareholders at AGMs.

APPENDIX 1 – DIRECTORS’ TRAINING LIST

Directors	Training attended during the financial year ended 31 December 2018
Dato’ Sri Idris Jala	<ul style="list-style-type: none"> ▪ Harvard Ministerial Leadership Forum 2018 on education and health ▪ Talk Asia Series: National Development - Making it happen from priorities to implementation ▪ Singapore Management Festival 2018: It is not enough to disrupt! Strategy // Core // Future ▪ Astana Economic Forum 2018: 11 Global Changes i.e. Unified Economy, Global Strategy, Urbanization, Sustainability, Clean Energy, Singularity, Digital World, Future of Money, Global Security, A New Mankind and Longevity ▪ Conference on Administrative Development in light of Saudi Vision 2030
Roland Bala	<ul style="list-style-type: none"> ▪ HEINEKEN Asia Pacific (APAC) General Managers Conference 2018 ▪ HEINEKEN Forum 2018 ▪ HEINEKEN General Managers (GMs) Gathering 2018 ▪ Mandatory Accreditation Program for Malaysian Directors
Martin Giles Manen	<ul style="list-style-type: none"> ▪ Cyber Security: Cyber Proofing for the Next Wave ▪ Bursa Malaysia Corporate Governance Briefing: Malaysian Code on Corporate Governance Reporting and Corporate Governance Guide ▪ Beyond Compliance: Achieving Cyber Resiliency ▪ Islamic Banking in the 4th Industrial Revolution: Compliance, Digital Innovation, Profitability and the Way Forward – An Insider & Global Perspectives ▪ Briefing on Malaysian Financial Reporting Standard (MFRS) 17 – Insurance Contracts ▪ Digital Transformation and Impact to Businesses by DELL EMC ▪ Southeast Asia CFO Vision 2018 – The CFO of the Future ▪ Market Integrity Symposium: Embracing Innovation, Changing the Game – Electronic Trading ▪ Briefing on Cyber Risk Awareness ▪ Anti-Money Laundering and Anti-Terrorism Financing – Update on Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ▪ Institute Corporate Directors Malaysia Power Talk: Would a Business Judgement Rule help Directors sleep better at night?
Datin Ngiam Pick Ngoh, Linda	<ul style="list-style-type: none"> ▪ Malaysian Code on Corporate Governance – Impact on Board and Management of Listed Issuers ▪ MFRS 17 Insurance Contracts Technical Training by EY ▪ Digital Transformation and Impact to Businesses by DELL EMC ▪ SSM National Conference 2018: Doing Business in the Age of Disruption ▪ The Future of Digital Advertising in a Privacy-First World by MAA & WFA ▪ Institute Corporate Directors Malaysia Power Talk: Would a Business Judgement Rule help Directors sleep better at night?
Choo Tay Sian, Kenneth	<ul style="list-style-type: none"> ▪ HEINEKEN GMs Conference 2018 ▪ HEINEKEN APAC GMs Conference 2018 ▪ HEINEKEN Forum 2018 ▪ HEINEKEN Commerce Week ▪ Hogan Assessment Certification Workshop
Lim Rern Ming, Geraldine	<ul style="list-style-type: none"> ▪ HEINEKEN GMs Conference 2018 ▪ HEINEKEN APAC GMs Conference 2018 ▪ HEINEKEN Global Legal Conference 2018 ▪ Duane Morris & Selvam’s Ambassador Series – Managing Mayhem In An Age Of Global Turbulence ▪ Marsh (Singapore) Pte Ltd and Allen & Gledhill LLP – Warranty & Idemnity Insurance for M&A ▪ GC Summit Singapore – Developing A Diverse Leadership, Singapore ▪ Hogan Assessment Certification Workshop ▪ Morrison & Foerster – Evening Celebration of Diversity & Inclusion ▪ Accenture Digital Workshop
Yu Yu-Ping	<ul style="list-style-type: none"> ▪ HEINEKEN Regional HR Conference 2018 ▪ HEINEKEN GMs Conference 2018 ▪ HEINEKEN GMs Gathering 2018 ▪ HEINEKEN Forum 2018 ▪ Hogan Optimal Workshop ▪ Emerging Market Forum ▪ Accenture Digital Workshop