



## **HEINEKEN MALAYSIA BERHAD**

Company no. 196401000020 (5350-X)

# **AUDIT & RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE**

Approved by the Board on 14 February 2018

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## AUDIT & RISK MANAGEMENT COMMITTEE

### TERMS OF REFERENCE

#### 1. Purpose of the Audit & Risk Management Committee (“ARMC”)

1.1 The purpose of the ARMC is to assist 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<sup>1</sup>;
- 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.

#### 2. Composition

2.1 The ARMC shall be appointed by the Board amongst its Directors based on the recommendation of the Nomination & Remuneration Committee (“NRC”) and shall consist of at least three (3) members.

2.2 All members of the ARMC must be Non-Executive Directors and financially literate<sup>2</sup>, the majority of whom shall be Independent Directors. At least one (1) member of the ARMC shall:

- (i) be a member of the Malaysian Institute of Accountants (“MIA”); or
- (ii) if he/she is not a member of the MIA, he/she must have at least three (3) years of working experience and:
  - he/she must have passed the examination specified in Part 1 of the First Schedule of the Accountant Act 1967; or
  - he/she must be a member of one of the Association of Accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No alternate Director shall be appointed as a member of the ARMC. Any former key audit partner must have observed a cooling-off period of at least 2 years before one is eligible for appointment as ARMC member<sup>3</sup>.

2.3 The Chairman of the ARMC shall be an Independent Director appointed by the Board based on the recommendation of the NRC. The Chairman of the ARMC is not the Chairman of the Board<sup>4</sup>. In the absence of the Chairman, the meeting shall be chaired by an Independent Director elected from amongst the ARMC members. The Chairman of the ARMC should assume, amongst others, the following responsibilities:

<sup>1</sup> Practice 9.3 of the Malaysian Code of Corporate Governance (“MCCG”) & Paragraph 15.09 of the Bursa Securities Listing Requirements

<sup>2</sup> Practice 8.5 of the MCCG

<sup>3</sup> Practice 8.2 of the MCCG

<sup>4</sup> Practice 8.1 of the MCCG

### 2.3 Responsibilities of the ARMC Chairman (Continued)

- Conduct the ARMC meetings and report to the Board on matters deliberated and recommended by the ARMC.
- Encourage open discussion during ARMC meetings and appropriately communicate the ARMC's insights, views and concerns on matters / transactions that may have an impact to the Group to the Internal and External Auditors.
- Maintain an active dialogue with Senior Management and Internal and External Auditors.

2.4 In the event of any vacancy in the ARMC resulting in the non-compliance with the Bursa Securities Listing Requirements, the Board shall fill the vacancy within three (3) months from the date of the vacancy<sup>5</sup>.

2.5 The Board, via the NRC, shall review the terms of office and performance of the ARMC members at least once a year to determine whether the ARMC have carried out their duties in accordance with this terms of reference<sup>6</sup>.

2.6 The Company Secretary or such other approved person shall be the Secretary of the ARMC. He/she shall provide assistance to the ARMC members, including but not be limited to assist in the preparation of agenda in consultation with the Chairman and preparation and safe-keeping of minutes of meetings of ARMC, collation and distribution of information required by the ARMC, as and when needed.

### 3. Roles and Responsibilities<sup>7</sup>

The ARMC should assume the following principal responsibilities:

#### 3.1 Financial Reporting

- (i) Review quarterly and annual financial statements of the Company, focusing particularly on:
  - Changes in or implementation of major accounting policy or accounting standards;
  - Significant matters highlighted including financial reporting issues, significant judgement made by Management, significant unusual events or exceptional transactions and how these matters are addressed;
  - Financial reporting and disclosures and compliance with regulatory requirements; and
  - The going concern assumptions

#### 3.2 Internal Control and Risk Management

- (i) Review the adequacy and effectiveness of the Group internal control system including the controls over financial reporting to ensure that the same are soundly conceived, in place, effectively administered, and regularly monitored.
- (ii) Review the effectiveness of the Group's Risk Management Framework including the methodology for identifying, evaluating and managing risks with the objective of minimising losses and maximising opportunities for the Group.

<sup>5</sup> Paragraph 15.19 of Bursa Securities Listing Requirements

<sup>6</sup> Paragraph 15.20 of Bursa Securities Listing Requirements

<sup>7</sup> Practice 9.1 of the MCCG and Paragraph 15.12 of Bursa Securities Listing Requirements

### 3.3 Internal Audit<sup>8</sup>

- (i) Review 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.
- (ii) Review the findings and audit recommendations reported by Internal Audit and follow-up on Management's implementation of the recommended actions to ensure all key risks and control issues are addressed.
- (iii) Review the effectiveness of the audit process and assess the performance of the Internal Audit function as well as the competency and performance of the Head of Internal Audit.

### 3.4 External Audit

- (i) Review with the External Auditors their nature and scope of audit strategy and plan and their proposed audit fee for the year.
- (ii) Review the External Auditors' findings arising from their audits, particularly on areas of concern raised in the management letter and management's responses to the findings of the External Auditors and the External Auditors' evaluation of the system of internal control, assistance given by the employees to the External Auditors during the course of audit and any other matters the External Auditor may wish to discuss (in the absence of Management, if required).
- (iii) Assess the appointment or re-appointment of the External Auditors based on factors related to the suitability, resources, competency and independence of the External Auditors and review any questions of resignation, dismissal or cessation of office of the External Auditors<sup>9</sup>.
- (iv) Review any non-audit services performed by the External Auditors taking into consideration the types of services rendered and the fees and ensure that the independent position as External Auditors is not compromised.

### 3.5 Related Party Transactions

- (i) Review related party transactions including disclosures, values of mandates and situations involving potential conflict of interest that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (ii) Review the adequacy of processes that the Company has in place for evaluating, approving, tracking and reporting of related party transactions.

### 3.6 Other Matters

- (i) Report to Bursa Malaysia, if the ARMC views that a matter resulting in a breach of the Bursa Securities Listing Requirements reported by the ARMC to the Board has not been satisfactorily resolved by the Board<sup>10</sup>.
- (ii) Review dividend distribution strategy and all dividend payments proposed by Management.

<sup>8</sup> Practice 10.1 of the MCGG

<sup>9</sup> Practice 8.3 of the MCGG and Paragraph 15.12 of the Bursa Securities Listing Requirements

<sup>10</sup> Paragraph 15.16 of the Bursa Securities Listing Requirements

### 3.6 Other Matters (Continued)

- (iii) Review issues which are expected to have significant impact to the Group operations and business.
- (iv) Review the compliance and implementation of policies including for example, the HEINEKEN Code of Business Conduct (“HeiCode”), Speak Up Policy and other relevant policies under the HeiCode.
- (v) Review the Statement on Corporate Governance, ARMC Report and the Statement on Risk Management and Internal Control for inclusion in the annual report<sup>11</sup>.
- (vi) Act on any other matters as may be directed by the Board of Directors.

## 4. Authority<sup>12</sup>

### 4.1 The ARMC in performing its duties shall:

- (i) have the authority to investigate any matter referred to it or that it has come across in respect of any transaction that raises questions of integrity, possible conflicts of interest or violations of Company’s policies;
- (ii) have full and unrestricted access to the Group and Company’s records, information, properties, personnel and other resources;
- (iii) be able to obtain external professional advice and secure the attendance of persons with relevant experience and expertise if it considers this necessary; and
- (iv) have direct communication channels and be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of members of the Management, whenever deemed necessary and such meetings with the external auditors shall be held at least twice a year.

4.2. The Head of Internal Audit shall report directly to the ARMC and shall have direct access to the Chairman of the ARMC on all matters of internal control and audit. All proposals by Management regarding the appointment, transfer and removal of the Head of Internal Audit of the Company shall require prior approval of the ARMC. Any inappropriate restrictions on audit scope are to be reported to the ARMC.

4.3 The ARMC shall report to the Board and may from time to time submit to the Board its recommendation on matters within its purview for the Board’s decision.

## 5. Meetings

5.1 The ARMC shall meet at least four (4) times in each financial year with additional meetings convened as and when necessary.

5.2 The quorum for ARMC meetings shall be three (3), the majority of the members present must be Independent Directors<sup>13</sup>.

5.3 Each member of the ARMC is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes shall be the decision of the ARMC<sup>14</sup>.

<sup>11</sup> Paragraph 15.23 of the Bursa Securities Listing Requirements

<sup>12</sup> Paragraph 15.17 of the Bursa Securities Listing Requirements

<sup>13</sup> Paragraph 15.18 of the Bursa Securities Listing Requirements

<sup>14</sup> Clause 122 of the Company’s Constitution

**5. Meetings (Continued)**

- 5.4 Any member of the ARMC may participate at a meeting by way of telephone and video conferencing or by means of other communication equipment in which event such member shall be deemed to be present at the meeting.
- 5.5 The Managing Director, Finance Director and the Head of Internal Audit shall normally attend meetings of the ARMC. Non-member Directors, employees of the Group, professional advisors or external consultants may attend a meeting of the ARMC only at the invitation of the ARMC Chairman. External auditors shall be entitled to attend a meeting of the ARMC at least twice a year to make known their views on any matter under consideration by the ARMC or, which in their opinion, should be brought to the ARMC's attention.
- 5.6 A resolution in writing signed by a majority of the members shall be valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted. All such resolutions shall be described as "Circular Resolutions of the Audit & Risk Management Committee" and shall be recorded by the Company Secretary in the Company's Minutes Book. A signed Circular Resolution transmitted by any electronic means shall be deemed to be an original.

**6. Review**

- 6.1 The ARMC shall review this Terms of Reference annually or at such other intervals as it deems necessary and recommends to the Board on any changes required for its approval.
- 6.2 This Terms of Reference was reviewed and approved by the Board on 14 February 2018.