

# STATEMENT ON CORPORATE GOVERNANCE

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 embraces good corporate governance and supports the principles and the recommended practices provided in the Malaysian Code on Corporate Governance (CG Code).

With this, the Board is pleased to present this Statement on Corporate Governance (CG Statement) which outlines the manner and extent the Company has adopted and applied the principles and recommended practices as set out in the CG Code over the financial year ended 31 December 2017. The detailed application by the Company for each CG practice during the financial year ended 31 December 2017 is reported in the Corporate Governance Report which is available on the Company's website at [www.heinekenmalaysia.com](http://www.heinekenmalaysia.com).

## 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. Pursuant to the new CG Code issued on 26 April 2017 and the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) issued on 29 November 2017, the Board had, on 14 February 2018, reviewed its Charter and approved the adoption of a new Charter consistent with the CG Code and the MMLR. The new Charter sets out the Board's strategic intent and outlines the roles and responsibilities of the Board and the Board Committees, individual Directors and the Chairman as well as its meeting requirements. It is subject to review as and when necessary and it is available on the Company's website at [www.heinekenmalaysia.com](http://www.heinekenmalaysia.com).

In discharging the key fiduciary duties and leadership functions, the Board assumes the following principal responsibilities in line with the practices prescribed under the CG Code:

- (a) Set the corporate values and promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior and ensure that its obligations to shareholders and other stakeholders are met;
- (b) Review, challenge and decide on Management's proposals for the Company and monitor the implementation by Management;
- (c) Set the strategic aims of the Group and ensure that the strategy and business plan of the Group supports long-term value creation and promote sustainability taking into consideration the economic, environmental and the social aspects;
- (d) Oversee the conduct of the Group's business and operations, and ensure the businesses are being properly managed;
- (e) Ensure the adequacy and integrity of the Group's internal controls and management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (f) Understand the principal business risks and recognise that business decisions involve the taking of appropriate risks;
- (g) Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (h) Ensure that all members of the Board and the Management Team are of sufficient caliber including having in place a process to provide for the orderly succession of the Board and the Management Team;
- (i) Ensure the Company has in place procedures to ensure effective communication with, and appropriate disclosure to its shareholders and other stakeholders; and
- (j) Ensure the integrity of the Company's financial and non-financial reporting.

To assist the Board in the discharge of its oversight function, the Board has delegated specific responsibilities to the following Board Committees:

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

Each committee operates its functions within their terms of reference approved by the Board. The Chairman of the respective Board Committees reports on matters deliberated and recommendations by the Board Committees.

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

The Chairman is primarily responsible for ensuring the effective functioning of the Board and leading the Board in its collective oversight of management by focusing on strategy, governance and compliance. The position of the Chairman and the Managing Director are held by different individuals 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 Managing Director is appointed by the Board and is responsible for the day-to-day management of the Group operations and business as well as implementation of business plans and strategies, policies and decisions approved by the Board. The Managing Director is supported by a Management Team and other 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 reserved specifically for the Board deliberation and decision to ensure the direction and control of the Group are in its hands. The schedule of key matters is set out in the Board Charter which is published on the Company's website at [www.heinekenmalaysia.com](http://www.heinekenmalaysia.com).

### Senior Independent Non-Executive Director

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

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## Board Meetings

A full year meeting schedule which sets out the dates for meetings of the Board, Board Committees and shareholders, as well as the closed period to restrict dealings in the Company's stocks by Directors is prepared and circulated to the Directors before the start of each calendar year to allow Directors to plan ahead to attend such meetings. Directors are allowed under the Company's Constitution to participate at a Board / Board Committee Meeting via telephone or video conferencing.

The Board meets on a quarterly basis. Additional meetings are convened as and when necessary to consider urgent proposals or matters that require the Board's consideration. Off-site Board Meeting to discuss specific topics will be arranged, when necessary, to facilitate more time for discussion and view sharing.

During the financial year ended 31 December 2017, the Board had four meetings and the attendance of each Director at the meetings, was as follows:

Name	Attendance
<b>Dato' Sri Idris Jala</b> Chairman, Independent Non-Executive Director	4/4
<b>Hans Essaadi</b> Managing Director, Non-Independent Executive Director	4/4
<b>Martin Giles Manen</b> Senior Independent Non-Executive Director	4/4
<b>Datin Ngiam Pick Ngoh, Linda</b> Independent Non-Executive Director	4/4
<b>Choo Tay Sian, Kenneth</b> Non-Independent Non-Executive Director	4/4
<b>Yong Weng Hong</b> Non-Independent Non-Executive Director	4/4
<b>Lim Rern Ming, Geraldine</b> Non-Independent Non-Executive Director (Appointed on 1 November 2017)	1/1
<b>Frans Erik Eusman</b> Non-Independent Non-Executive Director (Resigned on 1 November 2017)	2/3

At Board Meetings, the Board reviews management reports on the business and financial performance of the Group and discusses major 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. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions for matters which are administrative in nature.

## 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 Directors also have unrestricted access to the advice and services of the Company Secretary. Directors may interact directly with, or request further explanation, information or update on any aspects of the Company's operations from the Company Secretary. In addition to the administrative matters, the Company Secretary advises the Board on CG matters, corporate disclosures and ensure adherence to the relevant statutory and regulatory requirements.

The Company Secretary, who is a qualified Chartered Secretary and an Associate member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators, manages all Board and Board Committee Meetings logistics as well as the processes pertaining to Annual General Meeting (AGM), attends and records minutes of all Board and Board Committees Meetings and AGM. The Company Secretary had and will continue to constantly undertake continuous professional development.

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, the Directors will be provided a structured agenda together with management reports and proposal papers at least 5 days prior to the meeting. In order for meetings to be more effective, the meeting agenda is organised taking into consideration the complexity of the proposals / matters to be deliberated. An indication will also be provided to guide the Board / Board Committees as to whether the matters are for approval, discussion or for notation purpose with time allocation determined for each agenda item in order for the meetings to be conducted efficiently.

Where necessary, members of the Management Team will be invited to attend Board / Board Committee Meetings to report and update on areas of business within their responsibility to provide Board members insights into the business, and clarify any issues raised by the Directors in relation to the Group operations. 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.

#### Directors' Training and Induction

The Board recognises the importance of continuing education for its Directors to ensure that they are equipped with the necessary skills and knowledge to assist them in the discharge of their duties as Directors. All existing Directors have completed the Mandatory Accreditation Programme as required under the MMLR.

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 issues and strategies. As part of the induction programme, a brewery tour is also arranged to provide greater understanding about the production processes.

The Company Secretary co-ordinates training programmes for the Directors. During the financial year ended 31 December 2017, the Directors have attended relevant development and training programmes according to their individual needs to keep abreast with relevant changes in laws and regulations and to enhance their ability in discharging their duties and responsibilities more effectively. Some of the training, conferences, seminars and/or workshops, in which Directors have participated during the financial period ended 31 December 2017, are listed in Appendix 1 of this CG Statement.

The Directors are mindful of the need to continue to enhance their skills and knowledge to assist them in the discharge of their duties as Directors. The Board will, on a continuous basis, evaluate and determine the training needs of the Directors.

#### Code of Business Conduct and Ethics

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness. The Board understands that it has the responsibility to set the tone and standards of the Company through a code of conduct and ethics for the Company. As part of the HEINEKEN Group, the Group has adopted the HEINEKEN Code of Business Conduct (HeiCode) which governs the standards of ethics and responsible business conduct expected from all the employees, individually and as a team at every level, when acting for and on behalf of the Company. It is integrated into company-wide management practices and empowers and guides Directors, Management and employees in dealing confidently with their day-to-day challenges.

The HeiCode has embedded 15 policies which are grouped into three broad areas, namely:

Personal integrity	Commercial integrity	Company integrity
<ul style="list-style-type: none"> <li>▪ Responsible consumption and communication</li> <li>▪ Standards on employees' and human rights, harassment and discrimination</li> <li>▪ Commitment to health, safety and environment</li> <li>▪ Avoidance and disclosure of conflicts of interest</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fair competition</li> <li>▪ Avoidance of bribery and improper advantages</li> <li>▪ Offering and acceptance of gifts</li> <li>▪ Provision and acceptance of entertainment and hospitality</li> <li>▪ Political contributions and charitable donations</li> <li>▪ Dealing with business partners</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use of company resources</li> <li>▪ Management of confidential information</li> <li>▪ Avoidance of insider trading</li> <li>▪ Maintenance of financial and non-financial records</li> <li>▪ Fraud prevention and reporting</li> </ul>

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The Group has also adopted the HEINEKEN Speak Up Policy that provides employees with a standard process to raise concerns about suspected misconduct within the Group without repercussion in a safe and confidential manner. The Speak Up Service is managed by an independent third party and is available 24/7, 365 days a year. Reports can be submitted through the Speak Up Service via online or phone call. All Speak Up reports are reviewed by a Review Team which comprises representatives from the HEINEKEN Business Conduct Office, Global Audit and Global Human Resources. 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 published on the Company's website at [www.heinekenmalaysia.com](http://www.heinekenmalaysia.com).

## Board Composition

The Board currently has seven members who are of high calibre with diverse experience and collectively has an appropriate mix of skills and expertise required to effectively discharge its oversight responsibilities. Out of the seven members, one is a Managing Director, three (including the Chairman) are Independent Non-Executive Directors and three are Non-Independent Non-Executive Directors. The Independent Non-Executive Directors, who represent approximately 43% of the Board, play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience in the Board's decision-making process.

## Board Effectiveness Assessment

The Board, through its NRC, conducts an annual assessment on the Board's effectiveness based on the composition, conduct, responsibilities of the Board and the Board Committees in accordance with the Board Charter and the Board Committees' Terms of Reference.

During the financial year ended 31 December 2017, the Company had engaged Deloitte Enterprise Risk Services Sdn Bhd, an independent consultant, to facilitate the Board Effectiveness Assessment. The assessment, which was conducted via questionnaires and a one-on-one session with Directors, covered a broad spectrum of governance attributes that encompassed nine main elements, namely performance, strategy, governance, talent, integrity, compliance, reporting, operations and planning. The observations of the assessment indicated that the performance of the Board, the Board Committees and the individual Directors during the year had been good in that they had been effective in their overall discharge of functions and duties. It was also noted that the relationship between the Board members was good with positive and constructive interactions, coupled with strong leadership shown by the Chairman. Nevertheless, several suggestions were raised to further enhance the effective functioning of the Board. Among the suggestions raised were:

- to organise an offsite retreat for the Board to strengthen the working relationship between the Board and the Management Team and more importantly to deliberate strategy plan and performance management;
- to leverage on digital applications / tools for distribution of meeting papers; and
- to formalise a framework and policy for Board succession plan.

Based on the assessment, the Board was broadly satisfied 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 appropriate and well balanced with diversity of skill set, knowledge and experience which would facilitate effective decision-making. The Board was also satisfied with the level of independence demonstrated by the Directors throughout the year and their abilities to act in the best interest of the Company.

The Board deliberated on the practice recommended under the CG Code 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 is 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 CG Code 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 nine years as at 28 August 2017. The shareholders of the Company had, at the 53<sup>rd</sup> AGM held on 13 April 2017, approved the continuing in office of Mr Martin Giles Manen as an Independent Non-Executive Director of the Company until the conclusion of the next AGM. The Board had via the NRC conducted an assessment on the contribution of Mr Martin Giles Manen and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:

- (a) He has met the independence criteria adopted by the Company and fulfilled the independence definitions as prescribed under the MMLR and therefore he was able to bring independent and objective judgement to the Board;
- (b) His vast experience in the audit and accounting fields enable him to contribute to the Group's performance monitoring and enhancement of good corporate governance;

- (c) He has been with the Company for long and therefore understands the Group's business operations which enable him to participate actively and contribute at Board Committees and Board Meetings;
- (d) He has devoted sufficient time and efforts and attended all the Board Committees and Board Meetings for informed and balanced decision-making;
- (e) He has discharged his role as Chairman of the ARMC with due care and diligence and has carried out his professional duties as an Independent Non-Executive Director of the Company in the interest of the Company and shareholders.

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

Currently, the Board does not have any gender, ethnicity and age diversity policies and targets. The Board was of the opinion that gender is only one element of diversity, and that experience, background, knowledge, skills and insight are equally important and relevant criteria in selecting new Board members. Nevertheless, the Board acknowledged the merits of gender diversity in strengthening the performance of the Board and had, in 2017, taken steps to increase the women representation on the Board from 14% to 28%. Taking into account the current Board size for effective decision-making, the Board will continue to aim at achieving/maintaining the current percentage of women directors on the Board by placing gender diversity as one of the considerations for new appointments to the Board.

### 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 recent appointment of Ms Lim Rern Ming, Geraldine, a representative nominated by the major shareholder, to the Board on 1 November 2017 was deliberated and approved by the Board based on the above approach.

### Nomination & Remuneration Committee

The NRC comprises the following 4 Non-Executive Directors of the Company with a majority being Independent Director:

<b>Dato' Sri Idris Jala</b> Chairman Independent Non-Executive Director		
<b>Datin Ngiam Pick Ngoh, Linda</b> Member Independent Non-Executive Director	<b>Choo Tay Sian, Kenneth</b> Member Non-Independent Non-Executive Director	<b>Martin Giles Manen</b> Member Senior Independent Non-Executive Director

The NRC's roles and functions are governed by its Terms of Reference. In February 2018, the Board had reviewed and updated its Terms of Reference to reflect the requirements of the applicable practices and guidance of the CG Code. The Terms of Reference is published on the Company's website at [www.heinekenmalaysia.com](http://www.heinekenmalaysia.com).

As defined in the Terms of Reference, the roles and responsibilities of the NRC are as follows:

#### Board and Board Committees' Appointment

- review the criteria for assessment of candidates for the Chairman and the Directors and the process for appointment, resignation or cessation of office;
- recommend to the Board, prospective candidates to be appointed to the Board, based on the approved criteria;
- recommend to the Board on the establishment of new Board Committees or dissolution of any existing Board Committee which no longer serves its purpose; and
- ensure succession plans and policies are in place for the Board and the Managing Director of the Company.

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## Board and Board Committees' Assessment

- review the composition of the Board focusing on the mix of skills, experience, age, cultural background and gender and ensure the Board has a balance and diverse background and recommend to the Board with regard to any adjustment that is deemed necessary;
- evaluate the effectiveness of the Board and the Board Committees, term of office and contribution of each individual Director and the independence of Independent Directors;
- recommend to the Board action plans for improvement on areas identified in the Board and Board Committees effectiveness assessment, where applicable;
- review the retirement of Directors who are eligible for re-election and the retention of Directors who have served beyond nine years as Independent Non-Executive Directors, and assess their eligibility for re-election or retention; and
- ensure new Directors go through a proper induction programme and evaluate training requirements for the Directors to ensure they keep abreast with the developments in the industry and changes in the regulatory requirements.

## Remuneration

- review and recommend to the Board the remuneration package for Non-Executive Directors and ensure it is consistent with the Group business strategy and long term objectives to attract and retain Directors;
- review the framework and measures for performance bonus / incentive and salary increment for the Group employees and recommend to the Board for approval, where it deems necessary, any amendment or modification to the framework and measures; and
- review and recommend to the Board the annual performance bonus / incentive and salary increment allocation based on the performance targets / objectives set and the payout to the Group employees based on the Group performance achievement.

The NRC met once during the financial year ended 31 December 2017. In the discharge of its duties, the NRC had performed the following activities:

- Assessed the effectiveness of the size, mix and the composition of the Board and the Board Committees and the contribution of individual Directors in relation to the effective decision-making of the Board
- Assessed the independence of Independent Non-Executive 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
- Reviewed the company car policy for Managing Director
- Reviewed the remuneration package for the Board Chairman

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 and procedures to determine the remuneration of the Directors which is clear and transparent, 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 for the Non-Executive Directors of the Company 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 determined the remuneration for the Non-Executive Directors based on the recommendation of the NRC. Each of the Non-Executive Directors abstained 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 51<sup>st</sup> 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

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 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 is he is entitled to receive any meeting allowances for the Board and Board Committees Meetings he attends.

The shareholders of the Company had, at the 53<sup>rd</sup> AGM held on 13 April 2017, approved the payment of Directors' fees and benefits up to RM760,000 to the Non-Executive Directors for the financial year ended 31 December 2017. For the said financial year, a total of RM652,400 was paid to the Non-Executive Directors of the Company.

Details of the remuneration of all Directors of the Company (including the Managing Director) who served during the financial year ended 31 December 2017 are as follows:

RM							
Company	Fees & Chairman Allowance	Meeting allowance	Salary	Bonuses	Benefits-in-kind	Other Emoluments	Total
<b>Managing Director</b>							
Hans Essaadi	-	-	1,121,335	240,994	611,471	186,311	2,160,111
<b>Non-Executive Directors</b>							
Dato' Sri Idris Jala	186,000	10,800	-	-	-	-	196,800
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#
Yong Weng Hong	80,000	9,600	-	-	-	-	89,600#
Lim Rern Ming, Geraldine (Appointed on 1 November 2017)	12,500	1,200	-	-	-	-	13,700#
Frans Erik Eusman (Resigned on 1 November 2017)	62,500	2,400	-	-	-	-	64,900#
<b>Total</b>	<b>596,000</b>	<b>56,400</b>	<b>1,121,335</b>	<b>240,994</b>	<b>611,471</b>	<b>186,311</b>	<b>2,812,511</b>

*Notes:*

*Benefits-in-kind include rental, motor vehicle, 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.*

In 2017, 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 the financial year ended 31 December 2017.

For financial year ending 31 December 2018, the aggregate remuneration payable to the Non-Executive Directors of the Company is estimated to be around RM710,000 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 54<sup>th</sup> AGM of the Company on the payment of Directors' fees and benefits up to the said amount to the Non-Executive Directors of the Company for the financial year ending 31 December 2018.

# STATEMENT ON CORPORATE GOVERNANCE

## 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 Board had also reviewed and updated the ARMC's Terms of Reference in February 2018 to reflect the requirements of the applicable practices of the CG Code.

Currently, the ARMC does not have a policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the ARMC. The Board noted such practice and will adhere to such practice when considering membership on the ARMC in the future.

#### Suitability and Independence of External Auditors

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

The ARMC meets with the external auditors at least twice a year to discuss their audit plan and audit findings in relation to the Group's financial statements. Prior to some ARMC Meetings, private sessions between the ARMC and the external auditors were held without the presence of the Managing Director and 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 the financial year ended 31 December 2017, the external auditors also undertook the following non-audit related reviews:

- Review of the supplementary financial information on the breakdown of realised and unrealised retained earnings
- Review of the Statement on Risk Management and Internal Control
- Review of reporting deliverables to Deloitte Netherlands

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

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

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 Framework

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 provides independent and objective reviews on the Group's internal control system 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 the financial year ended 31 December 2017, the internal audit function was regarded as an "Assurance Provider" that delivers objective assurance on effectiveness of the Group's internal control system. Nevertheless, plans are in place to further develop and move the function to the next level to become a "Problem Solver" that brings analysis and perspective on root causes of issues identified in audit findings, to help business units to take corrective actions.

The Board is of the view that the overall risk management and internal control systems in place for the financial year ended 31 December 2017 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

In presenting the quarterly financial reports and the annual financial statements to shareholders and investors, the Board is committed to provide a clear, balanced and meaningful assessment of the Group's financial position and prospects.

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 comply with accounting standards and regulatory requirements.

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.

The Directors are responsible for ensuring that the financial statements of the Group 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 the financial year ended 31 December 2017, 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.

# STATEMENT ON CORPORATE GOVERNANCE

## 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 employs 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 financial performance and corporate developments, publication of annual report, issuance of press releases for significant events, holding of investors and media briefings post-results announcements, engaging with media, business partners and surrounding communities at various events and community outreach programmes. In 2017, numerous engagement activities were carried out for the Company to engage its stakeholders. The details of the engagement activities are available in the Brewing a Better World section in this Annual Report.

The Company's mobile-friendly website [www.heinekenmalaysia.com](http://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 about investor relations matters, provide feedback and post queries or concerns regarding the Group via the following channel:

Contact details, as disclosed on the Company's website:

Email : [MY1-General.Enquiry@heineken.com](mailto:MY1-General.Enquiry@heineken.com)

Telephone : +603 78614688

The Company will review each enquiry / message received 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 the financial year ended 31 December 2017, the Company conducted 12 face-to-face meetings and three conference calls with institutional investors, including brewery tours, and held two investor briefing sessions and one media briefing session. Throughout the financial year under review, 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

### 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 2017, 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 greater understanding of the Company'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, as well as reports and circulars sent to all shareholders. For the upcoming 54<sup>th</sup> AGM, notice for the AGM is sent to shareholders at least 28 days ahead of the meeting together with the Annual Report that contains the audited financial statements and information on the rationale of all proposed resolution under the special business agenda to assist shareholders in deciding how they should vote on each agenda item.

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 to shareholders. 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 at each meeting.

The Chairman, Managing Director, Chairman of respective Board Committees, Finance Director and other Board members are available to respond to shareholders' queries during the meeting. External auditors are also invited to attend the AGM to answer any questions relating to the conduct of the audit and contents of the Auditors' Report, 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.

Effective 1 July 2016, the MMLR requires that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, shall be voted by poll. Also, at least one scrutineer must be appointed to validate the votes cast at the general meeting. Such scrutineer must not be an officer of the Company or its related corporation and must be independent of the person undertaking the polling process.

In line with the above requirements, the Company had conducted electronic poll voting for shareholders / proxies present at the 52<sup>nd</sup> and 53<sup>rd</sup> AGMs for all resolutions proposed at the said meetings held on 13 April 2017. A scrutineer was appointed to count and validate the votes cast at the said meetings. Votes cast for and against and the respective percentages, on each resolution were displayed "live" to shareholders / proxies immediately after each poll conducted. The voting results of the said AGMs were announced via Bursa Securities on the same day after the meetings.

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

## APPENDIX 1 - DIRECTORS' TRAINING LIST

Directors	Training attended during the financial year ended 31 December 2017
Dato' Sri Idris Jala	<ul style="list-style-type: none"> <li>▪ Harvard Ministerial Leadership Forum for Finance Ministers</li> <li>▪ Harvard Ministerial Leadership Forum for Education and Health Minister</li> <li>▪ Dubai Government Excellence Program</li> <li>▪ Caribbean Leadership and Transformation Forum</li> <li>▪ Nigeria Economic Recovery and Growth Development Plan Cabinet Workshop</li> <li>▪ Ethiopia Youth Employment Workshop</li> <li>▪ Forum on Women in Energy</li> <li>▪ Transformational Implementation to achieve Breakthrough SDG Performance</li> </ul>
Hans Essaadi	<ul style="list-style-type: none"> <li>▪ HEINEKEN Asia Pacific General Managers Conference</li> <li>▪ HEINEKEN Forum - "Ambition 2020" : Business Ambition 2018 - 2020</li> <li>▪ HEINEKEN Asia Pacific General Managers Gathering</li> </ul>
Martin Giles Manen	<ul style="list-style-type: none"> <li>▪ Bursa Malaysia's Sustainability Forum 2017 : "The Velocity of Global Change &amp; Sustainability - The New Business Model"</li> <li>▪ Asian Outlook and RMB Forum : Asian economic outlook, global foreign exchange, the economy of China and the RMB by HSBC research experts. The forum will also feature a panel discussion which brings together key policy influencers and analysts to discuss the One Belt One Road initiative and its commercial impact on the region.</li> <li>▪ Global Business Insights Series : Embracing Paradoxes</li> <li>▪ Breakfast Talk with ACGA: CG Watch 2016 – Ecosystems Matter</li> <li>▪ Presentation on CG Watch Report 2016</li> <li>▪ Briefing on Companies Act 2016</li> <li>▪ Market Integrity Symposium: Building and Maintaining Confidence</li> <li>▪ Compliance Conference 2017 : Fostering Culture of Integrity in Financial Institutions, Corruption and the Private Sector, Sharing Session by Financial Intelligence and Enforcement Department (FIED) of BNM and Panel Session on Financial Institutions Integrity</li> <li>▪ Embedding Ethical Values into Corporate Culture</li> <li>▪ Directors' Training : 4<sup>th</sup> Industrial Revolution: Impact and Opportunities for Manufacturing and Financial Services</li> <li>▪ Technology update</li> <li>▪ KPMG Exec briefing for Hong Leong Group: Malaysian Code on Corporate Governance Update and Cyber Security Awareness Session</li> <li>▪ Briefing on Cambodian Economy</li> <li>▪ Fraud Risk Management Workshop</li> <li>▪ Case Study Workshop for Independent Directors "Rethinking Independent Directors: A New Frontier"</li> <li>▪ CG Breakfast Series : Integrating an Innovation Mindset with Effective Governance</li> <li>▪ 2<sup>nd</sup> SC-FIDE Forum Dialogue : Leveraging Technology for Growth</li> <li>▪ Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, Financial Services Act 2013, Capital Markets and Services Act 2007 &amp; Personal Data Protection Act 2010: Risks, Challenges &amp; Vulnerabilities towards Regulatory Compliance</li> <li>▪ Automotive Semiconductors and Electronics Update</li> <li>▪ Technology update</li> <li>▪ Malaysian Code on Corporate Governance 2017</li> </ul>

Directors	Training attended during the financial year ended 31 December 2017
Datin Ngiam Pick Ngoh, Linda	<ul style="list-style-type: none"> <li>▪ Sustainability Engagement Series for Directors/CEOs of Listed Issuers</li> <li>▪ Briefing on Companies Act 2016</li> <li>▪ SME CEOs' Conference 2017</li> <li>▪ WILD DIGITAL Conference SEA 2017</li> <li>▪ CG Breakfast Series "Leading in a Volatile, Uncertain, Complex, Ambiguous World"</li> <li>▪ 2018 BUDGET : Implications to the Malaysian Economy &amp; Capital Markets</li> <li>▪ Breakfast Series with Directors "Integrating an Innovative Mindset with Effective Governance"</li> </ul>
Choo Tay Sian, Kenneth	<ul style="list-style-type: none"> <li>▪ The Journey to Scale Insurgency: An Overview of the "How" – The Micro-Battles System</li> <li>▪ HEINEKEN Forum -"Ambition 2020" : Business Ambition 2018 - 2020</li> <li>▪ HEINEKEN Asia Pacific General Managers / Managing Directors Conference : A Reflection on Progress as a Regional Team</li> <li>▪ HeiCode &amp; Speak Up refresher course</li> <li>▪ Young Talent Roundtable : Coaching and sharing with Heineken young talents of Asia Pacific region</li> </ul>
Yong Weng Hong	<ul style="list-style-type: none"> <li>▪ HEINEKEN Asia Pacific Annual General Managers Conference</li> <li>▪ HEINEKEN Regional Finance Conference</li> <li>▪ HEINEKEN Global Finance Conference</li> <li>▪ HEINEKEN Asia Pacific Finance Managers Workshop</li> <li>▪ HEINEKEN Asia Pacific General Managers Gathering</li> </ul>
Lim Rern Ming, Geraldine	<ul style="list-style-type: none"> <li>▪ HEINEKEN General Managers Forum</li> <li>▪ Informal AP Compliance Network Meeting</li> <li>▪ Experience the HEINEKEN Leadership Expectations</li> <li>▪ HEINEKEN General Managers Gathering</li> <li>▪ HeiCode &amp; Speak Up refresher course</li> <li>▪ HeiDay Global Legal Affairs</li> <li>▪ Group Legal Affairs Asia Pacific Legal Roundtable</li> <li>▪ Singapore International Arbitration Centre Conference 2017 for the Young Group</li> <li>▪ American Conference Institute 6<sup>th</sup> Asia Pacific Summit on Anti-Corruption</li> </ul>