

CORPORATE GOVERNANCE REPORT

STOCK CODE : 2836
COMPANY NAME : CARLSBERG BREWERY MALAYSIA BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board leads and has effective controls over the Group whereby collective decision and/or close monitoring are conducted on issues relating to strategy, performance, resources, standards of conduct and financial matters. • The matters reserved for the collective decision of the Board are listed in the Appendix A of the Board Charter which is available on the corporate website - www.carlsbergmalaysia.com.my. • The Board has oversight on matters delegated to the Management whereby updates are reported at least on a quarterly basis. The Group adopts a Chart of Authority approved by the Board which the Management has to adhere to in carrying out its day-to-day functions. • The roles and responsibilities of the Board as set out in the Board Charter are clear and distinct from that of the Managing Director. • The Board also facilitates its principal responsibilities which include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, developing and • implementing investor relations and reviewing internal controls. The Board has delegated specific responsibilities to the following committees ("Committees"):- <ol style="list-style-type: none"> i. Audit & Risk Management Committee ("ARMC") ii. Nomination Committee iii. Remuneration Committee The powers delegated to the Committees are set out in the Terms of Reference of each Committees as approved by the Board and set out in the Appendices B, C and D of the Board Charter which is available on the corporate website - www.carlsbergmalaysia.com.my.
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Chairman, Dato' Lim Say Chong, holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and the overall conduct of the Group.• The Chairman is committed to good corporate governance practices and has been leading the Board towards high performing culture.• Key responsibilities of the Chairman include the following:<ul style="list-style-type: none">- provides leadership for the board so that the board may perform its responsibilities effectively;- sets the board agenda and ensures that board members receive complete and accurate information in a timely manner;- leads board meetings and discussions;- encourages active participation and allows different views to be freely expressed;- manages the interface between board and management;- ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole;- leads the board in establishing and monitoring good corporate governance practices in the company
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Chairman, Dato' Lim Say Chong and the Managing Director (MD), Lars Lehmann, both holding separate position and their respective roles and responsibilities are governed in the Company's Board Charter.• The roles and responsibilities of the Chairman and Managing Director are made clearly distinct to further enhance the existing balance of power and authority.• The Managing Director oversees the day to day management and running of the Group and the implementation of the Board's decisions and policies.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The role of the Company Secretary is currently held by the Chief Financial Officer, Lim Chee Keat and since year 2013, an Assistant Secretary, Lu Kee Chee was appointed to jointly carry out the responsibilities in providing support to the Board as follows:- <ol style="list-style-type: none"> (a) Ensure compliance of listing and related statutory obligations as well as updates on regulatory requirements, codes, guidance and relevant legislation; (b) Ensure adherence to board policies and procedures, rules, relevant laws and best practices on corporate governance; (c) Attend Board, Committees and General Meetings, and ensure the proper recording of minutes as well as follow-up on matters arising; (d) Ensure proper upkeep of statutory registers and records and maintain a secured retrieval system which stores meeting papers and minutes of meetings; (e) Assist the Chairperson in the preparation for and conduct of meetings; in terms of policies and procedures, and updates on regulatory requirements, codes, guidance and relevant legislation. • Both Company Secretaries have the requisite credentials, and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016 and undertake continuous professional development. • The Group also engages the services of Tricor Corporate Services Sdn. Bhd., an external consultant, on corporate secretarial matters and compliance to provide additional advice on issues pertaining to compliance and Corporate Governance.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> All Directors have access to the advice and services of the Company Secretary as well as to all information within the Group. There is also a formal procedure sanctioned by the Board of Directors, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense. All Directors are furnished with a comprehensive Board File including the meeting agenda usually two (2) weeks before each Board meeting. Sufficient time is given to enable the Directors to solicit further explanations and/or information, where necessary, so that deliberations at the meeting are focused and constructive. The Board File includes, amongst others, sales and marketing development and strategies, financial results and forecasts, status of major projects, minutes of meetings of the Board and of the ARMC and other major operational, financial, compliance and legal issues. In addition, there is a schedule of matters reserved specifically for the Board's decision. All Directors should ensure that minutes of Board meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstains from voting or deliberating on a particular matter. A secured online portal has been created to allow Directors online access to Board file, updates and other relevant documents. This portal enables sharing of updated information and documents with the Directors and amongst the Directors themselves.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Board Charter was adopted by the Board on 27 August 2013• Any subsequent amendment to the Charter can only be approved by the Board. Apart from setting out the roles and responsibilities of the Board, the Board Charter also outlines the membership guidelines, procedures for Board Meetings, Directors' remuneration, and investor relations and shareholder communication.• The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.• The Board Charter is available on the corporate website - www.carlsbergmalaysia.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The first step in effectively embedding the Live by our Compass programme in the Company culture was to agree on the ethical standards valued by the Carlsberg Group that will support conducting business with integrity.• In 2016, the Group adopted the 'Code of Ethics & Conduct' (the "COEC"), introduced by the Carlsberg Group to help its employees to make the right choices and to act appropriately in response to ethical dilemmas in their daily work. The COEC applies to the management, employees and contract workers of the Carlsberg Group.• The COEC has 14 key areas: Compliance with laws and company policies • Anti-corruption and anti-bribery laws • Trade sanctions and export control laws • Competition laws • Data protection and privacy laws • Responsible drinking • Conflicts of interest • Insider trading and handling of inside information • Protection and proper use of corporate assets • Confidential and proprietary information • Work environment • Gifts, meals and entertainment • Political activities and donations • Accuracy of books, records and public reports.• The COEC is extensive but not exhaustive and the Group expects its employees to exercise sound judgement in their decision-making in order to adhere to the highest ethical standards.• The COEC will be reviewed periodically.• In order to bring the COEC to life, employees were trained on the ethical standards set out in the COEC.• As part of this training, in 2017 the Group launched an e-learning module that makes employees aware of ethical behaviours that are meaningful for the Carlsberg Group and need to be followed.• The e-learners face various realistic dilemmas in which they have to help the main character – Cody the Elephant – to make the right ethical decisions.• The e-learning module is available in all the local languages.

	<ul style="list-style-type: none"> • The Group also adopted the Carlsberg Group’s new policy structure to support more effective and ethical business conduct. • In April 2017, a first batch of updated and renewed policies was launched and became effective for the management, employees and contract workers of all entities in the Carlsberg Group. The new policies provide central direction, mitigate key company risks and underscore the behaviour expected of employees. • The remaining policies were rolled out in 2017.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • Carlsberg embraces an ‘open-door’ culture and all employees are encouraged to talk to their managers, or managers’ manager, if they believe there has been a breach of the COEC. If they do not feel comfortable doing this, they can talk to their HR business partner, or reach out directly to the Chief Compliance Officer via SpeakUp@Carlsberg.com. • Besides the above-mentioned channels, in 2016 the Group has introduced a new integrated phone and web system for employees to report compliance issues called the ‘Speak Up’ system via a secured web link or telephone line 1-800-88-4307 with designated access code, hosted by an external provider. • A Carlsberg employee can make an initial report in his or her own language contact via the SpeakUp Line (phone or web) and the report is transcribed and translated into English by the external provider before it is assigned to a Carlsberg Group Compliance officer for review and follow up. • Employees who speak up in good faith are protected, as the Group does not tolerate any form of retaliation against employees for speaking up. • The board has adopted the SpeakUp system as the Group's whistleblowing policy. It is kept informed on all reported matters which it is ultimately responsible for. Where reports affect senior executives, the Audit Committee chairman is also involved in overseeing the progress of any investigations.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Company is supportive of objective and independent deliberation review and decision making. • Currently, the Board comprises seven (7) Directors, with four (4) out of seven (7) Directors being Independent Directors and one (1) Executive Director, who also serves as the MD. • The Board comprises a majority of Independent Directors represents more than 57% of the Board. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
Explanation on application of the practice	:	<ul style="list-style-type: none">• Annual Shareholders' approval were obtained for Dato' Lim Say Chong who served the Board as an Independent Non-Executive Director and Chairman of the Company for a cumulative term of nearly fifteen (15) years.• During his tenure, Dato' Lim Say Chong has continued to exercise his independence and carried out his professional duties in the best interest of the Company and shareholders	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • Appointment of Board and Senior Management are based on objective criteria, merit and besides gender diversity, due regard are placed for diversity in skills, experience, age and cultural background. • The Board pursues diversity in both the Board level and Senior Management. • The Board recognises a diverse Board in the Company could offer greater depth and breadth compared to non-diverse Board whilst the diversity at Senior Management will lead to better decisions. • Please refer to the Annual Report, Profile of Directors and the Management Team on pages 68 to 71 and 66 to 67 respectively for further information. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<ul style="list-style-type: none"> • The Board is supportive of gender diversity in the Board composition and senior management. Miss Jessica Alice Jacqueline Spence was appointed as the first female director on 27 May 2014. However, due to increasing demands from her regional and global responsibilities within the Carlsberg Group, Miss Spence had to resign from the Board on 25 August 2015. • Ms. Michelle Tanya Achuthan was appointed as an Independent Non-Executive Director on 30 November 2017.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board through the Nomination Committee will consider the gender diversity as part of its future selection and will look into increasing female board representation and Management Team as well in year 2018.
Timeframe	:	Within 1 year

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	<ul style="list-style-type: none"> For the recent appointment of Ms. Michelle Tanya Achuthan, the Company sourced for the most suitable candidates through its Human Resource search networks. The shortlisted candidates whom were not known to the existing Board members, were interviewed by the Nomination Committee and thereafter, met with the Board of Directors for endorsement of appointment. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	: Applied
Explanation on application of the practice	<ul style="list-style-type: none">• The Nomination Committee which is charged with the responsibility of, amongst others, recommending the appointment of new Directors to the Board, was established on 1 October 2001 and comprises all of whom are Non-Executive and Independent Directors. The current members are:<ul style="list-style-type: none">- Dato' Lim Say Chong (Independent Non-Executive Chairman) – Chairman- Chew Hoy Ping (Independent Non-Executive Director) – Member- Datuk Toh Ah Wah (Independent Non-Executive Director) - Member• The Terms of Reference of the Nomination Committee is set out in the Appendix C of the Board Charter and is available on the corporate website - www.carlsbergmalaysia.com.my.• The role of Chairman of the Nomination Committee includes the following:-<ul style="list-style-type: none">- Leading in succession planning and appointment of Board members, future Chairman and Managing Directors; and- Leading the annual review of board effectiveness, ensuring that the performance of each individual Director is independently assessed.• Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors. The Nomination Committee's key responsibilities are:<ul style="list-style-type: none">- Reviewing the Board composition and recommending new nominees to the Board as well as Board committees and the appointment and resignation of Chief Financial Officer for the Board's consideration.- Assessing the effectiveness of the Board, Board Committees and the contribution of each Director (including the Independent Non-Executive Directors and Managing Director) and Chief Financial Officer every year, taking into consideration the required mix of skills, knowledge, expertise and experience and other requisite qualities including core competencies contributed by Non-Executive Directors. All assessments and evaluation are documented for proper records.• The Company Secretary will facilitate an induction and education programme for new Board members, which includes a visit to the

	<p>Company's brewery and discussions with the Managing Director, Department Heads and Key Section Heads to better understand the operations, business and policies of the Group, which will allow new Board members to contribute effectively from the outset of their appointment. The relevant sections of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), particularly in relation to their responsibilities as Directors, are also conveyed to them.</p>	
<p>Explanation for departure</p>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	:	
<p>Timeframe</p>	:	

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<ul style="list-style-type: none"> • The Board undertakes an annual assessment of Independent Directors and is satisfied that they continue to bring independent and objective judgement to board deliberations. • Peer and self assessment are carried out by the Directors and the ARMC members once every year. For this reporting year, the Directors conducted the annual evaluation exercise on an online platform. • The results, in particular the key strength and weaknesses identified from the evaluation, will be shared with the Board to allow enhancements to be undertaken. 	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board may consider engaging independent experts to facilitate objective and candid board evaluations.	
Timeframe	:	Within 3 years	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The objective of the Group's remuneration policy is to attract and retain the Directors and Senior Management required to lead and control the Group effectively. In the case of Executive Director and Senior Management, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. • For the current remuneration policy, the remuneration payable to Non-Executive Directors in respect of Directors' fees are paid to Independent Non-Executive Directors only and also includes fees for ARMC Chairman and ARMC Members of the Company, who are Independent Non-Executive Directors. For year 2018, the Group is proposing a revision to the Independent Non-Executive Directors' remuneration, details as set out in para 7.1 of the Corporate Governance Overview Statement at pages 72 to 84 of the Annual Report 2017. The fees were last revised in 2013. • The remuneration for Non-Executive Directors, who are Non-Independent and are representatives of the Carlsberg Group in Denmark, are not paid by the Company but are paid by the Carlsberg Group.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Remuneration Committee, which was established on 18 August 2001, comprises exclusively of Independent Non-Executive Directors. The current members are: <ul style="list-style-type: none"> - Dato' Lim Say Chong (Independent Non-Executive Chairman) - Chairman - Chew Hoy Ping (Independent Non-Executive Director) - Member - Datuk Toh Ah Wah (Independent Non-Executive Director) - Member • The Remuneration Committee evaluates the remuneration packages of senior management executives and recommends for the Board's approval, the framework of executive remuneration of the Executive Director's remuneration package. • Non-Executive Directors' fees are determined by the Board as a whole with the Director concerned abstaining from deliberations and voting on decisions in respect of his fee.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure on named basis for the remuneration of individual directors are set out in para 7.1 of the Corporate Governance Overview Statement at pages 72 to 84 of the Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company had disclosed the top five senior management's remuneration component in bands width of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company will review and consider disclosing the top five senior management's remuneration component in bands width of RM50,000 on named basis.	
Timeframe	:	Within 3 years	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Audit Committee was renamed as the Audit & Risk Management Committee with effect from 11 September 2017.• Mr. Chew Hoy Ping, an Independent Non-Executive Director is the Chairman of the ARMC whilst the Chairman of the board is Dato' Lim Say Chong.• The composition of ARMC are as follows:<ol style="list-style-type: none">1. Chew Hoy Ping (Independent Non-Executive Director) – Chairman2. Dato' Lim Say Chong (Independent Non-Executive Chairman) - Member3. Roland Arthur Lawrence (Non-Executive Director) - Member4. Datuk Toh Ah Wah (Independent Non-Executive Director) - Member (Appointed on 11.9.2017)• The Terms of Reference of the ARMC is set out in Appendix B of the Board Charter which is available on the corporate website - www.carlsbergmalaysia.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Group recognises the importance of independence of its external auditors and that no possible conflict of interest whatsoever should arise.• None of the members of the Board were former key audit partners. Hence, no member of the ARMC appointed was a former key audit partner.• The Group will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the ARMC was a key audit partner.• At the 47th AGM held on 20 April 2017, Messrs PricewaterhouseCoopers PLT was appointed as external auditors of the Group in place of the outgoing external auditors, Messrs KPMG PLT.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The scope of the external auditors is ascertained by the ARMC, with a twice-a-year meeting held between the ARMC and the external auditors.• The external auditors were present at three (3) ARMC meetings during the 2017 financial year. At these meetings, the ARMC also held separate sessions with the external auditors without the executive board members present whereby the ARMC was briefed by the external auditors on their audit findings and any other observations they may have had during the audit process.• The ARMC assessed the performance, competency and professionalism demonstrated by the external auditors during the year.• The ARMC obtained the assurance on independence from the external auditors and recommended the audit fees payable to the Board for approval.• The ARMC considered and assessed the independence and objectivity of the external auditors during the year and also prior to engaging the external auditors for non-audit related services.• The non-audit fees paid to the member firms of external auditors in 2017 amounted to RM56,340.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The members of ARMC have the relevant accounting or related experience and expertise in financial service industry to effectively discharge their duties.• The qualification and experience of the individual ARMC members are disclosed in the Board of Directors' Profile on pages 68 to 71 of the Annual Report.• All members of the ARMC had undertaken continuous professional development. During the year, the ARMC members attended the training as below:- <u>Roland Arthur Lawrence</u><ol style="list-style-type: none">1. Asia Leadership Conference, Kuala Lumpur on 22-23 February 2017.2. Carlsberg Leadership Team Meeting IMD Programme, Lausanne, Switzerland on 1-3 March 2017.3. Asia Leadership Conference, Kathmandu, Nepal on 15-16 June 2017.4. Asia Leadership Conference, Hong Kong on 29-30 August 2017.5. Carlsberg Leadership Meeting - Virtual, Hong Kong on 30-31 August 2017.6. Carlsberg Leadership Meeting - Virtual, Manchester, United Kingdom on 14-15 December 2017. <u>Chew Hoy Ping</u><ol style="list-style-type: none">1. Audit Committee Conference 2017, Malaysian Institute of Accountants on 5 April 2017.2. Advocacy Session on Corporate Disclosure, Bursa Malaysia on 3 October 2017.3. Implementing the Companies Act 2016 & Malaysian Code of Corporate Governance 2017, Bursatra on 5 December 2017.

	<p><u>Datuk Toh Ah Wah</u></p> <p>1. 19th Asia Oil & Gas Conference (AOGC 2017) on 7-9 May 2017.</p> <p>2. What Directors Need to know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by the Regulators, Bursatra on 24 November 2017.</p> <p>3. Petronas Cultural Beliefs Upskilling Programme on 13 Dec 2017.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment.• To this end, the Board affirms its overall responsibility for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.• The Audit Committee was renamed as the Audit & Risk Management Committee with effect from 11 September 2017, which oversees the risk management and internal control framework.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Board is updated on the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis.• Ongoing reviews are performed throughout the year on quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as the Company's management team.• The findings of the internal audit function("IAD") are regularly reported to the ARMC. Throughout the year, the IAD performed the followings:<ul style="list-style-type: none">- Performed reviews based on the approved annual audit plan, in which focus areas were derived from the results of risk assessment conducted on the business plan, financial statements and operational processes. Apart from such risk based approach, the internal control principles as advocated by the Committee of Sponsoring Organisations of the Treadway Commission, commonly known as COSO framework was also observed where applicable in the execution of internal audit reviews.- Identified auditable areas and performed reviews based on the risk levels assessed. Consideration was also given to any concerns shared by Management. The areas that were audited comprised trade and commercial, financial, manufacturing, compliance and information system related activities.- Carried out special reviews and investigations whenever necessary and reported to the ARMC the outcomes of such engagements. Presented the necessary information and outcomes to the ARMC with regards to any case of whistleblowing.- Reviewed the Group's state of compliance with established principles and practices, as well as the relevant statutory requirements.

	<ul style="list-style-type: none"> - Assessed the internal controls put in place by Management to safeguard the Group’s assets & inventory and verified their satisfactory operation in the course of executing the Internal Audit plan. - Collaborated with Management to promote the culture of practising good internal controls and governance to attain optimal business efficiency and process effectiveness. - Identified business areas that necessitated process improvements and put forward recommendations to minimise financial wastage and to prevent fraud. Closely monitored the timeliness and effectiveness of the implementation of corrective actions by Management in addressing reported audit observations. 		
Explanation for departure :			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure :			
Timeframe :	<table border="1" style="width: 100%; height: 100%;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table>		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	The ARMC comprises a majority of independent directors, its members are: <ol style="list-style-type: none">1. Chew Hoy Ping (Independent Non-Executive Director) – Chairman2. Dato' Lim Say Chong (Independent Non-Executive Chairman) – Member3. Roland Arthur Lawrence (Non-Executive Director) - Member4. Datuk Toh Ah Wah (Independent Non-Executive Director) - Member – Appointed on 11.9.2017

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none">• The Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment.• To this end, the Board affirms its overall responsibility for the Group's internal controls system which encompasses risk management practices as well as financial, operational and compliance controls. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.• Ongoing reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as the Company's management team.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Group has an Internal Audit Department (“IAD”) that provides the ARMC and the Board with reasonable assurance on the adequacy and integrity of the system of internal controls. • The IAD is staffed by a total of 4 professionals and it is led by Mr. Lim Tiong Eng @ Allan Lim as the Head of Internal Audit. He holds a Bachelor of Commerce (major in accounting) and he is a certified member of both CPA Australia & Malaysian Institute of Accountants. • The IAD is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors. • The responsibilities of the IAD include developing the annual audit plan execution and reporting the audit results for the Group. For such purposes, the IAD: <ul style="list-style-type: none"> - Prepares a detailed Annual Audit Plan in consultation with the Managing Director for submission to the ARMC for approval; - Carries out all activities to conduct the audits in accordance with the audit plan; - Shares its finding with the auditee upon completion of each audit; and - Submits quarterly reports to the ARMC
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board recognises the importance of an effective communication channel between the Board, shareholders and general public, and at the same time, full compliance with the disclosure requirements as set out in the Listing Requirements. • The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance. • The Managing Director is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board. • The Group maintains a website at www.carlsbergmalaysia.com.my for shareholders and the public to access information on, amongst others, the Group's background and products, financial performance, frequently-asked questions (FAQs) and updates on its various sponsorships and promotions. • Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the group's website. • Written communications are attended to within 48 hours from day of receipt. The website also post all press releases made by the Group together with latest news on the Group and the industry.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	This is the first year the Group is adopting the practices of the Code and will look into adopting integrated reporting in the near future.	
		The Group will adopt integrated reporting based on a globally recognised framework and that aligned with the Carlsberg Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Group will adopt integrated reporting based on a globally recognised framework and that aligned with the Carlsberg Group in the preparation of Annual Report, latest by year 2020.	
Timeframe	:	Within 3 years	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	: Applied																
Explanation on application of the practice	<ul style="list-style-type: none"> • The Annual General Meeting (“AGM”) represents the principal forum for dialogue and interaction with shareholders. • At every meeting, the Board sets out the progress and performance of the Group since the last meeting held. • Shareholders are encouraged to participate in the subsequent Question & Answer session wherein the Directors, Company Secretary, Heads of Department as well as the Group’s external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder. • Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution. • The notices of AGM are despatched to shareholders at least 28 days before the AGM, to allow shareholders additional time to go through the Annual Report and make the necessary attendance and voting arrangements. • Details as below: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Date of Issue</th> <th>No. of Days before AGM</th> <th>Date of Annual General Meeting</th> </tr> </thead> <tbody> <tr> <td>Annual Report 2015</td> <td>18 March 2016</td> <td>33 days</td> <td>21 April 2016</td> </tr> <tr> <td>Annual Report 2016</td> <td>20 March 2017</td> <td>30 days</td> <td>20 April 2017</td> </tr> <tr> <td>Annual Report 2017</td> <td>12 March 2018</td> <td>30 days</td> <td>12 April 2018</td> </tr> </tbody> </table> • During the year, the Managing Director and/or key management personnel also hold discussions with the press and analysts when necessary, to provide information on the Group’s strategy, performance and major developments. • A press briefing is also held after each AGM. • Before the commencement of AGM, the Directors and Management will join the shareholders together with a dedicated 		Date of Issue	No. of Days before AGM	Date of Annual General Meeting	Annual Report 2015	18 March 2016	33 days	21 April 2016	Annual Report 2016	20 March 2017	30 days	20 April 2017	Annual Report 2017	12 March 2018	30 days	12 April 2018
	Date of Issue	No. of Days before AGM	Date of Annual General Meeting														
Annual Report 2015	18 March 2016	33 days	21 April 2016														
Annual Report 2016	20 March 2017	30 days	20 April 2017														
Annual Report 2017	12 March 2018	30 days	12 April 2018														

	<p>team of employees to assist the shareholders on the queries they may have.</p> <ul style="list-style-type: none"> • After the Chairman’s address, the Managing Director will give a presentation which includes details on the performance, key developments and financial results for the reporting year and comments on outlook for the following year. • The Chairman will share the Company’s responses to questions posed by the Minority Shareholders Watchdog Group before engaging the shareholders on Questions & Answers session. • The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors. 	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<ul style="list-style-type: none"> • All directors have always committed to attend the AGM. However the Board members include executives of the Carlsberg Group with global and regional responsibilities. Due to unforeseen circumstances, not all Directors attended the Company's General Meetings last year 2017 as some sudden urgent matters needed to be attended to overseas. • However, the Chairmen of the ARMC, the Nomination Committee and the Remuneration Committee were present on stage to provide response if there are any questions addressed to them. 	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board will work towards a date suitable for all Directors to attend the Company's General Meetings, barring any unforeseen circumstances.	
Timeframe	:	Within 1 year	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied	
Explanation on application of the practice	:	The Company's Annual General Meeting has been held within the capital city limits and not in remote location.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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