Nestlé® Good food, Good life

CORPORATE GOVERNANCE & FINANCIAL REPORT 2023

Unlocking the power of food
to enhance quality of life for everyone,
today and for generations to come.

Basis of This Report

The Nestlé Corporate Governance & Financial Report 2023 (this Report) assesses our governance practices and reports on our financial performance for the financial year ended 31 December 2023. 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 or Company) has complied with the main principles of the Malaysian Code on Corporate Governance.

Developing Content

This Report 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
- International Integrated Reporting Framework
- Malaysian Financial Reporting Standards

Annual Report & Annual General Meeting

Issuance of Annual Report and Notice of 40th Annual General Meeting	: **29 March 2024**
40th Annual General Meeting	: **30 April 2024**

Icons in This Report

AR *Annual Review 2023*

CGFR *Corporate Governance & Financial Report 2023*

NIS *Nestlé in Society Report 2023*

Directs readers to pages or other supplementary reports with more information

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Corporate Governance Overview Statement

MESSAGE FROM THE CHAIRMAN

Compliance and transparency are key to fostering an ethical culture reflective of our values and principles.

Dear Shareholders,

On behalf of the Board of Directors (Board), it is my pleasure and privilege to present Nestlé Malaysia's Corporate Governance Overview Statement (CGOS) for the year ended 31 December 2023. This CGOS provides valuable insights into the activities of the Board and its Committees for the year.

Commitment to Robust Governance and Stewardship

Over the years, Nestlé Malaysia has dedicated efforts to ensure the alignment of our corporate culture with our strategic ambitions. To increase transparency and accountability within our organisation, we continuously communicate and engage with our employees to ensure that we have a unified understanding of our collective goals. We have implemented rigorous ethics and compliance programmes intended to encourage and foster an ethical culture among our employees, reflective of our values and principles.

The Board and senior management are fully committed towards upholding the highest levels of compliance and transparency. We continuously adhere to the Malaysian Code on Corporate Governance, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), the Nestlé Code of Business Practice and the Nestlé Code of Business Conduct. Our practices are also aligned with the Corporate Governance Guidelines of our parent company, Nestlé S.A. We have been working on further reinforcing transparency with a more robust disclosure of conflicts of interest among our Directors.

Additionally, we have strengthened the oversight functions of the Board, empowering it to play a more proactive role and consequently enhancing its effectiveness in stewardship of the Company. These efforts underscore our promise to ensuring that our leadership actions are always in line with our strategic vision and corporate culture.

In 2023, the Group's strategic foresight is exemplified by the RM165 million acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd., solidifying the Group's footprint in the premium infant and adult nutrition category.

Making The Most of Post-Pandemic Opportunities and Challenges

In the wake of the COVID-19 pandemic, Nestlé Malaysia embraced operating in an environment with significant opportunities and challenges. Innovation and adaptability have become the keystones of our strategy, driving us towards digital transformation to enhance operational efficiency and concurrently meeting the evolving needs of our consumers and employees. Our commitment to nutrition, health and wellness has shaped not just our product range but also our internal approach to employee wellbeing, aligning with the shift towards new ways of working.

Post the COVID-19 pandemic, we have built on the learnings from the pandemic period to enhance the Company's resilience against the external challenges of slower economic growth, supply chain disruptions, inflationary pressures, swift evolving consumer trends and regulatory changes. To remain competitive, we enhanced the versatility of our product range to address changing consumer behaviour. Additionally, we have fortified cybersecurity measures to ensure that we remain resilient and responsive in a marketplace that is becoming increasingly digitalised. Through these periods, we have continued to seize opportunities in the areas of innovation, digitalisation, and a growing emphasis on health and wellness for both consumers and employees, which has set the course for a future of growth and sustainability.

Purposefully Nourishing The Nation

Nestlé Malaysia remains committed to offering high-quality, nutritious foods and beverages tailored to the diverse dietary needs and preferences of Malaysians. We persistently strive to elevate the nutritional profiles of our product offerings, from long-standing favourites to innovative new selections. By leveraging the Nestlé Nutritional Profiling System, we ensure that our products adhere to rigorous nutritional criteria, balancing essential nutrients while managing sugars, saturated fats, sodium, and caloric content.

Our product development strategy is focused on the incorporation of high-fibre ingredients such as wholegrains, vegetables, nuts, and seeds, as well as directly addressing the issue of nutritional deficiencies through micronutrient fortification and the addition of other essential nutrients. Simultaneously, we have systematically reduced sugar and sodium levels across our product portfolios.

In our journey towards nurturing a healthier nation, we recognise the importance of empowering consumers with the knowledge to make informed dietary choices. To achieve this, we provide clear, comprehensive product labelling and portion guidance, alongside educational initiatives aimed at elucidating the nutritional value and ingredient composition of our products, thereby upholding our promise of transparency and contributing to the informed decision-making of our consumers.

Progressing to Deliver Our ESG Ambitions and Commitments

We are committed to embracing sustainability in a holistic and responsible manner, ensuring adequate shareholders returns, balanced with positive environmental and social considerations.

In 2023, the Board's oversight of sustainability and Environmental, Social and Governance (ESG) reporting achieved a significant milestone. We implemented rigorous management reporting, actively engaged with stakeholders and external auditors to ensure transparency, accuracy and accountability in our sustainability practices, and addressed the increased sustainability reporting requirements by Bursa Malaysia Securities Berhad.

Recognising the dynamic nature of sustainability risks and their irreversible impacts, we made them an integral part of our risk management process by including these deliberations as the pivotal components of our strategic planning and decision-making. Continuous education and training are important in keeping our Directors well versed and proficient in the current evolving sustainability practices and standards. In line with the Listing Requirements, the Company ensured that the Directors have either completed or are registered to attend the Mandatory Accreditation Programme Part II (MAP 2).

Furthermore, regular alignment reviews of our long-term strategy were instrumental in keeping our sustainability objectives harmonious with our overarching long term business goals. This multifaceted approach underscores our dedication to embedding sustainability and ESG principles into every layer of our operations, affirming our commitment towards responsible corporate stewardship.

Corporate Governance Overview Statement
Message From The Chairman

Making Solid Progress in The Journey Toward Net-Zero

In line with our unwavering dedication for a sustainable future, we made significant strides in achieving crucial key milestones along our Net Zero Roadmap. A notable accomplishment was the commendable 25% reduction in our 2023 carbon footprint as compared to our 2018 baseline, which represents a significant step towards our targets. This achievement was the culmination of a series of conscientious initiatives. We transitioned to 100% renewable electricity through the Green Electricity Tariff Programme and Renewable Energy Certificates, as part of our journey to deliver our promise to halve our greenhouse gas emissions by 2030 and achieve net zero by 2050. We have also implemented environmental efficiency projects such as the adoption of alternative fuel biomass boilers at our manufacturing sites, usage reduction of virgin plastic by replacing them with a more environmentally friendly alternatives and we have embarked on a collection and recycling initiative through Project SAVE (Segregate. Avoid. Value. Educate.).

Strengthening Our Culture of Diversity, Equity, and Inclusion

Nestlé Malaysia actively champions the global commitment towards a culture of diversity, equity, and inclusion (DEI), integrating these principles into every aspect of our organisation. We have designed our recruitment process to attract diverse talents aligned with our values, ensuring fairness, privacy, and an unbiased journey for all candidates.

To make our global ambitions locally relevant, Nestlé Malaysia develops and executes its own DEI plan. Our diverse workforce, reflected in our Nestlé Leadership Team, underscores our inclusive culture. We enforce our commitment and strong support for our employees through policies like the Nestlé Policy Against Discrimination, Violence and Harassment at Work. This policy ensures that Nestlé Malaysia remains a place where diversity is celebrated, equity is upheld, and inclusion is the norm.

Board Leadership

Effective Board leadership is essential for the success and sustainability of the Company, as it sets the tone for governance practices, ethical conduct, and strategic decision-making.

Our Board was further enhanced in 2023, embracing a fresh wave of Independent Non-Executive Directors with diverse expertise and backgrounds. We welcomed YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim, recognised for her outstanding contributions to social activism and humanitarian endeavours; and Tan Sri Wan Zulkiflee Wan Ariffin, who brought to the table an impressive four decades in corporate and leadership roles spanning across various sectors. These skilled individuals with diverse insights bolstered Nestlé Malaysia's capacity for strategic oversight, governance, and sustainable growth.

Our Commitment to Responsibly Create Sustainable Shareholder Value

In 2023, Nestlé Malaysia also intensified its efforts to create shared value for its shareholders, employees and stakeholders. This was evident in, among others, our consistent delivery of strong financial performance, our rollout of meaningful Corporate Social Responsibility (CSR) activities for the community, nurturing talent through grassroots sports development, and good environmental stewardship practices.

Our commitment to delivering shareholders return is again affirmed, with dividends for the year 2023 totaling to RM2.68 per share (2022: RM2.62 per share). This significant dividend amount is a direct result of our solid financial performance and strategic initiatives, benefitting also from the successful integration of Wyeth Nutrition (Malaysia) Sdn. Bhd. It demonstrates our capability to deliver consistent value to our shareholders, while navigating the evolving economic landscape with resilience and strategic foresight.

As we look to the future, Nestlé Malaysia remains committed to sustaining our tradition of rewarding our shareholders. Once again, we express our gratitude to all our stakeholders for their unrelenting support as we venture forward.

Thank you for your support.

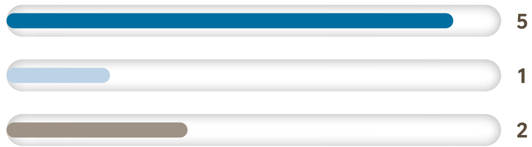
YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Chairman

Meeting Attendance 2023

100% MEETING ATTENDANCE RATE	BOARD	ARC	GNCC
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail *Chairman, Non-Independent Non-Executive Director*	5/5	4/4	3/3
Mr. Chin Kwai Fatt *Independent Non-Executive Director*	5/5	4/4	-
Dato' Hamidah Naziadin *Independent Non-Executive Director*	5/5	-	3/3
YM Dr. Tunku Alina Alias *Independent Non-Executive Director*	5/5	2/2 *(Appointed on 27 April 2023)*	3/3
YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim *Independent Non-Executive Director* *(Appointed on 2 May 2023)*	2/2	-	-
Tan Sri Wan Zulkiflee Wan Ariffin *Independent Non-Executive Director* *(Appointed on 1 October 2023)*	1/1	-	-
Juan Aranols *Non-Independent Executive Director*	5/5	-	-
Syed Saiful Islam *Non-Independent Executive Director*	5/5	-	-
Datin Sri Azlin Arshad *Independent Non-Executive Director* *(Retired on 26 April 2023)*	3/3	2/2	-

ARC *Audit and Risk Committee* **GNCC** *Governance, Nomination and Compensation Committee*

Overview of the Board of Directors



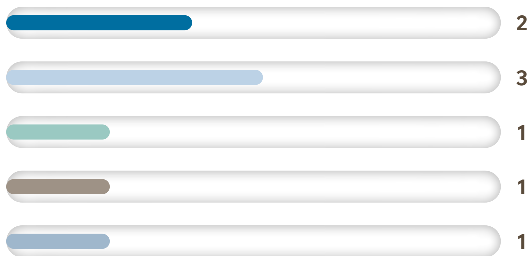
- Independent, Non-Executive Directors
- Non-Independent, Non-Executive Directors
- Executive Directors

Diversity of Nationality & Ethnicity

Malaysian (6) Foreigner (2)

- Malay
- Chinese
- Spanish
- Bangladeshi

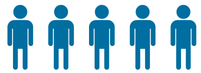
Diversity of Age



- 51 - 55
- 56 - 60
- 61 - 65
- 66 - 70
- above 70

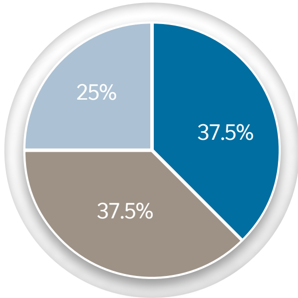
Gender Diversity

62.5%
Male



37.5%
Female

Diversity of Tenure



- Less than 2 years
- Between 2 to 4 years
- More than 4 years

Corporate Governance Overview Statement

Our Board At A Glance

Skills and Experiences of the Directors

- Business Strategy & Operations
- Chemical Engineering
- Climate Change Governance
- Corporate Social Responsibility
- Finance
- Government Liaison
- Humanitarian
- Human Resource
- Industrial Relations
- Investment Banking
- Investor Relations
- Legal & Regulatory
- Non-Government Organisation
- Political Studies
- Risk Management
- Sales & Marketing
- 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 boundaries of authority 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 strategies and policies.

NON-EXECUTIVE DIRECTORS
Play a key role in establishing a robust framework for effective corporate governance, ensuring that no individual or group dominates the decision-making process of the Board.

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.
- Significant capital investment and disposal of material assets of an existing business to a third party.
- Declaration of dividends, approval of financial statements, accounts and quarterly reports of the Company.
- Increase or reduction of the Company's subsidiary(ies)'s issued capital.
- Acquisition, divestment or closure of business.
- Establishment of new substantial business.
- Selected corporate restructuring exercise.
- Any change of name of any entity within the Group and establishment of any new subsidiary company.

Compliance Framework Structure

The Compliance Steering Committee (the Committee) spearheads the compliance framework structure. This Committee is chaired by the Chief Executive Officer (CEO) and consists of several members of the Executive Leadership Team (including the Market Compliance Officer) and the Legal and Compliance Counsel. This Committee sets the Group's strategy and direction of the Compliance Programme.

The Compliance Programme covers the execution of internal policies, guidelines, relevant laws, rules and regulations. It takes into account current compliance topics, the continuous implementation of employee awareness and engagement activities on these topics, as well as the Group's internal controls and monitoring, and identification of gaps and risks. The execution and progress of the Compliance Programme is closely overseen by the Committee.

For the financial year ended 31 December 2023, the Compliance Steering Committee convened three meetings.

Nestlé Code of Business Conduct (NCBC)

The NCBC implements the Nestlé Corporate Business Principles by establishing certain non-negotiable minimum standards of behaviour in key areas. It provides a reference for employees 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 Corporate Business Principles (NCBP)

Building trust among employees, consumers, customers, suppliers, shareholders and society at large is fundamental for Nestlé's success. This will be dependent on our unwavering dedication to integrity and upholding our commitments. The NCBP provides a strong ethical framework, ensuring integrity of action and compliance with laws, regulations and our own commitments.

It also prescribes certain values and principles to 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 putting in place an accessible grievance reporting mechanism for both internal and external stakeholders.

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 whilst continuously reducing the impact on the planet's resources. It sets out ways of working with regards to sourcing and production for the Group's supply chain tiers, from the Group to suppliers, through intermediaries and back to the origins of the goods and services purchased.

The Standard defines the way the Group sources products with care and respect for individuals, communities and the planet. It delivers on consumers' expectations of the Group's products sources and the manner in which they are produced, and contributes to the implementation of the Group's commitment to the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the Core Conventions of the International Labour Organisation and the Sustainable Development Goals (SDGs).

Nestlé Malaysia Charter: Infant Formula Policy

The Group voluntarily implements recommendations from the World Health Organisation (WHO) International Code of Marketing of Breast-Milk Substitutes and the Malaysia's Code of Ethics for the Marketing of Infant Foods and Related Products (collectively, WHO Code). Nestlé S.A. then published the Nestlé Policy For Implementing the WHO Code which was subsequently adopted by Nestlé Malaysia through the Nestlé Malaysia Charter: Infant Formula Policy (collectively, Nestlé Infant Formula Policy), and is updated periodically, to ensure Nestlé Malaysia markets and sells Breast-Milk Substitutes (BMS) responsibly across all its operations.

The Group also requires all its employees involved in BMS business activities to complete a mandatory WHO Code compliance training exercise and the Do's and Don't's of the Nestlé Infant Formula Policy. As part of its efforts to ensure a common comprehensive adherence to the WHO Code throughout its value chain and improve responsible BMS marketing practices through its distribution channels, since distributors and manufacturers bear the same responsibility for their respective supply networks, the Group is dedicated to working with all third parties (with whom it has a direct service relationship), including providing regular trainings to help them comply with the Nestlé Infant Formula Policy and applicable national legislation and regulatory policies implementing the WHO Code and BMS business activities.

To properly monitor the effective implementation and worldwide compliance of the Nestlé Infant Formula Policy, our parent company Nestlé S.A. has put in place a global management system which is overseen by the WHO Code Compliance Committee. To make our global ambitions locally relevant, Nestlé Malaysia has similarly set up a local WHO Code Compliance Committee. The members of the Nestlé Malaysia WHO Code Compliance Committee include the Chief Executive Officer (CEO), the Executive Director, Group Corporate Affairs, the Executive Director, Legal and Secretarial, the Business Executive Officer of Nestlé Nutrition, the WHO Code Compliance Manager and when required, the Chief Financial Officer (CFO) and the Head of Regulatory Affairs. The Nestlé Malaysia WHO Code Compliance Committee convenes quarterly meetings and/or as necessary including to receive business operational updates, oversee the compliance management system and adherence to the Nestlé Infant Formula Policy and applicable national legislation and regulatory policies implementing the WHO Code and BMS business activities.

Nestlé S.A's global management system also provides an avenue for both internal and external stakeholders to raise relevant concerns about marketing practices or to alert or report on any non-compliance through either the Group's WHO Code Ombudsperson system for its employees or its whistleblowing system, Speak Up, for external stakeholders.

WHO Code Ombudsperson System

The Group's employees may anonymously report or alert the appointed Ombudsperson on any potential policy violations or raise concerns about the marketing and selling of BMS via each market's local WHO Code Ombudsperson System. This is to ensure the continuous implementation and efficacy of the Nestlé Infant Formula Policy. The Group creates awareness on the WHO Code Ombudsperson System annually for all its employees. The Group also affords the public a platform to report any non-compliance concerns via the Company's website www.speakupfeedback.eu/web/A2VY73/my (Access Code: 91738). This is aligned with the Nestlé Corporate Business Principles and reflects its commitment to a strong ethical culture and non-negotiable foundation of how it does business. All investigations conducted by its appointed Ombudsperson are kept confidential.

Competition Law and Antitrust Policy

The Group in its continued efforts to strengthen its commitment to ensure compliance and ethical business practices, has introduced the revised Nestlé Malaysia Competition Compliance Manual (Competition Compliance Manual) in 2023.

The primary objective of the Competition Compliance Manual is to equip employees with a quick and easy reference guide when encountering basic competition-related questions and issues. The Group recognises the importance of ensuring that its workforce is well versed in competition laws applicable to their roles, promoting a culture of compliance in their day-to-day activities.

This initiative builds upon the foundation that was laid in 2022 with the rollout of the Nestlé Global Antitrust e-Learning programme. The combination of the e-learning modules and the revised Competition Compliance Manual provides employees with a comprehensive understanding of the fundamental rules of competition laws relevant to their specific roles. By integrating these resources into their daily operations, the Group aims to bolster compliance efforts across all levels of the organisation.

In addition to the above efforts taken, the Group, through its Legal and Compliance Department has also conducted continuous training sessions for key stakeholders, including newly onboarded employees. These sessions cover not only existing basic competition laws but also delve into the specifics of the Unannounced Government Visit (UGV) Policy, launched in 2022. The focus on UGV underscores Nestlé's commitment to transparency and adherence to regulatory requirements.

Looking ahead, the Group is committed to sustaining its compliance efforts by rolling out further training programmes. These initiatives aim to ensure that existing business transactions and practices align with current competition laws and operate within the framework of the Nestlé Group Antitrust Law Policy. By staying proactive in compliance education, the Group sets a standard for ethical business conduct and reinforces its dedication to respecting legal boundaries.

Nestlé Malaysia Anti-Corruption, Gifts & Entertainment Guidelines (Anti-Corruption Guidelines)

Nestlé has a zero-tolerance approach towards corruption. The Anti-Corruption Guidelines provide clarity to the employees and Directors on how to handle, among others, situations of gifts, sponsorships, meals and entertainment, dealings with government officials, conflicts of interest and facilitation payments, and clearly reiterate Nestlé's stance against bribery and corruption.

In 2023, the Group continued to strengthen its internal processes including in the area of sponsorships. Having conducted an internal review over company-wide practices at the end of 2022, the Group identified gaps in the implementation of the Anti-Corruption Guidelines and sought to strengthen compliance in such areas. The Group continued to improve its internal processes, control measures, risk assessments, systematic reviews, monitoring, communications and training to fortify its defence of Adequate Procedures against corporate liability for bribery and corruption under section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act). In December 2023, in conjunction with International Anti-Corruption Day, a strong tone-from-the-top message was communicated by the Nestlé Leadership Team to remind all employees about the Group's commitment towards ethics, integrity and honesty. This was accompanied with awareness-creation activities to commemorate International Anti-Corruption Day.

The Group continues to reiterate on its stand against corruption through regular communications to its employees, Directors and also to its customers and suppliers.

Whistleblowing

The Group's whistleblowing channel, known as Speak Up, enables any of the Group's employees or third parties to report any grievances, incidence or potential incident of non-compliance.

To encourage employees to raise their concerns, the Group creates awareness on the Speak Up channel through various activities for employees. The Speak Up channel is apparent on Nestlé's corporate website for any persons to access and use. This whistleblowing channel is also communicated to the Group's customers and suppliers.

The identity of a whistleblower under Speak Up is safeguarded at all times and protected from coercion, retaliation or reprisal. For this purpose, Speak Up is operated by an independent third party service provider. All reports are properly investigated and treated with confidence by the Business Ethics and Fraud Committee. Reports of non-compliance received through other avenues are also investigated in the same manner. In 2023, 25 non-compliance complaints were received under the Speak Up channel and through other avenues, all of which have been duly investigated, and where necessary, actions have been taken.

Speak Up Dial : 1800-88-4307 (Access Code: 91738)
Web : *www.speakupfeedback.eu/web/A2VY73/my* (Access Code: 91738)

Business Ethics and Fraud Committee (BEFC)

The BEFC reviews all non-compliance complaints or allegations lodged by employees or third parties through any channel, including Speak Up. It oversees proper investigations of all complaints and ensures appropriate actions are taken based on the nature of the violation.

The BEFC is chaired by the CEO and other members include the CFO, the Executive Director, Legal and Secretarial (as the Market Compliance Officer) and the Executive Director, Group Human Resource. All reports and updates from the BEFC are reviewed by the Audit and Risk Committee prior to being reviewed by the Board of Directors.

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) and Nestlé's S.A. Group's privacy policy and standards.

Nestlé values and protects the personal data of everyone who interacts with our Group. We are transparent about the data we collect and the purposes for which we process it. Alongside the Nestlé Privacy Policy and Nestlé Privacy Standard, the Nestlé Malaysia Personal Data Guidelines offer guidance to the Group on the handling and use of personal data in Nestlé.

In 2023, the Group commenced efforts to revise and update the Nestlé Malaysia Personal Data Guidelines. The updates had taken into account the learnings from an evolution of practices and approaches to personal data in the Group, changes in the law and the widening scope of use of personal data by the Group in its efforts to offer consumers a more personalised experience. 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 units and functions that process personal data. The Group also provides training to suppliers who handle personal data on the Group's behalf, including instilling 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 Nestlé Corporate Business Principles.

Conflict of Interest

The Nestlé Purpose and Values, the Nestlé Corporate Business Principles and the Nestlé Code of Business Conduct establish certain non-negotiable standards and in particular, the duty to disclose situations that could lead to conflict of interest (COI). All employees and Directors are always guided by the following basic principles:

- avoid any conduct that could damage or risk Nestlé or its reputation;
- act legally and honestly; and
- put the Group's interests ahead of personal or other interests.

In the commitment to transparency and ethical practices, Nestlé requires all employees worldwide to regularly declare any COI.

In 2023, with the amendments to the Listing Requirements in relation to enhanced COI disclosures by the Directors and Key Senior Management, the Company has taken a vital measure to strengthen our governance practices by expanding the COI declaration requirements to include the Board of Directors, in addition to the Nestlé Leadership Team. These declarations will be made on an annual basis and as and when any conflict of interest arises. Additionally, prior to the commencement of each Board meeting, all Directors are given the opportunity to transparently disclose any potential COI. By implementing this requirement, the Company is reinforcing its commitment to transparency and upholding the highest standards of integrity. This important measure ensures that our highest governing body operates with the utmost accountability and safeguards the interests of the stakeholders.

Human Rights Framework

Nestlé is committed to respecting and advancing human rights in its operations and supply chains. In December 2021, Nestlé S.A. launched its Human Rights Framework and Roadmap (the Framework) which aims to strengthen its level of due diligence and support enabling environments for the respect and promotion of human rights. The Framework identifies the 10 salient human rights issues faced by Nestlé:

- Child labour and access to education
- Forced labour and responsible recruitment
- Living income and living wage
- Health and safety at work
- Freedom of association and collective bargaining
- Gender equity, non-discrimination and non-harassment
- Right to water and sanitation
- Indigenous peoples and local communities' land rights
- Data protection and privacy
- Right to food and access to nutritious, affordable and adequate diets

The Framework puts due diligence at the core of Nestlé's approach and defines the five enablers that support Nestlé's work in the area of human rights:

1. **Governance and Incentives**
   Nestlé integrates human rights at all levels of its governance structure.

2. **Policies and Control Systems**
   Nestlé leverages on its policies and control systems to embed human rights throughout the organisation.

3. **Engagement and Advocacy**
   Nestlé engages with key stakeholders and advocates for smart due diligence legislation and collective action on the ground.

4. **Strategic Partnerships**
   Nestlé partners with thought-leading and boots-on-the-ground organisations.

5. **Transparency and Reporting**
   Nestlé provides a high level of transparency on the progress it makes and the challenges it faces.

In February 2023, Nestlé enhanced its due diligence by launching its action plans for each of the 10 salient human rights issues. These plans articulate Nestlé's strategy for assessing, addressing and reporting on each salient issue, defining what it needs to do across its supply chain, as well as what collective action can be taken.

The Framework helps the business determine which issues to focus on based on the collected data from among others, human rights impact assessments, supplier assessments, certification schemes and grievance mechanisms. The information gathered helps establish what the risks are, where the risks are located and what can be done to address these risks.

The Nestlé S.A. Sustainability Committee aims to ensure that Nestlé carries out due diligence and reports on its most significant risks to human rights. In tandem, the Nestlé ESG & Sustainable Council is responsible for the management of upstream supply chain issues, whilst the Nestlé Human Rights Community works to lead the human rights agenda throughout Nestlé.

Sanctions

The Group lawfully engages in business activities in jurisdictions where sanctions laws from the United Nations and countries such as Switzerland, the European Union, the United States of America and the United Kingdom apply. Such sanctions laws may embargo some countries being generally embargoed and some may target specially designated nationals or blocked persons or entities. Consistent with its approach to comply with all applicable laws as laid out in the Nestlé Corporate Business Principles, the Sanctions Compliance Standard requires that the Group applies a risk-based approach when dealing with such jurisdictions.

In 2023, the Group designed a sanctions compliance plan that correspond with its sanctions risk profile. This was then implemented to ascertain if the Group engages in business activities with such generally embargoed countries or specifically designated nations, blocked persons or entities. The Group also rolled out an e-Learning on sanctions to relevant employees dealing with third parties who may be subject to sanctions laws.

The sanctions compliance plan also considers situations where if there are dealings with generally embargoed countries, persons from the United States of America must recuse themselves from any discussions of, decisions on, or facilitation of any activities in accordance with the Nestlé US Sanctions Recusal Standard.

In line with our dedication to championing ESG practices, Nestlé is deeply committed to operating with openness and transparency. We foster a culture that embraces a dynamic governance framework to enable swift decision-making and thorough oversight.

At Nestlé Malaysia, the Board plays an important role in ensuring the Company creates sustainable value for our shareholders and other stakeholders, while establishing a solid governance structure that resonates with our ESG goals. Additionally, the Board overviews the strategic business plans aimed at fostering long-term growth and stability. Recognising the significance of a robust ESG commitment aligned with the Company's purpose, the Board considers this as a key competitive advantage for the Company.

Creating Shared Value (CSV) Governance Structure

We believe our long-term success hinges on creating value for both our shareholders and society. Our CSV philosophy is integral to our operations, guiding our pursuit of a sustainable future. The ESG and Sustainability Governance Structure, embodying core ESG principles, ensures responsible practices in line with legal standards and the Nestlé Corporate Business Principles, positively impacting our employees, communities and the environment.

Bi-annual Board reviews monitor our initiatives, with discussions on significant non-financial matters and assessments of our long-term strategies, ensuring alignment with our CSV and ESG focus.

Under the Board's direction and led by the CEO, the Executive Director Group Corporate Affairs spearheads CSV and sustainability efforts across business units and functions, with regular reviews by the Group Corporate Affairs Department and senior management, to maintain relevance and impact.

Providing strategic advice and oversight, the Board ensures our CSV efforts and ESG strategy align with our business goals. This involves receiving and reviewing regular updates and reports on ESG commitments across key areas:

E	S	G
• Environmental Efficiency • Plastic Recovery and Circularity • Plastic Reduction (Reduce, Reuse and Recycle) • Reforestation and Regeneration • Renewable Energy	• Community Engagement • Diversity, Equity and Inclusion • Employment Standards • Health and Safety • Human Capital Development • Human Rights • Youth Opportunities	• Anti-Bribery and Anti-Corruption • Board Independence and Diversity • Business Ethics, Integrity and Compliance • Compliance with Laws and Regulations • Data Privacy Governance • Leadership and Corporate Governance • Risk Management and Internal Controls

Our comprehensive governance framework cultivates a robust ESG culture, enabling us to offer substantial value to stakeholders and support the Group's resilient growth.

NIS *For further information on our ESG and Sustainability Governance Structure, please refer to page 10 of the Nestlé in Society Report 2023.*

Governance Structure

	BOARD	BOARD COMMITTEES	MANAGEMENT		
Nestlé S.A. Sustainability Committee	**Nestlé (Malaysia) Berhad**	**Audit and Risk Committee** **Governance, Nomination and Compensation Committee**	**Nestlé Malaysia CEO**	**Nestlé Malaysia Sustainability Steering Committee**	**Business Units and Functions**
Assesses our progress and discusses CSV and sustainability opportunities and challenges	Provide counsel on strategic alignment for CSV and sustainability		Leads CSV and sustainability strategies	Guides and supervises CSV and sustainability initiatives across businesses	Lead the implementation of CSV and sustainability initiatives in Malaysia

ENGAGING WITH STAKEHOLDERS

Stakeholder Engagement

The table below provides an overview of our stakeholder engagements, including how we engage each group of stakeholders alongside the frequency of our engagements, their key areas of interest, and the value we offer to each.

	Engagement Methods	Priority Issues	Our Responses	How We Are Creating Value
Employees	BA People Development and Performance AR Intranet, newsletters and internal e-announcements Q Townhall meetings and roadshows AR Safety, health and environment initiatives O Employee volunteer programme AR Employee events A Employee survey AR 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, page 108 • Diversity and Inclusion, page 99 • Training and Development, page 101 • Safety, Health and Wellbeing, page 104 • Employee Compensation and Benefits, page 110 • Nestlé Cares Employee Volunteer Programme, page 109	• Foster balanced gender representation in our workforce and advocate for the empowerment of women throughout the value chain. • Cultivate workplaces that prioritise health and wellbeing. • Offer opportunities for the continuous professional development of our employees.
Consumers and General Public	O Corporate and brand websites O Consumer relationship marketing O Social media channels O Corporate and brand campaigns A Consumer research O Advertisements and promotions AR Exhibitions and showcases AR Product packaging O 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, page 44 • Our Halal Commitment, page 45 • Offer Tasty and Nutritious Foods, page 30 • Responsible Marketing and Advertising, page 42 • Enhancing Biomedical Science Through Nutritional Therapy, page 35 • Empowerment Towards Healthier Lifestyles and Responsible Marketing, page 36 • Operating Responsibly, page 96 • Helping to Protect, Renew and Restore Natural Resources, page 50	• Develop innovative products and offerings that are attuned to consumers' needs and preferences. • Ensure convenient access to product information.
Shareholders and Investors	A Annual and Sustainability Reports A Annual General Meeting Q Analyst briefings AR Announcements to Bursa Malaysia Securities Berhad AR One-on-one and group investor meetings and calls AR Disclosures on corporate website	• Business performance • Integrity and governance • Business strategy • Regulatory compliance • Reporting • Risk management • ESG updates	• Fast Facts, page 3 • Operating Responsibly, page 96 • Creating Shared Value Governance, page 10 • Nestlé In Society: Creating Shared Value, page 8 • Basis of This Report, page 2	• Deliver strong profits through solid financial performance.

Frequency

D Daily	Q Quarterly	BE Bi-ennially	AR As required	O Ongoing
BA Bi-Annually	AM Alternate Month	BM Bi-monthly	A Annually	M Monthly

NIS *The table above should be read together with the Nestlé in Society Report 2023.*

	Engagement Methods	Priority Issues	Our Responses	How We Are Creating Value
Local Communities	O Community development programmes O CSV projects M Monthly food contribution programmes O Corporate Social Responsibility initiatives O Farmer Connect programmes O Food bank programmes O 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, page 108 • Enriching Lives in Our Communities, page 93 • Farmer Connect Programmes, page 83 • Regenerative Agriculture, page 61 • Helping to Protect, Renew and Restore Natural Resources, page 50 • Offer Tasty and Nutritious Foods, page 30 • SME Mentoring Programme, page 47 • Water Partnerships and Advocacy, page 66 • Reducing Food Waste, page 58	• Support and spearhead nutrition, health and wellness initiatives that enhance community wellbeing. • Support sustainable development of rural communities. • Safeguard natural resources for future generations.
Non-Governmental Organisations	BE Stakeholder engagement dialogues and materiality assessments AR Roundtable discussions AR Strategic partnerships and agreements O Memberships M Monthly food contribution programmes BE Key Opinion Leaders survey O 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	• Offer Tasty and Nutritious Foods, page 30 • Responsible Marketing and Advertising, page 42 • Regenerative Agriculture, page 61 • Diversity and Inclusion, page 99 • Safety, Health and Wellbeing, page 104 • Climate and Nature, page 52 • Helping to Protect, Renew and Restore Natural Resources, page 50 • Enriching Lives in Our Communities, page 93	• Foster collaborations and partnerships to actively support the nutrition, health and wellness of underserved communities. • Encourage impactful policy and industry-wide changes.
Government	AR Advocacy meetings AR Roundtable issue discussions AR Ministerial engagements and dialogues O Regulatory filings AR Exhibitions and showcases AR Key Opinion Leaders survey BE Materiality assessments AR 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, page 44 • Responsible Marketing and Advertising, page 42 • Operating Responsibly, page 96 • Offer Tasty and Nutritious Foods, page 30 • Helping to Protect, Renew and Restore Natural Resources, page 50 • Farmer Connect Programmes, page 83 • SME Mentoring Programme, page 47	• Contribute to the development of policies and standards. • Support and empower underserved communities.
Media	AR Face-to-face engagements AR Dialogues and forums AR Media familiarisation trip to CSV project sites AR Corporate and brand events BE 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	• Product Safety and Quality, page 44 • Responsible Marketing and Advertising, page 42 • Offer Tasty and Nutritious Foods, page 30 • Operating Responsibly, page 96 • Climate and Nature, page 52 • Helping to Protect, Renew and Restore Natural Resources, page 50 • Farmer Connect Programmes, page 83 • SME Mentoring Programme, page 47 • Enriching Lives in Our Communities, page 93 • Fast Facts, page 3	• Support and empower underserved communities. • Ensure public access to key information on the business.

Frequency

D Daily — Q Quarterly — BE Bi-ennially — AR As required — O Ongoing
BA Bi-Annually — AM Alternate Month — BM Bi-monthly — A Annually — M Monthly

NIS *The table above should be read together with the Nestlé in Society Report 2023.*

	Engagement Methods	Priority Issues	Our Responses	How We Are Creating Value
Industry and Trade Associations	AR Key associations AR Advisory panelists BE Key Opinion Leaders survey AR 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, page 42 • Sustainable Sourcing, page 79 • Regenerative Agriculture, page 61 • Climate and Nature, page 52 • Helping to Protect, Renew and Restore Natural Resources, page 50 • SME Mentoring Programme, page 47 • Operating Responsibly, page 96 • Farmer Connect Programmes, page 83 • Youth Opportunities, page 90	• Adherence with industry standards and regulations throughout the value chain. • Support industry-wide growth and development.
Suppliers	BE Supplier Engagement Day AR Training on Responsible Sourcing Standard and Anti-Corruption O 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 Wellbeing, page 104 • Farmer Connect Programmes, page 83 • Sustainable Sourcing, page 79 • Our Commitment to Sustainable Palm Oil, page 81 • Regenerative Agriculture, page 61 • Operating Responsibly, page 96	• Contribute to the development of suppliers throughout the value chain. • Provide support and guidance to ensure suppliers adhere to laws and regulations. • Uphold the sustainable production of food and beverages.
Customers/ Retailers	O Product campaigns O Consumer engagement activities O Customer relationship management O 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, page 35 • Empowerment Towards Healthier Lifestyles and Responsible Marketing, page 36 • Responsible Marketing and Advertising, page 42 • Offer Tasty and Nutritious Foods, page 30	• Develop innovative products and offerings that are attuned to consumers' needs and preferences. • Ensure convenient access to product information.
Academia	AR Partnership programmes AR Talks and forums O Employer branding activities (e.g. career fair) BE Key Opinion Leaders survey	• Nutrition, health and wellness • Food safety and quality • Responsible labelling and marketing • Environmental and climate change impact	• Offer Tasty and Nutritious Foods, page 30 • Product Safety and Quality, page 44 • Responsible Marketing and Advertising, page 42 • Climate and Nature, page 52 • Helping to Protect, Renew and Restore Natural Resources, page 50	• Support and empower underserved communities. • Foster a culture of knowledge-sharing between industry and academia.

Frequency

D Daily
BA Bi-Annually
Q Quarterly
AM Alternate Month
BE Bi-ennially
BM Bi-monthly
AR As required
A Annually
O Ongoing
M Monthly

NIS *The table above should be read together with the Nestlé in Society Report 2023.*

The Board

Our Board consists of Non-Executive Directors, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), each bringing valuable perspectives and expertise from various sectors. They play a proactive role in guiding the Company's purpose, values, and strategic direction, with a focus on creating long-term value for shareholders and making a positive contribution to society.

The Board's responsibilities are clearly outlined in a formal Board Charter. As the ultimate governance body of the Company, it provides leadership and approve the long-term strategic direction of the Company, guides and monitors the management of the Company in achieving its strategic plans and desired culture in accordance with the Company's core values. The Board also reviews operational and financial updates, assesses the Group's performance and stays informed about ongoing major initiatives. In addition, the Management keeps the Board regularly updated between meetings, ensuring continuous Board oversight.

The Board is supported by its Committees, each with specific responsibilities that reinforce the Board's commitment to good corporate practices. These Committees provide independent oversight to ensure the effective implementation of such practices.

The detailed information on the Audit and Risk Committee and the Governance, Nomination and Compensation Committee is available on our website at www.nestle.com.my.

Diversity

The Board acknowledges the wide-ranging benefits of a diverse leadership for the Board and the Executive Leadership Team (ELT). Diversity fosters leadership excellence and effectiveness, whilst at the same time, cultivates innovation in providing different perspectives and approaches. There are currently three female Directors constituting 37.5% of the Board's composition and an even higher percentage of females in the ELT. This affirms the Company's commitment to diversity as stated in the Diversity, Equity, and Inclusion (DEI) Policy, and is in line with the MCCG, which recommends at least 30% female Directors.

Commitment

In accordance with the Companies Act 2016, our Directors are committed to upholding the highest standards of ethics and integrity, and to diligently devote their time and attention to effectively perform their fiduciary duties. The Directors exercise prudence in financial oversight, demonstrate a sense of responsibility towards the Company's shareholders and stakeholders, align their actions to safeguard the Company's best interests over their personal concerns, and avoid conflicts of interest. They consistently ensure thorough and meticulous preparation and oversight are exercised for effective governance and proactive engagement during Board meetings. This showcases a commitment that reflects the Directors' exemplary leadership and contributes significantly to the overall success and ethical governance of the Company.

Our Directors have been transparently disclosing potential conflict of interest and have abstained from participating where such conflict may arise. The Audit and Risk Committee and the Board conduct comprehensive assessments of the potential conflicts, considering their nature, impact on the Director's responsibilities to the Company, and any affiliations between the Company and external entities. This ensures that our corporate governance practices align not only with laws, but also with the stringent requirements set forth by Bursa Malaysia, fostering a culture of integrity, accountability and responsible leadership within the Company.

The Company has implemented provisions to ensure that its Directors' external commitments do not create conflicts with their responsibilities to the Company. By effectively managing their time commitments, the Directors can fulfil their obligations to the Company while maintaining the highest level of dedication. None of the Directors holds more than five directorships in listed issuers.

Board Information Flow

Managed by the Company Secretary in collaboration with the Chairman and CEO, the flow of information to the Board is efficient and effective. All Directors have access to the Company Secretary, who ensures they are well equipped with the necessary policies, processes, resources, and updates on regulatory and corporate governance matters. Regular management updates keep Directors informed about matters and initiatives under their oversight.

In addition to formal meetings, the Chairman, CEO and Company Secretary maintain regular communication with all Directors. The past year included an in-camera session exclusively for Non-Executive Directors, promoting open discussion and enhancing the Board's independence and oversight.

Purpose, Business Model and Strategy

The Board invests considerable time in evaluating the Company's performance and strategies. The Board also prioritises business sustainability and its impact on stakeholders. Specific business strategies are conducted and deliberated based on the Company's purpose, alongside a stringent risk management framework and robust internal controls for effective strategy implementation.

Culture and Values

Nestlé's culture is one of empowerment, enabling our employees to achieve their deliverables and add value to the organisation while upholding strong principles of integrity, compliance, and good corporate governance. We promote values like courage and open-mindedness, inspiring our team to reach their full potential and cultivate an innovative environment. The Board plays a crucial role in promoting this culture, aligning workforce policies, practices, and behaviours with the Company's purpose, values, and strategy, a task actioned through the Executive Leadership Team.

Corporate Governance Overview Statement

ACCOUNTABILITY

Financial Control and Reporting

The Board holds a crucial responsibility in overseeing the financial and reporting aspects of the Group. This includes ensuring the accuracy, integrity, and transparency of financial statements and reports. The Audit and Risk Committee assists the Board in fulfilling its oversight duties on the Group's accounting and financial reporting. As part of this role, the Audit and Risk Committee diligently reviews the quarterly financial reports, full-year financial statements, and the Statement on Risk Management and Internal Control in the Corporate Governance and Financial Report 2023 before presenting these reports to the Board for approval.

The Audit and Risk Committee also evaluates the plan for preparing the financial statements, as well as any significant judgments and estimates that may impact the financial statements, taking into account the report by external auditors, Ernst & Young PLT (EY). Furthermore, it actively monitors the effects of new accounting standards and other regulatory developments on the Group's financial reporting, as well as regularly receives technical updates to ensure they remain well informed on relevant matters.

Risk Management and Internal Control

The Board holds the responsibility for overseeing the Group's internal control framework and risk management. Periodic reviews of risk management principles, policies, procedures, and practices, including sustainability and climate-related strategies, are conducted using a consistent risk and opportunities assessment process known as the Nestlé Enterprise Risk Management (ERM). During these reviews, consideration is given to any matters that may have arisen since the last report, which could indicate any omissions or inadequacies in the previous assessments. Additionally, the reviews assess whether any significant new risks have emerged as a result of changes in the internal or external environment, or if any emerging risks may impact the Group. Results of the risk assessment will then be presented to the Audit and Risk Committee and the Board for their quarterly review.

Throughout the year, the Nestlé Internal Audit also performed the risk assessment audit on each business unit and function to ensure the Audit and Risk Committee was aware of any identified risk exposures in the processes, and internal control systems of the Group.

Additionally, the Board reviews the adequacy and effectiveness of the Group's internal control procedures, including financial, operational, and compliance controls. The Board believes that the Group's internal control systems are appropriately designed to manage and minimise, rather than eliminate, the risk of failing to achieve its business objectives. However, it is important to note that any control system can only provide reasonable, not absolute, assurance against material misstatement or loss.

CGFR *For further information on Nestlé Internal Audit, please refer to page 31 of this Report.*

CGFR *For further information on Risk Management and Internal Control, please refer to pages 35 to 39 of this Report.*

KEY ACTIVITIES OF THE BOARD IN 2023

In the year under review, five Board meetings were held. An overview of the Board's key activities on the matters reviewed and considered is provided below.

Strategy

- Group's Strategy and Roadmap, and the implementation thereof.
- Business Strategy and operational activities.
- Digital Marketing Landscape & Strategy.
- Cyber Security.
- Innovation and Business Initiatives.
- Healthier Choice Logo (HCL) 2.0 updates.
- Acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd.

Financial

- Cumulative full year results for the financial year ended 31 December 2022.
- Directors' Report and Audited Financial Statements for the financial year ended 31 December 2022.
- 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.
- 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.

Sustainability, Environment and Social

- Creating Shared Value (CSV) initiatives.
- Sustainability initiatives.
- Update from CSV Council.
- ESG updates.
- Climate change & environmental impact.
- Board of Directors visit to Nestlé Chilli Club farm.

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.
- Quarterly Analyst and Investor briefings.
- Engagement with substantial shareholders.
- 39th Annual General Meeting and Extraordinary General Meeting.

Governance

- Group's compliance with the Listing Requirements.
- Compliance with the MCCG and CA 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 2023 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.
- Director's Fit and Proper Policy.
- Corporate Governance Report and the Annual Report 2022.
- Board Effectiveness Evaluation 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.
- Time commitment of Directors.
- Other directorship of 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.
- Conflicts of Interest.
- Mandatory Accreditation Programme Part 2 (Sustainability).
- WHO Code Compliance update.
- Effectiveness of Board meetings.
- Board Agenda 2023 and 2024.

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.
- 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.
- Cyber Crisis exercise.
- Speak Up updates.

Leadership and People

- Board succession plans, Board composition and Board Diversity and inclusion (including gender, ethnicity/cultural background and age diversity.)
- Tenure of Directors.
- Retirement of Directors by rotation, the re-election of Directors.
- Appointment of new Board members and Audit Committee member.
- Board trainings.
- Compensation of the Executive Directors.
- Compensation of the Nestlé Leadership Team.
- Compensation Direction for the employees of the Group.
- Succession plans for the Nestlé Leadership Team.
- Management development of the Nestlé Leadership Team.
- Status of the Collective Agreement negotiations with the Union.
- Human Resource updates.

DIRECTORS' APPOINTMENT AND RE-ELECTION

Appointment to the Board

At Nestlé Malaysia, we champion merit-based appointments to our Board, aiming to strike the perfect balance of skills, experience and expertise to drive our strategic vision forward.

The Governance, Nomination and Compensation Committee (GNCC) is tasked with spearheading this process by evaluating diversity in all its forms; gender, age, background, experience, expertise, and unique personal qualities, as outlined in the Company's Diversity, Equity and Inclusion Policy to ensure our Directors are equipped with diverse perspectives. To ensure effective governance, fulfilment of fiduciary duties and maintaining the trust of shareholders and stakeholders, it is essential for Directors to be fully committed to their roles and responsibilities, allocate sufficient time for preparation and meeting attendance, and actively contribute to discussions and deliberations.

Board appointments are also guided by our Directors' Fit and Proper Policy, with re-election hinging on a Director's impactful performance and contribution, as assessed in our Directors' and Board's annual effectiveness evaluations. The GNCC coordinates both the appointment and re-election processes, proposing their recommendations to the Board, which then makes the final deliberation and decision.

The deeper insight into our Diversity, Equity and Inclusion Policy and Directors' Fit and Proper Policy is available on our website at www.nestle.com.my.

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
- Assessment on Fit and Proper criteria
- Non-Conflict of Interest Declaration
- 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
- Diversity

In the selection of Independent Non-Executive Directors, the GNCC will assess the independence and capacity of each candidate to fulfil the required responsibilities and functions required for this role.

Re-Election of Directors

The Board of Directors had through the GNCC carried out an evaluation on the Directors who are eligible for re-election under Articles 97.1 and 106 of the Company's Constitution. Based on the performance and contribution evaluation, 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. The Board also considered the outcome of the 2023 Board Effectiveness Evaluation, which further affirmed the Directors' effectiveness and valuable contributions, and is therefore recommending their re-election at the 40th Annual General Meeting (AGM).

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

1. **MR. CHIN KWAI FATT** (Appointed on 29 April 2021, Chairman of the Audit and Risk Committee)

   Mr. Chin's extensive background in consulting, corporate finance and leadership, coupled with his proven track record during his tenure with PricewaterhouseCoopers (PwC) and PwC Network is valuable as a member of the Board and as the Chairman of the Audit and Risk Committee. His diverse expertise encompasses financial acumen, risk management, and information technology consulting, has provided a holistic perspective that is crucial for steering the Company towards success. He has also demonstrated exceptional governance, strategic oversights and showcased his commitment to ensuring sound financial practices and adherence to regulatory standards. Given his wealth of experience and dedication to upholding the highest standards of corporate governance and financial reporting, the Board recommends his re-election as a member of the Board and as Chairman of the Audit and Risk Committee.

2. **YM DR. TUNKU ALINA ALIAS** (Appointed on 21 June 2021, a member the Governance, Nomination and Compensation Committee and the Audit and Risk Committee)

   Dr. Tunku Alina brings diverse experience in business as well as academic expertise. Her qualifications as an Advocate and Solicitor of the High Court of Malaya, underscores her legal acumen and dispute resolution skills. In the academic sector, she has experience as an Adjunct Professor of Islamic Finance Law at the University of Miami and an adjunct Research Fellow at the International Centre for Education in Islamic Finance (INCIEF). Dr. Tunku Alina has a strong commitment to sustainability. She has completed the Oxford Leading Sustainable Corporation Programme at the University of Oxford Saïd Business School and the Circular Economy and Sustainability Strategies Programme at the University of Cambridge Judge Business School, and she has also served as the Council Member of the Climate Governance Malaysia. Given her extensive engagement and strong background in ESG as well as her role in the corporate sector, the Board recommends her re-election as a Board member and to continue to serve as a member of the Governance, Nomination and Compensation Committee, and the Audit and Risk Committee.

Re-Election of Directors (cont'd)

3. **JUAN ARANOLS** (Appointed on 1 December 2018)

   With an extensive background spanning over 30 years with the Nestlé group, Juan Aranols has undertaken various key roles globally. Prior to being appointed as the Chief Executive Officer (CEO) of the Group, he was the Chief Financial Officer (CFO) of Zone Asia, Oceania and Africa (AOA) and also the Zone AOA category lead for the confectionery business and Nestlé Professional. His resilience, strategic vision and adaptability have proven to steer through dynamic business landscapes and challenges, especially during the COVID-19 pandemic, the supply chain disruptions and economic slowdown. Juan Aranols has demonstrated very strong result-driven strategies and approaches, and consistently exhibited unwavering leadership during these challenging times. With his vast experience, business acumen and his ability to navigate complexities, the Board recommends his re-election at the forthcoming AGM to ensure the sustainable success of the Company.

The following Directors shall retire in accordance with Article 106 of the Company's Constitution:

1. **YTM TAN SRI TUNKU PUTERI INTAN SAFINAZ SULTAN ABD HALIM** (Appointed on 2 May 2023, a member of the Governance, Nomination and Compensation Committee)

   YTM Tunku Puteri is currently the National Chairperson of the Malaysian Red Crescent Society and a Governing Board member of the International Federation of Red Cross and Red Crescent Societies. Her significant contributions to social activism, humanitarian efforts, and community development, including her work with the Sultanah Bahiyah Foundation, showcase her dedication to positive societal change and commitment to community services. YTM Tunku Puteri's role as Royal Patron and adviser to the Langkawi UNESCO Global Geopark underscores her diverse and impactful engagements. YTM Tunku Puteri has also gained recognition in the academic arena following her esteemed appointments as Chancellor and Pro-Chancellor for several local universities in Malaysia. In view of her extensive experience and notable accomplishments, particularly in the realm of ESG, the Board believes her re-election aligns strongly with the Group's ESG agenda, contributing to our sustainable growth and community outreach efforts.

2. **TAN SRI WAN ZULKIFLEE WAN ARIFFIN** (Appointed on 1 October 2023, a member of the Audit and Risk Committee)

   Tan Sri Wan Zulkiflee is a highly experienced leader with an illustrious career spanning over 40 years. His distinguished leadership roles include prominent positions in PETRONAS, Malaysia Airlines Berhad and Malaysia Aviation Group Berhad, and spans in various domains, including management, finance, and regulatory affairs. Beyond the corporate realm, Tan Sri Wan Zulkiflee has served as a Council Member for the East Coast Economic Region Development Council, Northern Corridor Implementation Authority, and ASEAN Council on Petroleum. He also serves as an Adjunct Professor at Kulliyyah of Economics and Management Sciences, International Islamic University of Malaysia. Given his extensive experience, diverse background and proven leadership, the Board is confident that Tan Sri Wan Zulkiflee's re-election will provide substantial value and be instrumental in driving the Group's sustainable growth journey.

All Directors standing for re-election have abstained from deliberations and decisions on their own eligibility to stand for re-election at the 40th AGM of the Company. They have duly submitted their conflicts of interest disclosures and have also fulfilled all the criteria in accordance with the Directors' Fit and Proper Policy.

In accordance with Nestlé S.A.'s corporate governance practices and aligned with the guidelines adopted by the Board, having reached the stipulated retirement age of 72 years for Directors, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail will step down upon the conclusion of the upcoming AGM. This emphasises the Company's dedication to maintaining transparency and adhering to established governance principles. The Company acknowledges and appreciates YAM Tan Sri Syed Anwar's remarkable leadership and contributions to the Company. Throughout his tenure, YAM Tan Sri Syed Anwar has demonstrated exemplary leadership, unwavering commitment, and a profound vision that have significantly contributed to the success and growth of the Company. His guidance, strategic insights, and tireless efforts have been instrumental in steering the Company to new heights. The legacy YAM Tan Sri Syed Anwar leaves behind will continue to inspire and shape the future of the Company.

AR *For further information on the Directors' profile, please refer to pages 46 to 50 of the Annual Review 2023.*

DIRECTORS' TRAINING AND DEVELOPMENT

Continuous learning and development form a cornerstone of the Board's commitment to staying abreast of industry dynamics and good governance practices. Throughout the year, the Board benefitted from dedicated training support aimed at enhancing their skills and knowledge. Regular briefings were also important in keeping the Board well informed on various fronts, such as business-related matters, emerging risks, investor expectations, and the legal and regulatory landscape. The Board and its Committees have also received proactive updates on relevant operations and human resource developments, evolving market trends, governance and disclosure requirements through insights provided by the Management.

In addition to routine training initiatives, the Directors are also encouraged to attend external training programmes to foster a culture of continuous improvement and knowledge enrichment. The Directors may also raise any training needs with the Chairman or the Company Secretary who helps to ensure that the training programme meets the needs of the Board, Directors and the business. Additionally, as per the new requirements of the Listing Requirements, Directors have either attended or registered for the Mandatory Accreditation Programme Part II (MAP 2).

From time to time, meetings with subject-matter experts from the businesses or operations are arranged for the Board, for a deeper insight into a particular topic. To complement this, the Company also engages external trainers to provide specialised training sessions, thereby facilitating a comprehensive approach to continuous learning and strategic alignment with the evolving business and governance landscape. Independent professional advice is also available at the Company's expense, if necessary, in fulfilling their duties and responsibilities.

COLLECTIVELY, DIRECTORS HAVE ATTENDED TRAININGS COVERING THESE AREAS

21 topics **Strategy**	**19** topics **Governance**	**8** topics **Digital**
5 topics **Human Resources**	**11** topics **Finance**	**18** topics **Sustainability & ESG**

Directors' Induction

Our Directors' Induction programme stands as a foundation for fostering a robust understanding and engagement among our Board members. The programme unfolds as a holistic journey encompassing diverse elements designed to equip Directors with a comprehensive overview of our business, operations and governance practices.

Directors are equipped with the Director's Handbook, a comprehensive guide tailored to provide all encompassing insights into the essential elements required of their roles, responsibilities, the Board's governance and administrative matters. It serves as a point of reference that contains critical documents such as the Board Charter, Committees' Terms of Reference, Nestlé's Guidelines and Policies, adherence to the Malaysian Code on Corporate Governance, meeting schedules and agenda. The Company Secretary also holds a session with the new Directors to provide insights on the governance structure of the Company, good governance practices, as well as company secretarial related matters.

In 2023, the Board of Directors visited Kelantan for a trade market visit and to the Nestlé Chilli Club farm and facility in Pasir Puteh. During the site visit, the Directors gained a holistic view of the sales and marketing aspects of the business, the Group's commitment to Creating Shared Value in the society and community through its engagement with the local farmers' association, a relationship established since 1995. The Board gained valuable insights on the Company's dedication in improving the livelihoods of local farmers by providing opportunities for a sustainable source of income. This is achieved by offering technological support to increase crop yield and quality, meeting global standards and the purchase of chillies directly from the farm.

All Directors are required to complete our Nestlé Global e-Learning modules. These modules serve as a conduit for Directors to stay abreast of the Nestlé business practices and other various topics such as sustainability, human rights, data privacy, anti-corruption, compliance and nutrition. By embracing continuous learning, our Directors are poised to bring a wealth of knowledge to boardroom discussions.

The Directors' development programme continued with a dedicated programme on the Company's strategic roadmap and business overview, shedding light on ongoing initiatives and future trajectories as well as products showcase. The programme delves into the diversity of our portfolio, including sustainability, digital content and sharing with our commitment to innovation. It also gave an invaluable opportunity for the Nestlé Leadership Team to meet with the Directors and to engage in candid discussions on strategic objectives and challenges.

The induction programme for the new Directors will be continued with visits to our manufacturing facilities and distribution center, where the Directors will witness production processes, stringent quality control measures and our supply chain logistics. These visits serve to incorporate the theoretical knowledge in the practicalities of our operations.

In essence, our Directors' Induction programme embodies a commitment to cultivating a well-informed, engaged and strategically-aligned Board. Through this immersive journey, our Directors emerge not only with a profound understanding of their roles but also with a deep connection to the core elements that drive our Company's sustainable success.

GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE REPORT

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Chairman, Non-Independent Non-Executive Director

DATO' HAMIDAH NAZIADIN

Independent Non-Executive Director

YM DR. TUNKU ALINA ALIAS

Independent Non-Executive Director

YTM TAN SRI TUNKU PUTERI INTAN SAFINAZ SULTAN ABD HALIM

Independent Non-Executive Director

(Appointed on 1 February 2024)

The Governance, Nomination and Compensation Committee (the Committee) drives good corporate governance within the Board and the Group; reinforces professional, ethical behaviour and a compliance culture; leads the Board in ensuring that the Board and the Nestlé Leadership Team are comprised 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 Nestlé Leadership Team and employees of the Group.

Principal Responsibilities

1. Oversees matters relating to good corporate governance practices and compliance.
2. Reinforces the Group's stand against bribery and corruption.
3. Reviews the composition, skills, competencies and diversity of the Board.
4. Assesses the independence of Non-Executive Directors.
5. Evaluates the performance and effectiveness of the Board, Board Committees, and individual Directors.
6. Reviews the Board Succession Plan and identifies suitable candidates for appointment to the Board and Board Committees.
7. Assesses the potential Board candidates and Directors eligible for re-election.
8. Provides recommendation to the Board on new Board appointments and the re-election of Directors.
9. Reviews the diversity and succession planning of the Nestlé Leadership Team.
10. Assesses and formulates broad compensation strategies for the employees of the Group.
11. Reviews the compensation package for the Executive Directors, Non-Executive Director and the Nestlé Leadership Team.

Priorities for 2024

- Talent retention and engagement.
- Succession planning for the Board and Committee Chairman, and ensuring a smooth transition.
- Training for the new Directors, including exposure to the business and operations of the Group.

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

Membership of the Committee

The Committee consists exclusively of Non-Executive Directors. Save for YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, all members of the Committee are Independent Directors. Notwithstanding the requirements of Practice 1.4 and Practice 5.8 of the MCCG, which stipulates that the Chairman of the Board should not serve on Board Committees and that the Committee should be chaired by an Independent Director or the Senior Independent Director, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, although not an Independent Director, has been chosen to chair the Committee due to his exceptional leadership, extensive experience, and valuable insights that significantly contribute to the effectiveness of the Committee.

AR *For further information on the Committee members' skills, qualifications, experience and expertise, please refer to pages 47 to 49 of the Annual Review 2023.*

How the Committee Operates

The Committee is scheduled to meet three times a year, with additional meetings convened as needed, requiring the presence of the Chairman and a minimum of one Independent Director for a valid quorum. In the financial year ended 31 December 2023, the Committee held three meetings, with full participation from all its members. Key members of the Management, consisting of the CEO, the Executive Director of Group Human Resource and the Rewards Manager attended these meetings. External consultants are also invited to these meetings when their expertise is pertinent.

An annual agenda dictates the Committee's focus areas, in line with its Terms of Reference, ensuring its activities stay dynamic and in tune with the latest developments in corporate governance. These terms are regularly evaluated and refined, with the most recent review by the Committee on 19 February 2024 and subsequently approved by the Board on 27 February 2024.

The Company Secretary fulfils the role of the Committee's Secretary, attending and documenting all meetings. The Committee has access to the Company Secretary's services and assistance as needed for its operations and is allowed to engage independent professional advisors. Comprehensive records of all Committee deliberations and decisions, along with relevant meeting documents, are meticulously maintained. After its meetings, the Committee communicates the findings and recommendations for the Board's review and approval.

No Director is involved in any deliberations or decisions concerning matters that they hold an interest in.

Board Appointments

The Committee adopts a structured, transparent and thorough approach for appointing new Directors, ensuring the nominations align with the Company's strategic direction, with emphasis on diversity, whilst meeting leadership requirements and skills required for the effectiveness of the Board. Consistent with the Listing Requirements and the MCCG, the Committee has in place a Directors' Fit and Proper Policy, which guides the evaluation of prospective candidates and the Directors due for re-election. This policy outlines specific criteria to ensure that all Board members, including new appointees have the essential skills, knowledge, experience and time commitment for the Board and its Committees to operate effectively and efficiently.

A due diligence process is undertaken prior to nominating a candidate to satisfy the Committee of the candidate's integrity, skills, competencies, experience, independence and the candidate's ability to devote sufficient time to the role. Following the completion of this due diligence process, the candidate will have to complete a non-conflict and time commitment declaration before the Committee evaluates and deliberates on the suitability of the candidates.

During the financial year under review, one of the main focus of the Committee was to facilitate the nomination process of two new Board members, YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim and Tan Sri Wan Zulkiflee Wan Ariffin prior to making the recommendation to the Board for deliberation and approval.

YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim was appointed on 2 May 2023 and subsequently, Tan Sri Wan Zulkiflee Wan Ariffin on 1 October 2023. The appointment of YTM Tunku Puteri is well-matched with the Group's ESG agenda given her extensive experience and notable achievements, particularly in social activism and humanitarian efforts. Her experience in advancing the well-being of local communities will enhance the Group's community outreach initiatives. Tan Sri Wan Zulkiflee was appointed to the Board based on his merits and his breadth of corporate experience across various areas such as management, leadership development, finance, regulatory affairs and economics. Both of them have undergone the Mandatory Accreditation Training Part 1 which is compulsory for the newly appointed directors to attend, and are progressively being introduced to the business overview and operations of the Group. The Committee believes that the experience and expertise of YTM Tunku Puteri and Tan Sri Wan Zulkiflee in both the local and international arenas will complement the existing Board's skills and expertise in propelling the Group forward on its path of sustainable growth.

In line with Nestlé S.A.'s corporate governance practices and the guidelines as adopted by the Board, which established a retirement age of 72 years, the Committee proactively focused on a succession plan to identify and nurture potential candidates for the role of Chairman. Throughout the selection process, the Committee carefully assessed potential candidates, reviewed amongst others, their leadership capabilities, qualifications, corporate experience and integrity. To ensure a seamless transition, a structured programme is in place to support the new Board members and future Chairman. This programme provides opportunities to expand the required industry knowledge and gain exposure to different aspects of business operations.

Human Resource Matters

The Committee plays an important role in overseeing human resource matters, particularly pertaining to the Nestlé Leadership Team's succession planning, leadership development, and compensation packages. This is to ensure the Company's long-term success is supported by a comprehensive people strategy that inculcates the principles of diversity, equity, and inclusivity and ultimately benefitting the Nestlé Leadership Team and employees of the Group. The Company is dedicated to maintaining a balanced and inclusive leadership structure by identifying and nurturing potential local successors within the Group to prepare them for future key positions.

Due to the changes in working culture and behaviour post COVID-19 pandemic, Group Human Resource has identified talent retention and engagement as one of their key focus areas. The Executive Director of Group Human Resource presents to the Committee an array of strategies and initiatives dedicated to retaining top talents within the Group, as well as an update on programmes that are tailored specifically to Group Human Resource. The Committee actively guides, provides insights and advices to enhance the overall impact of these initiatives.

Group Human Resource had also presented the Group's compensation packages and benefits programmes to the Committee, ensuring alignment with the industry and the Group's focus on retaining top talents. This thorough review took into consideration factors such as performance and market competitiveness.

Corporate Governance Development

The Committee has attentively reviewed the enhanced conflict of interest requirements introduced by Bursa Malaysia in 2023, demonstrating its unwavering commitment to ensuring compliance in this broad and critical area. A proactive action plan was developed, encompassing strategies to identify, mitigate, and effectively manage any conflict of interest by the Directors, such as the declaration of conflicts of interest, maintaining a register of conflicts of interest, and reviewing the Audit and Risk Committee's Terms of Reference and meeting agenda to include a review of any conflict of interest declaration.

As part of Nestlé's commitment to transparency and ethical practices in line with the Nestlé Corporate Business Principles, the Nestlé Leadership Team has been declaring their conflicts of interest, if any, on an annual basis. Recognising the broad scope of conflicts of interest and its potential implications, the Directors and the Nestlé Leadership Team will undergo further training to provide them with the necessary knowledge and skills for effective management of conflicts. These efforts pivot to a more robust reporting mechanisms, promoting transparency, accountability, and upholding the highest standards of corporate governance throughout the Group.

Activities of the Committee during the Year

AREA OF FOCUS	MATTERS REVIEWED AND CONSIDERED
Governance	• Corporate Governance and Compliance matters. • Changes to the Board Charter. • Update on key changes of the MCCG. • Application of the practices under the MCCG. • Sustainability leadership by the Board. • Group's Anti-Corruption commitments and initiatives. • Revisions to the Board Charter, Terms of Reference of the Committee with the adoption of the Directors' Fit and Proper Policy. • Review the enhanced Conflict of Interest requirements by Bursa Malaysia.
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 (including gender, ethnicity and age diversity). • Diversity Policy. • Board Effectiveness Evaluation (BEE) and Assessment of Director's Independence. • Board Improvement Programme based on the outcome of the BEE. • Declaration of directorship, Non-Conflict of Interest and time commitment of each Director. • Board retirement schedule. • Directors' Fit and Proper Policy. • Re-election 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. • Management development and succession plans for the Nestlé Leadership Team. • Training attended by each Director, implementation of Induction Programme for new Directors, the Directors' training needs and the Board Training Programme. • Reviewed the Independence of Directors.
Compensation	• Employee Remuneration Direction Package for 2023. • Proposed Employee Remuneration Direction Package 2024. • Compensation Package of the Executive Directors. • Compensation Package of the Nestlé Leadership Team. • Compensation for the Board of Directors. • Compensation Policy.
Governance, Nomination & Compensation	• Committee Agenda for 2023 and 2024. • Effectiveness of the Committee meetings. • Terms of Reference of the Committee. • Governance, Nomination and Compensation Committee Report to be disclosed in the Annual Report 2022.

BOARD EFFECTIVENESS EVALUATION

As set out in the Board Charter, the Governance, Nomination and Compensation Committee (GNCC) carries out the Board Effectiveness Evaluation (BEE) exercise annually to assess all aspects of the effectiveness and performance of the Board, its Committees, the Chairman and each individual Directors. Once every three years an external consultant is engaged to assist the GNCC to facilitate an independent, objective and candid board evaluation.

During the year under review, the GNCC conducted the BEE exercise internally as facilitated by the Company Secretary and supported by KPMG Management & Risk Consulting Sdn. Bhd. The BEE questionnaires were tailored to the specific needs and nuances of the Board which comprised an assessment of the Board of Directors, Directors' Skill Set, Directors' Self and Peer Assessment, Independence Assessment of Independent Directors, assessment of the Audit and Risk Committee and the GNCC.

The results of the BEE were presented by the Company Secretary and reviewed by the GNCC and the Board. The outcome and the recommendations from the BEE will then be used to develop action plans aimed at enhancing the overall effectiveness of the Board and its Committees.

Upon the completion of the BEE exercise, the Chairman has one-on-one sessions with each individual Director to share the respective Director's performance, contribution and areas of development.

Findings and Outcomes

The Board achieved an impressive overall high score. The assessment findings reaffirm the positive dynamics within the boardroom, further empowering the Board to effectively fulfil its duties and drive the Company towards success. The Chairman continued to demonstrate exceptional leadership, characterised by openness to dissenting views and proactive contributions, allowing the Directors to actively engage in open and constructive discussions. The CEO was also commended for spearheading the efficient management of the Group's day-to-day business. The Directors had expressed their satisfaction with the seamless information flow and the efficient Board administration by the Company Secretary. The Audit and Risk Committee also deserved recognition for its diligent oversight and effective challenge to Management's assertions.

The Board appreciated the significant improvement shown by the Directors in their performance and commitment, and no critical areas of improvement have been identified. Each Director successfully met the performance criteria in the prescribed areas of assessment, demonstrating their commitment to personal growth and development. This positive progress highlights the Board's dedication to supporting and fostering continuous improvement among its directors.

The results of these assessments form the basis of the GNCC's recommendations to the Board for the re-election of the Directors at the upcoming 40th AGM in April 2024.

COMPENSATION

Directors' Compensation

The Compensation Policy established by the Company is formulated to draw in and retain highly qualified individuals to serve on the Board. The level of compensation reflects the time and efforts required from the Directors in fulfilling their Board and Board Committees' respective responsibilities. To maintain an appropriate degree of independence, Non-Executive Board members do not receive variable compensation.

The Executive Directors and the Nestlé Leadership Team's compensation are guided by the compensation framework of the 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 participation in the Board and Board Committees meeting. When travel is required, all reasonable travelling and accommodation expenses are paid by the Company.

The GNCC reviews the compensation package of the Non-Executive Directors and periodically engages independent third-party consultants for remuneration benchmarking exercises. The last external review, conducted by KPMG Management & Risk Consulting Sdn. Bhd. was deliberated by the Board in February 2022. The Board strives to maintain competitive remuneration for both the Chairman and the Non-Executive Directors, aligning with the market and sectorial norms to attract and retain a high-calibre team of Directors. The GNCC 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 40th AGM for the shareholders' approval. 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.

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 and 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 assume more responsibilities via their appointments in the Board Committees. A fee premium is allocated to the Chairman of the respective Board Committees in view of their additional accountabilities and responsibilities.

Corporate Governance Overview Statement

Compensation

3 Meeting attendance allowance

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

A meeting allowance of RM2,000 will be paid to each Non-Executive Director for attendance at each Board, Board Committees and official Due Diligence Working Group meeting.

The breakdown of the Directors' compensation paid in 2023 is as follows:

Name	Fees [2] RM	Salary [3] RM	Emoluments & Benefits [4] RM	Total RM
RM, in Gross [1]				
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	445,000.00	-	70,000.00	515,000.00
Chin Kwai Fatt	220,000.00	-	26,000.00	246,000.00
Dato' Hamidah Naziadin	180,000.00	-	16,000.00	196,000.00
YM Dr. Tunku Alina Raja Muhd Alias	180,000.00	-	20,000.00	200,000.00
YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim (Appointed on 2 May 2023)	-	-	4,000.00	4,000.00
Tan Sri Wan Zulkiflee Wan Ariffin (Appointed on 1 October 2023)	-	-	2,000.00	2,000.00
Datin Sri Azlin Arshad (Retired on 26 April 2023)	185,000.00	-	10,000.00	195,000.00
Juan Aranols	-	1,485,063.00	3,527,493.64	5,012,556.64
Syed Saiful Islam	-	921,990.00	997,988.43	1,919,978.43
TOTAL	**1,210,000.00**	**2,407,053.00**	**4,673,482.07**	**8,290,535.07**

[1] Numbers are provided before Sales & Service Tax or other taxes, if any.
[2] Paid to Non-Executive Directors.
[3] Paid to Executive Directors.
[4] Include bonuses, provision for leave passage, meeting attendance allowance, club membership, share-based payments by Nestlé S.A. and other benefits.

The Compensation Policy is available on our website at www.nestle.com.my.

Remunerating Human Capital

The GNCC is responsible for assisting 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, whilst exercising independent judgement when making decisions to mitigate any potential conflict of interest.

When considering the remuneration packages for the employees, the GNCC considers market data from fast-moving consumer goods (FMCG) companies of a similar size and complexity. It also receives information from the Group Human Resource 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 talents from across all sectors. The GNCC is also mindful of the need to avoid or inadvertently encourage risky or irresponsible behaviour.

The GNCC considered the following principles when designing the Compensation Policy and took into account in its design and implementation the following:-

COMPETITIVE MARKET POSITIONING AND OPPORTUNITY

To attract, retain and engage executive talents 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 behaviours that will lead to the realisation of our long-term ambitions without compromising on short-term gains.

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 key drivers of our strategy, sustainability initiatives 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 their performance against our wider long-term stakeholder goals.

Chairman

MR. CHIN KWAI FATT

Independent Non-Executive Director

- 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

Member

YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Non-Independent Non-Executive Director

- Chartered Accountant
- Member of the Malaysian Institute of Accountants
- Member of the CPA (Certified Practising Accountant) Australia
- Bachelor of Arts in Accounting, Macquarie University, Sydney, Australia

Member

YM DR. TUNKU ALINA ALIAS

Independent Non-Executive Director

- PhD in Islamic Finance, International Centre for Education in Islamic Finance, Malaysia
- Master of Laws (LLM) (Corporate and Commercial Law), King's College, London, United Kingdom
- Advanced Management Programme, Oxford University - Green Templeton College
- Bachelor of Laws, University of Malaya, Malaysia

Member

TAN SRI WAN ZULKIFLEE WAN ARIFFIN

Independent Non-Executive Director
(Appointed on 1 February 2024)

- Honorary Fellow Member of the Institution of Chemical Engineers, United Kingdom
- Advance Management Programme, Harvard Business School, USA
- Bachelor of Chemical Engineering, University of Adelaide, Australia

The Audit and Risk Committee (the Committee) has been established by the Board primarily for the purpose of overseeing the accounting, financial reporting, internal control and risk management processes of the Group. As a Committee, we are responsible for assisting the Board's oversight of the quality and integrity of the Group's external financial reporting and statements, and the Group's accounting policies and practices.

The following member retired on 26 April 2023:
Datin Sri Azlin Arshad

Principal Responsibilities

1. Assists 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. Ensures the effectiveness of the Group's internal control framework and the robustness of its risk management framework.
3. Assists 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. Reviews the Group's non-compliance complaints received through Speak Up and other avenues.
5. Conducts thorough review of any conflict of interest and potential conflict situations, and engages in discussion regarding the COI disclosure procedures for the Directors and Nestlé Leadership Team.

Priorities for 2024

- Review the adequacy of internal controls related to climate-related financial disclosures.
- Oversee enterprise risk management and emerging risks.
- Ensuring the smooth implementation of e-invoicing.

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

To reflect the in-depth role of the Committee in risk management and internal controls, the Audit Committee was renamed as the Audit and Risk Committee with effect from 1 February 2024. This renaming signifies a proactive approach in acknowledging the interdependence of audit and risk functions within the Group, as well as a strategic move aimed at reinforcing the Committee's commitment to robust risk management and internal control framework, aligning them seamlessly with the Company's overarching governance structure.

Membership of the Committee

The Committee consists exclusively of Non-Executive Directors, with a majority being Independent Directors. Each member of the Committee brings an appropriate mix of extensive financial and commercial experiences, combined with a thorough understanding of the Group's business and its financial requirements.

The Chairman of the Committee is not the Chairman of the Board. As the Chairman of the Committee, Mr. Chin Kwai Fatt possesses a breadth of corporate experience, a robust set of financial and audit competencies, analytical and critical thinking in overseeing the Group's financial and risk-related matters. His effective leadership and financial acumen are essential for guiding the Committee, fostering communication with stakeholders, facilitating discussions with the Management and external auditors, as well as being able to provide strategic perspectives that are aligned with the Company's long-term goals and sustainability.

AR *For further information on the Committee members' skills, qualifications, experience and expertise, please refer to pages 47 to 49 of the Annual Review 2023.*

How the Committee Operates

The Committee is scheduled to meet four times annually, aligning with the financial reporting schedule, with additional meetings convened as needed. The quorum requires the presence of both the Committee Chairman and at least one Independent Director. Throughout 2023, the Committee held four meetings, with full attendance from all members of the Committee. The Committee extends standing invitations to the CFO, the lead partner of the external auditors, the Head of Nestlé Internal Audit (NIA), the Head of Accounting & Consolidation and the Risk Management & Control Manager to participate in all its meetings. External consultants are also invited to these meetings when their expertise is required.

An annual agenda, guided by the Committee's Terms of Reference, dictates its activities, ensuring a comprehensive approach to its responsibilities. This agenda is revisited annually to keep the Committee's function relevant and responsive to the evolving landscape of corporate governance and financial reporting. These terms are regularly evaluated and refined, with the most recent review by the Committee completed on 26 February 2024 and subsequently approved by the Board on 27 February 2024.

At each meeting, the Committee receives papers in advance from the Management on the Group's performance and financial results, and discusses any significant findings and matters of a financial reporting nature arising since the last meeting. The Committee reviews amongst others, the reports on the results of internal audits, external auditors, risk management updates, related party transactions and whistleblowing status. It also receives regular updates on technical matters such as accounting standards, governance development and relevant practices.

To maintain the Committee's objectivity, no member has affiliations with the external auditors, and Directors abstain from deliberations concerning their personal interests, if any. The Committee's Chairman, facilitates the direct communication with the CFO and the Head of NIA in ensuring diligent financial oversight and risk management.

The Company Secretary serves as the Committee's Secretary, attending and recording all meetings. The Committee can utilise the Company Secretary's support and expertise as required for its functions and is allowed to seek independent professional advice. Detailed records of all Committee discussions and resolutions, along with pertinent meeting materials, are carefully documented and retained by the Company Secretary. The Committee's findings and deliberations are then reported to the Board by its Chairman, and the minutes of each meeting are presented to the Board for consideration and approval.

Enterprise Risk Management

In fulfilling its remit, the Committee remained mindful that effective risk management is essential in executing the Group's strategy, achieving sustainable shareholder value, ensuring good governance and protecting the Group. The Committee is committed to assisting the Board in ensuring the adequacy and effectiveness of internal controls.

The Risk Management & Control Manager plays a crucial role in providing the Committee with a good understanding of the Group's key risks and emerging risks, the mitigation plans and the overall risk management framework. By consistently monitoring, assessing and reporting on the effectiveness of mitigation strategies, the Risk Management & Control Manager ensures that the Committee receives timely, accurate and relevant information to fulfil its responsibilities. Thereafter, the Committee reports the assessment results to the Board.

CGFR *For further information on Risk Management and Internal Control, please refer to pages 35 to 39 of this Report.*

Highlights In 2023

ACQUISITION OF WYETH NUTRITION (MALAYSIA) SDN. BHD.

In 2023, the Committee reviewed and deliberated on the proposed acquisition by Nestlé Products Sdn. Bhd., a wholly-owned subsidiary of the Company, of 100% equity in Wyeth Nutrition (Malaysia) Sdn. Bhd. (Wyeth Malaysia) from Wyeth (Hong Kong) Holding Company Limited. Specifically, the Committee provided oversight in the due diligence process, reviewing and assessing the financial reporting, valuation aspects, preparation of the circular to shareholders and risk assessment of the transaction. The Due Diligence Working Group led by the Committee's Chairman gave strategic guidance to ensure the conduct of thorough assessments, adherence to ethical standards and compliance with the regulations pertaining to this transaction.

The acquisition was approved by the shareholders during the Extraordinary General Meeting held on 26 April 2023. Nestlé Products Sdn. Bhd. has fulfilled all conditions precedents as stipulated in the Share Purchase Agreement and the payment for the purchase consideration was fully satisfied in cash, and achieved completion on 30 June 2023.

CONFLICT OF INTEREST

The Committee's responsibility has been expanded with the enhanced conflict of interest provisions under the Listing Requirements. It has undertaken steps to improve its oversight and governance mechanisms and to broaden its review scope to thoroughly examine any such conflict of interest declarations. These changes empower the Committee with in-depth conflict of interest reviews, to accurately evaluate and manage any real or potential conflict of interest, ensuring transparency and integrity within decision-making procedures.

BUDGET 2024

The Malaysia Budget 2024 has brought forth significant changes that will impact the Group in various areas. One of the areas is the introduction of e-invoicing by the government, aiming to streamline and modernise the invoicing process. The Committee will be actively involved in assessing the impact on our financial and accounting systems, ensuring that the transition is seamless and compliant with the new government mandate. Additionally, the Committee reviews and evaluates the effects of the various tax deductions and tax incentives to optimise tax positions and benefits for the Group, contributing to informed decision-making and ensuring that the organisation effectively capitalises on available opportunities, enhancing overall fiscal responsibility while adhering to the altered tax landscape.

SUSTAINABILITY STATEMENT

The sustainability reporting of the Task Force on Climate-Related Financial Disclosure (TCFD) has expanded from the initial nine areas to include Climate Risk indicators and Scope 3 emissions assessment. The Main Market listed issuers are now required to include in their Sustainability Statement: (1) a prescribed set of common sustainability matters and indicators that are deemed material for all listed issuers to address; (2) climate change-related disclosures aligned with the TCFD Recommendations; (3) enhanced quantitative information comprising of at least three financial years' data for each reported indicator, corresponding targets as well as a summary in the prescribed format; and (4) a statement indicating whether the Sustainability Statement has undergone internal review by internal auditors or has been independently assured.

The Committee oversees the Company's progress to ensure that the Company is well-prepared to address the climate-related financial disclosures to comply with the Listing Requirements on the sustainability reporting of the TCFD.

EXTERNAL AUDITORS' ANNUAL TRANSPARENCY REPORT

The Committee plays an important role in overseeing the external audit process and ensuring that the transparency reports provide a clear and accurate picture of the audit's quality and effectiveness. Ernst & Young PLT has presented the 2022 Transparency Report to the Committee and the Committee is satisfied with the report.

Committee Evaluation

The Committee undertakes an annual evaluation process to review its performance and effectiveness. Topics covered in the evaluation include the effectiveness and dynamics of the Committee, the Committee's oversight of key areas within its remit, the quality of papers and meeting discussions, and the relationship between the Committee and the Management.

The Committee and its individual members received high percentile ratings, indicating a highly effective performance. Under the leadership of the Committee's Chairman, who encourages open and honest input, the Committee has leveraged on the expertise, commitment, and active engagement of its members to foster highly productive discussions.

Activities of the Committee during the Year

AREA OF FOCUS	MATTERS REVIEWED AND CONSIDERED
Financial reporting	• Cumulative full year results for the financial year ended 31 December 2022. • Directors' Report and Audited Financial Accounts for the financial year ended 31 December 2022. • 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.
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). • Overview on Enterprise Risk Management process. • Inter-company loan. • Distributors' credit risks and management. • Nestlé Internal Audit's (NIA) report, recommendations and responses from the Management. • Updates on the development of the Internal Audit Practices. • Nestlé Internal Audit Charter. • NIA'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 2024. • Report from the BEFC, including the current status of complaints received including through the whistleblowing system (Speak Up) and other avenues.
External audit	• External auditors' report and the responses from the Management. • Discussions with the external auditors on issues/matters arising from the audit (in the absence of the Management). • Audit Plan for the financial year ended 31 December 2023 by the external auditors, Ernst & Young PLT (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 regard to the quarterly and year-end financial statements. • Regulatory and Compliance matters and training. • Tax updates. • Nestlé Malaysia Group Retirement Scheme 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 the Assessment of the Objectivity, Independence and Quality of Service Delivery of the Group's external auditor for the year ended 31 December 2022 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 as the Group's external auditors for the financial year ending 31 December 2023, 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 Committee Assessment. • Terms of Reference of the Committee. • Audit Committee Report to be disclosed in the Annual Report 2022. • Effectiveness of the Committee meetings. • Committee Agenda for 2023 and 2024. • Review of all relevant transactional documents for the acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd. • Review the completion documents of the acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd.

The Nestlé Internal Audit Department

The Nestlé Internal Audit (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 to the Nestlé Internal Audit (Center) of Nestlé S.A. in Switzerland.

Miss Loo Wai Leng, aged 46 years old, has led the NIA since May 2022. With over 16 years of dedicated service to the Group, she has held diverse roles within the Group's Finance & Control function, including Corporate Finance & Control, Commercial Control, Credit Management, Human Resource Control, Business Control and Supply Chain Control. She is a member of the Malaysia Institute of Accountants and the Certified Practising Accountant (Australia). She holds a Degree of Bachelor of Business (Accountancy) from the Royal Melbourne Institute of Technology (RMIT), Australia.

Her team consists of six qualified auditors with various professional qualifications which include among others, Bachelor of Mechanical Engineering and members from the Association of Chartered Certified Accountants (ACCA).

All internal auditors are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

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 Head of NIA provides quarterly updates on the audit activities, including the performance of the auditors and reports the results of internal audit reviews to the Audit and Risk Committee. The annual audit plan is presented and reviewed by the Audit and Risk Committee and approved by the Board in the final quarter of the preceding year. The internal audit reporting is a permanent agenda in the Audit and Risk Committee meeting followed by an update to the Board.

CGFR *For further information on the work of Nestlé Internal Audit, please refer to the Statement on Risk Management and Internal Control on pages 38 and 39 of this Report.*

The review performed by the NIA is based on the International Standards for the Professional Practice of Internal Auditing Framework.

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 values to the Nestlé organisation; and
- provide the NIA with an external benchmark against similar industry.

The last recertification was conducted by an external certifier, in line with the global NIA certification requirement. It was concluded that the NIA:

- conforms with the International Standards for Internal Audit; and
- 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 latest assessment was conducted in 2022 and the results of the recertification and assessment were presented to the Committee.

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. Additionally, the Committee also reviews the external auditors' Annual Transparency Report and the Annual Inspection Report issued by the Audit Oversight Board. Based on its assessment of the external auditors' performance for the year under review, the Committee is satisfied that the external auditors are effective and have provided appropriate independent feedback to the senior management.

EY as the external auditor, 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 2023, 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, in line with the Audit Partner Rotation requirements issued by the Malaysia Institute of Accountants, the Committee does impose that the external auditors rotate their 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 2022 and 2023 respectively are as follows:

	2022 (RM)	2023 (RM)
Audit remuneration	649,000	**691,000**
Non-audit services	311,855 [1]	**235,000** [2]
TOTAL	960,855	**926,000**

(1) For the review of Statement on Risk Management and Internal Control, and indirect tax advisory services.
(2) For the review of Statement on Risk Management and Internal Control, indirect tax advisory services and limited assurance for ESG performance metrics.

The Committee believes that it is important to maintain the objectivity and independence of the external auditors by minimising their involvement in projects of non-audit nature. It is however also acknowledged that it may sometimes be necessary to involve the external auditors in non-audit related work. In such instance, a clear guideline is 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 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:

1. 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;
2. regular communications between the external auditors and both the Committee and Management, including discussion on regular papers prepared by Management and EY;
3. regular discussions between the Committee and the external auditors (in the absence of Management), and between the Committee and Management (in the absence of EY) to review and discuss the external audit process;
4. a review of the final audit result, noting key areas of external auditors' judgement and the reasoning behind the conclusions reached;
5. a review of the external auditors' Annual Transparency Report; and
6. a review of the Annual Inspection Report issued by the Audit Oversight Board established under Part 111A of the Securities Commission Malaysia Act 1993.

The external auditors also 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.

Related Party Transactions

An internal compliance framework exists to ensure the Company meets its obligations under the Listing Requirements, including obligations relating to disclosures of related party transactions. The Board, through its Audit and Risk 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 meeting of the Board and its Committees and at 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 and Risk Committee. Any member of the Audit and Risk Committee, when deemed fit, may request for additional information pertaining to the transactions, including guidance and 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 the shareholders' mandate entered into by the Group with its related parties from 26 April 2023 (the date of the last AGM) to 1 March 2024, are as follows:

Nature of Transactions	Related Party	Related Transacting Parties	Actual Transacted Value from 26 April 2023 to 1 March 2024 (RM'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)	1,990,561
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)	295,365
Payment of information technology shared services for use and maintenance of information technology services, etc.	Nestlé S.A.	Nestlé Affiliated Companies (Service Provider)	50,262
Sale of food products such as instant noodles, chocolates, beverage, culinary, confectionery, etc.	Nestlé S.A.	Nestlé Affiliated Companies (Buyer)	1,001,705
Rendering of information technology, agency services and other shared services.	Nestlé S.A.	Nestlé Affiliated Companies (Buyer)	36,426
Payment of interests for Intra Group Loan.	Nestlé S.A.	Nestlé Affiliated Companies (Loan Creditor)	9,623
Purchase of plant and equipment such as machineries and spare parts to support the manufacturing functions of the Group.	Nestlé S.A.	Nestlé Affiliated Companies (Seller)	83,285

Material Contracts

Save as disclosed below, there were no other 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 2023, or entered into since the end of the previous financial year:

On 22 February 2023, Nestlé Products Sdn. Bhd., a wholly-owned subsidiary of the Company, has entered into a conditional Share Purchase Agreement (SPA) with Wyeth (Hong Kong) Holding Company Limited (Wyeth Hong Kong) for the acquisition of 1,969,505 ordinary shares, representing 100% equity interest in Wyeth Nutrition (Malaysia) Sdn. Bhd. (Wyeth Malaysia) for a total purchase consideration of RM165.0 million to be fully satisfied in cash (Proposed Acquisition).

Corporate Governance Overview Statement
Additional Disclosure

As of 22 February 2023, Société des Produits Nestlé S.A (SPN) is deemed interested in the Proposed Acquisition by being a major shareholder with 72.61% direct equity interest in the Company and being the sole shareholder and immediate holding company of Wyeth Hong Kong. Juan Aranols (Chief Executive Officer), Syed Saiful Islam (Chief Financial Officer), and Alessandro Monica (then Alternate Director to Juan Aranols) being the Directors nominated by SPN, accordingly have abstained from all Board deliberations and voting in respect of the Proposed Acquisition.

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 2023. Save as disclosed in our Corporate Governance Report, which is available on our Company's website www.nestle.com.my, 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 27 February 2024.

On behalf of the Board
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail
Chairman

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group maintains a comprehensive system of risk oversight, management, and internal control to address material business risks, including financial reporting, sustainability, and climate-related risks. The Board and Management are responsible for periodically reviewing the system's adequacy, effectiveness, and integrity. This system covers governance, risk management, operations, financial strategy, regulatory compliance, cyber security, and sustainability. Its purpose is to manage, rather than eliminate, the risks of non-compliance with the Group's policies and to align with objectives, strategic priorities, and sustainability integration within established risk tolerance thresholds. The system substantially mitigates the risk of material misstatement, loss, or fraud. Overall, the Group's risk management and internal control system is a key component of its governance framework, enabling effective decision-making, safeguarding assets, and promoting the achievement of its strategic objectives.

How We Approach Risk

In today's complex and fast-paced business environment, it is crucial to recognise the connection between risk, internal controls, strategy, value, climate-related and sustainability factors. The Group formalised this connection by aligning the strategy, risk management, and internal processes. This alignment supports the fulfilment of our strategic priorities and ultimately delivers value to all stakeholders. Additionally, the risk assessment strategy is integrated into the assessment requirements of ISO standards such as ISO 9001:2015 Quality management systems, ISO 14001:2015 Environmental management systems, ISO 27001:2013 Information security management system, and ISO 45001:2018 Occupational health and safety management systems. As a responsible and sustainable company, the Group adopts these standards and remains committed to addressing the challenges posed by climate change and integrating sustainability considerations into its operations. This includes assessing and managing risks related to climate change, resource scarcity, and environmental impacts.

Board of Director’s Responsibilities

The Board and Management hold responsibility for establishing the Group’s risk management and internal control system. The Audit and Risk Committee assists the Board in monitoring risk exposures and the effectiveness of the underlying systems. The Audit and Risk Committee oversees the following:

1. Periodic reviews of key business risks and measures to mitigate them.
2. Assessments of strengths and weaknesses in the overall internal control system, with action plans to address weaknesses and improve the assessment process.
3. Review of internal processes and operations reported by the Nestlé Internal Audit (NIA), including action plans to address control weaknesses and monitoring of implementation.
4. Examination of control issues identified by external auditors during their audit-related and non-audit-related work, along with discussions on the scope of their reviews and findings.

The Audit and Risk Committee provides updates to the Board on the issues discussed during the quarterly meetings. The Board takes into account the work and findings of the Audit and Risk Committee when assessing the effectiveness of the system.

CGFR *For further information on the Audit and Risk Committee's review work, including the forms of assurance received from management, external auditors, and internal auditors, please refer to the "Audit and Risk Committee Report" on pages 27 to 32 of this Report.*

Our Risk Management Framework and Risk Treatment

The Board and Management fully endorse the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. Risk management is deeply integrated into the Group’s key processes through the Risk Management Framework, aligning with Principle B and Practice 10.1 and 10.2 of the MCCG. The Group actively identifies, assesses, and monitors key business risks, establishing risk tolerance thresholds.

Periodic reviews of risk management principles, policies, procedures, practices, including sustainability and climate-related strategies, are conducted using a consistent risk and opportunities assessment process. Results are presented to the Board through the Audit and Risk Committee, and necessary changes and improvements are made to ensure compliance with relevant laws and regulations. Employee awareness and understanding of the Group’s sustainability approach are crucial for engagement and support in achieving targets. Sustainability holds significant importance in the Group’s corporate governance structure, allowing dedicated time and focus from Board members.

The responsibility for day-to-day risk management lies with the Management supported by their team in their respective function/business unit, serving as risk owners accountable for managing identified and assessed risks. The Risk Management Department collaborates with the respective function/business units to review and ensure ongoing monitoring of risks across various areas, including business, financial, geographical, governance, sustainability, and climate. Adequacy and effectiveness of related controls are assessed, and action plans are developed and implemented to manage risks at acceptable levels.

Enterprise Risk Management guides the Group’s risk assessment approach, encompassing identification, analysis, evaluation, treatment, and review of mitigating controls aligned with the Group’s strategy. Risk assessments are prioritised based on criticality, likelihood, and impact to address identified or unidentified external and internal risks.

Furthermore, the Group monitors Key Risk Indicators related to financial reporting to detect potential fraud and accounting issues. Collaborating with relevant stakeholders, the Group investigates and implements action plans to address any identified gaps and enhance process efficiency.

RISK	MITIGATING ACTIONS
CLIMATE CONCERNS	
As society becomes more aware of the impact of climate change and its growing significance, there is an increasing focus on the Group's environmental footprint and our strategies to mitigate the impact.	The Group identifies climate-related risks via a bottoms-up approach across business units and functions and jointly develop a mitigation plan to ensure alignment with the Group's overall strategy. To ensure the execution of the action plan aligns with the Group's Net Zero Roadmap, monitoring will be carried out by each function. This monitoring will be overseen by the Nestlé S.A. Sustainability Committee and the Group's Sustainability Steering Committee. Our commitment to climate actions remains strong, with the aim of reducing greenhouse gas emissions by 50% by 2030 and achieving net zero emissions by 2050. In addition, the Group actively engages with local farmers through programmes like the Nestlé Chilli Club and NESCAFÉ Grown Respectfully (NGR) programme to foster a sustainable local supply chain of raw ingredients. This collaboration supports our efforts to cultivate sustainability within our supply chain. NIS *For further information on our initiatives, please refer to the TCFD on pages 22 to 27 in the Nestlé in Society Report 2023.*
SUSTAINABILITY CONCERNS	
The Group places significant emphasis on environmental, social, and governance (ESG) topics that have been identified through a materiality assessment. This assessment helps determine the key issues that are most relevant and impactful to our business and stakeholders.	The Group actively engages relevant operational teams, such as procurement, agriculture, and business units, to review and implement mitigation strategies while identifying opportunities. Each team reports their progress to the Group Sustainability Steering Committee. We collaborate with other Extended Producer Responsibility (EPR) initiatives to drive positive behavioural change, such as the Door-to-Door Collection & Recycling Programme in Kuala Lumpur and Selangor. Continuous efforts are made to enhance water management, including water efficiency and reuse, while ensuring regulatory compliance. The Group also prioritises the protection of natural capital and strive to reduce the impact of our products through effective waste management and packaging transformation. For instance, the Group is innovating sustainable packaging solutions, such as transitioning to 100% paper clusters for our MILO UHT 125ml packs. In partnership with key stakeholders, the Group is committed to establishing traceable and sustainable supply chains for agricultural raw materials, including palm oil. NIS *Further information on our efforts, please refer to the Nestlé in Society Report 2023.*
CYBERSECURITY ATTACKS	
Due to the rapid evolution of technology in recent years, the threat landscape has undergone significant changes. This evolving landscape poses potential risks that can have serious financial and/or reputational impacts on the Group.	The Group has obtained ISO 27001 certification, indicating that security controls have been implemented to identify cybersecurity risks in accordance with the Nestlé Cyber Risk Framework. To foster a strong security culture, the Group conducts awareness programmes that include Information Technology Security training and communication initiatives. These programmes aim to educate employees and stakeholders about the importance of cybersecurity and promote responsible practices to mitigate risks. By continuously reinforcing this security culture through ongoing training and effective communication, the Management strives to enhance overall cybersecurity posture and protect the Group's assets and information from potential threats.

RISK	MITIGATING ACTIONS
TALENT RETENTION	
Challenge in attracting and retaining top talent in a highly competitive labour market	The Group is committed to nurturing young talents and providing them with opportunities to excel in their respective functions or explore other areas within the company. Programmes such as the Nestlé Management Trainee Programme and the Nestlé Needs YOUth initiative are all designed to attract and retain new and young talents to the Group. Additionally, the Group continues to focus on increasing transparency regarding career opportunities within the group. This means providing clear information and pathways for employees to understand and pursue their career growth within Nestlé under the Own Your Career campaign. By offering these platforms and enhancing transparency, the Group aims to attract and retain talents, providing them with the necessary support and opportunities to develop their skills and advance their careers within the organisation.
COMMODITY AND MATERIAL INFLATION	
Major fluctuations in prices of commodities and materials will have significant impact to the cost of products.	The Nestlé S.A. Group has dedicated teams at both global and local levels to effectively manage the sourcing of commodities and materials. This strategic approach allows us to leverage our global capabilities and effectively hedge our purchases. To mitigate the risk of supply disruptions, we adopt a diversified sourcing strategy by engaging multiple suppliers. These suppliers undergo a rigorous approval process based on our global and local standards. This ensures that our supply chain remains robust and resilient, minimising the potential impact of any disruptions.
FOREIGN CURRENCY EXCHANGE	
The Group is exposed to unpredictable fluctuations in foreign exchange rates against the local currency.	The Group has hedging policies in place to minimise the impact from foreign exchange fluctuations. Further Nestlé S.A. regional treasury center based in Singapore is also providing support to manage volatility.
FOOD SAFETY AND QUALITY	
As a food and beverage manufacturer, Nestlé recognises that ensuring quality and food safety is of utmost importance. We prioritise this principle as any risks in these areas can have a significant impact on the Group	Nestlé is committed to ensuring the quality and safety of its raw materials by requiring all suppliers to be certified against one of the Global Food Safety Initiative (GFSI) recognised certification programmes. This commitment allows us to maintain flexibility in sourcing while upholding high standards for food safety. In addition to our focus on sourcing, Nestlé invests in industry-leading research and development. Through continuous innovation and improvement in product development, we aim to deliver high-quality and nutritious offerings to our consumers. By prioritising supplier certification and investing in research and development, Nestlé strives to ensure the highest levels of quality, safety, and innovation in our products. All manufacturing sites maintain Food Safety System Certification (FSSC 22000) to uphold the food safety of our products.

RISK	MITIGATING ACTIONS
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 which may lead to potential negative consumer health perceptions of our products.	Nestlé has established time-bound plans to enhance our nutritional profiling, with a focus on achieving significant progress on a yearly basis. These plans reflect our commitment to continuously improve the nutritional value of our products. In our efforts to be part of the solution, we inspire individuals and families to lead healthier lives through various educational programmes and awareness campaigns. We aim to provide nutritional advice and guidance on portion control, empowering consumers to make informed choices about their diet and lifestyle. NIS *Further information on our efforts, please refer to the Nestlé in Society Report 2023.*
FRAUD AND CORRUPTION	
The Group acknowledges the potential risks of fraud and corruption that can arise from a lack of compliance awareness. These risks can have significant consequences, including legal, financial, and reputational repercussions.	The Group is dedicated to raising awareness about compliance through a range of training programmes. These programmes aim to educate employees on anti-corruption and compliance-related issues. Additionally, regular risk assessments are conducted to identify and address potential areas of concern. To encourage reporting of non-compliance, the Group has implemented a whistleblowing hotline known as “Speak Up.” This platform allows employees and third parties to confidentially lodge complaints regarding any non-compliance issues they may observe. All complaints received through the hotline are treated with strict confidentiality, and appropriate action is taken by the Management to address the reported concerns.

THE POTENTIAL IMPACT OF THE MAJOR RISKS HAS BEEN EVALUATED AND MITIGATING ACTIONS ARE BEING PUT IN PLACE TO MANAGE THESE IDENTIFIED RISKS.

Nestlé Malaysia Internal Audit Department

The Nestlé Internal Audit (NIA) is guided by its Audit Charter, with the Head of Internal Audit reporting functionally to the Audit and Risk Committee and the Regional Audit Manager for Continental East and South Asia region and administratively to the CFO. The NIA is an independent and objective assurance function, adhering to the philosophy of adding value to the Group and its stakeholders. The NIA's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

The NIA's responsibilities are defined by the Audit and Risk Committee as part of the Committee's oversight function. The function is independent of any operational activities in the Group. The NIA provides the Audit and Risk Committee with an independent opinion on the processes, risk exposures and internal control systems of the Group. Based on the risk assessments performed on each business/function unit, the scope of activities includes the following areas of responsibilities:

- Reliability and integrity of financial and operational information;
- Safeguarding of assets;
- Effectiveness and efficiency of operations;
- Compliance with regulations, Company principles and guidelines;
- Ensuring appropriate follow-up of audit recommendations; and
- Performing advisory services related to governance, risk management and control.

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 the Management's response to the Audit and Risk Committee. The Management's actions are then reviewed and followed up periodically by the NIA and reported to the Audit and Risk Committee.

For the financial year ended 31 December 2023, NIA conducted eight internal audits across corporate functions, business units and factories.

Additionally, the Nestlé S.A. Audit Department, also known as the Nestlé Internal Audit (Center), the internal auditing arm of 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).

Other Risks and Internal Control Processes

The Group has established a governance structure framework and documented policies and procedures, such as Company Standing Instructions, to establish a control and risk environment. This includes charters, terms of reference, and authority limits to ensure accountability and an auditable trail.

Major group policies, including health and safety, training and development, equality of opportunity, staff performance, sexual harassment, and serious misconduct, as well as the Nestlé Corporate Business Principles (NCBP), have been disseminated and communicated to employees.

These processes and procedures are embedded across the organisation and provide assurance to all levels of management, including the Board. The NIA assesses the implementation and effectiveness of these procedures and reporting structures and verifying the system of risk management and internal controls.

The CEO reports to the Board on significant changes in the business and the external environment that materially affect operations. Financial information, key performance indicators and risk indicators are also reported on a quarterly basis.

The Risk & Control (R&C) matrix platform simplifies and limits overlap and duplication of control initiatives, enabling a more meaningful internal control assessment. It provides clarity on control responsibilities and allows for better integration of new automation solutions. The R&C matrices are included in the single control repository of the Nestlé S.A. Group to comply with Swiss regulations.

A Business Ethics and Fraud Committee (BEFC) chaired by the CEO meets periodically to review all complaints and allegations lodged through the whistleblowing channel of the Group, Speak Up, as described on page 9 of this Corporate Governance and Financial Statement 2023. The committee ensures investigations are conducted and reviews the findings to decide on the next course of action based on the nature of the violation. Any fraud cases are also reported to Nestlé S.A. by the NIA.

These internal control processes and committees ensure that risks are identified, assessed, and managed effectively, and that any violations or fraud cases are addressed appropriately.

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. 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 the 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 falls 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 2023. The external auditors have reported to the Board that nothing has come to their attention that causes 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 the Management. 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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 27 February 2024.

Financial Performance

KEY HIGHLIGHTS

Delivered another year of resilient results with revenue of

RM7.1 billion

Revenue grew by

5.8%

supported by domestic sales which increased by

9.9%

The Group recorded higher Profit After Tax (PAT) at

RM660 million,

up by **6.4%**

Third interim dividend of

RM1.28 per share,

bringing total dividends for the year to

RM2.68 per share

Revenue (RM Million)

23'	**7,051**
22'	6,664
21'	5,734
20'	5,412
19'	5,518

+5.8%

Profit Before Tax (RM Million)

23'	**879**
22'	859
21'	752
20'	725
19'	876

+2.3%

Profit After Tax (RM Million)

23'	**660**
22'	620
21'	570
20'	553
19'	673

+6.4%

Earnings Per Share (Sen)

23'	**281.4**
22'	264.5
21'	243.0
20'	235.7
19'	287.0

+6.4%

Net Dividend Per Share (Sen)

23'	**268.0**
22'	262.0
21'	242.0
20'	232.0
19'	280.0

+2.3%

Total Sales (%)

2023
RM7,051 MILLION

	%	RM Million
Export	19.3%	1,364
Domestic	80.7%	5,687

2022
RM6,664 MILLION

	%	RM Million
Export	22.4%	1,490
Domestic	77.6%	5,174

Growth (RM Million)

Domestic

23'	**5,687**
22'	5,174
21'	4,582

+9.9%

Export

23'	**1,364**
22'	1,490
21'	1,152

-8.5%

Total

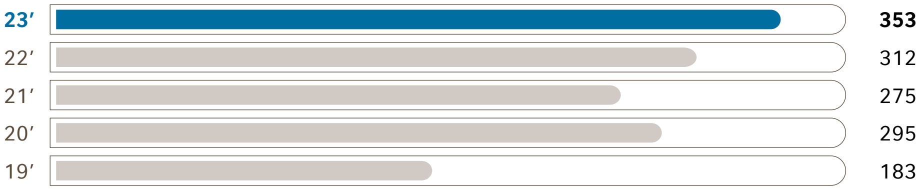
23'	**7,051**
22'	6,664
21'	5,734

+5.8%

FINANCIAL CALENDAR

Dividends	First Interim	Second Interim	Third Interim	Annual General Meeting
Announced	27 July 2023	26 October 2023	27 February 2024	
Record date	6 September 2023	20 November 2023	18 April 2024	30 April 2024
Paid	5 October 2023	14 December 2023	16 May 2024	

CAPITAL EXPENDITURE



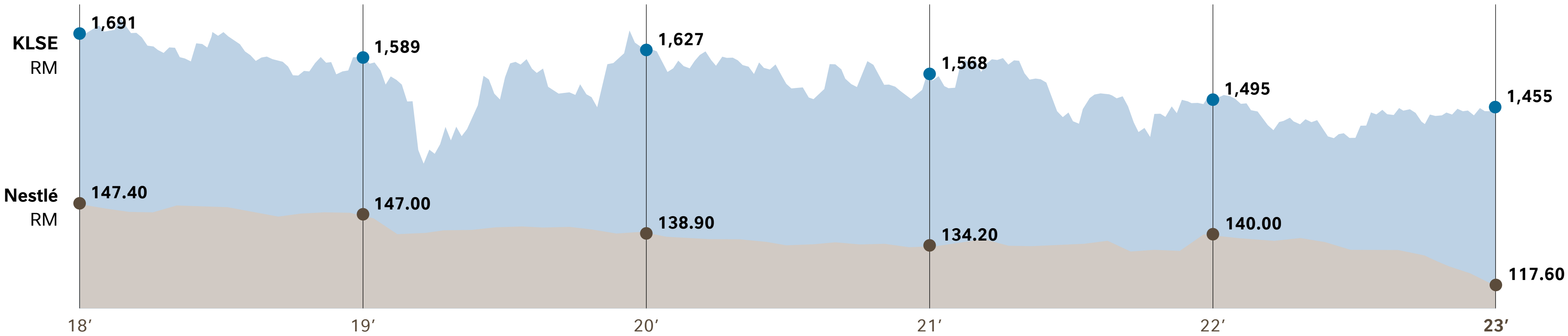
Major Projects in 2023:

- Batu Tiga - Addition of new Bouillon tablet line
- Chembong Confectionary - Upgrade of chocolate making machine
- Chembong Confectionary - Upgrade to automated flowrap machine
- Chembong Ice-cream - Addition of new filling packing line

SHARE PERFORMANCE

	Calendar Year				
	2023 RM'000	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000
During the year					
Highest - RM	**139.50**	140.00	140.00	147.00	150.40
Lowest - RM	**113.90**	127.70	131.20	133.20	143.30
Last Trading Day - RM	**117.60**	140.00	134.20	138.90	147.00

Share Prices (Bursa Malaysia) - Close



5 YEARS' STATISTICS

For the year ended 31 December 2023

		2023 RM'000	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000
Results / Cash Flow						
Revenue		**7,050,879**	6,664,145	5,733,816	5,412,180	5,518,076
Profit before tax		**879,093**	859,477	751,817	724,769	875,725
% of revenue		**12.5%**	12.9%	13.1%	13.4%	15.9%
Profit after tax and minority interest		**659,870**	620,334	569,811	552,713	672,913
% of revenue		**9.4%**	9.3%	9.9%	10.2%	12.2%
Dividends paid & proposed (net)		**628,460**	614,390	567,490	544,040	656,600
Depreciation, amortisation and impairment		**301,737**	206,519	195,454	182,259	177,300
Cash flow (net profit + depreciation + amortisation + impairment)		**961,607**	826,853	765,265	734,972	850,213
% of revenue		**13.6%**	12.4%	13.3%	13.6%	15.4%
Capital expenditure		**352,586**	312,218	274,758	294,553	183,253
Statement of Financial Position						
Non-current assets		**2,263,216**	1,954,793	1,844,893	1,781,489	1,653,525
Current assets		**1,306,006**	1,599,218	1,139,938	1,079,882	1,073,013
Total assets		**3,569,222**	3,554,011	2,984,831	2,861,371	2,726,538
Total equity		**674,896**	626,316	582,697	557,136	664,924
Non-current liabilties		**756,442**	668,724	473,706	487,406	406,864
Current liabilities		**2,137,884**	2,258,971	1,928,428	1,816,829	1,654,750
Total equity and liabilites		**3,569,222**	3,554,011	2,984,831	2,861,371	2,726,538
Per Share						
Weighted average number of shares in issue	('000 units)	**234,500**	234,500	234,500	234,500	234,500
Market price [1]	(RM)	**117.60**	140.00	134.20	138.90	147.00
Earnings [2]	(sen)	**281.39**	264.53	242.99	235.70	286.96
Price earnings ratio		**41.79**	52.92	55.23	58.93	51.23
Dividend (net)	(sen)	**268.00**	262.00	242.00	232.00	280.00
Dividend yield	(%)	**2.3**	1.9	1.8	1.7	1.9
Dividend cover [2]	(no.)	**1.0**	1.0	1.0	1.0	1.0
Shareholders' funds	(RM)	**2.88**	2.67	2.48	2.38	2.84
Net tangible assets [3]	(RM)	**1.88**	2.41	2.21	2.10	2.55
Personnel	(no.)	**5,336**	5,391	5,253	5,018	4,686
Factories	(no.)	**6**	6	6	6	6

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

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 2023.

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	659,870	692,947
Profit attributable to owners of the Company	659,870	692,947

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 other than the effects arising from the impairment of property, plant and equipment and the acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd. as disclosed in Note 4 and Note 7 respectively to the financial statements.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2022 were as follows:

	RM'000
In respect of the year ended 31 December 2022 as reported in the Directors' report of that year:	
Third tax exempt (single-tier) interim dividend of 122 sen per share, on 234,500,000 ordinary shares, declared on 21 February 2023 and paid on 17 May 2023	286,090
In respect of the year ended 31 December 2023:	
First tax exempt (single-tier) interim dividend of 70 sen per share, on 234,500,000 ordinary shares, declared on 27 July 2023 and paid on 5 October 2023	164,150
Second tax exempt (single-tier) interim dividend of 70 sen per share, on 234,500,000 ordinary shares, declared on 26 October 2023 and paid on 14 December 2023	164,150
	614,390

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 2023, of 128 sen per share on 234,500,000 ordinary shares, amounting to a dividend payable of RM300,160,000. 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 2024.

DIRECTORS

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

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail
Chin Kwai Fatt
Dato' Hamidah Naziadin
YM Dr. Tunku Alina Alias
Juan Jose Aranols Campillo **
Syed Saiful Islam **
YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim (Appointed on 2 May 2023)
Tan Sri Wan Zulkiflee Wan Ariffin (Appointed on 1 October 2023)
Datin Sri Azlin Arshad (Retired on 26 April 2023)

**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 (Resigned on 1 October 2023)

Xolile Leonard White (Appointed 1 November 2023)

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	1,249	1,249
Remuneration	7,734	148
Estimated money value of benefits-in-kind	1,054	-
Post-employment benefits	1,564	-
Share-based payments	2,224	-
Insurance effected to indemnify Directors*	20	20
	13,845	1,417

*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 RM46,380,000.

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			
	1.1.2023	Acquired	Sold	31.12.2023
Direct interest:				
Ordinary shares of the ultimate holding company (Nestlé S.A.)				
Juan Jose Aranols Campillo	13,227	1,989	(4,000)	11,216
Syed Saiful Islam	782	677	(1,459)	-

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 allowance for expected credit loss and satisfied themselves that there were no known bad debts and that adequate provision had been made for expected credit loss; 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) it necessary to write off any bad debts or the amount of the allowance for expected credit loss 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 (CONT'D)

(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 EVENT

Details of significant event are disclosed in Note 7 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	691	84

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 February 2024.

Juan Jose Aranols Campillo

Syed Saiful Islam

STATEMENT BY DIRECTORS - Pursuant to Section 251(2) of the Companies Act 2016

We, Juan Jose Aranols Campillo and Syed Saiful Islam, 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 55 to 126 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 2023 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 27 February 2024.

Juan Jose Aranols Campillo

Syed Saiful Islam

STATUTORY DECLARATION - Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Syed Saiful Islam, 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 55 to 126 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 Syed Saiful Islam at Petaling Jaya, Selangor Darul Ehsan
on 27 February 2024

Syed Saiful Islam

Before me,
Guna Papoo
Commissioner of Oaths (No. B338)

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 2023 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 material accounting policies, as set out on pages 55 to 126.

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 2023, 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 matters for the audit of the financial statements of the Group are described below. These matters were 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 these matters. For each 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 these matters. 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 matters below, provide the basis of our audit opinion on the accompanying financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

(i) Revenue recognition

We draw your attention to Note 2.15 - Material accounting policies - Revenue and Note 17 - Revenue to the financial statements.

Total revenue of the Group for the year ended 31 December 2023 amounted to RM7.1 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.

(ii) Acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd. ("Wyeth Malaysia") and impairment assessment of goodwill on consolidation and exclusive right and licence arising from the acquisition of Wyeth Malaysia

We draw your attention to Note 2.4 - Material accounting policies - Business combinations and goodwill, Note 3.1 (b) - Key sources of estimation uncertainty - Impairment assessment of goodwill and exclusive right and licence, Note 3.1 (c) - Key sources of estimation uncertainty - Useful life of intangible asset - exclusive right and licence, Note 6 - Intangible assets and Note 7 - Investments in subsidiaries to the financial statements.

(a) Acquisition of Wyeth Malaysia

The Group, via its wholly-owned subsidiary, Nestlé Products Sdn. Bhd., had on 30 June 2023 completed the acquisition of Wyeth Malaysia for a cash consideration of RM165.0 million, based on the terms and conditions of the Share Purchase Agreement ("SPA") with Wyeth (Hong Kong) Holding Company Limited dated 22 February 2023.

The Group assessed the fair value of the identified assets acquired and liabilities assumed on the date of acquisition via a purchase price allocation exercise. A residual goodwill of RM29.9 million and exclusive right and licence of RM143.4 million were recognised in the Group's financial statements on the date of acquisition.

Management engaged external valuer to value the identifiable assets acquired and liabilities assumed in the acquisition, including the identification and valuation of intangible assets.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

(ii) Acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd. ("Wyeth Malaysia") and impairment assessment of goodwill on consolidation and exclusive right and licence arising from the acquisition of Wyeth Malaysia (cont'd)

(a) Acquisition of Wyeth Malaysia (cont'd)

Accounting for the acquisition is an area of focus because of the assumptions made in determining the fair value of the identifiable assets acquired and liabilities assumed are inherently uncertain and require significant judgements.

We performed, amongst others, the following audit procedures:

i. Obtained and reviewed the SPA to evaluate the appropriate date of acquisition and purchase consideration;
ii. Evaluated management's process to identify intangible assets;
iii. Assessed the competence, capabilities and objectivity of management's external valuation expert;
iv. Obtained the valuation report and discussed with the external valuation expert on the methodologies and key assumptions used;
v. Involved our internal valuation expert to evaluate the methodologies used to determine the fair values of the assets acquired and liabilities assumed (including the valuation of intangible assets acquired), and benchmarked the discount rate applied to other comparable companies in the same industry;
vi. Assessed the reasonableness of key assumptions applied by management in their forecast by comparing them with economic and industry forecasts; and
vii. Checked the appropriateness of disclosures in the financial statements of the Group.

(b) Impairment assessment of goodwill on consolidation and exclusive right and licence arising from the acquisition of Wyeth Malaysia

As at 31 December 2023, the Group's residual goodwill and exclusive right and licence arising from the acquisition of Wyeth Malaysia were RM29.9 million and RM143.4 million respectively. The Group is required to perform an annual impairment assessment of the cash generating unit ("CGU") to which the goodwill and exclusive right and licence have been allocated.

The Group estimated the recoverable amount of the CGU to which the goodwill and exclusive right and licence are allocated based on value-in-use ("VIU").

We considered this to be an area of focus as the determination of the VIU of the CGU involved significant management judgements, estimates and assumptions, particularly on the revenue growth rates, discount rate and terminal growth rate. These judgements, estimates and assumptions are inherently uncertain.

We performed, amongst others, the following audit procedures:

i. Obtained an understanding of the relevant internal controls over the process of estimating the recoverable amount of the CGU;
ii. Evaluated management's key assumptions on projected revenue and terminal growth rate, by considering the current and expected future economic conditions. We compared the projected revenue to the past trends and compared expected revenue growth rates with the industry forecasts;
iii. Assessed, with the involvement of EY valuation expert, the appropriateness of the rate used in discounting the future cash flows to present value;
iv. Assessed the sensitivity of the cash flows to changes in the key assumptions to understand the impact that reasonable alternative assumptions would have on the overall recoverable amount; and
v. Evaluated the adequacy of the Group's disclosures in the financial statements concerning those key assumptions to which the outcome of the impairment assessment is most sensitive.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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.

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.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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.

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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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

Kuala Lumpur, Malaysia
27 February 2024

Ng Kim Ling
No. 03236/04/2024 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Non-current assets					
Property, plant and equipment	4	**1,749,545**	1,669,316	**-**	-
Right-of-use assets	5	**237,703**	184,583	**-**	-
Intangible assets	6	**234,360**	62,183	**-**	-
Investments in subsidiaries	7	**-**	-	**188,022**	188,022
Investment in an associate	8	**5,972**	6,288	**3,000**	3,000
Deferred tax assets	9	**26,765**	24,140	**-**	-
Trade and other receivables	11	**8,871**	8,283	**-**	-
		2,263,216	1,954,793	**191,022**	191,022
Current assets					
Inventories	10	**831,435**	1,115,083	**-**	-
Trade and other receivables	11	**462,968**	445,201	**445,529**	367,197
Current tax assets		**565**	30,763	**-**	-
Cash and bank balances	12	**11,038**	8,171	**-**	-
		1,306,006	1,599,218	**445,529**	367,197
Total assets		**3,569,222**	3,554,011	**636,551**	558,219
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	13	**267,500**	267,500	**267,500**	267,500
Reserves		**(257)**	(7,395)	**-**	-
Retained earnings		**407,653**	366,211	**367,429**	288,872
Total equity		**674,896**	626,316	**634,929**	556,372
Current liabilities					
Loans and borrowings	14	**419,796**	486,890	**-**	-
Lease liabilities	5	**33,164**	27,496	**-**	-
Trade and other payables	15	**1,671,552**	1,724,873	**1,479**	1,749
Current tax liabilities		**13,372**	19,712	**143**	98
		2,137,884	2,258,971	**1,622**	1,847

Statements of Financial Position

As at 31 December 2023

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current liabilities					
Loans and borrowings	14	**300,000**	300,000	**-**	-
Lease liabilities	5	**170,202**	120,036	**-**	-
Employee benefits	16	**87,229**	84,267	**-**	-
Deferred tax liabilities	9	**199,011**	164,421	**-**	-
		756,442	668,724	**-**	-
Total liabilities		**2,894,326**	2,927,695	**1,622**	1,847
Total equity and liabilities		**3,569,222**	3,554,011	**636,551**	558,219

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 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue	17	**7,050,879**	6,664,145	**694,755**	617,805
Cost of sales		**(4,819,875)**	(4,603,260)	**-**	-
Gross profit		**2,231,004**	2,060,885	**694,755**	617,805
Selling and distribution expenses		**(978,594)**	(936,012)	**-**	-
Administrative expenses		**(199,961)**	(194,024)	**(2,624)**	(2,485)
Other expenses		**(112,078)**	(28,175)	**(1,059)**	(261)
(Allowance for)/reversal of expected credit loss on trade receivables		**(1,034)**	257	**-**	-
Operating profit		**939,337**	902,931	**691,072**	615,059
Finance income		**339**	721	**2,466**	1,708
Finance costs		**(60,687)**	(44,994)	**-**	-
Net finance (costs)/income		**(60,348)**	(44,273)	**2,466**	1,708
Share of profit of an equity-accounted associate, net of tax		**104**	819	**-**	-
Profit before tax	18	**879,093**	859,477	**693,538**	616,767
Income tax expense	21	**(219,223)**	(239,143)	**(591)**	(409)
Profit for the year		**659,870**	620,334	**692,947**	616,358
Other comprehensive income/(expense), net of tax:					
Item that may be reclassified to profit or loss in subsequent periods					
Net gain/(loss) on cash flow hedges		**7,138**	(6,651)	**-**	-
Item that will not be reclassified to profit or loss in subsequent periods					
Remeasurement loss on defined benefit liability		**(4,038)**	(2,574)	**-**	-
Other comprehensive income/(expense) for the year, net of tax	22	**3,100**	(9,225)	**-**	-
Total comprehensive income for the year, net of tax		**662,970**	611,109	**692,947**	616,358
Profit attributable to owners of the Company		**659,870**	620,334	**692,947**	616,358
Total comprehensive income attributable to owners of the Company		**662,970**	611,109	**692,947**	616,358
Earnings per share attributable to owners of the Company (sen)					
- Basic	23	**281**	265		

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to owners of the Company			
		Non-distributable		Distributable	
Group	**Note**	**Share capital RM'000**	**Hedging reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2023		**267,500**	**(7,395)**	**366,211**	**626,316**
Cash flow hedge		**-**	**7,138**	**-**	**7,138**
Remeasurement of defined benefit liability		**-**	**-**	**(4,038)**	**(4,038)**
Other comprehensive income/(expense) for the year		**-**	**7,138**	**(4,038)**	**3,100**
Profit for the year		**-**	**-**	**659,870**	**659,870**
Total comprehensive income for the year		**-**	**7,138**	**655,832**	**662,970**
Dividends to owners	24	**-**	**-**	**(614,390)**	**(614,390)**
Total transactions with owners		**-**	**-**	**(614,390)**	**(614,390)**
At 31 December 2023		**267,500**	**(257)**	**407,653**	**674,896**
At 1 January 2022		267,500	(744)	315,941	582,697
Cash flow hedge		-	(6,651)	-	(6,651)
Remeasurement of defined benefit liability		-	-	(2,574)	(2,574)
Other comprehensive expense for the year		-	(6,651)	(2,574)	(9,225)
Profit for the year		-	-	620,334	620,334
Total comprehensive (expense)/income for the year		-	(6,651)	617,760	611,109
Dividends to owners	24	-	-	(567,490)	(567,490)
Total transactions with owners		-	-	(567,490)	(567,490)
At 31 December 2022		267,500	(7,395)	366,211	626,316

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

Company	Note	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2023		**267,500**	**288,872**	**556,372**
Profit and total comprehensive income for the year		**-**	**692,947**	**692,947**
Dividends to owners, representing total transactions with owners	24	**-**	**(614,390)**	**(614,390)**
At 31 December 2023		**267,500**	**367,429**	**634,929**
At 1 January 2022		267,500	240,004	507,504
Profit and total comprehensive income for the year		-	616,358	616,358
Dividends to owners, representing total transactions with owners	24	-	(567,490)	(567,490)
At 31 December 2022		267,500	288,872	556,372

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities					
Profit before tax		**879,093**	859,477	**693,538**	616,767
Adjustments for:					
Property, plant and equipment:					
- depreciation	4	**177,608**	165,087	**-**	-
- loss on disposal	18	**948**	655	**-**	-
- impairment loss	4	**90,620**	8,100	**-**	-
- written off	18	**1,937**	1,971	**-**	-
Right-of-use assets:					
- depreciation	5	**32,350**	32,173	**-**	-
- gain on termination of lease contracts	5	**(13)**	-	**-**	-
Amortisation of intangible assets	6	**1,159**	1,159	**-**	-
Dividend income	17	**-**	-	**(694,755)**	(617,805)
Expenses related to defined benefit plans	19	**7,096**	5,724	**-**	-
Finance costs		**60,687**	44,994	**-**	-
Finance income		**(339)**	(721)	**(2,466)**	(1,708)
Net write-down of slow moving inventories	18	**1,149**	2,665	**-**	-
Net unrealised foreign exchange differences	18	**(711)**	(2,337)	**-**	-
Share-based payment expense	19	**8,218**	6,493	**-**	-
Share of profit of an equity-accounted associate, net of tax	8	**(104)**	(819)	**-**	-
Allowance for/(reversal of) expected credit loss on trade receivables	18	**1,034**	(257)	**-**	-
Operating cash flows before changes in working capital		**1,260,732**	1,124,364	**(3,683)**	(2,746)
Changes in working capital:					
Inventories		**302,009**	(372,761)	**-**	-
Trade and other payables		**(114,666)**	94,643	**(270)**	185
Trade and other receivables		**35,353**	(75,699)	**(1,322)**	(391)
Cash flows from/(used in) operations		**1,483,428**	770,547	**(5,275)**	(2,952)
Dividends received from subsidiaries		**-**	-	**617,325**	568,600
Retirement benefits paid	16	**(9,447)**	(14,703)	**-**	-
Income tax paid		**(197,787)**	(244,319)	**(546)**	(346)
Net cash flows generated from operating activities		**1,276,194**	511,525	**611,504**	565,302

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	4	**(352,586)**	(312,218)	**-**	-
Acquisition of a subsidiary, net of cash acquired	7	**(151,090)**	-	**-**	-
Dividends received from associate		**420**	480	**420**	480
Finance income received		**339**	721	**2,466**	1,708
Proceeds from disposal of property, plant and equipment		**1,384**	1,357	**-**	-
Net cash flows (used in)/from investing activities		**(501,533)**	(309,660)	**2,886**	2,188
Cash flows from financing activities					
Dividends paid		**(614,390)**	(567,490)	**(614,390)**	(567,490)
Finance costs paid		**(60,687)**	(44,994)	**-**	-
Payment of lease liabilities		**(29,623)**	(29,305)	**-**	-
Proceeds from borrowings		**100,000**	265,000	**-**	-
Net cash flows used in financing activities		**(604,700)**	(376,789)	**(614,390)**	(567,490)
Net increase/(decrease) in cash and cash equivalents		**169,961**	(174,924)	**-**	-
Cash and cash equivalents at beginning of year		**(178,719)**	(3,795)	**-**	-
Cash and cash equivalents at end of year	12	**(8,758)**	(178,719)	**-**	-

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

Group	Note	Loan from a related company RM'000	Revolving credit - unsecured RM'000	Lease liabilities RM'000	Loan from a financial institution RM'000	Total RM'000
At 1 January 2023		**300,000**	**300,000**	**147,532**	**-**	**747,532**
Net changes from financing cash flows		**(300,000)**	**100,000**	**(29,623)**	**300,000**	**70,377**
Addition of lease contracts	5	**-**	**-**	**86,597**	**-**	**86,597**
Termination of lease contracts	5	**-**	**-**	**(1,174)**	**-**	**(1,174)**
Acquisition of a subsidiary	5	**-**	**-**	**34**	**-**	**34**
At 31 December 2023		**-**	**400,000**	**203,366**	**300,000**	**903,366**
At 1 January 2022		100,000	235,000	168,313	-	503,313
Net changes from financing cash flows		200,000	65,000	(29,305)	-	235,695
Addition of lease contracts	5	-	-	8,524	-	8,524
At 31 December 2022		300,000	300,000	147,532	-	747,532

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 27 February 2024.

2. SUMMARY OF MATERIAL 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies

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

On 1 January 2023, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2023.

Description	Effective for annual periods beginning on or after
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
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 112: International Tax Reform - Pillar Two Model Rules	1 January 2023

The adoption of the above amendments did not have any significant impact on the financial statements of the Group and of the Company, except for:

Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to MFRS 101 and MFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's and the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's and the Company's financial statements.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

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 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7 Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
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 amendments are not expected to have a material impact on the financial statements in the period of initial application.

2.4 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. 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.

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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.4 Business combinations and goodwill (cont'd)

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.

2.5 Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.6 Investment in an associate

The Group's investment in an associate is accounted for using the equity method. The financial statements of the associate are prepared for the same reporting period as the Group. The accounting policies of the associate are aligned with those of the Group. Therefore, no adjustments are made when measuring and recognising the Group's share of the profit or loss of an associate after the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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.

2.7 Functional currency

The functional currency of the Company and its subsidiaries is Ringgit Malaysia.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.8 Financial instruments

(a) Financial assets

(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. 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.8 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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 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").

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.9 Derivative financial instruments and hedging activities

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.

2.10 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.

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

2.11 Leases

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.

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

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets

Exclusive right and licence

Exclusive right and licence acquired in a business combination is measured at fair value at the date of acquisition. The exclusive right and licence, which is considered to have indefinite useful life, is not amortised but tested for impairment, annually or more frequently, when indications of impairment are identified. The useful life of exclusive right and licence is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on prospective basis.

Goodwill

The accounting policy on goodwill is disclosed in Note 2.4.

2.13 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.

2.14 Employee benefits

(a) 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.14 Employee benefits (cont'd)

(a) Defined benefit pension plan (cont'd)

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.

(b) 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.

2.15 Revenue

Sale of goods

Sales represent amounts received and receivable from third parties for goods supplied to the customers and for services rendered. Sales are recognised when control of the goods has transferred to the customer, which is mainly upon arrival at the customer.

Revenue is measured as the amount of consideration which the Group expects to receive, based on the list price applicable to a given distribution channel after deduction of returns, pricing allowances, other trade discounts and couponing and price promotions to consumers. The level of discounts, allowances and promotional rebates is recognised as a deduction from revenue at the time that the related sales are recognised or when the rebate is offered to the customer (or consumer if applicable). They are estimated using judgements based on historical experience and the specific terms of the agreements with the customers. Payments made to customers for commercial services received are expensed. The Group has a range of credit terms which are typically short term, in line with market practice and without any financing component.

The Group does not generally accept sales returns, except in limited cases mainly in the Infant Nutrition business. Historical experience is used to estimate such returns at the time of sale. No asset is recognised for products to be recoverable from these returns, as they are not anticipated to be resold.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONT'D)

2.16 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.

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:

(a) 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).

(b) Impairment assessment of goodwill and exclusive right and licence

The Group performs an impairment test on its goodwill and exclusive right and licence at least on an annual basis or when there is evidence of impairment. This requires an estimation of the value in use ("VIU") of the CGU to which goodwill and exclusive right and licence are allocated. Estimating a VIU amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying amounts, the key assumptions applied in the impairment assessment and sensitivity analysis to changes in the assumptions are disclosed in Note 6.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 Key sources of estimation uncertainty (cont'd)

(c) Useful life of intangible asset - exclusive right and licence

The Group considers that the exclusive right and licence arising from the acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd. ("Wyeth Malaysia") has indefinite useful life, pursuant to the terms and conditions of the General Licence Agreement dated 1 January 2022 between Wyeth Malaysia (as Licensee) and Société des Produits Nestlé S.A. (as Licensor) ("GLA"), and is expected to contribute to the Group's net cash flows indefinitely. The assessment of the useful life of intangible asset as indefinite is reviewed annually.

(d) Impairment of property, plant and equipment

At each reporting date, the Group assesses if any indication of impairment exists for property, plant and equipment. The recoverable amounts are determined based on the higher of VIU and fair value less costs of disposal.

When VIU calculations are undertaken, management must estimate future cash flows from the CGU and choose a suitable discount rate in order to calculate the present values of those cash flows.

During the current year, an impairment loss of RM90.6 million was recorded for certain property, plant and equipment. The recoverable amount is sensitive to the discount rate used for the DCF model. The cash flows have been discounted at post-tax weighted average rate of 7.9%. An increase of 0.5% in the discount rate used would have decreased the recoverable amount by RM2,823,000. This analysis assumes that all other variables in the DCF model remains constant. The impairment of property, plant and equipment is disclosed and further explained in Note 4.

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.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2023	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
Cost							
At 1 January 2023		707,962	2,609,639	21,058	144,398	268,492	3,751,549
Additions		26,533	118,957	-	16,013	191,083	352,586
Acquisition of a subsidiary	7	-	1	-	139	-	140
Disposals		(664)	(11,348)	(2,088)	(7,298)	-	(21,398)
Written off		(1,500)	(44,843)	-	(2,164)	-	(48,507)
Transfer in/(out)		47,592	151,308	277	9,680	(208,857)	-
At 31 December 2023		779,923	2,823,714	19,247	160,768	250,718	4,034,370
Accumulated depreciation and impairment							
At 1 January 2023		262,335	1,692,470	11,977	115,451	-	2,082,233
Charge for the year	18	22,315	139,384	2,827	13,082	-	177,608
Impairment loss	18	1,741	87,293	-	1,586	-	90,620
Disposals		(347)	(9,448)	(1,987)	(7,284)	-	(19,066)
Written off		(677)	(43,773)	-	(2,120)	-	(46,570)
At 31 December 2023		285,367	1,865,926	12,817	120,715	-	2,284,825
Analysed as:							
Accumulated depreciation		274,263	1,737,039	12,817	118,473	-	2,142,592
Accumulated impairment loss		11,104	128,887	-	2,242	-	142,233
		285,367	1,865,926	12,817	120,715	-	2,284,825
Net carrying amount		494,556	957,788	6,430	40,053	250,718	1,749,545

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2022	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
Cost							
At 1 January 2022		654,865	2,458,829	20,270	133,841	212,249	3,480,054
Additions		32,797	115,387	4,398	12,239	147,397	312,218
Disposals		(31)	(7,437)	(3,610)	(2,098)	-	(13,176)
Written off		(922)	(25,228)	-	(1,397)	-	(27,547)
Transfer in/(out)		21,253	68,088	-	1,813	(91,154)	-
At 31 December 2022		707,962	2,609,639	21,058	144,398	268,492	3,751,549
Accumulated depreciation and impairment							
At 1 January 2022		242,312	1,585,168	12,198	106,108	-	1,945,786
Charge for the year	18	19,187	130,435	2,692	12,773	-	165,087
Impairment loss	18	1,121	6,979	-	-	-	8,100
Disposals		(9)	(6,182)	(2,913)	(2,060)	-	(11,164)
Written off		(276)	(23,930)	-	(1,370)	-	(25,576)
At 31 December 2022		262,335	1,692,470	11,977	115,451	-	2,082,233
Analysed as:							
Accumulated depreciation		252,972	1,650,876	11,977	114,795	-	2,030,620
Accumulated impairment loss		9,363	41,594	-	656	-	51,613
		262,335	1,692,470	11,977	115,451	-	2,082,233
Net carrying amount		445,627	917,169	9,081	28,947	268,492	1,669,316

Impairment loss

During the year, the Group has recognised an impairment loss of RM90,620,000 (2022: RM8,100,000) in respect of plant and equipment based on the recoverable amount of the assets as a result of optimisation plans for production facilities.

5. LEASES

The Group leases its office space, distribution centre, retail stores, warehouse, tools and equipment and information systems. The leases of office space, distribution centre and boiler (part of tools and equipment) typically run for a period of ten years, and retail stores and warehouse for two 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, and the leases of certain tools and equipment include an option to renew the lease for an additional period of ten years, respectively 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:

Group 2023	Note	Leasehold land RM'000	Buildings RM'000	Tools and equipment RM'000	Information systems RM'000	Total RM'000
Cost						
At 1 January 2023		69,958	195,927	35,863	2,867	304,615
Additions		-	2,875	83,722	-	86,597
Acquisition of a subsidiary	7	-	34	-	-	34
Termination of lease contracts		-	(3,169)	-	-	(3,169)
Expiration of lease contracts		-	(35)	(11,626)	-	(11,661)
At 31 December 2023		69,958	195,632	107,959	2,867	376,416
Accumulated depreciation and impairment						
At 1 January 2023		18,042	70,850	30,216	924	120,032
Charge for the year	18	1,148	24,317	6,312	573	32,350
Termination of lease contracts		-	(2,008)	-	-	(2,008)
Expiration of lease contracts		-	(35)	(11,626)	-	(11,661)
At 31 December 2023		19,190	93,124	24,902	1,497	138,713
Net carrying amount		50,768	102,508	83,057	1,370	237,703

5. LEASES (CONT'D)

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

Group 2022	Note	Leasehold land RM'000	Buildings RM'000	Tools and equipment RM'000	Information systems RM'000	Total RM'000
Cost						
At 1 January 2022		69,958	211,485	37,969	2,867	322,279
Additions		-	5,872	2,652	-	8,524
Expiration of lease contracts		-	(21,430)	(4,758)	-	(26,188)
At 31 December 2022		69,958	195,927	35,863	2,867	304,615
Accumulated depreciation						
At 1 January 2022		16,894	67,714	29,087	352	114,047
Charge for the year	18	1,148	24,566	5,887	572	32,173
Expiration of lease contracts		-	(21,430)	(4,758)	-	(26,188)
At 31 December 2022		18,042	70,850	30,216	924	120,032
Net carrying amount		51,916	125,077	5,647	1,943	184,583

5. LEASES (CONT'D)

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

Group		2023 RM'000	2022 RM'000
At 1 January		**147,532**	168,313
Additions		**86,597**	8,524
Acquisition of a subsidiary	7	**34**	-
Accretion of interest	18	**6,245**	5,897
Termination of lease contracts		**(1,174)**	-
Payments		**(35,868)**	(35,202)
At 31 December		**203,366**	147,532
Current		**33,164**	27,496
Non-current		**170,202**	120,036

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		2023 RM'000	2022 RM'000
Depreciation of right-of-use assets	18	**32,350**	32,173
Finance cost of lease liabilities	18	**6,245**	5,897
Expenses relating to short-term leases	18	**56,101**	54,203
Expenses relating to leases of low-value assets	18	**2,248**	434
Total amount recognised in profit or loss		**96,944**	92,707

The Group had total cash outflows for leases of RM94,217,000 (2022: RM89,839,000). The Group also had non-cash additions (including modifications) to right-of-use assets and lease liabilities of RM86,597,000 (2022: RM8,524,000) and RM86,597,000 (2022: RM8,524,000) respectively. The Group does not have future cash outflows relating to leases that have not yet commenced as at 31 December 2023 (2022: nil).

5. LEASES (CONT'D)

Group	2023 RM'000	2022 RM'000
Cash outflows for leases as a lessee		
Included in net cash from operating activities:		
Payment relating to short-term leases	**56,101**	54,203
Payment relating to leases of low-value assets	**2,248**	434
	58,349	54,637
Included in net cash from financing activities:		
Finance cost of lease liabilities	**6,245**	5,897
Payment of lease liabilities	**29,623**	29,305
Total cash outflows for leases	**94,217**	89,839

6. INTANGIBLE ASSETS

Group 2023	Note	Development cost (Note a) RM'000	Exclusive right and licence (Note b) RM'000	Goodwill (Note c) RM'000	Total RM'000
Cost					
At 1 January 2023		**7,859**	**-**	**61,024**	**68,883**
Acquisition of a subsidiary	7	**-**	**143,426**	**29,910**	**173,336**
At 31 December 2023		**7,859**	**143,426**	**90,934**	**242,219**
Accumulated depreciation					
At 1 January 2023		**6,700**	**-**	**-**	**6,700**
Amortisation for the year	18	**1,159**	**-**	**-**	**1,159**
At 31 December 2023		**7,859**	**-**	**-**	**7,859**
Net carrying amount		**-**	**143,426**	**90,934**	**234,360**

6. INTANGIBLE ASSETS (CONT'D)

Group 2022	Note	Development cost (Note a) RM'000	Exclusive right and licence (Note b) RM'000	Goodwill (Note c) RM'000	Total RM'000
Cost					
At 1 January 2022/31 December 2022		7,859	-	61,024	68,883
Accumulated depreciation					
At 1 January 2022		5,541	-	-	5,541
Amortisation for the year	18	1,159	-	-	1,159
At 31 December 2022		6,700	-	-	6,700
Net carrying amount		1,159	-	61,024	62,183

(a) Development cost

The development cost relates to the enhancement of the Group's SAP HANA and Globe Landscape Simplification system.

(b) Exclusive right and licence

Refers to the exclusive right and licence acquired through business combination during the year which has an indefinite useful life. The GLA grants to Wyeth Malaysia the exclusive use of the trademarks upon the products and patents in Malaysia for an indefinite period. The trademarks prescribed under the GLA are S-26 GOLD, S-26, PROMAMA, ASCENDA and ENERCAL PLUS.

(c) Goodwill

The addition during the year arose from the acquisition of equity interest in Wyeth Malaysia. Further information relating to the acquisition is disclosed in Note 7.

6. INTANGIBLE ASSETS (CONT'D)

Impairment test for goodwill and exclusive right and licence

For impairment testing purpose, goodwill acquired through business combinations and exclusive right and licence with indefinite useful life are allocated to the ice-cream business unit and Wyeth Malaysia infant nutrition CGUs.

Carrying amount of goodwill and exclusive right and licence allocated to each of the CGUs:

	Ice-cream business unit		Wyeth Malaysia infant nutrition		Total	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Goodwill	**61,024**	61,024	**29,910**	-	**90,934**	61,024
Exclusive right and licence	**-**	-	**143,426**	-	**143,426**	-

The recoverable amount of the CGUs are determined based on VIU calculation, in which cash flows were projected based on actual operating results and financial budgets approved by management covering a three-year business plan for ice-cream business unit and a five-year business plan for Wyeth Malaysia infant nutrition.

The forecast and projection reflect management's expectations of revenue growth, operating costs and margins based on past experience and future outlook of the CGU. Cash flows beyond the business plan period are extrapolated in perpetuity using estimated terminal growth rate which takes into consideration the current and projected inflation and average growth rate for the industry in Malaysia.

The discount rate applied to the cash flow forecast represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

The following assumptions have been applied in the VIU calculation:

	Ice-cream business unit		Wyeth Malaysia infant nutrition	
	2023	2022	2023	2022
Revenue growth rates	**5.0% to 5.8%**	6.2% to 10.5%	**3.3% to 3.4%**	n/a
Terminal growth rate	**1.9%**	2.5%	**1.9%**	n/a
Pre-tax discount rate	**9.5%**	8.3%	**9.5%**	n/a

Based on the asssessment above, the goodwill and exclusive right and licence are not impaired as the recoverable amounts of the CGUs exceeds the carrying amounts included in the financial statements.

Sensitivity to changes in key assumptions

Management believes that there are no reasonably possible change in any of the above key assumptions which would cause the carrying amounts of the goodwill and exclusive right and licence to materially exceed the recoverable amounts.

7. INVESTMENTS IN SUBSIDIARIES

Company	2023 RM'000	2022 RM'000
Unquoted shares at cost	**188,022**	188,022

Details of the subsidiaries are as follows:

			Proportion of ownership interest	
Name of entity	Country of incorporation	Principal activities	2023 %	2022 %
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
Subsidiary held through Nestlé Products Sdn. Bhd.				
Wyeth Nutrition (Malaysia) Sdn. Bhd.*	Malaysia	Trading and dealing in nutritional products	**100**	-

* *Subsidiary acquired during the financial year*

Acquisition of Wyeth Malaysia

On 30 June 2023, the Group, via its wholly-owned subsidiary, Nestlé Products Sdn. Bhd., completed the acquisition of 100% equity interest in Wyeth Malaysia, for a cash consideration of RM165.0 million. Wyeth Malaysia is principally engaged in the business of trading and dealing in nutritional products. Wyeth Malaysia distributes premium quality nutritional products, and the brands that Wyeth Malaysia carries are S-26, S-26 GOLD, ASCENDA, PROMAMA and ENERCAL PLUS. Wyeth Malaysia holds the exclusive licence to use the trademarks upon the products and patents in relation to the products, in Malaysia for an indefinite period.

The acquisition of Wyeth Malaysia is a strategic move by the Group to expand the product offerings and increase the market share in the premium nutrition segment. With the addition of brands carried by Wyeth Malaysia, the Group will have a larger customer base and also gain an increased position in the premium nutrition market.

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of Wyeth Malaysia (cont'd)

Assets acquired and the liabilities assumed

The fair values of the identifiable assets and liabilities of Wyeth Malaysia as at the date of the acquisition were:

	Note	Fair value recognised on acquisition RM'000
Assets		
Property, plant and equipment	4	140
Intangible assets	6	143,426
Right-of-use assets	5	34
Deferred tax assets	9	2
Trade and other receivables		45,352
Inventories		19,510
Cash and bank balances		13,910
Current tax assets		1,012
Total assets		223,386
Liabilities		
Trade and other payables		(53,840)
Lease liabilities	5	(34)
Deferred tax liabilities	9	(34,422)
Total liabilities		(88,296)
Total identifiable net assets at fair value		135,090
Goodwill arising on acquisition	6	29,910
Purchase consideration transferred		165,000

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisition of Wyeth Malaysia (cont'd)

Assets acquired and the liabilities assumed (cont'd)

The acquisition date fair value of the trade and other receivables amounted to RM45.4 million, which is equivalent to the gross amount of trade and other receivables, and it has been fully collected during the year.

The goodwill of RM29.9 million comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Wyeth Malaysia infant nutrition segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition, Wyeth Malaysia contributed RM110.8 million of revenue and RM18.5 million to profit before tax from the operations of the Group. If the combination had taken place at the beginning of the year, revenue from operations would have been RM7.2 billion and profit before tax from operations for the Group would have been RM888.7 million.

The effect of the acquisition on cash flows is as follows:

	RM'000
Cash consideration	(165,000)
Cash and cash equivalents of subsidiary acquired	13,910
Net cash outflow on the acquisition	(151,090)

8. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Unquoted shares at cost	**3,000**	3,000	**3,000**	3,000
Share of post-acquisition reserves	**2,972**	3,288	**-**	-
	5,972	6,288	**3,000**	3,000

8. INVESTMENT IN AN ASSOCIATE (CONT'D)

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest 2023 %	2022 %
Nihon Canpack (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and sales of canned beverages	**20**	20

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

Group	2023 RM'000	2022 RM'000
Assets and liabilities		
Non-current assets	**36,788**	33,594
Current assets	**33,594**	68,595
Non-current liabilities	**(4,960)**	(5,136)
Current liabilities	**(35,562)**	(65,615)
Net assets	**29,860**	31,438
Group's share in equity	**5,972**	6,288
Results		
Revenue	**294,021**	340,004
Profit for the year	**522**	4,093
Group's share of profit for the year	**104**	819

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

Group	2023 RM'000	2022 RM'000
Net assets of the associate as at 1 January	**31,438**	29,745
Add: Profit for the year	**522**	4,093
Less: Dividends paid for the year	**(2,100)**	(2,400)
Net assets of the associate as at 31 December	**29,860**	31,438
Group's share of net assets	**5,972**	6,288

9. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

Group	Note	Assets 2023 RM'000	Assets 2022 RM'000	Liabilities 2023 RM'000	Liabilities 2022 RM'000	Net 2023 RM'000	Net 2022 RM'000
Property, plant and equipment		**-**	-	**(191,837)**	(201,955)	**(191,837)**	(201,955)
Right-of-use assets		**-**	-	**(44,845)**	(31,548)	**(44,845)**	(31,548)
Lease liabilities		**49,144**	36,056	**-**	-	**49,144**	36,056
Employee benefit plans		**28,034**	26,759	**-**	-	**28,034**	26,759
Provisions		**21,599**	19,141	**-**	-	**21,599**	19,141
Hedging reserve		**81**	2,335	**-**	-	**81**	2,335
Unutilised tax incentives		**-**	8,931	**-**	-	**-**	8,931
Exclusive right and licence	7	**-**	-	**(34,422)**	-	**(34,422)**	-
		98,858	93,222	**(271,104)**	(233,503)	**(172,246)**	(140,281)
Set off of tax		**(72,093)**	(69,082)	**72,093**	69,082	**-**	-
		26,765	24,140	**(199,011)**	(164,421)	**(172,246)**	(140,281)

Movement in temporary differences during the year:

Group	At 1.1.2022 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income (Note 22) RM'000	At 31.12.2022/ 1.1.2023 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income (Note 22) RM'000	Acquisition of a subsidiary (Note 7) RM'000	At 31.12.2023 RM'000
Property, plant and equipment	(182,345)	(19,610)	-	**(201,955)**	**10,118**	**-**	**-**	**(191,837)**
Right-of-use assets	(37,120)	5,572	-	**(31,548)**	**(13,297)**	**-**	**-**	**(44,845)**
Lease liabilities	40,679	(4,623)	-	**36,056**	**13,088**	**-**	**-**	**49,144**
Employee benefit plans	25,946	-	813	**26,759**	**-**	**1,275**	**-**	**28,034**
Provisions	25,838	(6,697)	-	**19,141**	**2,456**	**-**	**2**	**21,599**
Hedging reserve	234	-	2,101	**2,335**	**-**	**(2,254)**	**-**	**81**
Unutilised tax incentives	8,146	785	-	**8,931**	**(8,931)**	**-**	**-**	**-**
Exclusive right and licence	-	-	-	**-**	**-**	**-**	**(34,422)**	**(34,422)**
	(118,622)	(24,573)	2,914	**(140,281)**	**3,434**	**(979)**	**(34,420)**	**(172,246)**

10. INVENTORIES

Group	2023 RM'000	2022 RM'000
Cost		
Raw and packaging materials	**309,682**	589,253
Work-in-progress	**53,413**	68,518
Finished goods	**402,895**	402,243
Spare parts	**65,445**	55,069
	831,435	1,115,083

During the year, the amount of inventories recognised as an expense in the statements of comprehensive income of the Group was RM4,253,503,000 (2022: RM4,167,457,000).

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Non-current					
Loans to employees		**8,871**	8,283	**-**	-
Current					
Trade					
Third parties		**207,988**	178,126	**-**	-
Less: allowance for expected credit loss		**(31,935)**	(30,901)	**-**	-
	(a)	**176,053**	147,225	**-**	-
Amounts due from related companies	(b)	**175,468**	222,301	**-**	-
Amount due from an associate	(b)	**-**	1,819	**-**	-
Designated as hedging instruments					
- Forward exchange contracts		**7,056**	16,426	**-**	-
		358,577	387,771	**-**	-

11. TRADE AND OTHER RECEIVABLES (CONT'D)

		Group		Company	
		2023	2022	2023	2022
	Note	RM'000	RM'000	RM'000	RM'000
Current					
Non-trade					
Amounts due from subsidiaries	(c)	**-**	-	**445,519**	367,197
Other receivables and deposits	(d)	**97,253**	48,790	**-**	-
Prepayments		**7,138**	8,640	**10**	-
		104,391	57,430	**445,529**	367,197
		462,968	445,201	**445,529**	367,197
Total trade and other receivables		**471,839**	453,484	**445,529**	367,197

(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.

(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 RM79,484,000 (2022: RM78,172,000) which is subject to interest at 2.91% to 3.29% (2022: 1.83% to 2.86%) per annum.

(d) Other receivables and deposits

Included in other receivables and deposits of the Group are loans to employees of RM4,773,000 (2022: RM5,681,000) which are unsecured and interest free and down payment to vendors of RM23,399,000 (2022: RM9,145,000).

12. CASH AND BANK BALANCES

Group	2023 RM'000	2022 RM'000
Cash and bank balances	**11,038**	8,171

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

Group		2023 RM'000	2022 RM'000
Cash and bank balances		**11,038**	8,171
Bank overdraft	14	**(19,796)**	(186,890)
		(8,758)	(178,719)

13. CAPITAL AND RESERVES

	Group and Company			
	Number of shares		Amount	
	2023 '000	2022 '000	2023 RM'000	2022 RM'000
Issued and fully paid, at no par value:				
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

Group		2023 RM'000	2022 RM'000
Non-current			
Unsecured			
Loan from a financial institution		**300,000**	-
Loan from a related company		**-**	300,000
		300,000	300,000
Current			
Unsecured			
Bank overdraft	12	**19,796**	186,890
Revolving credits		**400,000**	300,000
		419,796	486,890

Loan from a financial institution is unsecured, bears interest at 4.59% per annum and repayable in 2026.

The bank overdraft is unsecured, bears interest at 3.40% per annum and repayable within the next 12 months.

The revolving credits are unsecured, bear interest which ranges from 3.30% and 3.38% per annum (2022: 2.95% per annum) and repayable within the next 12 months.

Loan from a related company as at the prior year end was unsecured, bears interest which ranges between 3.34% and 4.39% per annum and has been repaid earlier in the current year.

At 31 December 2023, the Group had available RM878,696,000 (2022: RM612,828,000) of undrawn committed borrowing facilities.

15. TRADE AND OTHER PAYABLES

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Current					
Trade					
Third parties	(a)	**1,079,004**	1,168,584	**109**	458
Amounts due to related companies	(b)	**312,356**	229,958	**-**	-
Amounts due to an associate	(b)	**8,277**	24,560	**-**	-
Designated as hedging instruments					
- Forward exchange contracts		**8,057**	31,867	**-**	-
		1,407,694	1,454,969	**109**	458
Non-trade					
Amounts due to related companies	(b)	**-**	487	**-**	-
Other payables		**112,112**	116,999	**-**	-
Accrued expenses		**117,451**	112,548	**1,370**	1,291
Provisions	(c)	**34,295**	39,870	**-**	-
		263,858	269,904	**1,370**	1,291
Total trade and other payables		**1,671,552**	1,724,873	**1,479**	1,749

(a) Third parties

The amount is non-interest bearing. Trade payables are normally settled on a 30 to 150 day (2022: 30 to 150 day) terms.

Included in trade payables is an amount of RM140,623,000 (2022: RM177,759,000) 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 (CONT'D)

(c) Provisions

Included in provisions is an amount of RM15,841,000 (2022: RM15,321,000) relating to PSUP and RSUP. Nestlé S.A. 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 Nestlé S.A.'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:

	2023 Number	2023 WAEP RM	2022 Number	2022 WAEP RM
Outstanding at 1 January	**45,155**	**510.50**	46,581	580.94
Granted during the year	**14,548**	**509.45**	14,989	555.80
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**(16,563)**	**590.96**	(16,415)	568.78
Outstanding at 31 December	**43,140**	**531.82**	45,155	510.50
Exerciseable at 31 December	**-**		-	

The weighted average remaining contractual life for the PSUP and RSUP outstanding as at 31 December 2023 was 1.22 years (2022: 1.17 years).

The weighted average fair value of PSUP and RSUP granted during the year was RM531.82 (2022: RM510.50).

16. EMPLOYEE BENEFITS RETIREMENT BENEFITS

Retirement benefits

Group	2023 RM'000	2022 RM'000
Net defined benefit liability/total employee benefit liabilities	**87,229**	84,267

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.

During the year, the Group has offered a conversion of monthly pension to one-off lump sums payment in order to reduce the liabilities, and this conversion was taken up by 64% of eligible inactive employees. The entire payments have been made in January 2024.

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 plan.

NMGRS expects to pay RM58,429,000 in contributions to defined benefit plan in 2024, which are made up of the one-off lump sums payment and the annual pension for the remaining eligible inactive employees.

16. EMPLOYEE BENEFITS (CONT'D)

Retirement benefits (cont'd)

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:

Group	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 January	**86,922**	92,002	**(2,655)**	(2,143)	**84,267**	89,859
Included in profit or loss						
Interest cost/(income)	**4,211**	4,804	**(135)**	-	**4,076**	4,804
Past service cost - curtailments	**3,020**	920	**-**	-	**3,020**	920
	7,231	5,724	**(135)**	-	**7,096**	5,724
Included in other comprehensive expense/(income)						
Remeasurement loss:						
Actuarial loss arising from experience adjustments	**2,900**	3,899	**-**	-	**2,900**	3,899
Loss/(return) on plan assets, excluding interest income	**-**	-	**2,413**	(512)	**2,413**	(512)
	2,900	3,899	**2,413**	(512)	**5,313**	3,387
Others						
Benefits paid	**(8,764)**	(14,703)	**8,764**	14,703	**-**	-
Contributions paid by employer	**-**	-	**(9,447)**	(14,703)	**(9,447)**	(14,703)
At 31 December	**88,289**	86,922	**(1,060)**	(2,655)	**87,229**	84,267

16. EMPLOYEE BENEFITS (CONT'D)

Retirement benefits (cont'd)

Plan assets

Plan assets comprise:

Group	2023 RM'000	2022 RM'000
Cash and bank balances	**1,046**	1,252
Others	**14**	1,403
	1,060	2,655

Defined benefit obligation

Actuarial assumptions

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

Group	2023	2022
Discount rate	**4.4%**	5.1%

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 7.60 years (2022: 7.90 years).

16. EMPLOYEE BENEFITS (CONT'D)

Retirement benefits (cont'd)

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 defined benefit obligation (Decrease)/Increase 2023 RM'000	2022 RM'000
Discount rate		
Increase by 0.5% (2022: 0.5%)	**(1,170)**	(3,145)
Decrease by 0.5% (2022: 0.5%)	**1,251**	3,368
Future pension growth		
Increase by 0.5%	**157**	426
Decrease by 0.5%	**(157)**	(426)
Future mortality		
Increase by 1 year	**(1,228)**	(2,803)
Decrease by 1 year	**1,227**	2,780

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.

17. REVENUE

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Revenue from contracts with customers:				
- Sale of goods	**7,050,879**	6,664,145	**-**	-
Other revenue:				
Dividend income:				
- Subsidiaries	**-**	-	**694,335**	617,325
- Associate	**-**	-	**420**	480
	-	-	**694,755**	617,805
Total revenue	**7,050,879**	6,664,145	**694,755**	617,805

18. PROFIT BEFORE TAX

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

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Auditors' remuneration:					
- Statutory audit fees:					
- Auditors of the Group		**691**	649	**84**	84
- Non-audit fees:					
- Auditors of the Group		**18**	18	**18**	18
- Member firms of auditors		**217**	294	**75**	22
Property, plant and equipment:					
- depreciation	4	**177,608**	165,087	**-**	-
- loss on disposal		**948**	655	**-**	-
- impairment loss	4	**90,620**	8,100	**-**	-
- written off		**1,937**	1,971	**-**	-
Amortisation of intangible assets	6	**1,159**	1,159	**-**	-
Right-of-use assets:					
- depreciation	5	**32,350**	32,173	**-**	-
- gain on termination of lease contracts	5	**(13)**	-	**-**	-

18. PROFIT BEFORE TAX (CONT'D)

The following items have been included in arriving at profit before tax: (cont'd)

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Employee benefits expenses	19	**739,978**	647,196	**-**	-
Non-executive Directors' remuneration	20	**1,397**	1,352	**1,397**	1,352
Net foreign exchange loss/(gain):					
- realised		**17,626**	42,225	**-**	-
- unrealised		**(711)**	(2,337)	**-**	-
Net write-down of slow moving inventories		**1,149**	2,665	**-**	-
Allowance for/(reversal of) expected credit loss on trade receivables		**1,034**	(257)	**-**	-
Finance cost of lease liabilities	5	**6,245**	5,897	**-**	-
Finance cost of loan from a related company		**12,965**	9,281	**-**	-
Other finance cost		**41,477**	29,816	**-**	-
Expenses relating to short-term leases	5	**56,101**	54,203	**-**	-
Expenses relating to leases of low-value assets	5	**2,248**	434	**-**	-

19. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Wages, salaries and others	**650,852**	572,719	**-**	-
Contributions to Employees Provident Fund	**73,812**	62,260	**-**	-
Expenses related to defined benefit plans	**7,096**	5,724	**-**	-
Share-based payments expense	**8,218**	6,493	**-**	-
	739,978	647,196	**-**	-

Included in employee benefits expenses of the Group are executive Directors' remuneration amounting to RM11,374,000 (2022: RM9,792,000) as further disclosed in Note 20.

20. DIRECTORS' REMUNERATION

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Executive:					
- Salaries and other emoluments		**7,586**	7,034	**-**	-
- Post-employment benefits		**1,564**	287	**-**	-
- Share-based payments		**2,224**	2,471	**-**	-
Total executive Directors' remuneration (excluding benefits-in-kind)	19	**11,374**	9,792	**-**	-
Estimated money value of benefits-in-kind		**1,054**	1,036	**-**	-
Total executive Directors' remuneration (including benefits-in-kind)		**12,428**	10,828	**-**	-
Non-executive:					
- Fees		**1,249**	1,210	**1,249**	1,210
- Other emoluments		**148**	142	**148**	142
Total non-executive Directors' remuneration	18	**1,397**	1,352	**1,397**	1,352
Total Directors' remuneration		**13,825**	12,180	**1,397**	1,352

21. INCOME TAX EXPENSE

	Notes	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Statements of comprehensive income					
Malaysian income tax:					
- Current year		**218,714**	218,858	**590**	408
- Under/(over)provision in prior years		**3,943**	(4,288)	**1**	1
		222,657	214,570	**591**	409
Deferred tax:	9				
- Relating to origination and reversal of temporary differences		**(16,465)**	34,016	**-**	-
- Under/(over)provision in prior years		**13,031**	(9,443)	**-**	-
		(3,434)	24,573	**-**	-
Income tax expense recognised in profit or loss		**219,223**	239,143	**591**	409

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 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 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Profit before tax	**879,093**	859,477	**693,538**	616,767
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	**210,982**	206,274	**166,449**	148,024
Expenses not deductible for tax purposes	**6,251**	6,042	**591**	1,007
Income not subject to tax	**(317)**	(846)	**(166,450)**	(148,623)
Effect of different tax rate*	**-**	48,461	**-**	-
Tax incentives	**(14,667)**	(7,057)	**-**	-
Under/(over)provision of income tax in prior years	**3,943**	(4,288)	**1**	1
Under/(over)provision of deferred tax in prior years	**13,031**	(9,443)	**-**	-
Income tax expense recognised in profit or loss	**219,223**	239,143	**591**	409

* Effect of different tax rate arising from the one-off tax measure proposed by the Government of Malaysia in Budget 2022, whereby chargeable income above the RM100 million mark will be taxed at a rate of 33%, instead of 24% for the year of assessment 2022.

22. OTHER COMPREHENSIVE INCOME/(EXPENSE)

Group	2023 Before tax RM'000	2023 Tax benefit/ (expense) (Note 9) RM'000	2023 Net of tax RM'000	2022 Before tax RM'000	2022 Tax benefit/ (expense) (Note 9) RM'000	2022 Net of tax RM'000
Item that may be reclassified to profit or loss in subsequent periods						
Cash flow hedge						
- (Losses)/Gains arising during the year	**(2,334)**	**560**	**(1,774)**	(9,512)	2,283	(7,229)
- Reclassification adjustments for losses included in profit or loss	**11,726**	**(2,814)**	**8,912**	760	(182)	578
	9,392	**(2,254)**	**7,138**	(8,752)	2,101	(6,651)
Item that will not be reclassified to profit or loss in subsequent periods						
Remeasurement of defined benefit liability	**(5,313)**	**1,275**	**(4,038)**	(3,387)	813	(2,574)
	4,079	**(979)**	**3,100**	(12,139)	2,914	(9,225)

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 Company by the weighted average number of ordinary shares in issue during the year.

Group	2023 RM'000	2022 RM'000
Profit attributable to owners of the Company	**659,870**	620,334
Weighted average number of ordinary shares in issue ('000)	**234,500**	234,500
	sen	sen
Earnings per share - Basic	**281**	265

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	
	2023 RM'000	2022 RM'000
In respect of the year ended 31 December 2023:		
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 14 December 2023	**164,150**	-
- First tax exempt interim (single-tier) dividend of 70 sen per share on 234,500,000 ordinary shares, and paid on 5 October 2023	**164,150**	-
In respect of the year ended 31 December 2022:		
Dividend on ordinary shares:		
- Third tax exempt interim (single-tier) dividend of 122 sen per share on 234,500,000 ordinary shares, and paid on 17 May 2023	**286,090**	-
- Second tax exempt interim (single-tier) dividend of 70 sen per share on 234,500,000 ordinary shares, and paid on 15 December 2022	**-**	164,150
- First tax exempt interim (single-tier) dividend of 70 sen per share on 234,500,000 ordinary shares, and paid on 6 October 2022	**-**	164,150
In respect of the year ended 31 December 2021:		
Dividend on ordinary shares:		
- Third tax exempt interim (single-tier) dividend of 102 sen per share on 234,500,000 ordinary shares, and paid on 19 May 2022	**-**	239,190
	614,390	567,490

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 2023, of 128 sen per share on 234,500,000 ordinary shares, amounting to a dividend payable of RM300,160,000. 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 2024.

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.

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 Chief Executive Officer and Chief Financial Officer. 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 Chief Executive Officer and Chief Financial Officer. Hence, no disclosure is made on segment assets and liabilities.

	Food and beverages		Others		Total	
Group	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Segment revenue and results						
Revenue	**5,716,534**	5,495,663	**1,334,345**	1,168,482	**7,050,879**	6,664,145
Operating profit	**824,229**	812,550	**116,243**	91,570	**940,472**	904,120
Included in the measure of segment operating profit are:						
Depreciation of property, plant and equipment	**160,720**	148,398	**16,888**	16,689	**177,608**	165,087
Depreciation of right-of-use assets	**31,514**	31,406	**836**	767	**32,350**	32,173

Reconciliation of reportable segment profit

Group	2023 RM'000	2022 RM'000
Segment profit	**940,472**	904,120
Finance costs	**(60,687)**	(44,994)
Finance income	**339**	721
Other unallocated expenses	**(1,135)**	(1,189)
Share of profit of an equity-accounted associate, net of tax	**104**	819
Consolidated profit before tax	**879,093**	859,477

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.

Group	Carrying amount RM'000	Amortised cost RM'000	Derivatives designated as hedging instruments RM'000
2023			
Financial assets			
Trade and other receivables (excluding prepayments)	464,701	457,645	7,056
Cash and bank balances	11,038	11,038	-
	475,739	468,683	7,056
Financial liabilities			
Loans and borrowings	(719,796)	(719,796)	-
Trade and other payables (excluding provisions)	(1,637,257)	(1,629,200)	(8,057)
Lease liabilities	(203,366)	(203,366)	-
	(2,560,419)	(2,552,362)	(8,057)

26. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial instruments (cont'd)

Group	Carrying amount RM'000	Amortised cost RM'000	Derivatives designated as hedging instruments RM'000
2022			
Financial assets			
Trade and other receivables (excluding prepayments)	444,844	428,418	16,426
Cash and bank balances	8,171	8,171	-
	453,015	436,589	16,426
Financial liabilities			
Loans and borrowings	(786,890)	(786,890)	-
Trade and other payables (excluding provisions)	(1,685,003)	(1,653,136)	(31,867)
Lease liabilities	(147,532)	(147,532)	-
	(2,619,425)	(2,587,558)	(31,867)

Company	Carrying amount RM'000	Amortised cost RM'000	Derivatives designated as hedging instruments RM'000
2023			
Financial assets			
Trade and other receivables (excluding prepayments)	**445,519**	**445,519**	**-**
Financial liabilities			
Trade and other payables	**(1,479)**	**(1,479)**	**-**
2022			
Financial assets			
Trade and other receivables	367,197	367,197	-
Financial liabilities			
Trade and other payables	(1,749)	(1,749)	-

26. FINANCIAL INSTRUMENTS (CONT'D)

(b) Net gains and losses arising from financial instruments

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net gains/(losses) on:				
Fair value through profit or loss				
- Designated upon initial recognition	**15,379**	12,937	**-**	-
Financial assets at amortised cost				
- Mandatorily required by MFRS 9	**(695)**	978	**2,466**	1,708
Financial liabilities at amortised cost	**(63,023)**	(68,503)	**-**	-
	(48,339)	(54,588)	**2,466**	1,708

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 (CONT'D)

(a) Credit risk (cont'd)

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

Group	Note	Category	12-month or lifetime ECL	Gross carrying amount RM'000	ECL allowance RM'000	Net carrying amount RM'000
2023						
Trade receivables - third parties	**11**	**Note 1**	**Lifetime ECL (simplified)**	**207,988**	**(31,935)**	**176,053**
Other receivables	**11**	**I**	**12-month ECL**	**92,480**	**-**	**92,480**
Loans to employees	**11**	**I**	**12-month ECL**	**13,644**	**-**	**13,644**
Amounts due from related companies and an associate (trade and non-trade)	**11**	**I**	**12-month ECL**	**175,468**	**-**	**175,468**
					(31,935)	
2022						
Trade receivables - third parties	11	Note 1	Lifetime ECL (simplified)	178,126	(30,901)	147,225
Other receivables	11	I	12-month ECL	43,109	-	43,109
Loans to employees	11	I	12-month ECL	13,964	-	13,964
Amounts due from related companies and an associate (trade and non-trade)	11	I	12-month ECL	224,120	-	224,120
					(30,901)	

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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Company	Note	Category	12-month or lifetime ECL	Gross carrying amount RM'000	ECL allowance RM'000	Net carrying amount RM'000
2023						
Amounts due from subsidiaries (non-trade)	11	**I**	**12-month ECL**	**445,519**	**-**	**445,519**
2022						
Amounts due from subsidiaries (non-trade)	11	I	12-month ECL	367,197	-	367,197

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.

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 RM43,138,000 (2022: RM46,343,000).

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

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 a provision 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 provision matrix and its ECLs is assessed individually by considering historical payment trends and financial strength of the trade receivable.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

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

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2023			
Not past due	**165,454**	**-**	**165,454**
Past due 1 - 30 days	**4,923**	**-**	**4,923**
Past due 31 - 90 days	**4,200**	**-**	**4,200**
	174,577	**-**	**174,577**
Credit impaired			
More than 90 days past due	**1,476**	**-**	**1,476**
Individually impaired	**31,935**	**(31,935)**	**-**
Trade receivables	**207,988**	**(31,935)**	**176,053**
Collaterised trade receivables			
- where no loss allowance recognised	**32,520**	**-**	**32,520**
2022			
Not past due	133,405	-	133,405
Past due 1 - 30 days	2,590	-	2,590
Past due 31 - 90 days	6,466	-	6,466
	142,461	-	142,461
Credit impaired			
More than 90 days past due	4,764	-	4,764
Individually impaired	30,901	(30,901)	-
Trade receivables	178,126	(30,901)	147,225
Collaterised trade receivables			
- where no loss allowance recognised	31,394	-	31,394

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

No trade receivables which are credit impaired has been partially collateralised in the form of financial guarantee by banks (2022: RM6,000). No impairment loss has been provided to the extent of the collateral value of the financial guarantee (2022: 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 expected credit loss 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 2023	**-**	**30,901**	**30,901**
Impairment loss reversed	**-**	**(193)**	**(193)**
Impairment loss recognised	**-**	**1,227**	**1,227**
At 31 December 2023	**-**	**31,935**	**31,935**
At 1 January 2022	511	30,647	31,158
Impairment loss reversed	(511)	(89)	(600)
Impairment loss recognised	-	343	343
At 31 December 2022	-	30,901	30,901

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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

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 (CONT'D)

(a) Credit risk (cont'd)

Amounts due from subsidiaries (cont'd)

Recognition and measurement of impairment loss (cont'd)

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 (2022: 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 53% (2022: 55%) of the Group's trade receivables were due from 6 (2022: 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

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:

Group	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
2023							
Non-derivative financial liabilities							
Bank overdraft - unsecured	19,796	3.40	19,796	19,796	-	-	-
Loan from a financial institution - unsecured	300,000	4.59	341,310	13,770	13,770	313,770	-
Revolving credit - unsecured	400,000	3.30 - 3.38	400,147	400,147	-	-	-
Trade and other payables, excluding derivatives and provisions	1,629,200	-	1,629,200	1,629,200	-	-	-
Lease liabilities	203,366	1.99 - 4.49	233,158	41,255	37,948	99,090	54,865
	2,552,362		2,623,611	2,104,168	51,718	412,860	54,865
Derivative financial liabilities/(assets)							
Forward exchange contracts (gross settled):							
- Outflow	1,001	-	1,085,943	1,085,943	-	-	-
- Inflow	-	-	(1,084,942)	(1,084,942)	-	-	-
	1,001		1,001	1,001	-	-	-
	2,553,363		2,624,612	2,105,169	51,718	412,860	54,865

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

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: (cont'd)

Group	Carrying amount RM'000	Contractual intesrest 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
2022							
Non-derivative financial liabilities							
Bank overdraft - unsecured	186,890	3.15	186,890	186,890	-	-	-
Loan from a related company - unsecured	300,000	4.39	339,510	13,170	13,170	313,170	-
Revolving credit - unsecured	300,000	2.95	300,097	300,097	-	-	-
Trade and other payables, excluding derivatives and provisions	1,653,136	-	1,653,136	1,653,136	-	-	-
Lease liabilities	147,532	1.85 - 4.23	163,012	33,056	29,095	80,171	20,690
	2,587,558		2,642,645	2,186,349	42,265	393,341	20,690
Derivative financial liabilities/(assets)							
Forward exchange contracts (gross settled):	15,441	-	1,316,661	1,316,661	-	-	-
- Outflow	-	-	(1,301,220)	(1,301,220)	-	-	-
- Inflow	15,441		15,441	15,441	-	-	-
	2,602,999		2,658,086	2,201,790	42,265	393,341	20,690

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

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: (cont'd)

Company	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
2023							
Non-derivative financial liabilities							
Trade and other payables	**(1,479)**	**-**	**(1,479)**	**(1,479)**	**-**	**-**	**-**
2022							
Non-derivative financial liabilities							
Trade and other payables	(1,749)	-	(1,749)	(1,749)	-	-	-

(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"), Singapore Dollar ("SGD") 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 (CONT'D)

(c) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

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:

Group	Denominated in USD RM'000	Denominated in SGD RM'000	Denominated in EUR RM'000
2023			
Trade receivables	**958**	**1,413**	**-**
Trade payables	**(23,037)**	**(6,741)**	**(1,713)**
Intra-group receivables	**119,664**	**-**	**5,570**
Intra-group payables	**(180,256)**	**(36,457)**	**(35,674)**
Exposure in the statements of financial position	**(82,671)**	**(41,785)**	**(31,817)**
2022			
Trade receivables	225	1,253	-
Trade payables	(120,959)	(13,418)	(26,903)
Intra-group receivables	174,673	981	10,865
Intra-group payables	(146,062)	(27,167)	(22,900)
Exposure in the statements of financial position	(92,123)	(38,351)	(38,938)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

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, SGD and EUR exchange rates against the functional currency of the Group entities, with all other variables held constant.

		2023 RM'000	2022 RM'000
USD/RM	- strengthened 10% (2022: 10%)	**(8,267)**	(9,212)
	- weakened 10% (2022: 10%)	**8,267**	9,212
SGD/RM	- strengthened 10% (2022: 10%)	**(4,179)**	(3,835)
	- weakened 10% (2022: 10%)	**4,179**	3,835
EUR/RM	- strengthened 10% (2022: 10%)	**(3,182)**	(3,894)
	- weakened 10% (2022: 10%)	**3,182**	3,894

(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 (CONT'D)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Fixed rate instrument				
Financial liabilities	**(203,366)**	(147,532)	**-**	-
Floating rate instruments				
Financial assets	**-**	-	**79,484**	78,172
Financial liabilities	**(719,796)**	(786,890)	**-**	-
	(719,796)	(786,890)	**79,484**	78,172

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 RM7,198,000 (2022: RM7,869,000) and RM795,000 (2022: RM782,000) respectively on the floating rate financial instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Market risk (cont'd)

(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, SGD 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 (CONT'D)

(d) Hedging activities (cont'd)

(i) Currency risk – Transactions in foreign currency (cont'd)

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 have nominal value of RM1,095,886,000 (2022: RM1,315,623,000). The forward exchange contracts 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:

Group	Carrying amount RM'000	Expected cash flows RM'000	Under 1 year RM'000
2023			
Forward exchange contracts	**(1,001)**	**(1,001)**	**(1,001)**
2022			
Forward exchange contracts	(15,441)	(15,441)	(15,441)

During the year, a loss of RM1,774,000 (2022: a loss of RM7,229,000) net of tax was recognised in the other comprehensive income and a gain of RM8,912,000 (2022: a gain of RM578,000) net of tax was reclassified from equity to profit or loss. There is ineffective loss recognised in profit or loss during the year in respect of the hedge of RM32,000 (2022: RM81,000).

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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					
Group	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	Total fair value RM'000	Carrying amount RM'000
2023										
Financial assets										
Forward exchange contracts	**-**	**7,056**	**-**	**7,056**	**-**	**-**	**-**	**-**	**7,056**	**7,056**
Loans to employees	**-**	**-**	**-**	**-**	**-**	**-**	**13,644**	**13,644**	**13,644**	**13,644**
	-	**7,056**	**-**	**7,056**	**-**	**-**	**13,644**	**13,644**	**20,700**	**20,700**
Financial liabilities										
Forward exchange contracts	**-**	**(8,057)**	**-**	**(8,057)**	**-**	**-**	**-**	**-**	**(8,057)**	**(8,057)**
2022										
Forward exchange contracts	-	16,426	-	16,426	-	-	-	-	16,426	16,426
Loans to employees	-	-	-	-	-	-	13,964	13,964	13,964	13,964
	-	16,426	-	16,426	-	-	13,964	13,964	30,390	30,390
Financial liabilities										
Forward exchange contracts	-	(31,867)	-	(31,867)	-	-	-	-	(31,867)	(31,867)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Fair values (cont'd)

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 (2022: 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Master netting or similar agreements (cont'd)

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

Group	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
2023				
Derivative financial assets				
Forward exchange contracts designated as hedging instruments	**11**	**7,056**	**(4,940)**	**2,116**
Derivative financial liabilities				
Forward exchange contracts designated as hedging instruments	**15**	**(8,057)**	**4,940**	**(3,117)**
2022				
Derivative financial assets				
Forward exchange contracts designated as hedging instruments	11	16,426	(11,632)	4,794
Derivative financial liabilities				
Forward exchange contracts designated as hedging instruments	15	(31,867)	11,632	(20,235)

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	2023 RM'000	2022 RM'000
Plant and equipment:		
Approved and contracted for	**27,480**	29,521

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

In March 2019, Nestlé Products Sdn. Bhd. ("NPSB" or "the Appellant"), a subsidiary of Nestlé (Malaysia) Berhad, was served with a Writ of Summons and Statement of Claim by Mad Labs Sdn. Bhd. ("Mad Labs"), seeking for amongst others, the sum amounting to RM139,344,262.25. Mad Labs alleged unauthorised use of their QR Code, breach of an implied contract, unjust enrichment and negligence. NPSB subsequently filed its Statement of Defence and a separate action against Mad Labs and its sole Director and shareholder, Chow Kien Loon 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. Both suits filed by Mad Labs and NPSB were subsequently consolidated and heard by the High Court (Intellectual Property Division).

30. CONTINGENCIES (CONT'D)

Litigation (cont'd)

The trial which commenced in June 2021, concluded in April 2023 with the High Court delivering the following oral findings:

- Mad Labs does not own any intellectual property rights in the QR Code. Damages on royalty basis amounting to RM139,344,262.25 was dismissed;
- Mad Labs' claim for breach of an implied contract was dismissed;
- Mad Labs and its director were negligent; damages to be assessed in favor of NPSB;
- NPSB's report to the Malaysian Communications and Multimedia Commission was not malicious;
- While Mad Labs lacks ownership in the QR Code, it was generated by and under the exclusive control of Mad Labs which gave rise to Mad Labs having the "right to sell" the QR Code. NPSB was directed to compensate Mad Labs for continued use after the trial period;
- A permanent injunction against NPSB's use of the QR Code was granted;
- Mad Labs and its director were not found guilty of defamation and NPSB's claim for unlawful interference with trade was also dismissed.

The High Court has further directed for damages and costs to be separately assessed and determined.

Pending the issuance of the full written judgement by the High Court judge, both NPSB and Mad Labs have since filed their Records of Appeal with the Court of Appeal on 27 December and 28 December 2023 respectively to appeal against the High Court decision.

The solicitors, LindaWang Su & Boo, representing NPSB are of the view that the Appellant has a reasonably fair chance of success in its appeal at the Court of Appeal. Accordingly, the Board is of the opinion that no provision needs to be made for this claim.

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.

31. RELATED PARTIES (CONT'D)

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.

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Related companies					
Sales of goods	(a)	**(1,206,000)**	(1,367,955)	**-**	-
Purchases of goods and services	(a)	**2,042,504**	1,649,707	**-**	-
Purchases of plant and equipment	(a)	**98,018**	25,588	**-**	-
Royalty expenses		**350,668**	318,324	**-**	-
IT shared services		**57,613**	48,784	**-**	-
Rendering of services		**(40,701)**	(37,417)	**-**	-
Finance costs/(income)		**14,405**	9,281	**(2,466)**	(1,708)
Acquisition of a subsidiary		**165,000**	-	**-**	-

(a) Sales to and purchases from related companies are based on normal trade terms. Balances outstanding are unsecured.

Compensation of key management personnel

The remuneration of executive Directors and other key management personnel during the year were as follows:

Group	2023 RM'000	2022 RM'000
Salaries and other emoluments	**20,072**	16,493
Post-employment benefits	**2,479**	1,066
Share-based payments	**4,808**	4,423
Estimated monetary value of benefits-in-kind	**1,876**	1,692
	29,235	23,674

SHAREHOLDING STATISTICS

As at 29 February 2024

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	:	7,377
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	15,593,961	6.649

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	15,593,961	6.649
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ISLAMIC)	7,203,244	3.071
4	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	2,070,967	0.883
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	1,330,434	0.567
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	1,252,010	0.533
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	855,970	0.365
9	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	825,757	0.352

	Name	Number of shares held	%
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	790,000	0.336
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	739,200	0.315
12	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CACEIS BANK (LUX BR-UCITSCLT)	623,800	0.266
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CGS CIMB)	582,000	0.248
14	CITIGROUP NOMINEES (ASING) SDN BHD CB SPORE GW FOR GOVERNMENT OF SINGAPORE (GIC C)	564,221	0.240
15	PERTUBUHAN KESELAMATAN SOSIAL	521,900	0.222
16	CARTABAN NOMINEES (ASING) SDN BHD BNYM SA/NV FOR PEOPLE'S BANK OF CHINA (SICL ASIA EM)	512,400	0.218
17	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET LONDON FUND OQ78 FOR ISHARES IV PUBLIC LIMITED COMPANY	475,300	0.202
18	KWANG TEOW SANG SDN BHD	430,700	0.183
19	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II	416,000	0.177
20	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A. INVESTMENT FUNDS FOR EMPLOYEE BENEFIT TRUSTS	410,900	0.175
21	BATU PAHAT SENG HUAT SDN BERHAD	363,985	0.155
22	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	360,400	0.153
23	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	359,900	0.153
24	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	324,900	0.138

	Name	Number of shares held	%
25	HSBC NOMINEES (ASING) SDN BHD HSBC BK PLC FOR ROYAL LONDON EMERGING MARKETS ESG LEADERS EQUITY TRACKER FUND	306,100	0.130
26	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)	290,200	0.123
27	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (GLOBAL MARKETS)	274,848	0.117
28	KUOK FOUNDATION BERHAD	274,200	0.116
29	CITIGROUP NOMINEES (ASING) SDN BHD MERRILL LYNCH INTERNATIONAL	272,100	0.116
30	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	267,000	0.113

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 - 99	1,263	17.121	8,750	0.004
100 - 1,000	4,476	60.675	1,875,064	0.800
1,001 - 10,000	1,188	16.104	4,168,182	1.777
10,001 - 100,000	369	5.002	11,131,448	4.747
100,001 - less than 5% of issued shares	79	1.071	31,446,032	13.410
5% and above of issued shares	2	0.027	185,870,524	79.262
Total	7,377	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 holding company				
Juan Jose Aranols Campillo	11,216	0.00042	-	-
Syed Saiful Islam	-	-	-	-

LIST OF PROPERTIES HELD

At 31 December 2023

	Location	Tenure	Age*	Expiry Date	Size (m^2)	Description	Net Book Value RM'000
1.	Lot No. 3, 5, 75 & 76 Jalan Playar 15/1 40700 Shah Alam Selangor	Leasehold	14-53**	10.06.2070	113,396	Factory	36,710
2.	Lot No. 6 Pesiaran Raja Muda 40700 Shah Alam Selangor	Leasehold	54	29.01.2070	36,835	Factory & warehouse	9,734
3.	Lot Nos. 687 - 696, 3863 - 3866, 4671, 4673, 5435 & 5807 Mukim Chembong Daerah Rembau Negeri Sembilan	Leasehold	27-32	15.11.2048 26.06.2049 27.06.2049 13.08.2055 20.11.2095 21.11.2095	136,199	Factory	2,269
4.	Lot Nos. 3857 - 3862 & 4672 Jalan Perusahaan 4 Kawasan Perindustrian Chembong, Chembong Rembau, Negeri Sembilan	Leasehold	27-32	27.06.2049 20.11.2095	33,870	Factory	1,087
5.	Lot No. 844, Block 7 Muara Tebas Land District Sejingkat Industrial Estate Kuching, Sarawak	Leasehold	32	19.10.2053	25,460	Factory	250
6.	Lot 915, Block 7 Muara Tebas Land District Demak Laut Industrial Park Kuching, Sarawak	Leasehold	29	12.10.2054	12,740	Factory	485
7.	Lot 3846, Pekan Chembong Daerah Rembau Negeri Sembilan	Leasehold	10	26.06.2049	4,249	Vacant land	233

* Approximation of age of property in years.
** Amalgamation of Shah Alam Complex, Batu Tiga & Sri Muda land in 2015.

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Publication Date
29th March 2024

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