



Nestlé

Good Food, Good Life



NESTLÉ
IN SOCIETY
REPORT
2018



Good Food, Good Life



**ENHANCING QUALITY OF LIFE
AND CONTRIBUTING TO A
HEALTHIER FUTURE**

We are a company shaped by this purpose. Our firm commitment to stay true to this defines us and forms the foundation of everything we do at Nestlé. Our purpose-driven resolve enables us to contribute positively to society and ensures the sustainable growth of our Company.

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ABOUT THIS REPORT

WELCOME TO THE

NESTLÉ IN SOCIETY 2018



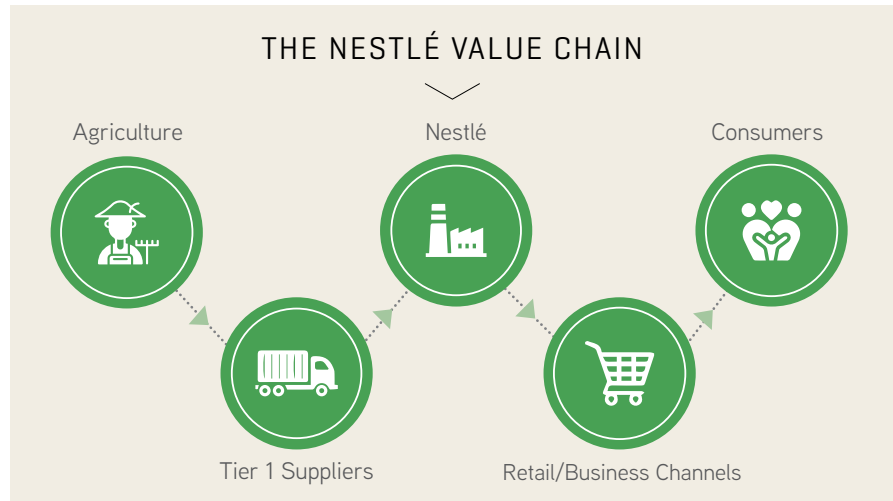
The Nestlé in Society report is a key aspect of our policy to promote transparent reporting and communication to our shareholders and other stakeholders.

Our 13th stand-alone annual sustainability report includes detailed information about issues material to our business. This report demonstrates our dedication to Creating Shared Value (CSV) and our progress against our commitments. Our CSV impact areas are those areas where our business intersects most closely with society, and where we can create the most value.

REPORT SCOPE AND BOUNDARY

This Report covers the reporting period between January and December 2018. It encompasses the operations of the Nestlé (Malaysia) Berhad (110925-W) (Company) and its subsidiaries (Group).

The Report illustrates in detail our efforts to create value in areas that are relevant to the Company as well as its value chain. It also focuses on the most material issues identified by our 2018 materiality assessment.



REPORTING FRAMEWORK

This Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards - Comprehensive Option. Following the GRI Standards, we address material issues or those significant economic, environmental and social impact that substantially influence our stakeholders. The GRI is a non-profit organisation that promotes economic sustainability and leads in the field of non-financial reporting.

The Report has also been prepared in accordance with Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

INDEPENDENT ASSURANCE

To ensure the accuracy and objectivity of the reported information, this Report is subject to a limited independent assurance by PricewaterhouseCoopers on selected issues material to our business. In order to view the scope of work and observations, refer to the full assurance statement at the back of this Report.

ABOUT US



Commercial operations
in Malaysia

SINCE 1912



Turnover of
RM5.5 bil
in 2018



Operates
7

Factories and a Nestlé
Distribution Centre

100%

of our manufacturing
workforce are
Malaysian



Employs more than

5,200
people



Market capitalisation of

RM35 bil

as of 31 December 2018



The biggest

HALAL

producer in the
Nestlé world



22% of our total production
is exported to more than

50 countries

across the world



Produces over **500**
halal products, with locally
made leading household
brand names such as MILO,
MAGGI and NESCAFÉ

A MESSAGE FROM OUR CHAIRMAN AND CEO

DEAR STAKEHOLDERS,

As the largest food and beverage manufacturer in Malaysia, we are fully aware of the responsibility we shoulder in positively impacting individuals and families, our communities and the planet.



Through our diverse portfolio, we are able to touch millions of lives every day, a privilege we are truly grateful for and one that we take very seriously.

Our Nestlé Purpose and Values framework forms the foundation of all that we do and has enabled us to achieve success in Malaysia over the years. Today, we are more committed than ever to make a difference in communities in which we operate through the following key areas:

- Individuals and Families – to nurture healthier and happier lives
- Our Communities – to develop thriving, resilient communities
- The Planet – to steward resources for future generations

Understanding that consumers today expect more from corporations, we ensure that our business operations are in line with our purpose of enhancing the quality of life of Malaysian families and contributing to their healthier future. We also continue to be guided by our values, which are deeply rooted in respect for our community, our people at Nestlé and their families as well as to a sustainable future. As part of our business philosophy

of CSV, we believe that in order for our business to prosper in the long-term, the communities we have a presence in should prosper as well.

NURTURING HEALTHIER, HAPPIER INDIVIDUALS & FAMILIES

Our Nestlé products have grown alongside generations of Malaysians for the past 106 years, with many of them becoming household names. We are proud to have established such a strong and trusted reputation amongst Malaysian consumers, both young and old.

Never one to rest on our laurels, we constantly seek ways to remain relevant to individuals and families. Mindful that consumers today are seeking healthier products which are just as tasty, we endeavour to meet these needs through our product innovations and renovations. Catering to this, in 2018, we launched healthy, great-tasting products such as MILO Less Sugar, CERELAC NUTRIBITES and the FITNESS Bar. We are also proud to have expanded our Healthier Choice Logo (HCL) certified products range from 41 products in the previous year to 59 products in 2018.

As the Company's Global Halal Centre of Excellence and the largest Halal producer in the Nestlé world, we make strong contributions to the Halal food and beverage (F&B) industry on an ongoing basis. In line with our CSV philosophy, we believe in the importance of developing and nurturing Halal experts within the local industry.

During the year, we were actively involved in various platforms and initiatives to share our Halal expertise. Through our SME Mentoring Programme, we continued to share our Halal knowledge and nurture Halal best practices among local SMEs and entrepreneurs. We succeeded in reaching out to 80 companies in 2018.

Along with offering healthier, great-tasting foods and beverages, we also have initiatives in place to encourage Malaysians to lead healthier, more active lifestyles. This includes our NESTLÉ FOR HEALTHIER KIDS (N4HK) Programme, a global initiative which aims to raise awareness on nutrition, health and wellness as well as encourage physical activity among school-aged children. In 2018, we reached out to close to 20,000 Malaysian schoolchildren from schools throughout Peninsular Malaysia.

A MESSAGE FROM OUR CHAIRMAN AND CEO

DEVELOPING AND EMPOWERING COMMUNITIES

Beyond profitability, as a Company committed to sustainable growth, it is imperative that we help to develop thriving, resilient communities. Programmes which we conduct in this respect aim to support rural development, promote and respect human rights, as well as ensure decent employment and diversity.

As we rely on agricultural raw materials supplied by farmers to produce our food and beverages, we work closely with them in rural areas and provide them with the right training and support for a sustainable way of working. For example, we have the longstanding NESTLÉ CHILLI CLUB and NESTLÉ PADDY CLUB contract farming schemes to assist local farmers in improving their yields and the quality of their crops.

As part of our commitment to responsible sourcing, we ensure that our business activities do not have a negative impact on our environment and protect human rights. Traceability and transparency throughout our value chain are top priorities to us, and we adhere to the newly introduced Nestlé Responsible Sourcing Standard. In 2018, we organised initiatives such as the Responsible Sourcing Awareness Forum and Indicators of Forced and Bonded Labour Workshop to highlight the importance of ethical sourcing practices among our suppliers.

We continued to place a strong emphasis on the wellbeing of our people, who are the backbone of our Company and key to our success. The year 2018 saw the introduction of Nestlé's enhanced Global Maternity Protection Policy which offers increased benefits to new parents, including adoptive parents. In addition to

providing a positive and fulfilling work environment for our people, we offer various talent development programmes to upskill our employees. In the year under review, we delivered a wide range of training sessions and initiatives for our people to maximise their potential and advance their careers.

TOWARDS A GREENER FUTURE

In our bid to steward resources for future generations, we go to great lengths to ensure that our business operations are conducted in a sustainable manner. We do this first and foremost by embracing responsible water stewardship. In Malaysia, we encourage good water management at all our manufacturing facilities as well as through initiatives such as our Kinabatangan RiLeaf Project and the Safe Water, Safe Communities Project.

The Kinabatangan RiLeaf Project was launched in 2011 with the aim of restoring 2,400 hectares of land along the Lower Kinabatangan River through tree-planting efforts. Having achieved this initial target, in 2018, we decided to push beyond our commitment to plant one million trees by 2020. Meanwhile, our Safe Water, Safe Communities Project was established with the objective of providing underserved communities in remote areas with access to safe and clean water.

To enhance the environmental performance of our packaging, we continued our innovative efforts to reduce packaging material usage. In 2018, we succeeded in reducing material usage by 517 tonnes.

Apart from that, other environmental sustainability initiatives we have implemented include minimising greenhouse gas emissions, improving

efficiencies in our transportation and distribution activities, and reducing energy consumption. These generated tangible results during the year.

AWARDS & RECOGNITIONS

As a result of our Company's dedication to enhancing quality of life and contributing to a healthier future, we earned several recognitions and awards in 2018. These include "Successful International Halal Company", "Most Popular Graduate Employer Award", and "Best Environmental Responsibility Award" among others. For the full list of awards and recognitions, please refer to pages 94 & 95 in this report.

Today, we operate in an increasingly competitive world, where consumers are more concerned about the food that they eat and the impact our Company has on communities and the planet. In light of this, we are steadfast in our commitment to sustainable business practices and producing high quality, great-tasting and nutritious products that continue to resonate with Malaysians in the years ahead.



**Y.A.M. Tan Sri Dato' Seri
Syed Anwar Jamalullail**

Chairman



Juan Aranols

Chief Executive Officer

NESTLÉ IN SOCIETY: CREATING SHARED VALUE

JUAN ARANOLS

CEO, Nestlé Malaysia



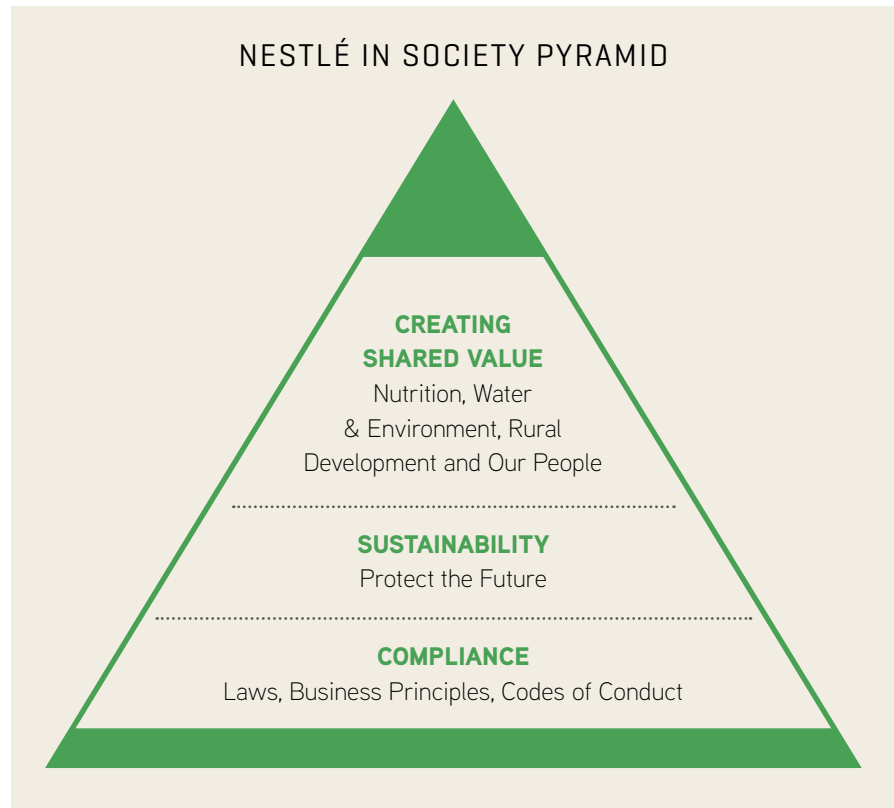
Investing sustainably behind our brands is to address the need for healthier lifestyles and expectations of society as well as to act upon our environmental responsibility, where action and progress is very much needed.



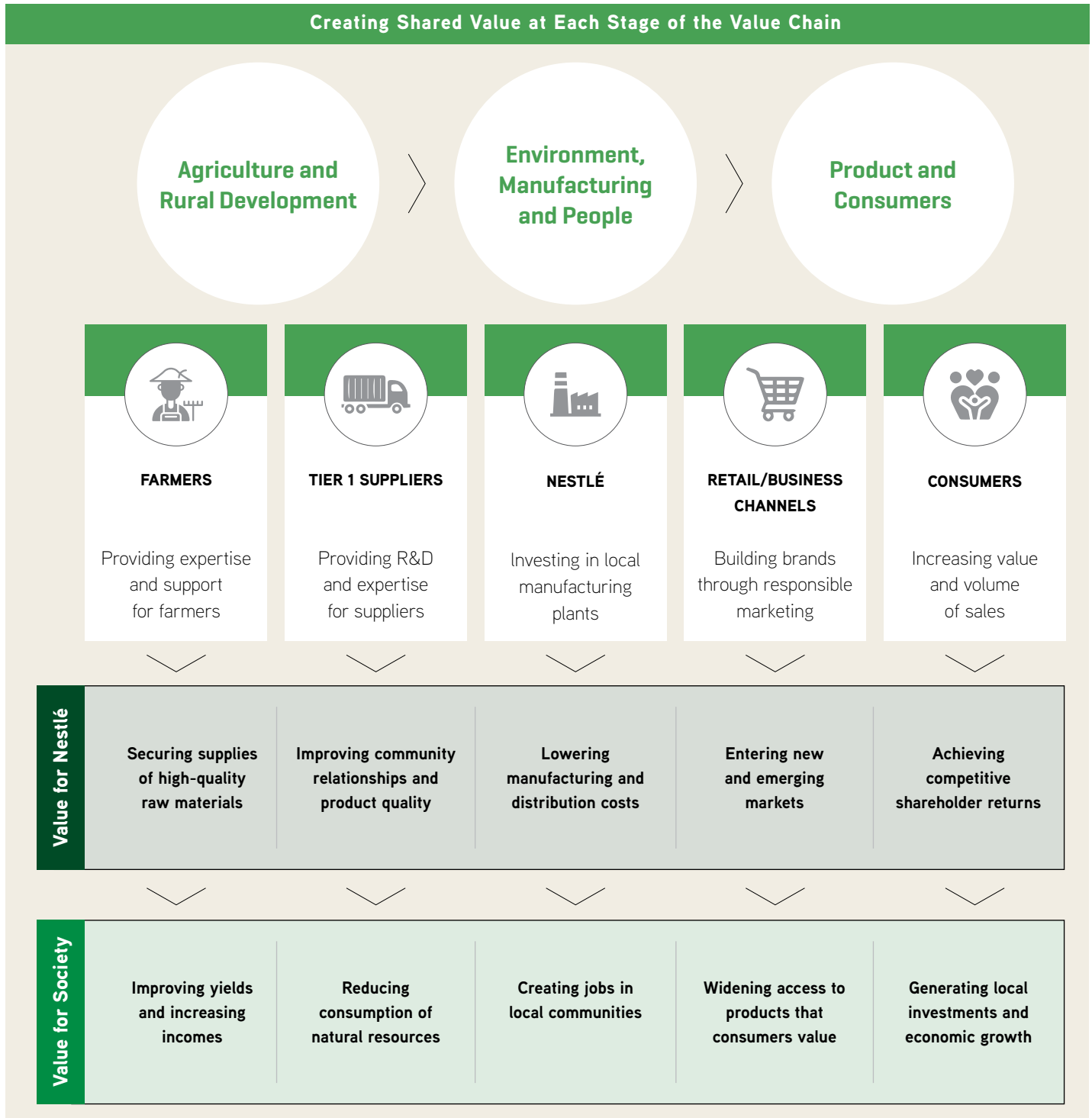
Looking to the future, Creating Shared Value (CSV) remains the fundamental guiding principle for how Nestlé conducts business around the world. The CSV model focuses on creating economic and social value simultaneously for both our shareholders and society at every stage of our value chain. This is how Nestlé brings its purpose to life – to **enhance quality of life and contribute to a healthier future.**

At Nestlé, we believe that in order to create long term value for the Company we must concurrently create value for society. We aim to have a positive impact on society while we grow our business. We enable healthier and happier lives for individuals and families, we help develop thriving and resilient communities and finally, we steward the planet's natural resources for future generations.

As the world's largest food and beverage company, we believe that our size and scale provide both opportunities and responsibilities. It is crucial that our Company operates in compliance with national laws, international standards and our own values and principles, as expressed in the Nestlé Corporate Business Principles (NCBP) – which also form the basis of our CSV strategy. Beyond mere compliance, our commitments are embodied in our vision of CSV.



NESTLÉ IN SOCIETY: CREATING SHARED VALUE



NESTLÉ IN SOCIETY: CREATING SHARED VALUE

Bringing our Purpose to Life

In today’s rapidly changing world, major changes are occurring at all levels. Consumers today have ever-evolving expectations and we are operating in a fast-changing, competitive business environment. With people becoming more aware of the role of food in managing their health as well as placing more importance on the environment, they have high expectations of companies. They also want to know how companies contribute towards a brighter future for our communities and environment.

Our purpose has been our driving force and will continue to propel our Company forward. Our purpose framework will bring us even closer as one Company across all our businesses, markets and functions. We intend to go beyond business performance, and are committed to continue making a positive impact for individuals and families, our communities, and for the planet – this is what we mean by CSV.

With our wide food and beverage portfolio, we are privileged to have the opportunity to touch millions of lives every day. This includes the farmers we work with to the individuals and families who enjoy our products, the communities where we live and work and the natural environment upon which we all depend. Their challenges are our challenges. Their success is success we all share.

We strive towards **enhancing quality of life and contributing to a healthier future:**



FOR INDIVIDUALS AND FAMILIES

By offering products and services that enable healthier and happier lives.



FOR OUR COMMUNITIES

By helping to develop thriving and resilient communities and support better livelihoods for those we live and work with.



FOR THE PLANET

By shaping sustainable consumption and stewarding resources for future generations.

Underpinning all our efforts are our values, which are rooted in **Respect: respect for ourselves, respect for others, respect for diversity and respect for the future.** Guided by these values, we work alongside our partners and stakeholders to ensure that this approach to our CSV is embodied in all our behaviour, policies and actions.

Contributing to the Sustainable Development Goals

Driven by our Company’s purpose, our CSV approach is closely aligned with the United Nations (UN) 2030 Agenda for Sustainable Development. Having helped to shape the 17 Sustainable Development Goals (SDGs), we – together with the global business community – are committed to doing our part in achieving these goals. We recognise that we live in an interconnected world in which our futures are inextricably linked.

In line with that, we have integrated the SDGs into our CSV approach, enabling us to identify goals where we can create the biggest impact, or at least mitigate a negative impact. Globally, we have mapped out our material issues against the SDGs to see where our initiatives are best placed in order to add the most value, whether directly or indirectly.

As part of Nestlé’s aim to help achieve the UN’s 2030 Agenda, globally we have defined three overarching ambitions which will support the SDGs. These global ambitions are:

- **Enable healthier and happier lives:** Helping 50 million children lead healthier lives by 2030;
- **Help develop thriving, resilient communities:** Helping to improve 30 million livelihoods in communities directly connected to our business activities by 2030; and
- **Steward resources for future generations:** Striving for zero environmental impact in our operations by 2030.

NESTLÉ IN SOCIETY: CREATING SHARED VALUE



CREATING SHARED VALUE GOVERNANCE

We want to be the trusted leader in our sector. Building our business on clear principles and sound governance helps us maintain trust in the Nestlé brand and reduce risk throughout our value chain.

Nestlé Corporate Business Principles

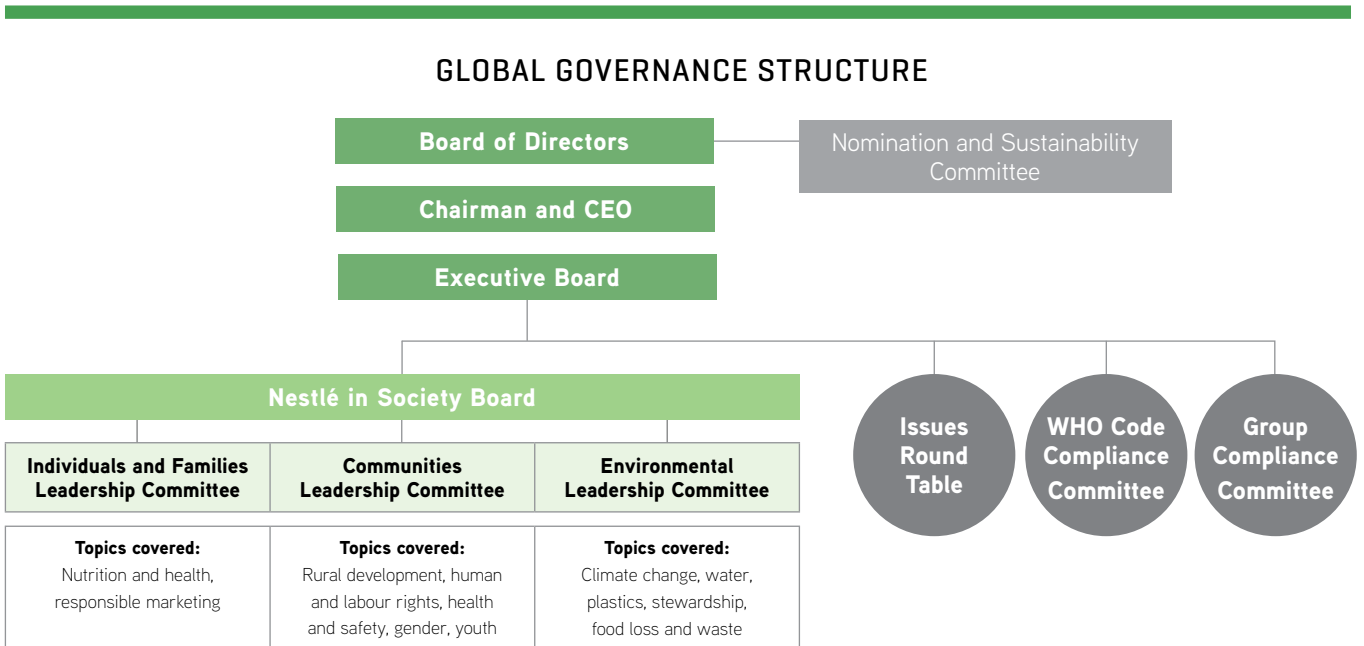
Our Nestlé Corporate Business Principles form the foundation of our culture, values and Creating Shared Value strategy. It is essential that all employees comply with the principles through the ongoing implementation of relevant business codes, policies, processes and tools.

Our Corporate Business Principles are reviewed by the Executive Board and are aligned with international best practices and standards such as the United Nations Global Compact (UNGC) Principles.

We monitor their application and effectiveness through various channels, including our CARE (Nestlé Corporate Compliance Assessment Programme of Human Rights & Labour Practices, Business Integrity, Safety & Health, Environmental Sustainability and Security) audits.

GOVERNANCE STRUCTURE AT GLOBAL LEVEL

The Board of Directors, the Chairman, Chief Executive Officer (Group CEO) and Executive Board supervise and manage Nestlé’s role in society, including the Creating Shared Value strategy. They are supported by internal management bodies such as the Nestlé in Society Board, as well as the Operations Sustainability Council, Issues Round Table, R&D Council for Sustainability and Nutrition, and the Group Compliance Committee.



CREATING SHARED VALUE GOVERNANCE

The Nestlé in Society Board

The Global Nestlé in Society Board leads the strategic development and implementation of CSV across our business, including all societal commitments, objectives and strategies, and seeks input and confirmation from the Executive Board. It is chaired by the Group CEO.

Specifically, the Board works to:

- Ensure all activities and workstreams align with Nestlé’s positioning in society;
- Assess and draw appropriate conclusions from societal developments affecting Nestlé; and
- Further strengthen our credentials in Creating Shared Value, environmental sustainability and compliance.

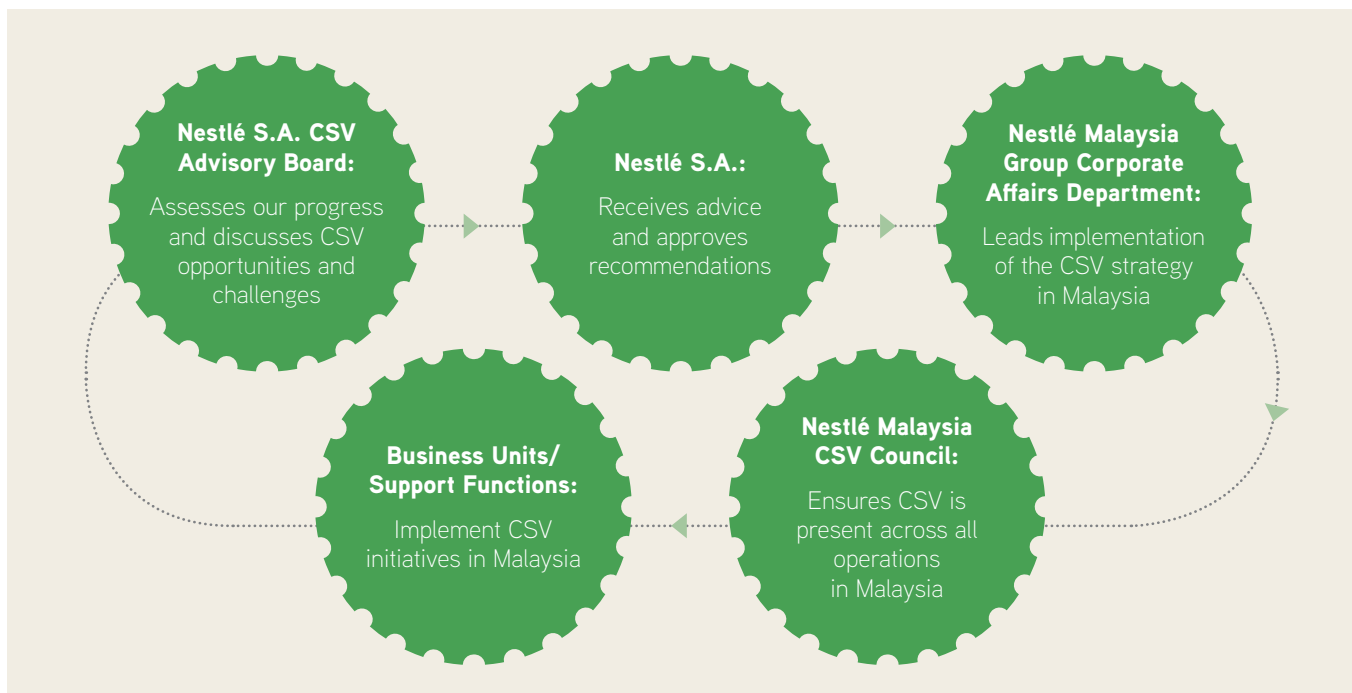
External Advisory Groups

Beyond our internal governance structure, we also take a wide, more inclusive approach, with advice from two formal external advisory councils: the Nestlé Nutrition Council and the CSV Council. They are tasked to further develop the CSV concept and analyse the Nestlé value chain. For the complete list of experts on the Advisory Board, please visit our Nestlé S.A. website at www.nestle.com.

GOVERNANCE STRUCTURE AT NESTLÉ MALAYSIA

Established in 2011, the CSV Council of Nestlé Malaysia ensures that sustainability issues are taken into account across all business operations. Headed by the Group Corporate Affairs Department, the Council consists of cross-functional representatives from across the Company. The CSV Council meets the Board of Directors twice a year to present the progress of CSV initiatives as well as discuss CSV issues of the Company.

CSV GLOBALLY AND IN MALAYSIA



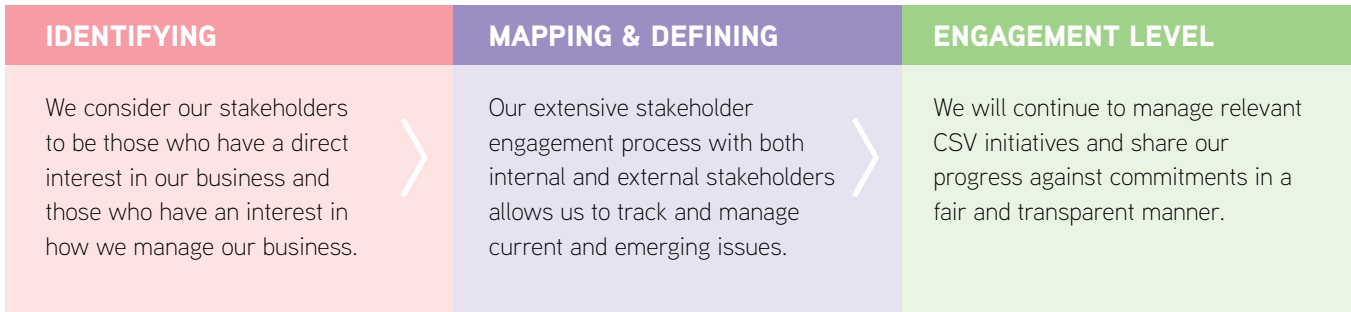
STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

STAKEHOLDER ENGAGEMENT

Nestlé products have been household staples in Malaysia since 1912. We have earned the trust of consumers and other stakeholders through continuously ensuring good quality products and playing an active role in the community. We value the opinions of our stakeholders, who include our employees, consumers, suppliers and communities as well as people we engage with regularly such as authorities, government, NGOs, shareholders, industry and trade associations and academia. Different stakeholders have specific areas of interest that can have a direct impact on our business.



STAKEHOLDER ENGAGEMENT PROCESS



STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

We use different channels to engage with our stakeholders, such as formal meetings, surveys, websites, social media and market research. In 2018, we held a Stakeholder Engagement Day where 80 business partners and suppliers, industry and trade associations, regulatory bodies, ministries, health and sports bodies as well as academia and media partners were invited to learn more about our products and services as well as to provide feedback through a survey.



Multi-Stakeholder Partnerships

Nestlé is a strong advocate of multi-stakeholder partnership and engagement as it unlocks the potential for coordinated, holistic actions. We value the contribution every sector of society makes in creating an environment where all parties take responsibility, contribute collectively and work to achieve common goals.

As a reflection of this, through our involvement in the Federation of Malaysian Manufacturers (FMM), together with key industry participants, we collaborate closely with relevant Government bodies, authorities and regulators to address pertinent issues facing the industry, such as food manufacturing related proposals, legislation and guidelines. On a broader scale, we share our expertise on Halal industry matters and provide counsel on key areas such as responsible marketing to children and nutrition labelling.

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

The table below summarises the standard methods we use in engaging with our stakeholders throughout the year:

Stakeholder Groups	Engagement Methods
Employees	<ul style="list-style-type: none"> Ongoing education and training programmes People Development and Performance (PDP) Intranet (The Nest) Newsletter (The Nestlé Edge) Internal e-announcement and news Townhall meetings and roadshows Safety, Health and Environment (SHE) initiatives Employee Volunteer Programme (Reaching Out to Community & Kids - ROCKS) Employee events (annual hi-tea, festive celebrations etc.)
Consumers and General Public	<ul style="list-style-type: none"> Corporate and brand websites Consumer relationship marketing (Dear Nestlé Club) Social media channels (Facebook and Instagram) Corporate and brand campaigns Consumer research (Corporate Equity Monitor) Advertisements and promotions Exhibitions and showcases
Shareholders and Investors	<ul style="list-style-type: none"> Annual Report Annual General Meeting Analyst briefings Announcements to Bursa Malaysia Securities Berhad
Local Communities	<ul style="list-style-type: none"> Community development programmes CSV projects Monthly food contribution programme Corporate Social Responsibility initiatives
Board of Directors	<ul style="list-style-type: none"> Board of Directors meetings Creating Shared Value update meetings Corporate & CSV events
Non-Governmental Organisations	<ul style="list-style-type: none"> Roundtable discussions Strategic partnerships and agreements Memberships Monthly food contribution programme Key Opinion Leaders (KOL) survey Corporate Social Responsibility initiatives
Government	<ul style="list-style-type: none"> Advocacy meetings Roundtable issue discussions Ministerial engagements and dialogues Regulatory filings Exhibitions and showcases Key Opinion Leaders (KOL) survey
Media	<ul style="list-style-type: none"> Face-to-face engagements Dialogues and forums Media familiarisation trips to CSV project sites Corporate and brand events Key Opinion Leaders (KOL) survey
Industry and Trade Associations	<ul style="list-style-type: none"> Member participation in key associations Advisory panelists Key Opinion Leaders (KOL) survey Exhibitions and showcases
Suppliers	<ul style="list-style-type: none"> Supplier Engagement Day (Nestlé Procurement Day) Training on Responsible Sourcing Standard and Nestlé Malaysia Anti-Corruption, Gift and Entertainment Policy Small & Medium Enterprise (SME) Mentoring Programme
Customers/Retailers	<ul style="list-style-type: none"> Product campaigns Consumer engagement activities
Academia	<ul style="list-style-type: none"> Partnership programmes Talks and forums Employer branding activities (e.g. career fairs) Key Opinion Leaders (KOL) survey

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

MATERIAL ISSUES

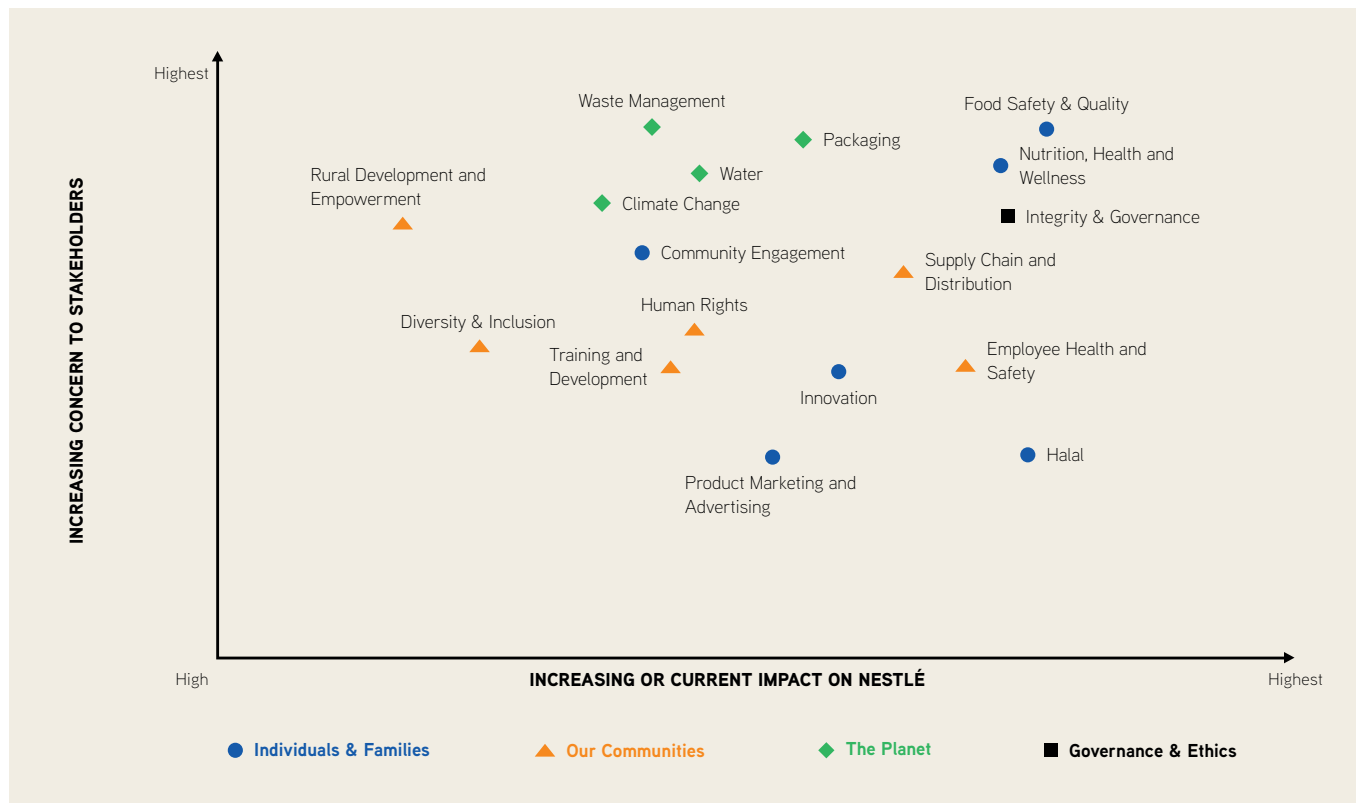
Continuous engagement with both internal and external stakeholders is the only way to ensure that we prioritise the environmental, economic and social issues that matter most to our stakeholders and have the biggest influence on our business.

In accordance with our commitment to conduct a formal materiality assessment every two years, we collected feedback from our stakeholders and updated our materiality matrix in 2018. In addition to consultation during our Stakeholder Engagement Day, both internal and external stakeholders had the opportunity to tell us which of Nestlé’s material issues they consider to be of highest priority.

Based on 2018 assessment, we added Water to the matrix while Community Development and Talent Management topics were renamed Community Engagement and Training and Development, respectively, to represent the activities undertaken in these areas more accurately.

Each issue’s position in the matrix is indicative of its relative importance to stakeholders and potential for business impact. The issues included in this assessment are by nature interconnected and improvements in one can, and do, lead to changes in another. In order to maximise shared value among our stakeholders, it is our responsibility to deliver solutions across the full spectrum of material issues facing our business.

OUR MATERIALITY MATRIX 2018



CSV KEY PERFORMANCE DATA

Description	2016	2017	2018
ECONOMIC			
Operational Footprint			
Total number of factories	8	7	7
Value Generation (RM'000)			
Total sales for Malaysia	5,063,506	5,260,490	5,519,045
Value Distribution (RM'000)			
Turnover	5,063,506	5,260,490	5,519,045
Operating costs	1,198,675	1,103,613 [#]	1,223,069
Taxes	129,367	169,666 [#]	217,008
Net profit	637,127	642,550 [#]	658,882
Earnings per share (sen)	271.70	274.01 [#]	280.97
Net dividends per share (sen)	270.00	275.00	280.00
Dividend yield (%)	3.5	2.7	1.9
NUTRITION			
Products displaying the Nestlé Nutritional Compass (NNC) (% as at 31 December 2018)	100	100	98
Products with Guideline Daily Amount (GDA) labelling (% as at 31 December 2018)	99	100	98
Products meeting or exceeding consumer taste preference (% of sales)	88	92	95
Number of products with Healthier Choice Logo	n/a	41	59
NESTLÉ FOR HEALTHIER KIDS Programme (Number of students involved)	4,216	7,023	19,474*
RURAL DEVELOPMENT			
NESTLÉ PADDY CLUB			
– Number of farmers who participated in NPC (Jan/Feb)	299	285	270
– Number of farmers who participated in NPC (Aug/Sept)	290	272	263
– Average yield (Jan/Feb)	6.10MT/ha	5.27MT/ha	5.43MT/ha
– Average yield (Aug/Sept)	6.44MT/ha	5.71MT/ha	5.58MT/ha
– Total number of hectares (Jan/Feb)	798	762	739
– Total number of hectares (Aug/Sept)	762	732	723

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 134 & 135.

[#] 2017 comparative figure restated due to adoption of MFRS, Leases.

CSV KEY PERFORMANCE DATA

Description	2016	2017	2018
NESTLÉ CHILLI CLUB			
– Number of farmers	112	79	81
– Average yield (MT/ha)	506	200	400
– Total number of hectares	32	32	62
OUR PEOPLE			
Total number of employees	5,502	5,338	5,267
Leadership positions held by women	37%	48%	51%*
Total spent on training and development annually (RM)	11,094,860	4,913,337	3,401,378
Lost time injury frequency rate (LTIFR)	2.0	1.6	1.4
Employees receiving regular performance and career development reviews (%)	100	100	100
WATER & ENVIRONMENT			
Total amount of energy per tonne (GJ/tonne)	3.14	3.12	3.06
Total water withdrawn (m ³ /year)	1,698,604	1,659,565	1,666,409
Total water withdrawal (per tonne)	3.98	3.90	3.73
Percentage of specific greenhouse gas reductions (%)	6.3	(0.7)	5
Landfill waste (tonne)	158	0	0
Recycled waste (tonne)	11,270	10,250	12,549*
Kinabatangan RiLeaf Project			
– Number of trees planted	116,850	55,679#	21,595
– Total seedlings purchased from KAPOK (RM)	318,234	111,358	33,595

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 134 & 135.

2011 - 2017 target achieved. Extend project in Q4 2018.

For Individuals and Families

Enabling healthier and happier lives



“

As the world’s largest food and beverage Company with a diverse portfolio of trusted products and brands, Nestlé remains as committed as ever to provide people with tastier and healthier choices. Supporting the ever-evolving needs of consumers, we believe in inspiring individuals and families to live well. We also develop and share our understanding of the connection between nutrition and health.

”

Driven by the Company’s purpose to enhance quality of life and contribute to a healthier future, we are steadfast in our actions to achieve our global 2030 ambitions and support the SDGs. By 2030, we aspire to help 50 million children across the world lead healthier lives.



Encouraging healthier consumption
for Malaysian families.

OUR NUTRITION, HEALTH & WELLNESS STRATEGY

We are fully committed to enhancing lives by providing tastier and healthier food and beverage choices for people from all walks of life, at all stages of life. With our Company’s industry-leading research and development (R&D), we continuously strive to innovate and improve product development to produce high-quality and nutritious offerings. Aiming to be part of the solution, we inspire individuals and families to live well through various educational programmes and awareness campaigns as well as provide nutritional advice and guidance on portion control.

Our global ambition
To help 50 million children lead healthier lives by 2030

- Our focus areas**
- 1 OFFERING TASTIER AND HEALTHIER CHOICES**

With growing awareness on the importance of health, we are conscious that consumers today require nutritious options, without compromising on taste. We are committed to stay true to our promise, to provide food and beverage choices which cater to these needs and promote healthy development through all stages of life, while maintaining the tastes that Malaysians enjoy.
 - 2 INSPIRING PEOPLE TO LEAD HEALTHIER LIVES**

We strongly believe that proper nutrition can lead to healthier and happier lives. We help people make better, more informed choices by sharing nutritional knowledge. From easy-to-understand labels on our packaging and guidance on portion sizes, to our educational and sports programmes especially for kids, we encourage healthier habits in order to nurture healthier individuals and families.
 - 3 BUILDING, SHARING AND APPLYING NUTRITION KNOWLEDGE**

With our advanced science and innovation network, Nestlé is at the forefront of nutritional knowledge in the food and beverage industry, enabling us to develop products fueled by the latest advances in nutrition science. Taking it a step further, we aim to make a greater positive impact on society with meaningful solutions addressing prevalent public health and nutrition challenges.

Contributing to the Sustainable Development Goals (SDGs)

These SDGs in particular are relevant to our work on Nutrition, Health & Wellness:



NUTRITION, HEALTH & WELLNESS



As the world's largest food and beverage Company, Nestlé has nourished generations of Malaysians for over 106 years. Inspired by our founder, Henri Nestlé, and guided by our values, we provide individuals and families with tasty food and beverage products that they can trust. This includes products appropriately packaged and affordable for every day use, products for people who require life-supporting nutritional formula as well as premium products and services for those who desire indulgent moments. With nutrition at our core, our Company offers individuals and families products, services and knowledge that enhance quality of life and contribute to a healthier future.

Our key commitments	
1 Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children	5 Offer guidance on portions for our products
2 Further decrease sugars, sodium and saturated fat in our foods and beverages	6 Market to children only choices that help them achieve a nutritious diet
3 Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages	7 Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly
4 Apply and explain nutrition information on packs, at point of sale and online	8 Empower parents, caregivers and teachers to foster healthy behaviours in children

FOR INDIVIDUALS AND FAMILIES

NUTRITIOUS PRODUCTS FOR CHILDREN AND ADULTS

Our commitment

Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children

At Nestlé, we aim to continuously improve our diverse portfolio to be healthier and tastier. As such, we evaluate the nutritional contribution of our foods and beverages through the Nestlé Nutritional Profiling System (NNPS). In line with nutrition science and public health recommendations, this approach gives us the opportunity to thoroughly assess the nutritional value of our foods and beverages.

Through NNPS, we are able to determine how our products meet the needs of a child's or an adult's daily dietary requirements. As part of our commitment to provide more nutritious products to individuals and families, we particularly focus on sugars, saturated fats, trans fats, salt and energy content. Additionally, we look at important nutritional contributions such as calcium, protein, fibre, whole grains and more.

Every food or beverage product that achieves the specific criteria of NNPS attains the Nestlé Nutritional Foundation (NF) status. Through this, consumers are assured that NF status products are suitable choices and play a role in contributing towards a balanced diet. Reflecting our commitment to provide healthier choices, all newly-launched foods and beverages for children are required to meet NF status.

Description	2016	2017	2018
Products meeting or exceeding Nutritional Foundation profiling criteria (% of sales)	79	78	78

2018 PROGRESS:

New innovative products for children:

LACTOGROW 3 & 4

Developed with the aim of strengthening children's digestive system and encouraging nutrient absorption, LACTOGROW is a scientifically-developed Formulated Milk Powder for children aged 1 to 6 years. It contains beneficial probiotics, *L. reuteri*, as well as high calcium content for strong bones and teeth development, DHA and HAPPY NUTRI, a unique combination of 15 essential vitamins and minerals.

CERELAC NUTRIBITES

Designed to help toddlers above 12 months start a fun self-feeding experience during snack time, CERELAC NUTRIBITES is made from wholesome ingredients such as wheat, butter, milk and honey. This healthy snack is specially adapted to provide a nutritious treat for children and is high in iron, calcium and vitamins B1, B2 and B6.

KOKO KRUNCH MAXX

Made with whole grains and chocolate. This breakfast cereal contains the goodness of fibre, iron, calcium, vitamins and minerals and is best consumed with milk.



FOR INDIVIDUALS AND FAMILIES

New innovative products for adults:

MILO LESS SUGAR

MILO Less Sugar, with 25% less sugar, was launched in 2018. Consumers continue to enjoy the familiar taste of MILO and benefit from its nourishing energy, packed with essential nutrients.



OPTIFAST

To meet the rising demand for specialised nutritional products, Nestlé Health Science launched OPTIFAST, a Very Low Calorie Diet (VLCD) programme. This new weight management solution is designed to be used by healthcare professionals to manage overweight and obesity issues, ultimately addressing the worrying prevalence of obesity amongst Malaysian adults.



FITNESSE BARS

To meet the increasing demand of consumers for healthy and convenient on-the-go solutions, Nestlé Breakfast Cereals introduced the FITNESSE Bar. Containing whole grain wheat and high in calcium, iron and vitamins, this product comes in two variants chocolate and strawberry.



MILO BAR

MILO Bar contain ACTIVGO, a unique combination of B vitamins, iron, and calcium to help give you the winning energy of MILO. This delicious cereal bar for on-the-go snacking combines wholesome MILO cereal pieces and nutritious MILO powder.



ADDRESSING OUR CONSUMPTION OF SUGAR AND SODIUM

Our commitment

Further decrease sugars and sodium

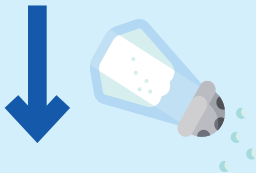
Reducing sugars and sodium in our foods and beverages is key to our commitment to provide consumers with healthier and tastier choices. Utilising a scientific approach to gradually decrease sugar and sodium levels in our products, we aim to improve consumer health and help lower the rate of non-communicable diseases (NCDs).

2018 SUGAR REDUCTION



- NESCAFÉ SMOOVLATTE by **22%**
- NESCAFÉ Smooth Cappuccino Cup by **25%**
- NESCAFÉ Blend & Brew Rich by **5%**
- KIT KAT Green Tea by **10%**
- NESTLÉ KOKO KRUNCH by **8%**
- FITNESSSE & FRUITS by **7%**

2018 SODIUM REDUCTION



- MAGGI OATMEE Curry by **25%**
- MAGGI HOT CUP Curry by **6%**
- MAGGI 2 Minute Curry by **5%**

Malaysia's Healthier Choice Logo



The Healthier Choice Logo (HCL) was introduced by the Ministry of Health Malaysia in 2017. In accordance with the National Plan of Action for Nutrition Malaysia (NPANM) III (2016-2025), HCL aims to encourage healthier and more active lifestyles amongst Malaysians. HCL is consistent with the principles of the global Choices Programme, which promotes healthy innovations from the food industry based on scientific nutritional criteria, as well as other voluntary labelling platforms. This initiative was developed under the leadership of the Malaysian health authorities, in close collaboration with the food industry and Choices International.

Given the increasing prevalence of non-communicable diseases such as cardiovascular diseases and diabetes in Malaysia, HCL is a valuable tool. In tandem with Nestlé's commitment to deliver the tastiest and healthiest products in every category, we firmly believe that accurate, transparent and easily accessible science-based nutrition labelling will equip Malaysians with the information to make informed choices.

The objectives of HCL are:

- To assist consumers to easily make informed food choices by looking at the front label of food packaging.
- To help consumers identify healthier product options in the same category of food.
- To encourage food and beverage industries to reformulate and produce healthier products.
- To provide an environment that supports healthy eating practices.

HCL certification is conferred upon food and beverage products that meet the strict nutrient requirements stipulated by the Ministry of Health. This includes criteria for fat content and levels of sugar, sodium, fibre and calcium. As of November 2018, **Nestlé Malaysia has a total of 59* HCL certified products.**

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 134 & 135.

PRODUCT LABELLING

Our commitment

Apply and explain nutrition information on packs, at point of sale and online

We strongly encourage our consumers to make informed choices about the products they purchase and the foods and beverages they consume. To support this, we strive to provide clear information on all our product packaging, on ingredients, nutritional benefits to health and portion size. It is imperative that this information is truthful, meaningful, transparent and scientifically proven. It must also be easily comprehended and cannot be misinterpreted. We prioritise accurate labelling and highlight ingredients or substances that consumers may wish to avoid, such as sugar or saturated fats.

We developed the **NESTLÉ NUTRITIONAL COMPASS (NNC)** as a tool to educate people about what they consume through our products. This compass includes the nutritional composition of each product, contact details for more information and, whenever possible, lifestyle and nutrition tips. Nevertheless, certain Nestlé products are exempted from the NNC requirement due to their small packaging size, for example MAGGI stock cubes. Machines and accessories such as the NESCAFÉ DOLCE GUSTO coffee machine are also exempted.



In addition, our product labelling includes **Guideline Daily Amount (GDA)**-based labels on front of pack to provide consumers with easily accessible information on nutritional content. In Malaysia, only the energy GDA is allowed to be used.

Description	2016	2017	2018
Products displaying the Nestlé Nutritional Compass (% as at 31 December 2018)	100	100	98
Products with Guideline Daily Amount (GDA) labelling (% as at 31 December 2018)	100	100	98

FOR INDIVIDUALS AND FAMILIES

Nutritional Information Panel
Provides a list of nutrients and their amount contained in a product

Good to Know
Gives consumers a better understanding of the benefits of the product



Contact Us
Contact details to find out more about a product and ask for nutrition tips

Good to Remember
Shares tips on healthy eating and leading active lifestyles

One serving contains

Satu hidangan (240ml) mengandungi

Tenaga

148kcal

7%

Berdasarkan 2000kcal

Based on 2000kcal

FOR INDIVIDUALS AND FAMILIES

PORTION GUIDANCE

Our commitment

Offer guidance on portions for our products

Rising health issues such as obesity and nutrient deficiencies are often the result of incorrect portion sizes and poor dietary habits. In line with our Company's purpose, we strongly believe that it is our responsibility to help consumers live healthier lives by providing guidance on recommended consumption frequency and quantity. The voluntary Nestlé Portion Guidance initiative promotes age-appropriate portion sizes.

Through this initiative, we assist individuals and families in gaining a better understanding of the nutritional value of our products and help them improve their portion habits especially for energy-dense foods and beverages. The guidance we provide is aligned with national food guides and recommendations from internationally recognised bodies such as the World Health Organization. Below are examples of how portion guidance is indicated on some of our products.



Supporting the Malaysian Healthy Plate Campaign – “Suku-Suku Separuh”

Launched by the Ministry of Health Malaysia in 2017, the Malaysian Healthy Plate campaign aims to educate the public on the importance of a balanced diet. Promoting the concept of “Quarter-Quarter-Half” or “Suku-Suku Separuh”, this campaign illustrates the recommendations of the food pyramid and Malaysian Dietary Guidelines through simple visuals.

This campaign encourages the division of a ‘healthy plate’ to three segments: one quarter carbohydrates, the other quarter proteins and the remaining half of the meal should consist of fruits and vegetables. This concept ensures a well-balanced meal that is rich in fibre along with essential vitamins and minerals.



We have been strong advocates of the Ministry of Health Malaysia's campaign to amplify awareness on the Malaysian Healthy Plate.

As a testament to this, we include the Healthy Plate model in our NESTLÉ FOR HEALTHIER KIDS teaching modules. Additionally, through our MILO Malaysia Breakfast Day in 2018, we educated Malaysians of all ages on using the Healthy Plate model to plan a healthy and balanced breakfast. On top of this, participants of the MAGGI Secondary School Cooking Competition were taught about the Healthy Plate Campaign throughout the competition and were encouraged to cook and present their dishes following this model.

IMPROVING NUTRITION THROUGH FIBRE-RICH GRAINS AND VEGETABLES

Our commitment

Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods and beverages

In line with our nutrition, health and wellness strategy, we are fully committed to encourage consumers to embrace balanced diets. Vegetables, grains, pulses, nuts and seeds are crucial elements of a well-balanced diet, being rich sources of vitamins, minerals, fibre, and other vital nutrients. In spite of this, research has shown that children and adults are not consuming enough of these nutritious ingredients.



By adding more whole grains in our products, providing relevant nutrition guidance on-pack and online where relevant, as well as encouraging healthy home cooking, we continuously offer solutions to help families achieve whole grain recommendations.

Through Cereal Partners Worldwide, our global joint venture with General Mills, we have established whole grain requirements for our breakfast cereal brands. Products which carry the 'Whole Grain Tick' contain at least 8g of whole grain per serving. For easier identification, these products display a green banner.

Our progress:

In 2018, we introduced the improved NESTLÉ FITNESS cereal which contains 68% more whole grain compared to previous products. NESTLÉ FITNESS cereal flakes are made with 89% whole grain which are low in fat and contain seven different vitamins and minerals, including calcium and iron.

FOR INDIVIDUALS AND FAMILIES

PRODUCT SAFETY AND QUALITY

Safety and quality are non-negotiable priorities for us. More than ever, consumers are becoming aware of safety and quality standards and have growing expectations on companies' manufacturing processes. We are fully aware of our responsibility to maintain consumer trust. Product safety and quality assurance are firmly embedded in Nestlé's 10 Corporate Business Principles. In line with this, Nestlé's Quality Policy acts as a guide to ensure we maintain the highest product quality and food safety standards.

Globally, we utilise Nestlé's Quality Management System as the framework to guarantee food safety and compliance with quality standards. As part of our commitment to product safety and quality, we engage independent certification bodies to audit and verify our Quality Management System. These audits ensure that our system adheres to internal standards, ISO standards as well as laws and regulatory requirements.

In 2017, Nestlé Malaysia began to move towards ISO 9001:2015 certification. In 2018, all seven manufacturing sites in Malaysia successfully obtained this certification. Moving forward, we aim to certify our new Nestlé Distribution Centre (NDC) in 2019.



How we ensure food safety:

SYSTEMS AND PROCESSES	FUNCTIONS PERFORMED	METRICS AND KEY PERFORMANCE INDICATORS
ISO 9001:2015 Certification	<ul style="list-style-type: none"> Sets out the basic principles for managing food safety and product quality. Allocates responsibilities for manufacturing practices, hazard analysis and traceability throughout the value chain. 	100% of Nestlé's manufacturing sites and Head Office are certified with ISO 9001.
FSSC 22000 Certification	<ul style="list-style-type: none"> Drives continuous improvement by eliminating defects and waste. Certified by independent third parties. 	100% of Nestlé's manufacturing sites are certified with FSSC 22000.
GLOBE Quality Monitoring Scheme (QMS)	<ul style="list-style-type: none"> Ensures manufactured products meet consumer requirements. Identifies and controls processes that impact consumers, food safety and regulatory requirements. Supports our manufacturing excellence strategy of zero waste through utilising the 'right first time' approach. 	100% implemented and we continue to optimise GLOBE QMS across all manufacturing sites.
Quality Compliance Verification	<ul style="list-style-type: none"> Each factory has an annual quality compliance assessment. 	100% of Nestlé's manufacturing sites were assessed.
Early Warning System (EWS)	<ul style="list-style-type: none"> Global system to identify, evaluate and anticipate emerging risks (e.g. counterfeit products, adulteration of ingredients). 	

24-hour Consumer Engagement Services

With the further strengthening of our 24/7 consumer engagement services (launched in 2017), we continue to better respond to consumer enquiries and complaints. We have successfully achieved two main KPIs: 93% of calls answered with 20 seconds and an abandon rate of less than 2%, both exceeding industry benchmarks.

In Feb 2018, we expanded our consumer engagement services to include Nestlé Infant Nutrition (NIN) and Wyeth Nutrition under one roof to provide a seamless consumer experience. In addition, we reinforced our social monitoring capabilities to better anticipate consumer trends and risks to our brands.

2018 saw us receiving a very high number of online scam-related enquiries, which we have duly reported to Malaysian Communications and Multimedia Commission (MCMC) for further action. All enquiries were responded to and the consumer complaints, if valid, were addressed with root cause analysis and follow up with impacted consumers.

Consumer Services	2016	2017	2018
Number of cases handled	34,121	68,294	71,920
Number of enquiries	30,164	61,392	63,539
Number of complaints	3,882	6,846	8,064
Number of praises	75	56	317

FOR INDIVIDUALS AND FAMILIES

RESPONSIBLE PRODUCT MARKETING AND ADVERTISING

Our commitment

Market to children only choices that help them achieve a nutritious diet

In all that we do, we strictly abide by the Nestlé Consumer Communication Principles, which comprise rigorous standards for all marketing and communication to consumers. As the world's largest food and beverage manufacturer, we are fully aware of our responsibility to promote our foods and beverages truthfully, transparently and reliably. We are also committed to ensure full compliance with our Nestlé Marketing Communication to Children Policy.

The two key criteria of this policy are:

- No advertising of food and beverage products to children under the age of 12 on television, print or online, except for products that fulfill the Nestlé Nutritional Foundation status.
- No communication related to products in primary schools, except where specifically agreed with the school for educational purposes.

Responsible marketing is key to earning and maintaining the trust of our consumers. As such, we are driven to set the standard for the industry by ensuring full transparency in our reporting on our responsible marketing of foods and beverages designed for consumption by children, including breast-milk substitutes.

To our best knowledge and with reasonable steps taken, there were no incidents of inappropriate marketing to children reported in 2018. The Federation of Malaysian Manufacturers advertising monitoring report states that compliance for Nestlé is at 99% as of July 2018.

RESPONSIBLE MARKETING OF BREAST-MILK SUBSTITUTES

Our commitment

Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly

At Nestlé, we firmly believe that breastfeeding lays the foundation for a healthy life. Breastfeeding is the best option for infants and plays a vital role in the growth and development of a baby during the first 1000 days. It is the ideal source of nutrition, helps to build a strong immune system and fosters a strong bond between a mother and her baby. As such, we fully support WHO's recommendation that mothers should exclusively breastfeed their babies for the first six months of their life. This period should be followed by the introduction of safe and nutritious complementary food together with sustained breastfeeding for up to two years or above.

At the same time, the WHO Code acknowledges that there is a legitimate market for breast-milk substitutes when breastfeeding is not possible. If a mother is unable to breastfeed her child, it is imperative that their babies are nourished with the highest quality, scientifically-backed breast-milk substitute (BMS). Infant formula is recognised as the only BMS that is suitable for babies who cannot be breastfed as recommended.

Nestlé has long been a staunch supporter of responsible BMS marketing. As a Company that places strong importance on educating and informing our consumers, we are fully committed to marketing BMS responsibly, in compliance with the WHO Code and following national laws and regulations.

FOR INDIVIDUALS AND FAMILIES

Our progress:

As part of our commitment to ensure appropriate marketing and distribution of infant formula, we adhere to the WHO's International Code of Marketing of Breast-milk Substitutes and the Malaysia Code of Ethics for Marketing of Infant Foods and Related Products, as well as all other applicable laws and regulations.



In tandem with this, we have developed a strong global management system, including the Ombudsman System (Whistleblower) as well as internal and external independent audits. To build trust and ensure transparency with our stakeholders, we consistently report our progress in our corporate website.

Nestlé provides avenues for both external stakeholders and employees to report concerns. External stakeholders are encouraged to share any comments, queries and concerns regarding Nestlé's BMS marketing practices using our corporate 'Tell Us' system. Nestlé employees can utilise the Ombudsman System to raise concerns about any activity or behaviour that breaches the WHO Code and Malaysia Code of Ethics. This platform allows employees to file reports confidentially. Additionally, we proactively encourage our distributors, third-party agencies and partners, including retailers, to embrace responsible BMS marketing practices.

We take all allegations of non-compliance related to our BMS marketing practices seriously, and where a concern is found to be substantiated, we take immediate corrective action.

To our best knowledge and with practical measures taken, there were no confirmed incidents by Nestlé Malaysia reported in 2018 related to the codes on marketing of BMS.

We have implemented a mandatory global training programme on the WHO Code including internal code of ethics for employees involved in infant nutrition, with the aim to continuously strengthen our capacity to market our infant products responsibly. We ensure that all employees who are involved with infant nutrition, whether directly or indirectly, fully understand the importance of promoting and protecting breastfeeding, as well as complying with our policy.

Nestlé S.A. FTSE4GOOD and ATNI™ Third-party Validation

Processes for inclusion in industry rankings and indices are subject to verification procedures. We are proud to have been the first BMS manufacturer included in the FTSE4Good Index Series in 2011.

This index evaluates the performance of companies based on their Environmental, Social and Governance (ESG) practices. Since 2011, we have consistently met its strict criteria for the responsible marketing of BMS.

Nestlé came in second place in the BMS sub-ranking of the 2018 Global Access to Nutrition Index (ATNI™), which assesses the BMS marketing policies and practices of the world's six largest baby food companies.

COMMUNITY ENGAGEMENT

Our commitment

Empower parents, caregivers and teachers to foster healthy behaviour in children

NESTLÉ FOR HEALTHIER KIDS PROGRAMME



At Nestlé, we aim to impact society by contributing towards a healthier future through education. By teaching our young about the importance of good nutrition and living active lifestyles, we can ultimately nurture a generation of healthier, happier Malaysians.

The NESTLÉ FOR HEALTHIER KIDS (N4HK) Programme, previously known as Nestlé Healthy Kids is a global initiative that takes a holistic approach to combat rising health issues and to nurture healthier children. It aims to raise awareness on nutrition, health and wellness and promote physical activity among school-aged children around the world.

First launched in Malaysia in 2010, N4HK was established in collaboration with the Nutrition Society of Malaysia (NSM). It is designed to improve nutrition knowledge and encourage active lifestyles amongst schoolchildren aged 7 to 12 years.

The N4HK Programme has been conducted in three phases:

- Phase 1 (2011 - 2013)
A three-year research component involving approximately 200 schoolchildren in Klang Valley.
- Phase 2 (2014 - 2016)
Train-the-Trainer Workshop, involving a total of 77 day-boarding schools across East Malaysia.
- Phase 3 (2017 - present)
N4HK was simplified to a two-hour module and the scope of the programme was expanded to reach schools across the nation. N4HK training in schools is conducted in Bahasa Malaysia and Mandarin by certified Nutritionists.

As a result of these efforts, to date this initiative has impacted close to 37,000 schoolchildren nationwide.

Our progress:

Description	2016	2017	2018
Number of schools impacted	77	29	54
Number of students involved	4,216	7,023	19,474*

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 134 & 135.

In 2019, we intend to continue strengthening our efforts by involving parents in the N4HK programme as well as reach out to more schools to achieve our target of 20,000 schoolchildren.

FOR INDIVIDUALS AND FAMILIES



International Chefs Day

As part of Nestlé's drive to promote healthier eating habits to children, NESTLÉ PROFESSIONAL and NESTLÉ FOR HEALTHIER KIDS organised the fourth annual International Chefs Day celebration in collaboration with chefs from Professional Culinaire Association (PCA) of Malaysia.

This year, more than 50 kids from Angel's Children Home and Lighthouse Children Welfare Association Home along with over 70 chefs from PCA took part in the event, which was themed "Healthy Foods for Growing Up".

Throughout the day, the children participated in fun-filled and engaging activities that improved their knowledge on nutrition and healthy foods. The aim of the event was to encourage the children to not only adopt healthy eating habits, but to also instil a good understanding of the nutrition in the foods they consume.



FOR INDIVIDUALS AND FAMILIES

MILO AKTIF NEGARAKU

Understanding the importance of cultivating an active lifestyle from an early age, MILO has played an important role in developing junior sports in the country since the 1950s. MILO believes that sport is a great teacher of life values. The MILO *Aktif Negaraku* movement was launched in 2018 with the purpose of making Malaysians active and healthy with nutritious energy and provide the inspiration to grow with sports. It brings the many well-loved MILO grassroots sports development programmes under one banner.

Objective

To inspire five million Malaysians to start leading active lifestyles

An extension of MILO's commitment to nation-building through grassroots sports, this movement was based on one overarching goal – to inspire five million Malaysians to start leading active lifestyles in 2018.

Throughout the year, the MILO *Aktif Negaraku* movement brought together a spectrum of grassroots sports platforms, including the MILO Champions Clinic, MILO *ActivJam Senamrobik*, MILO *Hidup Bola*, MILO Malaysia Breakfast Day and MILO *Bola Juara*.

During the launch of MILO *Aktif Negaraku*, 'MILO *Bola Juara*', a unique 'Smart Ball' created by MILO, made its world-wide debut. Connected to an app, the MILO *Bola Juara* tracks the number of taps, passes, and other movements the user makes, providing users the ability to track their activity and progress. In 2018, the MILO *Bola Juara* was featured at various MILO *Aktif Negaraku* events across the country, reaching out to children and their parents in each state and encouraging them to get active using technology.



MILO *ActivJam Senamrobik*

In collaboration with the Ministry of Education Malaysia (MOE), under the *1Murid 1Sukan* (1Student 1Sport) initiative, MILO launched *ActivJam Senamrobik*, the first national level aerobic contest with the aim of providing school-goers with a platform to stay active and healthy.

The *ActivJam Senamrobik* successfully engaged more than three million schoolchildren from 7,710 schools in 2018 and subsequently saw ten primary schools and 16 teams compete for various national championship titles. Through this initiative, students learnt fun and simple ways to stay active.

First introduced by the MOE in 2011, the *1Murid 1Sukan* initiative is aligned with the National Education Philosophy which aims to nurture balance in the intellectual, spiritual, emotional, and physical aspects of life.

MILO *Hidup Bola* 2018

In 2018, *Karnival Futsal MILO Hidup Bola* continued with its 13th annual futsal competition for children under 12 and under 16. First introduced in 2006, this competition is in tandem with the government's initiative to encourage youth participation in sports. It also aims to further develop the nation's futsal community. The 2018 tournament saw more than a 100 teams from across the country come together to vie for the title of best youth team and reached out to 11,296 young Malaysians.

MILO Champions Clinic & FC Barcelona Edition

Established in 2015, the MILO Champions Clinic aims to provide children aged 7 to 12 the opportunity to experience and learn sports for the first time. Through these clinics, participants can explore a wide range of sports in an enjoyable environment under the guidance of certified sports coaches.

The MILO Champions Clinic reached out to 1,638 children in 2018, offering seven different sports: futsal, football, netball, basketball, bowling, hockey and badminton.

In 2018, MILO introduced the newest entry into the MILO Champions Clinic franchise, the **MILO Champions Clinic: FC Barcelona Edition**.

This initiative reached out to a total of 1,048 children nationwide who were given the opportunity to learn more about football through clinics held over eight training sessions. The best 24 participants were selected for the coveted chance to be trained under FCBarcelona coaches in Barcelona.

Participants then trained together with 33 of their peers from seven other countries, learning football techniques and the benefits of teamwork and fair play. Through this collaboration, MILO aims to introduce a first-class training experience to grassroots communities and encourage children to pursue their dreams.

MILO Malaysia Breakfast Day and Breakfast Distribution Donation

The MILO Malaysia Breakfast Day entered its sixth consecutive year, continuing the drive to raise awareness on the importance of breakfast as a key source of nutrients and energy. Recognised as the largest breakfast campaign in Malaysia, the event also encourages Malaysians to lead more active lifestyles.

Reaching out to Malaysians in Kuching, Kota Kinabalu, Kuantan, Penang, Johor Bahru and Kota Bharu before culminating in Putrajaya, the 2018 MILO Malaysia Breakfast Day had the largest participation to date, with 84,000 people joining the event. In addition to 5km and 3km fun runs, the event featured a wholesome breakfast and a host of interactive activities which were designed to encourage participants to get active.



Description	2016	2017	2018
Number of people joining the event	50,000	60,000	84,000

In 2018, MILO Malaysia Breakfast Day partnered with Food Aid Foundation to provide a nutritious, balanced breakfast to 3,000 deserving families. A total of RM300,000 was raised from the fees collected for the fun run to fund these breakfast care packages.

FOR INDIVIDUALS AND FAMILIES

NESTLÉ OMEGA PLUS WALK-A-MILE

Held in conjunction with World Heart Day, the annual NESTLÉ OMEGA PLUS Walk-A-Mile event reflects Nestlé's commitment to empower Malaysians to lead healthier lives. The 2018 NESTLÉ OMEGA PLUS Walk-A-Mile had the largest participant turnout yet, with 4,000 Malaysians walking for a healthier heart. This event also marked the 17th year of partnership with Yayasan Jantung Malaysia (YJM) in the fight against high cholesterol, a major risk factor of heart disease.

Apart from health checks, the Walk-A-Mile event also featured interactive activities to educate participants about ways to prioritise heart health. The mile-long walk around Taman Tasik Perdana featured obstacles and quizzes on facts and myths associated with cholesterol.

To further support efforts and initiatives towards helping Malaysians achieve better heart health, NESTLÉ OMEGA PLUS presented a donation of RM30,000 to YJM during the event.



NESTLÉ KOKO KRUNCH JUNIOR TAEKWONDO CHAMPIONSHIP

Now an annual event in the Taekwondo Malaysia (WTF) calendar, the Nestlé KOKO KRUNCH Junior Taekwondo Championship is aligned with Nestlé's commitment to encourage active lifestyles amongst Malaysians.



First launched in 2006 with the support of Taekwondo Malaysia (WTF), the Nestlé KOKO KRUNCH Junior Taekwondo Championship provides a platform to develop young talents at grassroot level by giving them a first taste of competitive Taekwondo. The 13th Championship in 2018 saw a total of 2,000 participants from across Malaysia and Singapore.

The Championship aims to encourage children to be more physically active in sports, providing them an opportunity to develop their love for sports as well as their sporting spirit. Nutrition talks were also conducted throughout the Championship to educate parents and children on the importance of starting the day right with a healthy and balanced breakfast.

“

Over the years, the Nestlé KOKO KRUNCH Junior Taekwondo Championship has grown from strength to strength. With such strong support and structured programmes at the grassroot level, I am confident that Malaysia will continue to develop top-quality athletes who will make our nation proud.

”

**YB Syed Saddiq Syed
Abdul Rahman
Minister of Youth and Sports
Malaysia**

FOR INDIVIDUALS AND FAMILIES

MAGGI SECONDARY SCHOOL COOKING COMPETITION



First launched in 1997, the MAGGI Secondary School Cooking Competition (MSSCC) has since reached out to over 340,000 students across the nation. Through this initiative, these young aspiring chefs have learnt lifelong skills of preparing nutritious, homemade meals.

MSSCC aims to ignite a passion for cooking nutritious, homemade meals amongst Malaysian students. A joint collaboration between MAGGI, the Ministry of Education Malaysia and the Malaysian Dietitians' Association (MDA), MSSCC also encourages good eating and cooking habits.

- The objectives of MSSCC are:**
- To nurture a passion for cooking amongst young Malaysians
 - To raise awareness on the importance of nutritious food and a balanced diet
 - To promote cooking as an alternative career choice

In 2018, MSSCC achieved a new milestone with the launch of its educational portal, 'Nurturing a Healthier Future' to further enhance awareness on healthy eating habits. This portal provides students and teachers with access to educational modules on nutrition, healthy cooking methods, recipes for tasty and balanced meals, guides on reading food labels and many more useful tips.

Description	2016	2017	2018
Number of schools	1,280	1,280	576
Number of students involved	5,580	5,789	1,728

HALAL@SCHOOL

In 2018, Nestlé joined hands with the Institute of Halal Research and Management (IHRAM) under the Islamic Science University Malaysia (USIM) to organise a series of Halal@School sessions. Based on the theme, *Nutrisi Halal, Pendidikan Cemerlang*, the Halal@School sessions include a Halal Nutrition talk conducted by Nestlé Malaysia. The objective of this programme is to educate young Malaysians on the concept of Halal and its benefits, ultimately cultivating a more informed society.

The Halal@School initiative succeeded in reaching out to almost 600 students in 2018. During this programme, students are taught ways to identify Halal food, understand the Halal logo and product labelling as well as learn more about healthy food using the Malaysian Food Pyramid. Students deepen their Halal knowledge through fun games and engaging activities such as the HalalRace, which is a treasure hunt race, as well as quizzes and tasks that incorporate learning on Halal.



FOR INDIVIDUALS AND FAMILIES

MEETING LOCAL TASTES THROUGH INNOVATION

In light of increasing consumer preferences for healthier foods that are also tasty, the Nestlé 60/40+ programme involves continuous assessment to ensure the nutrition and taste profiles of our products are up to the mark. We also utilise a representative consumer panel to test new and existing foods and beverages, where at least 60% of the panel must prefer the taste of the Nestlé product over a competitor. The “+” sign indicates products with added nutritional benefits that have undergone the Nestlé Nutritional Profiling System (NNPS).

Ultimately, we strive to achieve our goal of producing great-tasting, healthy products for Malaysians to enjoy.

Description	2016	2017	2018
Products meeting or exceeding consumer taste preference (% of sales)	88	92	95

MILO ICE & MILO KAW

In 2018, NESTLÉ Ready-to-Drink excited Malaysians with the all-new MILO ICE, Malaysia’s favourite chocolate malt beverage that now comes with a unique cooling sensation. MILO ICE is enriched with calcium, phosphorus, and vitamins to support today’s on-the-go lifestyle. In addition, MILO KAW in a can was launched, serving up a richer and thicker MILO with a stronger malt taste. Malaysian can now enjoy these new variants of MILO’s nutritious combo of milk, malt and cocoa anytime, anywhere.



KIT KAT ‘MORE CREAMY, MORE CHOCOLATEY’ & KIT KAT PINK

2018 saw Malaysia’s leading chocolate brand continue its innovative drive by announcing a recipe makeover, adding more milk and cocoa while reducing the amount of sugar in KIT KAT. As a result, the much-loved KIT KAT is now ‘More Creamy, More Chocolatey’ with no additional additives and flavours. The brand also introduced the limited-edition KIT KAT Pink in 2018, featuring a chocolate wafer infused with a zesty burst of strawberry encased in smooth milk chocolate.



FOR INDIVIDUALS AND FAMILIES

NESCAFÉ COLD BREW LATTE & NESCAFÉ CUP

To meet the increasing demand for on-the-go consumption and driven by the café culture trend, NESCAFÉ Ready-to-Drink introduced NESCAFÉ Cold Brew Latte in a can. The team also launched NESCAFÉ Cup, a first of its kind NESCAFÉ Ready-to-Drink made from selected single origin Brazilian coffee beans brewed with creamy milk. NESCAFÉ Cup offers consumers delicious Barista-styled NESCAFÉ on-the-go.

**MAGGI PEDAS GILER**

In a bid to provide Malaysians with a bold, exciting food experience and to capitalise on the growing spicy food trend, MAGGI introduced MAGGI Pedas Giler in its noodles range. This all-new product offers consumers the opportunity to enjoy a fiery experience of extra spicy goodness in local favourite flavours of Chicken, Tom Yam and Seafood.

**MAGGI PASTE**

NESTLÉ PROFESSIONAL introduced the MAGGI Paste range to help chefs save time and reduce the hassle of paste preparation. As a key component in Asian food, a prepared paste provides convenience and improves efficiency in commercial kitchens. The wide range of prepared MAGGI Pastes include MAGGI Thai Green Curry Paste, MAGGI Rendang Paste, MAGGI Tomyam Paste, MAGGI Prawn Mee Paste and many more.

**NESTLÉ ICE CREAM – TROPICANA LYCHEE YOGURT & OREO**

Nestlé Ice Cream continued to delight Malaysians with new and innovative products. In 2018, the team launched their very first creamy yogurt-flavoured ice cream, the all-new TROPICANA Lychee Yogurt ice cream with a refreshing layer of lychee-flavoured ice confection. In addition, the Oreo Ice Cream range was relaunched as part of a global partnership between the Nestlé-Froneri joint venture and Mondelez. Through this collaboration, Malaysians had the opportunity to enjoy products such as Oreo Cones, Oreo Sticks and Oreo Pints.



OUR HALAL COMMITMENT

Our commitment

All products manufactured, distributed and imported by Nestlé Malaysia are certified Halal by JAKIM (Department of Islamic Development Malaysia) and other relevant recognised Islamic authorities

Reflecting our CSV philosophy, Nestlé Malaysia has been at the forefront of Halal standards from the very beginning. As the pioneer of the Nestlé Group's Halal standards, today we are recognised as the Company's Global Halal Centre of Excellence. The biggest Halal producer in the Nestlé world, Nestlé Malaysia is indeed well-positioned to be a core driver of growth for the Halal F&B industry.

Having started our Halal journey in the 1970s, we have since played an instrumental role towards establishing Halal certification in Malaysia, working closely with the Government. Over the years, we have been part of industry working groups led by JAKIM, together with the relevant authorities and agencies to develop the comprehensive Malaysian Halal Standards. Subsequently, the MS 1500 and its revisions have helped to shape Halal standards internationally. As part of our efforts to spur the development of Malaysia's Halal industry, we also established a Halal Committee within the Federation of Malaysian Manufacturers.

The largest Halal food producer in the Nestlé Group, Nestlé Malaysia exports Halal products to more than 50 Nestlé markets across the world. As the Company's Global Halal Centre of Excellence, Nestlé Malaysia functions as a global reference point by offering policy guidelines, know-how and expertise on Halal to other Nestlé markets that aim to produce Halal products or obtain Halal certification. In line with our commitment to contribute to the growth of the global Halal industry, we also engage with relevant stakeholders and government agencies, locally and internationally.

True to our CSV approach, we firmly believe in developing and cultivating Halal experts within the local industry. This includes supporting and encouraging the participation of local small and medium enterprises (SME) and entrepreneurs in the Halal industry. We share our Halal knowledge and inculcate Halal best practices via our SME Mentoring Programme, in partnership with the Halal Industry Development Corporation (HDC) and SME Corp. We also collaborate with HDC for our Vendor Development Programme.

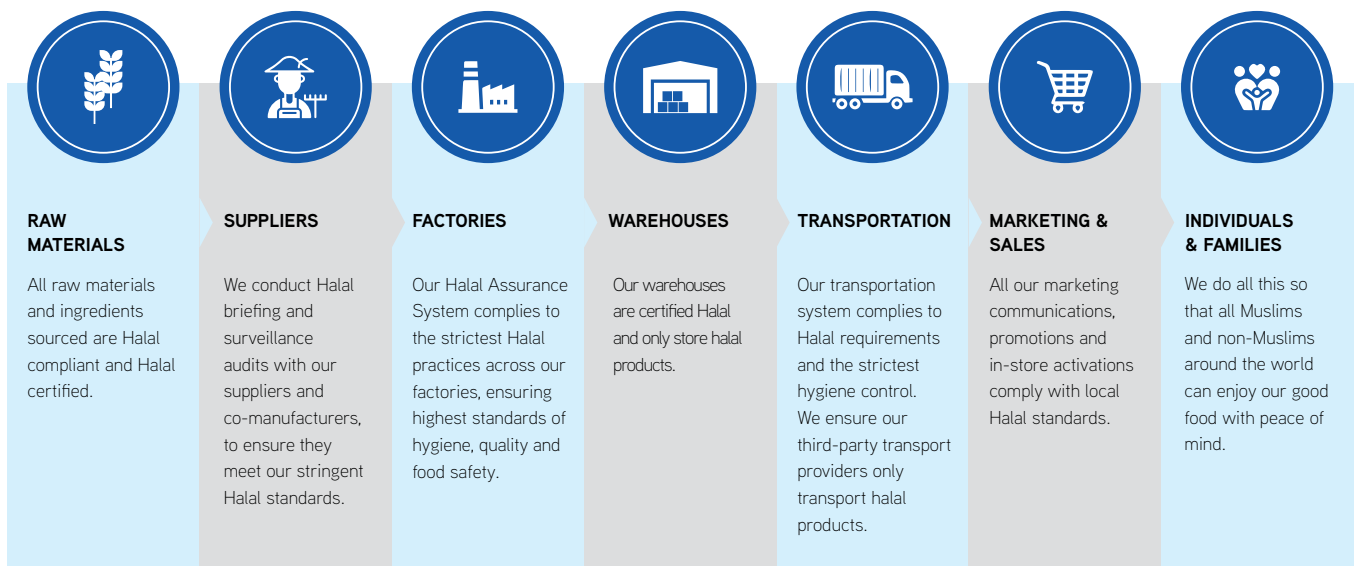
In 2018, we were involved in a number of platforms and initiatives to share our Halal knowledge and expertise, namely:

- Participated in the 15th Malaysia International Halal Showcase (MIHAS), an event hosted by the Ministry of International Trade and Industry Malaysia (MITI) and organised by the Malaysia External Trade Development Corporation (MATRADE). We also presented a paper on Business Potential during the 10th World Halal Conference.
- Actively involved in the 9th Halal Certification Bodies Convention, where all members from Foreign Halal Certification Bodies recognised by JAKIM gathered for a two-day programme to discuss relevant issues in the Halal industry. Nestlé was one of the panelists in the forum.
- Hosted several visits to our factories and headquarters to showcase our Halal best practices to representatives from JAKIM, State Religious departments, International Islamic University Malaysia and media.

FOR INDIVIDUALS AND FAMILIES

- Shared our Halal best practices and experiences at domestic and international forums. These included the Halal Seminar organised by the Islamic Science University of Malaysia, Halal Industry Forum by Polytechnic of Sultan Ahmad Shah, Selangor Business International Summit by the Selangor state government, and many more.
- Attended the Standards and Metrology Institute for Islamic Countries (SMIIC) Technical Committee meeting in Istanbul, Turkey as a committee member representing Malaysia. We were also part of the delegation for the Technical Committee on Halal Supply Chain.
- Conducted training on Nestlé Halal Standards to all our quality management communities from various regions.
- Featured on relevant local television programmes, My Halal (RTM) and Tabayyun (Astro Oasis), as well as news programmes, Bernama TV and RTM. This reinforced our position as a thought leader on Halal certification and industry standards, clarifying Halal-related issues to the public as well as reassuring Malaysians on the integrity of the Halal industry. Our Halal best practices were also highlighted on these programmes.
- Established a Halal@School Programme in collaboration with the Institute of Halal Research Management (IHRAM), Islamic Science University Malaysia. This programme provided schoolchildren with valuable exposure to knowledge on Halal and basic nutrition. In 2018, we reached out to 600 schoolchildren in three schools. For more information on this programme, see page 39.

OUR HALAL COMMITMENT THROUGHOUT THE VALUE CHAIN



FOR INDIVIDUALS AND FAMILIES

SME MENTORING PROGRAMME

To share our Halal knowledge and nurture Halal best practices among local SMEs in the Halal F&B industry, we embarked on a strategic partnership with HDC and SME Corp. This led to the development of the SME Mentoring Programme in 2009.

Through this programme, SMEs are able to improve their capabilities and competitiveness in the global Halal market. The guidance and mentoring we provide under this programme empowers SMEs, teaching them about good manufacturing practices and quality processes. This ultimately reduces food safety issues and boosts consumer confidence on the quality of their products.

SMEs also have the opportunity to network, explore and grow their knowledge on ways to improve their business performance during the SME Mentoring Programme. As a global and renowned producer for Halal food and beverages, Nestlé imparts expertise on Halal procedures and provides insights on what it takes to become competent suppliers for multinational corporations.

Over the course of this two-day workshop, participants gain valuable experience on the following:

- Best Halal Practices
- Management of Food Regulatory Issues
- Strategic Marketing
- Forming an Internal Halal Committee
- Production Optimisation
- Enhancing Industrial Performance Awareness
- Mentoring Aspect for Sourcing of Raw Materials



Description	2016	2017	2018
Number of Companies	77	72	80
Number of Participants	110	105	113

Another component of the SME Mentoring Programme is the flagship programme, aimed at seeking out prospective companies with strong potential to become Halal suppliers for the fast-moving consumer goods industry. In 2018, two companies were identified under this programme, based on the relevance of their product categories and their readiness which was assessed via plant visits.

To date, the SME Mentoring Programme has benefited more than 570 SMEs, involving over 780 participants.

VENDOR DEVELOPMENT PROGRAMME

In collaboration with HDC, our Vendor Development Programme (VDP) supports local manufacturers to produce Halal raw ingredients based on stringent Nestlé standards and requirements. VDP also aims to groom these local manufacturers to become Nestlé vendors.

Under the VDP, we identified OMCORP, a local company specialising in meat-based ingredients, as a potential supplier for critical Halal ingredients such as chicken powder and chicken fat. We provided OMCORP with technical assistance, enabling them to produce ingredients according to our Halal requirements.

OMCORP was fully committed to enhance their processes to fulfil our requirements. As a result of their efforts and with our programme's support, they have successfully supplied Halal chicken ingredients to our Company since 2016. This has also

been beneficial for OMCORP, allowing them to increase their annual production capacity.

Encouraged by this initial success, we have made further development plans with OMCORP, which includes the production of a new range of Halal ingredients, such as chicken extract, beef meat powder and beef fat.

OMCORP is currently pursuing an international certification to fulfil extended requirements and to explore prospects in export markets. This demonstrates the efficacy of the VDP, which has not only enabled OMCORP to become a supplier for Nestlé, but also potentially a global Halal ingredients supplier. This is well in line with the Government's aspirations to position Malaysia as a Global Halal Hub.



For Our Communities

Helping develop thriving, resilient communities



“ The communities we work with are of utmost importance to Nestlé. All of our operations are contingent upon the people throughout our value chain, from farmers and suppliers to partners and employees. Our efforts and initiatives are designed to support rural development, promote and respect human rights and ensure fair employment and diversity.

”

Driven by the Company's purpose to enhance quality of life and contribute to a healthier future, we are steadfast in our actions to achieve our global 2030 ambitions and support the SDGs. By 2030, we aspire to improve 30 million livelihoods in communities globally.





Providing decent employment opportunities to help our communities.

RURAL DEVELOPMENT & OUR PEOPLE STRATEGY

As a global leader in the food and beverage industry, we are committed to caring for the rights of all our stakeholders, including our employees as well as farmers and suppliers.

Farmers are an integral part of our value chain, as they are essential in providing a secure long-term supply of safe, high-quality raw materials. In order to improve their livelihoods, we have implemented various initiatives to impart good agricultural practices, enhance productivity and yields, improve market access and provide alternative income streams. This subsequently contributes to the positive development of rural communities.

Our people are the backbone of the Company. Nestlé’s success over the years is a direct result of their hard work and dedication. Our top priority is to ensure that our employees are able to thrive and are given opportunities to unlock their potential. All our employees are driven by our purpose and guided by our values which are rooted in respect.

Our global ambition

To improve 30 million livelihoods in communities directly connected to our business activities by 2030

- Our focus areas**
- 1 ENHANCING RURAL LIVELIHOODS**

Farmers in rural communities play a key role in producing the ingredients which go into our food. Therefore, it is our responsibility to support them and their families by ensuring that they are well provided for. This plays a direct role in building resilient rural communities and forming a sustainable supply chain.
 - 2 RESPECTING AND PROMOTING HUMAN RIGHTS**

We take great care to ensure that employees across our operations as well as our suppliers are treated with respect and in accordance with fundamental human rights. We diligently work to strengthen our business activities to safeguard all those whom we work with.
 - 3 PROMOTING DECENT EMPLOYMENT AND DIVERSITY**

We treat our people with fairness, in line with best workplace practices and strict adherence to labour laws and human rights. We also celebrate a culture of diversity and equal opportunities for all, making Nestlé an employer of choice and allowing us to cultivate a multicultural talent pool.

Contributing to the Sustainable Development Goals (SDGs)

These SDGs in particular are relevant to our work on Rural Development and Our People:



RURAL DEVELOPMENT

Rural development is central to our Creating Shared Value philosophy. As a Company that relies on millions of farmers across the world for our ingredients, we recognise the importance of advocating responsible sourcing practices.

We assist farmers in improving their productivity, boosting their income and increasing their access to economic opportunities. The long-term success of our business is dependent on the overall wellbeing of our stakeholders, which include farmers, rural communities, small entrepreneurs and suppliers.

Our key commitments	
1	Improve farm economics among the farmers who supply us
2	Implement responsible sourcing in our supply chain
3	Roll out the NESTLÉ COCOA PLAN with cocoa farmers
4	Continuously improve our green coffee supply chain
5	Assess and address human rights impacts across our business activities

FARMER CONNECT

We source our raw materials both directly from farmers, through our Farmer Connect programme, and from suppliers through our procurement channels. With consumers and stakeholders increasingly wanting to know what is in their food, where it comes from and how it is made, responsible sourcing is an essential part of ensuring the integrity and sustainability of our business.

Within our responsible sourcing activities, Farmer Connect is our unique sourcing programme which works directly with farmers. Farmer Connect helps ensure the supply of high-quality agricultural raw materials, and provides physical traceability back to farm level. Through this programme, we engage with farmers directly to develop supply chains that meet our social, environmental and ethical requirements. Farmer Connect goes beyond responsible sourcing compliance and places an emphasis on outcomes such as increasing crop yields in a sustainable way through its SAIN programme (Sustainable Agriculture Initiative at Nestlé). Our Farmer Connect project includes the long-standing fresh chilli project in Kelantan and the rice farming scheme in Kedah.

Sustainable Agricultural Initiative (SAIN)

SAIN is a toolkit we use to promote good agricultural practices, improve standards and provide farmers with technical assistance and support, adapted to local contexts. Training activities help farmers improve their yields, which means that they can sell more produce to increase their income. This helps them to support their families and grow their businesses, while also meeting our sourcing standards. We also help farmers to develop alternative income streams, further boosting their income.

SAIN further drives innovation projects. Some may start small and success is proven in pilot projects. Other projects build on successful pilot tests and document the scale-up of practices in our sourcing origins. These projects further help to improve sustainable agricultural practices and directly contribute to meeting the targets of the SDGs.

FOR OUR COMMUNITIES

NESTLÉ CHILLI CLUB

Established in 1995, the NESTLÉ CHILLI CLUB (NCC) contract farming scheme began as a collaboration between Nestlé Agricultural Services Department and Pertubuhan Peladang Kawasan Bukit Awang (PPKBA) and the local farmers' association in Kelantan. In 2018, participation in NCC was expanded to farmers in Cameron Highlands, Pahang and Kuala Langat, Selangor. The local farmers under the NCC provide a supply of fresh chillies for our MAGGI Chilli Sauce.



Through the NCC, we actively engage with local farmers to improve yields and quality of crops in line with global standards. This includes agricultural training on improving productivity and yield, reducing farm costs, minimising environmental impact and improving work safety. The farmers are also provided with technological support and technical know-how by the Nestlé Agricultural Services Department to enable them to maximise their yields without compromising quality.

In 2017, we initiated the use of live mulch, an environmentally-friendly alternative to plastic mulch. Farmers can also treat live mulch as a secondary crop which can be harvested prior to the chillies' first harvest. This provides them with an additional source of income. Some of the live mulch include groundnuts and bambara nuts that can be sold profitably at local markets. As an added benefit, live mulch such as nut plants are nitrogen-fixing plants which are beneficial to the environment. Their roots absorb nitrogen from the air, providing nutrition to the plant and soil. Furthermore, to rejuvenate the soil after each chilli planting season, farmers are encouraged to practise intercropping, which is similar to crop rotation.

The NCC is aligned with Nestlé's Agricultural Policy which supports the use of locally sourced raw materials.

Our progress:

Under the NCC scheme, up to 80% of chillies produced in Kelantan are purchased by Nestlé. This meets approximately 50% of the Company's need for fresh chilli used in the production of MAGGI Chilli Sauce. The expansion of the project beyond Kelantan has enabled Nestlé to fully meet its requirements for high quality chillies from the NCC.

Description	2016	2017	2018
Number of farmers	112	79	81
Average yield (MT/ha)	506	200	400
Total number of hectares	32	32	62

NESTLÉ PADDY CLUB

Nestlé Malaysia is the regional manufacturer of infant cereals, in which rice is a key ingredient. As part of our commitment to provide consumers with quality products, we ensure that high-quality rice is used in our infant cereals.

To this end, the NESTLÉ PADDY CLUB (NPC) contract farming scheme was established in 2012 to provide rice farmers in Kedah with new and sustainable income opportunities. Farmers are educated on Good Agricultural Practices and equipped with an innovative method called SARI (Semi-Aerobic Rice Intensification) to improve their rice farming practices.

A more sustainable paddy-farming approach, SARI is better for the environment as it uses water more efficiently than traditional farming techniques. In addition, it can reduce the amount of greenhouse gases emitted from paddy farming. Nestlé also provides an environmentally-friendly microbial supplements to the farmers. These organic microbes also result in increased yields, further supporting the farmers' livelihoods.

As a result of Good Agricultural Practices and transfer of technology, farmers are able to improve yields and crop quality to meet global standards. Ultimately, by ensuring a reliable supply of quality agricultural raw materials, the Company is able to reduce dependence on imports, while improving livelihoods for NPC farmers.

SARI (Semi-Aerobic Rice Intensification)

SARI can be applied in lowland paddy fields to reduce water usage and methane emissions in irrigated fields. Conventional rice farming requires paddy plants to be immersed in water for the whole cycle of planting. However, the SARI method encourages farmers to drain out water from the paddy field on day 50 and keep the soil moist without being inundated until harvesting, thus reduces the need for irrigation water substantially by 30% to 40%. It also reduces methane emissions released from decaying organic materials submerged in water.

Our progress:

Description	2016	2017	2018
Number of farmers who participated in NPC			
i. Jan - Feb	299	285	270
ii. Aug - Sept	290	272	263
Average yield (MT/ha)			
i. Jan - Feb	6.10	5.27	5.43
ii. Aug - Sept	6.44	5.71	5.58
Total number of hectares			
i. Jan - Feb	798	762	739
ii. Aug - Sept	762	732	723

FOR OUR COMMUNITIES

RESPONSIBLE SOURCING

Our commitment

Implement responsible sourcing in our supply chain

To build supply chain resilience, we further reinforce our responsible sourcing practices with the introduction of the new Responsible Sourcing Standard (RSS) in 2018. The RSS supersedes the Nestlé Supplier Code, the Nestlé Responsible Sourcing Guideline and the Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin.

The RSS describes the requirements and ways of working that we apply together with our upstream supply chain third parties to ensure sustainable long-term supply and to achieve our purpose, to continually reduce our impact on the planet's resources. The RSS sets out ways of working with regards to sourcing and production for our supply chain tiers, from Nestlé to suppliers, through intermediaries and all the way back to the origins of the goods and services we buy.

Reflecting our Company's purpose, this latest Standard underscores our commitment to the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the Core Conventions of the International Labour Organization (ILO), and the UN SDGs. Exceeding industry benchmarks, the Standard will facilitate a dynamic transformation of our sourcing and related production activities along the supply chain.

In line with this, our suppliers are screened via the Suppliers Ethical Data Exchange platform (SEDEX), where they are assessed based on their social and environmental performance. In 2018, a total of 107 high priority vendors in Malaysia, comprising our top suppliers and logistics, administration and HR services, were audited by third-party auditors and were subsequently issued a certified letter of conformance, valid for three years.



Description	2016	2017	2018
Number of suppliers screened based on Nestlé Responsible Sourcing Guideline which includes environmental criteria	118	147	107*

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 134 & 135.

COMMITMENT TO CONTINUE ENGAGING OUR SUPPLIERS

Our supply chain plays a significant role in the Company's sustainable business model. Responsible sourcing starts with knowing where our ingredients come from and how they are made. Therefore, suppliers are one of our most important partners in ensuring transparency within our supply chain, from source right to finished products.

Responsible Sourcing Awareness Forum

In 2018, we organised the Responsible Sourcing Awareness Forum to raise awareness amongst our suppliers on the importance of embracing ethical sourcing practices. During this event, suppliers were informed that assessment of their ethical practices is required and should be improved where necessary. We also provided guidance to help our suppliers to improve their operations. A total of 50 representatives from 31 services, both direct and indirect suppliers, attended the Responsible Sourcing Awareness Forum.

Indicators of Forced and Bonded Labour Workshop

To create awareness amongst Malaysian employers on forced labour and human trafficking, Nestlé Malaysia joined hands with The Forest Trust (TFT) to organise a capacity-building workshop for our third-party suppliers from the pulp and paper sector. Participants were able to learn more about the latest international market requirements and regulatory framework in addressing forced and bonded labour. The workshop covered key industry concerns such as passport retention, deception in recruitment, freedom of movement and recruitment fees that can lead to debt bondage. Participants also gained an understanding of the importance of conducting due diligence on labour recruiters and contractors. It is our hope that this workshop helped to prevent our suppliers from being associated with any risk of forced and bonded labour, thus strengthening their business operations.

Responsible Supply Chain Workshop

As part of Nestlé's drive to deliver high-quality products and services to our consumers, we organised a workshop for our raw and packaging suppliers focusing on quality management, food safety and environmental requirements of Nestlé and for the industry. At this workshop, we shared Nestlé's commitment to consumer needs, packaging sustainability, as well as quality performance measures and methodology. The participants were also encouraged to embrace a proactive approach for continuous supply. A total of 58 participants from 27 raw and packaging suppliers from China, India, Thailand, Singapore and Malaysia attended the workshop.



FOR OUR COMMUNITIES

RESPONSIBLE COCOA AND COFFEE SOURCING

We strive to ensure that key commodities for Nestlé such as coffee and cocoa are cultivated with more sustainable methods - socially and environmentally. We have put in place various initiatives to this goal, such as the NESCAFÉ Plan, the NESTLÉ COCOA PLAN and the NESPRESSO AAA Sustainable Quality Programme.

THE NESTLÉ COCOA PLAN

Our commitment

Roll out the NESTLÉ COCOA PLAN with cocoa farmers

Launched in 2009, the NESTLÉ COCOA PLAN was implemented to enhance the livelihoods of cocoa-growing communities in Cote d'Ivoire by addressing prevalent challenges such as low incomes for farmers, as well as preventing child labour and gender inequality. We provide resources for farmers within our cocoa supply chain to manage their farms in a sustainable manner. By incorporating best practices, the farmers are able to harvest top quality sustainable cocoa which is used in Nestlé confectionery products, including KIT KAT bars.

The NESTLÉ COCOA PLAN is built on three key pillars:

- **Better Farming** – improving productivity by adopting good agricultural practices is key in improving farmers' income.
- **Better Lives** – we mitigate issues on child labour, education, gender inequality as well as water sanitisation to help build a more sustainable future.
- **Better Cocoa** – from harvesting, fermenting, drying cocoa to turn into chocolate, we help improve every step to achieve sustainable certification.

Our progress:

Since February 2016, KIT KAT in Malaysia has only used sustainable cocoa to produce the KIT KAT product range at our factory in Chembong, Negeri Sembilan.

We also export our locally produced KIT KAT to Singapore, Indonesia, Philipines, India, Thailand, Vietnam and Myanmar.



THE NESPRESSO AAA SUSTAINABLE QUALITY PROGRAMME

Our commitment

Continuously improve our green coffee supply chain

In 2003, we launched the NESPRESSO AAA Sustainable Quality Programme in collaboration with the Rainforest Alliance. Designed and implemented specifically for NESPRESSO, the programme aims to establish long-term and direct relationships with coffee farmers from coffee growing regions around the world, with an aim to improve productivity, sustainability as well as coffee quality. The NESPRESSO AAA Sustainable Quality Programme is based on 296 sustainability criteria defined by the Rainforest Alliance and the Sustainable Agriculture Network. Today, this initiative works with over 70,000 coffee farmers in 12 countries to develop sustainable coffee-farming practices.

Our progress:

NESPRESSO coffee in Malaysia has been fully sourced from the NESPRESSO AAA Sustainable Quality Programme since the business was introduced in 2016.



FOR OUR COMMUNITIES

OUR COMMITMENT ON SUSTAINABLE PALM OIL



We have an ambition globally to achieve 100% responsibly sourced palm oil with Zero Net Deforestation by 2020. We believe that certified sustainable palm oil is a tool towards achieving this ambition and we have committed to achieve 100% RSPO-certified sustainable palm oil by 2023.

Commitment to No Deforestation with Starling

In 2018, we announced our accelerated plan to achieve Nestlé's 2020 no deforestation commitment by becoming the first global food Company to implement Starling, a satellite-based service to monitor deforestation. Developed by Airbus and The Forest Trust (TFT), Starling is a global system to verify that no deforestation is taking place throughout the supply chain. It uses cutting-edge technology combining high-resolution radar and optical satellite imagery to provide unbiased year-round monitoring of land cover changes and forest cover disturbances.

In Malaysia, we worked with TFT to draft a deforestation profile report for Johor to identify vulnerable forest areas and outline stakeholder mapping to prioritise sites for intervention. These pilot projects tested the application of Starling for data and analytics, allowing us to manage risks and conduct field intervention strategies to drive change.

Capacity-Building through UpLeaf

We assist oil-palm smallholders to achieve RSPO certification through our UpLeaf initiative in Sabah, Malaysia. Apart from imparting best practices for sustainable palm oil, the certification process also helps smallholders improve their yields and the quality of their production.

In 2018, we engaged with 30 farmers to earn RSPO certification, resulting in a total coverage of 280 smallholders and outgrowers, producing 15,000 metric tonne of crude palm oil across 5,000 hectares of Sandakan and Tawau oil palm plantings.

Inclusion of Smallholders through Rurality Initiative

Smallholders are an important part of the palm oil supply chain, producing around 40% of the world's palm oil. To ensure their inclusion, Nestlé is supporting nine palm oil smallholder projects globally. These projects aim to enable sustainable livelihoods for farmers while producing responsible palm oil for Nestlé. Seven of these projects are through TFT Rurality initiative. The initiative not only supports them in producing responsibly sourced palm oil, but also helps the farmers achieve more sustainable livelihoods through financial management training.

One of the issues that TFT Rurality focuses on is the human-elephant conflict in Sabah. An endangered species in Sabah, the elephants are facing the threat of habitat loss, which subsequently draws them out into agricultural areas in search for food. This poses a danger to both the elephants and farmers. To overcome this issue, we collaborated with TFT Rurality to develop elephant tracking technology. In 2018, three village groups were recognised by the Wildlife Department in Sabah for monitoring elephants using this technology.

Launch of a Worker Helpline

As part of our commitment to safeguard human rights, we partnered with one of our suppliers, Sime Darby Plantation, to establish a helpline for workers in oil palm plantations in Malaysia in 2018. This provides a two-way channel to safely report human and labour rights abuses via SMS, Facebook Messenger, or a toll-free phone number. In line with our Corporate Business Principles and Responsible Sourcing Standard, issues reported are handled with clear protocols and are consistently followed up on. Moving forward, we aim to encourage others in the industry to adopt this platform and extend it to more workers across Malaysia.

OUR PEOPLE

At the heart of our business are our people. Our Nestlé family is our most valuable asset and a crucial aspect of our continued success. With 5,267 employees, we are well aware that each and every employee plays an important role in our Company's growth.

We strive to nurture a harmonious work environment that provides equal opportunities for all, ensuring that our people are treated with dignity and respect. In addition, we continuously endeavor to provide opportunities for our people to grow and contribute to our Company's development. Leadership opportunities are provided and we encourage all to take personal responsibility for the benefit of our family.

We take great pride in our employees embracing our corporate values of Trust, Respect, Involvement, Pride and Commitment. In line with our purpose to enhance quality of life and contribute to a healthier future, we are guided by these values which are rooted in Respect.

Values rooted in Respect
<p>RESPECT FOR OURSELVES</p> <p>Respect starts with each of us, with self-respect and being true to ourselves, then acting with integrity, fairness and authenticity.</p>
<p>RESPECT FOR OTHERS</p> <p>Respect for people around us and all those we interact with creates a climate of mutual trust. This is about taking pride in living up to what we promise. For us, it is about quality in our products, our brands and in everything we do.</p>
<p>RESPECT FOR DIVERSITY</p> <p>Respect for other ways of thinking, other cultures, and all facets of society requires openness and inclusiveness in all our interactions, both inside and outside the Company.</p>
<p>RESPECT FOR THE FUTURE</p> <p>Respect for the world's future and generations who follow us compels us to act with responsibility and courage, even at difficult times.</p>

Recognising our responsibility in providing employment and upskilling our employees, we ensure that our workforce has access to relevant training and development programmes. These opportunities enable them to thrive at the workplace, maximise their potential and build successful careers. As always, we prioritise the employment of local talent in the communities where we operate. As such, we employ 100% local workforce in all our manufacturing sites in Malaysia.

We work hard to create a culture in which safety and health are leading principles, and our aim is to achieve zero work-related injuries and illnesses. Guided by our purpose, we encourage and provide our employees with the necessary platforms and opportunities to choose to live and work in a safe and healthy way.

Our key commitments	
1	Enhance gender balance in our workforce and empower women across the entire value chain
2	Advocate for healthy workplaces and healthier employees
3	Provide training on Corporate Business Principles, nutrition and environmental sustainability
4	Roll out our Nestlé needs YOUth initiative across all our operations
5	Assess and address human rights impacts across our business activities
6	Enhance a culture of integrity across the organisation
7	Provide effective grievance mechanisms to employees

FOR OUR COMMUNITIES

Our Workforce – Full Time Equivalent Employees

Description	2016	2017	2018
a. Total number of employees	5,505	5,338	5,267
b. Total number of employees - Nestlé Products Sdn. Bhd.	1,571	1,543	1,512
c. Total number of employees - Nestlé Manufacturing (Malaysia) Sdn. Bhd. (NMM)	3,934	3,795	3,755
i. NMM Shah Alam	873	849	774
ii. NMM Petaling Jaya	564	511	494
iii. NMM Batu Tiga	854	880	833
iv. NMM Kuching	224	174	164
v. NMM Chembong & Chembong Ice Cream	967	917	883
vi. NMM Sri Muda	168	187	182
vii. NMM Head Office	70	65	53
viii. NMM Nestlé Distribution Centre	214	209	233
d. Employee breakdown (%)			
i. Permanent	99	99	98
ii. Contract	1	1	2
e. Number of new employees by gender;			
i. Male	220	316	224
ii. Female	183	223	216
f. Number of employees leaving employment by gender;			
i. Male	243	222	256
ii. Percentage – Male	5.40	4.2	4.86
iii. Female	167	162	281
iv. Percentage – Female	3.90	3.0	5.33
g. Number of employees leaving employment by location;			
i. Nestlé Products Sdn. Bhd.	202	178	262
ii. Percentage – Nestlé Products Sdn. Bhd.	3.67	3.33	4.97
iii. Nestlé Manufacturing (Malaysia) Sdn. Bhd.	208	206	275
iv. Percentage – Nestlé Manufacturing (Malaysia) Sdn. Bhd.	3.78	3.86	5.22

DIVERSITY AND GENDER BALANCE

Our commitment

Enhance gender balance in our workforce and empower women across the entire value chain

Our inclusive and diverse policies are the driving forces for the sustainability and long-term success of our business. We strongly believe that a multicultural workforce provides broader exposure for our employees and encourages our people to embrace different perspectives. As always, we ensure that our people are treated with dignity and respect. We strive to instil a workplace culture that fosters mutual respect among employees and ensures equal opportunities for all.

With women facing ongoing challenges in today's workplace, we recognise that prioritising gender equality and women's rights are crucial. We aim to cultivate a harmonious work environment that encourages natural gender-balance and diversity across the Group.

Description	2016	2017	2018
a. Gender profile (%) – Male	65	66	66
b. Gender profile (%) – Female	35	34	34
c. Leadership positions held by women (%)	37	48	51*
d. Female/Male salary ratio by employee category;			
i. Top Management	36:65	26:74	18:82
ii. Senior Management	28:72	37:63	40:60
iii. Middle Management 1	44:56	43:57	47:53
iv. Middle Management 2	51:49	63:47	54:46
v. Executives	53:47	50:50	51:49
vi. Confidential Administrator Support	82:18	84:16	85:15
vii. Non-management (unionised)	28:72	25:75	24:76

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 134 & 135.



“ We want to help new parents pursue their careers whilst also being able to spend more quality time with their families. ”

Shahzad Umar
Executive Director,
Human Resources

FOR OUR COMMUNITIES

PARENTAL SUPPORT INITIATIVES

We recognise that families are a crucial support system for our people, and are committed to doing our part to help them improve the nutrition, health and wellness of their families. Nestlé’s Global Maternity Protection Policy was established in 2015, and it is based on the International Labour Organization (ILO) Maternity Protection Convention. Taking it a step forward, we introduced several enhancements to the policy in 2018.

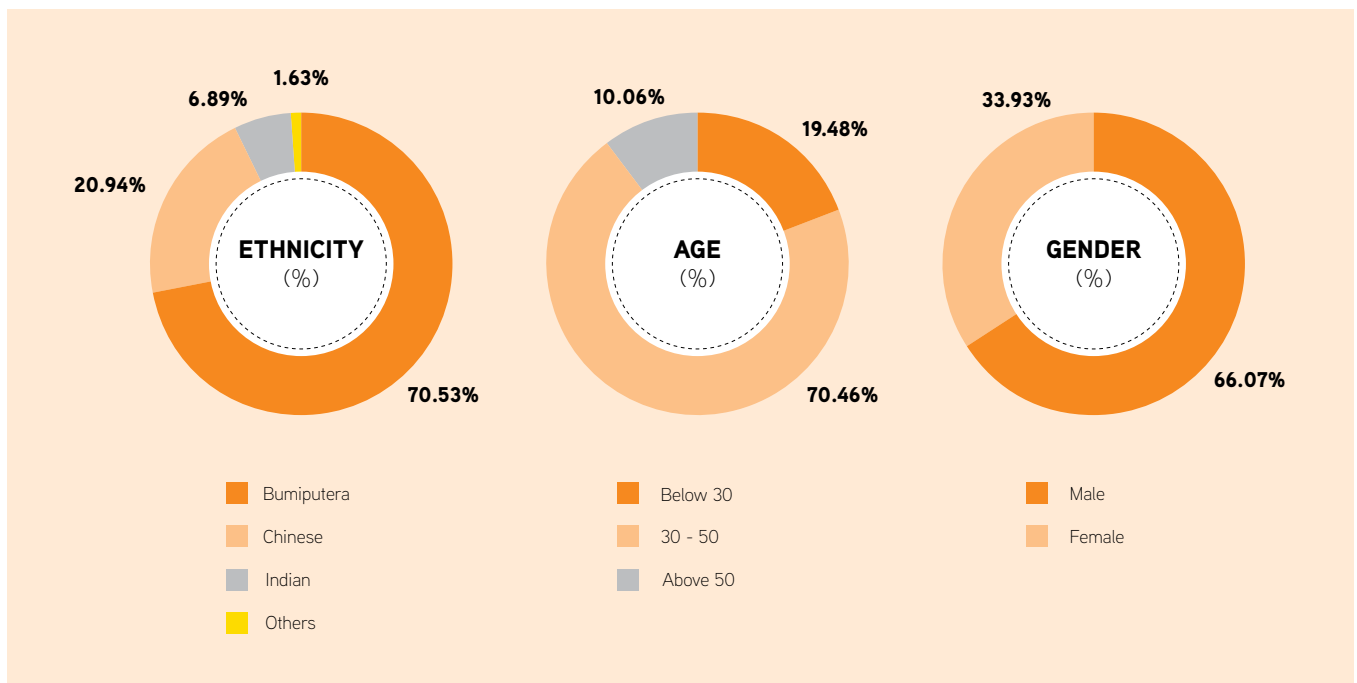
Effective 2019 onwards, the enhanced Global Maternity Protection Policy now extends to all employees who are the primary caregivers of their newborns irrespective of gender, including adoptive parents, and the paid maternity leave is now increased from 90 to 98 calendar days. This is on top of having readily established breastfeeding rooms in the head office and all Nestlé locations with more than 50 female employees.

Apart from offering health protection at the workplace for pregnant or nursing women, we also extended the number of days for paid paternity leave to seven calendar days from three working days. Our employees are also entitled to benefits such as security of employment after returning from maternity leave, flexible working hours and mentoring.

UNCONSCIOUS BIAS TRAINING

In 2018, six Unconscious Bias Training sessions were conducted with 66 employees. Designed to raise awareness amongst our people on the impact of their unconscious biases, the key objective of these training sessions is to nurture an environment of diversity and inclusion at the workplace. Our employees learn to recognise their blind spots and ways to eliminate their biases, subsequently enabling them to make fair and objective decisions at work, especially in terms of people management, succession management and providing equal opportunities.

EMPLOYEE BREAKDOWN BY ETHNIC COMPOSITION, AGE GROUP AND GENDER



SAFETY, HEALTH AND WELLBEING

Our commitment

Advocate for healthy workplaces and healthier employees

We work hard to create a culture in which safety and health are leading principles and our aim is to achieve zero work-related injuries and illnesses. We also want to help our employees make more informed decisions about their own health, take personal responsibility, and choose to live and work in a safe and healthy way. Our strategic priorities are set out in the Nestlé Framework for Employee Health, while our Safety and Health Roadmap 2016 – 2018 details our approach to addressing these issues.

SAFETY AND HEALTH ROADMAP

Safety is a fundamental part of our work culture. At all our sites, we implement the mandatory Nestlé Occupational Safety and Health Management System, based on OHSAS 18001:2007. We use third-party auditors to verify the implementation and certification of these systems. 100% of our employees are covered by our management systems.

Our Safety and Health Roadmap sets out our strategic vision for safety and health performance until 2018. It focuses on four strategic priorities:

- Our passion for nutrition, health and wellness;
- Key risks managed;
- Everyone engaged; and
- Management processes.

SAFETY AND HEALTH ROADMAP [2016 - 2018]

We make Nestlé safe

Strategic Priorities

Everyone engaged

Key risks managed

Our passion for Nutrition, Health and Wellness

Management processes

Three-year focus areas

Visible, felt leadership from our people managers

- Safety and health in field sales
- Safety and health in offices
- Value-based behaviours
- Communication and training

- Vehicles and driving
- Machinery safety
- Slips, trips and falls
- Process safety

- Ergonomics and musculo-skeletal diseases
- Healthy diets
- Stress and resilience
- Fatigue and working time

- Contractor management
- Management of high-hazard tasks
- Risk assessment
- Workplace design



Safety & Health
Environmental
Sustainability



CONTINUOUS
EXCELLENCE



GLOBE
ONE STEP AHEAD

FOR OUR COMMUNITIES

Safety, Health and Environment (SHE) Committees in every region meet at least once in three months and serve as a platform for employees to provide feedback on any related issues. All of our employees are represented by respective members of the SHE Committees.

All first-aid cases and injuries, illnesses and environmental incidents must be immediately logged into our health and safety database, SHE-PM (Safety, Health and Environment Performance Monitoring). Incidents during the hours of work must be recorded whether or not they happened at a Nestlé site.

The scope depends on the location of the incident, as specified below:

LOCATION OF INCIDENT	AFFECTED PERSONS IN SCOPE
At Nestlé sites	All individuals, i.e. all employees (regular & temporary), contractors and members of the public.
Outside Nestlé sites	All employees (regular & temporary).

Machinery safety

We have improved our comprehensive and systematic approach to machinery safety, including machine guarding and safe methods of intervention. We develop competency training related to safe handling of machines and equipments.

Slips, trips and falls

These are the most common causes of recordable injury in Nestlé, and in 2018, 40% of slips, trips and falls occurred within our manufacturing sites. By using the Slips, Trips and Falls guideline and toolkit, we aim to ensure the management of this risk is integrated into other safety and health programmes.

Vehicles and driving

We aim to reduce the number of vehicle-related injuries by implementing safe driving standards across our markets, including the standard for management of third-party logistics service providers. In 2018, we organised several initiatives to create awareness in this area such as Defensive Riding courses and a Road Safety Day campaign.

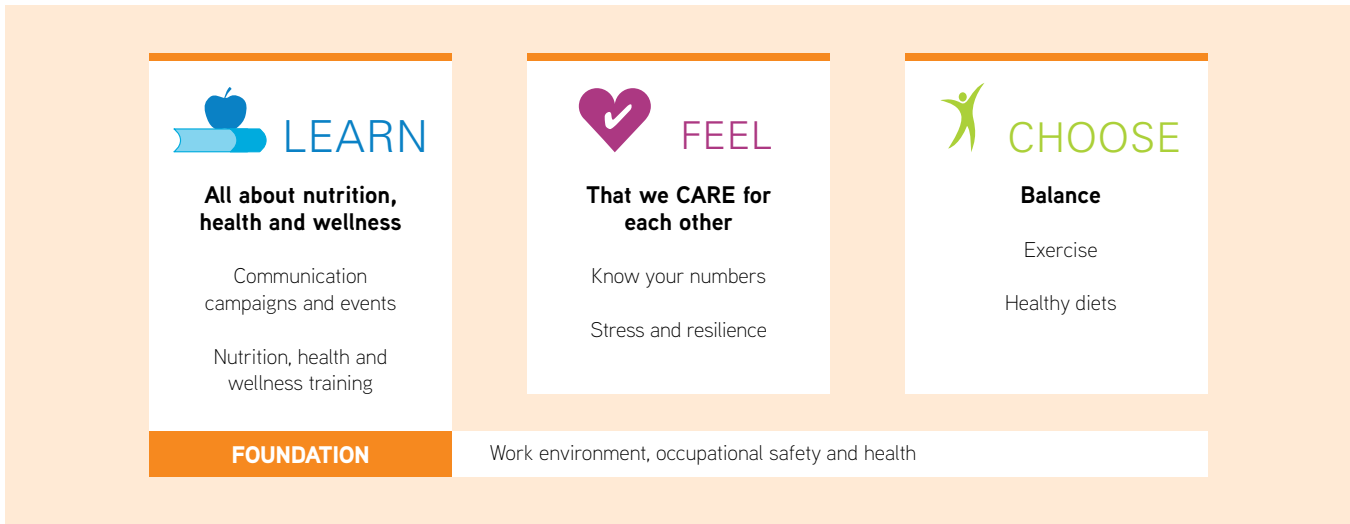
Our progress:

Description	2016	2017	2018
a. Lost Time Injury Frequency Rate	2.0	1.6	1.4
b. Injury rate (IR):			
i. Nestlé Head Office	0.5	1.1	0.0
ii. NMM Shah Alam	1.8	1.1	0.0
iii. NMM Petaling Jaya	2.2	2.8	2.5
iv. NMM Batu Tiga	3.3	2.5	3.3
v. NMM Kuching	1.8	6.1	0.0
vi. NMM Chembong	0.4	1.5	2.6
vii. NMM Chembong Ice Cream	5.6	0.0	2.8
viii. Nestlé NDC	0.0	0.6	0.6
ix. Sales & Marketing	2.7	0.6	0.7
c. Lost day rate (LDR):			
i. Nestlé Head Office	3.1	1.7	0
ii. NMM Shah Alam	5.0	4.7	0
iii. NMM Petaling Jaya	21.0	82.3	59.5
iv. NMM Batu Tiga	44.7	94.8	22
v. NMM Kuching	1.9	13.3	0
vi. NMM Chembong	1.3	8.8	46.9
vii. NMM Chembong Ice Cream	137.8	0.0	0
viii. Nestlé NDC	0.0	0.0	0
ix. Sales & Marketing	25.6	20.9	4.6
d. Absolute number of fatalities:			
i. Nestlé Head Office	0	0	0
ii. NMM Shah Alam	0	0	0
iii. NMM Petaling Jaya	0	0	0
iv. NMM Batu Tiga	0	0	0
v. NMM Kuching	0	0	0
vi. NMM Chembong	0	0	0
vii. NMM Chembong Ice Cream	0	0	0
viii. Nestlé NDC	0	0	0
ix. Sales & Marketing	0	0	0

FOR OUR COMMUNITIES

NESTLÉ FRAMEWORK FOR EMPLOYEE HEALTH

The Nestlé Framework for Employee Health was introduced to help structure and focus efforts, promote proven practices and guide future developments to support the health of our employees.



Know Your Numbers Programme

Our Know Your Numbers Programme (KYNP) is an annual health screening providing employees with a better understanding of their health as well as identifying potential health risks. As part of this programme, our people are able to benefit from professional health guides such as nutritionists and dietitians, and are given access to health risk assessment tools.

Through KYNP, we encourage our people to take a proactive role in managing their health and to take early preventive measures. It also gives us a clearer understanding of the health risks of our employees and their overall health profile. The information gathered on our employees' health profiles enables us to develop effective employee health strategies as well as appropriate future plans.

In 2018, a total of 3,185 employees from Nestlé Malaysia and Singapore participated in this programme, more than double the participation in the previous year.



Healthy Diet Programme

In partnership with the Ministry of Health Malaysia, the Healthy Diet Programme trains our Nestlé canteen operators and caterers on healthy food preparation for our employees. Training is provided by nutritionists from the Ministry of Health.

Our canteen operators and caterers are encouraged to ensure that food served during Nestlé internal trainings and canteens is less oily, less sweet and well-balanced. During the session, the importance of following the Ministry of Health's 'Suku-Suku Separuh' (Quarter-Quarter Half) campaign is emphasised.

Weight Wellness Challenge 2018

In line with our commitment to encourage healthier and more active lifestyles amongst our people, we once again organised the Weight Wellness Challenge in 2018. This popular 100-day challenge features three rounds of body measurements, and winners are selected based on body weight loss or body fat percentage improvement.

We introduced the Team Challenge category in 2018, where 72 teams involving 360 employees participated in a bid to lose the most weight and body fat together as a team. This encouraged people to motivate each other as a team, making the journey towards leading a fitter, healthier life more interactive and fun. Total weight loss recorded was 338kg and 221% body fat loss.

Recognition

As a result of our Company's health and wellness initiatives, we have received a number of awards recognising our efforts and achievements. One of them is the Malaysia's Healthiest Workplace for the Large Organisation category by AIA Vitality's Malaysia's Healthiest Workplace 2018.

Nestlé Malaysia and Singapore also won Silver in the Health by Choice category at the Nestlé Global Safety & Health Awards 2018. This accolade was awarded in recognition of our Company's successful Weight Wellness Challenge initiative.

FOR OUR COMMUNITIES

TRAINING AND DEVELOPMENT

Our people play a crucial role in driving sustainable growth, especially in today's fast-paced work environment. In line with this, it is vital to provide our talent pool with opportunities for personal and professional development to build up an effective talent pipeline.

Nestlé has a wide variety of training programmes to upskill our employees and ensure they are well-equipped to perform their respective roles, which in turn helps the Company to achieve its business goals. We also offer a range of e-courses which are constantly revised and enhanced according to evolving business needs, in tandem with today's digital world. In 2018, we invested more than RM3.4 million into training and development of our employees.

TRAINING AND LEARNING

We offer many types of training programmes to strengthen the capabilities of our employees. Aimed at driving overall performance and expanding knowledge base, these programmes provide a greater understanding of responsibilities as well as build the confidence of our people. These training sessions and programmes are delivered by internal and external providers. A summary of our training courses for 2018 is presented in the table below.

Description	2016	2017	2018
a. Average training hours by			
i. Male	14.7	13.14	11.83
ii. Female	18.2	16.27	14.15
iii. Management	27.41	22.63	20.82
iv. Non-management	11.31	11.08	10.19
b. Total spent on Training and Development annually (RM)	11,094,860	4,913,337	3,401,378
c. Attendance breakdown:			
i. Local training	11,431	10,465	8,372
ii. Overseas training	127	100	80
d. Number of employees receiving nutrition training	4,598	4,680	4,814

Corporate Onboarding	A comprehensive orientation programme designed for all new hires which aims to: <ul style="list-style-type: none"> • Introduce Nestlé as an employer of choice. • Integrate new hires into the Nestlé family and culture. • Provide all the essentials to help new hires get started at the workplace.
Mentoring Programme	Our mentoring programme aims to provide a support system for our employees with the goal of building a sustainable talent pipeline for our future business needs. Relationships are nurtured between our senior leaders and young talents, who are provided with valuable guidance and insights about working at Nestlé. In 2018, we had 55 mentees and 41 mentors across the Company.
Nestlé's Everyday Coaching	Through this programme, our employees learn the fundamental skills of coaching and how to apply successful coaching strategies. In 2018, we trained 107 employees in six sessions.
Nutrition Quotient Training	Conducted via classroom training, NQ training is a nutrition module for management and non-management new hires. In 2018, we trained a total of 134 employees, inclusive of new hires from the Nestlé Head Office and factories.

FOR OUR COMMUNITIES

E-Learning on iLearn	<p>We promote a culture of independent learning and taking ownership of personal development through online learning. Training programmes that are available on iLearn include:</p> <ul style="list-style-type: none"> • Nutritional Quotient • Nestlé Leadership Framework • Nestlé Corporate Business Principles • Nestlé Code of Business Conduct • People Development & Performance • Aset Green (Higher Risk) – This training was developed to ensure that Nestlé Nutrition employees act in accordance with our vision and mission, understand the basic WHO Code and Nestlé Policy and Instructions as well as the importance of breastfeeding. • MySecurity Super-Hero • Anti-Corruption
Line Manager's Suite	<p>As a response to the results of the Nestlé & I Survey in 2016, this programme has been designed with the purpose of improving our Line Managers' capabilities in driving performance and managing talent. It also places a strong focus on effective ways to have career conversations and encouraging appropriate behaviour through rewards and recognition. The Suite features two components: a two-day People Management Workshop and a repository of online videos and learning modules on people management skills. In 2018, a total of 247 Line Managers were trained over 13 sessions.</p>
New Corporate in-House (CiH) Programmes	<p>In total, 693 employees attended CiH training. We introduced new programmes to support the development of our employees. In 2018, 32 employees and 59 employees participated in the Assertiveness Skills and Interpersonal & Networking Skills workshops respectively.</p>

PEOPLE DEVELOPMENT & PERFORMANCE

As we strive to ensure the sustainable growth of our Company, we are fully committed to nurturing and developing our talent. With this in mind, we promote lifelong learning and provide various avenues to ensure our employees are able to maximise their potential.

To enhance performance and development, we strongly encourage open and honest conversations through regular discussions amongst our people. We also provide a support system in terms of coaching, feedback and recognition. Recognition includes financial benefits and career growth opportunities, in line with our people's ambitions and the requirements of the Company.

It is imperative that we explore different approaches to help our employees reach their potential. We believe that it is important for our employees to embrace continuous learning and upskilling in order to continue delivering value to the business. We ensure learning goes hand in hand with career development and use a 70–20–10 approach. This means 70% of development is on the job, 20% via feedback and 10% through courses and reading.

People Development & Performance Review:

Description	2016	2017	2018
Percentage of employees receiving performance review and career development review (%)	100	100	100

PROMOTING YOUTH EMPLOYMENT AND EMPLOYABILITY

Our commitment

Roll out our *Nestlé needs YOUth* initiative across all our operations.

Widespread youth unemployment is an increasingly worrying global issue that affects millions of young people across the world, putting many at risk for poverty. In light of this, we recognise our ability as a large Company to alleviate this issue by providing employment opportunities and skills development.

Nestlé offers apprenticeships, training schemes and initiatives to empower young people with the necessary skills for the workplace. Our efforts to hire young people from local communities play a crucial role in tackling youth unemployment.

GLOBAL YOUTH INITIATIVE: *Nestlé needs YOUth*

We aim to make a positive difference for young people by providing employment opportunities and skills development. As part of our *Nestlé needs YOUth* initiative, we have various platforms in place that enable young talent to nurture their leadership capabilities as well as to grow their careers with us, broadening our talent pool.



NESCAFÉ Youth Entrepreneurship Programme

The NESCAFÉ Youth Entrepreneurship Programme (NYEP) promotes decent employment for young people and nurtures diversity at the workplace. This initiative empowers and grooms local university students via 'real world' business experience, giving them the opportunity to manage a fully-equipped NESCAFÉ Pop-Up Store.

In 2018, the programme was enhanced with the introduction of the inaugural NYEP Awards 2018. The event recognised the entrepreneurial efforts of youth participants while also celebrating the achievements of their respective campuses. Since 2016, NYEP has engaged close to 5,000 youth entrepreneurs. Reflecting NYEP's vision to develop and nurture youth, this programme has grown from 6 campuses in 2017 to 10 campuses in 2018.



My Own Business (MYOWBU)

My Own Business (MYOWBU) is a business model developed by NESTLÉ PROFESSIONAL. The MYOWBU programme is aimed at inspiring entrepreneurship amongst youths and teaching them to set up and run their own MILO kiosks in the out of home sector. Apart from empowering youths to generate their own income and unlock their entrepreneurship potential, MYOWBU is an excellent opportunity to drive sales in a new channel, increasing brand impressions and engagements.

As part of the MYOWBU programme, existing MILO street vendors are recruited and supported in key areas such as branding, training on operating a MILO kiosk, as well as quality control. Every year, vendors are retrained on standard operating procedures and the importance of clear and consistent branding as well as offered promotional support to excite and engage consumers. In 2018, MYOWBU successfully reached out to over 200 MILO kiosk vendors in West Malaysia.



FOR OUR COMMUNITIES

EMPLOYEE ENGAGEMENT

Employee engagement is an essential aspect for all organisations. With over 5,200 employees in Malaysia, our people drive performance and form the bedrock of our Company. We deeply value their feedback and opinions and go to great lengths to demonstrate that their contributions are key to the growth of the Group.

NESTLÉ RECOGNITION PROGRAMME

We show appreciation and acknowledge the efforts and achievements of our people in line with our aim of cultivating a conducive and engaging organisational culture. Throughout Nestlé, we encourage a culture of recognition, rewarding our employees for achieving performance goals or demonstrating the right set of principles, behaviours and actions in line with our values. Our recognition programme rewards individuals for their excellent contribution and exemplary performance. In 2018, RM448,680 was spent on recognition awards.



NESTLÉ SPORTS TOURNAMENTS

We believe that it is important for our commitment towards enabling healthier and happier lives to be reflected within our organisation. We hold intra-Nestlé sports tournaments, where employees from the various offices and factories in Malaysia can take part in different sports competitions throughout the year. In 2018, Nestlé teams took part in over eight sporting tournaments including sepak takraw, football, netball, hockey and bowling. The tournaments saw participation from over 1,000 employees and also received support from the Nestlé Leadership Team members. Apart from encouraging healthier and active lifestyles, these tournaments also promote camaraderie and teamwork amongst employees.

EMPLOYEE VOLUNTEER PROGRAMME

At Nestlé Malaysia, we encourage our employees to do their part in positively impacting local communities by allocating 16 working hours annually to do volunteer work. Our Nestlé ROCKS (Reaching Out to Community and Kids) employee volunteer programme is an avenue for our employees to give back to society. Under ROCKS, we organise a host of activities, including programmes with underprivileged children, the disabled community, the Orang Asli community as well as environmental initiatives.

Among the key ROCKS Programmes in 2018 were:

ROCKS Beach Clean-Up

In conjunction with World Environment Day, Nestlé volunteers joined hands with the Malaysian Nature Society to clean up Bagan Lalang Beach, Selangor as well as plant mangrove seeds. The volunteers successfully collected close to 300kg of garbage during the beach clean-up and planted 354 mangrove seeds.

ROCKS Raya Celebration with Malaysian Foundation for the Blind

Nestlé Malaysia collaborated with the Malaysian Foundation for the Blind (MFB) to treat over 100 members of the blind community and their families to a Hari Raya celebration. This event saw our employees spending time and getting to know members of the blind community and their families. During this event, Nestlé Malaysia donated braille children's books, 110 white canes, and a LCD projector for the blind, worth RM10,000 to MFB.

ROCKS Back-to-School Shopping Treat with the Projek Perumahan Rakyat (PPR) Community

To prepare children for the upcoming 2019 school year, Nestlé ROCKS volunteers helped 50 students from Projek Perumahan Rakyat Seri Pahang to fulfil their Back-To-School shopping wish list. The volunteers spent an enjoyable time with the students, buying them essential school items, including uniforms, school bags, and stationery.



Nourishing the Community

True to our purpose, we aspire to make a positive impact on the communities in which we operate, touching the lives of people around us. We believe that our children are our future. This is why we initiated a number of programmes throughout 2018, with a special focus on disadvantaged or disabled children.

One of our key programmes to support disabled children in 2018 was with the Malaysian Foundation for the Blind (MFB). We supported MFB through our ROCKS Employee Volunteer Programme and contributed RM45,000 worth of braille reading materials to the Foundation in support of blind literacy. Equivalent to 1,000 books, these materials will help 500 visually impaired and blind children.

We also extended a helping hand to children from *Projek Perumahan Rakyat* (PPR) as well as the Orang Asli communities. Additionally, we helped to make a difference in the lives of other vulnerable groups, such as single parents, the elderly and the homeless.

We extended a helping hand to Malaysians in dire need of support, by providing immediate food aid to flood victims, deploying our MAGGI, MILO, NESCAFÉ and Nestlé Breakfast Cereals sampling vans to flood relief centres.

FOR OUR COMMUNITIES

LABOUR RELATIONS

At Nestlé, we cultivate a culture founded on trust, mutual respect and open dialogue. In all interactions, our management and employees consistently strive to develop and maintain positive individual and collective relationships. We fully understand that good labour relations are vital to the long-term success of our Company. The Nestlé Employee Relations Policy provides a frame of reference for relationships with trade unions and employee representatives.

COLLECTIVE BARGAINING AND FREEDOM OF ASSOCIATION

The Company is fully supportive of collective bargaining and freedom of association to ensure the rights and responsibilities of all parties involved. Nestlé respects – at all times and in all places – the right of employees to meaningful and constructive dialogue over issues that relate to working conditions and the workplace environment. Our people and employee representatives are expected to make all necessary efforts to develop fair and constructive negotiations, overcome the difficulties they might encounter, reach sustainable agreements and implement them.

Approximately 70% of our employees are covered by collective bargaining agreements.

- In June 2016, we concluded the Collective Agreement 2016-2018 with the National Union of Commercial Workers (NUCW), with the official signing ceremony held on 15 August 2016.
- In March 2017, we concluded the Collective Agreement 2017-2019 with Food Industry Employees Union (FIEU), with the official signing ceremony held on 19 April 2017.

The schedule of salaries and wages of non-management employees are specified in the Collective Agreements with the respective unions, irrespective of gender.

According to the Collective Agreement between Nestlé Manufacturing (Malaysia) Sdn. Bhd. and Food Industry Employees Union, the wage ratio is 1:1.40 (ranging from RM1,000 [for Category 1] to RM1,400 [for Category D and 11]).

According to the Collective Agreement between Nestlé Products Sdn. Bhd. and the National Union of Commercial Workers, the wage ratio is 1:1.60 (ranging from RM1,000 to RM1,600).

Description	2016	2017	2018
Percentage of employees covered by collective bargaining agreement (%)	72	70	70

Breakdown of employees covered by collective bargaining agreements:

- Total number of non-management employees – 3,734
- Total number of employees under the union – 3,716



COMPLIANCE

Our commitment

- **Enhance a culture of integrity across the organisation**
- **Provide effective grievance mechanisms to employees**

Compliance forms the foundation of how we do business, with our business practices and policies governed by integrity, honesty and respect for applicable laws and regulations. We are committed to a strong compliance culture across our business, as reflected in the Nestlé Corporate Business Principles. We will do what is necessary to ensure that our Company is managed in line with the principles, through both internal reporting and external audits.

ANTI-CORRUPTION

Bribery and corruption negatively impact both Company performance and external perceptions. Nestlé does not tolerate deception, bribery, breach of confidence or abuse of power of any kind. Nestlé has strict policies against any form of bribery or corruption. To strengthen this position, the Nestlé Malaysia Anti-Corruption, Gifts & Entertainment Guidelines were created in 2016 to provide a clear code of conduct for both employees and suppliers. We carried out extensive engagements, training and communication activities for employees, third-party suppliers and customers. In 2018, we launched a video to all employees with a strong message by the CEO against corruption, calling for all to “do the right thing” at all times.

Selected business units were analysed for risk related to corruption. In 2018, 17 out of 83 units were audited.

CONSUMER PRIVACY

In today’s digital world, data privacy is more important than ever. Communicating transparently about data privacy to our consumers and protecting personal data against cybercrime are of paramount importance for Nestlé. We treat the data of our consumers, employees and other stakeholders with utmost respect. We are committed to upholding our consumers’ right to privacy when they visit our websites and communicate electronically with us, and have relevant measures in place to safeguard any personal information retained. For further details on our Privacy Policy, please refer to our website.

ANTI-DISCRIMINATION

All our workplaces should be free from discrimination and harassment. Our Nestlé Corporate Business Principles (NCBP) and Code of Business Conduct state that employees must not be discriminated on the basis of origin, nationality, religion, race, gender, age or sexual orientation, or engage in any kind of verbal or physical harassment based on any of the above or any other reason. In 2018, there were no reported incidences of discrimination.

SECURITY PRACTICES

We ensure that our security personnel, including third-party security service providers, receive the necessary training on our policies. This comprises the Internal Security Policy, which outlines basic security guidelines and procedures focusing on human rights and labour practices.

REPORTING COMPLIANCE VIOLATIONS

We expect our employees to be vigilant for any illegal or non-compliant activity in their workplace, and our Code of Business Conduct requires them to report such incidents should they occur. Employees are strongly encouraged to speak up and raise any suspicions of wrongdoing, malpractice or impropriety in the management of our business by bringing up these issues with their line managers or through the internal whistleblowing procedures which were implemented in 2011. Our suppliers are also expected to respect and comply with our ethical standards and codes, and to report any instances of non-compliance through our whistleblowing procedures.

The internal whistleblowing procedures are an integral part of a comprehensive framework which outlines when, how and to whom a concern may be properly raised, distinguishes a concern from a personal grievance, and allows the whistleblower the opportunity to raise a concern outside his or her management line. Whistleblowers are assured that all reports will be thoroughly investigated and held in strict confidence by the Business Ethics and Fraud Committee. Anyone who discloses any information is protected from coercion, retaliation or reprisal in connection with his or her cooperation, which is also provided by the Whistleblower Protection Act 2010.

For this purpose, our whistleblowing mechanism, the Non-Compliance Hotline is open to any employee, supplier or third-party who wishes to report an incident of non-compliance in Nestlé Malaysia. The system is managed by an independent third-party to respect anonymity and protect whistleblowers. For more information about this, please refer to the Corporate Governance Statement under the Corporate Governance and Financial Report on pages 24 & 25.

For The Planet

Stewarding resources for future generations



“ The environmental impact of our operations cannot be overlooked. Sustainable management of resources is imperative for protecting the environment. As we strive to meet the needs of the growing global population, it is our responsibility to ensure that our products support our sustainability goals across the value chain and create a greener future generations.

”

Driven by the Company's purpose to enhance quality of life and contribute to a healthier future, we are steadfast in our actions to achieve our global 2030 ambitions and support the SDGs. By 2030, we strive to have zero environmental impact in all our operations worldwide.



Enabling clean water for *Orang Asli* families.

OUR WATER & ENVIRONMENTAL STRATEGY

Our goal is to be responsible stewards of natural resources. This means ensuring resources are available and managed sustainably. We are constantly working towards improving our water management (water efficiency and reuse), regulatory compliance, protecting natural capital and reducing the impact of our products by focusing on waste management and packaging.

We have set clear commitments and objectives to use sustainably managed and renewable resources, operate more efficiently, generate less waste for disposal, improve water management and help preserve our forests, oceans and biodiversity.

In all activities and initiatives that Nestlé engages in, we are committed to our Environmentally Sustainable Business Practices. At each stage of a product's life cycle, we strive to use natural resources efficiently and encourage the use of sustainably-managed renewable resources, as well as target to achieve zero waste.

'Striving for zero' has its challenges, from the availability of renewable energy to the cost of new technology. Nevertheless, the sustainability threats our planet faces are serious:

- Water scarcity – across the world, access to clean drinking water and inadequate sanitation remain significant challenges.
- Population growth and urbanisation – with a growing world population, there is increasing pressure on natural resources.
- Climate change – changing weather patterns are affecting when and where crops can be grown.
- Declining natural capital – biodiversity is declining as forests, grasslands and wetlands are converted for urban and agricultural use.

Our global ambition

To strive for zero environmental impact in our operations by 2030

Our focus areas

- CARING FOR WATER**

As the world's largest food and beverage Company, we use water in all areas of our business. We strive to improve efficiency of water use across our value chain and collaborate with multiple stakeholders to achieve sustainable water management not just in our operations, but also our communities.
- ACTING ON CLIMATE CHANGE**

Climate change is threatening food security and impacting livelihoods. Our size and scale allow us to bring about positive change by reducing greenhouse gas (GHG) emissions along the value chain and increasing the usage of renewable energy. We strive for zero impact in our operations, in line with the Paris Agreement.
- SAFEGUARDING THE ENVIRONMENT**

Biodiversity is important for the well-being of our planet. All our raw ingredients are sourced from plants and animals, forests, farms and oceans. Protecting these areas is essential. Our agricultural expertise allows us to help our farmers keep their land healthy and productive.

Contributing to the Sustainable Development Goals (SDGs)

These SDGs in particular are relevant to our Water and Environmental work



WATER

Water is a core element in our business operations and responsible water management is a top priority for Nestlé. In our operations in Malaysia, we:

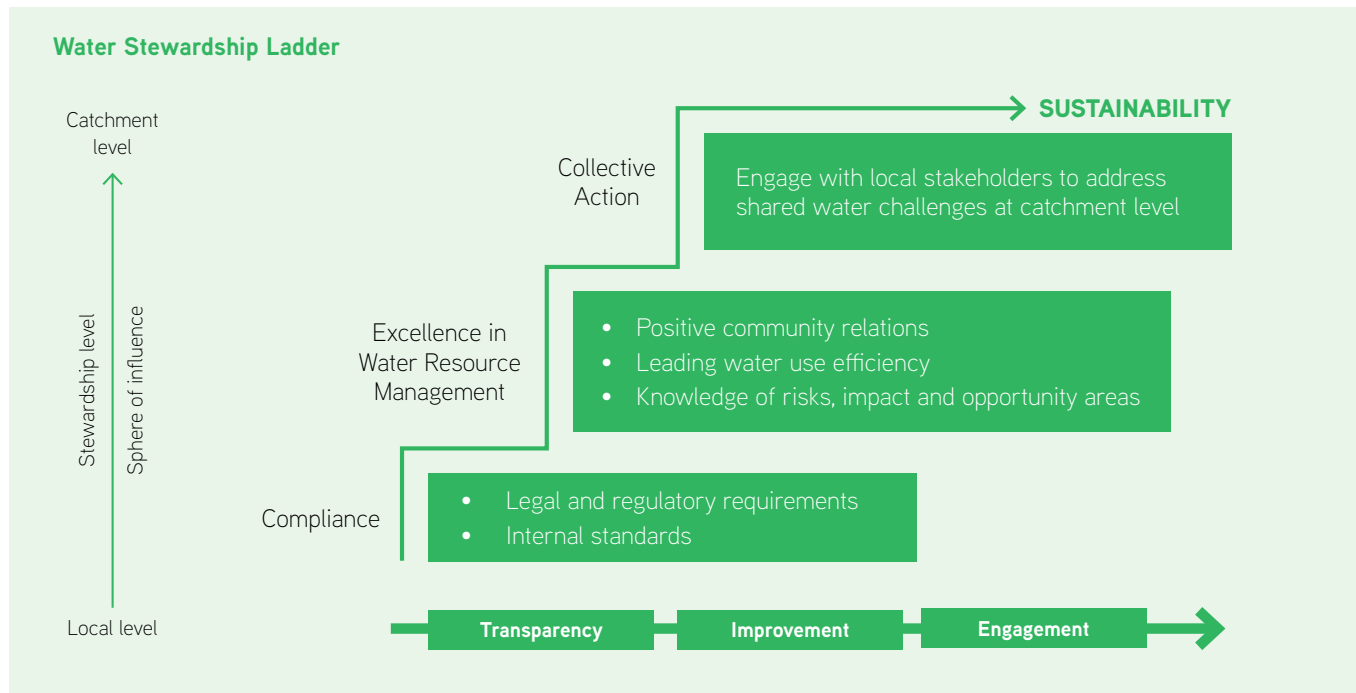
- Ensure that our water-related activities respect local water resources;
- Ensure that excess water discharged into the environment is clean;
- Engage with vendors, suppliers and farmers to encourage water conservation;
- Collaborate with external parties to raise awareness within various communities on the importance of water conservation.

We strive to reduce our impact on water resources throughout our entire value chain. We look at our processes – in processing raw materials, maintenance of our equipment or sanitation for our employees – to see how we can better manage our consumption. We look for continuous improvement in our withdrawal, use and treatment of water.

We have worked hard to reduce the amount of water we use throughout our manufacturing operations, for example by reusing processing water for vacuum pumps and process pumps where appropriate, optimising water supply pressure in selected unit operations and social blocks and recycling process water to social blocks and selected operations.

Our key commitments	
1	Work to achieve water efficiency and sustainability across our operations
2	Treat the water we discharge effectively
3	Engage with suppliers, especially those in agriculture*

* Further information can be found in NESTLÉ PADDY CLUB on page 49



FOR THE PLANET

Our target:

Reduce our specific water usage (m³/tonne product) by 3.5% compared to 2017.

Our progress:

In 2018, we reached our target for reducing specific water usage, with the recorded value of specific water usage at 3.73 m³/tonne, the recorded value of specific water usage was 3.73 m³/tonne, 4.4% less than in 2017 (3.90 m³/tonne). The savings of 60,766 m³ water per year is equivalent to average usage of 1,110 people or 277 households in one year.

Recycling and reusing water eases the burden on water sources. In 2018, we recycled and reused 11.3% of the water used, compared to 9.1% in 2017.

Nestlé factories source water from municipal water supplies, including Pengurusan Air Selangor Sdn. Bhd., Syarikat Bekalan Air Negeri Sembilan Sdn. Bhd. and Lembaga Air Kuching. We do not source water from sensitive or protected water bodies that are part of the Ramsar Wetlands list. In addition to the direct usage of water in our operations, we are also looking at ways to reduce water consumption throughout the supply chain.

Efforts include ongoing research and development with our rice suppliers on semi-aerobic rice intensification (SARI) farming. Our initial results show that the SARI method uses up to 50% less water compared to conventional wetland rice farming.

We have also conducted awareness and educational programmes with contract farmers and relevant agencies, and regularly share best practices and environmental performance information with local authorities and stakeholders.

Water withdrawal:

Description	2016	2017	2018
a. Total water withdrawn (m ³ /year)	1,698,604	1,659,565	1,666,409
b. Total water withdrawal per tonne	3.98	3.90	3.73

WASTEWATER TREATMENT PLANT

Our commitment

Treat the water we discharge effectively

Food processing generates a large amount of wastewater and its characteristics and appropriate processing technologies vary widely. We ensure the water at our operations is treated prior to reusing or releasing it into the environment. The effluents from our operations adhere to strict quality requirements.

Our progress:

In line with international water quality standards, 100% of the wastewater from our factories is treated before discharge using biological treatment. All discharge parameters comply with local environmental regulations. About 96% of the organic load in the water is removed before the water is returned to the environment. All Nestlé factory complexes (Chembong, Shah Alam, Petaling Jaya and Kuching) have wastewater treatment plants.



We monitor the implementation of the Nestlé Environmental Requirements (NER) for water quality and effluent discharge in all factories through a digital compliance assessment and monitoring tool.

We strengthened the Nestlé Environmental Requirements (NER) for water quality in 2016 and rolled out a digital NER compliance assessment and monitoring tool in 2017 to ensure all our plants meet these exacting standards. Training on water effluents is included in our Environmental Sustainability workshops.

A Direct Potable Reuse System (DPRS), installed in 2017, is in use at our Shah Alam factory. The system is able to treat wastewater in accordance with the World Health Organization’s water quality standards. The treated water is used at cooling towers and social blocks. The DPRS is designed to reduce water usage by 25% at non-production areas of the factory.

Description	2016	2017	2018
a. Total water discharged by quality and destination (m ³ /year)	823,611	912,250	908,635
b. Volume of water recycled and reused (m ³ /year)	121,232	149,816	188,540
c. Percentage of water recycled and reused (%)	7.1	9.1	11.3

Safe Water, Safe Communities Project

Safe water is a necessity for communities to survive and thrive. To help address limited access to clean water in rural communities in Malaysia, we partnered with Global Peace Foundation for the ‘Safe Water, Safe Communities’ project in 2018.

For the first phase of the project, we engaged with five villages in Tasik Chini, Pahang, to install 56 water filtration systems for the benefit of over 650 people. The filtration system with Swiss-designed technology, approved by the World Health Organization, provides these communities with safe and clean water.

The project also raised awareness on the importance of personal hygiene and cleanliness through community engagement activities and Water, Sanitation, and Hygiene (WASH) training for children and adults.



ENVIRONMENTAL SUSTAINABILITY

We recognise that our business has the potential to influence sustainable consumption and steward resources for future generations. To reach our goals, we have developed robust environmental management systems. We regularly review the Environmental Aspect and Environmental Impact (EAEI) assessments for all our operations. This enables us to assess the impact of our own operations and the wider value chain.

Our key commitments

- | | |
|---|---|
| 1 | Assess and optimise the environmental performance of our products |
| 2 | Improve the environmental performance of our packaging |
| 3 | Reduce food loss and waste |
| 4 | Provide climate change leadership |
| 5 | Preserve natural capital, including forests |

We ensure that our operations fully comply with local laws and regulations, as well as Nestlé's global guidelines. All our manufacturing plants and our distribution centre have been certified with the ISO 14001 environmental management systems certification.

We use the Safety, Health and Environment Performance Monitoring (SHE-PM) system, a central reporting software which tracks the environmental impact of our factories in Malaysia.

Total environmental management expenditure by type:

Description	2016	2017	2018
a. Waste disposal, emissions treatment and remediation cost (RM)	5,699,204	4,751,433	4,600,642
b. Environmental management cost (RM)	11,903,941	8,267,423	4,460,353
c. Solid waste disposal cost (RM)	44,350	0	0

MINIMISING SOLID WASTE

Our commitment

Assess and optimise the environmental performance of our products

We strive to minimise our impact on the environment and recognise the need to use earth’s limited resources in a sustainable manner. Reducing waste generation and increasing waste recovery not only mitigates environmental impact, but also lowers operating costs.

Our target:

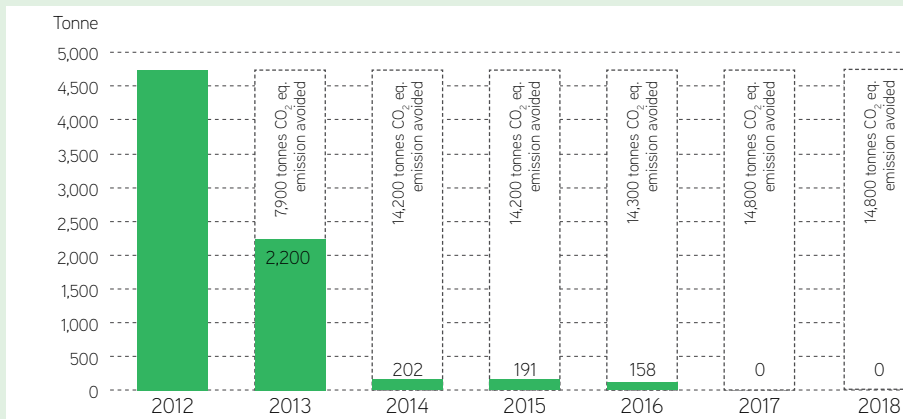
Maintain zero landfill waste from our factories.

Our progress:

All seven Nestlé factories in Malaysia have zero waste to landfill status. Waste for disposal is defined as any material that leaves our site and is destined for final disposal with no economic or ecological value, including landfilling and incineration without energy recovery.

To maintain our zero waste status, packaging waste is sorted at source at all our sites to ensure paper, plastic, glass and rejected products are segregated for recycling. Only damaged packaging and rejected products are disposed in waste bins. Our waste management company does a second inspection to recover any remaining recyclable materials.

We convert organic waste from our operations, mainly market returns from our central warehouse, into animal feed or organic fertilisers. In 2018, we converted 7,480 tonnes of organic waste. We have converted over 30,000 tonnes of organic waste into new alternative products since 2014.



Total emission avoided since 2013 = 65,400 CO₂ eq.

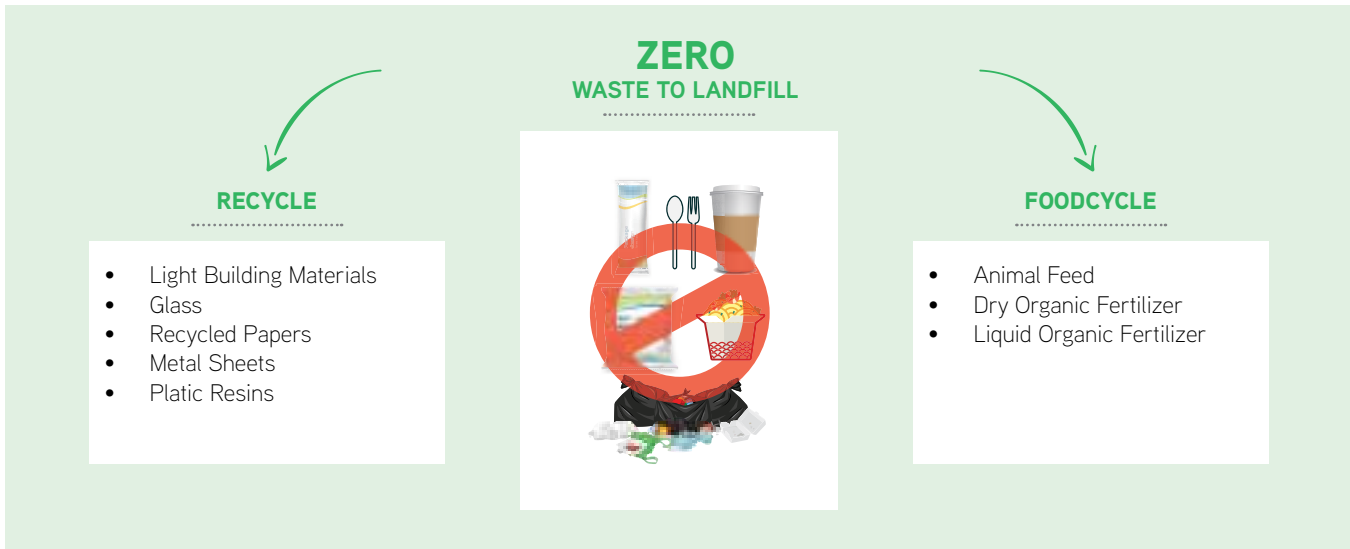
Equivalent to 4,200 Malaysian household energy usage for 1 year*

Equivalent to 13,800 cars on the road for 1 year**

* Suruhanjaya Tenaga Malaysia Energy Statistic Handbank 2016, 5 persons per household

** US environmental Protection Agency EPA-420-F-14-040a May 2014

FOR THE PLANET



Total weight of waste by type and disposal method:

Description	2016	2017	2018
a. Hazardous waste (tonne)	30.5	39.8	36*
b. Landfill waste (tonne)	158	0	0
c. Recycled waste (tonne)	11,270	10,250	12,549*
d. Estimated composting organic material (tonne)	6,138	5,903	7,480

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 134 & 135.

Total weight of hazardous waste transported:

Description	2016	2017	2018
a. Weight of hazardous waste transported (tonne)	33.6	39.8	36
b. Weight of treated hazardous waste (tonne)	3.1	nil	nil

OPTIMISING PRODUCT PACKAGING

Our commitment

Improve the environmental performance of our packaging

Plastic waste has become a global concern and we believe that there is an urgent need to minimise the impact of packaging on the environment. Nestlé has announced its ambition to make 100% of its packaging globally recyclable or re-usable by 2025.

We recognise that collective action is required to tackle this issue and are part of global alliances such as the Trash Free Seas Alliance and the New Plastics Economy.

Packaging protects food, prevents waste and ensures the quality and safety of products before they are consumed. We strive to use the minimum adequate amount of packaging by weight and volume and work on solutions that allow for packaging to be recovered at the end of its useful life.

Our target:

100% of our packaging reusable or recyclable by 2025.

We are focusing on three core areas: eliminating non-recyclable plastics (e.g., polyvinyl chloride (PVC), polystyrene (PS), expandable polystyrene (EPS)), encouraging the use of plastics that have better recycling rates (e.g., polyethylene terephthalate (PET), polypropylene (PP), polyethylene (PE)) and working to eliminate or change complicated combinations of packaging materials. In order to achieve our target, we utilise eco-design tools such as EcodEX in our packing design. The software applies the Life Cycle Assessment (LCA) method to help us assess the environmental impact of packaging, from the material extraction and manufacturing process up to its disposal after the product is consumed.

Currently, 85% of our packaging material including corrugated board, paper, metal and glass is recyclable. Efforts are in place to address the remaining 15% by eventually eliminating usage of PVC and PS and simplifying the laminate material used in our packaging.



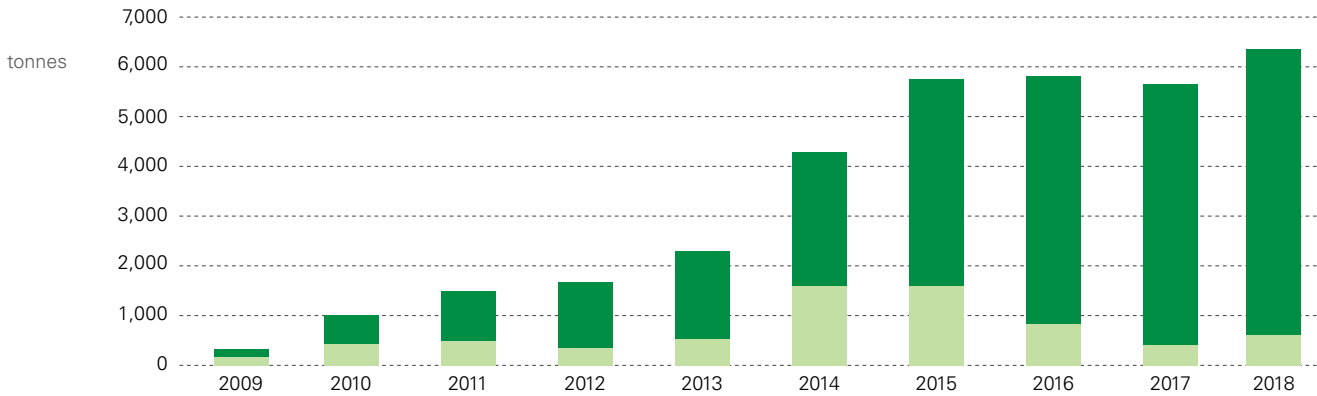
FOR THE PLANET

Our progress:

Optimising Packaging

In 2018, our material optimisation projects focused on reducing paper and plastic used in our packaging which enabled us to decrease material usage by 517 tonnes for 2018. The total amount of materials reduced from our packaging optimisation projects since 2008 is more than 5,900 tonnes.

PACKAGING SOURCE REDUCTION PROJECT



● Cumulative Reduction	136	506	891	1,171	1,601	2,983	4,383	5,093	5,423	5,940
● Annual Reduction	136	370	385	280	430	1,382	1,400	710	330	517*

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 134 & 135.

Examples of our packaging optimisation programme:

- We reduced the size of the laminate used for the MILO 3in1 stick packs. By decreasing the width of the laminate used in the stick packs, we reduced 4.33 tonnes of material usage.
- Reducing the amount of plastic used in the manufacturing of the MAGGI Bowl Noodle resulted in a material saving of 17.7 tonnes.
- With a new combination of lightweight kraft liner, we were able to reduce board usage by 285.68 tonnes in the MAGGI 2 Minute noodle carton.
- We eliminated the usage of PS and PE on the lids of the 1.5L ice-cream tubs. The lids and tubs are now 100% made of PP, making them reusable and easier to recycle. The lids are also redesigned to have thinner plastics. The total material reduction from this project was 45 tonnes.

Recycled Content

Quality and safety issues are our main concerns when recycled materials are in contact with food. For example, recycled board can be contaminated with mineral oils, as was reported in 2011. However, we continue to carefully select recycled materials whenever applicable.

Our MAGGI portable cups and the recently launched bowl noodle containers both contain 25% recycled materials. Cardboard is used as the outer layer of a thin-wall plastic container for heat insulation. The cardboard meets our food contact safety standards, and can be easily separated from plastic for recycling.

The proportion of recycled materials remained at 3.65% for 2018.

Materials used by weight:

Description	2016	2017	2018
a. Production volume (tonne)	426,651	425,522	446,683
b. Non-renewable materials used [#] (tonne)	702	701	735
c. Direct materials [#] (tonne)	430,049	430,000	451,000
d. Total weight of materials used [#] (tonne)	432,049	431,000	452,000

Description	2016	2017	2018
a. Percentage of recycled materials (%)	3.70%	3.71%	3.65%

[#] Estimated based on recycled content of corrugated board = 50%, glass = 35% and MAGGI Hot Cup = 25%.

CAREton Project

Established in 2012, the CAREton Project is a collaboration between Nestlé and Tetra Pak (Malaysia) Sdn. Bhd., a food processing and packaging solutions company. The key objective of this project is to raise awareness and educate Malaysians on the benefits of recycling.

The project transforms drink packs into durable roofing tiles and panel boards that can withstand heat. The tiles are donated to EPIC Homes, a social enterprise that uses them to build homes for Orang Asli families in need.

In 2018, we collected 30.1 million drink packets. Since its inception, over 60 million used beverage cartons have been collected from consumers and recycled – over 50 homes and community projects have been pledged for the past seven years.

7,247 recycled drink packets (1 litre) are needed to produce a single nine-by-four feet roofing tile. To build one EPIC home, 46 roofing tiles are required, an equivalent of 333,362 recycled drink packets.

In line with our global ambition to make 100% of our packaging reusable or recyclable by 2025, this project aims to inculcate better recycling habits in both adults and children. To encourage more Malaysians to participate in this environmentally sustainable initiative, we work with over 24 collection partners across the nation and have established close to 500 drop-off points.

CLIMATE CHANGE

Our commitment

Provide climate change leadership

Climate change presents unseen challenges to humankind. Shifting weather patterns impact harvests across the globe and further exacerbate pressure on water and other resources. Climate change already impacts how Nestlé does business. As a responsible food and beverage Company, we must further reduce our own emissions while supporting our supply chain in becoming more resilient.

At Nestlé, we are doing our part to address the problem by reducing our specific energy consumption and GHG emissions from our operations. Over the years, we have sought out solutions to improve the environmental performance of our operations.

Nestlé globally encourages 400 of its biggest suppliers to report their GHG emissions targets through the Carbon Disclosure Project (CDP), an international non-profit organisation that helps companies measure, disclose and share vital environmental information.

In 2018, Nestlé joined a number of leading global companies in supporting the Task Force on Climate Financial Disclosure (TCFD), in response to increasing interest from investors on climate change issues. TCFD provides a framework for companies to develop more effective climate-related financial disclosure through their existing reporting processes. TCFD emphasises the importance of transparency in pricing risks - including risks related to climate change - to support informed, efficient capital-allocation decisions.

MINIMISE GREENHOUSE GAS EMISSIONS

The Nestlé Policy on Environmental Sustainability has a strong focus on reduction of GHG emissions and we continually seek ways to manage our emissions efficiently and move towards cleaner fuels.

We are committed to further reducing emissions along our value chain, while strengthening our supply chain and helping the farmers we work with to be more resilient to climate change.

Majority of our carbon footprint is caused by manufacturing and distribution of finished goods. The boundary for our disclosure includes the operations of our head office and branches, and the process of manufacturing, import, export and distribution of our products in Malaysia. Our emissions are monitored through the SHE-PM platform and the data is calculated based on fuel and energy usage.

We have an Environmental Target Setting programme, designed to help factory teams improve resource efficiency. They use a web-based tool, "Do It Yourself" that enables each site to identify and adopt energy and water-saving opportunities that have already proved successful elsewhere within the Company.

Our target:

Reduce specific GHG emissions (kg GHG/tonne) by 2.5% in comparison to 2017.

Our progress:

Nestlé Malaysia's carbon footprint (total direct and indirect GHG emissions) was 165,641 tonnes CO₂ in 2018, compared to 166,660 tonnes in 2017. The amount of emissions per tonne is the lowest since we started recording the data in 2014. In 2018, our emissions were 371 kg GHG/tonne, indicating a 5% reduction in specific GHG emissions in comparison to 2017.

Greenhouse gas emissions data:

Description	2016	2017	2018
a. Total direct and indirect GHG emissions (tonne CO ₂)	166,264	166,660	165,641
b. Total direct GHG emissions (Scope 1) (tonne CO ₂)	58,883	59,653	60,862
c. Total indirect GHG emissions (Scope 2) (tonne CO ₂)	107,380	107,007	104,779
d. Total indirect GHG emissions (Scope 3) (tonne CO ₂)	3,055	3,404	3,942
e. Total greenhouse gas per tonne of finished goods (kg CO ₂ / tonne)	390	392	371
f. GHG emission intensity over production volume (Scope 1, 2 and 3) (kg CO ₂ / tonne)	397	400	380
g. Types of GHG emissions included in the intensity ratio	Direct (Scope 1), Energy indirect (Scope 2) and Other indirect (Scope 3) such as transportation of our finished goods from our Nestlé Distribution Centre to our distributors via land and sea.		
h. Greenhouse gas reductions (tonne CO ₂)	12,437	(1,193)	8,938
i. Specific greenhouse gas reductions (%)	6.3	(0.7)	5.01
j. Gas included in the calculation	Carbon dioxide (CO ₂) and Hydrofluorocarbon HFC emissions from refrigerants		

Nitrogen oxides (NO_x), Sulphur oxides (SO_x), and other significant air emissions:

Description	2016	2017	2018
a. SO _x (tonne)	144	147	145
b. NO _x (tonne)	161	154	165
c. Particulate Matter (PM) (tonne)	44	43	44

Ozone depleting substances:

Description	2016	2017	2018
a. Total ODS imports (kg)	353	541	352

Note:

1. We track our carbon footprint in Scope 1, Scope 2 and Scope 3 emissions in accordance with the GHG Protocol Corporate Standard, covering all factories and offices in Malaysia.
2. Our direct emissions under Scope 1 are derived from diesel generators, boilers and waste processing.
3. Our indirect emissions under Scope 2 are caused by electricity consumption, hot water and steam.
4. Scope 3 emission sources are from transportation of finished goods.

FOR THE PLANET

TRANSPORTATION AND DISTRIBUTION

We transport a large amount of goods daily to and from our factories and warehouses. As such, we continuously monitor the carbon footprint of transportation of our finished goods and travel of sales personnel. We also partner with third-party logistics providers to track our environmental performance and improve efficiency by reducing kilometres travelled, fuel consumed, GHG emissions, noise and congestion.

Carbon dioxide discharge for travel:

Description	2016	2017	2018
a. Total distance travelled for finished goods for land and sea ('000 km)	9,119	12,387	8,059
b. Total CO ₂ discharge for above travels (tonne)	10,865	14,624	8,297
c. Average of CO ₂ for every tonne of finished goods, over the total distance travelled (CO ₂ /tonne km)	48	65	33
d. Total distance travelled by Nestlé Staff on business ('000 km)	9,183	9,617	9,618
e. Total CO ₂ discharge from business-related travel (tonne)	1,451	1,520	1,473

One of Nestlé’s global objectives is to reduce greenhouse gas emissions by 10% in our distribution operations of finished goods, which are transported between the factories, warehouses and distributors (compared to 2014 figures). In Malaysia, Project Double has been in operation since 2017 to improve efficiency of our land transportation. The project introduced a double stacking system - a relatively low-cost improvement with a big impact.

In its first year, the project increased warehouse intensity by up to 20%, reduced trucks on the road by up to 30% and CO₂ emissions by 1,705 tonnes. The project was fully implemented in 2018, resulting in a further reduction of emissions of approximately 3,300 tonnes.

Nestlé Distribution Centre

In a key milestone, we ramped up operations with the launch of our new state-of-the-art Nestlé Distribution Centre (NDC) in 2018. Spanning 515,000 sqft, the all-new NDC is now Nestlé’s largest distribution centre in Asia, which will support our domestic operations over the next 10 years. Promoting resource optimisation, the facility boasts a high density warehouse space which can store up to 20% more products despite having a 20% smaller storage area compared to the previous distribution centre. It has a storage capacity of over 88,000 warehouse pallets.

It also fully utilises energy efficient LED lighting. It is a high performance warehouse operation due to the use of a semi-automated storage solution called Satellite Orbiter System which supports 60% of the total storage area. Safety measures are taken into account at all levels of its architecture, promising a safer warehouse environment to all employees.



With its larger capacity and hi-tech features, the NDC will facilitate the expansion of our business, allowing us to meet growing consumer demand and accelerate growth moving forward.

REFRIGERANT MANAGEMENT

Refrigerants play a significant role in depleting the planet's ozone layer. Nestlé has strict purchasing policies in place on refrigeration and management of refrigerant gases. We use natural refrigerants wherever feasible. In the absence of natural refrigerant equipment or technology, Hydrofluorocarbon (HFC) synthetic refrigerant is used with special permission as the next best option. We constantly seek future-proof, sustainable solutions that support the global commitment to phasing out ozone depleting substances (ODS) and help us comply with changing regulations as well as minimise disruptions to our business resulting from implementing new refrigeration systems.

We ensure that strict monitoring and tracking of refrigerant gas consumption are carried out on a monthly basis and the scheduled replacement of old equipment follows our policy.

We are committed to utilising modern technology when it comes to keeping products like ice cream and yoghurts cool and safe to eat. We strongly support the development and use of safe and efficient natural refrigerant solutions for commercial application, and are phasing out appliances which require the use of HFC.

Nestlé targets to achieve 100% application of natural refrigerant as follows:

1. 35% of our Ice Cream Chest, Upright and Island Freezers have been replaced since 2015.
2. All new cold beverages dispensers of NESTLÉ PROFESSIONAL will be replaced by 2020.

REDUCING OUR ENERGY CONSUMPTION

Our commitment

To improve resource efficiency in our operations

We run regular awareness programmes for factory employees on improving process efficiency and install new energy efficient equipment. For example, in 2018, we achieved energy savings through:

- Strengthening standard routines for steam traps, condensate recovery management and Air Leak Management. Efficient maintenance in this area prevents unnecessary losses.
- Installing energy recovery equipment in boilers i.e. Economisers, which have the capability of increasing boiler efficiencies by 3 to 5%.
- Installing new equipment with lower energy usage, e.g., installing Reverse Osmosis (RO) water treatment for boilers, Variable Speed Drives, LED lights, etc.
- Including an energy-efficient criteria in the selection of equipment for our processes i.e., motors, pumps, boilers, chillers and air compressors.

To further improve our processes, in 2017, we received support from GreenTech Malaysia to perform energy audits for three of our factories: Shah Alam, Chembong and Petaling Jaya. The energy audit had found that due to the implementation of energy saving projects at the Chembong factory, at least 797,212 kWh of electricity can be saved in a year.

FOR THE PLANET

Our target:

Reduce specific energy usage by 4%, with comparison to 2016.

Our progress:

In 2018, we recorded a reduction of 1.9% in energy usage per tonne product, 3.06 GJ per tonne product compared to 3.12 GJ per tonne in 2017. The saving in energy utilisation is equivalent to fueling 648 cars annually or supplying electricity for 1,247 households.

Energy consumption within the organisation:

Description	2016	2017	2018
a. Total energy (GJ)	1,340,303	1,325,815	1,364,798
b. Total direct energy consumption by primary source (GJ)	630,448	607,961	647,126
c. Total direct energy per tonne of finished goods (GJ/tonne)	1.48	1.43	1.45
d. Total direct energy by non-renewable primary source (NG/LFO/Diesel/LPG) (GJ)	607,138*	587,701	641,443
e. Indirect energy consumption by primary source (GJ)	441,382	434,869	417,645
f. Total amount of energy per tonne (GJ/tonne)	3.14	3.12	3.06
g. Indirect energy per tonne (GJ/tonne)	1.03	1.02	0.93
h. Percentage of Renewable Energy for Indirect Energy (%)	10.0	10.0	10.0
i. Renewable Energy for Indirect Energy (GJ)	44,138	43,487	41,765
j. Non-renewable Energy for Indirect Energy (GJ)	397,244	391,382	375,881

Energy consumption outside of our organisation:

Description	2016	2017	2018
Energy consumption outside organisation (GJ)	113,610	127,587	150,811

Reduction of energy consumption:

Description	2016	2017	2018
Energy saved due to improvements (GJ)	93,243	10,942	26,950

Note:

1. Energy consumption is based on our steam, fuel and electricity consumption, and encompasses our activities within and outside of the organisation.

* Restatement of data for item e due to improvements in data monitoring and calculation.

PROTECTING BIODIVERSITY

Our commitment

Preserve natural capital, including forests

KINABATANGAN RILEAF PROJECT

One of the world's richest ecosystems, the Kinabatangan River is home to a wide array of flora and fauna. It is also only one of two places on this planet where as many as 10 primate species, including Borneo's indigenous orang utan, the proboscis monkey and the Borneo gibbon can be found.

As part of Nestlé's commitment to protecting the environment, the Kinabatangan RiLeaf Project was launched in 2011 to restore 2,400 hectares of land along the Lower Kinabatangan River by replanting trees. This project is supported by Yayasan Sime Darby (YSD), who has been co-funding it since 2014. The Sabah Forestry Department (SFD) lends its valuable support by allocating land for reforestation and providing valuable technical assistance.

The Project has successfully surpassed its initial target and replanted 700,000 trees over 2,500 ha of critical forest reserves along the river, an equivalent to over 3,500 football fields. These restored areas form a natural buffer zone which filters soil sediments and agricultural run-offs flowing into the river, helping to protect Kinabatangan's rich biodiversity and allowing it to repair itself over time.



In 2018, extending our partnership with YSD and SFD, we committed to increase our target and aim to plant one million trees by 2020. New planting areas are part of the Reduce Emissions From Deforestation and Forest Degradation-Plus (EU REDD+) project area. REDD+ projects support sustainable land use governance in order to mitigate forest degradation and deforestation.



Along with its positive environmental impact, the Kinabatangan RiLeaf Project also empowers local communities by providing opportunities for capacity building and additional income through a local seedling producer, Komuniti Anak Pokok Kinabatangan (KAPOK). The forest seedlings used to plant the trees along the Kinabatangan River are grown, nurtured and purchased from KAPOK members. Habitat Enterprise, a home-grown organisation under Nestlé Malaysia, manages the KAPOK programme as well as the planting of the seedlings along the riverbanks.

Project UpLeaf, a component under the Kinabatangan RiLeaf Project, aims to minimise the environment impact of oil palm, in addition to supporting local oil palm smallholders to earn their RSPO certificates. For more information on Project UpLeaf, please refer to page 56.

AWARDS & ACHIEVEMENTS

NATIONAL ANNUAL CORPORATE REPORT AWARDS 2018

Aimed at promoting transparency and excellence in annual corporate reporting, the National Annual Corporate Report Awards (NACRA) is a joint initiative of Bursa Malaysia Berhad, Malaysian Institute of Accountants and The Malaysian Institute of Certified Public Accountants. In 2018, Nestlé Malaysia won the prestigious Platinum Award for Sustainability Reporting for the second year running, in recognition of our Nestlé in Society report. In addition, the Company won the Industry Excellence Award in the Consumer Product category and Silver for Inclusiveness and Diversity Reporting.



GLOBAL GOOD GOVERNANCE AWARDS 2018

The Global Good Governance Awards (3G Awards) by Cambridge IFA recognise individuals, governments, public and private institutions as well as non-governmental organisations that demonstrate making governance and sustainability key priorities within their organisations. Recognising Nestlé Malaysia's efforts in incorporating environmental protection within our business, the Company won the 3G Environmental Responsibility Award in 2018.

MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS AWARD 2018

Malaysia's 100 Leading Graduate Employers Award celebrates the nation's top graduate companies and is based on votes from more than 36,000 university students and graduates in the Malaysia Graduate Barometer, the largest and longest-running graduate careers survey in Malaysia. For the sixth consecutive year, Nestlé Malaysia was recognised as The Most Popular Graduate Employer for the FMCG category.

THOMSON REUTERS TOP 100 DIVERSITY & INCLUSION INDEX 2018

Designed to transparently and objectively measure the relative performance of over 7,000 companies worldwide, the Thomson Reuters Top 100 Diversity & Inclusion Index aims to highlight global companies that have demonstrated clear leadership in embedding Diversity & Inclusion within their company strategy. In 2018, Nestlé Malaysia was included in the index for the first time, ranking number 88.

AWARDS & ACHIEVEMENTS

GRADUATES' CHOICE AWARD 2018

The Graduates' Choice Award (GCA) celebrates organisations that demonstrate exceptional employer branding within universities across Malaysia. The 2018 GCA saw undergraduates from over 100 campuses across the nation vote for their preferred employer brands from a total of 360 companies. Nestlé Malaysia was acknowledged as one of the top employer brands of choice in 2018.



PUTRA BRAND AWARDS 2018

The Putra Brand Awards recognise and honour Malaysia's favourite brands across a wide range of industry categories, selected based on consumer preference. In 2018, the MILO brand once again took home Gold for the Beverage (Non-alcoholic) category while NESTLÉ OMEGA PLUS (Beverage – Dairy), NESCAFÉ (Beverage – Non-alcoholic), KIT KAT (Foodstuff) and MAGGI (Foodstuff) won Silver awards.

HALAL DEVELOPMENT CORPORATION AWARDS 2018

Held in conjunction with the World Halal Conference 2018, the Halal Development Corporation (HDC) Awards recognise individuals, institutions and companies for their outstanding achievements in the global Halal industry. Nestlé Malaysia was named 'Successful International Halal Company' for our solid growth and innovative business processes, product development, leadership, as well as overall success in penetrating the global Halal market.

RANDSTAD EMPLOYER BRAND AWARDS 2018

The Randstad Employer Brand Awards are presented based on the results of the Randstad Employer Brand Research, a survey which saw participation by over 3,000 Malaysians in 2018. For the third consecutive year, Nestlé Malaysia was recognised as one of the top three Most Attractive Employers in the country.

GRI CONTENT INDEX

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 102 General Disclosures		
ORGANIZATIONAL PROFILE		
102-1 Name of the organization	NiS: About This Report, p2	
102-2 Activities, brands, products, and services	NiS: About Us, p3 AR: Our Business, p4-7	
102-3 Location of headquarters	AR: Corporate Directory, p66	
102-4 Location of operations	NiS: About Us, p3 AR: Corporate Directory, p66-67	
102-5 Ownership and legal form	The principal activity of the Company is that of an investment holding company, whilst the principal activities of the subsidiaries are as listed under indicator GRI 102-45. There have been no significant changes in the nature of these activities during the financial year. As registered with the Companies Commission of Malaysia since 1983, the legal form of the Company is: <ul style="list-style-type: none"> • Limited by shares • Public Limited 	
102-6 Markets served	The Company manufactures and supplies products for both the domestic and export markets, consumers and also out-of-home segments such as coffeeshops and restaurant operators; as well as other relevant stakeholders such as healthcare professionals. The Company distributes its products throughout Malaysia, defined by seven regional areas within Malaysia: <ol style="list-style-type: none"> Central 1 (Kuala Lumpur and Selangor); Central 2 (Negeri Sembilan and Malacca); Northern 1 (Pulau Pinang, Kedah and Perlis); Northern 2 (Perak); Southern (Johor); East Coast (Pahang, Terengganu and Kelantan); and East Malaysia (Sabah, Sarawak and Brunei). 	
102-7 Scale of the organization	NiS: About Us, p3 NiS: CSV Key Performance Data, p16 CGFR: Statements of Financial Position, p55	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 102 General Disclosures		
ORGANIZATIONAL PROFILE		
102-8 Information on employees and other workers	<p>NiS: Our Workforce – Full Time Equivalent Employees, p59</p> <p>The Company does not have a substantial portion of the organisation’s work performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</p> <p>The Company does not have any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</p>	
102-9 Supply chain	<p>NiS: About This Report, p2</p> <p>NiS: Rural Development, p49-p57</p>	
102-10 Significant changes to the organization and its supply chain	<p>There were no significant changes during the reporting period regarding size, structure or ownership. However, there was a change in the management team, as featured in the Organisation Structure.</p> <p>AR: Organisation Structure, p5</p>	
102-11 Precautionary Principle or approach	<p>This is done in accordance to the Corporate Governance Statement that sets out the adoption and practices of the four principles practiced by the Company, as well as the application of the 3 Principles and 32 Practices of the Malaysian Code on Corporate Governance issued in 2017 [“MCCG”], relevant chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on corporate governance and the internal requirements as codified in the Nestlé Code of Business Conduct.</p> <p>CGFR: Corporate Governance Overview Statement, p2</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	
102-12 External initiatives	<p>NiS: Responsible Product Marketing and Advertising, p32</p> <p>NiS: Responsible Marketing of Breast-milk Substitutes, p32-33</p> <p>NiS: Responsible Sourcing, p52-57</p> <p>Nestlé Malaysia signed and supports, amongst others:</p> <ul style="list-style-type: none"> • UN Global Compact (29 March 2007) • Responsible Advertising to Children (5 August 2013) 	

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 102 General Disclosures		
ORGANIZATIONAL PROFILE		
102-13 Membership of associations	<p>The Company deems our membership in the associations below as strategic:</p> <ul style="list-style-type: none"> • Federation of Malaysian Manufacturers (FMM) <ul style="list-style-type: none"> - CEO is the Council Member of the FMM - Business Executive Officer, Wyeth Nutrition is the Chairman of Ethical Business Practices Committee - Head, Halal Affairs is the Chairman of Halal Committee - Head of Regulatory & Scientific Affairs is the Chairman of Scientific & Technical Committee - FMM Health & Nutrition – Member - FMM Communications Committee – Member - FMM Public Affairs Committee – Member - FMM Human Resources Committee - Member - FMM ASEAN Harmonisation Committee - Member • International Chamber of Commerce (ICC) – Executive Director, Legal & Secretarial, Legal is a Vice Chairman of the ICC • Business Council for Sustainability and Responsibility Malaysia (BCSRM) – Executive Director, Technical & Production is an Executive Committee Member • ASEAN Harmonization Committee – Member <p>The Company does not provide any additional substantive funding beyond routine membership fees/dues.</p>	
STRATEGY		
102-14 Statement from senior decision-maker	NiS: A Message from Our Chairman and CEO, p4-5	
102-15 Key impacts, risks, and opportunities	NiS: A Message from Our Chairman and CEO, p4-5 AR: Management Discussion & Analysis, p17-21	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 102 General Disclosures		
ETHICS AND INTEGRITY		
102-16 Values, principles, standards, and norms of behavior	CGFR: Corporate Governance Overview Statement, p2-28 NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporatebusiness-principles-en.pdf NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	
102-17 Mechanisms for advice and concerns about ethics	CGFR: Corporate Governance Overview Statement, p24-25 NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporatebusiness-principles-en.pdf NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	
GOVERNANCE		
102-18 Governance structure	NiS: Creating Shared Value, p10-11 CGFR: Corporate Governance Overview Statement, p2-28	
102-19 Delegating authority	NiS: Creating Shared Value, p10-11	
102-20 Executive-level responsibility for economic, environmental, and social topics	NiS: Creating Shared Value, p10-11	
102-21 Consulting stakeholders on economic, environmental, and social topics	NiS: Creating Shared Value, p11 NiS: Stakeholder Engagement and Material Issues, p12-14	

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 102 General Disclosures		
GOVERNANCE		
102-22 Composition of the highest governance body and its committees	AR: Board of Directors, p46-52 There are a total of seven directors, with a composition of 71% (five) male and 29% (two) female, where two are Executive Directors, one is Non-Independent, Non-Executive Director and the remaining four are Independent, Non-Executive Directors.	
102-23 Chair of the highest governance body	AR: Board of Directors, p46 CGFR: Corporate Governance Overview Statement, p2-3 The Chair of the highest governance body is the Chairman of the Board, who is non-independent and non-executive.	
102-24 Nominating and selecting the highest governance body	CGFR: Corporate Governance Overview Statement, p10-11	
102-25 Conflicts of interest	CGFR: Corporate Governance Statement (Board Charter), p6	
102-26 Role of highest governance body in setting purpose, values, and strategy	NiS: Creating Shared Value, p10-11 CGFR: Corporate Governance Overview Statement, p2-3	
102-27 Collective knowledge of highest governance body	CSV is embedded in our business management, and thus a core part of their role as well as in the governance model. CGFR: Board Training and Induction, p11-13 NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporatebusiness-principles-en.pdf NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	
102-28 Evaluating the highest governance body's performance	CGFR: Corporate Governance Overview Statement, p14-15	

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GRI 102 General Disclosures		
GOVERNANCE		
102-29 Identifying and managing economic, environmental, and social impacts	NiS: Creating Shared Value – Governance, p10-11 CGFR: Corporate Governance Overview Statement, p2	
102-30 Effectiveness of risk management processes	NiS: Creating Shared Value – Governance, p10-11 CGFR: Corporate Governance Overview Statement, p3	
102-31 Review of economic, environmental, and social topics	NiS: Creating Shared Value – Governance, p10-11	
102-32 Highest governance body's role in sustainability reporting	The full Nestlé in Society report was reviewed by the Board of Directors, including CEO and CFO.	
102-33 Communicating critical concerns	Nestlé reported to Board of Directors as meeting agenda twice a year. CGFR: Corporate Governance Overview Statement, p2	
102-34 Nature and total number of critical concerns	AR: Management Discussion & Analysis, p17	
102-35 Remuneration policies	CGFR: Corporate Governance Overview Statement (Board Remuneration), p15	
102-36 Process for determining remuneration	CGFR: Nomination & Compensation Report, p37	
102-37 Stakeholders' involvement in remuneration	In regards to the Board of Directors compensation, we have identified our shareholders as the key stakeholders for this issue. All remuneration and its revision will be proposed for shareholders' approval at the upcoming AGM.	
102-38 Annual total compensation ratio	CGFR: Corporate Governance Overview Statement (Board Remuneration), p16	Data not disclose, we are examining the applicable methods to measure the data. Will be available in 2020.
102-39 Percentage increase in annual total compensation ratio	CGFR: Corporate Governance Overview Statement (Board Remuneration), p16	

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 102 General Disclosures		
STAKEHOLDER ENGAGEMENT		
102-40 List of stakeholder groups	NiS: Stakeholder Engagement and Material Issues, p12-14	
102-41 Collective bargaining agreements	NiS: Labour Relations, p72	
102-42 Identifying and selecting stakeholders	NiS: Stakeholder Engagement and Material Issues, p12-14	
102-43 Approach to stakeholder engagement	NiS: Stakeholder Engagement and Material Issues, p12-14	
102-44 Key topics and concerns raised	NiS: Stakeholder Engagement and Material Issues, p12-15	
102-45 Entities included in the consolidated financial statements	The following are Nestlé (Malaysia) Berhad's investments in subsidiaries: <ul style="list-style-type: none"> • Nestlé Products Sdn. Bhd. (100%) • Nestlé Manufacturing (Malaysia) Sdn. Bhd. (100%) • Nestlé Asean (Malaysia) Sdn. Bhd. (100%) • Nestlé Foods (Malaysia) Sdn. Bhd. (100%; inactive) • Nihon Canpack (Malaysia) Sdn. Bhd. (20%) 	
102-46 Defining report content and topic Boundaries	NiS: Stakeholder Engagement and Material Issues, p12-15	
102-47 List of material topics	NiS: Stakeholder Engagement and Material Issues, p15	
102-48 Restatements of information	Significant restatements of data compared to prior years are noted in the section where they appear.	
102-49 Changes in reporting	NiS: Material Issues, p15	
102-50 Reporting period	NiS: About This Report, p2	

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GRI 102 General Disclosures		
STAKEHOLDER ENGAGEMENT		
102-51 Date of most recent report	The Company's Annual Report 2018, which consists of three books: Annual Review, Corporate Governance & Financial Report and Nestlé in Society was published in March 2018. The online version of the Annual Report 2018 can be found at http://www.nestle.com.my/aboutus/investors/annual_report .	
102-52 Reporting cycle	NiS: About This Report, p2	
102-53 Contact point for questions regarding the report	AR: Corporate Directory, p66-67 For more information, please contact us through our headquarters: Nestlé (Malaysia) Berhad (110925-W) 22-1, 22 nd Floor, Menara Surian No. 1, Jalan PJU 7/3 Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan, Malaysia Tel (+603) 7965 6000 Fax (+603) 7965 6767	
	All information within this report is available online at www.nestle.com.my	
102-54 Claims of reporting in accordance with the GRI Standards	NiS: About This Report, p2	
102-55 GRI content index	NiS: GRI Content Index, p96-133	
102-56 External assurance	NiS: About This Report, p2	

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GRI 200 Economic Standard Series		
ECONOMIC PERFORMANCE		
103-1 Explanation of the material topic and its Boundary	-	Not applicable as it does not reach our materiality threshold.
103-2 The management approach and its components	-	
103-3 Evaluation of the management approach	-	
201-1 Direct economic value generated and distributed	NiS: CSV Key Performance Data, p16 CGFR: Statements of Financial Position, p49 CGFR: Statements of Profit or Loss and Other Comprehensive Income, p56	
201-2 Financial implications and other risks and opportunities due to climate change	NiS: Environmental Sustainability, p82	
201-3 Defined benefit plan obligations and other retirement plans	CGFR: Employee Benefits, p85 Nestlé Management Employee Handbook (internal circulation).	
201-4 Financial assistance received from government	Nestlé does not receive any financial assistance from the Government.	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 200 Economic Standard Series		
MARKET PRESENCE		
103-1 Explanation of the material topic and its Boundary	-	Not applicable as it does not reach our materiality threshold
103-2 The management approach and its components	-	
103-3 Evaluation of the management approach	-	
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	NIS: Labour Relations, p72	
202-2 Proportion of senior management hired from the local community	<p>The Nestlé policy is to hire employees with attitudes and professional skills enabling them to develop a long-term relationship with the Company with no consideration given to origin, nationality, religion, race, gender, disability, sexual orientation or age.</p> <p>Employees considered as senior management are those holding roles of Executive Directors and Senior Managers.</p> <p>Details on significant locations of operation: AR: Our Presence, p4</p> <p>Breakdown and percentage of Nestlé Malaysia's senior management employees based on nationality:</p> <ul style="list-style-type: none"> • Malaysian: 63 (66.3%) • Non-Malaysian: 32 (33.7%) <p>Breakdown of Nestlé Malaysia's senior management employees based on gender:</p> <ul style="list-style-type: none"> • Male: 59 (62.1%) • Female: 36 (37.9%) 	

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GRI 200 Economic Standard Series		
INDIRECT ECONOMIC IMPACTS		
103-1 Explanation of the material topic and its Boundary	NiS: Nestlé in Society: Creating Shared Value, p6-7 NiS: Our Halal Commitment, p42-45 NiS: Rural Development, p49 NiS: Protecting Biodiversity, p93	
103-2 The management approach and its components	NiS: Nestlé in Society: Creating Shared Value, p6-7 NiS: Our Halal Commitment, p42-45 NiS: Rural Development, p49 NiS: Protecting Biodiversity, p93	
103-3 Evaluation of the management approach	NiS: Nestlé in Society: Creating Shared Value, p6-7 NiS: Our Halal Commitment, p42-45 NiS: Rural Development, p49 NiS: Protecting Biodiversity, p93	
203-1 Infrastructure investments and services supported	NiS: Rural Development (NESTLÉ CHILLI CLUB), p50 NiS: Rural Development (NESTLÉ PADDY CLUB), p51 NiS: Safe Water, Safe Communities Project, p81 CGFR: Notes to the Financial Statements (Goodwill), p94	
203-2 Significant indirect economic impacts	NiS: Community Engagement, p34-39 NiS: Our Halal Commitment, p42-45 NiS: Rural Development, p49 NiS: Safe Water, Safe Communities Project, p81 NiS: Optimising Product Packaging, p85-87 NiS: CAREton Project, p87 NiS: Protecting Biodiversity, p93	
PROCUREMENT PRACTICES		
103-1 Explanation of the material topic and its Boundary	NiS: Responsible Sourcing, p52-53	
103-2 The management approach and its components	NiS: Responsible Sourcing, p52-53	
103-3 Evaluation of the management approach	NiS: Responsible Sourcing, p52-53	

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GRI 200 Economic Standard Series		
PROCUREMENT PRACTICES		
204-1 Proportion of spending on local suppliers	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	Data not available. Although we source products locally where possible, due to the global nature of our supply chain and the types of products we source, our ability to track procurement spend locally is limited.
FP1 Percentage of purchased volume from suppliers compliant with company's sourcing policy	The percentage of purchase volume from compliant suppliers is 100%, as the Nestlé Responsible Sourcing Standard (RSS) requires each and every supplier to adhere to the codes before being listed as a Nestlé supplier or vendor. RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
FP2 Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	Nestlé Malaysia uses one standard, which is the Nestlé Responsible Sourcing Standard (RSS). RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	Percentage of purchased volume is unavailable due to commercial sensitivities.

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GRI 200 Economic Standard Series		
ANTI-CORRUPTION		
103-1 Explanation of the material topic and its Boundary	NiS: Compliance, p74 CGFR: Corporate Governance Overview Statement, p22 NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	
103-2 The management approach and its components	NiS: Compliance, p74 CGFR: Corporate Governance Overview Statement, p22 NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	
103-3 Evaluation of the management approach	NiS: Compliance, p74 CGFR: Corporate Governance Statement, p22 NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	
205-1 Operations assessed for risks related to corruption	NiS: Compliance, p74	
205-2 Communication and training about anti-corruption policies and procedures	NiS: Compliance, p74	
205-3 Confirmed incidents of corruption and actions taken	There were no incidents reported for 2018	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 200 Economic Standard Series		
ANTI-COMPETITIVE BEHAVIOR		
103-1 Explanation of the material topic and its Boundary	<p>NiS: Nestlé in Society: Creating Shared Value, p6 CGFR: Corporate Governance Overview Statement, p24</p> <p>NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	
103-2 The management approach and its components	<p>NiS: Nestlé in Society: Creating Shared Value, p6 CGFR: Corporate Governance Overview Statement, p24</p> <p>NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	
103-3 Evaluation of the management approach	<p>NiS: Nestlé in Society: Creating Shared Value, p6 CGFR: Corporate Governance Overview Statement, p24</p> <p>NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There were no incidents reported in 2018.	

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 300 Environmental Standards Series		
MATERIALS		
103-1 Explanation of the material topic and its Boundary	NiS: Our Water & Environmental Strategy, p78 NiS: Optimising Product Packaging, p85 NiS: Refrigerant Management, p92	
103-2 The management approach and its components	NiS: Our Water & Environmental Strategy, p78 NiS: Optimising Product Packaging, p85 NiS: Refrigerant Management, p92	
103-3 Evaluation of the management approach	NiS: Our Water & Environmental Strategy, p78 NiS: Optimising Product Packaging, p85 NiS: Refrigerant Management, p92	
301-1 Materials used by weight or volume	NiS: Optimising Product Packaging, p85-87	
301-2 Recycled input materials used	NiS: Optimising Product Packaging, p87	
301-3 Reclaimed products and their packaging materials	-	Unavailable due to no measure on percentage of products sold and their packaging material that are reclaimed because Nestlé products reach consumers through various retail outlets. Due to its high variety of products, no measurement of packaging reclamation rates have been undertaken, and most of the packaging materials are recycled in various recycling centres throughout the country.

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GRI 300 Environmental Standards Series		
ENERGY		
103-1 Explanation of the material topic and its Boundary	NiS: Climate Change, p88 NiS: Transportation and Distribution, p90 NiS: Reducing Our Energy Consumption, p91	
103-2 The management approach and its components	NiS: Climate Change, p88 NiS: Transportation and Distribution, p90 NiS: Reducing Our Energy Consumption, p91	
103-3 Evaluation of the management approach	NiS: Climate Change, p88 NiS: Transportation and Distribution, p90 NiS: Reducing Our Energy Consumption, p91	
302-1 Energy consumption within the organization	NiS: CSV Key Performance Data, p17 NiS: Reducing Our Energy Consumption, p91	
302-2 Energy consumption outside of the organization	NiS: Reducing Our Energy Consumption, p91	
302-3 Energy intensity	NiS: Reducing Our Energy Consumption, p91	
302-4 Reduction of energy consumption	NiS: Reducing Our Energy Consumption, p91	
302-5 Reductions in energy requirements of products and services	NiS: Reducing Our Energy Consumption, p91	

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GRI 300 Environmental Standards Series		
WATER AND EFFLUENTS		
103-1 Explanation of the material topic and its Boundary	NiS: Our Water & Environmental Strategy, p78 NiS: Water, p79	
103-2 The management approach and its components	NiS: Our Water & Environmental Strategy, p78 NiS: Water, p79-81	
103-3 Evaluation of the management approach	NiS: Water, p79-81	
303-1 Interactions with water as a shared resource	NiS: Water, p79-81	
303-2 Management of water discharge-related impacts	NiS: Water, p79-81	
303-3 Water withdrawal	NiS: CSV Key Performance Data, p17 NiS: Water, p79	
303-4 Water discharge	NiS: Water p79-81	<p>The water quality from the municipal water supply follows Malaysia’s National Water Quality Standards and the total dissolved solids concentration is less than 500mg/L.</p> <p>Our water sources are not from water stress areas.</p> <p>There were no incidents reported for 2018.</p>
303-5 Water consumption	NiS: Water p79-81	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 300 Environmental Standards Series		
BIODIVERSITY		
103-1 Explanation of the material topic and its Boundary	NiS: Our Water & Environmental Strategy, p78 NiS: Environmental Sustainability, p82 NiS: Protecting Biodiversity, p93	Not applicable as it does not reach our materiality threshold.
103-2 The management approach and its components	NiS: Our Water & Environmental Strategy, p78 NiS: Environmental Sustainability, p82 NiS: Protecting Biodiversity, p93	
103-3 Evaluation of the management approach	NiS: Our Water & Environmental Strategy, p78 NiS: Environmental Sustainability, p82 NiS: Protecting Biodiversity, p93	
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	All our factories are located in Industrial Estates designated by the respective State governments. Nevertheless, Nestlé's commitment to the environment is reflected in its Project RiLeaf, reforestation of the Kinabatangan area, p93	Not applicable as it does not reach our materiality threshold.
304-2 Significant impacts of activities, products, and services on biodiversity	NiS: Responsible Sourcing, p52-53	Not applicable as it does not reach our materiality threshold.
304-3 Habitats protected or restored	NiS: Protecting Biodiversity, p93	
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	There are no reports of IUCN Red List species in the areas of operations. All factories are located in Industrial Estates designated by the respective States, which is located in a developed area as compared to a forest or the natural habitat for IUCN Red List species. The Nestlé Policy on Environmental Sustainability states that we must incorporate environmental sustainability objectives when we build, construct and renovate manufacturing facilities. The Nestlé Policy on Environmental Sustainability: http://www.nestle.com/asset-library/documents/library/documents/environmental_sustainability/nestle%20policy%20on%20environmental%20sustainability.pdf	

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GRI 300 Environmental Standards Series		
EMISSIONS		
103-1 Explanation of the material topic and its Boundary	NiS: Our Water & Environmental Strategy, p78 NiS: Climate Change, p88 NiS: Transportation and Distribution, p90	
103-2 The management approach and its components	NiS: Our Water & Environmental Strategy, p78 NiS: Climate Change, p88 NiS: Transportation and Distribution, p90	
103-3 Evaluation of the management approach	NiS: Our Water & Environmental Strategy, p78 NiS: Climate Change, p88 NiS: Transportation and Distribution, p90	
305-1 Direct (Scope 1) GHG emissions	NiS: Minimise Greenhouse Gas Emissions, p89 Emission source: National Corporate GHG Reporting Programme for Malaysia (2004) MYCarbon GHG Reporting Guidelines (version 1.6), Prepared by Eco-Ideal Consulting Sdn Bhd. Published: Ministry of Natural Resources and Environment (NRE) Malaysia, p74. GWP source: Greenhouse Gas Protocol 2015, Global Warming Potentials AR5	
305-2 Energy indirect (Scope 2) GHG emissions	NiS: Minimise Greenhouse Gas Emissions, p89 Emission source: National Corporate GHG Reporting Programme for Malaysia (2004) MYCarbon GHG Reporting Guidelines (version 1.6), Prepared by Eco-Ideal Consulting Sdn Bhd. Published: Ministry of Natural Resources and Environment (NRE) Malaysia, p74. GWP source: Greenhouse Gas Protocol 2015, Global Warming Potentials AR5	
305-3 Other indirect (Scope 3) GHG emissions	NiS: Minimise Greenhouse Gas Emissions, p89 NiS: Transportation and Distribution, p90 Emission source: National Corporate GHG Reporting Programme for Malaysia (2004) MYCarbon GHG Reporting Guidelines (version 1.6), Prepared by Eco-Ideal Consulting Sdn Bhd. Published: Ministry of Natural Resources and Environment (NRE) Malaysia, p74. GWP source: Greenhouse Gas Protocol 2015, Global Warming Potentials AR5	
305-4 GHG emissions intensity	NiS: Minimise Greenhouse Gas Emissions, p89 NiS: Transportation and Distribution, p90	
305-5 Reduction of GHG emissions	NiS: Minimise Greenhouse Gas Emissions, p89 NiS: Transportation and Distribution, p90	

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 300 Environmental Standards Series		
EMISSIONS		
305-6 Emissions of ozone-depleting substances (ODS)	NiS: Minimise Greenhouse Gas Emission, p89 NiS: Refrigerant Management, p92 We do not produce and export CFC-11 at all our operation sites. GWP source of R22: Greenhouse Gas Protocol 2015, Global Warming Potentials AR5	Partially disclosed in kilograms. We are working towards enhancing our ODS calculation.
305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	NiS: Minimise Greenhouse Gas Emissions, p89	
EFFLUENTS AND WASTE		
103-1 Explanation of the material topic and its Boundary	NiS: Our Water & Environmental Strategy, p78 NiS: Water, p79	
103-2 The management approach and its components	NiS: Our Water & Environmental Strategy, p78 NiS: Water, p79	
103-3 Evaluation of the management approach	NiS: Our Water & Environmental Strategy, p78 NiS: Water, p79	
306-1 Water discharge by quality and destination	NiS: Water, p81	
306-2 Waste by type and disposal method	NiS: Minimising Solid Waste, p83-84 NiS: Recycled Content, p87 NiS: CSV Key Performance Data, p17	Waste disposal contractors are not disclosed due to confidentiality constraints.
306-3 Significant spills	There were no incidents of significant spills in 2018.	
306-4 Transport of hazardous waste	NiS: Minimising Solid Waste, p84 Nestlé did not import or export any hazardous waste in 2018.	
306-5 Water bodies affected by water discharges and/or runoff	All water discharged from Nestlé Malaysia factories are treated and are in compliance with the Environment Quality Act Standard B, with the approval from the Environmental Authorities. Our discharge is less than 1% with respect to flow rate of river.	

GRI CONTENT INDEX

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 300 Environmental Standards Series		
ENVIRONMENTAL COMPLIANCE		
103-1 Explanation of the material topic and its Boundary	NiS: Our Water & Environmental Strategy, p78 NiS: Environmental Sustainability, p82	
103-2 The management approach and its components	NiS: Our Water & Environmental Strategy, p78 NiS: Environmental Sustainability, p82	
103-3 Evaluation of the management approach	NiS: Our Water & Environmental Strategy, p78 NiS: Environmental Sustainability, p82	
307-1 Non-compliance with environmental laws and regulations	As of December 2018, no significant fines, non-monetary sanctions or cases brought through dispute resolution mechanisms were being imposed or happened within the Group.	
SUPPLIER ENVIRONMENTAL ASSESSMENT		
103-1 Explanation of the material topic and its Boundary	NiS: Responsible Sourcing, p52 RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-2 The management approach and its components	NiS: Responsible Sourcing, p52 RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-3 Evaluation of the management approach	NiS: Responsible Sourcing, p52 RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
308-1 New suppliers that were screened using environmental criteria	NiS: Responsible Sourcing, p52 Nestlé conducts screening for its range of suppliers based on risk assessment using the Suppliers Ethical Data Exchange (SEDEX) platform. This assessment was conducted based on suppliers' social and environmental performance. This is part of our Nestlé policy on responsible sourcing. 107 high priority vendors (our top suppliers and logistics, administration and HR services) were audited and issued with a valid letter of conformance by third-party auditors. Audits are valid for three years.	
308-2 Negative environmental impacts in the supply chain and actions taken	NiS: Responsible Sourcing, p52-53 To date, there have been no major potential negative environmental impacts in the supply chain. However, as part of our commitment to reduce GHG in transportation, we have in place a few programmes to optimise the distance travelled as well as the use of high-capacity trucks. We also continue to utilise the application of highly efficient lightings in our distribution warehouses and introduced Zero Landfill Technologies in our Nestlé Distribution Centre.	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
EMPLOYMENT		
103-1 Explanation of the material topic and its Boundary	NiS: Rural Development & Our People Strategy, p48 NiS: Our People, p58	
103-2 The management approach and its components	NiS: Rural Development & Our People Strategy, p48 NiS: Our People, p58	
103-3 Evaluation of the management approach	NiS: Our People, p58	
401-1 New employee hires and employee turnover	NiS: Our Workforce – Full Time Equivalent Employees, p59	Breakdown of new employee hires and employee turnover by age are not disclosed due to limited data availability. We are examining applicable methods to measure the data, to be available in 2019.
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	The Group has listed down and provided full disclosure on the benefits of every employee in the Nestlé Management Employee Handbook, the collective agreement between Nestlé Manufacturing (Malaysia) Sdn. Bhd. and Food Industry Employee Union, and the collective agreements between Nestlé Products Sdn. Bhd. and National Union of Commercial Workers. Nestlé Management Employee Handbook (internal circulation)	
401-3 Parental leave	NiS: Diversity and Gender Balance, p61	No data available due to limited data availability. We are examining applicable methods to measure the data, to be available in 2020.

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION																																																														
GRI 400 Social Standards Series																																																																
LABOR/ MANAGEMENT RELATIONS																																																																
103-1 Explanation of the material topic and its Boundary	-	Not applicable as it does not reach our materiality threshold.																																																														
103-2 The management approach and its components	-																																																															
103-3 Evaluation of the management approach	-																																																															
402-1 Minimum notice periods regarding operational changes	As stated in the Collective Agreements, the minimum notice period is two months, depending on the nature of the change i.e. restructuring, outsourcing of operations, closures, expansions, new openings, takeovers, sale of all or part of the organisation, or mergers. Nestlé Management Employee Handbook (internal circulation)																																																															
FP3 Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	There was no working time lost due to industrial disputes, strikes and/or lockout in our Malaysian operations.																																																															
OCCUPATIONAL HEALTH AND SAFETY																																																																
403-1 Occupational health and safety management system	NiS: Safety, Health and Wellbeing, p62																																																															
403-2 Hazard identification, risk assessment, and incident investigation	NiS: Safety, Health and Wellbeing, p62																																																															
403-3 Occupational health services	NiS: Safety, Health and Wellbeing, p62 The below table summarises the assistance programmes provided to the below recipients:																																																															
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="8">Assistance Programme</th> </tr> <tr> <th colspan="4">Education/ Counselling Training</th> <th colspan="2">Prevention/ Risk Control</th> <th colspan="2">Treatment</th> </tr> <tr> <th>Programme Recipients</th> <th>Yes</th> <th>No</th> <th>Yes</th> <th>No</th> <th>Yes</th> <th>No</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Employees' Families</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Immediate family members are covered under employee's medical insurance</td> <td></td> <td>Immediate family members are covered under employee's medical insurance</td> <td></td> </tr> <tr> <td>Community Members</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> </tr> </tbody> </table>				Assistance Programme								Education/ Counselling Training				Prevention/ Risk Control		Treatment		Programme Recipients	Yes	No	Yes	No	Yes	No	Yes	No	Employees	✓		✓		✓		✓		Employees' Families		✓		✓	✓		✓							Immediate family members are covered under employee's medical insurance		Immediate family members are covered under employee's medical insurance		Community Members	✓		✓			✓		✓
	Assistance Programme																																																															
	Education/ Counselling Training				Prevention/ Risk Control		Treatment																																																									
Programme Recipients	Yes	No	Yes	No	Yes	No	Yes	No																																																								
Employees	✓		✓		✓		✓																																																									
Employees' Families		✓		✓	✓		✓																																																									
					Immediate family members are covered under employee's medical insurance		Immediate family members are covered under employee's medical insurance																																																									
Community Members	✓		✓			✓		✓																																																								
All Nestlé Malaysia factories are exposed to high-risk chemicals. Measures are being taken to reduce the risks to workers. There have been no reported cases of serious illnesses or diseases due to exposure to high-risk chemicals.																																																																
(Source: Chemical Health Risk Assessments: Year 2009 through 2013)																																																																

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
OCCUPATIONAL HEALTH AND SAFETY		
403-4 Worker participation, consultation, and communication on occupational health and safety	100% of collective agreements contain Health and Safety topics. As indicated in the Collective Agreement 2014-2016 between Nestlé Manufacturing (Malaysia) Sdn. Bhd. and Food Industry Employee Union: <ul style="list-style-type: none"> • Article 25 describes the terms and conditions, under which an employee shall be granted casual leave in the case of hospital admission of legal spouse or children/legally adopted child; • Article 29 describes the terms and conditions, under which an employee shall or shall not be entitled to paid sick leave; • Article 30 describes the terms and conditions, under which an employee shall be granted a prolonged illness leave; • Article 31 describes the terms and conditions, under which an employee shall be granted an industrial accident leave. As indicated in the Collective Agreement 2016-2018 between Nestlé Products Sdn. Bhd. and the National Union of Commercial Workers: <ul style="list-style-type: none"> • Article 16 describes the terms and conditions, under which an employee shall be granted casual leave in the case of hospital admission of legal spouse, children, parent, brother/sister of the same blood, grandparent; • Article 20 describes the terms and conditions, under which an employee shall or shall not be entitled to paid sick leave. 	
403-5 Worker training on occupational health and safety	NiS: Safety, Health and Wellbeing, p63	
403-6 Promotion of worker health	NiS: Nestlé Framework for Employees Health, p64-65 NiS: Employee Engagement, p70	
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NiS: Safety, Health and Wellbeing, p62-63	
403-8 Workers covered by an occupational health and safety management system	NiS: Safety, Health and Wellbeing, p62	

GRI CONTENT INDEX

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
OCCUPATIONAL HEALTH AND SAFETY		
403-9 Work-related injuries	<p>NiS: Safety, Health and Wellbeing, p62-63</p> <p>Our calculation on injuries and lost day rate are as follows:</p> $\frac{\text{Number of recordable injuries or lost day}}{\text{Total number of hours worked}} \times 1,000,000$	
403-10 Work-related ill health	-	Not disclosed due to limited data availability. We are examining applicable methods to measure, the data to be available in 2021.
TRAINING AND EDUCATION		
103-1 Explanation of the material topic and its Boundary	<p>NiS: Our People, p58</p> <p>NiS: Training and Development, p66-67</p>	
103-2 The management approach and its components	<p>NiS: Our People, p58</p> <p>NiS: Training and Development, p66-67</p>	
103-3 Evaluation of the management approach	<p>NiS: Our People, p58</p> <p>NiS: Training and Development, p66-67</p>	
404-1 Average hours of training per year per employee	NiS: Training and Development, p66	
404-2 Programs for upgrading employee skills and transition assistance programs	<p>NiS: Training and Development, p66-67</p> <p>In addition, Nestlé Malaysia partners with a robust e-Learning solution that offers a variety of courses on different topics and also gives access to hundreds of books.</p> <p>Nestlé Malaysia also runs a two-day workshop that covers the three Key Areas of Concerns amongst potential retirees i.e. Finance, Health and Relationships. It is designed to prepare and equip participants with the required knowledge, tools and skills to work out a retirement plan that suits them.</p>	
404-3 Percentage of employees receiving regular performance and career development reviews	NiS: Training and Development, p67	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
DIVERSITY AND EQUAL OPPORTUNITY		
103-1 Explanation of the material topic and its Boundary	NiS: Rural Development & Our People Strategy, p48 NiS: Diversity and Gender Balance, p60-61	
103-2 The management approach and its components	NiS: Rural Development & Our People Strategy, p48 NiS: Diversity and Gender Balance, p60-61	
103-3 Evaluation of the management approach	NiS: Diversity and Gender Balance, p60-61	
405-1 Diversity of governance bodies and employees	NiS: CSV Key Performance Data, p17 NiS: Diversity and Gender Balance, p60	

Ethnic	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Bumiputera	432	8.20	3,203	60.81	80	1.52	3,715	70.53
Chinese	808	15.34	284	5.39	11	0.21	1,103	20.94
Indian	134	2.54	222	4.21	7	0.13	363	6.89
Others	64	1.22	17	0.32	5	0.09	86	1.63
Total	1,438	27	3,726	71	103	2	5,267	100

Age	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Below 30	266	5.05	676	12.83	84	1.59	1,026	19.48
30-50	1,038	19.71	2,661	50.52	12	0.23	3,711	70.46
Above 50	134	2.54	389	7.39	7	0.13	530	10.06
Total	1,438	27	3,726	71	103	2	5,267	100

Gender	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Male	693	13.16	2,711	51.47	76	1.44	3,480	66.07
Female	745	14.14	1,015	19.27	27	0.51	1,787	33.93
Total	1,438	27	3,726	71	103	2	5,267	100

Breakdown of Nestlé Malaysia's Board of Directors in terms of ethnic composition, age group and gender.

Ethnic	%	Total
Bumiputera	43	3
Chinese	0	0
Indian	14	1
Others	43	3
Total	100	7

Age	%	Total
Below 30	0	0
30-50	0	0
Above 50	100	7
Total	100	7

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
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GRI 400 Social Standards Series
DIVERSITY AND EQUAL OPPORTUNITY

405-2 **NiS:** Diversity and Gender Balance, p60

Ratio of basic salary and remuneration of women to men

Employee Category	WOMEN			MEN		
	Annual Basic Salary	HC	Ratio	Annual Basic Salary	HC	Ratio
Management	83,108,851	745	0.85	90,920,012	693	1.18
Non Management	35,463,820	1,015	0.91	103,868,534	2,711	1.10

NON-DISCRIMINATION

103-1 **NiS:** Our People, p58

Explanation of the material topic and its Boundary

NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf

103-2 **NiS:** Our People, p58

The management approach and its components

NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf

103-3 **NiS:** Our People, p58

Evaluation of the management approach

NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf

406-1 There were no incidents of discrimination reported in 2018.

Incidents of discrimination and corrective actions taken

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
103-1 Explanation of the material topic and its Boundary	NiS: Labour Relations, p72 NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	
103-2 The management approach and its components	NiS: Labour Relations, p72-73 NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	
103-3 Evaluation of the management approach	NiS: Labour Relations, p72-73 NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	There were no incidents report in 2018.	
CHILD LABOR		
103-1 Explanation of the material topic and its Boundary	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-2 The management approach and its components	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-3 Evaluation of the management approach	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
408-1 Operations and suppliers at significant risk for incidents of child labor	NiS: Responsible Cocoa and Coffee Sourcing, p54	

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
FORCED OR COMPULSORY LABOR		
103-1 Explanation of the material topic and its Boundary	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-2 The management approach and its components	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-3 Evaluation of the management approach	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	NiS: Commitment to Continue Engaging Our Suppliers, p53 We do not accept any form of forced or compulsory labour in our value chain.	
SECURITY PRACTICES		
103-1 Explanation of the material topic and its Boundary	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-2 The management approach and its components	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-3 Evaluation of the management approach	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
410-1 Security personnel trained in human rights policies or procedures	NiS: Compliance, p74	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
RIGHTS OF INDIGENOUS PEOPLES		
103-1 Explanation of the material topic and its Boundary	All factories are located in Industrial Estates designated by the respective States governments, which is located in a developed area as compared to regions where indigenous people reside or have interests near operations of the organisation. Nevertheless, Nestlé's commitment to the rights of indigenous people is reflected in its Safe Water, Safe Communities Project, p81	
103-2 The management approach and its components	All factories are located in Industrial Estates designated by the respective States governments, which is located in a developed area as compared to regions where indigenous people reside or have interests near operations of the organisation. Nevertheless, Nestlé's commitment to the rights of indigenous people is reflected in its Safe Water, Safe Communities Project, p81	
103-3 Evaluation of the management approach	All factories are located in Industrial Estates designated by the respective States governments, which is located in a developed area as compared to regions where indigenous people reside or have interests near operations of the organisation. Nevertheless, Nestlé's commitment to the rights of indigenous people is reflected in its Safe Water, Safe Communities Project, p81	
411-1 Incidents of violations involving rights of indigenous peoples	All factories are located in Industrial Estates designated by the respective States governments, which is located in a developed area as compared to regions where indigenous people reside or have interests near operations of the organisation. Nevertheless, Nestlé's commitment to the rights of indigenous people is reflected in its Safe Water, Safe Communities Project, p81 There were no incidents report in 2018.	
HUMAN RIGHTS ASSESSMENT		
103-1 Explanation of the material topic and its Boundary	NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	Not applicable as it does not reach our materiality threshold
103-2 The management approach and its components	NiS: Responsible Sourcing, p52 NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	
103-3 Evaluation of the management approach	NiS: Responsible Sourcing, p52 NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	

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DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
HUMAN RIGHTS ASSESSMENT		
412-1 Operations that have been subject to human rights reviews or impact assessments	NiS: Compliance, p74 All Nestlé Malaysia sites have been subjected to CARE (Nestlé Corporate Compliance Assessment Program of Human Rights & Labour Practices, Business Integrity, Safety & Health, Environmental Sustainability and Security) audits.	
412-2 Employee training on human rights policies or procedures	NiS: Compliance, p74	
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	NiS: Our Commitment on Sustainable Palm Oil, p56-57	
LOCAL COMMUNITIES		
103-1 Explanation of the material topic and its Boundary	NiS: Community Engagement, p34-39 NiS: Rural Development & Our People Strategy, p48 NiS: Rural Development, p49 NiS: Responsible Sourcing, p52 NiS: Protecting Biodiversity, p93	
103-2 The management approach and its components	NiS: Community Engagement, p34-39 NiS: Rural Development & Our People Strategy, p48 NiS: Rural Development, p49 NiS: Responsible Sourcing, p52 NiS: Protecting Biodiversity, p93	
103-3 Evaluation of the management approach	NiS: Community Engagement, p34-39 NiS: Rural Development & Our People Strategy, p48 NiS: Rural Development, p49 NiS: Responsible Sourcing, p52 NiS: Protecting Biodiversity, p93	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
LOCAL COMMUNITIES		
413-1 Operations with local community engagement, impact assessments, and development programs	<p>NiS: Community Engagement, p34-39</p> <p>NiS: Rural Development, p49</p> <p>NiS: Responsible Sourcing, p52-57</p> <p>NiS: Promoting Youth Employment and Employability, p68-69</p> <p>NiS: Employee Engagement, p70-71</p> <p>NiS: Safe Water, Safe Communities Project, p81</p> <p>NiS: CAREton Project, p87</p> <p>NiS: Protecting Biodiversity, p93</p>	
	Our facilities are subject to all local building codes, regulations and requirements, including environmental impact studies.	
413-2 Operations with significant actual and potential negative impacts on local communities	There were no incidents reported in 2018.	
SUPPLIER SOCIAL ASSESSMENT		
103-1 Explanation of the material topic and its Boundary	<p>NiS: Responsible Sourcing, p52-56</p> <p>NiS: Compliance, p74-75</p>	
	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-2 The management approach and its components	<p>NiS: Responsible Sourcing, p52-56</p> <p>NiS: Compliance, p74-75</p>	
	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	
103-3 Evaluation of the management approach	<p>NiS: Responsible Sourcing, p52-56</p> <p>NiS: Compliance, p74-75</p>	
	RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf	

GRI CONTENT INDEX

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
SUPPLIER SOCIAL ASSESSMENT		
414-1 New suppliers that were screened using social criteria	<p>NI: Responsible Sourcing, p52</p> <p>100% of our new suppliers were informed on the Nestlé Responsible Sourcing Standard and were required to sign an acknowledgement form.</p> <p>RSS: https://www.nestle.com/asset-library/documents/library/documents/suppliers/nestle-responsible-sourcing-standard-english.pdf</p> <p>Nestlé Malaysia does not have visibility of these activities, as we do not conduct any Human Rights sessions with third parties. They are however within the purview of the respective stakeholders and advocated to embrace the Human Rights and Integrity principles as contained in NCBP and the NCBC.</p> <p>NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	
414-2 Negative social impacts in the supply chain and actions taken	There were no incidents reported in 2018.	
PUBLIC POLICY		
103-1 Explanation of the material topic and its Boundary	<p>CGFR: Corporate Governance Overview Statement, p2</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	
103-2 The management approach and its components	<p>CGFR: Corporate Governance Overview Statement, p2</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	
103-3 Evaluation of the management approach	<p>CGFR: Corporate Governance Overview Statement, p2</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	
415-1 Political contributions	<p>Nestlé does not contribute to political parties, politicians, and/or related institutions by country.</p> <p>Under Section 10, Page 6 of the Nestlé Code of Business Conduct, political contributions are not allowed.</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
CUSTOMER HEALTH AND SAFETY		
103-1 Explanation of the material topic and its Boundary	NiS: Nutrition Health and Wellness, p20-21, 25	
103-2 The management approach and its components	NiS: Nutrition Health and Wellness, p20-23, 25, 28 NiS: Product Safety and Quality, p30-31	
103-3 Evaluation of the management approach	NiS: Nutrition Health and Wellness, p22, 26, 28 NiS: Product Safety and Quality, p30-31	
416-1 Assessment of the health and safety impacts of product and service categories	NiS: Product Safety and Quality, p31 In addition to our report, all our products undergo strict monitoring for food safety and quality purposes. The results of these monitoring are also used for improvement/product renovation where necessary.	
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	There were no incidents reported in 2018.	
FP5 Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	The percentage of production sites certified by an independent third-party is 100%; based on Nestlé Quality Management System and international recognised standards. The factories are audited annually by SGS for FSSC 22000, OHSAS 18001 and ISO 14000. (Source: Manufacturing Management, Technical and Production, Nestlé Malaysia.)	
FP6 Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and added sugars	NiS: Addressing Our Consumption of Sugar and Sodium, p24 Nestlé has always been committed to improving both the nutritional benefits and taste of our food and beverage products. We pay particular attention to food safety and nutritional recommendations, whilst complying with regulatory requirements and meeting consumer expectations.	Data unavailable due to the confidential nature of the information, Nestlé is unable to provide the percentage of total sales volume of consumer products by product category.

GRI CONTENT INDEX

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
CUSTOMER HEALTH AND SAFETY		
FP7 Percentage of total sales volume of consumer products, by product category, that contain increased nutritious ingredients like fiber, vitamins, minerals, phytochemicals or functional food additives	<p>NiS: CSV Key Performance Data, p16</p> <p>NiS: Meeting Local Taste Buds through Innovation, p40-41</p> <p>At Nestlé Malaysia, we are constantly innovating and renovating our products to improve their nutritional quality. However, we do not collate quantitative data for the percentage of products that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives.</p> <p>Nestlé Policy on Fortification of Food Products with Vitamins, Minerals and Trace Elements is to promote fortification of food products with vitamins, minerals and trace elements at levels that are sufficient to help to improve health but in amounts that do not increase the risk of developing adverse consequences from excessive consumption.</p>	
MARKETING AND LABELING		
103-1 Explanation of the material topic and its Boundary	<p>NiS: Product Labelling, p26</p> <p>NiS: Responsible Product Marketing and Advertising, p32</p> <p>NiS: Responsible Marketing of Breast-milk Substitutes, p32</p>	
103-2 The management approach and its components	<p>NiS: Product Labelling, p26</p> <p>NiS: Responsible Product Marketing and Advertising, p32</p> <p>NiS: Responsible Marketing of Breast-milk Substitutes, p32</p>	
103-3 Evaluation of the management approach	<p>NiS: Product Labelling, p26</p> <p>NiS: Responsible Product Marketing and Advertising, p32</p> <p>NiS: Responsible Marketing of Breast-milk Substitutes, p32</p>	
417-1 Requirements for product and service information and labeling	<p>NiS: CSV Key Performance Data, p16</p> <p>NiS: Product Labelling, p26</p>	
417-2 Incidents of non-compliance concerning product and service information and labeling	There were no incidences reported in 2018.	
417-3 Incidents of non-compliance concerning marketing communications	To our best knowledge and with reasonable steps taken, there were no incidents reported in 2018.	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
CUSTOMER PRIVACY		
103-1 Explanation of the material topic and its Boundary	Privacy Policy: http://www.nestle.com.my/info/privacy_policy	
103-2 The management approach and its components	Privacy Policy: http://www.nestle.com.my/info/privacy_policy	
103-3 Evaluation of the management approach	Privacy Policy: http://www.nestle.com.my/info/privacy_policy	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no incidents reported in 2018.	
SOCIOECONOMIC COMPLIANCE		
103-1 Explanation of the material topic and its Boundary	NiS: Responsible Product Marketing and Advertising, p32 NiS: Responsible Marketing of Breast-milk Substitutes p32-33	
103-2 The management approach and its components	NiS: Responsible Product Marketing and Advertising, p32 NiS: Responsible Marketing of Breast-milk Substitutes p32-33	
103-3 Evaluation of the management approach	NiS: Responsible Product Marketing and Advertising, p32 NiS: Responsible Marketing of Breast-milk Substitutes p32-33	
419-1 Non-compliance with laws and regulations in the social and economic area	There were no incidents reported in 2018.	

GRI CONTENT INDEX

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
ANIMAL WELFARE		
103-1 Explanation of the material topic and its Boundary	Nestlé Malaysia does not breed animals or handle livestock in its operations.	
103-2 The management approach and its components	Nestlé Malaysia does not breed animals or handle livestock in its operations.	
103-3 Evaluation of the management approach	Nestlé Malaysia does not breed animals or handle livestock in its operations.	
FP9 Percentage and total of animals raised and/or processed, by species and breed type	Nestlé Malaysia does not breed animals or handle livestock in its operations.	
FP10 Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic	Nestlé Malaysia does not breed animals or handle livestock in its operations.	
FP11 Percentage and total of animals raised and/ or processed, by species and breed type, per housing type	Nestlé Malaysia does not breed animals or handle livestock in its operations.	
FP12 Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type	Nestlé Malaysia does not breed animals or handle livestock in its operations.	

DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 400 Social Standards Series		
ANIMAL WELFARE		
FP13 Total number of incidents of significant non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals	Nestlé Malaysia does not breed animals or handle livestock in its operations.	

Abbreviations:

NiS: Nestlé in Society Report**AR:** Annual Review**CGFR:** Corporate Governance and Financial Report**NCBP:** The Nestlé Corporate Business Principles**NCBC:** Nestlé Code of Business Conducts**RSS:** Nestlé Responsible Sourcing Standard



Independent Assurance Report To Management of Nestlé (Malaysia) Berhad (2018)

We have been engaged by Nestlé (Malaysia) Berhad ("Nestlé Malaysia" or "the Company") to perform an independent limited assurance engagement on selected Sustainability Information (hereon after referred to as "Selected Information" comprising the information set out in the Subject Matter) as reported by Nestlé Malaysia in its Nestlé in Society Report 2018.

Management's Responsibility

Management of Nestlé Malaysia is responsible for the preparation of the Selected Information included in the Nestlé in Society Report 2018 in accordance with Nestlé Malaysia's internal sustainability reporting guidelines and procedures and Global Reporting Initiative's Sustainability Reporting Standards ("GRI Standards"). Management is also responsible for the preparation of Nestlé in Society Report 2018 disclosure to be in accordance with the GRI Standards.

This responsibility includes the selection and application of appropriate methods to prepare the Selected Information reported in the Nestlé in Society Report 2018 as well as the design, implementation and maintenance of processes relevant for the preparation. Furthermore, the responsibility includes the use of assumptions and estimates for disclosures made by of Nestlé Malaysia which are reasonable in the circumstances.

Our Responsibility

Our responsibility is to provide a conclusion on the Subject Matter based on our limited assurance engagement performed in accordance with the approved standard for assurance engagements in Malaysia, International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information".

This standard requires that we comply with ethical requirements, and plan and perform the assurance engagement under consideration of materiality to express our conclusion with limited assurance.

The accuracy of the Selected Information is subject to inherent limitations given their nature and methods for determining, calculating and estimating such data.

Our limited assurance report should therefore be read in connection with Nestlé Malaysia's internal sustainability reporting guidelines and procedures on the reporting of its sustainability performance.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Subject Matter

The following information collectively known as Selected Information on which we provide limited assurance consists of:

- The management and reporting processes with respect to the preparation of the following six (6) Selected Information reported and marked with asterisks (*) in Nestlé in Society Report 2018 as follows:
 1. Number of products certified with Healthier Choice Logo for the financial year 2018;
 2. Number of kids participated in Nestlé for Healthier Kids Program for the financial year 2018;
 3. Leadership positions held by women (%) for the financial year 2018;
 4. Number of suppliers screened based on Nestlé Responsible Sourcing Standards for the financial year 2018;
 5. Hazardous & Recycled waste (tonne) for the financial year 2018; and
 6. Packaging source reduction (tonne) for the financial year 2018.
- Nestlé Malaysia's declaration that Nestlé in Society Report 2018 is prepared in accordance with the GRI standards.



Criteria

- Nestlé Malaysia's internal sustainability reporting guidelines and procedures by which the Selected Information is gathered, collated and aggregated internally; and
- The GRI Standards

Main Assurance Procedures

Our work, which involved no independent examination of any of the underlying financial information, included the following procedures:

- Inquiries of personnel responsible for the Selected Information reported in Nestlé in Society Report 2018 regarding the processes to prepare the said report and the underlying controls over those processes;
- Inquiries of personnel responsible for data collection at the corporate and operation unit level for the Selected Information;
- Inspection on a sample basis of internal documents, contracts, reports and data capture forms to support the Selected Information for accuracy including observation of management's controls over the processes;
- Inquiries of personnel on the collation and reporting of the Selected Information at the corporate and operation unit level; and
- Checking the formulas, proxies and default values used in the Selected Information against Nestlé Malaysia's sustainability reporting guidelines and procedures; and
- Checking the Nestlé in Society Report 2018 in accordance with the GRI Standards.

Independence and Quality Control

We have complied with the relevant independence requirements and other ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements", and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on our limited assurance engagement, in all material aspects, nothing has come to our attention that causes us to believe that

- The Selected Information in the Subject Matter has not been fairly stated in accordance with Nestlé Malaysia's internal sustainability reporting guidelines and procedures; and
- The Nestlé in Society Report 2018 disclosures are not sufficient to be reported in accordance with the GRI standards.

Restriction on use

This report, including our conclusions, has been prepared solely for the Board of Directors of Nestlé Malaysia in accordance with the agreement between us, in connection with the performance of an independent limited assurance on the Selected Information in the Subject Matter as reported by Nestlé Malaysia in its Nestlé in Society Report 2018. Accordingly, this report should not be used or relied upon for any other purposes. We consent to the inclusion of this report in the Nestlé in Society Report 2018 and to be disclosed online at www.nestle.com.my, in respect of the 2018 financial year, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. As a result, we will not accept any liability or assume responsibility to any other party to whom our report is shown or into whose hands it may come. Any reliance on this report by any third party is entirely at its own risk.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
8 March 2019

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NESTLÉ (MALAYSIA) BERHAD

(110925-W)

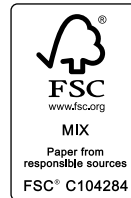
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