Nestlé Good food, Good life

CORPORATE GOVERNANCE &
FINANCIAL REPORT 2021

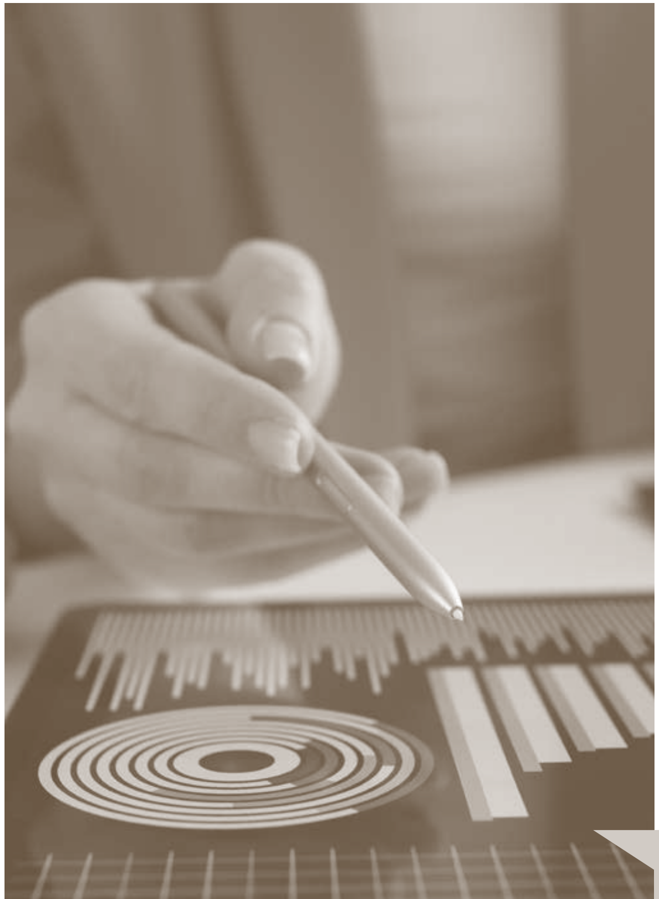
UNLOCKING THE POWER OF FOOD
TO ENHANCE QUALITY OF LIFE FOR EVERYONE,
TODAY AND FOR GENERATIONS TO COME.

Inside This Report

THE BOARD IS COMMITTED TO DELIVERING ITS LONG TERM STRATEGY REFLECTING THE INTERESTS OF THE GROUP'S STAKEHOLDERS, WHILST APPLYING HIGH STANDARDS OF CORPORATE GOVERNANCE.

About This Report

THE NESTLÉ CORPORATE GOVERNANCE & FINANCIAL REPORT 2021 ASSESSES OUR GOVERNANCE PRACTICES AND REPORTS ON OUR FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021. OUR CORPORATE GOVERNANCE OVERVIEW STATEMENT IS TO BE READ IN CONJUNCTION WITH OUR CORPORATE GOVERNANCE REPORT, WHICH HAS BEEN MADE AVAILABLE ON OUR CORPORATE WEBSITE AT WWW.NESTLE.COM.MY. SAVE AS DISCLOSED IN OUR CORPORATE GOVERNANCE REPORT, NESTLÉ (MALAYSIA) BERHAD (NESTLÉ MALAYSIA / COMPANY) HAS COMPLIED WITH THE MAIN PRINCIPLES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2021.



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DEVELOPING CONTENT

This Corporate Governance & Financial Report 2021 was prepared based on local and global standards, including the:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements)
- Malaysian Code on Corporate Governance 2021 (MCCG)
- Corporate Governance Guide by Bursa Malaysia Berhad (4th Edition)
- Companies Act 2016
- International Financial Reporting Standards (IFRS)
- Malaysian Financial Reporting Standards (MFRS)
- Global Reporting Initiative (GRI) Standard

ICONS IN THIS REPORT

AR *Annual Review 2021*

CGFR *Corporate Governance & Financial Report 2021*

NIS *Nestlé in Society Report 2021*

Directs the readers to pages or other supplementary reports with more information

IN DISCUSSION WITH THE CHAIRMAN

Q **The macroeconomic landscape has been unprecedented for the past two years. In your view, how has the Board of Directors (Board) responded to the continued challenges brought by the COVID-19 pandemic?**

A The ability of Nestlé (Malaysia) Berhad and its subsidiaries (the Group) to prosper in whatever the circumstances, was fully evident when our committed management and colleagues in our factories and offices came together in the most difficult circumstances and in the most inspiring ways to deliver their best. The Board and I are truly grateful, because we know that the outstanding performance achieved this year involved exceptional efforts by all our people to deliver strong financial, operating and strategic progress but also in looking after each other, our communities and our consumers. We continue to be guided by our purpose and values, with our priority being to keep our people and communities safe and well. When everything outside is confusing and uncertain, our purpose confirms a set of beliefs and an enduring direction in all circumstances.

This reminds our people, whether working in factories with unsettling and difficult constraints, or working at home on their screens, that what they are doing is really important, not just for today but also for the future. The COVID-19 pandemic has also shown that humanity is just a subset of a bigger, complex natural ecosystem which is inherently fragile.

It has also accelerated the world's focus on environmental, social and governance issues because it has sensitised us to our own vulnerability and the consequences of what we do. Tackling the climate change crisis and protecting our natural resources for future generations are probably two of the most significant long-term challenges facing the world today. As a business with an integral role in the food supply chain, we recognise our responsibility to play our part and using our size, scale and reach to tackle climate change and make a big difference. We are transforming our business and using our resources to inspire change.

Q **With Environment, Social and Governance (ESG) considerations taking a greater role in Board decision making, how has the Board driven the ESG agenda?**

A We are very conscious of the need to promote sustainability in the Group's business. The expectations of investors and other stakeholders in this area have noticeably increased over the last year and our Nestlé in Society Report explains in detail the steps that the Group is taking to tackle climate change, plastic waste and other sustainability challenges. This is also well aligned with the global ambition and commitments of Nestlé S.A. and I am proud that the Group has pioneered a number of important initiatives. When we achieve this, we become a force for good that enhances the quality of life for everyone.

As you would expect, both the Board and I, have taken great lengths to ensure Board oversight on our ESG agenda. We have sought to ensure that we have Directors with the appropriate level of sustainability knowledge. Our Board evaluations set sustainability criteria which assists in identifying the necessary priorities and trainings. Further, the environmental impact of our operations is an important factor across the Board's deliberations and has driven significant investment in the business to support our Creating Shared Value (CSV) vision.

I am pleased that this year we continue to report on the Group's performance against the GRI standards, which is a widely recognised international standard adopted by many global companies. This is an important step in collecting and publishing objective environmental data against which our year-on-year performance can be assessed.

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
(Chairman)

Q **In such a challenging environment, how has the Board adapted?**

A During the year, the Board and its Committees have adapted to new ways of working and where physical meetings were not possible, the Board met regularly using video conferencing technology. Whilst virtual meetings cannot be a complete substitute for 'in person' meetings over a prolonged period, overall this has enabled us to maintain effective governance and focus on the delivery of the Group's strategy. Topics considered by the Board during the year are set out in pages 9 and 10 of this Report. The Board continued to consider the interests of all of its stakeholders when making its decisions. Further explanation identifying the Group's various stakeholders and how their interests have been taken into account is set out in pages 16 and 17. Whilst the Board's deliberations inevitably focused on the impact of COVID-19 on the Group, the Board and its Committees have also considered a wide range of other matters arising during the year, including the Group's strategies, plans and implementation thereof in light of the challenges brought upon by COVID-19.

This year, we reviewed the Board's effectiveness through an internal process using confidential questionnaires facilitated by the Company Secretary with support from KPMG Management & Risk Consulting Sdn. Bhd. We sought feedback on progress from a broader range of topics including on sustainability and I am pleased to confirm that the Board and its Committees have continued to perform effectively. Further details of this can be found in page 13 of this Report.

Q **The year under review has resulted in numerous changes to the Board composition. What changes were made and how have the changes strengthened the Board composition?**

A Following a board refresh exercise, we were delighted to welcome Mr. Chin Kwai Fatt and YM Dr. Tunku Alina Raja Muhd. Alias to the Board on 29 April 2021 and 21 June 2021, respectively. Both joined the Board as Independent Non-Executive Directors, with Mr. Chin Kwai Fatt having extensive experience in accounting, audit, finance and digital, locally and globally and YM Dr. Tunku Alina Raja Alias bringing with her experience in law, corporate governance, climate change governance and financial oversight. This complements the Board and enhances its independence and diversity, including knowledge in digital and sustainability matters.

Q **What can stakeholders look forward to the year ahead?**

A The Board and the Executive Leadership Team remain committed to growing a business which anticipates and responds to evolving consumer trends, driven by our purpose and value.

Although I have not been able to meet as many of you in person this year as I would have liked because of the pandemic, we have listened to your feedback and questions at every opportunity and welcome further communication from all stakeholders.

On behalf of the Board, I would like to conclude by thanking our employees and the Management Team, as well as all distributors, suppliers, customers, consumers and shareholders for their unwavering commitment and resilience during what I know has been a truly extraordinary and unprecedented year for our industry. As Chairman, I feel confident that we are now moving into a new phase of our development and can look forward to continued growth and new strategic opportunities in the year ahead.

I hope this Overview and those of my fellow Board Committee Chairs demonstrates the work we have undertaken, and the tangible and positive impact it has had on our business and for our stakeholders, towards promoting the long-term success and prosperity of Nestlé Malaysia and our stakeholders.

This Nestlé Corporate Governance Overview Statement should be read together with the Corporate Governance Report 2021 which can be downloaded from the Company's corporate website at www.nestle.com.my or the Bursa Malaysia Berhad (Bursa Malaysia) announcement web page.

Corporate Governance Overview Statement - An Ecosystem of Accountability and Integrity

COMPLIANCE FRAMEWORK STRUCTURE

The Compliance framework structure is helmed by the Compliance Steering Committee, chaired by the Chief Executive Officer (CEO), and consists of a few members of the Executive Leadership Team and the Legal & Compliance Counsel. The Compliance Steering Committee sets the Group's strategy and direction for compliance and to provide guidance and support towards the successful execution of an effective Compliance Programme.

Each year, the Compliance Programme is formulated to cover execution of internal policies, procedures and agenda to ensure compliance with applicable laws, rules and regulations. Further, the Compliance Programme includes an evaluation of current compliance topics, the Group's internal controls, monitoring and identification of gaps and risks within the Group, and the continuous implementation of employee awareness and engagement activities. Individual working groups are then formed separately to support and implement the Compliance Programme and the directions of the Compliance Steering Committee. The progress of the Compliance Programme is then reported to the Compliance Steering Committee.

In 2021, the main focus of the Compliance Steering Committee continues to be the strengthening of the Group's internal processes and increasing awareness to ensure it is equipped with adequate procedures in line with the new section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act).

For the financial year ended 31 December 2021, the Compliance Steering Committee convened three meetings.

NESTLÉ CORPORATE BUSINESS PRINCIPLES (NCBP)

For Nestlé to be successful, we must earn the trust of our employees, consumers, customers, suppliers, shareholders and wider society. This will be dependent on us acting with integrity at all times and upholding our commitments. The NCBP provides a strong ethical framework, ensuring integrity of action and compliance with laws, regulations and our own commitments.

The NCBP prescribes certain values and principles which Nestlé has committed worldwide. The principles focus on:

Consumers:
Emphasising nutrition, health and wellness, quality assurance and product safety as well as responsible and reliable consumer communication.

Our People:
Emphasising human rights, diversity and inclusion as well as safety and health at work.

Value Chain:
Emphasising responsible sourcing, honesty, integrity and fairness to our customers and business partners, and commitment to environmental sustainability.

Business Integrity:
Emphasising ethics, privacy and ethical data management.

Transparent Interaction and Communication:
Emphasising transparent internal interaction, communication and responsible external engagement and advocacy.

Compliance:
Emphasising a "doing the right thing for the right reason" mindset, a robust compliance assessment, communication and training programme, and accessible grievance reporting mechanisms have been put in place for both internal and external stakeholders.

NESTLÉ CODE OF BUSINESS CONDUCT (NCBC)

The NCBC implements the NCBP by establishing certain non-negotiable minimum standards of behaviour in key areas. It provides a reference to employees, associates, officers and Directors when they seek guidance on the proper cause of action in a given situation. The three basic guiding principles are:

(a) avoid any conduct that could damage or create risk to the Group or its reputation;

(b) act legally and honestly; and

(c) put the Group's interests ahead of personal or other interests.

The NCBC comprises of 14 sections:
1. Compliance with laws, rules and regulations
2. Conflicts of Interest
3. Outside directorships and other outside activities
4. Families and Relatives
5. Corporate opportunities
6. Insider trading
7. Antitrust and fair dealing
8. Confidential information
9. Fraud, protection of company assets, accounting
10. Bribery and corruption
11. Gifts, meals, entertainment
12. Discrimination and harassment
13. Failure to comply
14. Reporting illegal or non-compliant conduct

NESTLÉ MALAYSIA ANTI-CORRUPTION, GIFTS & ENTERTAINMENT GUIDELINES (ANTI-CORRUPTION GUIDELINES)

Nestlé condemns any and all forms of bribery and corruption.

With a zero-tolerance approach towards corruption, the Anti-Corruption Guidelines was launched to guide the employees and the Directors on, amongst others, situations of gifts, entertainment, dealings with government officials, conflicts of interest and facilitation payments. The Anti-Corruption Guidelines resonates Nestlé's stance against bribery and corruption globally.

In 2020, an amendment in the form of a new section 17A to the MACC Act introduced corporate liability for bribery and corruption. In order to ensure compliance with this new section 17A and to equip itself with the Adequate Procedures prescribed by the MACC Act, the Group strengthened its internal processes including procurement practices, control measures, risk assessment, systematic review, monitoring and assessment, and communications and training. The Group continues to strengthen its practices this year with a review and update of the Anti-Corruption Guidelines and its approval processes. On 9th December 2021, in conjunction with the International Anti-Corruption Day, the Group launched the new International Anti-Corruption Guidelines with updates, particularly in the areas of sponsorships and dealings with government officials. Following this, a strong tone-from-the-top message was communicated by the leadership team to remind all employees about the Group's commitment towards ethics, integrity and honesty. This was accompanied with an awareness activity on compliance and informative talk in the area of Anti-Corruption by a legal specialist.

The Group continues to create awareness on the Anti-Corruption Guidelines through regular communications to its employees, Directors and also to its customers and service providers.

BUSINESS ETHICS & FRAUD COMMITTEE (BEFC)

The BEFC reviews all complaints and/or allegations lodged by employees or third parties through various modes of reporting, including via "Speak Up", Nestlé Malaysia's whistleblowing hotline. It is chaired by the CEO and consists of the Chief Financial Officer (CFO), the Executive Director, Legal & Secretarial (as the Market Compliance Officer) and the Executive Director, Group Human Resource. The BEFC ensures an investigation on the complaint is effectively conducted and that appropriate action is taken based on the nature of the violation. The Audit Committee reviews the report and updates from the BEFC prior to the review by the Board.

COMPETITION LAW AND ANTITRUST POLICY

In 2021, the Group has started to roll out the Nestlé Global Antitrust e-Learning in phases targeting employees across different functions.

The Nestlé Global Antitrust e-Learning has been designed specifically to create a personalised learning journey for each employee and its main objective is to help the employees better understand the basic rules of competition laws applicable to their role and at the same time, ensure compliance when executing their day-to-day roles.

All employees that have been identified to go through the Nestlé Global Antitrust e-Learning are expected to complete the learning modules by end of 2022.

The roll-out of the Nestlé Global Antitrust e-Learning in 2021 is in addition to the existing ongoing competition law trainings that the Group, through its Legal & Compliance department, has conducted for the various business and function units, including for all newly recruited employees of the Group.

The Group will continue to roll-out compliance programmes to ensure that existing business transactions and practices continue to adhere to current competition laws and are conducted within the framework of the Nestlé Group Antitrust Law Policy.

PERSONAL DATA PROTECTION

Nestlé values the privacy of every individual's personal data and is committed to meet all obligations set out under the Personal Data Protection Act 2010 (PDPA).

Alongside the Nestlé Privacy Policy and Nestlé Privacy Standard, the Nestlé Malaysia Personal Data Guidelines offers guidance to the Group on the handling and use of personal data in Nestlé.

As a continuous effort, the Group engages and continues to create awareness and training on good data privacy and security practices within the relevant business and functions units that process personal data. The Group also provides training to service providers who handle personal data on the Group's behalf, including to instill in them the importance of good data security practices. This area will continue to be of great importance to the Group in line with the Group's commitment to protect personal data and privacy under the NCBP.

NESTLÉ MALAYSIA CHARTER: INFANT FORMULA POLICY

The International Code of Marketing of Breast-milk Subtitutes (WHO Code) aims to protect, promote and support breastfeeding globally and the Group has voluntarily and unilaterally applied the WHO Code and adhered to all national government measures (including the Malaysia Code of Ethics) in implementing the WHO Code. To fortify our resolute commitment in respecting a mother's freedom of choice and ensure that all aspects of our business operations do not in any way undermine the superiority of breast milk, we have further adopted the Nestlé Malaysia Charter: Infant Formula. Our Nestlé Malaysia Charter: Infant Formula Policy further conforms to the principles of both the WHO Code and Malaysia Code of Ethics for the Marketing of Infant Foods and Related Products which seeks to regulate appropriate marketing, distribution and proper use of breast milk substitutes in Malaysia.

WHO CODE OMBUDSPERSON SYSTEM

The Group has put in place an internal WHO Code Ombudsperson System that allows any of the Group's employees to anonymously alert the Group outside the line management structure, via the appointed Ombudsperson of potential policy violations or raise concerns with regards to the marketing of infant formula products. This measure is to ensure the continuous implementation and efficacy of the Nestlé Policy & Procedure of WHO Code Implementation and Nestlé Malaysia Charter: Infant Formula Policy. All investigations conducted by our appointed Ombudsperson are confidential. The Group also affords the public a platform to report of any non-compliance concerns via the Company's website @https://www.speakupfeedback.eu/web/nm34k/my (Access Code: 91738).

NESTLÉ RESPONSIBLE SOURCING STANDARD (STANDARD)

The Standard describes the requirements and ways of working that the Group applies for upstream supply chain third parties to ensure sustainable long-term supply to achieve the Group's purpose, and continuously reducing the impact on the planet's resources. It sets out ways of working with regard to sourcing and production for the Group's supply chain tiers, from the Group to suppliers, through intermediaries and all the way back to the origins of the goods and services purchased. The Standard defines the way the Group sources through care and respect for individuals, communities and the planet. It delivers on consumers expectations on where the Group's products come from and how they are made.

The Standard replaces previous versions of the Nestlé Supplier Code, the Nestlé Responsible Sourcing Guideline and the Nestlé Commitment on the Responsible Use of Materials from Agricultural Origin. It contributes to the implementation of the Group's commitment to the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the Core Conventions of the International Labour Organization, and the United Nations Sustainable Development Goals (SDGs).

WHISTLEBLOWING

The Group's whistleblowing procedures facilitates the reporting of any incident or potential incident of non-compliance within the Group's employees or any third parties.

Previously, there were separate systems for internal and external reporting. In order to have more transparency and better data, in April 2021 the Nestlé S.A. Group launched a single global internal and external reporting channel for non-compliance concerns and questions, known as Speak Up. Through Speak Up, our whistleblowing system, it provides all Nestlé employees and all other external stakeholders with a dedicated communication channel for reporting of non-compliance concerns.

Details of Speak Up are shared not only on Nestlé's corporate website but also through communications and awareness creation activities to employees and communications to Nestlé's customers and suppliers.

The identity of the whistleblower is safeguarded at all times and protected from coercion, retaliation or reprisal for their cooperation. For this purpose, Speak Up is operated by an independent third party service provider. All reports will be properly investigated and treated with confidence by the BEFC. In 2021, six non-compliance complaints were received under the whistleblowing system, all of which have been duly investigated, and where necessary, actions have been taken.

Speak Up (Employees)
Dial : 1800-88-4307 (Access code : 91738)
Email : Noncompliance.mailbox@my.nestlé.com

Web : www.speakupfeedback.eu/web/A2VY73/my (Access Code: 91738)

Corporate Governance Overview Statement - Our Board At A Glance

AC	*Audit Committee*
GNCC	*Governance, Nomination and Compensation Committee*

100%
MEETING ATTENDANCE RATE

MEETING ATTENDANCE 2021

	Board	AC	GNCC
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail *Chairman, Non-Independent Non-Executive Director*	6/6	4/4	3/3
Mr. Chin Kwai Fatt *Independent, Non-Executive Director (Appointed on 29 April 2021)*	3/3	2/2	-
Dato' Hamidah Naziadin *Independent, Non-Executive Director*	6/6	-	3/3
Datin Sri Azlin Arshad *Independent, Non-Executive Director*	6/6	4/4	-
YM Dr. Tunku Alina Raja Muhd. Alias *Independent, Non-Executive Director (Appointed on 21 June 2021)*	2/2	-	1/1
Juan Aranols *Non-Independent, Executive Director*	6/6	-	-
Craig Connolly *Non-Independent, Executive Director*	6/6	-	-
Dato' Mohd. Rafik Shah Mohamad *Independent, Non-Executive Director (Retired on 28 April 2021)*	3/3	2/2	1/1
Dato' Dr. Nirmala Menon *Independent, Non-Executive Director (Retired on 28 April 2021)*	3/3	-	1/1

OVERVIEW OF THE BOARD OF DIRECTORS

4 Independent 1 Non-Independent 2 Executive Directors

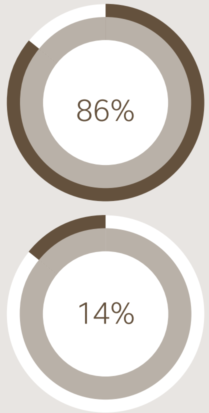
GENDER DIVERSITY

Male	Female
57%	43%

DIVERSITY OF NATIONALITY & ETHNICITY

MALAYSIAN	FOREIGNER
Malay:4 Chinese:1	Spanish:1 Australian:1

DIVERSITY OF TENURE



Less than 5 years: 86%
More than 5 years: 14%

DIVERSITY OF AGE

48 · 53 · 54 · 58 · 66 · 70

SKILLS AND EXPERIENCES OF THE DIRECTORS

1. Business Operations
2. Climate Change Governance
3. Communication and Multimedia
4. Corporate Social Responsibility
5. Digital
6. Finance
7. Global Experience
8. Corporate Governance
9. Government Liaison
10. Human Resource
11. Industrial Relations
12. Investment Banking
13. Investor Relations
14. Law
15. Risk Management
16. Sales & Marketing
17. Strategy
18. Sustainable Development

BOARD ROLES AND RESPONSIBILITIES

The positions of Chairman and Chief Executive Officer are held by different individuals.

Chairman
Responsible for the operation and leadership of the Board, ensuring its effectiveness and setting its agenda.

Executive Directors
Implement strategic direction, operational decisions and managing the day-to-day responsibilities of the Group, within the set bounds of authorities delegated by the Board.

Chief Executive Officer
Responsible for leading and managing the Group's business within a set of authorities delegated by the Board and for the implementation of the Group's strategy and policy.

Non-Executive Directors
Play a key role in providing a solid foundation for good corporate governance and ensure that no individual or group dominates the Board's decision-making.

Independent Directors
Responsible for protecting the interests of minority shareholders and other stakeholders.

Company Secretary
Plays an advisory role to the Board in relation to the Group's policies and procedures, and compliance with relevant regulatory requirements.

MATTERS RESERVED FOR THE BOARD

Review, approve and adopt the Company's strategic plans and annual budgets.	Declaration of dividends, approval of financial statements, accounts and quarterly reports of the Company.	Acquisition, divestment or closure of business.	Establishment of new substantial businesses.
Significant capital investment and disposal of material assets from the existing business to a third party.	Increase or reduction of the Company's subsidiary(ies)'s issued capital.	Selected corporate restructuring exercise.	The change of name of any company within the Group and establishment of any new subsidiary company.

"OUR CULTURE EMPOWERS THE PEOPLE TO CONSISTENTLY ACHIEVE THEIR DELIVERABLES AND ADD VALUE TO THE ORGANISATION."

"CULTURE IS MONITORED BY THE BOARD, DRIVEN BY THE EXECUTIVE LEADERSHIP TEAM AND GUIDED BY THE EXECUTIVE DIRECTOR OF GROUP HUMAN RESOURCES."

THE BOARD

The Board is collectively responsible to the shareholders for the direction and oversight of the Company to ensure its long-term success. The Board met regularly throughout the year, either in person or virtually, to approve the Group's strategic objectives, to lead the Group within a framework of effective controls which enabled risks to be assessed and managed, and to ensure that sufficient resources are available to meet the objectives set.

The Board takes stewardship of the Group's sustainability agenda, guided by Nestlé global's approach of Creating Shared Value (CSV). It ensures that ESG considerations are holistically integrated in the Group's strategy. In doing so, the Board sets the tone at the top for a strong sustainability culture within the Group. The Board's close interaction with the Management additionally enables the Board to satisfy itself on the way sustainability governance is structured and functioning through the various levels of management. The Board has the ultimate responsibility for the Group's sustainability reporting. Should any questions be raised regarding the Group's sustainability reporting, the Board would ensure that they are addressed.

CONSIDERS COMMITMENT

All Directors are committed and devoted in carrying out their roles and responsibilities. As part of the appointment process, prospective directors are required to confirm that there is no conflict of interest and they will be able to devote sufficient time to the Company to discharge their responsibilities effectively. Furthermore, all Directors are required to disclose other commitments prior to appointment and to inform the Company of any changes in their commitments to ensure that they continue to be able to devote sufficient time to the Company. Prior to accepting any subsequent appointment, there is a process in place to ensure that any new appointment will not lead to potential conflict and reduced time commitment.

CULTURE AND VALUES

Our culture empowers the people to consistently achieve their deliverables and add value to the organisation. Further, to unlock potential, our people look to go beyond their capabilities to find their potential and reach their peak performance. All this, with support through positive values, instils courage, open mindedness and creates an atmosphere of innovation. Culture is monitored by the Board, driven by the Executive Leadership Team and guided by the Executive Director of Group Human Resources.

INFORMATION FLOW

The Company Secretary manages the provision of information to the Board at appropriate times in consultation with the Chairman and CEO and ensures that the Board has the policies, processes, time and resources it needs to function effectively and efficiently. This includes regulatory and corporate governance updates to all Board members. Regular management updates are also sent to Directors as appropriate, to keep them informed of events throughout the Group between Board meetings and to ensure that they are advised of the latest issues affecting the Group. In addition to formal meetings, the Chairman and CEO maintain regular contact with all Directors. During the year under review, the Chairman held an in-camera session with the Non-Executive Directors, without any of the executives being present for an open discussion. All Directors have access to the Company Secretary, who amongst others, is responsible for advising the Board on all governance matters.

PURPOSE, BUSINESS MODEL AND STRATEGY

The purpose of Nestlé is to unlock the power of food to enhance quality of life for everyone, today and for generations to come. A description of the Company's business model for sustainable growth in support of this purpose is set out in the business value creating model section in pages 8 and 9 of the Annual Review and in the business review sections. These sections provide an explanation of the basis on which the Group generates value and preserves it over the long term and its strategy for delivering its objectives.

Corporate Governance Overview Statement - Governance Framework

WE PRIDE OURSELVES ON CONDUCTING OUR BUSINESS IN AN OPEN AND TRANSPARENT MANNER. OUR WELL-ESTABLISHED CULTURE ENSURES THAT OUR GOVERNANCE FRAMEWORK REMAINS FLEXIBLE, ALLOWING FOR FAST DECISION MAKING AND EFFECTIVE OVERSIGHT.

The Board is responsible for the long-term success and stewardship of the Company, overseeing its conduct and affairs to create sustainable value for the benefit of its shareholders and other stakeholders, including customers, suppliers, employees and the communities in which the business operates. The Board is ultimately responsible for the business strategy and the financial robustness of the Group, for monitoring performance and for establishing a governance structure and practice which facilitates effective decision making and good governance.

The Board consists of Senior Executive Management alongside a strong team of sector experienced Non-Executive Directors. The role of the Board is regulated in a formal Board Charter, which defines its authority and power. To enable the members of the Board to discharge these responsibilities, they have full and timely access to all relevant information. The Board delegates certain roles and responsibilities to its various Board Committees and to the Senior Management Team. The Committees ensure that there is independent oversight of internal controls and risk management and assist the Board by fulfilling their obligations and reporting to the Board on the outcomes from their respective activities. The key responsibilities of the Audit Committee and the Governance, Nomination and Compensation Committee are set out in pages 19 and 23 respectively.

The Board Charter is available on the Company's website at www.nestle.com.my

CREATING SHARED VALUE GOVERNANCE STRUCTURE

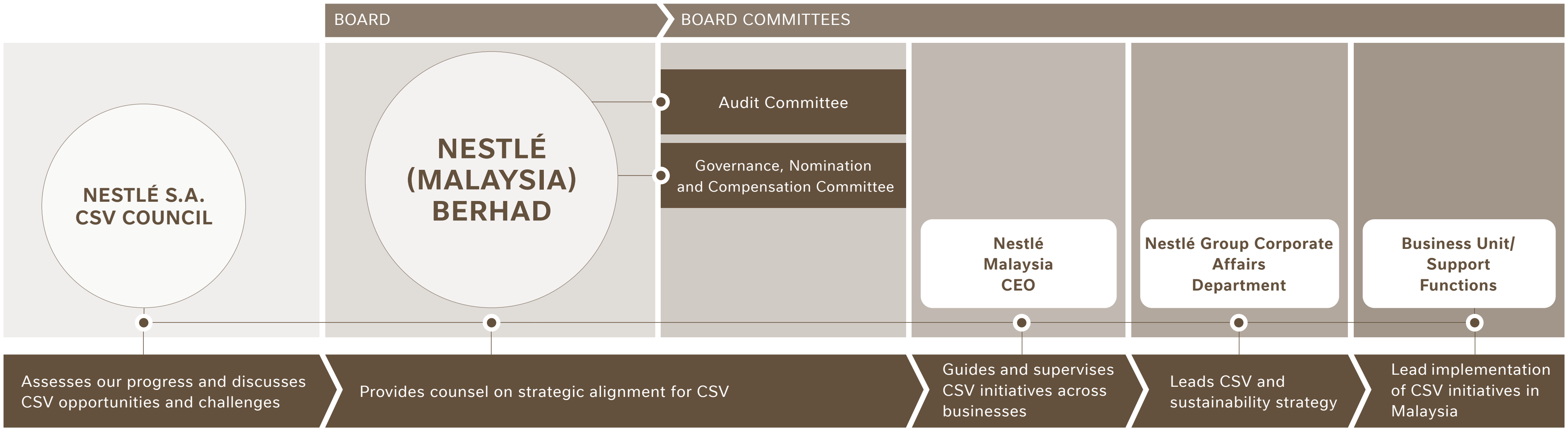
Nestlé Malaysia is committed to creating shared value and continues to accelerate its sustainability commitments to create a positive impact to the society and environment. The Nestlé CSV framework is the foundation of how the Company operates, as well as a force for good. CSV is embedded in the overall Nestlé culture and principles, defining the Group's vision for a sustainable future for all, and allowing the Group to consistently enhance value to its shareholders, stakeholders and society as a whole.

The Board plays a crucial role in guiding and ensuring the success of the Group based on these principles. The Board reviews updates, reports and gives advice on measures which ensure the long-term sustainability of the Group in its economic, social and environmental dimension and has an overview of the Group's progress and performance. It reviews the Group's commitments on environmental, social and governance aspects as well as the annual Nestlé in Society Report, discusses periodically how other material non-financial issues affect the Company's financial performance and how its long-term strategy relates to its ability to create shared value. It also oversees the response to climate change and related reporting, the Group's human capital management, including its strategies for diversity and inclusion and periodically reviews the Group's significant stakeholders and their material interests.

The Executive Director, Group Corporate Affairs leads the Nestlé Malaysia CSV strategy and sustainability efforts, with guidance from the CEO and counsel from the Board. Operationally, subject matter experts from various business and function units will lead their respective CSV initiatives, guided by the Group Corporate Affairs Department. Regular progress reviews are assessed with subject matter experts, Group Corporate Affairs, CEO and relevant members of the Executive Leadership Team. The Group Corporate Affairs Department spearheads and is responsible for managing CSV and sustainability initiatives under the supervision of the CEO. The Board also provides strategic guidance and counsel on the alignment of the Company's CSV and sustainability strategy to its long-term business objectives, alongside conducting a bi-annual review of the progress of initiatives as benchmarked against the targets.

In determining the Group's role in society and managing its CSV strategy and sustainability initiatives, it receives guidance from the Nestlé S.A. CSV Council. The CSV Council provides sound advice and recommendations to the Group with regard to CSV implementation, as well as progress evaluation. For further information on the CSV Governance Structure, please refer to page 10 of the Nestlé in Society Report.

CSV GOVERNANCE STRUCTURE



Corporate Governance Overview Statement - Key Activities of the Board in 2021

In the year under review, six Board meetings were held. An overview of the Board's key activities on the matters reviewed/deliberated/approved is provided below.

STRATEGY

- Group's Strategy and Roadmap, and the implementation thereof.
- Business Strategy and operational activities.
- Creating Shared Value, Sustainability initiatives and Net Zero Roadmap.
- Retail and consumer landscaping.
- Out-of-Home Business Strategy.
- Sales Channel Strategy.
- Expert Business Strategy.
- Halal Strategy.
- Digital Strategy.
- Social Media Listening.
- Innovation and Business Initiatives.
- Healthier Choice Logo (HCL) 2.0 updates.
- Plant Based Meal Solutions.
- MILO Business Strategy.
- Health and safety of work force, business partners and community support during the COVID-19 pandemic.

FINANCIAL

- Cumulative full year results for the financial year ended 31 December 2020.
- Directors' Report and Audited Financial Statements for the financial year ended 31 December 2020.
- Quarterly Results.
- Report on Company's quarterly and previous year's performance and outlook for the year.
- Dividend payments and solvency position of the Company.
- Financial Results announcement.
- Compliance with the Malaysian Accounting Standards Board and other relevant legal and regulatory requirements with regards to the financial statements.
- General budget.
- Capital Expenditure budget.
- Tax updates.
- Financial results announcements to Bursa Malaysia.
- Recurrent Related Party Transactions by the Group.
- Quarterly and full year Nestlé S.A. results.

SHAREHOLDERS/INVESTORS AND ENGAGEMENT

- Circular to shareholders in relation to the Proposed Renewal of shareholders' Mandates for Recurrent Related Party Transactions of a revenue or trading nature.
- Preparation for the 2021 Annual General Meeting (Virtual AGM).
- Quarterly Analyst and Investor briefings.
- Meeting with substantial shareholder, Employee Provident Fund (EPF)
- EPF Corporate Governance Principles and Voting Guidelines 2021, and Permodalan Nasional Berhad Voting Guidelines.

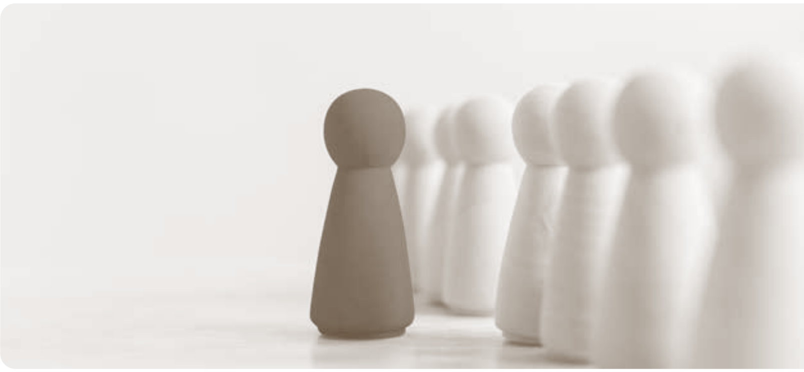
Corporate Governance Overview Statement - Key Activities of the Board in 2021

GOVERNANCE

- Group's compliance with the Listing Requirements.
- Compliance with the MCCG and Companies Act 2016.
- Amendments/updates to the Listing Requirements.
- Amendments/updates to the MCCG.
- MCCG gap assessment and action plans therefrom.
- Company's announcements released to Bursa Malaysia.
- Submission of the semi-annual returns to Bursa Malaysia.
- Directors' Written Resolutions passed by the Board.
- Minutes of Meetings of the Board Committees.
- Board Committees' reports and recommendations.
- Board Charter and the Terms of Reference of the Board Committees.
- Appointment of Ernst & Young PLT (EY) as the Group's external auditors for the financial year ending 31 December 2021 and to ensure the external auditors meet the criteria provided by Paragraph 15.21 of the Listing Requirements and maintain its independence.
- Diversity Policy.
- Compensation Policy.
- Corporate Governance Report and the Annual Report 2020.
- Board Effectiveness Evaluation (BEE) results and Assessment of Directors' Independence.
- Composition and skills of the Board and Board Committees.
- Performance and effectiveness of the Board, Board Committees and individual Directors.
- Other directorship of the Board members.
- Board Improvement Programme based on the results of the BEE.
- Nestlé Corporate Business Principles, Nestlé Code of Business Conduct, Nestlé Corporate Governance Guidelines and the Nestlé Malaysia Anti-Corruption Gifts & Entertainment Guidelines.
- Update from the Creating Shared Value Council.
- WHO Code Compliance update.
- Effectiveness of Board meetings.
- Board Agenda 2021 and 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

- Enterprise Risk Management, mitigating measures and updates.
- Cyber security landscape, risks and updates.
- Regulatory landscape risks impacting the business.
- Corruption risks and update on Anti-Corruption initiatives.
- Commodity outlook.
- Distributors' credit risks and management.
- Report on major litigation, claims and/or issues with substantial financial impact (if any).
- Reports from the Nestlé Internal Audit, the recommendations and management responses.
- Reports from the external auditors.
- Statement of Risk Management and Internal Control for the Annual Report.
- COVID-19 pandemic.



LEADERSHIP AND PEOPLE

- Board succession plans, Board composition and Board Diversity (including gender, ethnicity/cultural background and age diversity).
- Tenure of Directors.
- Retirement of Directors by rotation, the re-election of Directors.
- Board trainings.
- Appointment of new Directors.
- Appointment of new Board Committee members.
- Recommendation for the fees and benefits to be paid to the Non-Executive Directors.
- Compensation of the Executive Directors.
- Compensation of the Nestlé Leadership Team.
- Compensation Direction for the employees of the Group.
- Management development of the Nestlé Leadership Team.
- Succession plan of the Nestlé Leadership Team.
- Status of the Collective Agreement negotiations with the Food Industry Employees Union.
- Management Trainee Programme.
- Human Resource updates.

THE COMPANY IS GUIDED BY THE FOLLOWING PROCESSES AND PROCEDURES FOR THE NOMINATION OF NEW CANDIDATES TO THE BOARD:-	
• Identification of gap and skills required • Selection of candidates • Assessment of candidates • Interaction with candidates	• Due diligence • Review by the Governance, Nomination and Compensation Committee • Board Approval

THE GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE IN MAKING ITS RECOMMENDATION ON CANDIDATES TO THE BOARD WILL CONSIDER THE CANDIDATES':-	
• Skill, knowledge, competencies, expertise and experience • Commitment, potential contributions and performance	• Professionalism • Integrity • Industry standing • Leadership

In the case of candidates for the position of Independent Non-Executive Directors, the Governance, Nomination and Compensation Committee will also evaluate the candidate's ability to discharge such responsibilities/ functions as expected from an Independent Non-Executive Directors.

APPOINTMENTS TO THE BOARD

At Nestlé Malaysia, we ensure that appointments to the Board are made solely on merit with the overriding objective of ensuring that the Board maintains the correct balance of skills, expertise, length of service and knowledge of the Group to successfully lead the Group's strategy.

Appointments are made based on the recommendation of the Governance, Nomination and Compensation Committee with due consideration given to the benefits of diversity in its widest sense, including gender, experience, knowledge and personal strengths.

All Board appointments are subject to continued satisfactory performance and contribution following the Board's annual effectiveness review. The Governance, Nomination and Compensation Committee leads the process for Board appointments and re-appointments, and makes recommendations to the Board. The final decision is in the hands of the Board.

RE-ELECTION OF DIRECTOR

The Board of Directors had through its Governance, Nomination and Compensation Committee carried out an evaluation of the Directors who are eligible for re-election under Articles 97.1 and 106 of the Company's Constitution. Based on its evaluation on performance and contribution, the Board is satisfied that the following Directors who have offered themselves for re-election, have met the Board's expectations in the discharge of their duties and responsibilities, therefore recommending their re-election.

The following Directors shall retire in accordance with Article 97.1 of the Company's Constitution:-

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail was first appointed as a Non-Independent Non-Executive Director of the Company on 25 February 2002 and was re-designated to be an Independent Non-Executive Director on 5 November 2004. After serving for more than nine years and in compliant with Practice 4.2 of the MCCG 2017, he was re-designated as a Non-Independent Non-Executive Director on 20 February 2018. Tan Sri Dato' Seri Syed Anwar Jamalullail retains his role as Chairman of Board of Directors and as Chairman of the Governance, Nomination and Compensation Committee.

The recommendation to re-elect YAM Tan Sri Dato' Seri Syed Anwar Jamalullail is based on his vast experience and expertise in corporate business, finance and senior management in varying industries, strong business acumen and integrity as Chairman of public listed companies. With his exemplary leadership qualities and capabilities, in-depth understanding and knowledge of the Company's business and more importantly, the strategies and direction of the Company, he is able to give appropriate guidance and recommendations to the Board in enhancing decision making during these challenging times. The re-election of Tan Sri is supported by his abilities to steer Board meetings well, to include diverse opinions and views in deliberations, and to foster smooth working relationships with the Management Team. His leadership proved to be invaluable to the Company especially in times when the general market outlook has been quite uncertain.

Craig Connolly was appointed as the CFO and to the Board of Directors on 1 February 2019. His vast financial experience, strong functional finance capabilities and leadership skills, combined with his passion for continuous improvement, makes him well suited as the CFO of a public listed company. His capabilities and leadership have driven the financial operations of the Company effectively as proven by delivering good financial results every quarter in spite of multiple operational constraints and difficulties in challenging times.

Mr. Chin Kwai Fatt and YM Dr. Tunku Alina Raja Muhd. Alias who were recently appointed to the Board on 29 April 2021 and 21 June 2021 respectively, shall retire in accordance with Article 106 of the Company's Constitution. Based on the evaluation, the Board is satisfied with their performance and contribution, and is convinced that they will continue to bring value and insights to the Board.

DIRECTORS' INDUCTION AND DEVELOPMENT

Nestlé Malaysia has a structured induction programme tailored for the newly appointed Directors. This includes, meetings with members of the Nestlé Leadership Team, product experience and visits to the Group's facilities.

During the financial year under review, the Company organised a comprehensive induction programme for Mr. Chin Kwai Fatt and YM Dr. Tunku Alina Raja Muhd. Alias. Other Directors were also invited to join the induction programme as a refresher. The induction programme included a series of meetings with the business units and the Head of Functions.

OVER 15 HOURS OF INDUCTION TRAINING		
Beverages Business	Food Business and Product Tasting	Nestlé Nutrition
Breakfast Cereals Business	Ice Cream Business	Nestlé Professional
Communication & Marketing Services	Milks Business	Ready-to-Drink Business
Confectionery Business	MILO Business	Legal, Secretarial & Corporate Governance
Corporate Affairs & Sustainability	Nestlé Health Science	Finance

A comprehensive Director's Handbook that contains amongst others, meeting calendar, meeting agenda, Board Charter, Terms of Reference, Nestlé's Guidelines and Policies, the MCCG and other relevant documents related to their roles is also provided to all Directors.

Corporate Governance Overview Statement - Directors' Training

An effective Board requires the right mix of skills and experience. Our Board is a diverse and effective team focused on promoting the long-term success of the Group for the benefit of all stakeholders. With the ever-changing environment in which the Company operates, it is important for our Executive and Non-Executive Directors to remain aware of recent and upcoming developments. We require all Directors to keep their knowledge and skills up to date and include training discussions with the Chairman in their annual performance reviews.

Our Company Secretary provides regular updates to the Board and its Committees on regulatory and corporate governance matters. In addition, we invite our Directors to attend courses which will add value to their role as Directors.

As and when required, we invite professional advisers to provide in-depth updates. Updates and trainings are not solely reserved for legislative developments but aim to also cover a range of issues, including but not limited to, market trends, the economic environment, environmental, digital, technological and social considerations.

THE DIRECTORS' TRAININGS COVERED THE FOLLOWING AREAS:

Digital
- Overview on CyberSecurity Landscape
- Cyber Security in Nestlé
- Overview on First Party Data Strategy
- Social Media Listening
- How Digitalisation and Data Analytics Can Help you Do Wonders in Your Business
- The New Reality of Cyber Hygiene
- Masterclass: Digital Distruptions
- Winning Strategies for Legacy Companies
- Digital Series – Cyberthreats: What Boards Should Know
- Masterclass: Digital Disruptions
- Winning Strategies for Legacy Companies

Strategy
- Overview on Company's Strategy
- Nutrition, Health & Wellness
- Overview on Sales (Virtual Trade Visit and Business Strategy)
- Overview on Plant Based Meal Solution
- Resource Transformation Dialogue 2021

Finance
- Joint Committee on Climate Change (JC3) Flagship Conference 2021 : FinanceForChange
- Unlocking Capital for Sustainability 2021 : Scaling Sustainable Finance for a Green Recovery

Sustainability
- ICAEW Members Forum Q2: Chartered Accountants and Sustainability
- Carbon targets in Malaysia: Challenges and Opportunities
- The Net Zero Journey: What Board Members Need to Know – Part 1
- The Net Zero Journey: What Board Members Need to Know – Part 2
- ESG: Trends and Board Responsibilities
- ESG: Reporting Health Check
- ESG: Navigating the Board's Roles
- Unlocking Capital for Sustainability 2021: Scaling Sustainable Finance for a Green Recovery - ESG risks and opportunities: strategy and implementation/The future of ESG investing
- APAC Launch – Primer on Climate Change: Director's Duties and Disclosure Obligations
- Overview on Creating Shared Value
- Overview on Sustainability Initiatives

Governance
- The Law Behind Corporate Governance
- SC's Guidelines on Conduct of Directors of Listed Corporations and their subsidiaries
- Malaysian Code on Corporate Governance (2021 revision)
- Asia-Pacific Board Leadership Centre Webinar - Board and Audit Committee Priorities 2021
- BNM-FIDE Forum Dialogue : The Role of Independent Director in Embracing Present and Future Challenges.
- Directors In-House Training on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC) – Strengthening Integrity: The Role of Directors and Senior Management in the Anti-Corruption System
- E-Learning : Nestlé MY Anti-Corruption, Gifts & Entertainment Guidelines
- 2021 Anti-Money Laundering Training for Board of Directors of Kenanga Group of Companies
- Training on Recurrent Related Party Transactions
- Malaysia Food Regulatory & Landscape

Human Resource
- PNB Knowledge Forum 2021: Rising Above COVID-19 : Reimagining Work in Malaysia & Beyond
- Launch of the Malaysia Board Diversity Study & Index
- Overview on Human Resources

For the list of trainings attended by Company Secretary, please refer to Practice Code 1.5 of the Corporate Governance Report 2021.

Corporate Governance Overview Statement - Board Effectiveness Evaluations

Our annual Board evaluation provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of its decision making, the range and level of discussion and for each member to consider their own and their peers' contribution and performance. During the year, the Board Effectiveness Evaluation was facilitated by the Company Secretary with support from KPMG Management & Risk Consulting Sdn. Bhd. The Board Committees and independence assessment were also observed as part of the review.

STEP 1

Questionnaires were approved by both the Governance, Nomination and Compensation Committee and Board before being disseminated to each Director. The questions were focused around the following areas:

- Board effectiveness and information to the Board;
- Board Committee effectiveness;
- Board dynamics; and
- Opportunities/concerns.

STEP 2

A comprehensive report was generated based on the information and views given, and presented to the Chairman for his feedback.

STEP 3

The results of the evaluation, including the identified strength and development areas for the Directors were presented to the Governance, Nomination and Compensation Committee for their review and assessment of the findings and thereafter presented to the Board for review and discussion in developing action plans for improvement and enhancing its overall effectiveness. The Chairman will have individual sessions with each Director to discuss their individual performance.

FINDINGS AND OUTCOMES

The Board Effectiveness Evaluation concluded that the Board and Committees performed very well, with positive feedback received. The review highlighted that it was evident that the Board feels accountable to all stakeholders and that the Board places a strong emphasis on ensuring that it considered views from various angles in its discussions and decision making. The Board was considered to be appropriately diverse, with a culture of trust between Board members, which encourages open and honest discussions that leads to constructive feedback and challenge to the Executive Leadership Team and the Senior Management Team.

" WE OBSERVED A BOARD THAT IS OPEN AND COMMITTED TO THE EVALUATION PROCESS AND CONTINUING TO EVOLVE AND FIND WAYS TO ADD VALUE. "

RESULTS

KEY THEMES

BOARDROOM CONFIGURATION AND COMPOSITION

The Board has the right balance of skills, experience and expertise, and tackles the issue of diversity from all aspects, allowing the Company to avoid "blind spots" and nullify "group think" during deliberations and decision making. Dedicated and suitable number of Board Committees are established to oversee specialised areas in a focused manner whilst not resulting in inefficiencies and protracted decision-making. The Nestlé Malaysia Board remains as one of the market leaders in terms of board gender diversity.

LEADERSHIP OF BOARD CHAIRMAN

There is a noticeable strength in leadership across the Board as a whole with the Chairman of the Board providing strong exemplary leadership and effective facilitation of meetings. The Chairman is able to foster a healthy discussion during Board meetings with no "no-go areas" by ensuring that opposing views are heard, debated and recorded. The Chairman is also able to execute "fair process leadership" in reaching a strategic decision. The Chairman and CEO are able to work together effectively in providing leadership to the Board and the Company. The Chairman employs a very disciplined approach and ensures that the Board meetings are conducted professionally and productively.

INFORMATION FLOW AND BOARD INNERWORKINGS

The assessment has revealed that information flow and boardroom inner workings have been successfully handled. Board Agendas are well planned and comprehensive, with the Board papers circulated in advance. Induction programmes for newly appointed members are useful, informative, well planned and comprehensive enough to facilitate quick and effective integration to the Board, familiarising the new Director with the culture, history and dynamics of the Board and the Company. Board members have shown high levels of proactivity, enabling the Board to optimise each of the Board meetings.

ACTIONS

The review concluded that, whilst the Board was operating very effectively, there was room for further improvement and the following steps were recommended and agreed upon by the Board:

1. The current expertise of Directors can be further bolstered with relevant and diverse set of skills in future-proofing Nestlé Malaysia's strategies and operations, particularly in the area of information technology and digital strategy.
2. The Board should continuously strengthen its sustainability/ESG leadership. Further, there is room for improvement for the Board to provide more focus on ESG-based performance indicators and continuously ensure targets are well-established.

"THE EVALUATION HAS BEEN A VALUABLE PART OF OUR JOURNEY FOR CONTINUOUS IMPROVEMENTS FOLLOWING THE CHALLENGES RESULTING FROM THE COVID-19 PANDEMIC, IT IS A GOOD OPPORTUNITY TO RESET THE BOARD'S WAYS OF WORKING AND PRIORITIES TO SUPPORT OUR STRATEGY AND CREATE VALUE FOR OUR STAKEHOLDERS

Corporate Governance Overview Statement

DIRECTORS' COMPENSATION

The Company's Compensation Policy for the Board members is set to attract and retain highly qualified individuals to serve on the Board. The level of compensation reflects the time and effort required from the members in fulfilling their Board and Board Committees responsibilities. In order to ensure a proper level of independence, there is no variable compensation for Non-Executive members of the Board of Directors.

Executive Directors and Senior Management's compensation is guided by the compensation framework of its ultimate holding company, Nestlé S.A.

The Company's Compensation Policy which sets out the criteria to determine the Director's compensation, include:

- the demands, complexity of activities and performance of the Group;
- the level of responsibilities, skills, expertise and experience required;
- industry benchmarks against similar companies;
- market practice; and
- the risk environment and ensuring that the compensation does not encourage excessive risk-taking.

The Non-Executive Directors receive fees and allowances for their Board and Board Committees participation. When overseas travel is required, all reasonable travelling and accommodation expenses are paid by the Company.

The Governance, Nomination and Compensation Committee had engaged KPMG Management & Risk Consulting Sdn. Bhd. to conduct a remuneration benchmarking exercise for the Non-Executive Directors and provided input for the updating of the existing Compensation Policy for the Directors and Senior Management. The outcome and recommendations to maintain the current remuneration (fees and benefits) were presented to the Governance, Nomination and Compensation Committee and thereafter, to the Board in February 2022 for its deliberation. The Board noted that the current remuneration for Chairman and Non-Executive Directors were competitive, vis-à-vis, market and sectorial norms.

The Governance, Nomination and Compensation Committee recommends to the Board the proposed fees and allowances to be paid to each Non-Executive Director based on the approved Board remuneration, in line with the Compensation Policy. The Board then reviews the proposed fees and allowances, and approves for it to be tabled at the 38th AGM for the shareholders' approval.

The composition of the compensation for the Non-Executive Directors is as follows:

1

Fees for acting as a Director
A fixed fee is allocated to each Non-Executive Director, a fee premium is allocated to the Chairman of the Board in view of the additional accountabilities and responsibilities assumed by the Chairman.

2

Fees for assuming additional responsibilities
Additional fees are allocated to Non-Executive Directors who assumed more responsibilities via their appointments in various Board Committees. A fee premium is allocated to the Chairman of the respective Board Committees in view of their additional accountabilities and responsibilities.

3

Meeting attendance allowance
An attendance allowance is provided to Non-Executive Directors to compensate for their personal expenses to attend the meetings of the Board and Board Committees.

The Non-Executive Directors' fees for a particular financial year will only be paid upon approval by the shareholders at the subsequent year's AGM.

A meeting allowance of RM2,000 will be paid to each Non-Executive Director for attendance at each Board and Board Committee meeting.

The breakdown of the Directors' compensation paid in 2021 is as follows:

Name	Fees [2]	Salary [3]	Emoluments & Benefits [4]	Total
	RM	RM	RM	RM
RM, in Gross [1]				
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	445,000	-	118,000 [5]	563,000
Mr. Chin Kwai Fatt (Appointed on 29 April 2021)	-	-	10,000	10,000
Dato' Hamidah Naziadin	120,000	-	18,000	138,000
Datin Sri Azlin Arshad	123,300	-	20,000	143,300
YM Dr. Tunku Alina Raja Muhd. Alias (Appointed on 21 June 2021)	-	-	6,000	6,000
Juan Aranols	-	1,353,259	4,270,181	5,623,440
Craig Connolly	-	773,640	1,677,500	2,451,140
Dato' Mohd Rafik Bin Shah Mohamad (Retired on 28 April 2021)	250,000	-	12,000	262,000
Dato' Dr. Nirmala Menon (Retired on 28 April 2021)	170,000	-	8,000	178,000
TOTAL	**1,108,300**	**2,126,899**	**6,139,681**	**9,374,880**

(1) Numbers are provided before tax.
(2) Fees paid to Non-Executive Directors.
(3) Salary paid to Executive Directors.
(4) Benefits and other emoluments include bonuses, allowances, provisions for leave passage, attendance fees, club membership, share-based payments by Nestlé S.A. and other benefits, allowances.
(5) Including accrued leave passage for year 2020.

The Compensation Policy is available on the Company's website at www.nestle.com.my

REMUNERATING HUMAN CAPITAL

The Governance, Nomination and Compensation Committee is responsible to assist the Board in reviewing, determining, and ensuring the implementation of the Compensation Policy. It has clear terms of reference and works with the Management and independent advisors, if any, to develop proposals and recommendations and exercises independent judgement when making decisions. This process is considered to manage any potential conflicts of interest.

When considering how to position the remuneration packages for the employees, the Governance, Nomination and Compensation Committee considers market data from Malaysian-listed companies of a similar size and complexity. It also receives information from the Group Human Resources department on pay and employment conditions consistent with the Group's aim of seeking to reward all employees fairly according to the nature of their role, their performance and market forces and to attract, engage and retain the very best talent from across all sectors. The Committee is also mindful of the need to avoid inadvertently encouraging risky or irresponsible behaviour.

The Governance, Nomination and Compensation Committee considered the following principles when designing the Compensation Policy and took these into account in its design and implementation:

COMPETITIVE MARKET POSITIONING AND OPPORTUNITY

To attract, retain and engage the executive talent that we need to realise our purpose and deliver our strategy, our compensation arrangements need to be sufficiently competitive but not excessive.

PAY ALIGNED WITH SUSTAINABLE LONG-TERM PERFORMANCE

The mix between both fixed and variable pay, as well as the balance between rewarding short versus long-term performance, are critical to ensure that we reward those behaviours that will lead to the realisation of our long-term ambitions without compromising short-term gain.

INCENTIVE METRICS ALIGNED WITH OUR STRATEGY

The performance measures selected to determine both our annual bonus and long-term incentive plans have been carefully considered to focus on a simple and effective selection of those key drivers of our strategy and long-term value creation for our shareholders.

MINDFUL OF OUR WIDER STAKEHOLDER RESPONSIBILITIES

Our Executive Directors' pay arrangements are not only focused on financial returns but also mindful of performance against our wider long-term stakeholder goals.

Accountability

FINANCIAL CONTROL AND REPORTING

The Company reports to shareholders on its financial performance four times a year. During the 12 months prior to the date of this Report, the Audit Committee reviewed the quarterly financial report and the full-year financial statements and Annual Report for the year to 31 December 2021. The principal steps taken by the Audit Committee during the past 12 months in relation to its review of the published financial statements were:

- Review of the 2021 quarterly financial report
- Review of the plan for preparing the financial statements and Annual Report for the year ended 31 December 2021
- Review of the significant judgements and estimates that impact the financial statements, if any, and
- Review of the financial statements and Annual Report for the year ended 31 December 2021 and consideration of EY's comments on these documents.

The Audit Committee monitors the implications of new accounting standards and other regulatory developments for the Company's financial reporting and regularly receives technical updates from the External Auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's internal control framework and risk management. As delegated to the Audit Committee, it has established a process for identifying, evaluating and managing the principal risks faced by the Group and for identifying and responding to emerging risks. The Group reviews and assesses the risks it faces in its business, changes in principal risks faced by the Group and how these risks are managed, with consideration given to the Board's assessment of risk appetite. These reviews are conducted throughout the year together with the Management Teams of each of the Group's businesses and are documented in an annual risk assessment, including the updated risk register.

The reviews consider whether any matters have arisen since the last report was prepared, which might indicate omissions or inadequacies in that assessment. It also considers whether as a result of changes in either the internal or external environment, any significant new risks have arisen or whether there are any emerging risks which may impact the Group. The Board monitors the risk management framework and internal control systems on a quarterly basis and reviews their effectiveness formally each year. Further, the Board continually reassesses the effectiveness of the Group's control framework and seeks to identify ways in which to further improve and strengthen it.

As part of the Board's monitoring during the year through the Audit Committee, it received a focused session from the Risk Management and Internal Control Manager on topics relating to the Group's Enterprise Risk Management framework, both the risk assessment overview and process, their timelines for risk assessment and the eventual identification of top risks for 2021.

Further, the adequacy and effectiveness of the Group's internal control procedures, covering financial, operational and compliance controls are also reviewed. The Board considers that the Group's internal control systems are designed appropriately and are able to manage and minimise, rather than eliminate, the risk of failure to achieve its business objectives. Any such control system, however, can only provide reasonable and not absolute assurance against material misstatement or loss.

CGFR *For further information on Nestlé Internal Audit, please refer to page 22 of this Report.*

CGFR *For further information on Risk Management and Internal Control, please refer to pages 26 to 29 of this Report.*

Corporate Governance Overview Statement - Engaging with Stakeholders

We recognise the importance of clear communication and proactive engagement with all our stakeholders, for the sustainable growth of our business. The Group is committed and takes efforts to maintain an open and transparent engagement and communication with all stakeholders.

We engage actively with analysts, shareholders and investors as this enables us to understand what they think about our strategy and performance as we drive the business forward. Regular dialogues are also maintained through telephone calls, meetings and presentations. The Board is regularly updated on the outcome of the engagement.

Communication with our workforce is critical to the success of the business. Our workforce is central to the decisions the Board makes in relation to our employment policies, our culture and our strategy. The Group also seeks to make a positive contribution to the communities in which we operate, both through our economic impact and also through community initiatives in which we provide support in times of need, for example during the COVID-19 pandemic and the devastating floods which hit Malaysia at the end of 2021. Accordingly, it is important that the Board considers our communities in developing and implementing our strategy.

An overview of the nature and extent of our engagement with stakeholders is provided below:

STAKEHOLDER GROUPS	ENGAGEMENT METHODS	PRIORITY ISSUES	OUR RESPONSES
Employees	• Ongoing education and training programmes • People Development and Performance • Intranet, newsletters and internal e-announcements • Townhall meetings and roadshows • Safety, health and environment initiatives • Employee volunteer programme • Employee events • Employee survey • Nestlé Recreational Club	• Employee satisfaction and wellbeing • Diversity, inclusion and equal opportunity • Training and development • Occupational health and safety • Fair compensation • Employee engagement	• Employee Engagement, *p61* • Diversity & Gender Balance, *p55* • Training and Development, *p58* • Safety, Health & Well-being, *p67* • Employee Benefits, *p70* • Nestlé Cares Employee Volunteer Programme, *p64*
Consumers and General Public	• Corporate and brand websites • Consumer relationship marketing • Social media channels • Corporate and brand campaigns • Consumer research • Advertisements and promotions • Exhibitions and showcases • Product packaging • 24/7 Consumer Services Hotline	• Food safety and quality • Halal • Nutrition, health and wellness • Responsible labelling and marketing • Innovation • Transparency and integrity • Environmental impact • Affordability • Consumer feedback and queries	• Product Safety and Quality, *p33* • Our Halal Commitment, *p35* • Our Nutrition, Health and Wellness Strategy, *p17* • Responsible Marketing and Advertising, *p30* • Enhancing Biomedical Science Through Nutritional Therapy, *p23* • Building, Sharing and Applying Nutrition Knowledge, *p32* • Operating with Integrity, *p53* • Safeguarding the Environment, *p88*
Shareholders and Investors	• Annual and Sustainability Reports • Annual General Meeting • Analyst briefings • Announcements to Bursa Malaysia Securities Berhad • One-on-one and group investor meetings and calls • Disclosures on corporate website	• Business performance • Integrity and governance • Business strategy • Regulatory compliance • Reporting • Risk management • Environment, social and governance updates	• Fast Facts, *p3* • Operating with Integrity, *p53* • Creating Shared Value Governance, *p9* • Nestlé In Society: Creating Shared Value, *p6* • About this Report, *p2*
Local Communities	• Community development programmes • CSV projects • Monthly food contribution programmes • Corporate Social Responsibility initiatives • Farmer Connect programmes • Food bank programmes • Initiatives supporting lower-income, hardcore poor and vulnerable communities	• Employee volunteerism • Community engagement • Rural development and empowerment • Sustainable agriculture • Environmental impact • Food security • Nutrition, health and wellness • Supporting the B40 group and other vulnerable communities	• Employee Engagement, *p61* • Enriching Lives in Our Communities, *p43* • Rural Development, *p45* • Transitioning to a Regenerative Food System, *p100* • Safeguarding the Environment, *p88* • Our Nutrition, Health and Wellness Strategy, *p17* • SME Mentoring Programme, *p37* • Responding to COVID-19, *p42* • Access to Water, *p82* • Reducing Food Waste, *p97*

NIS *The table above should be read together with the Nestlé in Society Report 2021.*

STAKEHOLDER GROUPS	ENGAGEMENT METHODS	PRIORITY ISSUES	OUR RESPONSES
Non-Governmental Organisations	• Stakeholder engagement dialogues and materiality assessments • Roundtable discussions • Strategic partnerships and agreements • Memberships • Monthly food contribution programme • Key Opinion Leaders survey • Corporate Social Responsibility support	• Nutrition, health and wellness • Responsible labelling and marketing • Sustainable agriculture • Labour conditions and standards • Environmental and climate change impact • Community engagement	• Our Nutrition, Health & Wellness Strategy, *p17* • Responsible Marketing and Advertising, *p30* • Transitioning to a Regenerative Food System, *p100* • Diversity & Gender Balance, *p55* • Safety, Health & Well-being, *p67* • Acting on Climate Change, *p83* • Safeguarding the Environment, *p88* • Enriching Lives in Our Communities, *p43*
Government	• Advocacy meetings • Roundtable issue discussions • Ministerial engagements and dialogues • Regulatory filings • Exhibitions and showcases • Key Opinion Leaders survey • Materiality assessments • Industry and regulatory working groups	• Food safety and quality • Responsible labelling and marketing • Regulatory compliance • Nutrition, health and wellness • Environmental impact • Job creation • Economic development • Regulatory reporting	• Product Safety and Quality, *p33* • Responsible Marketing and Advertising, *p30* • Operating with Integrity, *p53* • Our Nutrition, Health & Wellness Strategy, *p17* • Safeguarding the Environment, *p88* • Rural Development, *p45* • SME Mentoring Programme, *p37*
Media	• Face-to-face engagements • Dialogues and forums • Media familiarisation trip to CSV project sites • Corporate and brand events • Key Opinion Leaders survey	• Food safety and quality • Nutrition, health and wellness • Responsible labelling and marketing • Transparency and integrity • Environmental and climate change impacts • Rural and community development • Business performance	• Responsible Marketing and Advertising, *p30* • Product Safety and Quality, *p33* • Our Nutrition, Health & Wellness Strategy, *p17* • Operating with Integrity, *p53* • Acting on Climate Change, *p83* • Safeguarding the Environment, *p88* • Rural Development, *p45* • SME Mentoring Programme, *p37* • Enriching Lives in Our Communities, *p43* • Fast Facts, *p3*
Industry and Trade Associations	• Key associations • Advisory panelists • Key Opinion Leaders survey • Exhibitions and showcases	• Responsible labelling and marketing • Sustainable agriculture • Labour conditions and standards • Environmental and climate change impact • Economic development • Regulatory compliance • Job creation	• Responsible Marketing and Advertising, *p30* • Responsible Sourcing, *p49* • Transitioning to a Regenerative Food System, *p100* • Acting on Climate Change, *p83* • Safeguarding the Environment, *p88* • SME Mentoring Programme, *p37* • Operating with Integrity, *p53* • Rural Development, *p45* • Promoting Youth Employment & Employability, *p65*
Suppliers	• Supplier Engagement Day • Training on Responsible Sourcing Standard and Anti-Corruption • Small and Medium Enterprise Mentoring Programme	• Occupational health and safety • Human rights • Responsible sourcing • Sustainable agriculture • Regulatory compliance • Rural development and empowerment	• Safety, Health and Well-being, *p67* • Rural Development, *p45* • Responsible Sourcing, *p49* • Our Commitment on Sustainable Palm Oil, *p51* • Transitioning to a Regenerative Food System, *p100* • Operating with Integrity, *p53*
Customers/ Retailers	• Product campaigns • Consumer engagement activities • Customer relationship management • Corporate Social Responsibility support	• Innovation • Responsible labelling and marketing • Nutrition, health and wellness • Food safety and quality • Customer satisfaction	• Enhancing Biomedical Science Through Nutritional Therapy, *p23* • Building, Sharing and Applying Nutrition Knowledge, *p32* • Responsible Marketing and Advertising, *p30* • Our Nutrition, Health & Wellness Strategy, *p17* • Product Safety and Quality, *p33*
Academia	• Partnership programmes • Talks and forums • Employer branding activities (e.g. career fair) • Key Opinion Leader survey	• Nutrition, health and wellness • Food safety and quality • Responsible labelling and marketing • Environmental and climate change impact	• Our Nutrition, Health & Wellness Strategy, *p17* • Product Safety and Quality, *p33* • Responsible Marketing and Advertising, *p30* • Acting on Climate Change, *p83* • Safeguarding the Environment, *p88*

NIS *The table above should be read together with the Nestlé in Society Report 2021.*

Corporate Governance Overview Statement - Additional Disclosure

RELATED PARTY TRANSACTIONS

An internal compliance framework exists to ensure the Company meets its obligations under the Listing Requirements, including obligations relating to related party transactions. The Board, through its Audit Committee, reviews and monitors all related party transactions and conflicts of interest situations, if any, on a quarterly basis. A Director who has an interest in a transaction must abstain from deliberating and voting on the relevant resolutions in respect of such transaction at the Board meeting, the AGM or Extraordinary General Meeting.

The Group has established procedures regarding its related party transactions which are summarised as follows:

- all related party transactions are required to be undertaken on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public and other suppliers, and are not detrimental to the minority shareholders;
- all related party transactions are reported to the Audit Committee. Any member of the Audit Committee, where deemed fit, may request for additional information pertaining to the transactions, including advice from independent sources or advisers; and
- all recurrent related party transactions which are entered into pursuant to the shareholders' mandate for recurrent related party transactions are recorded by the Group.

The recurrent related party transactions pursuant to shareholders' mandate entered into by the Company with its related parties from 28 April 2021 (the date of the last AGM) to 1 March 2022, are as follows:

Nature of transactions	Related Party	Related Transacting Parties	Actual Transacted Value from 28 April 2021 to 1 March 2022 MYR '000
Purchase of raw materials, semi- finished and finished food products such as milk, cocoa, coffee beans, cereals, etc., and other services.	Nestlé S.A.	Nestlé Affiliated Companies (Seller)	1,189,718
Payment of royalties for use of trademarks for the sale of food products such as milk, cocoa, coffee, cereals, pasta, etc.	Nestlé S.A.	Nestlé Affiliated Companies (Trademark Owner)	247,653
Payment of information technology shared services for use and maintenance of information technology services, etc.	Nestlé S.A.	Nestlé Affiliated Companies (Service Provider)	36,889
Sale of food products such as instant noodles, chocolates, beverage, culinary, confectionery, etc.	Nestlé S.A.	Nestlé Affiliated Companies (Buyer)	919,567
Rendering of information technology, agency services and other shared services.	Nestlé S.A.	Nestlé Affiliated Companies (Buyer)	34,421
Payment of interests for Intra Group Loan	Nestlé S.A.	Nestlé Affiliated Companies (Loan Creditor)	2,898

MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interests of Directors and its major shareholder, either still subsisting at the end of the financial year ended 31 December 2021, or entered into since the end of the previous financial year.

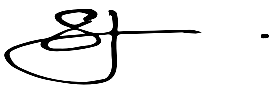
COMPLIANCE STATEMENT BY THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board has deliberated, reviewed and approved this Corporate Governance Overview Statement. Pursuant to Paragraph 15.25 of the Listing Requirements, the Board is pleased to report that the Board is satisfied that, to the best of its knowledge, the Company has fulfilled its obligations in accordance with the applicable laws and regulations throughout the financial year ended 31 December 2021. Save as disclosed in our Corporate Governance Report, which is available on our Company's website www.nestle.com, we have complied with the main principles of the MCCG.

This Corporate Governance Overview Statement was presented and approved at the meeting of the Board on 8 March 2022.

On behalf of the Board

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail
Chairman



Corporate Governance Overview Statement - Audit Committee Report

CHAIRMAN

MR. CHIN KWAI FATT
Independent Non-Executive Director (Appointed on 29 April 2021)
- Fellow Member of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Bachelor of Science (Economics), University of Hull, United Kingdom

The main objective of the Audit Committee (Committee) is to assist the Board in ensuring effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal audit function and the external auditors, and the oversight over the Group's systems of internal and external controls, risk management and related compliance activities.

The work of the Committee has never been more important: shareholders, investors, regulators and other stakeholders require ever more informative and reliable reporting, not just of the results and financial position, but of resilience, risk management and the Company's ESG reporting.

PRINCIPLE RESPONSIBILITIES

1. Assist the Board in ensuring that the Group's financial system provides accurate and up-to-date information on its financial position and ensuring the integrity of financial and narrative reporting.
2. Ensure the effectiveness of the Group's internal control framework and the robustness of its risk management framework.
3. Assist the Board by establishing, reviewing and monitoring the formal and transparent policies and procedures to ensure the independence and effectiveness of the internal and external audit functions.
4. Review the Group's whistleblowing system (Speak Up) and ensure the adequacy of fraud prevention measures.

The Terms of Reference of the Committee, which includes its key objectives and responsibilities is available on the Company's website at www.nestle.com.my.

MEMBERS

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Non-Independent Non-Executive Director
- Chartered Accountant
- Member of the Malaysian Institute of Accountants
- Member of Certified Practicing Accountant (Australia)
- Bachelor of Arts in Accounting, Macquarie University, Sydney, Australia

DATIN SRI AZLIN ARSHAD

Independent Non-Executive Director
- Honours Degree in Accounting and Finance, University of Glamorgan (now known as University of South Wales)

COMMITTEE ATTENDANCE

100%

The following member retired on 28 April 2021:-

- Dato' Mohd. Rafik Shah Mohamad

PRIORITIES FOR 2022

- Continuous focus on oversight of financial performance and ESG.
- Enhancing Enterprise Risk Management monitoring in view of increasing volatility and potential increase in cyber security risks.
- Working together with the Governance, Nomination and Compensation Committee for the succession planning of the new Committee member.

MEMBERSHIP OF THE COMMITTEE

The Committee consists of exclusively Non-Executive Directors, the majority of whom are Independent Directors. All members of the Committee are financially literate and are considered by the Board to have significant and relevant experience and competence in financial matters and internal control, to discharge their duties as members of the Committee. Such broad and diverse expertise gives the Board the assurance that the Committee has the appropriate breadth and depth in skills and knowledge to ensure that the Committee is effective.

During the year under review, there was a change to the Committee's chairmanship. After serving for more than nine years as a member of the Committee and subsequently from 20 February 2018 as Chairman of the Committee, Dato' Mohd. Rafik Shah Mohamad has decided to take his well-deserved retirement at the conclusion of the 2021 AGM on 28 April 2021. In anticipation of his retirement, the early search for his successor was initiated and after an extensive search, the Board had on 1 March 2021 made an announcement to Bursa Malaysia on the impending appointment of Mr. Chin Kwai Fatt as the member of the Board. He was also earmarked to take over the role of the Chairman of the Committee upon the retirement of Dato' Mohd. Rafik Shah Mohamad. Mr. Chin Kwai Fatt's wide-ranging experience from both the finance and accounting industries makes him the right candidate to chair the Committee. His appointment as a member of the Board and as the new Chairman of the Committee took effect from 29 April 2021. The Governance, Nomination and Compensation Committee facilitated the smooth transition from Dato' Mohd. Rafik Shah Mohamad to Mr. Chin Kwai Fatt and ensured a comprehensive induction for Mr. Chin Kwai Fatt, which amongst others included an overview of the conduct of the Committee and Board meetings, meeting with the CFO, Management Team, Nestlé Internal Auditors, external auditors and the Company Secretary to prepare him for his new role.

The Chairman of the Committee is not the Chairman of the Board. Further details on the Committee members' skills, qualifications, experience and expertise are set out in pages 49 of the Annual Review Report.

HOW THE COMMITTEE OPERATES

The Committee meets a minimum of four times a year and more frequently as necessary with a quorum established by the presence of the Chairman and at least one member who must be an Independent Director. During the financial year ended 2021, the Committee met four times with all members in attendance at all meetings. The CFO, representatives of the external auditors, the Head of Nestlé Internal Audit (NIA) and the Head of Accounting & Consolidation, attended all meetings in order to ensure that the Committee remained fully informed of events and developments within the business, thus reinforcing a strong internal control and risk management culture.

No member of the Committee has a connection with the current external auditors and no Director of the Board is involved in any deliberations or decisions with regard to matters that they have an interest in. The Head of NIA and the external auditors have direct access to the Chairman of the Committee who held a number of meetings with each of them during the financial year outside the formal Committee meetings. The Chairman of the Committee also liaises with the CFO as well as the Company Secretary as and when necessary to ensure robust oversight and challenge in relation to financial control and risk management.

There is an annual cycle of items considered by the Committee covering its roles and responsibilities as defined in the Committee's Terms of Reference. The agenda cycle is reviewed annually to ensure that the Committee remains proactive and relevant. The Terms of Reference provides a framework for the Committee's work to review and oversee the performance, integrity, appropriateness and effectiveness of the Group. The Committee continuously reviews and updates its Terms of Reference with the last review carried out on 21 February 2022 and approved by the Board on 22 February 2022.

The Company Secretary acts as the Secretary of the Committee, who is in attendance at all the meetings and records the proceedings of the meetings. The Committee has access to any form of independent professional advice and the services of the Company Secretary as and when required. All Committee meeting minutes, including meeting papers, on matters deliberated by the Committee in the discharge of its functions are properly documented. The Committee reports to the Board every quarter on matters falling within the Committee's Terms of Reference, including the recommendations of the Committee for the Board's consideration and approval.

ENTERPRISE RISK MANAGEMENT

As part of its fixed agenda, every quarter, the Committee reviews and deliberates on the Group's Enterprise Risk Management which identifies and monitors the development of potential major risks affecting the Group externally or internally, the implementation progress of the mitigating measures and efforts to minimise the identified risks. During the year under review, the Committee placed greater emphasis on strengthening the Group's Enterprise Risk Management by reviewing in detail the risk identification and management process, its monitoring and thereafter implementation, as presented by the Risk Management and Control Manager, to ensure there is a robust approach taken by the Group.

The Committee is responsible to assist the Board in ensuring the adequacy and effectiveness of internal controls. For further information on Risk Management and Internal Control, please refer to pages 26 to 29 of this Report.

RECURRENT RELATED PARTY TRANSACTION

The Committee reviewed the quarterly recurrent related party transactions to ensure these transactions were carried out within the mandate approved by shareholders and in compliance with the Listing Requirements. During the financial year, to further validate its approach for recurrent related party transactions, the NIA carried out an extensive review to ensure that the processes which the Group has in place are adequate for identifying, evaluating, reporting and monitoring of recurrent related party transactions, were made at arm's length basis and not prejudicial to the interest of the Group or are not to the detriment of its minority shareholders.

COMMITEE EVALUATION

During the financial year under review, the annual performance of the Committee was evaluated. The overall performance of the Committee and its individual members were rated in the higher percentile. With the encouragement from the Chairman of the Committee for open and honest input and discussion, the Committee has benefited from the expertise, the commitment and engagement of its members.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

Area of focus	Matters considered/reviewed/deliberated/approved:-
Financial reporting	• Cumulative full year results for the financial year ended 31 December 2020. • Directors' Report and Audited Financial Accounts for the financial year ended 31 December 2020. • Quarterly Results. • Proposal of dividend payments and solvency of the Company before recommending for the Board's approval. • Financial results announcements before recommending for the Board's approval. • Recurrent Related Party Transactions (RRPT) of the Group. • Methods and procedures in determining the terms of RRPT.
Risk and internal control	• Enterprise Risk Management and its processes, potential major risks of the Group, the mitigating measures and updates. • Cyber security landscape and risks. • Regulatory landscape risks impacting the business. • Corruption risks and update on Anti-Corruption initiatives. • Report on major litigation, claims and/or issues with substantial financial impact (if any), and Distributor financing payment. • Overview on Enterprise Risk Management process. • Review of inter-company loan. • Distributors' credit risks and management. • Nestlé Internal Audit's report, recommendations and the responses from the Management Team. • Updates on the development of the Internal Audit Practices. • Nestlé Internal Audit Charter. • Nestlé Internal Audit's resource requirements, scope, adequacy and function. • Overall performance of the Head of NIA (in her absence) the NIA team and the individual members of the NIA team. • Movements of the NIA team members. • Audit Plan for 2022. • Report from the Business Ethics & Fraud Committee, including the current status of complaints received including through the whistleblowing system (Speak Up).
External audit	• External auditors' report and the responses from the Management Team. • Discussions with the external auditors on issues/matters arising from the audit (in the absence of the Management Team), on 22 February 2021 and 23 August 2021. • Audit Plan for the financial year ended 31 December 2021 by the external auditors, EY. • Guideline on provision of non-audit services by the external auditors.
Compliance, governance and other matters	• Company's compliance with the Listing Requirements, Malaysia Accounting Standards Board (MASB) and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements. • Regulatory and Compliance matters and training. • Tax updates. • Draft Circular to shareholders in relation to the Proposed Renewal of shareholders' Mandates for RRPT of a revenue or trading nature. • Discussion with Management on the outcome of Assessment of the Objectivity, Independence and Quality of Service Delivery of the Group's External Auditor for the year ended 31 December 2020 and to ensure the External Auditor meets the criteria provided by Paragraph 15.21 of the Listing Requirements (in the absence of EY). • Recommendation for the appointment of EY PLT as the Group's external auditors for the financial year ending 31 December 2021, to ensure the external auditors meet the criteria provided by Paragraph 15.21 of the Listing Requirements and maintain its independence. • Statement on Risk Management and Internal Control to be disclosed in the Annual Report. • Evaluation of the Audit Committee Assessment. • Familiarisation of the new Audit Committee Chairman. • Terms of Reference of the Audit Committee. • Audit Committee Report to be disclosed in the Annual Report 2020. • Effectiveness of the Audit Committee meetings. • Audit Committee Agenda for 2021 and 2022.

THE NESTLÉ INTERNAL AUDIT DEPARTMENT

The NIA is administered as a department within the Finance & Control function in the Group. In ensuring its independence, it reports functionally to the Committee and the Nestlé Internal Audit (Center) of Nestlé S.A. in Switzerland.

The main role of the NIA is to undertake independent and systematic reviews of the processes and guidelines of the Group and to report on their application and compliance, the details of which can be found in page 27 of this Report. The outcome of the reviews are objectively reported to the Management Team and to the Committee, prior to it being presented to the Board.

The review performed by the NIA is based on the International Standards for the Professional Practice of Internal Auditing Framework and is in line with the Internal Audit Charter which is regularly reviewed by the Committee.

Once every five years, the NIA undergoes a formal recertification, with the last review in 2020. The objectives of the recertification exercise are to:
- assess the NIA's compliance with the International Standards for Internal Audit as established by the Institute of Internal Auditors;
- identify areas where the NIA can maximise performance and adding more value to the Nestlé organisation; and
- provide the NIA with an external benchmark against similar industry.

The recent recertification was conducted by an external certifier, in line with the global Nestlé Internal Audit certification requirement. It was concluded that:
- The NIA generally conforms with the International Standards for Internal Audit; and
- The NIA provides best in class Internal Audit framework when benchmarked against its industry peers.

In addition to the external recertification process, the Head of NIA carries out interim self-assessment reviews once every three years (based on the certification questionnaires). The results of the recertification and assessment are presented to the Committee.

The NIA is led by Miss Hong Ging Ging, aged 37 years old. She has served the Group for more than eight years, two years in the Corporate Finance & Control function, two years in one of the business units, four years in factory controlling function before moving to her current role in NIA in early 2021.

She is a Fellow Member of Association of Chartered Certified Accountants (ACCA). She holds a Bachelor of Accounting (Hons) degree from Multimedia University (MMU) and a Diploma in Technology Management (Accounting) from University of Technology Malaysia (UTM).

Her team consists of six qualified auditors with various professional qualifications which include amongst others, Masters of Business Administration and as Certified Fraud Examiner (US). The team also consists of members of the Chartered Institute of Management Accountant (UK), the Association of Chartered Certified Accountant (UK) and associate members of the Institute of International Auditors Malaysia.

All internal auditors are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The costs incurred for the NIA's function for the financial year ended 31 December 2021 was RM1.2 million.

THE WORKINGS OF NESTLÉ INTERNAL AUDIT

The NIA is required to:
- Demonstrate integrity;
- Demonstrate competence and due professional care;
- Be objective and free from undue influence (i.e. independent);
- Align with the strategies, objectives and risks of the organisation;
- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Provide risk-based assurance;
- Be insightful, proactive and future-focused; and
- Promote organisational improvement.

RELATIONSHIP WITH EXTERNAL AUDITORS

The Committee is provided with reports, reviews, information and advice throughout the year, as set out in the terms of the external auditors' engagement. The performance of the external auditors is formally assessed by the Committee on an annual basis. Based on its assessment of the external auditors' performance in the year under review, the Committee is satisfied that the external auditors are effective and have provided appropriate independent feedback and challenge to the Company's Management Team.

EY has provided a letter confirming that it is and has been independent throughout the conduct of the audit engagement for the financial year ended 31 December 2021, in accordance with the requirements of all applicable regulations and professional standards. The external auditors are also not aware of any relationships or other matters that may reasonably be thought to affect their independence. In this regard, the Committee and the Board are satisfied with the independence of the external auditors. Further, in ensuring the independence of the external auditors, the Committee does impose that in line with the Audit Partner Rotation requirements issued by the Malaysia Institute of Accountants, the external auditors rotate the key audit partner every seven years.

EY has also provided written confirmation that it meets the relevant criteria prescribed by Paragraph 15.21 of the Listing Requirements.

The fees paid/payable to EY and its affiliates in the financial years ended 2020 and 2021, respectively are as follows:

	2020 (RM)	2021 (RM)
Audit remuneration	620,000	**620,000**
Non-audit services	268,200 [1]	**276,391** [2]
TOTAL	888,200	**896,391**

[1] For the review of Statement on Risk Management and Internal Control, and employee tax matters.
[2] For the review of Statement on Risk Management and Internal Control, indirect tax advisory services, services and employee tax matters.

The Committee believes that it is important to maintain the objectivity and independence of the external auditors by minimising their involvement in projects of a non-audit nature. It is however also acknowledged that it may sometimes be necessary to involve the external auditors in non-audit related work. There is a clear guideline in place, which is reviewed by the Committee, for the type of non-audit services that the external auditors could provide to the Group with defined parameters and approval requirements. The external auditors may not be engaged to provide a non-audit service when the objectives of the service would be regarded by a reasonable and informed third party as conflicting with the objectives of the external audit.

The Committee has an established framework for assessing the effectiveness of the external audit process. This includes:
- a review of the audit plan, including the materiality level set by the external auditors and the process they have adopted to identify financial statement risks and key areas of audit focus;
- regular communications between the external auditors and both the Committee and the Management Team, including discussion of regular papers prepared by the Management Team and EY;
- regular discussions between the Committee and the external auditors (in the absence of the Management Team), and between the Committee and the Management Team (in the absence of EY) in order to discuss the external audit process;
- a review of the final audit result, noting key areas of auditors' judgement and the reasoning behind the conclusions reached;
- a review of the Annual Inspection Report issued by the Audit Oversight Board (AOB) established under Part 111A of the Securities Commission Malaysia Act 1993; and
- a review of the external auditors' Annual Transparency Report.

The external auditors reviewed the reports of the NIA to obtain an understanding of the Group's internal control and areas relating to the Group's financial reporting.

CHAIRMAN

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Non-Independent Non-Executive Director

The main objective of the Governance, Nomination and Compensation Committee (the Committee) is to promote good corporate governance within the Board and the Group; reinforce professional, ethical behaviour and a compliance culture; assist the Board in ensuring that the Board comprises of individuals with the necessary skills, knowledge and experience for the effective discharge of its responsibilities; and in matters relating to the compensation of the Board, the Management Team and employees of the Group.

PRINCIPLE RESPONSIBILITIES

1. Oversee matters relating to good corporate governance practices and compliance.
2. Reinforce the Group's stand against bribery and corruption.
3. Review the composition, skills and competencies of the Board.
4. Assess the independence of Non-Executive Directors.
5. Evaluate the performance and effectiveness of the Board, Board Committees, and individual Directors.
6. Identify suitable candidates for appointment to the Board and Board Committees.
7. Recommends to the Board on the re-election of Directors.
8. Reviews the succession planning for the Directors and the Nestlé Leadership Team.
9. Assess and formulate broad compensation strategy for the employees of the Group.
10. Reviews the compensation package for the Executive Directors, Non-Executive Director and the Nestlé Leadership Team.

The Terms of Reference of the Committee, which includes its key objectives and responsibilities is available on the Company's website at www.nestle.com.my.

MEMBERS

DATO' HAMIDAH NAZIADIN
Independent Non-Executive Director

YM DR. TUNKU ALINA RAJA MUHD. ALIAS
Independent Non-Executive Director
(Appointed on 21 June 2021)

COMMITTEE ATTENDANCE

100%

The following members retired on 28 April 2021:-

- Dato' Mohd. Rafik Shah Mohamad
- Dato' Dr. Nirmala Menon

PRIORITIES FOR 2022

- Succession planning for Chairman of the Board and member of Audit Committee
- Enhancing Corporate Governance practices in line with the revised MCCG
- Enhancing the Board skill set in Sustainability/ESG Leadership and digital strategy

MEMBERSHIP OF THE COMMITTEE

The Committee consists of exclusively Non-Executive Directors. The members of the Committee are Independent Directors, save for YAM Tan Sri Dato' Seri Syed Anwar Jamalullail. Notwithstanding the provisions under Practice 1.4 and Practice 5.8 of the revised MCCG, the Committee and the Board assessed that YAM Tan Sri Dato' Seri Syed Anwar Jamalullail would be the best person to chair the Committee due to his vast experience, in-depth knowledge and exemplary leadership which adds tremendous value and has ensured an effective Committee. During the year under review, YM Dr. Tunku Alina Raja Muhd. Alias was appointed to the Committee on 21 June 2021.

No Director is involved in any deliberations or decisions with regard to matters that they have an interest in. Further details on the Committee members' skills, qualifications, experience and expertise are set out in pages 49 to 51 of the Annual Review Report.

HOW THE COMMITTEE OPERATES

The Committee meets a minimum of two times a year, and more frequently as necessary, with a quorum established by the presence of the Chairman and at least one member who must be an Independent Director. During the financial year ended 2021, the Committee met three times with all members in attendance at all meetings. Other members of the Management Team such as the CEO, Executive Director of Group Human Resources and external advisers may be invited to attend the meeting, as and when appropriate, for matters relevant to their roles and responsibilities.

There is an annual cycle of items considered by the Committee covering its roles and responsibilities as defined in the Committee's Terms of Reference. The agenda cycle is reviewed annually to ensure that the Committee remains proactive and relevant. The Terms of Reference provides a framework for the Committee's work to review and oversee the performance, integrity, appropriateness and effectiveness of the Group. The Committee continuously reviews and updates its Terms of Reference with the last review carried out on 9 February 2022 and approved by the Board on 22 February 2022.

The Company Secretary of the Company acts as the Secretary of the Committee, who is in attendance at all the meetings and records the proceedings of the meetings. The Committee has access to any form of independent professional advice, and has the services of the Company Secretary, if and when required, in carrying out its functions. All Committee meeting minutes, including meeting papers, on matters deliberated by the Committee in the discharge of its functions are properly documented. After its meeting, the Committee reports to the Board on matters falling within the Committee's Terms of Reference, including the recommendations of the Committee for the Board's consideration and approval.

BOARD APPOINTMENTS

The Committee is responsible to the Board for ensuring that the Board composition is appropriate for the successful delivery of the Group's strategy. The Committee regularly reviews the Board skillset which identifies the knowledge and experience that are required to deliver the strategy and promote the long-term success of the Group. The Directors' skills, expertise and experience are considered and areas where further strength is required is identified and determined.

The Committee is guided by structured processes and procedures when nominating new candidates to the Board. Once the required skills, expertise and experience are identified, profiles of the proposed new Directors are prepared on the basis of the criteria laid down by the Committee. Before nominating a candidate, a due diligence process is undertaken to satisfy the Committee of the candidate's skills, experience and independence and their ability to devote sufficient time to the role. Following the completion of this due diligence process and a non-conflict declaration, a final recommendation is made to the Board by the Committee.

During the financial year under review, the Committee facilitated the smooth appointment of the new Audit Committee Chairman and the appointment of a new Non-Executive Director, both with the relevant skillset to complement the Board. Following a meticulous selection process, which included identifying appropriate candidates for consideration and interviewing short-listed candidates, there was unanimous agreement that both Mr. Chin Kwai Fatt and YM Dr. Tunku Alina Raja Muhd. Alias were outstanding candidates based on their strong track records in both their executive and non-executive phases of their careers. Their nominations were further assessed as to whether there were conflicts of interests or any issues in terms of their ability to commit the appropriate time to the Group. Having concluded that there were no impediments to their appointments, and that the skills and experience of both Mr. Chin Kwai Fatt and YM Dr. Tunku Alina Raja Muhd. Alias mapped strongly to the requirements of the Board, the Committee recommended to the Board their appointments as Non-Executive Directors.

Mr. Chin Kwai Fatt who has extensive financial and accounting industry experience, having held leadership positions in large consultancy firms, assumed the Chairmanship of the Audit Committee, following the retirement of Dato' Mohd Rafik Shah Mohamad. The appointment of YM Dr. Tunku Alina Raja Muhd. Alias provides climate change governance skills leadership which further enriches board diversity.

Both Directors have undergone the necessary induction and trainings which were relevant to their roles. For more information, please refer to page 12 of this Report.

CORPORATE GOVERNANCE DEVELOPMENTS

The Board with the assistance of the Committee, has been closely monitoring the amendments to the MCCG, issued by the Securities Commission on 28 April 2021. Following a thorough analysis of the amendments, the Committee is pleased to report that the Group satisfies the majority of the applications, save for such specific applications which has been explained in our Corporate Governance Report. Emerging governance matters, compliance with the Corporate Governance Code and ESG standards were continual focal areas for the Committee throughout 2021.

COMMITTEE EVALUATION

During the year, the Committee's performance was evaluated as part of the overall Board evaluation. The review explored the composition of the Committee in terms of its members' skillset, knowledge and diversity of experience, the time management of its meetings, the Committee's scope and time commitment, and areas for development. The evaluation concluded that the Committee continues to work effectively.

This exercise was undertaken through the modalities of questionnaires based on the criteria prescribed by the Bursa Malaysia Listing Requirements and in accordance with the MCCG. The process covered a variety of aspects associated with board effectiveness and board dynamics, including but not limited to the composition and governance of the Board, duties and responsibilities of the Board and Board Committees, administration and conduct of the meetings, secretarial support by the Company Secretary and succession planning. More information on how the Board considers its composition as part of the Board Effectiveness Evaluation can be found in page 13.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

Area of focus	Matters considered/reviewed/deliberated/approved:-
Governance	• Corporate governance and compliance matters. • Changes to the Board Charter. • Update the key changes of the revised MCCG. • Application of the practices under the revised MCCG. • Gaps under the revised MCCG, and the action plans to remedy the gaps, if any. • Sustainability leadership by the Board. • Group's Anti Corruption commitment and initiatives.
Nomination/ People	• Contribution, performance and the effectiveness of the Board as a whole, the Board Committees and individual Directors. • Size structure, balance and composition of the Board and the Board Committees, the Board's diversity and the required mix of skills and core competencies. • Board composition and the Diversity (Policy including gender, ethnicity and age diversity). • Board Effectiveness Evaluation (BEE) and Assessment of Director's Independence. • Board Improvement Programme based on the outcome of the BEE. • Declaration of directorship and time commitment of each Director. • Board retirement schedule. • Re-election and retention of Directors at the Annual General Meeting and making the necessary recommendations to the Board. • Succession plans for the Non-Executive Directors, including the Chairman of the Board. • Search for potential Board and Committee candidate, review and assess the proposed candidates and make the necessary recommendations to the Board. • Appointment of new Independent Non-Executive Directors to the Board and Board Committee, overseeing the Induction Programme. • Management development and succession plans for the Nestlé Leadership Team. • Trainings attended by each Director, implementation of Induction Programme for new Directors, assess the training needs of the Directors and approve the Board Training Programme.
Compensation	• Employee Remuneration Direction Package for 2021. • Proposed Employee Remuneration Direction Package 2022. • Compensation Package of the Executive Directors. • Compensation Package of the Nestlé Leadership Team. • Review of remuneration trends. • Compensation of Board of Directors. • Initiate the review of the Non-Executive Directors' remuneration. • Compensation Policy. • Food Industry Employees Union (FIEU) Collective Agreement update.
Governance, Nomination & Compensation	• Committee Agenda for 2021 and 2022. • Effectiveness of the Committee meetings. • Terms of Reference of the Committee. • Governance, Nomination and Compensation Committee Report to be disclosed in the Annual Report 2020.

Statement On Risk Management And Internal Control

The Group's system of risk management and internal control, including the periodical review of its adequacy, effectiveness and integrity is under the responsibility of the Board and Management. The system of internal control emphasises on matters of governance, risk management, organisational, operational, financial strategy, regulatory and compliance control. This system is established by the Board and Management to manage, as opposed to eliminating, the risks of non-compliance with the Group's policies and to fulfill the objectives and strategic priorities of the Group within the established risk tolerance thresholds that are in place. The system ensures the risk of the occurrence of any material misstatement, loss or fraud is substantially mitigated.

HOW WE APPROACH RISK

With the increasing and unexpected dynamic, complex and sophisticated business environment, it is critical that we understand the link between risk, internal controls, strategy and value. At Nestlé, this link is formalised through an alignment of our strategy, risk management and internal processes, which supports fulfilment of our strategic priorities, thereby delivering value for all stakeholders. The Nestlé risk and opportunities strategy was part of the assessment requirement in ISO 9001:2015 certification.

BOARD OF DIRECTOR'S RESPONSIBILITIES

The Board and the Management are responsible and accountable for the establishment of the Group's system of risk management and internal control. The Audit Committee supports the Board in monitoring our risk exposures, as well as the design and operating effectiveness of the underlying risk management and internal controls systems. The Audit Committee assists the Board, to oversee the following operations and processes:

i. periodic reviews of the principal business risks, and control measures to mitigate or reduce such risks;
ii. periodic reviews of the strengths and weaknesses of the overall internal controls system and action plans to address the risk of weaknesses or to improve the assessment process;
iii. periodic reviews of the business internal process and operations reported by the Internal Audit Department, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and
iv. reports by the external auditors of any control issues identified in the course of their audit-related and non-audit related work and the discussion with the external auditors of the scope of their respective review and findings.

The Audit Committee will then update the Board with the issues raised in the quarterly Audit Committee meetings. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of the system.

Please also see "Audit Committee Report" in pages 19 to 22 regarding the Committee's detailed review work, including the forms of "assurance" received from management, external auditors, and internal auditor.

Our Board's responsibilities include:

The Governance of risk;	**Determination of the levels or risk tolerance;**	**Delegate the responsibility to Management to design, implement and monitor risk management;**	**Ensuring that risk assessments are preformed continually;**
Ensuring that frameworks and methodologies are implemented to reduce the probability of unpredictable risk;	**Ensuring continual risk monitoring by Management;**	**Receiving assurance regarding the effectiveness of the risk management process; and**	**Ensuring there are processes in place enabling complete, relevant, accurate, timely and accessible risk disclosure to stakeholders**

OUR RISK MANAGEMENT FRAMEWORK

The Board and the Management fully support the contents of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

In support of the Nestlé Malaysia Internal Audit Department and prevailing practices of related companies, the Board and Management have put in place risk management guidelines, control measures and processes throughout the Group which are consistent with global risk management framework.

The Group system of risk management and internal control are designed to manage and mitigate the risks which may hinder the achievement of the Group's strategy.

With this framework, the responsibility for day-to-day risk management resides with the Management of each function/business unit where they are the risk owners and are accountable for managing the risks identified and assessed. In managing the risks of the Group, the Risk Management Department collaborates with the Management in reviewing and ensuring that there is on-going monitoring of risks, the adequacy and effectiveness of its related controls, and action plans are developed and implemented to manage these risks at the acceptable level by the Management.

Enterprise Risk Management (ERM) is a process on how the Group facilitates and approaches the risk assessment by identification, analysis, evaluation, treatment, and review mitigation controls of the action plans corresponding to the Group's strategy. These assessment reviews are to curb the identified or unidentified external or internal risk. In addition, the Group monitors the Key Risk Indicators (KRI) each quarter and work with the relevant stakeholders of the department on action plans accordingly.

Risk management is firmly embedded in the Group's key processes through its Risk Management Framework, in line with Principle B and Practice 10.1 and 10.2 of the Malaysian Code on Corporate Governance that was issued in 2021 (MCCG 2021). Risk management practices are inculcated and entrenched in the activities of the Group, which requires, amongst others, establishing risk tolerance thresholds to actively identify, assess and monitor key business risks faced by the Group.

Risk Management principles, policies, procedures and practices are periodically reviewed, with the results thereof presented and communicated to the Board through the Audit Committee and changes and/or improvements made thereto where required and necessary to ensure their continuing relevance and compliance with current/applicable laws, rules and regulations.

NESTLÉ MALAYSIA INTERNAL AUDIT DEPARTMENT

The Nestlé Malaysia Internal Audit Department, also known as "Nestlé Internal Audit (NIA)", is guided by its Audit Charter with the Head of Internal Audit reporting functionally to the Audit Committee and the Regional Audit Manager for Continental East and South Asia (CESA) region and administratively to the Chief Financial Officer (CFO). NIA is an independent, objective assurance and consulting function guided by a philosophy to improve and add value to the Group and its stakeholders. NIA's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. NIA's responsibilities are defined by the Audit Committee as part of their oversight function. The function is independent of any operational activities in the Group. NIA provides the Audit Committee with an independent opinion on the processes, risk exposures and systems of internal controls of the Group. The responsibilities of NIA includes:

- assessing and reporting on the effectiveness of the governance, risk management and internal control systems including the review of related party transactions;
- assessing the adequacy and effectiveness of management process and controls to ensure accomplishment of established business objectives;
- assessing and reporting on the reliability and integrity of financial and operational information;
- assessing and reporting on the operational efficiency and identifying saving potentials, where practical; and
- reviewing compliance with the Group policies, principles and guidelines, as well as applicable laws and regulations.

The NIA function is being carried out in accordance to the International Standards of Auditing.

The Nestlé Internal Audit Identifies Its Scopes Of Audit Based On Risk Assessments Performed On:

A the inherent risk of each business unit/department; and

B the complexity of the end to end process within each business unit/department.

Each year, the annual audit plan is presented and reviewed by the Audit Committee and approved by the Board in the final quarter of the preceding year.

On a quarterly basis, the Nestlé Head of Internal Audit updates the audit activities (including the performance of the auditors) and reports the results of internal audit reviews to the Audit Committee. The reporting to Audit Committee is a permanent agenda in the meeting of the Audit Committee and thereafter an update is provided to the Board.

A matrix which summarises the audit issues, root causes, specific actions, owners of issues, its priorities and status has been developed as a template and is accessible via a web-based application for easy access and as an audit repository. The system is equipped with progressive automated reminders to the owners of the issues before actions become due after the audit review is performed. Observations and proposed action plans arising from the internal audit reviews are presented, together with Management 's response to the Audit Committee. The management actions are reviewed and followed up periodically by the NIA and reported to the Audit Committee.

Despite the continuing impact of the COVID-19 pandemic, for the financial year ended 31 December 2021, NIA completed seven (7) assurance and advisory reviews of which six (6) were performed remotely. The areas audited include two (2) process reviews, one (1) business unit, one (1) distribution center, one (1) functional review and two (2) advisory reviews on the Group's compliance to recurrent related party transactions disclosures.

Additionally, the Nestlé S.A. Audit Department, also known as the "Nestlé Internal Audit (Center)", the internal auditing arm of the holding company, Nestlé S.A., is also responsible for assessing the effectiveness of internal control for the global Nestlé Group. The Nestlé Internal Audit (Center) conducts reviews of processes, systems and business excellence on selected areas based on a Group wide Risk Assessment Methodology. The annual NIA audit plan and audit results (where applicable) are reported to Nestlé S.A. Management and the Audit Committee of Nestlé S.A. via the Head of Nestlé Internal Audit (Center).

Statement On Risk Management And Internal Control

HOW WE TREAT RISK

The Group monitors and minimises key risks in a structured and proactive manner. With the unexpected continued pandemic to endemic situation, capacity has been adjusted in response to, demand, working capital has undergone structural improvements, the focus on price and mix has intensified and the purchasing process for raw materials has been further streamlined. Some of the key risks and mitigation are described as below:

	RISKS	MITIGATING ACTIONS
Business Disruption Resulted From Pandemic Or Global Crisis	The Group is exposed to unexpected business disruptions along the entire supply chain.	The Group has a Crisis team to handle and activate the Business Continuity Plan when necessary. This has been tested and validated with various phases of Movement Control Order arising from COVID-19 pandemic. We collaborate closely with our business partners to ensure safety and minimal disruption in business supply. We continuously perform COVID-19 testing, reinforce the Standard Operating Procedures and work closely with the authorities to ensure the safety of everyone in the Group and continuity of operations.
Commodity And Material Inflation	Major fluctuations in prices of Commodities and Materials will have significant impact to the cost of our products.	The Nestlé S.A. Group has dedicated teams, both globally and locally to manage the sourcing of commodities and materials. This also enables us to hedge our purchases leveraging on our global capabilities. To ensure minimal interruption of the supply, we also source from multiple suppliers which are approved based on our global and local standards.
Foreign Currency Exchange	The Group is exposed to unpredictable fluctuations in foreign exchange rates against the local currency.	The Nestlé S.A. Group has a Treasury Center which is a dedicated team to minimise the risk.
Cybercurity Attacks	The threat landscape has evolved significantly over the past years in line with the rapid evolution of technology.	The scope of security monitoring by the Cyber Security Operations Center and technologies used is also continuously evolving. The Group is ISO 27001 certified. Security controls have been implemented to identify cybersecurity risks based on Nestlé Cyber Risk Framework. We strive to build a strong security culture through awareness programmes including Information Technology Security training and communication.
Food Safety And Quality	Quality and Food Safety Assurance is an utmost important principle for us as this risk may cause serious impact to the Group.	All manufacturing sites maintain Food Safety System Certification (FSSC 22000) to uphold the food safety of our products. To achieve flexibility in sourcing while ensuring high quality raw materials, Nestlé is committed to have all its suppliers certified against one of the Global Food Safety Initiative (GFSI) recognised certification programmes.
Health-Related Concerns	With consumers growing increasingly aware and concerned about their health and way of life, this has led to the rise of health activists who are critical of the perceived inadequacy of the nutritional values of our products. This may lead to potential negative consumer perception on our products in relation to their health.	With our Group's industry-leading research and development, we continuously strive to innovate and improve product development to produce high-quality and nutritious offerings. We have time-bound plans to improve our nutritional profiling with significant progress on a year-to-year basis. 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. Further details on our efforts can be found in the Nestlé in Society Report.
Fraud And Corruption	The Group faces some risk of fraud and corruption due to lack of compliance awareness, which may result in legal, financial and reputational repercussion.	The Group continues to create awareness through various compliance training programmes, risk assessment on anti-corruption and compliance-related issues. In addition, the Group has a whistleblowing hotline in place for employees and third parties to lodge non-compliance complaints.

	RISKS	MITIGATING ACTIONS
Environmental Concerns	Increasing concerns on the Group's environmental footprint, including impact on climate change, plastic pollution, water usage, etc.	Our goal is to be responsible stewards of natural resources. This means ensuring resources are available and managed sustainably. We continue our engagement on climate actions, aiming to halve our greenhouse gas by 2030 and achieve net zero by 2050. We partner with like-minded stakeholders including both government bodies and private organisations to promote positive behavioral change. We are constantly working towards improving our water management (water efficiency and reuse) and regulatory compliance, as well as protecting natural capital and reducing the impact of our products through a clear focus on waste management and packaging transformation.

"THE IMPACT OF THE MAJOR RISKS HAD BEEN EVALUATED AND MITIGATION EFFORTS ARE BEING TAKEN TO MANAGE THE IDENTIFIED RISKS."

OTHER RISKS AND INTERNAL CONTROL PROCESSES

The overall governance structure and formally defined policy and procedures (via Company Standing Instructions) play a major part in establishing the control and the risk environment in the Group. Although the Group is a networked organisation, a documented and auditable trail of accountability have been established through relevant charters/terms of reference and appropriate authority limits. In addition, authority limits and major Group Policies (health and safety, training and development, equality of opportunity, staff performance, sexual harassment, and serious misconduct) and the Nestlé Corporate Business Principles (available on www.nestle.com.my/aboutus/business-principles) have been disseminated and communicated to the Group's employees.

These processes and procedures have been established and embedded across the whole organisation and provides assurance to all levels of management, including the Board. The NIA serves to assess the implementation and the effectiveness of these procedures and reporting structures, as well as to verify the system of risk management and internal controls.

The Chief Executive Officer (CEO) also reports to the Board on significant changes in the business and the external environment which materially affects the operations. Financial information, key performance and risk indicators are also reported on a quarterly basis to the Board.

The Risk & Control (R&C) matrices is a platform that permits simplification and limits overlap and duplication of control initiatives, whilst enabling a more meaningful Internal Control assessment. It provides clarity in gauging controls, particularly to understand where the control responsibility lies, with the required level of detail. The R&C matrices also allow Management to better encompass new solutions that are introduced into business processes. The result of it is included into the single control repository of the Nestlé S.A. Group.

A Business Ethics & Fraud Committee set up by the management and chaired by the CEO meets periodically to review all complaints/allegations lodged via the Non-Compliance Hotline known as "Speak Up" or any other avenues (e.g. phone, letter, e-mail) which are in line with the Whistleblowing policy of the Group as described in page 5 of this Corporate Governance & Financial Statement 2021. This committee ensures an investigation is conducted when needed, reviews the investigation report and decides on the next course of action based on the nature of the violation. All fraud cases, if any, are also reported to Nestlé S.A. by the NIA.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has received assurances from the CEO and CFO that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of approval of this Statement. Our internal control systems have been proven robust and effective during COVID-19 pandemic. Taking into consideration the assurances from the Management and inputs from the relevant assurance providers, and to the best of its knowledge, the Board is of the view that the system of risk management and internal control is satisfactory and is adequate to safeguard shareholders' investments, customers' interest and Group's assets. The Group will continue to take measures to preserve, protect and strengthen the risk management and internal control environment. The internal control systems do not apply to our associate company, which fall within the control of the associate.

THE REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide (AAPG) 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the financial year ended 31 December 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Listing Requirements of Bursa Securities and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this Report.

This Statement on Risk Management and Internal Control was presented and approved by the Board on 22 February 2022.

Financial Performance

Key Highlights

- Delivered another year of resilient results with revenue of RM5.7 billion.
- Revenue grew by 5.9%, on the back of both domestic and export sales, which increased by 6.2% and 5.0% respectively.
- The Group recorded higher Profit After Tax at RM570 million, up by 3.1%, in spite of higher commodity prices and significant COVID-19 related expenses to ensure employee safety and supply continuity.
- Third interim dividend of RM1.02 per share, bringing total dividends for the year to RM2.42 per share.

REVENUE (RM MILLION)

21′	**5,734**
20′	5,412
19′	5,518
18′	5,519
17′	5,260

+5.9%

PROFIT BEFORE TAX (RM MILLION)

21′	**752**
20′	725
19′	876
18′	876
17′	812

+3.7%

PROFIT AFTER TAX (RM MILLION)

21′	**570**
20′	553
18′	673
18′	659
17′	643

+3.1%

EARNINGS PER SHARE (SEN)

21′	**243.0**
20′	235.7
19′	287.0
18′	281.0
17′	274.0

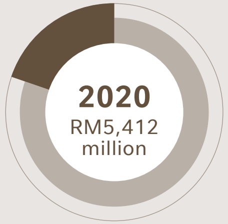
+3.1%

NET DIVIDEND PER SHARE (SEN)

21′	**242.0**
20′	232.0
19′	280.0
18′	280.0
17′	275.0

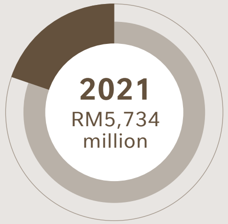
+4.3%

TOTAL SALES (%)



Export (RM million): **1,097** ▶ 20.3%

Domestic (RM million): **4,315** ▶ 79.7%



Export (RM million): **1,152** ▶ 20.1%

Domestic (RM million): **4,582** ▶ 79.9%

GROWTH (RM MILLION)

Domestic

21′	**4,582**
20′	4,315
19′	4,438

+6.2%

Export

21′	**1,152**
20′	1,097
19′	1,080

+5.0%

Total

21′	**5,734**
20′	5,412
19′	5,518

+5.9%

Financial Calendar

Dividends	First Interim	Second Interim	Third interim	Annual General Meeting
Announced	24 August 2021	2 November 2021	22 February 2022	28 April 2022
Record date	15 September 2021	25 November 2021	20 April 2022	
Paid / Payable	7 October 2021	15 December 2021	19 May 2022	

Capital Expenditure

RM MILLION

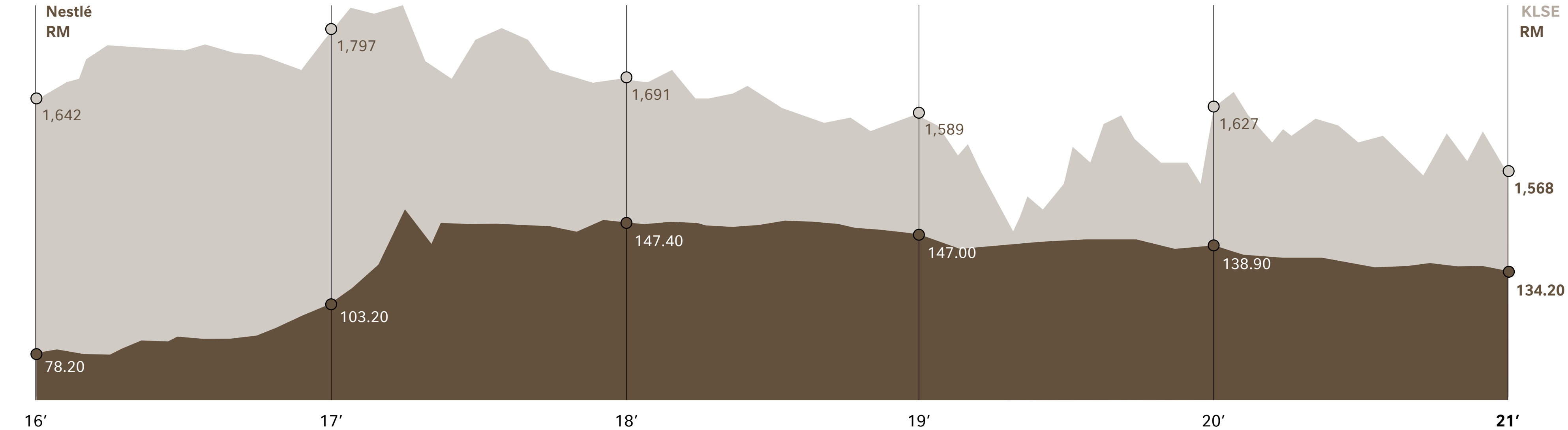
MAJOR PROJECTS IN 2021:

- Shah Alam - New Plant-Based Meal Solutions manufacturing line
- Batu Tiga - Expansion of MAGGI manufacturing line
- Head Office - Renovation of new head office
- Trade Asset - New and replacement of Vending machines and Ice-cream freezer

Share Performance

	Calendar Year				
	2021	2020	2019	2018	2017
During the year					
Highest - RM	**140.00**	147.00	150.40	157.40	103.20
Lowest - RM	**131.20**	133.20	143.30	113.30	74.12
Last Trading Day - RM	**134.20**	138.90	147.00	147.40	103.20

SHARE PRICES (BURSA MALAYSIA) - CLOSE



Financial Performance

Group Financial Highlights

		2021	2020	+ / (-)
Revenue	(RM'000)	**5,733,816**	5,412,180	5.9%
Earnings / Cash Flow				
Profit before tax	(RM'000)	**751,817**	724,769	3.7%
% of revenue		**13.1%**	13.4%	
Profit after tax and minority interest	(RM'000)	**569,811**	552,713	3.1%
% of revenue		**9.9%**	10.2%	
Dividends paid & proposed (net)	(RM'000)	**567,490**	544,040	4.3%
Depreciation, amortisation and impairment	(RM'000)	**195,454**	182,259	
Cash flow (net profit + depreciation + amortisation + impairment)	(RM'000)	**765,265**	734,972	
Capital expenditure	(RM'000)	**274,758**	294,553	
Shareholders' funds	(RM'000)	**582,697**	557,136	
Personnel	(no.)	**5,253**	5,018	
Factories	(no.)	**6**	6	
Per Share				
Market price [1]	(RM)	**134.20**	138.90	
Earnings [2]	(sen)	**242.99**	235.70	
Price earnings ratio		**55.23**	58.93	
Dividend (net)	(sen)	**242.00**	232.00	
Dividend yield	(%)	**1.8**	1.7	
Dividend cover [2]	(no.)	**1.0**	1.0	
Shareholders' funds	(RM)	**2.48**	2.38	
Net tangible assets [3]	(RM)	**2.21**	2.10	

Notes:
1. The market price represents last done price of the shares quoted on the last trading day of December.
2. Earnings per share and dividend cover are based on profit after tax.
3. Net tangible assets consists of issued share capital plus reserves less intangible assets.

5 Years' Statistics - For The Year Ended 31 December 2021

		2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
Revenue		**5,733,816**	5,412,180	5,518,076	5,519,045	5,260,490
Earnings / Cash Flow						
Profit before tax		**751,817**	724,769	875,725	875,890	812,216
% of revenue		**13.1%**	13.4%	15.9%	15.9%	15.4%
Profit after tax and minority interest		**569,811**	552,713	672,913	658,882	642,550
% of revenue		**9.9%**	10.2%	12.2%	11.9%	12.2%
Dividends paid & proposed (net)		**567,490**	544,040	656,600	656,600	644,875
Depreciation, amortisation and impairment		**195,454**	182,259	177,300	165,354	158,104
Cash flow (net profit + depreciation + amortisation + impairment)		**765,265**	734,972	850,213	824,236	800,654
% of revenue		**13.3%**	13.6%	15.4%	14.9%	15.2%
Capital expenditure		**274,758**	294,553	183,253	145,671	164,455
Employment of Assets						
Fixed assets (net)		**1,742,500**	1,662,081	1,532,045	1,507,131	1,432,211
Associated company		**5,949**	5,614	5,367	5,084	4,709
Intangible assets		**63,342**	64,500	65,795	67,546	61,986
Deferred tax assets		**23,874**	36,238	34,511	30,572	20,523
Receivables, deposits & prepayments		**9,228**	13,056	15,807	21,533	24,283
Net current liabilities [1]		**(788,490)**	(736,947)	(581,737)	(566,663)	(577,999)
Total		**1,056,403**	1,044,542	1,071,788	1,065,203	965,713
Financed by						
Share capital [2]		**267,500**	267,500	267,500	267,500	267,500
Reserves		**315,197**	289,636	397,424	386,833	368,394
Total shareholders' funds		**582,697**	557,136	664,924	654,333	635,894
Deferred tax liabilities		**142,496**	133,968	138,597	135,390	120,987
Employee benefits		**89,859**	90,592	91,444	95,282	89,749
Borrowings and financial liabilities		**241,351**	262,846	176,823	180,198	119,083
Total		**1,056,403**	1,044,542	1,071,788	1,065,203	965,713
Per Share						
Market price [3]	(RM)	**134.20**	138.90	147.00	147.40	103.20
Earnings [4]	(sen)	**242.99**	235.70	286.96	280.97	274.01
Price earnings ratio		**55.23**	58.93	51.23	52.46	37.66
Dividend (net)	(sen)	**242.00**	232.00	280.00	280.00	275.00
Dividend yield	(%)	**1.8**	1.7	1.9	1.9	2.7
Dividend cover [4]	(no.)	**1.0**	1.0	1.0	1.0	1.0
Shareholders' funds	(RM)	**2.48**	2.38	2.84	2.79	2.71
Net tangible assets [5]	(RM)	**2.21**	2.10	2.55	2.50	2.45
Personnel	(no.)	**5,253**	5,018	4,686	5,267	5,338
Factories	(no.)	**6**	6	6	7	7

Notes:
1. The Group has adequate credit facilities to fund the net current liabilities.
2. In accordance with Section 618 (2) of the Companies Act 2016, the share premium amounting to RM33,000,000 has become part of the Company's share capital in 2017.
3. The market price represents last done price of the shares quoted on the last trading day of December.
4. Earnings per share and dividend cover are based on profit after tax.
5. Net tangible assets consists of issued share capital plus reserves less intangible assets.

Financial Statements

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities and other information of the subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year	569,811	567,537
Profit attributable to owners of the parent	569,811	567,537

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2020 were as follows:

	RM'000
In respect of the year ended 31 December 2020 as reported in the Directors' report of that year:	
Third tax exempt (single-tier) interim dividend of 92 sen per share, on 234,500,000 ordinary shares, declared on 23 February 2021 and paid on 20 May 2021	215,740
In respect of the year ended 31 December 2021:	
First tax exempt (single-tier) interim dividend of 70 sen per share, on 234,500,000 ordinary shares, declared on 24 August 2021 and paid on 7 October 2021	164,150
Second tax exempt (single-tier) interim dividend of 70 sen per share, on 234,500,000 ordinary shares, declared on 2 November 2021 and paid on 15 December 2021	164,150
	544,040

The Board of Directors has proposed a third tax exempt (single-tier) interim dividend after year end in respect of the year ended 31 December 2021, of 102 sen per share on 234,500,000 ordinary shares, amounting to a dividend payable of RM239,190,000. The financial statements for the current year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2022.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the year to the date of this report are:

Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail
Chin Kwai Fatt (Appointed on 29 April 2021)
Dato' Hamidah Naziadin
Datin Sri Azlin Arshad
Tunku Alina Raja Muhd Alias (Appointed on 21 June 2021)
Juan Jose Aranols Campillo **
Craig Grant Connolly **
Dato' Mohd. Rafik bin Shah Mohamad (Retired on 28 April 2021)
Dato' Dr. Nirmala Menon (Retired on 28 April 2021)

** These Directors are also Directors of the Company's subsidiaries.

The name of the Director of the Company's subsidiaries in office since the beginning of the year to the date of this report (not including those Directors listed above) is:

Alessandro Monica

DIRECTORS' BENEFITS

Neither at the end of the year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the shares granted under the Performance Stock Unit Plan ("PSUP") and Restricted Stock Unit Plan ("RSUP") of the ultimate holding company.

Since the end of the previous year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Fees	1,195	1,195
Remuneration	6,887	146
Estimated money value of benefits-in-kind	1,047	-
Post-employment benefits	276	-
Share-based payments	3,064	-
Insurance effected to indemnify Directors*	18	18
	12,487	1,359

*The Company maintains a liability insurance for the Directors of the Group. The total amount of sum insured for Directors of the Group for the year amounted to RM41,497,000.

Directors' Report

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the year in shares in the ultimate holding company during the year were as follows:

	Number of ordinary shares			
	1.1.2021	Acquired	Sold	31.12.2021
Direct interest:				
Ordinary shares of the ultimate holding company (Nestlé S.A.)				
Juan Jose Aranols Campillo	12,230	6,479	4,977	13,732
Craig Grant Connolly	1,826	1,240	333	2,733

None of the other Directors in office at the end of the year had any interest in shares in the Company or its related corporations during the year.

HOLDING COMPANIES

The immediate and ultimate holding companies are Société des Produits Nestlé S.A. ("SPN") and Nestlé S.A. respectively, both of which are incorporated in Switzerland. The ultimate holding company is listed on the Swiss Stock Exchange ("SIX").

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONTD.)

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the year in which this report is made.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant event is disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration for the statutory audit is as follows:

	Group RM'000	Company RM'000
Ernst & Young PLT	620	80

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 February 2022.

Juan Jose Aranols Campillo **Craig Grant Connolly**

Statement by Directors - Pursuant to Section 251(2) of the Companies Act 2016

We, Juan Jose Aranols Campillo and Craig Grant Connolly, being two of the Directors of Nestlé (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 44 to 125 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 February 2022.

Juan Jose Aranols Campillo   Craig Grant Connolly

Statutory Declaration - Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Craig Grant Connolly, being the director primarily responsible for the financial management of Nestlé (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 44 to 125 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Craig Grant Connolly at Petaling Jaya, Selangor Darul Ehsan
on 22 February 2022

Craig Grant Connolly

Before me,

Guna Papoo
Commissioner of Oaths (No. 338)

Petaling Jaya, Malaysia

Independent Auditors' Report - to the members of Nestlé (Malaysia) Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Nestlé (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 125 .

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By -Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By - Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Independent Auditors' Report - to the members of Nestlé (Malaysia) Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Key audit matters (contd.)

Revenue recognition

We draw your attention to Note 2.20 and Note 17 to the financial statements.

Total revenue for the Group for the year ended 31 December 2021 amounted to RM5.7 billion, which represents the most significant amount in the financial statements of the Group.

Revenue from the sale of goods is recognised when there is a transfer of control over a product to the customers, and is measured based on the consideration specified in a contract, net of pricing allowances, other trade discounts, and price promotions to customers (collectively referred to as "trade spend").

We considered the measurement and completeness of trade spend to be a key focus area due to the complexity and diversity of trade spend arrangements.

In addressing this area of focus, we have performed, amongst others, the following procedures:

(a) We have obtained an understanding over the sales process and trade spend arrangements and tested related controls over the completeness, measurement and recording of trade spend.

(b) We have reviewed the trade spend arrangements entered into with customers, on a sampling basis, to obtain an understanding of the specific terms and conditions.

(c) We have tested that the trade spend committed were appropriately accrued for in the current year by checking to the credit notes issued to customers subsequent to reporting date.

(d) We have performed re-computation of trade spend, on a sampling basis, based on the entitlement criteria.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Information other than the financial statements and auditors' report thereon (contd.)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report - to the members of Nestlé (Malaysia) Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Auditors' responsibilities for the audit of the financial statements (contd.)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Kim Ling
No. 03236 / 04 / 2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2022

Statements of Financial Position - As at 31 December 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	4	**1,534,268**	1,423,843	**-**	-
Right-of-use assets	5	**208,232**	238,238	**-**	-
Intangible assets	6	**63,342**	64,500	**-**	-
Investments in subsidiaries	7	**-**	-	**188,022**	188,022
Investment in an associate	8	**5,949**	5,614	**3,000**	3,000
Deferred tax assets	9	**23,874**	36,238	**-**	-
Trade and other receivables	11	**9,228**	13,056	**-**	-
		1,844,893	1,781,489	**191,022**	191,022
Current assets					
Inventories	10	**744,987**	597,270	**-**	-
Trade and other receivables	11	**377,050**	472,705	**318,081**	294,560
Current tax assets		**11,003**	548	**-**	-
Cash and bank balances	12	**6,898**	9,359	**-**	-
		1,139,938	1,079,882	**318,081**	294,560
Total assets		**2,984,831**	2,861,371	**509,103**	485,582
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	13	**267,500**	267,500	**267,500**	267,500
Reserves		**(744)**	(3,534)	**-**	-
Retained earnings		**315,941**	293,170	**240,004**	216,507
Total equity		**582,697**	557,136	**507,504**	484,007
Current liabilities					
Loans and borrowings	14	**245,693**	257,701	**-**	-
Lease liabilities	5	**26,962**	31,063	**-**	-
Trade and other payables	15	**1,626,072**	1,480,838	**1,564**	1,486
Current tax liabilities		**29,701**	47,227	**35**	89
		1,928,428	1,816,829	**1,599**	1,575

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Non-current liabilities					
Loans and borrowings	14	**100,000**	100,000	**-**	-
Lease liabilities	5	**141,351**	162,846	**-**	-
Employee benefits	16	**89,859**	90,592	**-**	-
Deferred tax liabilities	9	**142,496**	133,968	**-**	-
		473,706	487,406	**-**	-
Total liabilities		**2,402,134**	2,304,235	**1,599**	1,575
Total equity and liabilities		**2,984,831**	2,861,371	**509,103**	485,582

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income - For the year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	17	**5,733,816**	5,412,180	**568,990**	544,490
Cost of sales		**(3,775,581)**	(3,446,678)	**-**	-
Gross profit		**1,958,235**	1,965,502	**568,990**	544,490
Other income		**3,696**	-	**-**	-
Selling and distribution expenses		**(906,221)**	(946,492)	**-**	-
Administrative expenses		**(185,983)**	(211,159)	**(2,546)**	(2,405)
Other expenses		**(84,119)**	(52,404)	**-**	(4)
Reversal of impairment loss on trade receivables		**504**	553	**-**	-
Results from operating activities		**786,112**	756,000	**566,444**	542,081
Finance income		**828**	3,538	**1,437**	1,813
Finance costs		**(35,848)**	(35,466)	**-**	-
Net finance (costs)/income		**(35,020)**	(31,928)	**1,437**	1,813
Share of profit of an equity-accounted associate, net of tax		**725**	697	**-**	-
Profit before tax	18	**751,817**	724,769	**567,881**	543,894
Income tax expense	21	**(182,006)**	(172,056)	**(344)**	(434)
Profit for the year		**569,811**	552,713	**567,537**	543,460
Other comprehensive expense, net of tax:					
Item that may be reclassified to profit or loss in subsequent periods					
Net gain/(loss) on cash flow hedges		**2,790**	(2,603)	**-**	-
Item that will not be reclassified to profit or loss in subsequent periods					
Remeasurement loss on defined benefit liability		**(3,000)**	(1,298)	**-**	-
Other comprehensive expense for the year, net of tax	22	**(210)**	(3,901)	**-**	-
Total comprehensive income for the year, net of tax		**569,601**	548,812	**567,537**	543,460
Profit attributable to owners of the parent		**569,811**	552,713	**567,537**	543,460
Total comprehensive income attributable to owners of the parent		**569,601**	548,812	**567,537**	543,460
Earnings per share attributable to owners of the parent (sen)					
- Basic	23	**243**	236		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity - For the year ended 31 December 2021

		Attributable to owners of the parent			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group					
At 1 January 2021		**267,500**	**(3,534)**	**293,170**	**557,136**
Cash flow hedge		**-**	**2,790**	**-**	**2,790**
Remeasurement of defined benefit liability		**-**	**-**	**(3,000)**	**(3,000)**
Other comprehensive income/(expense) for the year		**-**	**2,790**	**(3,000)**	**(210)**
Profit for the year		**-**	**-**	**569,811**	**569,811**
Total comprehensive income for the year		**-**	**2,790**	**566,811**	**569,601**
Dividends to owners	24	**-**	**-**	**(544,040)**	**(544,040)**
Total transactions with owners		**-**	**-**	**(544,040)**	**(544,040)**
At 31 December 2021		**267,500**	**(744)**	**315,941**	**582,697**
At 1 January 2020		267,500	(931)	398,355	664,924
Cash flow hedge		-	(2,603)	-	(2,603)
Remeasurement of defined benefit liability		-	-	(1,298)	(1,298)
Other comprehensive expense for the year		-	(2,603)	(1,298)	(3,901)
Profit for the year		-	-	552,713	552,713
Total comprehensive (expense)/income for the year		-	(2,603)	551,415	548,812
Dividends to owners	24	-	-	(656,600)	(656,600)
Total transactions with owners		-	-	(656,600)	(656,600)
At 31 December 2020		267,500	(3,534)	293,170	557,136

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity - For the year ended 31 December 2021

	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
Company				
At 1 January 2021		**267,500**	**216,507**	**484,007**
Profit and total comprehensive income for the year		**-**	**567,537**	**567,537**
Dividends to owners, representing total transactions with owners	24	**-**	**(544,040)**	**(544,040)**
At 31 December 2021		**267,500**	**240,004**	**507,504**
At 1 January 2020		267,500	329,647	597,147
Profit and total comprehensive income for the year		-	543,460	543,460
Dividends to owners, representing total transactions with owners	24	-	(656,600)	(656,600)
At 31 December 2020		267,500	216,507	484,007

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flow - For the year ended 31 December 2021

	Note	Group 2021	Group 2020	Company 2021	Company 2020
Cash flows from operating activities					
Profit before tax		**751,817**	724,769	**567,881**	543,894
Adjustments for:					
Property, plant and equipment:					
- depreciation	4	**157,991**	140,464	**-**	-
- (gain)/loss on disposal	18	**(3,696)**	322	**-**	-
- impairment loss	4	**150**	5,793	**-**	-
- written off	18	**2,675**	1,529	**-**	-
Right-of-use assets:					
- depreciation	5	**34,993**	34,707	**-**	-
- impairment loss	5	**1,162**	-	**-**	-
Intangible assets:					
- amortisation	6	**1,158**	1,295	**-**	-
Dividend income	17	**-**	-	**(568,990)**	(544,490)
Expenses related to defined benefit plans	19	**4,827**	4,894	**-**	-
Finance costs		**35,848**	35,466	**-**	-
Finance income		**(828)**	(3,538)	**(1,437)**	(1,813)
Net write-down/(reversal of) of slow moving inventories	18	**6,137**	(2,099)	**-**	-
Net unrealised foreign exchange differences	18	**(1,480)**	(419)	**-**	-
Share-based payment expense	19	**12,105**	15,604	**-**	-
Share of profit of an equity-accounted associate, net of tax	8	**(725)**	(697)	**-**	-
Trade receivables:					
- net reversal of impairment loss	18	**(504)**	(553)	**-**	-
- written off	18	**515**	1,138	**-**	-
Operating cash flows before changes in working capital		**1,002,145**	958,675	**(2,546)**	(2,409)
Changes in working capital:					
Inventories		**(153,854)**	(43,344)	**-**	-
Trade and other payables		**138,950**	140,342	**78**	(372)
Trade and other receivables		**98,802**	36,041	**1,039**	113,551
Cash flows from/(used in) operations		**1,086,043**	1,091,714	**(1,429)**	110,770
Dividends received from subsidiaries		**-**	-	**544,040**	544,040
Retirement benefits paid	16	**(9,508)**	(7,454)	**-**	-
Income tax paid		**(189,028)**	(174,971)	**(398)**	(473)
Net cash flows generated from operating activities		**887,507**	909,289	**542,213**	654,337

Statements of Cash Flow - For the year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	**(274,758)**	(294,553)	**-**	-
Dividends received from associate		**390**	450	**390**	450
Finance income received		**828**	3,538	**1,437**	1,813
Proceeds from disposal of property, plant and equipment		**7,213**	463	**-**	-
Net cash flows (used in)/from investing activities		**(266,327)**	(290,102)	**1,827**	2,263
Cash flows from financing activities					
Dividends paid		**(544,040)**	(656,600)	**(544,040)**	(656,600)
Finance costs paid		**(35,848)**	(35,466)	**-**	-
Payment of lease liabilities		**(31,745)**	(28,669)	**-**	-
Proceeds from borrowings		**15,000**	105,634	**-**	-
Net cash flows used in financing activities		**(596,633)**	(615,101)	**(544,040)**	(656,600)
Net increase in cash and cash equivalents		**24,547**	4,086	**-**	-
Cash and cash equivalents at beginning of year		**(28,342)**	(32,428)	**-**	-
Cash and cash equivalents at end of year	12	**(3,795)**	(28,342)	**-**	-

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	Loan from a related company RM'000	Revolving credit -unsecured RM'000	Lease liabilities RM'000	Total RM'000
Group					
At 1 January 2021		**100,000**	**220,000**	**193,909**	**513,909**
Net changes from financing cash flows		**-**	**15,000**	**(31,745)**	**(16,745)**
Addition, modification and termination of lease contracts	5	**-**	**-**	**6,149**	**6,149**
At 31 December 2021		**100,000**	**235,000**	**168,313**	**503,313**
At 1 January 2020		114,604	100,000	205,576	420,180
Net changes from financing cash flows		(14,366)	120,000	(28,669)	76,965
Foreign exchange movement		(238)	-	-	(238)
Addition, modification and termination of lease contracts	5	-	-	17,002	17,002
At 31 December 2020		100,000	220,000	193,909	513,909

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at Level 22, 1 Powerhouse, No. 1, Persiaran Bandar Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The immediate and ultimate holding companies are Société des Produits Nestlé S.A. ("SPN") and Nestlé S.A. respectively, both of which are incorporated in Switzerland. The ultimate holding company is listed on the Swiss Stock Exchange ("SIX").

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of the principal activities during the year.

The financial statements were authorised for issue by the Board of Directors on 22 February 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on a historical cost basis except otherwise disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except as follows:

On 1 January 2021, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2021. The Group and the Company have early adopted amendments to MFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021 for the year ended 31 December 2021.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

The adoption of the above amendments did not have any significant impact on the financial statements of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards, amendments and interpretations that are issued but not yet effective up to the date of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1, MFRS 9 and MFRS 141: Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Standards issued but not yet effective (contd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the above standard and amendments are not expected to have a material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Basis of consolidation (contd.)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, unrealised gains and losses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or if significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interests in the acquiree are re-measured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss.

Any excess of the cost of business combination, as the case may be, over the net amount of the fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill. For business combinations, provisions are made for the acquiree's contingent liabilities existing at the date of acquisition as the Group deems that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

Any excess in the Group's interest in the net fair value of the identifiable assets acquired and liabilities assumed over the cost of business combination is recognised immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Business combinations and goodwill (contd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statements of comprehensive income in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Business combinations involving entities under common control are accounted for by applying the pooling on interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the entity acquired is reflected within equity as merger reserve. The statements of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

2.6 Investments in subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its involvement with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries is accounted for at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.7 Investment in an associate

An associate is an entity over in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is measured in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss within share of profit of an associate in the statements of comprehensive income.

The financial statements of the associate are prepared as of the same reporting date as the Group unless it is impracticable to do so. When the financial statements of associate used in applying the equity method are prepared as of a different reporting date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.8 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income, or a financial instrument designated as cash flow hedge, which are recognised in other comprehensive income.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.9 Financial instruments (contd.)

(a) Financial assets (contd.)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

Subsequent measurement

The measurement of financial assets depends on their classification, as described below:

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include cash and bank balances, trade and other receivables and other non-current financial assets.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.9 Financial instruments (contd.)

(a) Financial assets (contd.)

Subsequent measurement (contd.)

(ii) Financial assets at fair value through profit or loss (contd.)

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of comprehensive income.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if:

- The economic characteristics and risks are not closely related to the host;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.9 Financial instruments (contd.)

(a) Financial assets (contd.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or

  (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debts instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sales of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within next 12 months ("a 12 months ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.9 Financial instruments (contd.)

(a) Financial assets (contd.)

Impairment of financial assets (contd.)

For trade receivables, the Group applies simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on historical credit experience. The Group considers forward looking factors do not have significant impact to credit risk given the nature of its industry and the amount of the ECLs is insensitive to changes to forecast economic conditions.

The Group and the Company consider a financial assets to be default when internal and external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. Financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group and the Company’s financial liabilities include trade and other payables, other current liabilities, derivative financial instruments, and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.9 Financial instruments (contd.)

(b) Financial liabilities (contd.)

Subsequent measurement (contd.)

(i) Financial liabilities at fair value through profit or loss (contd.)

Gains or losses on liabilities held for trading are recognised in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has designated derivative financial instruments as financial liability at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

After initial recognition, it is subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables. For more information, refer to Notes 14 and 15.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and separate statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.10 Derivative financial instruments and hedging activities

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward exchange contracts and commodity futures to hedge its foreign currency risks and commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statements of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.10 Derivative financial instruments and hedging activities Initial recognition and subsequent measurement (contd.)

Cash flow hedge (contd.)

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

2.11 Property, plant and equipment

Capital work-in-progress is stated at cost, net of accumulated impairment loss, if any. Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in progress are not depreciated as these assets are not available for use. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25 – 50 years
Plant and machinery	10 – 25 years
Tools, furniture and equipment	5 – 8 years
Motor vehicles	5 years
Information systems	3 – 10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the statements of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	36 – 99 years
Buildings	3 – 10 years
Tools and equipment	4 – 6 years
Information system	5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in Note 2.16 Impairment of non-financial assets.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.12 Leases (contd.)

Group as lessee (contd.)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of tools and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of photocopiers that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.13 Intangible assets

Development cost

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.14 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other cost incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.15 Cash and bank balances

Cash and bank balances in the statements of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.16 Impairment of non-financial assets

The Group and the Company assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group and the Company base their impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's and the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the recoverable amount of the asset or CGU is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.17 Employee benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees. Short-term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Companies incorporated in Malaysia contribute to the Employees Provident Fund, the defined contribution plan. The Group's contributions are charged to the statements of comprehensive income. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit pension plan

The Group operates a defined benefit pension plan which is administered by Nestlé Malaysia Group Retirement Scheme ("NMGRS").

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'administrative expenses' in the statements of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.17 Employee benefits (contd.)

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer to those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(v) Share-based payment transactions

Performance Stock Unit Plan ("PSUP") and Restricted Stock Unit Plan ("RSUP")

Certain employees of the Group are entitled to PSUP and RSUP that give the right to Nestlé S.A. shares. The fair value of the PSUP and RSUP granted to these employees is recognised as an employee expense in profit or loss, over the period that the employees become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the vesting conditions are met.

2.18 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Restoration cost

Provision for restoration cost is estimated cost of dismantling, removing or restoring the buildings at the lease inception date for leases with requirements to remove leasehold improvements at the end of the lease term.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.19 Current versus non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

(i) Expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) Held primarily for the purpose of trading;
(iii) Expected to be realised within twelve months after the reporting period; or
(iv) Cash and bank balances unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

(i) It is expected to be settled in normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.20 Revenue

(i) Sale of goods

Revenue is recognised at point in time upon transfer of control of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume rebates. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(iii) Finance income

Finance income is recognised on an accrual basis using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Finance costs

Finance costs comprise the interest expense on financial debt (including leases) and other expense such as exchange differences on financial debt and results on related foreign currency hedging instruments. Certain borrowing costs are capitalised as explained under Note 2.21.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group and the Company operate and generate taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.23 Taxes (contd.)

(b) Deferred tax (contd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

(i) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxable entity and the same taxation authority.

(c) Sales and services tax (“SST”)

Revenue, expenses and assets are recognised net of the amount of SST, except:

(i) when the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the SST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

(ii) when receivables and payables are stated with the amount of SST included.

The payable amount of SST to the taxation authority is included as part of payables in the statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.24 Operating segments

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Contingent liabilities

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.26 Fair value measurement (contd.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.27 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

The attributable incremental transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Determining the lease term of contracts with renewal and termination option

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Measurement of recoverable amount of CGU for goodwill impairment test

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next three years of the CGU being tested. The key assumptions used to determine the recoverable amount for the CGU, including a sensitivity analysis, are disclosed and further explained in Note 6.

Measurement of ECL

The Group uses an allowance matrix to measure ECLs of trade receivables from individual customers, which comprise a very large number of insignificant outstanding balances.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

3.2 Critical judgement in applying the entity's accounting policies

There is no critical judgement made by management in the process of applying the accounting policies that have a significant effect on the amounts recognised in financial statements.

Notes to the Financial Statements

4. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings RM'000	Plant and machinery, tools, furniture and equipment RM'000	Motor vehicles RM'000	Information systems RM'000	Capital work-in progress RM'000	Total RM'000
Group							
2021							
Cost							
At 1 January 2021		607,064	2,271,676	20,204	125,356	254,745	3,279,045
Additions		17,602	129,094	3,831	7,788	116,443	274,758
Disposals		(180)	(18,152)	(3,765)	(948)	-	(23,045)
Written off		(2,098)	(46,241)	-	(2,362)	(3)	(50,704)
Transfer in/(out)		32,477	122,452	-	4,007	(158,936)	-
At 31 December 2021		654,865	2,458,829	20,270	133,841	212,249	3,480,054
Accumulated depreciation and impairment							
At 1 January 2021		224,644	1,522,256	12,626	95,676	-	1,855,202
Charge for the year	18	18,639	122,973	2,822	13,557	-	157,991
Impairment loss	18	-	150	-	-	-	150
Disposals		(149)	(15,356)	(3,250)	(773)	-	(19,528)
Written off		(822)	(44,855)	-	(2,352)	-	(48,029)
At 31 December 2021		242,312	1,585,168	12,198	106,108	-	1,945,786
Analysed as:							
Accumulated depreciation		234,070	1,550,553	12,198	105,452	-	1,902,273
Accumulated impairment loss		8,242	34,615	-	656	-	43,513
		242,312	1,585,168	12,198	106,108	-	1,945,786
Net carrying amount		412,553	873,661	8,072	27,733	212,249	1,534,268

4. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Note	Buildings RM'000	Plant and machinery, tools, furniture and equipment RM'000	Motor vehicles RM'000	Information systems RM'000	Capital work-in progress RM'000	Total RM'000
Group							
2020							
Cost							
At 1 January 2020		599,209	2,217,861	18,187	120,064	49,999	3,005,320
Additions		5,613	60,700	2,693	9,567	215,980	294,553
Disposals		-	(2,650)	(676)	(3,343)	-	(6,669)
Written off		-	(12,943)	-	(1,216)	-	(14,159)
Transfer in/(out)		2,242	8,708	-	284	(11,234)	-
At 31 December 2020		607,064	2,271,676	20,204	125,356	254,745	3,279,045
Accumulated depreciation and impairment							
At 1 January 2020		207,332	1,420,999	10,953	88,175	-	1,727,459
Charge for the year	18	17,207	108,986	2,232	12,039	-	140,464
Impairment loss	18	105	5,688	-	-	-	5,793
Disposals		-	(1,982)	(559)	(3,343)	-	(5,884)
Written off		-	(11,435)	-	(1,195)	-	(12,630)
At 31 December 2020		224,644	1,522,256	12,626	95,676	-	1,855,202
Analysed as:							
Accumulated depreciation		216,402	1,487,791	12,626	95,020	-	1,811,839
Accumulated impairment loss		8,242	34,465	-	656	-	43,363
		224,644	1,522,256	12,626	95,676	-	1,855,202
Net carrying amount		382,420	749,420	7,578	29,680	254,745	1,423,843

Impairment loss

During the year, the Group has recognised an impairment loss of RM150,000 (2020: RM5,793,000) in respect of plant and equipment based on the recoverable amount of the assets.

Notes to the Financial Statements

5. LEASES

The Group leases its office space, distribution centre, retail stores, tools and equipment and information systems. The leases of office space and distribution centre typically run for a period of ten years and retail stores for three to five years. The leases of office space and distribution centre include an option to renew the lease for an additional period of two terms of three years after the end of the contract term.

The Group also has certain leases of tools and equipment with lease term of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for the leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Note	Leasehold land RM'000	Buildings RM'000	Tools and equipment RM'000	Information systems RM'000	Total RM'000
Group						
2021						
Cost						
At 1 January 2021		69,958	304,846	37,733	-	412,537
Additions		-	2,732	541	2,867	6,140
Termination and expiration of lease contracts		-	(96,216)	(305)	-	(96,521)
Modification of lease contracts		-	123	-	-	123
At 31 December 2021		69,958	211,485	37,969	2,867	322,279
Accumulated depreciation and impairment						
At 1 January 2021		15,746	136,136	22,417	-	174,299
Charge for the year	18	1,148	26,632	6,861	352	34,993
Termination and expiration of lease contracts		-	(96,216)	(191)	-	(96,407)
Impairment loss	18	-	1,162	-	-	1,162
At 31 December 2021		16,894	67,714	29,087	352	114,047
Net carrying amount		53,064	143,771	8,882	2,515	208,232

5. LEASES (CONTD.)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year: (contd.)

	Note	Leasehold land RM'000	Buildings RM'000	Tools and equipment RM'000	Information systems RM'000	Total RM'000
Group						
2020						
Cost						
At 1 January 2020		69,958	287,428	36,484	-	393,870
Additions		-	35,569	1,249	-	36,818
Termination of lease contracts		-	(122)	-	-	(122)
Modification of lease contracts		-	(18,029)	-	-	(18,029)
At 31 December 2020		69,958	304,846	37,733	-	412,537
Accumulated depreciation						
At 1 January 2020		14,598	109,405	15,683	-	139,686
Charge for the year	18	1,148	26,825	6,734	-	34,707
Termination of lease contracts		-	(94)	-	-	(94)
At 31 December 2020		15,746	136,136	22,417	-	174,299
Net carrying amount		54,212	168,710	15,316	-	238,238

Impairment loss

During the year, the Group has recognised an impairment loss of RM1,162,000 (2020: Nil) in respect of buildings based on the recoverable amount of the assets.

Notes to the Financial Statements

5. LEASES (CONTD.)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

		Group	
		2021	2020
	Note	RM'000	RM'000
At 1 January		**193,909**	205,576
Additions		**6,140**	35,059
Modification of lease contracts		**123**	(18,029)
Termination of lease contracts		**(114)**	(28)
Accretion of interest	18	**6,840**	7,349
Payments		**(38,585)**	(36,018)
At 31 December		**168,313**	193,909
Current		**26,962**	31,063
Non-current		**141,351**	162,846

The maturity analysis of lease liabilities are disclosed in Note 27(b) to the financial statements.

The following are the amounts recognised in profit or loss during the year:

		Group	
		2021	2020
	Note	RM'000	RM'000
Depreciation of right-of-use assets	18	**34,993**	34,707
Interest expenses on lease liabilities	18	**6,840**	7,349
Expenses relating to short-term leases	18	**35,072**	35,849
Expenses relating to leases of low-value assets	18	**276**	326
Total amount recognised in profit or loss		**77,181**	78,231

The Group had total cash outflows for leases of RM73,933,000 (2020: RM72,193,000). The Group also had non-cash additions (including modifications) to right-of-use assets and lease liabilities of RM6,263,000 (2020: RM18,789,000) and RM6,263,000 (2020: RM17,030,000) respectively. The Group does not have future cash outflows relating to leases that have not yet commenced as at 31 December 2021 (2020: Nil).

5. LEASES (CONTD.)

	Group	
	2021 RM'000	2020 RM'000
Cash outflows for leases as a lessee		
Included in net cash from operating activities:		
Payment relating to short-term leases	**35,072**	35,849
Payment relating to leases of low-value assets	**276**	326
	35,348	36,175
Included in net cash from financing activities:		
Finance cost of lease liabilities	**6,840**	7,349
Payment of lease liabilities	**31,745**	28,669
Total cash outflows for leases	**73,933**	72,193

6. INTANGIBLE ASSETS

	Note	Goodwill RM'000	Development costs RM'000	Total RM'000
Group				
2021				
Cost				
At 1 January 2021/31 December 2021		**61,024**	**7,859**	**68,883**
Accumulated depreciation				
At 1 January 2021		**-**	**4,383**	**4,383**
Amortisation for the year	18	**-**	**1,158**	**1,158**
At 31 December 2021		**-**	**5,541**	**5,541**
Net carrying amount		**61,024**	**2,318**	**63,342**

Notes to the Financial Statements

6. INTANGIBLE ASSETS (CONTD.)

	Note	Goodwill RM'000	Development costs RM'000	Total RM'000
2020				
Cost				
At 1 January 2020/31 December 2020		61,024	7,859	68,883
Accumulated depraeciation				
At 1 January 2020		-	3,088	3,088
Amortisation for the year	18	-	1,295	1,295
At 31 December 2020		-	4,383	4,383
Net carrying amount		61,024	3,476	64,500

The goodwill relates to the Group's ice-cream business unit. The development cost relates to the enhancement of the Group's SAP HANA and Globe Landscape Simplification system.

Impairment testing for goodwill

The recoverable amount of the ice-cream business unit is higher than its carrying amount and was based on the value in use.

Value in use was determined by discounting the future cash flows generated from the continuing operation of the ice-cream business unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and financial budgets approved by management covering a 3-year business plan.
- The anticipated revenue growth rate for the 3-year business plan is estimated to be 8.0% to 11.5% per annum (2020: 4.5% to 7.9% per annum).
- The unit will continue its operations indefinitely with earnings before interest and tax ("EBIT") terminal growth rate of 2% per annum (2020: 1% per annum).
- A discount rate of 6.9% (2020: 6.5%) was applied.
- The size of operations will remain with at least or not lower than the current results.

The key assumptions represent management's assessment of future trends in the ice-cream industry and are based on both external sources and internal sources (historical data).

Sensitivity to changes in assumptions

The management believes that any reasonably possible changes in the above key assumptions applied will not cause the CGU's recoverable amount to be lower than the carrying amount.

7. INVESTMENTS IN SUBSIDIARIES

	Company 2021 RM'000	Company 2020 RM'000
Unquoted shares at cost	**188,022**	188,022

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	Proportion of ownership interest 2021 %	Proportion of ownership interest 2020 %
Nestlé Products Sdn. Bhd.	Malaysia	Marketing and sales of ice-cream, powdered milk and drinks, liquid milk and juices, instant coffee and other beverages, chocolate confectionery products, instant noodles, culinary products, cereals, and related products	**100**	100
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and sales of ice-cream, powdered milk and drinks, liquid milk and juices, instant coffee and other beverages, instant noodles, culinary products, cereals, and related products	**100**	100
Nestlé Asean (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and sales of chocolate confectionery products	**100**	100

8. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unquoted shares at cost	**3,000**	3,000	**3,000**	3,000
Share of post-acquisition reserves	**2,949**	2,614	**-**	-
	5,949	5,614	**3,000**	3,000

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal of activities	Proportion of ownership interest 2021 %	Proportion of ownership interest 2020 %
Nihon Canpack (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and sales of canned beverages	20	20

Notes to the Financial Statements

8. INVESTMENT IN AN ASSOCIATE (CONTD.)

The following table illustrates the summarised financial information of the Group's investment in an associate:

	Group	
	2021 RM'000	**2020 RM'000**
Assets and liabilities		
Non-current assets	**34,170**	29,673
Current assets	**55,286**	40,813
Non-current liabilities	**(4,647)**	(4,076)
Current liabilities	**(55,064)**	(38,342)
Net assets	**29,745**	28,068
Group's share in equity	**5,949**	5,614
Results		
Revenue	**255,360**	213,175
Profit for the year	**3,627**	3,484
Group's share of profit for the year	**725**	697

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the associate:

	Group	
	2021 RM'000	**2020 RM'000**
Net assets of the associate as at 1 January	**28,068**	26,834
Add: Profit for the year	**3,627**	3,484
Less: Dividends paid for the year	**(1,950)**	(2,250)
Net assets of the associate as at 31 December	**29,745**	28,068
Group's share of net assets	**5,949**	5,614

9. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
Property, plant and equipment	**-**	-	**(182,345)**	(156,937)	**(182,345)**	(156,937)
Right-of-use assets	**-**	-	**(37,120)**	(44,166)	**(37,120)**	(44,166)
Lease liabilities	**40,679**	47,141	**-**	-	**40,679**	47,141
Employee benefit plans	**25,946**	24,998	**-**	-	**25,946**	24,998
Provisions	**25,838**	30,119	**-**	-	**25,838**	30,119
Hedging reserve	**234**	1,115	**-**	-	**234**	1,115
Unutilised tax incentives	**8,146**	-	**-**	-	**8,146**	-
	100,843	103,373	**(219,465)**	(201,103)	**(118,622)**	(97,730)
Set off of tax	**(76,969)**	(67,135)	**76,969**	67,135	**-**	-
	23,874	36,238	**(142,496)**	(133,968)	**(118,622)**	(97,730)

Movement in temporary differences during the year:

	At 1.1.2020 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income (Note 22) RM'000	At 31.12.2020/ 1.1.2021 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income (Note 22) RM'000	At 31.12.2021 RM'000
Group							
Property, plant and equipment	(153,450)	(3,487)	-	**(156,937)**	**(25,408)**	**-**	**(182,345)**
Right-of-use assets	(47,717)	3,551	-	**(44,166)**	**7,046**	**-**	**(37,120)**
Lease liabilities	49,341	(2,200)	-	**47,141**	**(6,462)**	**-**	**40,679**
Employee benefit plans	24,588	-	410	**24,998**	**-**	**948**	**25,946**
Provisions	22,858	7,261	-	**30,119**	**(4,281)**	**-**	**25,838**
Hedging reserve	294	-	821	**1,115**	**-**	**(881)**	**234**
Unutilised tax incentives	-	-	-	**-**	**8,146**	**-**	**8,146**
	(104,086)	5,125	1,231	**(97,730)**	**(20,959)**	**67**	**(118,622)**

Notes to the Financial Statements

10. INVENTORIES

	Group	
	2021 RM'000	2020 RM'000
Cost		
Raw and packaging materials	**343,769**	249,363
Work-in-progress	**41,343**	30,815
Finished goods	**314,423**	280,469
Spare parts	**45,452**	36,623
	744,987	597,270

During the year, the amount of inventories recognised as an expense in the statements of comprehensive income of the Group was RM3,419,515,000 (2020: RM3,120,678,000).

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current					
Loans to employees		**9,228**	13,056	**-**	-
Current					
Trade					
Third parties		**152,396**	175,861	**-**	-
Less: impairment loss		**(31,158)**	(31,662)	**-**	-
	(a)	**121,238**	144,199	**-**	-
Amounts due from related companies	(b)	**186,530**	189,902	**-**	-
Amounts due from an associate	(b)	**3,816**	-	**-**	-
Designates as hedging instruments					
- Commodity futures		**-**	148	**-**	-
- Forward exchange contracts		**3,549**	8,383	**-**	-
		315,133	342,632	**-**	-

11. TRADE AND OTHER RECEIVABLES (CONTD.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current					
Non-trade					
Amounts due from subsidiaries	(c)	**-**	-	**318,081**	294,560
Amounts due from related companies	(b)	**-**	85,323	**-**	-
Other receivables and deposits	(d)	**58,343**	33,237	**-**	-
Prepayments		**3,574**	11,513	**-**	-
		61,917	130,073	**318,081**	294,560
		377,050	472,705	**318,081**	294,560
Total trade and other receivables		**386,278**	485,761	**318,081**	294,560

(a) Trade receivables

Credit risk management with respect to trade receivables is disclosed in Note 27(a) to the financial statements.

(b) Amounts due from related companies and an associate

The trade receivables due from related companies and an associate are subject to the normal trade terms. The non-trade receivables due from related companies are advances to related companies which are unsecured, subject to interest at nil (2020: 2.10% to 3.54%) per annum and repayable on demand.

(c) Amounts due from subsidiaries

The non-trade receivables due from subsidiaries are unsecured, interest free and repayable on demand, except for advances to a subsidiary of RM77,781,000 (2020: RM78,820,000) which is subject to interest at 1.81% to 3.03% (2020: 1.81% to 3.13%) per annum.

(d) Other receivables and deposits

Included in other receivables and deposits of the Group are loans to employees of RM6,634,000 (2020: RM8,505,000) which are unsecured and interest free and down payment to vendors of RM13,843,000 (2020: RM11,777,000).

Notes to the Financial Statements

12. CASH AND BANK BALANCES

	Group	
	2021 RM'000	2020 RM'000
Cash and bank balances	**6,898**	9,359

For the purpose of statements of cash flows, cash and cash equivalents comprise the following:

		Group	
	Note	2021 RM'000	2020 RM'000
Cash and bank balances		**6,898**	9,359
Bank overdraft	14	**(10,693)**	(37,701)
		(3,795)	(28,342)

13. CAPITAL AND RESERVES

	Group and Company			
	Number of shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid:				
Ordinary shares				
- at 1 January/31 December	**234,500**	234,500	**267,500**	267,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Hedging reserve

Hedging reserve relates to the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have yet to occur.

14. LOANS AND BORROWINGS

	Note	Group 2021 RM'000	Group 2020 RM'000
Non-current			
Loan from a related company - unsecured		**100,000**	100,000
Current			
Bank overdraft - unsecured	12	**10,693**	37,701
Revolving credit - unsecured		**235,000**	220,000
		245,693	257,701

The bank overdraft and revolving credit are unsecured and repayable within the next 12 months.

Loan from a related company is unsecured, bears interest which ranges between 3.30% and 3.31% (2020: 1.63% and 3.31%) per annum and repayable in 2023.

At 31 December 2021, the Group had available RM853,972,000 (2020: RM972,371,000) of undrawn committed borrowing facilities.

Notes to the Financial Statements

15. TRADE AND OTHER PAYABLES

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Current					
Trade					
Third parties	(a)	**1,098,554**	1,012,976	**230**	17
Amounts due to related companies	(b)	**226,453**	163,434	**-**	-
Amounts due to an associate	(b)	**28,063**	17,700	**-**	-
Designated as hedging instruments					
- Commodity futures		**-**	67	**-**	-
- Forward exchange contracts		**4,527**	13,155	**-**	-
		1,357,597	1,207,332	**230**	17
Non-trade					
Amounts due to related companies	(b)	**136**	9,934	**-**	-
Other payables		**96,155**	118,847	**-**	-
Accrued expenses		**88,238**	84,055	**1,334**	1,469
Provisions	(c)	**83,946**	60,670	**-**	-
		268,475	273,506	**1,334**	1,469
Total trade and other payables		**1,626,072**	1,480,838	**1,564**	1,486

(a) Third parties

The amount is non-interest bearing. Trade payables are normally settled on a 30 to 150 day (2020: 30 to 150 day) terms.

Included in trade payables is an amount of RM185,992,000 (2020: RM165,703,000) relating to trade payables under supplier financing arrangement.

(b) Amounts due to related companies and an associate

The trade payables due to related companies and an associate are subject to the normal trade terms. The non-trade payables due to related companies are unsecured, non-interest bearing and repayable on demand.

15. TRADE AND OTHER PAYABLES (CONTD.)

(c) Provisions

Included in provisions is an amount of RM17,648,000 (2020: RM14,963,000) relating to PSUP and RSUP. The Group awarded PSUP and RSUP to certain employees. After a three-year vesting period, participants in the plan are entitled to receive specific numbers of Nestlé S.A. shares. Vesting of the PSUP is dependent on the Group's total shareholder return, growth of earnings per share and return on invested capital. The fair value of PSUP and RSUP granted is estimated at the date of grant based on historical relative performance of Nestlé S.A. share price.

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, PSUP and RSUP during the year:

	2021 Number	2021 WAEP RM	2020 Number	2020 WAEP RM
Outstanding at 1 January	**47,012**	**478.32**	50,094	443.03
Granted during the year	**19,143**	**426.94**	15,740	449.95
Forfeited during the year	**(191)**	**-**	-	-
Exercised during the year	**(19,383)**	**447.95**	(18,822)	454.36
Outstanding at 31 December	**46,581**	**580.94**	47,012	478.32
Exerciseable at 31 December	**-**		-	

The weighted average remaining contractual life for the PSUP and RSUP outstanding as at 31 December 2021 was 1.20 years (2020: 1.51 years).

The weighted average fair value of PSUP and RSUP granted during the year was RM580.94 (2020: RM478.32).

Notes to the Financial Statements

16. EMPLOYEE BENEFITS

Retirement benefits

	Group	
	2021 RM'000	2020 RM'000
Net defined benefit liability/total employee benefit liabilities	**89,859**	90,592

The Group operates a defined benefit scheme ("the Scheme") which is administered by Nestlé Malaysia Group Retirement Scheme ("NMGRS").

The Scheme provides non-indexed retirement pensions to employees who had been in the Group service before 1 January 1992, based on a percentage of final pay and with total EPF benefits derived from employee and employer contributions made throughout the period of EPF membership integrated thereto.

Funding

The plan is funded by NMGRS and in the event of deficit, it will be supported by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. Employees are not required to contribute to the plans.

NMGRS expects to pay RM9,305,000 in contributions to defined benefit plans in 2022.

16. EMPLOYEE BENEFITS RETIREMENT BENEFITS (CONTD.)

Retirement benefits (contd.)

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
At 1 January	**92,434**	93,456	**(1,842)**	(2,012)	**90,592**	91,444
Included in profit or loss						
Interest cost	**4,827**	4,894	**-**	-	**4,827**	4,894
Included in other comprehensive expense						
Remeasurement loss:						
Actuarial loss arising from experience adjustments	**4,249**	1,538	**-**	-	**4,249**	1,538
Return on plan assets, excluding interest income	**-**	-	**(301)**	170	**(301)**	170
	4,249	1,538	**(301)**	170	**3,948**	1,708
Others						
Benefits paid	**(9,508)**	(7,454)	**9,508**	7,454	**-**	-
Contributions paid by employer	**-**	-	**(9,508)**	(7,454)	**(9,508)**	(7,454)
At 31 December	**92,002**	92,434	**(2,143)**	(1,842)	**89,859**	90,592

Notes to the Financial Statements

16. EMPLOYEE BENEFITS (CONTD.)

Retirement benefits (contd.)

Plan assets

Plan assets comprise:

	Group	
	2021 RM'000	**2020 RM'000**
Cash and bank balances	**964**	688
Others	**1,179**	1,154
	2,143	1,842

Defined benefit obligation

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group	
	2021	**2020**
Discount rate	**5.50%**	5.50%

Assumptions regarding future mortality are based on published statistics and mortality tables.

At the reporting date, the weighted-average duration of the defined benefit obligation was 7.99 years (2020: 7.97 years).

16. EMPLOYEE BENEFITS (CONTD.)

Retirement benefits (contd.)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Group Impact on net defined benefit liability Increase/(Decrease)	
	2021 RM'000	2020 RM'000
Discount rate		
Increase by 1%	**(6,509)**	(6,521)
Decrease by 1%	**7,487**	7,496
Future pension growth		
Increase by 0.5%	**424**	462
Decrease by 0.5%	**(423)**	(460)
Future mortality		
Increase by 1 year	**(2,702)**	(2,628)
Decrease by 1 year	**2,671**	2,600

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes to the Financial Statements

17. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers:				
- Sale of goods	**5,733,816**	5,412,180	**-**	-
Other revenue:				
Dividend income:				
- Subsidiaries	**-**	-	**568,600**	544,040
- Associate	**-**	-	**390**	450
	-	-	**568,990**	544,490
Total revenue	**5,733,816**	5,412,180	**568,990**	544,490

18. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Auditors' remuneration:					
- Statutory audit fees:					
- Auditors of the Group		**620**	620	**80**	80
- Non-audit fees:					
- Auditors of the Group		**18**	18	**18**	18
- Member firms of auditors		**259**	251	**-**	-
- Others		**329**	50	**2**	2
Property, plant and equipment:					
- depreciation	4	**157,991**	140,464	**-**	-
- (gain)/loss on disposal		**(3,696)**	322	**-**	-
- impairment loss	4	**150**	5,793	**-**	-
- written off		**2,675**	1,529	**-**	-
Intangible assets:					
- amortisation	6	**1,158**	1,295	**-**	-
Right-of-use assets:					
- depreciation	5	**34,993**	34,707	**-**	-
- impairment loss	5	**1,162**	-	**-**	-

18. PROFIT BEFORE TAX (CONTD.)

The following items have been included in arriving at profit before tax: (contd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Employee benefits expenses	19	**628,532**	607,675	**-**	-
Non-executive Directors' remuneration	20	**1,336**	1,380	**1,336**	1,380
Net foreign exchange loss/(gain):					
- realised		**4,399**	946	**-**	4
- unrealised		**(1,480)**	(419)	**-**	-
Net write-down of/(reversal of) slow moving inventories		**6,137**	(2,099)	**-**	-
Trade receivables:					
- net reversal of impairment loss		**(504)**	(553)	**-**	-
- written off		**515**	1,138	**-**	-
Finance cost of lease liabilities	5	**6,840**	7,349	**-**	-
Finance cost of loan from a related company		**3,358**	3,018	**-**	-
Other finance cost		**25,650**	25,099	**-**	-
Expenses relating to short-term leases	5	**35,072**	35,849	**-**	-
Expenses relating to leases of low-value assets	5	**276**	326	**-**	-

19. EMPLOYEE BENEFITS EXPENSES

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Wages, salaries and others	**553,888**	533,047	**-**	-
Contributions to Employees Provident Fund	**57,712**	54,130	**-**	-
Expenses related to defined benefit plans	**4,827**	4,894	**-**	-
Share-based payments expense	**12,105**	15,604	**-**	-
	628,532	607,675	**-**	-

Included in employee benefits expenses of the Group are executive Directors' remuneration amounting to RM10,081,000 (2020: RM8,857,000) as further disclosed in Note 20.

Notes to the Financial Statements

20. DIRECTORS' REMUNERATION

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Executive:					
- Salaries and other emoluments		**6,741**	6,108	**-**	-
- Post-employment benefits		**276**	266	**-**	-
- Share-based payments		**3,064**	2,483	**-**	-
Total executive Directors' remuneration (excluding benefits-in-kind)	19	**10,081**	8,857	**-**	-
Estimated money value of benefits-in-kind		**1,047**	1,049	**-**	-
Total executive Directors' remuneration (including benefits-in-kind)		**11,128**	9,906	**-**	-
Non-executive:					
- Fees		**1,195**	1,240	**1,195**	1,240
- Other emoluments		**146**	140	**146**	140
Total non-executive Directors' remuneration	18	**1,341**	1,380	**1,341**	1,380
Total Directors' remuneration		**12,469**	11,286	**1,341**	1,380

21. INCOME TAX EXPENSE

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Statements of comprehensive income					
Malaysian income tax:					
- Current year		**159,040**	182,260	**343**	433
- Under/(Over)provision in prior years		**2,007**	(5,079)	**1**	1
		161,047	177,181	**344**	434
Deferred tax:	9				
- Relating to origination and reversal of temporary differences		**12,152**	(2,090)	**-**	-
- Under/(Over)provision in prior years		**8,807**	(3,035)	**-**	-
		20,959	(5,125)	**-**	-
Income tax expense recognised in profit or loss		**182,006**	172,056	**344**	434

21. INCOME TAX EXPENSE (CONTD.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before tax	**751,817**	724,769	**567,881**	543,894
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	**180,436**	173,945	**136,291**	130,535
Expenses not deductible for tax purposes	**8,583**	7,404	**995**	949
Income not subject to tax	**(1,738)**	(1,179)	**(136,943)**	(131,051)
Tax incentives	**(16,089)**	-	**-**	-
Under/(Over)provision of income tax in prior years	**2,007**	(5,079)	**1**	1
Under/(Over)provision of deferred tax in prior years	**8,807**	(3,035)	**-**	-
Income tax expense recognised in profit or loss	**182,006**	172,056	**344**	434

22. OTHER COMPREHENSIVE EXPENSE

	2021			2020		
	Before tax RM'000	Tax (expense)/ benefit (Note 9) RM'000	Net of tax RM'000	Before tax RM'000	Tax (expense)/ benefit (Note 9) RM'000	Net of tax RM'000
Group						
Item that may be reclassified to profit or loss in subsequent periods						
Cash flow hedge						
- Gains/(Losses) arising during the year	**5,601**	**(1,344)**	**4,257**	105	(26)	79
- Reclassification adjustments for losses included in profit or loss	**(1,930)**	**463**	**(1,467)**	(3,529)	847	(2,682)
	3,671	**(881)**	**2,790**	(3,424)	821	(2,603)
Item that will not be reclassified to profit or loss in subsequent periods						
Remeasurement of defined benefit liability	**(3,948)**	**948**	**(3,000)**	(1,708)	410	(1,298)
	(277)	**67**	**(210)**	(5,132)	1,231	(3,901)

Notes to the Financial Statements

23. EARNINGS PER SHARE UNIT - BASIC

The earnings per share is calculated by dividing the profit for the year, net of tax, attributable to the owners of the parent by the weighted average number of ordinary shares in issue during the year.

	Group	
	2021 RM'000	2020 RM'000
Profit attributable to owners of the parent	**569,811**	552,713
Weighted average number of ordinary shares in issue ('000)	**234,500**	234,500
	sen	sen
Earnings per share - Basic	**243**	236

Diluted earnings per share is not presented as there were no potential dilutive ordinary shares during the year.

24. DIVIDENDS

Dividend paid in respect of ordinary shares for the years are as follows:

	Group and Company	
	2021 RM'000	2020 RM'000
In respect of the year ended 31 December 2021:		
Dividend on ordinary shares:		
- Second tax exempt interim (single-tier) dividend of 70 sen per share on 234,500,000 ordinary shares, and paid on 15 December 2021	**164,150**	-
- First tax exempt interim (single-tier) dividend of 70 sen per share on 234,500,000 ordinary shares, and paid on 7 October 2021	**164,150**	-
In respect of the year ended 31 December 2020:		
Dividend on ordinary shares:		
- Third tax exempt interim (single-tier) dividend of 92 sen per share on 234,500,000 ordinary shares, and paid on 20 May 2021	**215,740**	-
- Second tax exempt interim (single-tier) dividend of 70 sen per share on 234,500,000 ordinary shares, and paid on 16 December 2020	**-**	164,150
- First tax exempt interim (single-tier) dividend of 70 sen per share on 234,500,000 ordinary shares, and paid on 8 October 2020	**-**	164,150

24. DIVIDENDS (CONTD)

	Group and Company	
	2021 RM'000	2020 RM'000
In respect of the year ended 31 December 2019:		
Dividend on ordinary shares:		
- Third tax exempt interim (single-tier) dividend of 140 sen per share on 234,500,000 ordinary shares, and paid on 21 May 2020	-	328,300
	544,040	656,600

The Board of Directors has proposed a third tax exempt (single-tier) interim dividend after year end in respect of the year ended 31 December 2021, of 102 sen per share on 234,500,000 ordinary shares, amounting to a dividend payable of RM239,190,000. The financial statements for the current year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the year ending 31 December 2022.

25. OPERATING SEGMENTS

The Group has two reportable operating segments – Food and beverages and Others which include Nutrition, Nestlé Professional, Nestlé Health Science and Nespresso.

Nutrition, Nestlé Professional and Nestlé Health Science are considered as Regionally Managed Businesses ("RMB"). Nespresso is considered as Globally Managed Business ("GMB"). All these are grouped together as the Others segment.

Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group's Executive Board, who is the Group's chief operating decision maker. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments that operate within the Group.

Segment assets and liabilities information are not regularly provided to the Executive Board. Hence, no disclosure is made on segment assets and liabilities.

	Food and beverages		Others		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
Segment revenue and results						
Revenue	**4,773,462**	4,491,451	**960,354**	920,729	**5,733,816**	5,412,180
Operating profit	**717,313**	699,666	**70,252**	57,021	**787,565**	756,687
Included in the measure of segment operating profit are:						
Depreciation of property, plant and equipment	**141,979**	123,952	**16,012**	16,512	**157,991**	140,464
Depreciation of right-of-use assets	**34,352**	34,060	**641**	647	**34,993**	34,707

Notes to the Financial Statements

25. OPERATING SEGMENTS (CONTD.)

Reconciliation of reportable segment profit

	Group	
	2021 RM'000	2020 RM'000
Segment profit	**787,565**	756,687
Finance costs	**(35,848)**	(35,466)
Finance income	**828**	3,538
Other unallocated expenses	**(1,453)**	(687)
Share of profit of an associate not included in reportable segments	**725**	697
Consolidated profit before tax	**751,817**	724,769

There is no disclosure of the operations as separate geographical segment as the Group operates in Malaysia.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Amortised cost; and
(ii) Derivatives designated as hedging instruments.

	Carrying amount RM'000	Amortised cost RM'000	Derivatives designated as hedging instruments RM'000
Group			
2021			
Financial assets			
Trade and other receivables (excluding prepayments)	**382,704**	**379,155**	**3,549**
Cash and bank balances	**6,898**	**6,898**	**-**
	389,602	**386,053**	**3,549**
Financial liabilities			
Loans and borrowings	**(345,693)**	**(345,693)**	**-**
Trade and other payables (excluding provisions)	**(1,542,126)**	**(1,537,599)**	**(4,527)**
Lease liabilities	**(168,313)**	**(168,313)**	**-**
	(2,056,132)	**(2,051,605)**	**(4,527)**

26. FINANCIAL INSTRUMENTS (CONTD.)

(a) Categories of financial instruments (contd.)

	Carrying amount RM'000	Amortised cost RM'000	Derivatives designated as hedging instruments RM'000
Group			
2020			
Financial assets			
Trade and other receivables (excluding prepayments)	474,248	465,717	8,531
Cash and bank balances	9,359	9,359	-
	483,607	475,076	8,531
Financial liabilities			
Loans and borrowings	(357,701)	(357,701)	-
Trade and other payables (excluding provisions)	(1,420,168)	(1,406,946)	(13,222)
Lease liabilities	(193,909)	(193,909)	-
	(1,971,778)	(1,958,556)	(13,222)
Company			
2021			
Financial assets			
Trade and other receivables	**318,081**	**318,081**	**-**
Financial liabilities			
Trade and other payables	**(1,564)**	**(1,564)**	**-**
2020			
Financial assets			
Trade and other receivables	294,560	294,560	-
Financial liabilities			
Trade and other payables	(1,486)	(1,486)	-

Notes to the Financial Statements

26. FINANCIAL INSTRUMENTS (CONTD.)

(b) Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) on:				
Fair value through profit or loss				
- Designated upon initial recognition	**7,585**	(7,169)	**-**	-
Financial assets at amortised cost				
- Mandatorily required by MFRS 9	**1,332**	4,091	**1,437**	1,813
Financial liabilities at amortised cost	**(32,929)**	(41,901)	**-**	(4)
	(24,012)	(44,979)	**1,437**	1,809

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to the financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth. The Group trades only with recognised and creditworthy third parties. It's the Group's policy that all customers who wish to trade on credit term are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the results that the Group's exposure to bad debts is not significant.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit risk (contd.)

The Group's current credit risk grading framework comprise the following categories:

Category	Definition of category	Basis for recognising ECL
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is more than 90 days past due or there is evidence indicating the asset is credit- impaired.	Lifetime ECL
III	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

	Note	Category	12-month or lifetime ECL	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
Group						
2021						
Trade receivables - third parties	11	**Note 1**	**Lifetime ECL (simplified)**	**152,396**	**(31,158)**	**121,238**
Other receivables	11	**I**	**12-month ECL**	**51,709**	**-**	**51,709**
Loans to employees	11	**I**	**12-month ECL**	**15,862**	**-**	**15,862**
Amounts due from related companies (trade and non-trade)	11	**I**	**12-month ECL**	**190,346**	**-**	**190,346**
					(31,158)	
2020						
Trade receivables - third parties	11	Note 1	Lifetime ECL (simplified)	175,861	(31,662)	144,199
Other receivables	11	I	12-month ECL	24,732	-	24,732
Loans to employees	11	I	12-month ECL	21,561	-	21,561
Amounts due from related companies (trade and non-trade)	11	I	12-month ECL	275,225	-	275,225
					(31,662)	

Note 1 Trade receivables

For trade receivables, the Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

Notes to the Financial Statements

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit risk (contd.)

	Note	Category	12-month or lifetime ECL	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
Company						
2021						
Amounts due from subsidiaries (non-trade)	11	**I**	**12-month ECL**	**318,081**	**-**	**318,081**
2020						
Amounts due from subsidiaries (non-trade)	11	I	12-month ECL	294,560	-	294,560

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount with clear approving authority and limits. Certain customers are required to have collateral in the form of financial assets and/or bank guarantees.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The Group receives financial guarantees given by banks, shareholders or Directors of customers in managing exposure to credit risks.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit risk (contd.)

Trade receivables (contd.)

Exposure to credit risk, credit quality and collateral (contd.)

Trade receivables are partially secured either by bank guarantees or traded shares. As at the end of the reporting period, the total collateral assigned to the Group was RM52,927,000 (2020: RM49,463,000).

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. The Group's debt recovery process is as follows:

- Above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team; and
- Above 90 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure ECLs of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECLs is assessed individually by considering historical payment trends and financial strength of the trade receivable.

Notes to the Financial Statements

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit risk (contd.)

Trade receivables (contd.)

Recognition and measurement of impairment loss (contd.)

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

	Gross RM'000	ECL RM'000	Net RM'000
Group			
2021			
Not past due	**115,363**	**-**	**115,363**
Past due 1 - 30 days	**797**	**-**	**797**
Past due 31 - 90 days	**3,286**	**(511)**	**2,775**
	119,446	**(511)**	**118,935**
Credit impaired			
More than 90 days past due	**2,303**	**-**	**2,303**
Individually impaired	**30,647**	**(30,647)**	**-**
Trade receivables	**152,396**	**(31,158)**	**121,238**
Collaterised trade receivables			
- where no loss allowance recognised	**35,487**	**-**	**35,487**
2020			
Not past due	139,189	-	139,189
Past due 1 - 30 days	1,598	-	1,598
Past due 31 - 90 days	1,095	(782)	313
	141,882	(782)	141,100
Credit impaired			
More than 90 days past due	3,099	-	3,099
Individually impaired	30,880	(30,880)	-
Trade receivables	175,861	(31,662)	144,199
Collaterised trade receivables			
- where no loss allowance recognised	30,260	-	30,260

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit risk (contd.)

Trade receivables (contd.)

Recognition and measurement of impairment loss (contd.)

Trade receivables which are credit impaired amounting to RM161,000 (2020: RM79,000) are partially collateralised in the form of financial guarantee by banks. No impairment loss has been provided to the extent of the collateral value of the financial guarantee (2020: Nil).

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by collateral such as bank guarantees and traded shares in managing exposure to credit risk.

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Trade receivables		
	Lifetime ECL RM'000	Credit impaired RM'000	Total RM'000
At 1 January 2021	**782**	**30,880**	**31,662**
Impairment loss reversed	**(271)**	**(1,106)**	**(1,377)**
Impairment loss recognised	**-**	**873**	**873**
At 31 December 2021	**511**	**30,647**	**31,158**
At 1 January 2020	293	31,922	32,215
Impairment loss reversed	-	(1,352)	(1,352)
Impairment loss recognised	489	310	799
At 31 December 2020	782	30,880	31,662

Other receivables

ECL is determined individually after considering the historical default experience and financial strength. Based on management's assessment, the probability of the default of these receivables is low and hence, the ECL is insignificant.

Notes to the Financial Statements

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit risk (contd.)

Cash and bank balances

The cash and bank balances are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

Amounts due from subsidiaries

Risk management objectives, policies and processes for managing the risk

The Company provides advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Loans and advances are provided to subsidiaries which are wholly owned by the Company.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries to be of low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full;
- The subsidiary's loan or advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit risk (contd.)

Amounts due from subsidiaries (contd.)

Recognition and measurement of impairment loss (contd.)

The Company determines the probability of default for these loans and advances individually using internal information available.

As at the year end, there were no indications of impairment loss in respect of amounts due from subsidiaries.

Credit terms

Credit terms of trade receivables range from 1 to 60 days (2020: 1 to 60 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Credit risk concentration profile

At the reporting date, approximately 56% (2020: 66%) of the Group's trade receivables were due from 6 (2020: 6) major customers who are reputable and located in Malaysia.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatched of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Notes to the Financial Statements

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity risk (contd.)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2021							
Non-derivative financial liabilities							
Bank overdraft - unsecured	10,693	2.39	10,693	10,693	-	-	-
Loan from a related company - unsecured	100,000	3.30	109,930	3,310	3,310	103,310	-
Revolving credit - unsecured	235,000	1.90 - 2.09	235,023	235,023	-	-	-
Trade and other payables, excluding derivatives and provisions	1,537,599	-	1,537,599	1,537,599	-	-	-
Lease liabilities	168,313	1.95 - 4.23	188,547	27,029	30,744	82,626	48,148
	2,051,605		2,081,792	1,813,654	34,054	185,936	48,148
Derivative financial liabilities/(assets)							
Forward exchange contracts (gross settled):							
- Outflow	978	-	980,460	980,460	-	-	-
- Inflow	-	-	(979,482)	(979,482)	-	-	-
	978		978	978	-	-	-
	2,052,583		2,082,770	1,814,632	34,054	185,936	48,148

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity risk (contd.)

Maturity analysis (contd.)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: (contd.)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2020							
Non-derivative financial liabilities							
Bank overdraft - unsecured	37,701	2.15	37,701	37,701	-	-	-
Loan from a related company - unsecured	100,000	3.31	109,930	3,310	3,310	103,310	-
Revolving credit - unsecured	220,000	1.93 - 2.06	220,118	220,118	-	-	-
Trade and other payables, excluding derivatives and provisions	1,406,946	-	1,406,946	1,406,946	-	-	-
Lease liabilities	193,909	2.68 - 4.63	221,265	31,063	31,809	83,889	74,504
	1,958,556		1,995,960	1,699,138	35,119	187,199	74,504
Derivative financial liabilities/(assets)							
Forward exchange contracts (gross settled):							
- Outflow	4,772	-	1,010,300	1,010,300	-	-	-
- Inflow	-	-	(1,005,528)	(1,005,528)	-	-	-
Commodity futures	(81)	-	(81)	(81)	-	-	-
	4,691		4,691	4,691	-	-	-
	1,963,247		2,000,651	1,703,829	35,119	187,199	74,504

Notes to the Financial Statements

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity risk (contd.)

Maturity analysis (contd.)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company							
2021							
Non-derivative financial liabilities							
Trade and other payables	**(1,564)**	**-**	**(1,564)**	**(1,564)**	**-**	**-**	**-**
2020							
Non-derivative financial liabilities							
Trade and other payables	(1,486)	-	(1,486)	(1,486)	-	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices that will affect the Group's financial position or cash flows.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of respective entities within the Group. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Great Britain Pound ("GBP") and Euro ("EUR").

Risk management objectives, policies and processes for managing the risk

The Group hedges a portion of its foreign currency denominated trade receivables and trade payables. Following the guidelines set out by the holding company, all foreign exchange contracts are for the purpose of hedging to protect the Group from foreign currency fluctuations and the Group is not allowed to trade other than for the purpose of hedging.

The primary purpose of the Group's foreign currency hedging activities is to protect against the volatility associated with foreign currency sales and purchases of manufactured inventories, purchases of materials and other assets and liabilities created in the normal course of business. The Group primarily utilises forward foreign exchange contracts with maturities of less than twelve months to hedge firm commitments. Under this programme, increases or decreases in the Group's firm commitments are partially offset by gains and losses on the hedging instruments.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(c) Market risk (contd.)

(i) Foreign currency risk (contd.)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the entities within the Group) risk, based on carrying amounts as at the end of the reporting period are as follows:

	Denominated in		
	USD RM'000	GBP RM'000	EUR RM'000
Group			
2021			
Trade receivables	**246**	**-**	**-**
Trade payables	**(142,564)**	**(314)**	**(61,612)**
Intra-group receivables	**135,885**	**-**	**13,847**
Intra-group payables	**(137,549)**	**(17,433)**	**(37,836)**
Exposure in the statements of financial position	**(143,982)**	**(17,747)**	**(85,601)**
2020			
Trade receivables	225	-	-
Trade payables	(125,148)	(290)	(27,541)
Intra-group receivables	154,287	943	22
Intra-group payables	(63,503)	(13,960)	(8,250)
Commodity futures	(21)	-	-
Exposure in the statements of financial position	(34,160)	(13,307)	(35,769)

Notes to the Financial Statements

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(c) Market risk (contd.)

(i) Foreign currency risk (contd.)

Currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, GBP and EUR exchange rates against the functional currency of the Group entities, with all other variables held constant.

		2021 RM'000	2020 RM'000
USD/RM	- strengthened 10% (2020:10%)	**(14,398)**	(3,416)
	- weakened 10% (2020:10%)	**14,398**	3,416
GBP/RM	- strengthened 10% (2020:10%)	**(1,775)**	(1,331)
	- weakened 10% (2020:10%)	**1,775**	1,331
EUR/RM	- strengthened 10% (2020:10%)	**(8,560)**	(3,577)
	- weakened 10% (2020:10%)	**8,560**	3,577

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group uses the expertise of Nestlé Treasury Centre ("NTC"), Asia Pacific based in Singapore for cash management and financing needs.

The Group's objective is to manage its interest rate exposure through the use of interest rate forwards, futures and swaps.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(c) Market risk (contd.)

(ii) Interest rate risk (contd.)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instrument				
Financial liabilities	**(168,313)**	(193,909)	**-**	-
Floating rate instruments				
Financial assets	**-**	85,323	**77,781**	78,820
Financial liabilities	**(345,693)**	(357,701)	**-**	-
	(345,693)	(272,378)	**77,781**	78,820

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) profit or loss before tax of the Group and the Company by RM3,457,000 (2020: RM2,724,000) and RM778,000 (2020: RM788,000) respectively on the floating rate financial instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Notes to the Financial Statements

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(c) Market risk (contd.)

(iii) Commodity price risk

Commodity price risk arises from transactions in relation to commodity markets for the supplies of milk skimmed powder ("MSK"), coffee, cocoa, palm oil, sugar and energy for the manufacture of the Group's products.

Risk management objectives, policies and processes for managing the risk

The Group's objective is to minimise the impact of commodity price fluctuations. The commodity price risk exposure of future purchases are managed using a combination of derivatives (mainly futures and options) and executory contracts.

Based on the global procurement hub arrangement, Nestrade branch was set up in Malaysia to support the procurement activities of Zone Asia, Oceania and Africa ("AOA"). Nestrade transacts commodity contracts on behalf of the Group in order to obtain better leverage. Following the guidelines set out by the holding company, all commodity contracts are for hedging purposes to protect the Group from price fluctuations.

(d) Hedging activities

(i) Currency risk – Transactions in foreign currency

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group. The functional currencies of Group companies are RM. The currencies in which these transactions primarily denominated are USD, GBP and EUR.

The Group's risk management policy is to hedge at least 70% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months at any point in time. The Group purchases forward foreign exchange contracts to hedge foreign transactions. The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. Most of these contracts have a maturity of less than one year from the reporting date. The Group determines critical terms of the forward exchange contracts to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(d) Hedging activities (contd.)

(i) Currency risk – Transactions in foreign currency (contd.)

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

(ii) Cash flow hedge

The Group uses cash flow hedges to mitigate foreign currency risks of highly probable forecast transactions, such as anticipated future export sales, purchases of equipment and raw materials. The forward exchange contracts and commodity futures have nominal value of RM981,642,000 (2020: RM1,007,130,000) and RM nil (2020: RM14,146,000) respectively. The forward exchange contracts and commodity futures are entered into within a year and settled according to the individual contracts settlement date.

The following table indicates the periods in which the cash flows associated with the forward exchange contracts and commodity futures are expected to occur and affect profit or loss:

	Carrying amount RM'000	Expected cash flows RM'000	Under 1 year RM'000
Group			
2021			
Forward exchange contracts	**(978)**	**(978)**	**(978)**
2020			
Forward exchange contracts	(4,772)	(4,772)	(4,772)
Commodity futures	81	81	81
	(4,691)	(4,691)	(4,691)

During the year, a gain of RM4,257,000 (2020: a gain of RM79,000) net of tax was recognised in the other comprehensive income and a loss of RM1,467,000 (2020: a loss of RM2,682,000) net of tax was reclassified from equity to profit or loss.

There is ineffective gain/loss recognised in profit or loss during the year in respect of the hedge of RM58,000 (2020: Nil).

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(e) Fair values

The carrying amounts of cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
2021										
Financial assets										
Forward exchange contracts	**-**	**3,549**	**-**	**3,549**	**-**	**-**	**-**	**-**	**3,549**	**3,549**
Loans to employees	**-**	**-**	**-**	**-**	**-**	**-**	**15,862**	**15,862**	**15,862**	**15,862**
	-	**3,549**	**-**	**3,549**	**-**	**-**	**15,862**	**15,862**	**19,411**	**19,411**
Financial liabilities										
Forward exchange contracts	**-**	**(4,527)**	**-**	**(4,527)**	**-**	**-**	**-**	**-**	**(4,527)**	**(4,527)**
2020										
Financial assets										
Commodity futures	148	-	-	148	-	-	-	-	148	148
Forward exchange contracts	-	8,383	-	8,383	-	-	-	-	8,383	8,383
Loans to employees	-	-	-	21,561	-	-	21,561	21,561	21,561	21,561
	148	8,383	-	8,531	-	-	21,561	21,561	30,092	30,092
Financial liabilities										
Commodity futures	(67)	-	-	(67)	-	-	-	-	(67)	(67)
Forward exchange contracts	-	(13,155)	-	(13,155)	-	-	-	-	(13,155)	(13,155)
	(67)	(13,155)	-	(13,222)	-	-	-	-	(13,222)	(13,222)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(e) Fair values (contd.)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the year (2020: no transfer in either directions).

Level 3 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(f) Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances - e.g. when a credit event such as a default occurs, all outstanding agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statements of financial position. This is because the Group currently does not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

Notes to the Financial Statements

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(f) Master netting or similar agreements (contd.)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Note	Carrying amounts of financial instruments in the statement of financial position RM'000	Related financial instruments that are not offset RM'000	Net amount RM'000
Group				
2021				
Derivative financial assets				
Forward exchange contracts designated as hedging instruments	11	**3,549**	**(1,540)**	**2,009**
Derivative financial liabilities				
Forward exchange contracts designated as hedging instruments	15	**(4,527)**	**1,540**	**(2,987)**
2020				
Derivative financial assets				
Forward exchange contracts designated as hedging instruments	11	8,383	(4,102)	4,281
Derivative financial liabilities				
Forward exchange contracts designated as hedging instruments	15	(13,155)	4,102	(9,053)

28. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There was no change to the Group's approach to capital management during the year.

29. CAPITAL COMMITMENTS

Capital expenditures not provided for in the financial statements are as follows:

	Group	
	2021 RM'000	2020 RM'000
Plant and equipment:		
Approved and contracted for	**28,041**	14,901

30. CONTINGENCIES

The Directors are of the opinion that provision is not required in respect of this matter, as it is not probable that a future outflow of economic benefits will be required or the amount is not capable of reliable measurement.

Litigation

Nestlé Products Sdn. Bhd. ("NPSB"), the wholly owned subsidiary of Nestlé (Malaysia) Berhad ("the Company") was served with a sealed Writ of Summons and Statement of Claim dated 6 March 2019, filed by Mad Labs Sdn. Bhd. ("Mad Labs"). The claim by Mad Labs against NPSB is for amongst others, the sum of RM139,344,262.25. An amended Writ of Summons dated 21 March 2019 was further filed by Mad Labs and served subsequently on 25 March 2019.

In the Statement of Claim, Mad Labs is alleging inter alia, the unauthorised and/or unlawful use of Mad Lab's QR Code, breach of an implied contract between Mad Labs and NPSB by reason of NPSB's continued use of the QR Code, unjust enrichment of NPSB by the use of the QR Code, compensation for the services which Mad Labs has rendered to NPSB and NPSB's negligence in using Mad Labs's QR Code on its products/packaging. NPSB has filed and served its Statement of Defence dated 22 April 2019 to dispute the claims made by Mad Labs. In addition to filing the Statement of Defence, NPSB has separately filed an action at the Intellectual Property Court ("IP Court") against Mad Labs and its sole Director and shareholder, Chow Kien Loon ("CKL") for amongst others, to challenge the ownership of Mad Labs in the QR Code, negligence, unlawful interference with trade as well as defamation and trade libel. Mad Labs and CKL have been served the sealed Writ of Summons and Statement of Claim dated 23 April 2019 filed by NPSB through its solicitors.

On 9 December 2019, the Court has allowed the consolidation and transfer of Mad Labs' claim to the IP Court to be heard together with NPSB's claim. The IP Court has recently heard and disposed of an interlocutory striking out application filed by Mad Labs and CKL to remove CKL as a named defendant in the counter suit filed by NPSB against Mad Labs and CKL. On 21 October 2020, Mad Labs and CKL have filed a Notice of Appeal against the IP Court's dismissal of CKL's striking out application and subsequently on 11 January 2022, the Court of Appeal has dismissed CKL's appeal with cost awarded to Nestlé.

The high court trial at the IP Court which commenced on 10 June 2021 remains on-going and the court has fixed 7 to 11 March 2022 and 4 to 8 April 2022 for trial continuation.

Based on the opinion rendered by solicitors representing NPSB, Messrs. Zaid Ibrahim & Co., NPSB has a reasonably strong case against Mad Labs and CKL. Accordingly, the Board is of the opinion that no provision needs to be made for this claim

Notes to the Financial Statements

31. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationship with its holding company, significant investors, subsidiaries, Directors and other key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. Other than as disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Notes 11 and 15.

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 M'000	2020 RM'000
Related companies					
Sales of goods	(a)	**(1,039,599)**	(982,796)	**-**	-
Purchases of goods and services	(a)	**1,361,144**	1,021,826	**-**	-
Royalties		**283,164**	267,412	**-**	-
IT shared services		**45,082**	50,311	**-**	-
Rendering of services		**(31,832)**	(50,150)	**-**	-

(a) Sales to and purchases from related companies are based on normal trade terms. Balances outstanding are unsecured.

31. RELATED PARTIES (CONTD.)

Compensation of key management personnel

The remuneration of executive Directors and other key management personnel during the year were as follows:

	Group	
	2021 RM'000	2020 RM'000
Salaries and other emoluments	**16,802**	16,176
Post-employment benefits	**1,017**	982
Share-based payments	**5,519**	4,671
Estimated monetary value of benefits-in-kind	**1,767**	1,807
	25,105	23,636

32. SIGNIFICANT EVENT

Outbreak of Coronavirus ("COVID-19")

In March 2020, the World Health Organisation officially announced the outbreak of COVID-19 as a global pandemic. To counter the spread of COVID-19, the Malaysian government implemented the Movement Control Order ("MCO") on 18 March 2020, which was then extended a few times or switched to either the Conditional Movement Control Order ("CMCO"), the Recovery Movement Control Order ("RMCO") or the Enhanced Movement Control Order ("EMCO") based on the country's pandemic situation from time to time. During these periods, the Group has continued its operations with approval by the Malaysian Government as the Group is in the essential industry to ensure the continuous food supply, albeit with strict SOPs in place and limited capacity especially during the EMCO period in 2021.

Following the easing of restrictions especially in 2021, the financial performance for Nestlé Professional, which serves the Out-of-Home channels, has maintained a positive trajectory, even though still well behind pre-COVID levels. The in-home consumption channels continued to improve.

During this entire COVID-19 period, the Group has continued to prioritise on employee safety and supply continuity by maintaining strict safety measures to ensure infection prevention and containment on-site and actively monitoring and managing its operations to minimise any potential business risk.

Shareholding Statistics - As At 28 February 2022

Authorised Capital	:	RM300,000,000
Issued and paid-up share capital	:	RM267,500,000
Class of shares	:	Ordinary shares of RM1.00 each
No. of shareholders	:	6,923
Voting rights	:	One vote per ordinary share

SUBSTANTIAL SHAREHOLDERS

Name	Number of shares held	%
Société des Produits Nestlé S.A.	170,276,563	72.612
Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	21,210,422	9.044

30 LARGEST SHAREHOLDERS

	Name	Number of shares held	%
1	SOCIÉTÉ DES PRODUITS NESTLÉ S.A.	170,276,563	72.612
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	21,210,422	9.044
3	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	2,689,500	1.146
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	2,514,400	1.072
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	1,924,810	0.820
6	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	1,021,500	0.435
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	1,014,300	0.432
8	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	824,670	0.351
9	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	815,557	0.347

	Name	Number of shares held	%
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	790,000	0.336
11	PERTUBUHAN KESELAMATAN SOSIAL	521,900	0.222
12	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	511,700	0.218
13	DB (MALAYSIA) NOMINEE (ASING) SDN BHD BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)	486,700	0.207
14	KWANG TEOW SANG SDN BHD	430,700	0.183
15	HSBC NOMINEES (ASING) SDN BHD J.P. MORGAN SECURITIES PLC	421,908	0.179
16	BATU PAHAT SENG HUAT SDN BERHAD	363,985	0.155
17	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	359,900	0.153
18	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A. INVESTMENT FUNDS FOR EMPLOYEE BENEFIT TRUSTS	357,600	0.152
19	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET LONDON FUND OQ78 FOR ISHARES IV PUBLIC LIMITED COMPANY	342,000	0.145
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)	337,200	0.143
21	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	324,900	0.138
22	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST IT	294,500	0.125
23	CITIGROUP NOMINEES (ASING) SDN BHD LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)	292,067	0.124
24	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	290,733	0.123
25	KUOK FOUNDATION BERHAD	274,200	0.116

Shareholding Statistics - As At 28 February 2022

	Name	Number of shares held	%
26	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CACEIS BANK (LUX BR-UCITSCLT)	266,100	0.113
27	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR BUREAU OF LABOR FUNDS-LABOR PENSION FUND	265,571	0.113
28	HSBC NOMINEES (ASING) SDN BHD NTGS LUX FOR ANDRA AP-FONDEN	253,100	0.107
29	JARRNAZZ SDN. BHD.	248,000	0.105
30	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND WTGL FOR WISDOMTREE EMERGING MARKETS EXSTATEOWNED ENTERPRISES FUND	234,200	0.099

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 - 99	1,075	15.528	7,113	0.003
100 - 1,000	4,194	60.581	1,830,951	0.781
1,001 - 10,000	1,208	17.449	4,248,797	1.812
10,001 - 100,000	363	5.243	10,944,712	4.667
100,01 - less than 5% of issued shares	81	1.170	25,981,442	11.080
5% and above of issued shares	2	0.029	191,486,985	81.657
Total	6,923	100.000	234,500,000	100.000

DIRECTORS' SHAREHOLDINGS

	Direct Interests (no. of shares)	% of Issued Capital	Deemed Interests (no. of shares)	% of Issued Capital
Nestlé S.A., the ultimate holding company				
Juan Jose Aranols Campillo	13,732	0.00049	-	-
Craig Grant Connolly	2,733	0.00010	-	-

List of Properties Held - At 31 December 2021

	Location	Tenure	Age*	Expiry Date	Size (m²)	Description	Net Book Value RM'000
1.	Lot No. 3, 5, 75 & 76 40700 Shah Alam Selangor	Leasehold	12 - 51**	10.6.2070	113,396	Factory	38,293
2.	Lot No. 6 Pesiaran Raja Muda 40700 Shah Alam Selangor	Leasehold	52	29.1.2070	36,835	Factory & warehouse	10,154
3.	Lot Nos. 687 - 696, 3863 - 3866, 4671, 4673, 5435 & 5807 Mukim Chembong Daerah Rembau Negeri Sembilan	Leasehold	25 - 30	15.11.2048 27.06.2049 13.08.2055 20.11.2095	136,199	Factory	2,426
4.	Lot Nos. 3857 - 3862 & 4672 Jalan Perusahaan 4, Kawasan Perindustrian Chembong, Chembong Rembau, Negeri Sembilan	Leasehold	25 - 30	27.6.2049 20.11.2095	33,870	Factory	1,157
5.	Lot No. 844, Block 7 Muara Tebas Land District Sejingkat Industrial Estate Kuching, Sarawak	Leasehold	30	19.10.2053	25,460	Factory	267
6.	Lot 915, Block 7 Muara Tebas Land District Demak Laut Industrial Park Kuching, Sarawak	Leasehold	27	12.10.2054	12,740	Factory	517
7.	Lot 3846, Pekan Chembong Daerah Rembau Negeri Sembilan	Leasehold	8	26.06.2049	4,249	Vacant land	250

* Approximation of age of property in years.
** Amalgamation of Shah Alam Complex, Batu Tiga & Sri Muda land in 2015.

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