



Nestlé Good food, Good life

NESTLÉ (MALAYSIA) BERHAD

Registration No.: 198301015532 (110925-W)

**TERMS OF REFERENCE FOR THE
GOVERNANCE, NOMINATION AND
COMPENSATION COMMITTEE**



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The Governance, Nomination and Compensation Committee (“Committee”) is a committee of the Board of Directors of Nestlé (Malaysia) Berhad (“Board”).

1. OBJECTIVES

The main objectives of the Committee are as follows:

- i. To assess the effectiveness of the governance structure, framework and policies and ensure they meet the requirements, purpose and values of Nestlé (Malaysia) Berhad (“Company”) and its subsidiary companies (“Group”);
- ii. To ensure that the Board and the Group are in compliance with their respective legal and fiduciary duties;
- iii. To promote good corporate governance within the Board and the Group, and to reinforce professional, ethical behavior and a compliance culture;
- iv. To ensure that the Board comprises of individuals with the necessary skills, knowledge and experience for the effective discharge of its responsibilities and to have an oversight of all matters relating to corporate governance; and
- v. To assess and make recommendations to the Board on the policies for compensation of the members of the Board, the Nestlé Leadership Team and employees of the Group.

2. COMPOSITION

- i. The members of the Committee shall be appointed by the Board from amongst its Directors. The Committee shall comprise of at least three members, exclusively of Non- Executive Directors, with a majority of them being Independent Directors. 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 experienced Non-Executive Director who shall be responsible for the efficient conduct of the meetings and the affairs of the Committee.
- 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.



3. FUNCTIONS & RESPONSIBILITIES OF THE COMMITTEE

Governance

The principal responsibilities of the Committee with regard to the governance functions are as follows:-

- i. Oversee all matters relating to corporate governance, including ensuring that the Board and the Group have in place good corporate governance practices and a robust compliance and integrity framework;
- ii. Reinforce the Group's stand against bribery and corruption and oversee the Group's anti-corruption commitment, including ensuring adequate procedures are in place in line with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009;
- iii. Review the application of the practices under the Malaysian Code on Corporate Governance;
- iv. Review any gaps under the Malaysian Code on Corporate Governance, and the action plans to remedy the gaps, if any; and
- v. Recommend to the Board for approval, the Corporate Governance Overview Statement and the Corporate Governance Report to be included in the Nestlé Corporate Governance and Financial Report.

Nomination

The principal responsibilities of the Committee with regard to the nomination functions are as follows:-

- i. Review the size, structure, balance and composition of the Board and the Board Committees;
- ii. Evaluate the required mix of skills, experience, core competencies, diversity of the Board (including gender, ethnicity/cultural background and age) and the Board Committees;
- iii. Undertake annual overall Board and Board Committees assessments, individual Director evaluations, Board Skills Matrix, independence assessment of Independent Directors and time commitment of each Director, for the effective and efficient functioning of the Board and the Board Committees;



- iv. Undertake gap assessments and develop a Board Improvement Program based on the assessment and evaluation of the Board, Board Committees, individual Directors and the Board Skills Matrix;
- v. Review the tenure of each Non-Executive Director;
- vi. Review the retirement of Directors, Directors eligible for re-election, and to assess their eligibility for re-election based on the Board Effectiveness Evaluation and the Company's Directors' Fit and Proper Policy prior to recommending to the Board the Directors for re-election;
- vii. Review the Board succession plan;
- viii. In identifying and recommending suitably qualified candidates for appointment to the Board, an assessment shall be made based on the Company's Directors' Fit and Proper Policy;
- ix. Ensure new Directors undergo a proper induction programme, review the trainings attended by the Directors, continuously evaluate the training needs for individual Directors and facilitate the required training programmes for the Directors;
- x. Review the diversity, equity and inclusion initiatives, management development, succession plans and movement of the Nestlé Leadership Team; and
- xi. Review the attraction and retention strategy of talents.

Compensation

The principal responsibilities of the Committee with regard to the compensation functions are as follows:-

- i. Ensure that the compensation package of the members of the Board and employees of the Group are benchmarked against industry standards in light of the Group's performance in the industry and to ensure market competitiveness to attract and retain talents;
- ii. Determine the Group's compensation philosophy and principles to ensure that they are in line with the business strategy, objectives, values and long-term interests of the Group and comply with all regulatory requirements;
- iii. Review the Group's compensation practices in relation to the risk environment and ensure that compensation does not encourage excessive risk-taking and is determined within the Group's risk management and control framework, taking



into account the long-term interests of shareholders, fund investors and other stakeholders;

- iv. Review and approve the management's proposal for the annual salary increase package for the employees as recommended by the Group Human Resource Department for subsequent approval by the Board;
- v. Review and recommend to the Board on the compensation of the Non-Executive Directors, by taking into account the level of expertise, commitment and responsibilities undertaken;
- vi. Review the individual compensation packages of the Executive Directors and the Nestlé Leadership Team; and
- vii. Review the report on the compensation to be disclosed in the Annual Report and Corporate Governance Report, in line with applicable legal and regulatory disclosure requirements.

4. AUTHORITY

As it deems appropriate, the Committee may also engage independent professional advisors or service providers to carry out certain delegated functions and responsibilities, including but not limited to compensation consultants, and shall be directly responsible for the appointment, termination, compensation and oversight of the work of any such advisors engaged by the Committee.

5. COMMITTEE MEETING

- i. The Committee shall meet as required, at least two times a year.
- ii. The Committee shall ensure that adequate time is allocated for the Committee meetings, assuring that due attention is accorded on the governance, nomination and compensation 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 the 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 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 the voting.
- vii. The Committee may invite other members of the management or independent professional advisors to attend the Committee meetings where the Committee considers their presence is 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 Governance, Nomination and Compensation Committee on 19 February 2024 and approved by the Board on 27 February 2024.