



**Nestlé** Good food, Good life

NESTLÉ (MALAYSIA) BERHAD

Registration No.: 198301015532 (110925-W)

**TERMS OF REFERENCE FOR  
THE AUDIT AND RISK COMMITTEE**



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## **Contents**

<b>1. KEY OBJECTIVES .....</b>	<b>3</b>
<b>2. COMPOSITION .....</b>	<b>3</b>
<b>3. FUNCTIONS &amp; RESPONSIBILITIES OF THE COMMITTEE .....</b>	<b>4</b>
<b>4. AUTHORITY .....</b>	<b>7</b>
<b>5. COMMITTEE MEETING .....</b>	<b>8</b>
<b>6. DISCLOSURE .....</b>	<b>9</b>
<b>7. REVIEW OF TERMS OF REFERENCE .....</b>	<b>9</b>

The Audit and Risk Committee (“Committee”) is a committee of the Board of Directors of Nestlé (Malaysia) Berhad (“Board”).

## **1. KEY OBJECTIVES**

The main objective of the Committee is to assist the Board in ensuring effective governance and monitoring of the adequacy of the financial reporting of Nestlé (Malaysia) Berhad (“Company”) and its subsidiary companies (“Group”), including the related disclosures, the performance of both the internal audit function and the external auditor, the oversight of the Group’s systems of internal and external controls, business risks and related compliance activities.

## **2. COMPOSITION**

- i. The members of the Committee shall be appointed by the Board from amongst its Directors. The Committee shall comprise of three members, exclusively Non-Executive Directors, with a majority of them being Independent Directors. All members of the Committee must be financially literate, and each member shall devote sufficient time to carry out the responsibilities and duties as a member of the Committee.
- ii. The Committee shall be chaired by an Independent Director who is a member of the Malaysian Institute of Accountants, appointed by the Board from its members. The Chairman of the Committee is responsible for the efficient conduct of the meetings and the affairs of the Committee. The Chairman of the Committee is not the Chairman of the Board to enable the Chairman of the Committee to provide full commitment and devote adequate time to matters under the responsibilities of the Committee and to exercise independent judgment.
- iii. The quorum for the Committee meeting shall be at least two members present at the meeting, the majority of members present must be Independent Directors.
- iv. The Company Secretary of the Company acts as the Secretary of the Committee.
- v. Any former key external audit partner of the Group shall observe a cooling-off period of at least three years before being appointed as a member of the Committee.



### **3. FUNCTIONS & RESPONSIBILITIES OF THE COMMITTEE**

#### **Reporting**

- i. Review the quarterly, cumulative half year and full year results, and final draft of the financial statements (prior to the meeting of the Board to approve the financial statements), receiving explanations for significant variations from the prior year and from budget, if any, and referring issues to the Board, as and when necessary;
- ii. Monitor compliance with statutory requirements for financial reporting, with focus on significant changes in accounting policies and practices, taking into consideration any significant adjustments recommended by external auditors;
- iii. Review compliance with all related party transaction disclosure requirements under the Accounting Standards and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- iv. Review and report, as and when necessary, any matters arising from the Group's financial operations such as possible material litigation, claims or issues with substantial financial impact; and
- v. Review the Statement on Risk Management and Internal Control to be published in the Annual Report.

#### **Internal and External Control**

- i. Review the adequacy of existing governance, risk management and internal control systems in place, to produce accurate and meaningful management information;
- ii. Review and evaluate with the external and internal auditors, management procedures which are designed to ensure compliance with laws, regulations, policies and codes of practice or conduct;
- iii. Monitor systems and procedures which are designed to provide a satisfactory and effective level of internal control, asset protection and management of information together with the external and internal auditors;



- iv. Monitor the Group's operations via appropriate internal audit reviews, to ascertain if adequate attention is paid to attributes of efficiency and effectiveness;
- v. Report to the Board any suspected fraud or irregularities, significant internal control deficiencies or suspected infringement of laws, rules and regulations;
- vi. Review the related party transactions, the financial impact of such transactions or whether they have been entered into according to the terms stipulated in the shareholders' mandate or in the best interest of the Group;
- vii. Review any conflict of interest or potential conflict of interest situation pursuant to paragraph 15.12(1)(h), and the measures taken to resolve, eliminate, or mitigate such conflicts; and
- viii. Rely on Nestlé Internal Audit for Information System/Information Technology ("IS/IT") related internal control risks.

### **Risk Management**

- i. Oversee the formulation of the Group's overall Enterprise Risk Management framework and compliance, involving policies, procedures, systems, capabilities and parameters to identify, assess and manage risks, including any new or emerging trends of threats to ensure their relevance and appropriateness to the Group's position and business;
- ii. Advise and report on the overall risk appetite, tolerance and strategy on managing business risks;
- iii. Review and deliberate the report by the management on the Group's key business risks and to ensure that internal controls and Business Continuity Plans implemented are adequate and effective, and that appropriate timely mitigation measures and actions are taken by the management to address, manage and monitor the risks;
- iv. Review any cyber security risks and ensure that the management has taken the required steps to protect the Group from such risks;
- v. Review any matters arising from the Group's anti-corruption policies and procedures, review any allegations or incidents of anti-corruption matters within the Group and review reports from Risk Management & Internal Control, Nestlé Internal Audit and the Market Compliance Officer, to ensure adequate procedures are put in place;
- vi. Review the Company's environmental, social and governance (ESG)/sustainability risks including climate change risks and any relevant reporting disclosures;



- vii. Recommend to the Board, the approval of and/or amendments to the Group risk management framework and strategies including policies, procedures, systems, capabilities and parameters, where relevant; and
- viii. Consider the risks in context and recommend to the Board, mitigation of the risks identified.

### **Internal Audit**

- i. Receive and review audit plans submitted by internal audit, identifying their audit focus areas and planning materiality;
- ii. Review the internal audit reports of major audits which were undertaken;
- iii. Review the extent to which internal audit recommendations are implemented and the timeliness of responses received;
- iv. Review the adequacy of the scope, functions, competency and resources of the internal audit function;
- v. Review the performance of the Head of Nestlé Internal Audit and the members of the Nestlé Internal Audit Department, and review the appointment and movement of the Head of Nestlé Internal Audit and the members of the Nestlé Internal Audit Department; and
- vi. Ensure an Internal Audit Charter is in place and that the internal audit function is operating effectively and in accordance with the International Standards for the Professional Practice of Internal Auditing Framework.

### **External Audit**

- i. Receive and review the audit plans submitted by the external auditors, identifying their audit focus areas, scope of work, planning materiality and related audit matters;
- ii. Review the report of the external auditors' report;
- iii. Review management's responses to the interim reports, annual report and management letters of the external auditors;
- iv. Monitor developments in the external audit field and standards issued by professional bodies and other regulatory authorities;
- v. Oversee the external audit arrangements that are in place at the various controlled entities or subsidiaries;



- vi. Review the Audit Oversight Board Annual Inspection Report and Annual Transparency Report published by the external auditors;
- vii. Recommend the appointment, re-appointment or removal of external auditors to the Board;
- viii. Review the annual assessment of the objectivity, independence, competency and performance of the external auditors and to ensure that the external auditors meet the required criteria prior to recommending the re- appointment of the external auditors, in the absence of the external auditors;
- ix. Review and discuss the fees of the external auditors;
- x. Review the assistance given by the management to the external auditors; and
- xi. Review the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair independence or objectivity of the auditors.

#### **Others**

- i. Review on an annual basis, the term of office and performance of the Committee and each individual member, and to deliberate the outcome and recommend the action plans arising from such review, if any;
- ii. Assess the impact of any significant law and regulatory changes, accounting or reporting requirements; and
- iii. Oversee the implementation and monitoring of the whistleblowing hotlines and ensure that proper investigations have been undertaken.

#### **4. AUTHORITY**

In carrying out its functions and responsibilities, the Committee shall have the authority to:

- i. Investigate any matters within its Terms of Reference;
- ii. Have discussions with the management and employees of the Group and seek any information that it requires and have the full and unrestricted access to the information;
- iii. Engage independent professional advisors to advise on matters/issues, where the members require expert input;



- iv. Communicate directly with the external auditors and convene meetings with them either separately or jointly, in the absence of the management at least twice a year; and
- v. Communicate directly with the internal auditors and regularly convene meetings with them either separately or jointly, in the absence of the management.

## **5. COMMITTEE MEETING**

- i. The Committee shall meet as required, at least four times a year prior to the quarterly meetings of the Board.
- ii. The Committee shall ensure that adequate time is allocated for the Committee meetings, assuring that due attention is accorded to the matters discussed.
- iii. The Chairman of the Committee or the Company Secretary, on the requisition of a member will at any time summon a meeting of the Committee by giving reasonable notice. The annual meeting calendar is set in advance to allow the members to plan ahead for the meetings. The Chairman together with the Company Secretary shall set the meeting agenda which shall be circulated to the members of the Committee 14 days prior to each meeting. The meeting papers shall be furnished at least five business days prior to each meeting, to enable the members of the Committee to prepare for the meetings.
- iv. The Chairman of the Committee shall chair the Committee meetings, and, in his absence, the members present will elect one of the members to be the chairman of the meeting.
- v. The Chairman shall encourage the members to actively participate in constructive healthy debates and deliberations, and the members are able to freely express their views and share relevant information.
- vi. Any member who has a direct or deemed interest in the subject matter deliberated upon shall declare his or her interest in advance and shall abstain from the deliberations and voting.
- vii. The Chief Finance Officer, Head of Accounting & Consolidation, Head of Nestlé Internal Audit and the external auditors are invited to attend the Committee meetings. If required, the Committee can invite other members of the management or independent professional advisors to attend the Committee meetings where the Committee considers their presence necessary.
- viii. Any decision to be taken shall be decided by a majority of votes and in the case of equality, the chairman of the meeting shall have a second or a casting vote.





- ix. The Committee may also deal with matters by way of written resolutions.
- x. All reports, recommendations and findings of the Committee shall be submitted/presented by the Chairman to the Board for notation and approval, if required.
- xi. Draft minutes of each meeting shall be distributed to all members of the Committee. The minutes shall then be confirmed at the next Committee meeting and the confirmed minutes will be tabled at the Board meeting for notation.

## **6. DISCLOSURE**

The Committee shall assist the Board in making the required disclosure concerning the activities of the Committee for inclusion in the Annual Report and Corporate Governance Report.

## **7. REVIEW OF TERMS OF REFERENCE**

This Terms of Reference will be periodically reviewed to ensure that it continues to reflect the requirements of the Company to meet its commitments towards good corporate governance practices.

**This Terms of Reference was reviewed by the Committee on 26 February 2024  
and approved by the Board on 27 February 2024.**