

rising above

2010 CORPORATE  
REPORT

# ...through innovation & renovation



Our 2008 Annual Report was themed “A Journey to Wellness” to symbolise the beginning of our journey towards Nutrition, Health and Wellness and in 2009, it was themed “Inspiring Nutrition from Nature” to reflect our choice of ingredients derived from nature to produce the best quality products for our consumers.

This year’s Annual Report, themed “Rising Above through Innovation & Renovation” illustrates our efforts in delivering the best to our consumers and ensuring that all our stakeholders’ needs are met.



Rising above in our technological innovation and renovation to deliver products that are nutritious, tasty, convenient and of the highest quality to our consumers.



## 27<sup>th</sup> Annual General Meeting

Sime Darby Convention Centre,  
1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur  
on Thursday, 21 April 2011 at 10.00 a.m.

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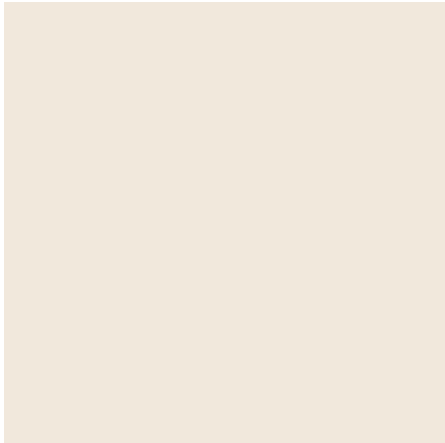
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Board of  
Directors



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Management  
Team









A person is rollerblading on a paved path in a park. The person is wearing yellow rollerblades and black socks. The path is surrounded by green grass and trees. In the background, there are some rocks and a building. The overall scene is bright and sunny.

MILO chocolate malt drink provides the nutritional goodness of malted barley. It has PROTOMALT, a malt extract which provides complex carbohydrates that give a source of energy to go further.

**Kids enjoying their favourite MILO drink, loading up on energy and chocolate goodness before rollerblading.**



Youths getting a healthy boost with their favourite Nestlé products – NESTLÉ BLISS Yogurt Drink, KIT KAT wafer and NESTLÉ Fat Free Yogurt.





The new NESTLÉ BLISS Yogurt Drink comes with Inulin (fibre). When combined with the goodness of Live Cultures, Inulin helps maintain a good digestive system. All NESTLÉ BLISS Yogurt Drinks contain no artificial colouring.



**Choosing your favourite MAGGI TASTYLITE  
Atta noodle makes each meal healthy  
and fun for the entire family.**





Offering consumers a healthier option through MAGGI TASTYLITE Atta noodle innovation, made from wholewheat flour.



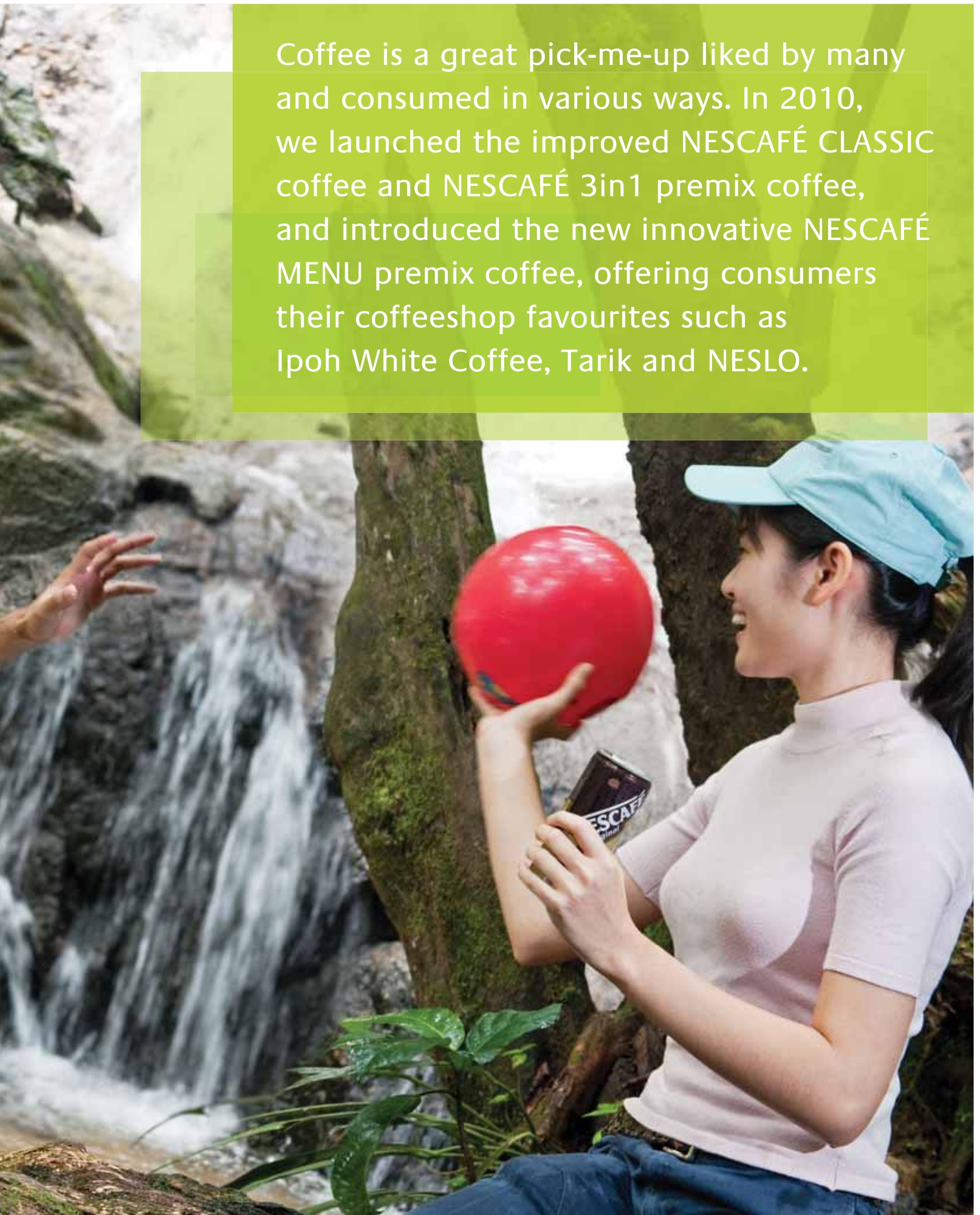




Great moments  
with friends are made  
even more special  
with NESCAFÉ coffee.



Coffee is a great pick-me-up liked by many and consumed in various ways. In 2010, we launched the improved NESCAFÉ CLASSIC coffee and NESCAFÉ 3in1 premix coffee, and introduced the new innovative NESCAFÉ MENU premix coffee, offering consumers their coffeeshop favourites such as Ipoh White Coffee, Tarik and NESLO.



We continue with our policies and strategies to reinforce our position as the world's leading Nutrition, Health and Wellness company.

# Chairman's Statement





**Tan Sri Dato' Seri Syed Zainol  
Anwar Jamalullail**  
Chairman

## Chairman's Statement

### RESULTS / PERFORMANCE

On behalf of the Board of Directors, I am pleased to present the Annual Report of Nestlé (Malaysia) Berhad for the financial year ended 31 December 2010.

We started the year on a good note, thanks to the positive growth in the global economy, particularly the significant recovery process of the Malaysian economy. Through proper planning and prudent Government economic policies, we saw the Malaysian economy expanding by 8.1% in the first nine months, and ending with 7.2% growth for the full year.

Bank Negara was very vigilant on the external uncertainties and took the necessary measures in governing its monetary policies to protect and support the country's economic growth. As a result, the Ringgit performed very well in 2010 and was among the league of notable strong currencies for the year.

The New Economic Model (NEM), unveiled by the Government during the year under review, also played its part in the country's continued growth. The NEM essentially provides the blueprint for Malaysia's Economic Transformation, formulating new strategies for the country to achieve a high-income status by 2020.

For the year ended  
31 December 2010,  
the Group posted a  
turnover of RM4.0 billion,  
on the back of strong  
showings from the export  
business and the domestic  
product categories.



The positive scenario strengthened consumer confidence, and this in turn provided impetus to the Group. During the year under review, we continue with our policies and strategies to reinforce our position as the world's leading Nutrition, Health and Wellness company. Led by a passionate and dynamic team, we have made significant strides in meeting consumer preferences and needs, reducing waste, improving efficiencies and stepping up the continuous innovation and renovation of our products.

For the year ended 31 December 2010, the Group posted a turnover of RM4.0 billion, 7.5% higher than the same period last year, on the back of strong showings from the export business and the domestic product categories.

Our decision to invest over half a billion ringgit on capital expenditures over the past three years is yielding positive results, as we built-up our capacity to serve the

growing domestic demand as well as the neighbouring Asian countries following the rebound of their respective economies during 2010.

New investments in production lines for soluble coffee and coffee creamers allowed the Export business to expand and capture strong demand overseas. In particular the shipments to Southeast Asian countries positively contributed to the robust double-digit growth of the export business.

The improvement of the Malaysian economy saw most of the domestic product categories continuing to perform well, with Nestlé Liquid Drinks and Chilled Dairy achieving double-digit growth. From a channel perspective, both retail and out-of-home sales enjoyed commendable growth.

During the year, the Group remained focused on managing unfavourable trends in input cost. In 2010, the average price of cocoa powder more than doubled vis-à-vis the previous year while skimmed milk powder was higher by 20%. The Group's initiatives including the Nestlé Continuous

Excellence (NCE) programme with a focus on zero waste and the streamlining of operations, coupled with the stronger Ringgit provided some relief against the sharp increase in the commodity prices.

The year under review also saw us continue to invest in our brands to maintain our leadership positions and gain market shares. The "MILO with PROTOMALT" and the "MILO PLAY MORE LEARN MORE" campaigns have further strengthened the MILO brand image among consumers. NESCAFÉ CLASSIC coffee and NESCAFÉ 3in1 premix coffee product range were relaunched with strong media support, which resulted in market share gain. Despite the strong investment in brand building activities, our total operational expenses were kept below budget.

From a bottom line perspective, profit before tax stood at RM465.7 million, a 5.8% increase over FY2009, translating in a slight margin reduction of 20bps.

The Halal tax incentives related to the substantial capital investments of the last three years helped reduce the effective tax rate. Against the same period last year, the net profit increased by 11.3% to RM391.4 million reflecting a 30bps margin improvement.

## CREATING SHARED VALUE

In 2012, Nestlé will be celebrating its 100th year in Malaysia. Over the years, the Group has seen the country progress from the challenges of the colonial era and the early years after independence, right through to the rapid industrialisation and development of the past 30 years.

The growth of the Nestlé Group of Companies has mirrored the development of the country, and our continued capital investments is testimony to the trust in the country's potential and sound economic policies. We aim to play a significant role as the country enters the final leg of its journey towards 2020.

The Group's contribution though, goes beyond economic progress, and extends beyond compliance and sustainability. At Nestlé we have analysed our value chain and determined that the areas of greatest potential for joint value optimisation with society are Nutrition, Water and Rural Development. These areas are core to our business strategy and vital to the welfare

of the people of every community we operate within. Water is essential for the production of food, Nutrition is vital for good health and Rural Development helps communities thrive.

The well-being of our consumers remains a key priority for us as we continue on our journey towards our goal of being the world's leading Nutrition, Health and Wellness company. Through convenings with our consumers and key stakeholders we have endeavoured to share our knowledge and resources.

We are fully supportive of the Government's efforts to encourage healthy diets and active lifestyles, and we collaborate with various stakeholders such as UKM (Universiti Kebangsaan Malaysia) to better understand the food consumption in terms of nutritional intake and the eating habits of young school children. Our ongoing efforts to improve the nutritional profile of our

products have also seen further progress as we reduce sugar, sodium or trans-fatty acids and eliminate artificial colours from our products.

Our efforts in Creating Shared Value have not gone unnoticed as the year under review saw us clinching numerous accolades and awards. In The Wall Street Journal Asia 200 Survey, Nestlé Malaysia is listed in the top 10 among all companies in Malaysia, and retained our ranking as the number two most admired company in Malaysia.

Nestlé (Malaysia) Berhad was also the winner of the Asia Responsible Entrepreneurship Awards 2010 (AREA) Malaysia under the category of Community Engagement, in recognition of organisations that have shown exceptional effort, perseverance and courage in corporate social responsibility initiatives.



## DIVIDENDS

In view of the strong performance in 2010, the Board has recommended a final net dividend of RM1.15 per share, giving a total net dividend proposed and declared for the financial year of RM1.65 per share. The amount represents an increase of 10% from 2009.

## ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management and staff for their role in delivering the Group's strong performance during the year, and to our distributors and customers for their continued support and loyalty to our brands. I would also like to record my thanks to my fellow directors for their wise counsel and continuing support.

During the year, we saw the retirement of Tan Sri Dato' Ernst Zulliger from the Board. Prior to his appointment to the Board in 1983, Tan Sri Dato' Ernst Zulliger served the Nestlé Group of Companies worldwide for a remarkable 37 years, with his last position as the Managing Director of Nestlé Malaysia between 1980 to 1990. During his tenure in Malaysia, he was responsible for taking the Company public on the Kuala Lumpur Stock Exchange (now Bursa Malaysia). I would like to acknowledge his valuable contribution to the Company and wish him the best in his retirement.

## Chairman's Statement

The growth of the Nestlé Group of Companies has mirrored the development of the country, and our continued capital investments is testimony to the trust in the country's potential and sound economic policies.



**Peter Vogt**  
Managing Director



Market share and brand image are key measures to assess the health of our business. Over the past 12 months, the Group has been able to expand its overall share in the food categories in which we operate.

# MD's Business Review

### OVERVIEW

Our operating environment improved considerably in 2010 thanks to the recovery of the global economy in general and the strong rebound of the Malaysian economy in particular. The 7.2% expansion of the Malaysian GDP was reflected in improved consumer confidence and higher consumer purchases in all food categories.

Market share and brand image are key measures to assess the health of our business. Over the past 12 months, the Group has been able to expand its overall share in the food categories in which we operate. This has been achieved with strong marketing support across all our key brands, successful innovations and renovations of our various product ranges as well as improved promotional activities in the trade. We are also pleased to report that our annual Corporate Equity Monitor showed improvements in the key components of the Nestlé image, most notably on the aspect of trust, nutrition expertise and as a manufacturer of healthy products.

In line with our goal of being the world's leading Nutrition, Health and Wellness company we have continued to improve and upgrade our product range. The challenge in this task is to strengthen the nutritional profile of products through reduction in sugar or sodium level, fortification of vitamins and minerals or elimination of artificial colours while in parallel achieving a winning taste profile. We are able to achieve this through deep understanding of local consumer needs and aspirations coupled with Nestlé global expertise and investment in R&D, which we can harness in our local factories. In addition, we have renewed our efforts in educating our consumers on nutrition and health by introducing Guideline Daily

Amounts (GDA) information on front of packs, strengthening nutrition messages on back of packs and promoting health campaigns on our website and through traditional media.

Commodity cost increases for most of our key raw materials have been an important area of focus for the Group. Benefitting from Nestlé worldwide commodity purchasing network we have been able to delay and contain the impact of some of the sharp price hikes in the commodity markets. Very important in this context is our ongoing Nestlé Continuous Excellence (NCE) initiative which continuously strives to improve the efficiency of our operations while eliminating losses with the ultimate goal of zero waste. These activities have again generated considerable operational savings and together with the strengthening of the Ringgit have provided some relief against the negative price trend on our key raw materials.

Another important initiative has been to review, streamline and strengthen our generating demand operations. We have reorganised our sales operation from a geography to a channel focus, expanded our shopper, customer and channel teams, refocused our brand management organisation and clarified the roles and responsibilities of each unit. With this reorganisation we are closer to our consumers, shoppers and customers thus increasing the quality of our marketing activities and the speed to market. Over the past twelve months we have also reduced the stock level in the distribution channels by approximately 10 days resulting in fresher stock at store level and lower financing cost for our distributors.



The Group's strategic decision over the past three years to invest in its manufacturing capacity has yielded positive results. Thanks to major investments (new production lines for soluble coffee and coffee creamers) the export business has expanded and we have been able to capture strong demand from key overseas markets, particularly from Southeast Asia. This contributed positively to the robust double-digit growth of the export business.

### COFFEE & BEVERAGES

On the back of the strong economic recovery, MILO continued to strengthen its market position. The market share of MILO powder increased whilst MILO FUZE recorded double-digit growth. We further strengthened the MILO proposition of Nutrition, Health and Wellness in the minds of Malaysians with the MILO with PROTOMALT campaign. The benefits of PROTOMALT, a proprietary malt extract made from the wholesome goodness of barley, was consistently highlighted at every consumer touch point, further building on the nutrition credentials of MILO.

Meanwhile, the MILO PLAY MORE LEARN MORE campaign was taken to the next level during the period under review. The objective during the year was to create engagement amongst parents, with the MILO Camp PLAY MORE LEARN MORE bringing to life values such as determination, leadership and teamwork

through the participation of children in sports activities. Activities during the one-day camps comprised of coaching clinics followed by a mini tournament. Six camps were organised nationwide by the respective neighbourhood Rukun Tetangga Committee members and fully supported by MILO. Active participation from the Rukun Tetangga Committee members, made up of parents in the respective neighborhoods, led to the successful organisation and high participation of kids in these camps.

NESCAFÉ performed well in 2010 driven by product re-launches of NESCAFÉ CLASSIC coffee and NESCAFÉ 3in1 premix coffee, which were reformulated using the upgraded coffee manufacturing technology. Both campaigns were heavily supported through the media and in-stores nationwide with positive feedback from consumers, which translated into strong sales.

Another key growth driver was the positive consumer response to the innovative NESCAFÉ MENU product range. Launched in October 2009, the brand was the first in the market to offer consumers a range of local coffee shop favourites - Ipoh White Coffee, Tarik and NESLO - in a convenient format. The launch was supported by a strong integrated campaign.

### FOOD

2010 was a demanding year for the Food business, with higher operational costs among the key challenges. MAGGI Noodles managed to protect its position with the cup segment expanding further, and we continued to invest aggressively in the MAGGI Flavour World category. There was an upward trend towards the last quarter of 2010 for the sauces category after an initial slow start.

A new communication campaign "HAPPINESS IS HOMEMADE" was launched in July 2010 and was strongly supported in the electronic media. On the innovation side we launched MAGGI Atta Noodles, a healthier option of instant noodles made from whole wheat and lower in fat. We also introduced MAGGI Kreatif a multi-purpose cooking sauce, which is highly versatile.

We also continued with our contract chili farming to deliver the best and freshest chillies for our Culinary Sauces, while ensuring the sustainability of our initiatives with local farmers.

Total export volume surged by 27% registering an all time high. This has contributed significantly to the Group's overall sales.

## MILKS

During the year under review, managing the volatility in the cost of milk solids, a key ingredient in many of our products was a challenge. However, continuous improvements in internal operational efficiencies through Nestlé Continuous Excellence initiatives helped to mitigate some of the input cost increases.

We undertook continuous consumer immersion initiatives to further our understanding of consumers' needs. This resulted in several consumer engagement activities, which include NESTLÉ OMEGA PLUS with ACTICOL Cholesterol Challenge campaign; Revitalise Your Vitality with NESVITA 3in1 nutritious cereal milk drink; COFFEE-MATE Customise Your Perfect Cup of Coffee in-store activation; and NESPRAY Growing Up Milk Check The Label campaign. All these activities expanded our consumer base as well as strengthened our position in the respective categories.

## CONFECTIONERY

The Confectionery business enjoyed another year of commendable growth led by the KIT KAT brand, which recorded significant growth in both our domestic Malaysian sales and exports to Thailand. This growth was largely driven by our engagement with consumers through social media sites such as Facebook, and strongly supported by media investments focusing on a contemporary interpretation of our long standing campaign "Have a Break, Have a KIT KAT".

In line with our commitment to deliver great tasting food balanced by consumer needs for more nutritional responsibility, we have introduced Guideline Daily Amounts (GDA) information for Energy delivery on the front of our confectionery packs, allowing consumers to easily make informed decisions for their daily nutritional and energy requirements.

## CHILLED DAIRY

Nestlé's Chilled Dairy products, which embody the Company's focus on Nutrition, Health and Wellness delivered excellent double-digit growth across its range.

In conjunction with World Digestive Health Day on May 29, we launched the NESTLÉ BLISS Yogurt Drink 14-day Challenge, aimed at educating the public on the importance of having a good digestive system. Consumer reaction was very positive resulting in a strong growth for our BLISS brand. NESTLÉ BLISS Yogurt Drink is the only yogurt drink in Malaysia that contains Inulin (fibre) and live cultures, and the campaign encourages consumers to take 2 servings of NESTLÉ BLISS Yogurt Drink daily to improve their digestion.

## NESTLÉ ICE CREAM

In the ice cream product category Nestlé continued to face stiff competition from a variety of brands. Despite the challenge, Nestlé Ice Cream recorded growth in Take Home tub, Out-of-Home, Multipack and Impulse segments. Highlights for the year were the successful launch of LA CREMERIA Strawberry Dream Ice Cream, DRUMSTICK Blackforest and MAT KOOL ASTEROID frozen confection.

Nestlé Ice Cream maintained its position as the market leader in both the affordable and premium range categories. NESTLÉ LA CREMERIA – the No.1 premium ice cream brand – continued to gain market share with its combination of quality, taste, variety and affordability and with the latest addition to the LA CREMERIA range - Strawberry Dream.

In line with our commitment to deliver great tasting food balanced by consumer needs for more nutritional responsibility, all products now carry Guideline Daily Amounts (GDA) information for energy delivery.



## NESTLÉ PROFESSIONAL

Nestlé Professional became a globally managed business in 2009 and posted strong growth in the last two years. As the market leader in the out-of-home (OOH) industry, Nestlé Professional will continue to grow the business further by providing innovative and creative system solutions and products to its customers in both the food and beverages categories. Key highlights for the year included innovative product and beverage system launches as well as activities, which fostered strong affiliation and relationships within the industry.

For beverages, SJORA, a unique refreshing drink that contains non-fat milk and real fruit juice, was launched to key customers, opening up an exciting new beverage category in the out-of-home segment. We also introduced the NESCAFÉ Milano system with a range of proprietary products that deliver an upscale premium beverages menu to selected partners.

In the food category, our highlight was the innovative MAGGI Hainanese Chicken Rice Paste, a complete product made with fresh ginger and garlic with no added MSG that provides a base for food operators to prepare authentic chicken rice conveniently.

Our relationship with the OOH industry reached another milestone in 2010 with the sponsorships of the Nestlé Culinary Arts Award; 4th Penang Chefs Challenge; World Golden Chinese Chef Competition and Sabah Hospitality Fiesta, aimed at further uplifting the standards of culinary arts in Malaysia. We also worked very closely with the Malaysia Singapore Coffee Shop Proprietors Association to create awareness on food and personal hygiene for food and beverage handlers amongst the association members.

## NUTRITION

Infant Nutrition continued its focus in helping build a happier, healthier generation through science-based, stage-appropriate nutrition from infancy through early childhood, to make sure infants start healthy and stay healthy throughout life.

A major milestone for Infant Nutrition in 2010 saw the rebranding of NESTLÉ Infant Cereal to NESTLÉ CERELAC. The union of the CERELAC brand with NESTLÉ, the nutrition expert with a key focus on quality has resulted in a strong growth for this range.

The Nestlé Nutrition Institute (NNI) is the medical and scientific communication arm of Nestlé Nutrition. With its motto of Science for Better Nutrition, the NNI's activities aim to contribute to proper nutrition information and education of healthcare professionals as well as partner them by providing enhanced access to the latest knowledge in nutritional sciences. This translated in the organisation of two key events: the second edition of the NNI Symposium for Health Professionals as well as the first CME workshop on maternal and paediatric nutrition for doctors of public hospitals in Kuala Lumpur.

The Nestlé HealthCare Nutrition division, which was recognised for its good business performance in the past years, continued to build on its strong foundation and good growth momentum. Our science based nutritional products are specially formulated for people with specific nutritional needs. Amongst the nutritional beverage products available to consumers includes NUTREN UNTUK DIABETIK, NUTREN Optimum, NUTREN Fibre and NUTREN Junior. In addition, PEPTAMEN nutritional beverage is specially formulated to feed the most challenging patients in critical care. As part of our commitment in sharing knowledge and nutritional expertise, Nestlé HealthCare Nutrition provides continuous medical education to the health care professionals.

## MD's Business Review

For Nestlé Performance Nutrition, our commitment is to deliver scientifically proven product systems and programmes to help athletes and sportsmen achieve peak performance. The POWERBAR Performance System has been proven to be an effective part of an athlete's training regime. We engaged with our athletes directly during sports event and built our team of ambassadors via Team Elite.

### EXPORTS

The soft economic conditions prior to 2010 provided Nestlé Malaysia with opportunity to consolidate its business and re-focus its strategies. The earlier investments with the installation of the Coffee Creamer plant and capacity expansion of the Coffee extraction facility resulted in a significant boost in our export volumes during the year under review.

The total export volume surged by 27%, registering an all time high. This has contributed significantly to the Group's overall sales, representing about 24% of the total turnover. 2010 also saw operational processes being put in place to further improve the delivery system of export services to Nestlé customers around the world.

Key initiatives aimed at boosting the exports sector, particularly with regard to the promotion of the Halal range of products, are continuing to deliver results with the realignment of the importer and distributor channel strategy for the European markets. Nestlé Malaysia is working closely with a global affiliate, Nestrade S.A. based in Switzerland, to promote Halal and ethnic product ranges within specialty channels as well as certain key accounts in Europe.

With the significant growth of Muslim communities around the world and Nestlé Malaysia recognised as a category leader for the production of Halal products within the Group, continued export promotion activities have been incorporated to sustain the growth of this segment.

In line with the Nestlé Group's global direction of Winning with Customers everywhere, we also focused on various key initiatives to improve customer service levels and on-shelf availability of our products.



## SALES

In 2010, the sales team continued to drive the speed of distribution, merchandising and execution of various promotional activities in the market. This was reiterated at the 2010 Sales Convention with the theme of “Accelerate towards Excellence”.

In line with the Nestlé Group’s global direction of Winning with Customers everywhere, we also focused on various key initiatives to improve customer service levels and on-shelf availability of our products. Some of these key initiatives included joint business planning, top-to-top engagement reviews, and category management with our key customers and retailers.

We also embarked on our journey on Winning with Shoppers by strengthening the capabilities of our Channel Category Sales Development (CCSD) team. Various shopper insight research and point-of-purchase studies were undertaken to deliver category growth with our shoppers. Nestlé Malaysia was one of the first markets in the Nestlé world to rollout a Hot Beverage Category Management initiative in 2010.

Nestlé Malaysia was also the first Nestlé market to successfully launch a new Distributor Management tool, DMSone, to all our Peninsular Malaysia Distributors in 2010. The tool will enable our sales and distributor teams to be more effective and efficient, and will further drive speed of execution in the market.

We continue to develop our sales teams with various on-the-job and classroom training sessions such as Key Account Management (KAM), Field Management Best Practices (FMBP) and Distributor Management Best Practices (DMBP). We also continue our work with the Open University of Malaysia (OUM) - 15 employees graduated from the Nestlé Sales College in 2010.

As part of a company-wide Nestlé Continuous Excellence (NCE) initiative of reviewing the Generating Demand functions, we also restructured our sales organisation from a geographical focused structure to a channel focused structure. This has enabled us to respond with greater agility to the changing retail landscape, service our customers more efficiently and effectively, and continue to drive growth in both the Modern and Traditional Trade in Malaysia.

## HUMAN RESOURCE

During the year under review Nestlé continued its efforts to develop talents through continuous focus on human resource development. As part of the Human Resource Roadmap to create a high performing organisation, Nestlé is using a structured process and system called “TPMS: Talent Performance Management Solutions” which consists of 4 key processes:

1. Performance Evaluation – team-based objectives setting and evaluation
2. Talent Assessment - assessment of our employees’ sustained performance and potential to grow in the organisation.
3. Succession Planning - plans for potential successors of key positions.
4. Progress Development Guide Process – discussion and planning between the manager and employee on the latter’s development action plans.

As the largest MNC in the Food and Beverage sector, we have benefited from the global approach in talent management and development rolled out by the Nestlé Group worldwide. We also conducted in-house and overseas training based on our employees’ current and future job requirements and individual development needs.

In an effort to engage better with our employees we conduct regular surveys. One such initiative is the ‘Nestlé & I’ survey that was conducted by the HAY Group in 2010. The feedback was highly encouraging as there was a strong participation rate of 98%. The survey findings indicated that our key strengths include our strong commitment to the quality of our products and meeting our customer needs, our ability to ensure clarity to our employees and the strong sense of pride and commitment inculcated across the Group. Areas of improvement were also identified and action plans have been established.

## FINANCE AND CONTROL

In 2010, the Finance and Control (F&C) function continued to support the creation of long term shareholder value by leading the Group’s strategic planning and forecasting processes, by acting as a co pilot through partnering with the businesses to influence decision making and by ensuring the highest standards for stewardship and governance throughout the Company.

To achieve the Group’s financial goals, the F&C team partnered with the respective Business Units and Support Functions to execute the business strategies planned for the year. This involved setting clear and measurable targets, providing transparency on performance, assessing risks and opportunities, identifying gaps and developing specific action plans to deliver on the company’s objectives.

The year under review also saw the F&C community involved in several key projects and initiatives to support Nestlé Malaysia's overall business.

One key project pertained to the preparation for the impending introduction of the Goods and Service Tax (GST). The Group supports the Government's plan to introduce the GST and believes that it is an integral part of the Economic Transformation Plan to turn Malaysia into a high-income economy. We have already commenced the impact study and assessed the necessary work flows in preparation of the implementation of the GST. As one of the country's business leaders, we will continue to work closely with the Government and provide the necessary feedback to ensure a smooth implementation process.

## **PRODUCTION - CAPITAL EXPENDITURE**

Total capital expenditure for the period under review was about RM145 million, down from RM267 million registered in the previous financial year. The reduction was largely a result of the successful completion and financial closure of major capital investment projects in the Shah Alam Complex that took place over the 2009/2010 period.

Capital expenditures consisting of Manufacturing as well as Sales, Administration and Distribution were carried out in line with the increase in local market demand and the growing export volumes.

Additional processing capacity has also been installed for the production of Liquid Drinks Products. Also, to meet the growth

in demand for our 3in1 mixes, we have invested in additional capacity for the beverage mixes stick pack filling. Further investments were made to increase our capacity at the KIT KAT confectionery plant with the extension of the Wafer Baking Process and Chilled Dairy filling capacity.

As in previous years we have also made investments to ensure better quality assurance and enhance our cost saving initiatives. An important capital investment that was completed and successfully commissioned was the new Batching Plant at the Petaling Jaya Factory. The plant forms an important process in the manufacturing of MILO. This investment will continue to assure the high quality of our products as well as the necessary process reliability and stability.

Another key capital investment in 2010 was the acquisition of an additional factory site. Situated adjacent to our Batu Tiga Factory, this 40,000 sq meter site with industrial buildings will enable us to further expand our production facilities in Shah Alam as well as improve our internal infrastructure.

The year under review has seen a strong drive towards further reducing our Energy and Water consumption. Investments were realised in all factories, aimed at successfully reducing our Electricity and Steam consumption and further decrease the utilisation of drinking water for our processes. Between 2009 and 2010, Nestlé achieved a 9% reduction in energy at constant volumes of 2009, which is significant considering the breadth of our operations.

## **SUPPLY CHAIN**

In 2010, the Group handled over 28 million cases of products, delivering to 87 Distributors through 11 warehouses operated by Nestlé and other external parties.

Our overall Customer Service Level (CSL) was 96% in 2010 despite some typical operational issues affecting stock availability such as unplanned manufacturing stoppages, raw material shortages, and uneven sales trends. To meet the needs of our customers, we have taken steps to improve the business planning process, closely monitored the supply of key ingredients and implemented training programmes to enhance the capabilities of our staff. Our Customers in International Accounts continue to rate us as a top supplier with a CSL of 98~99%.

For Export or Inter-market Supply (IMS) to other Nestlé markets, we dispatched 13,000 containers to 66 countries across the world.

## **PROSPECTS**

Key economic indicators remain positive for the year and the implementation of the Economic Transformation Plan by the Government will help support the country's growth projected to be around 5%. We are confident that the momentum which we have gained in 2010 combined with strong marketing plans for our key brands

will enable us to deliver accelerated growth in 2011. Our innovation focus will be both on affordable products with our Popularly Positioned Products (PPP) range offering nutritional benefits in a simple format at the right price point, as well as on premium products offering superior taste and nutrition in convenient formats at competitive prices.

The biggest challenge that we are facing today continues to be the inflation of food prices. The cost of our key raw materials are expected to rise further and to remain at a historically high level, as the increasing demand in emerging markets is exacerbating the supply shortage of agricultural commodities. This may be further compounded by increasingly unpredictable weather patterns resulting in a more volatile agricultural output. We will therefore continue focusing on internal cost saving initiatives while closely monitoring the development of commodity prices and adjusting our pricing policy accordingly. Wherever possible the Group will leverage on its operational efficiencies and cost savings initiatives to minimize passing on price increases to consumers.

We have again earmarked a comprehensive capital expenditure budget for upgrading, capacity expansion and investments in product innovations to meet the growing demand from domestic and overseas markets.

In line with our motto "GOOD FOOD, GOOD LIFE", we are committed to enhance the quality of life of our consumers by continuously improving our range of food and beverages. Our goal is to create shared value for our shareholders and for the Malaysian society as a whole.

### ACKNOWLEDGEMENTS

I would like to put on record my sincere appreciation and gratitude to the entire Nestlé team for their efforts in 2010. The commitment, determination and passion of the people we have is what sets us apart from our competitors. I am proud to be part of this team.

In line with our motto  
"GOOD FOOD, GOOD LIFE",  
we are committed to enhance  
the quality of life of our consumers  
by continuously improving our  
range of food and beverages.



# What's New

As the leading Nutrition, Health and Wellness company, we continue on our journey of innovation and renovation in 2010 across our product portfolio.



## **NESTLÉ Smooth & Fruity Yogurt**

The NESTLÉ Smooth & Fruity Yogurt is low in fat and infused with live cultures, which allows the extra smooth texture and fruity flavour to be enjoyed without feeling guilty.



## **FOX'S CRYSTAL CLEAR**

Available in four fruity flavours – Strawberry, Lemon, Blackcurrant and Orange – FOX'S CRYSTAL CLEAR is made with natural colours extracted from selected plants.



## **LA CREMERIA Strawberry Dream**

Indulge your senses with NESTLÉ Ice Cream LA CREMERIA Strawberry Dream – a smooth and creamy strawberry and vanilla flavoured ice cream with luscious strawberry pieces in each tantalizing spoonful that will bring you to a state of bliss.

### NESCAFÉ 3in1

The NESCAFÉ 3in1 coffee range now entices consumers with its improved taste and a smooth layer of foam, created using new proprietary technology.



### MAT KOOL ASTEROID

Made from natural colours, MAT KOOL ASTEROID is a delicious creamy chocolate ice confection which is high in Calcium, coated with chocolate and crunchy rice crispies.



### Nurturing Togetherness with MAGGI Sajian Keluarga

MAGGI continues to deliver eating pleasure, sound nutrition and wellness to generations of Malaysians with the introduction of its economical and family-oriented MAGGI Sajian Keluarga (Family Meal) instant noodles pack. Extra goodness comes from the added Iron in the noodle and iodised salt in the tastemaker. The MAGGI Sajian Keluarga instant noodles are currently available in the East Malaysian market only.

### MAGGI TASTYLITE Atta Wholewheat Noodles

MAGGI, Malaysia's favourite instant noodles introduced the new MAGGI TASTYLITE Atta Wholewheat Noodles range for health conscious individuals. Available in two local flavours – Mi Rebus and Chapati Kheema, the noodles which are served with gravy are a source of fibre and are lower in fat with no added MSG. Packed in the familiar multi-packs of 74x4 for the Mi Rebus and Chapati Kheema flavours, they are available at selected supermarkets and hypermarkets nationwide.





## What's New



### **NESCAFÉ Ice Revamped** – Creamier & Richer Coffee Taste

Nestlé Professional launched the improved NESCAFÉ Ice Coffee which received positive feedback from consumers who liked the creamier taste and richer coffee aroma.



### **MAGGI KREATIF Multi-purpose Cooking Sauce**

Made from a special combination of onion, garlic, chilli, pepper and soy sauce, the MAGGI KREATIF Multi-purpose Cooking Sauce is a scrumptious source of delight for both amateur and professional cooks, which can transform ordinary dishes into culinary masterpieces.



### **MAT KOOL Jolly Jelly 50ml**

A delicious and creamy vanilla frozen confection that comes with yummy strawberry jelly core, MAT KOOL Jolly Jelly contains natural colouring and is high in Calcium.



### **NESTLÉ DRUMSTICK**

#### **Blackforest Bites**

The yummy new NESTLÉ DRUMSTICK Blackforest Bites is a smooth vanilla and chocolate frozen confection, topped with chocolate rice crispies and a centre of raspberry sauce throughout its unique black cone which is made with natural colouring.



## NESCAFÉ CLASSIC

Relaunched in April 2010, the NESCAFÉ CLASSIC coffee is now made using coffee extraction technology which slowly and carefully captures the true essence of coffee that delivers a whole new coffee experience with purer aroma and smoother taste to consumers.



## NESTLÉ BLISS 0% Fat

### Peach Mango 700g

NESTLÉ BLISS 0% Fat Yogurt Drink now comes in a new flavour made from tropical mangos and summer peaches. This yogurt drink is also cholesterol-free and contains only natural colouring. Its extra goodness comes from Inulin (fibre), live cultures and real fruit juice.



Natural colouring extracted from selected plants and fruits are used in a number of our products.

## What's New

### NESTLÉ Multi Grain CHEERIOS

NESTLÉ Multi Grain CHEERIOS contains the goodness of wholegrains, 10 essential vitamins, minerals and fibre which aids digestion. The great tasting combination of corn, rice, wheat, oats and barley makes a bowl of CHEERIOS cereal the perfect way to start the day.



### NESCAFÉ MENU Ipoh White Coffee in a Can

The NESCAFÉ MENU range of Malaysian coffee now includes NESCAFÉ MENU Ipoh White Coffee in a convenient, ready-to-drink can format.

### POWERBAR Gel comes in three new flavours

POWERBAR Gel offers instant power and immediate energy for athletes in need of a rapid boost during an intense activity. In addition to the existing caffeine and decaf variants, POWERBAR Gel now comes in three new flavours – POWERBAR Gel Green Apple, POWERBAR Gel Raspberry Cream and POWERBAR Gel Vanilla.



### **SJORA Tropical Pineapple & SJORA Mango Peach**

Nestlé Professional opened up an exciting new beverage category in the out-of-home segment with the launch of its SJORA (pronounced as Se-jo-ra) fruit drink. Introduced in major foodcourts in KL and Klang Valley, the SJORA fruit drink is a unique and refreshing 99.9% fat free drink made with real fruit juice and non-fat milk.



### **NESTLÉ Fat Free Blueberry, Apple & Nata De Coco Yogurt**

The NESTLÉ Fat Free Blueberry, Apple & Nata De Coco Yogurt contains triple goodness of real fruit pieces, Calcium to help develop strong bones and teeth, and live cultures to maintain a good digestive system. Blueberries provide thirty percent of the daily requirements of Vitamin C and are also a source of Vitamin E, dietary fibre and antioxidants.



### **MAGGI Hot n' Sweet Chilli Sauce**

Made from selected fresh chillies, the MAGGI Hot n' Sweet Chilli Sauce will win over the hearts and tastebuds of all in the family. It makes a delightful complement for any dish by adding zest to fried chicken, as well as a heavenly dip for prawn fritters, nuggets and fries.

Through innovation and renovation, we will continue to provide consumers with a choice of healthier and more nutritious products that contain less salt, less sugar and are low in fat.



## NESTLÉ PARTICIPATES IN BUSINESS AGENDA FORUM ON WATER **A**

The Association of Chartered Certified Accountants (ACCA), together with the Institute of Corporate Responsibility Malaysia and the Malaysian Water Association (MWA) jointly organised a forum on “Business and Water: Should We Be Concerned?” at the Securities Commission, Kuala Lumpur on 7 January 2010. The forum was aimed at raising the importance of water on the business agenda and supporting the discussions of water impact on business and possible solutions. Nestlé Malaysia Executive Director, Technical and Production, Mr. Detlef Krost participated in the panel discussion to share the Company’s views on the importance of water management in the food industry as well as the impact of water scarcity on the future of global food security.

Mr. Krost highlighted the various initiatives the Company is taking globally in managing our natural resources both downstream and upstream of our operations. He also advocated the sharing of best practices of water sustainability efforts so that businesses can learn from one another. In conclusion, the business forum recognised that there is an expectation gap between consumers and the water provider, and that the management of water is a joint responsibility to be shared between the Government, businesses, water authorities and consumers. Other panelists include ACCA’s Director for ASEAN and Australasia Mr. Tay Kay Luan, MWA’s President Mr. Ahmad Zahdi Jamil, Suruhanjaya Perkhidmatan Air Negara’s Chief Executive Officer Dato’ Teoh Yen Hua and Deputy Dean and Director of Sustainability, Faculty of Law and Management at Australia’s La Trobe University, Professor Carol Adams.



# Highlights

## FULL SCALE COMMERCIALISATION OF RED RICE FARMING IN SARAWAK **B**

Local farmers toiling on rural farmland in Sarawak's 1st Division have been given the opportunity to be part of Nestlé supply chain via a full contract farming scheme aimed at Creating Shared Value for all parties involved in the project. A full scale commercialisation programme was launched after five years of collaborative efforts by Nestlé (Malaysia) Berhad, the Malaysian Agricultural Research & Development Institute (MARDI), the Agricultural Research Centre (ARC) Sarawak and the Sarawak Department of Agriculture. Under the contract farming scheme, more than 500 farmers covering some 350ha of

rural farmland have been given the task to plant and produce traditional red rice – a key raw material needed for the manufacture of Nestlé range of infant cereals – which the Company produces for the ASEAN region. Nestlé Malaysia Executive Director, Technical and Production Mr. Detlef Krost launched the programme on 8 March 2010 at Tebedu in Serian, Sarawak together with Deputy Chief Minister (II), Minister of Modernisation of Agriculture and Minister of Rural Development of Sarawak Datuk Patinggi Tan Sri (Dr.) Alfred Jabu Numpang.



**B**

## MANAGEMENT ENGAGEMENT MEETING **C**

Nestlé Malaysia organised the Management Engagement Meeting (MEM) on 15 March 2010 with the objective of providing key information on the Company's business performance, priorities, challenges and setting clear directions moving forward. The meeting was attended by more than 160 of Nestlé Malaysia's senior managers at The Saujana KL. One of the main agenda points of the meeting was the Group Engagement Session, whereby participants were divided into groups to discuss selected topics that were related to the theme of this year's MEM, Creating Shared Value (CSV). Other topics include key messages from the Managing Director of Nestlé Malaysia Mr. Peter Vogt on overall CSV, presentations on Brand CSV and on 'Achieving High Performance' as well as a "Hard Talk" session. Nestlé was also honoured to have a distinguished external speaker, Head of Consumers International, Kuala Lumpur, Dato' Indrani Thuraisingham to address the attendees with a presentation entitled 'The Call for Social Responsibility'.



**C**

# 2010

## Highlights 2010



### NESTLÉ NOURISHING MALAYSIA SHOWCASE **D**

Nestlé held the NESTLÉ NOURISHING MALAYSIA Showcase in two different states to educate the public in support of the Government's efforts to encourage healthier diets and active lifestyles amongst Malaysians. The 4th NESTLÉ NOURISHING MALAYSIA Showcase was held from 2 – 4 April 2010 at the 1 Utama Shopping Centre in Bandar Utama, whereas the 5th edition of the Showcase was held from 2 – 4 July 2010 at AEON Bukit Indah in Johor Bahru. The Showcase demonstrated to visitors how Nestlé has evolved in its journey to become the world's leading and trusted Nutrition, Health and Wellness company.

The Showcase has grown in importance for Nestlé as we appreciate the value of face-to-face engagement with our stakeholders and consumers. The Showcase is a platform to share our product innovation and educate our consumers to adopt a healthy and active lifestyle, complementing the Ministry of Health's 10-Year Nutrition Action Plan. Thousands of visitors thronged the Showcases which also include a fun-filled activities for the family, such as healthy cooking demonstrations, free health screenings (BMI, blood sugar and cholesterol checks), talentime contests, a colouring competition for the young ones, exercise and line dancing sessions, as well as product sampling.



### NESTLÉ MALAYSIA HOSTS WINA **E**

Nestlé Malaysia, one of the World Instant Noodle Association (WINA) Governing Country representatives, successfully organised the 7th World Instant Noodles Summit. Held for the first time in Malaysia from 20 – 22 April 2010, the event saw the participation of more than 300 delegates representing 47 instant noodle manufacturers from 18 countries such as China, Japan, Brazil, Russia, Thailand, Vietnam, South Korea, India, Taiwan, the Philippines and Indonesia. Themed 'Earth Food: Making It Happen', the Summit was aimed at discussing what the instant noodle industry could do collectively to serve the dietary well-being of the global population in an effort to gain recognition for instant noodles as a dietary staple. WINA members also made a Kuala Lumpur Declaration pledge to renew their commitment to assist victims of natural disasters and the needy through the supply of food rations. They also pledged to help facilitate consumers make informed decisions on product choices with consideration for health and environmental aspects.





### SUSTAINABLE PALM OIL FORUM **F**

Executive Vice President, Operations of Nestlé S.A. Mr. José Lopez participated in a forum with key stakeholders in the palm oil industry on 17 May 2010 at One World Hotel, Petaling Jaya. The panel at the forum entitled “Committed Towards Sustainable Palm Oil and Diversity” featured distinguished speakers, including the Secretary-General of Roundtable for Sustainable Palm Oil Dr. Vengeta Rao, CEO of Malaysian Palm Oil Council (MPOC) Tan Sri Dr. Yusof Basiron, Chief Technical Officer of WWF-Malaysia Mr. Surin Sukswan and Group Manager, Human Resources and Environment, Safety and Health of United Plantations Berhad Mr. C. Mathews. Moderated by En. Kamarul Bahrin Haron, the session saw Mr. Lopez urging for a coalition between key stakeholders and

encouraged all parties to work together to ensure the sustainability of this key raw material. He also challenged Malaysia to take the lead in this matter as one of the biggest palm oil producers in the world. Mr. Lopez also announced that Nestlé has entered into a partnership with The Forest Trust (TFT) to further strengthen its commitment to combat the major issue of deforestation. TFT, a global non-profit organisation, will help Nestlé to build responsible supply chains by identifying and addressing social and environmental issues.

## Highlights 2010

### NESTLÉ STAKEHOLDER CONVENING **G**

Nestlé Malaysia hosted two Stakeholder Convening sessions on 15 June and 9 December 2010. The objectives of these sessions were to update stakeholders on Nestlé activities, following the feedback and suggestions received from them during the previous sessions. Nestlé also shared with the stakeholders updates on the global Creating Shared Value Forums, held in London and Geneva respectively. Vital topics on Creating Shared Value's three focus areas of Nutrition, Water and Rural Development were also discussed during the session. The Stakeholder Convening sessions are part of Nestlé ongoing efforts to have a two-way dialogue with its key stakeholders.

### NESTLÉ AT WORLD HALAL FORUM AND MIHAS 2010 **H**

Nestlé Malaysia participated in the World Halal Forum (WHF) and the 7th Malaysia International Halal Showcase (MIHAS) 2010 during the Malaysia Halal Week held from 21–27 June. As the Silver Sponsor for the World Halal Forum, Nestlé hosted the Gala Dinner on 21 June 2010 which was attended by the former Prime Minister of Malaysia, Tun Abdullah Ahmad Badawi. MIHAS is an annual international trade fair with the largest gathering of Halal industry players hosted by the Ministry of International Trade and Industry and organised by the Malaysia International Trade Development Corporation (MATRADE). Inaugurated in 2004, the Showcase, themed 'The Spreading Influence of Halal', saw more than 600 participants from 32 countries. The Prime Minister of Malaysia, Dato' Seri Mohd. Najib Tun Hj Abdul Razak and Minister of International Trade and Industry Dato' Sri Mustapa Mohamed visited the Nestlé booth at MIHAS during the official opening.



**NESTLÉ HEALTHY KIDS PROGRAMME LAUNCHED TO ADDRESS UNDER NUTRITION AND OBESITY I**

The Nestlé Healthy Kids (NHK) Programme in Malaysia was launched on 7 August 2010 at Royale Bintang Hotel, Petaling Jaya by the Ministry of Education's Deputy Director General of Education (Education Operations), Dato' Hj. Noor Rezan bt. Bapoo Hashim, together with Executive Director, Human Resource and Group Corporate Affairs of Nestlé Malaysia, Pn. Zainun Nur Abdul Rauf and President of the Nutrition Society of Malaysia (NSM) Dr. Tee E. Siong. Themed "Let's Be Healthy!", the Programme in collaboration with NSM aims to improve the nutrition knowledge and promote healthy lifestyles among school children aged between 7-12 years old, while

empowering them to lead healthier lifestyles through better eating habits, exercise and taking other key health measures such as hygiene. Designed in collaboration with health and nutrition professional bodies, national health authorities, child nutrition experts and educational foundations of the respective countries, the NHK Programme hopes to educate children, parents and teachers as well as canteen operators through Parent-Child Workshops, the NHK website, school roadshows and collaterals. Globally, the NHK Programme has been running for several years and has reached approximately four million children and will be extended to all countries where Nestlé has operations by the end of 2011.

**PERDANA LEADERSHIP FOUNDATION CEO FORUM 2010 J**

Nestlé Malaysia's Managing Director Mr. Peter Vogt was invited to be one of the panelists for the Perdana Leadership Foundation CEO Forum 2010, which featured a large gathering of leading corporate minds and industry insiders in Malaysia. Other panelists that shared the rostrum with Mr. Vogt discussing the topic of "What Makes a Corporation Exceptional" were Executive Chairman of Westports (M) Sdn. Bhd., Tan Sri G. Gnanalingam and CEO of Symphony House, Dato' Azman Yahya. Themed 'Approaching 2020: Malaysia's Decade for Growth?', the Forum was also attended by former Prime Minister Tun Dr. Mahathir Mohamad who gave the Closing Keynote Address.





## Highlights 2010



### NESTLÉ-TETRA PAK-TESCO LAUNCHES 'PROTECT THE RAINFOREST' CAMPAIGN **K**

Nestlé Liquid Drinks, together with Tesco Stores (Malaysia) Sdn. Bhd., and Tetra Pak (Malaysia) Sdn Bhd came together for the "Protect the Rainforest" campaign, a community project to enhance the awareness about the importance of preserving our natural rainforest through recycling of beverage packet drinks. From 1 till 31 October 2010, consumers brought their used beverage packets of all brands, shapes and sizes to any of the 14 participating Tesco Hypermarkets in Klang Valley for recycling in support of the Malaysian Nature Society's (MNS) efforts to protect the Belum-Temengor Rainforest.

The campaign was launched by Nestlé Malaysia Managing Director, Mr. Peter Vogt together with Tesco Malaysia Government Relations and Legal Affairs Director, Mr. Azlam Shah Alias, Managing Director of Tetra Pak Malaysia, Singapore and Philippines, Mr. Anders Wester and Ministry of Housing and Local Government's Director General of the Department of National Solid Waste Management, Dato' Dr. Nadzri Yahaya on 30 September 2010 at Tesco Kepong Village Mall.

### VISIT OF NESTLÉ EXECUTIVE VICE PRESIDENT AND HEAD OF ZONE ASIA, OCEANIA, AFRICA AND MIDDLE EAST TO MALAYSIA **L**

Executive Vice President and Head of Zone Asia, Oceania, Africa and Middle East, Dato' Frits van Dijk visited Nestlé Malaysia in November 2010 where he was warmly welcomed on his first visit to Nestlé Malaysia's new Head Office in Surian Tower. During his market visit, Dato' Frits took the opportunity to meet with some trade customers. He also spent some time with the senior managers at the Head Office, where he participated in a dialogue session to discuss business direction, opportunities and challenges, as well as the Zone's priorities.



### 10,000 PEOPLE WALKED ON WORLD WALKING DAY **M**

The dawn of 21 November 2010 saw 10,000 Malaysians from all walks of life coming together to celebrate World Walking Day. It was flagged off simultaneously at six different locations – Kuala Lumpur, Penang, Kuantan, Johor Bahru, Penampang and Kuching. World Walking Day gave everyone the opportunity to get together with family and friends, to activate their bodies and enjoy the wonders of walking. The participants walked 3,000 steps that morning, which is equivalent to 30% of the 10,000 steps recommended for a day by the Ministry of Health. After the walk, participants

were treated to Nestlé nutritious breakfast products, stage performances and lucky draws. Going beyond 21 November 2010, Nestlé encourages the public to have Walking Days with their neighbours and friends throughout the year, leading up to the annual World Walking Day event, which will be held on the third Sunday of November each year.



### Nestle sees higher exports this year

MD: Economic recovery will lift overseas demand

«We are trying not to increase our»

### Recycling for a cause

July campaign by Yacco, Nestlé and Yacco P&L to protect Pulau Temenggong Forest

### Pendapatan Nestle lepassi unjuran

OSK Research jangka momentum positif saham syarikat terus berdaya tahan

### 雀巢第三季净利大增 42%

内需转晴带动

雀巢第三季的净利率增加 90%至 30%

### Nestle investing RM20mil to raise Kit Kat plant output

By ZAZALI MUSA

### Giant, Nestle sumbangkan RM150,000

Malaysia Red Cross

### Dapur hebat

Nestlé sedia persembakan memasak menarik, tetapi berhadak pengguna

### Forum: Give more priority to water management

Walaupun air adalah sumber yang penting, namun ia tidak dianggap sebagai aset yang bernilai tinggi.

### Nestle labur RM267 juta beli mesin baru

Investment in new machinery to boost production

### Pemeriksaan kesihatan, produk terbaru di pameran Nestle

Health check-up and new products at exhibition

### Nestle profit up on gains from halal tax incentives

But value of exports down due to weaker demand for milk powder

### 再倫諾 受委雀巢部門主管

任命新主管

### Nestle anjur program pemakanan sihat

ALAM usaha meredakan peradaban dan peredaran terhadap pemakanan dalam meningkatkan gaya hidup sihat.

### Forum: Give more priority to water management

Walaupun air adalah sumber yang penting, namun ia tidak dianggap sebagai aset yang bernilai tinggi.

### Nestle profit up on gains from halal tax incentives

But value of exports down due to weaker demand for milk powder

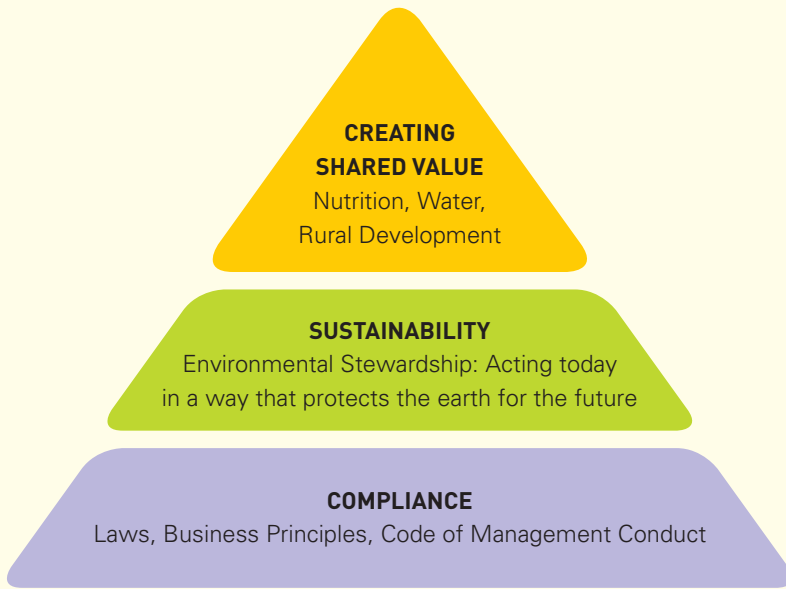
### 再倫諾 受委雀巢部門主管

任命新主管

# Nestlé in the News







**The Nestlé Creating Shared Value Model**

Nestlé was founded on the principle of social responsibility, when our founder Henri Nestlé, a Swiss chemist by profession, developed a product for an infant who was unable to be fed on his mother's milk. Thus began the journey and commitment to improve the lives of the communities whom we touch.

Nestlé recognises that our success depends on creating value for all our stakeholders – from the farmers, who supply the raw materials required for our products, and our consumers to our biggest asset – our people. We call this commitment Creating Shared Value (CSV).

Creating Shared Value is our concept of Corporate Social Responsibility. The concept brings us beyond compliance and sustainability, as the basic business principle advocates that for a business to

Nestlé recognises that our success depends on creating value for all our stakeholders – from the farmers, who supply the raw materials required for our products, and our consumers to our biggest asset – our people.

# What Creating Shared Value Means to Us



be successful and sustainable over the long term, it must bring value to both the shareholders and society.

A fundamental part of our way of doing business, CSV focuses on specific areas of the Company's core business activities where value can best be created both for society and shareholders. We believe that any business that thinks long-term and follows sound business principles creates value for its shareholders and for society through its activities.

CSV is also a motivating principle for our employees and is anchored to our culture, values and principles. Its relevance to our corporate initiatives, products and brands drives us to embed this strategy further across our value chain and throughout our business operations.

### OUR THREE FOCUS AREAS IN CSV

At Nestlé, we have analysed our value chain and determined that the areas of greatest potential for joint value optimisation with society are Nutrition, Water and Rural Development. These areas are core to our global business strategy and operations, as they are key societal challenges, where we feel we can play a positive role:

- **Nutrition:** because food and nutrition are the basis of health, our expertise and of our business – it is the reason why we exist.
- **Water:** because the ongoing quality and availability of it is critical to life, the production of food and to our operations. We also believe it to be the key environmental issue today.
- **Rural development:** because the overall well-being of the farmers and their rural communities are intrinsic to the sustainability of our business.

These three areas are fundamental to the Nestlé value chain and business success, and are the basis of our competitive advantage. By embedding CSV firmly in our business, we are able to embark on results-oriented initiatives that have a long-term impact on society. From addressing health-related issues including under-nutrition, over-nutrition and malnutrition, sedentary lifestyles, aging populations and increasing health costs; to agriculture and rural poverty; water, energy and climate change, we aim to create a thriving and sustainable society.

These areas are fundamental to our overall business goal, which is "To become the recognised leader in Nutrition, Health and Wellness, trusted by all stakeholders".

Note: For further information on the Creating Shared Value initiatives of Nestlé Malaysia, please refer to our Creating Shared Value Report 2010 which can be downloaded from our corporate website: [www.nestle.com.my](http://www.nestle.com.my). More information on Creating Shared Value can be obtained from:

- [www.nestle.com](http://www.nestle.com)
- [www.creatingsharedvalue.org](http://www.creatingsharedvalue.org)
- [www.community.nestle.com](http://www.community.nestle.com)





SEATED, FROM LEFT:

Peter Vogt

Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail

STANDING, FROM LEFT:

Mohd. Shah Bin Hashim [Company Secretary]

Marc Seiler

Datuk Rafiah Binti Salim

Dato' Frits van Dijk

Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff

Dato' Mohd. Rafik Bin Shah Mohamad



# Board of Directors



## BOARD OF DIRECTORS

Tan Sri Dato' Seri Syed Zainol  
Anwar Jamalullail  
Independent, Non-Executive Director  
Chairman of the Board of Directors  
Chairman of the Audit Committee  
Chairman of the Nomination Committee

Tengku Tan Sri Dr. Mahaleel  
Bin Tengku Ariff  
Independent, Non-Executive Director  
Member of the Audit Committee  
Member of the Nomination Committee

Dato' Mohd. Rafik Bin Shah Mohamad  
Independent, Non-Executive Director  
Member of the Audit Committee  
Chairman of the Compensation Committee

Datuk Rafiah Binti Salim  
Independent, Non-Executive Director  
Member of the Audit Committee  
Member of the Compensation Committee

Dato' Frits van Dijk  
Non-Independent, Non-Executive Director  
Member of the Nomination Committee  
Member of the Compensation Committee

Peter Vogt  
Managing Director  
Alternate Director to Marc Seiler

Marc Seiler  
Executive Director  
Alternate Director to Peter Vogt

Detlef Krost  
Alternate Director to Dato' Frits van Dijk

## AUDIT COMMITTEE

Tan Sri Dato' Seri Syed Zainol  
Anwar Jamalullail  
Chairman

Tengku Tan Sri Dr. Mahaleel  
Bin Tengku Ariff  
Member

Dato' Mohd. Rafik Bin Shah Mohamad  
Member

Datuk Rafiah Binti Salim  
Member

## NOMINATION COMMITTEE

Tan Sri Dato' Seri Syed Zainol  
Anwar Jamalullail  
Chairman

Dato' Frits van Dijk  
Member

Tengku Tan Sri Dr. Mahaleel  
Bin Tengku Ariff  
Member

## COMPENSATION COMMITTEE

Dato' Mohd. Rafik Bin Shah Mohamad  
Chairman

Dato' Frits van Dijk  
Member

Datuk Rafiah Binti Salim  
Member

## COMPANY SECRETARY

Mohd. Shah Bin Hashim [LS 0006824]  
Telephone : +603 7965 6000  
Facsimile : +603 7962 7213  
E-mail : MohdShah.Hashim@my.nestle.com

## REGISTERED OFFICE

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Mutiar Damansara  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Telephone : +603 7965 6000  
Facsimile : +603 7965 6767  
Website : www.nestle.com.my

## SHARE REGISTRAR

Tricor Investor Services Sdn. Bhd. [118401-V]  
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Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Telephone : +603 2264 3883  
Facsimile : +603 2282 1886

## AUDITORS

KPMG [Firm No. AF 0758]  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Telephone : +603 7721 3388  
Facsimile : +603 7721 3399

## PRINCIPAL BANKERS

Malayan Banking Berhad [3813-K]  
HSBC Bank Malaysia Berhad [127776-K]

## STOCK EXCHANGE LISTING

Main Market  
Bursa Malaysia Securities Berhad  
[635998-W]

# Corporate Data



Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail was appointed as a director of the Company on 25 February 2002. He is the Chairman of the Board of Directors, the Audit Committee and the Nomination Committee. He commenced his career with Malaysian Airlines Systems Berhad in 1975 as a Financial Accountant, before moving on to hold senior positions in various companies such as Price Waterhouse Australia, D & C Nomura Merchant Bank Berhad, Amanah Capital Partners Berhad and he was the Investment Panel Chairman of Lembaga Tabung Haji. Currently he is also the Chairman/Director of Cahya Mata Sarawak Berhad. Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail holds a Bachelor of Arts degree in Accounting from Macquarie University in Sydney, Australia. He is a qualified Chartered Accountant from the Malaysian Institute of Accountants and also a Certified Practising Accountant from the Australian Society of Certified Practising Accountants, having qualified in 1984. He does not own any shares in the Company, has no conflict of interest with the Group, does not have

any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail has attended all 4 [four] meetings of the Board of Directors in the financial year ended 31 December 2010.

**TAN SRI DATO' SERI SYED ZAINOL  
ANWAR JAMALULLAIL**

Independent, Non-Executive Director  
Chairman of the Board of Directors  
Chairman of the Audit Committee  
Chairman of the Nomination Committee  
Malaysian Citizen, age 59 years



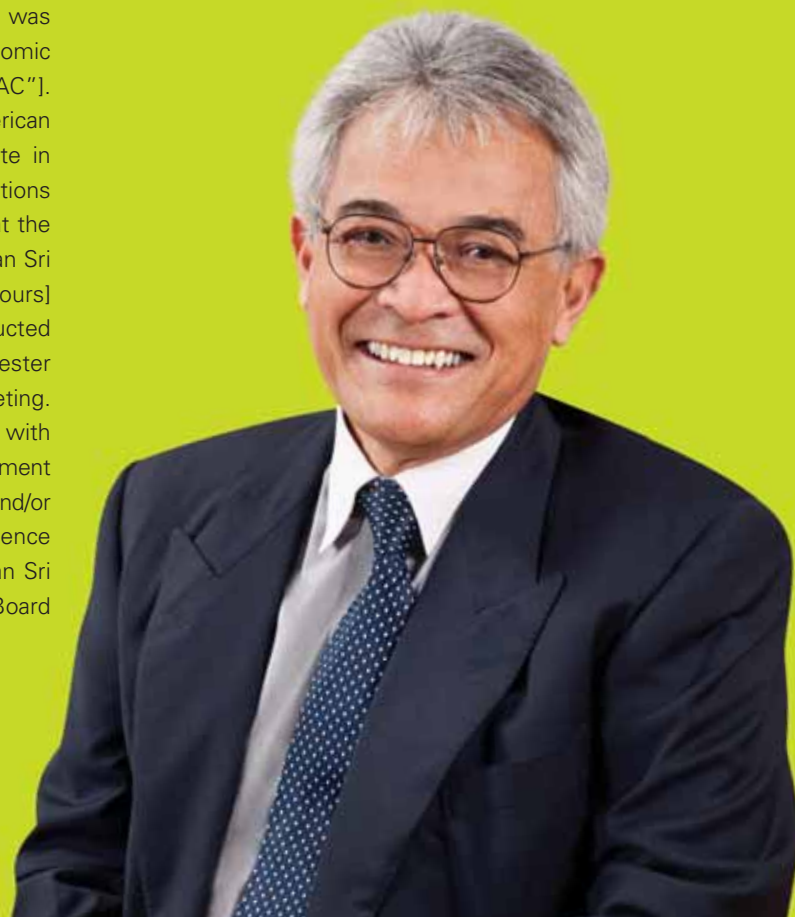
# Profile of Directors

## Profile of Directors

Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff was appointed as a director of the Company on 30 April 2003. He is a member of the Audit Committee and the Nomination Committee. He has had a very diverse career background, having commenced his career in the Marketing and Sales Department of the Company, then in 1974 he joined Shell Malaysia for 20 years before leaving to serve New Toyo, Mofaz, with his last position as the Group Chief Executive Officer of Proton Holdings Berhad. Currently he is also the Chairman of Tien Wah Press Holdings Berhad and a Director of the Graduate School of Business Advisory Board, University Sains Malaysia. He was in the London Business School's Regional Advisory Board and is now in the office of its Distinguished Friends. He was appointed as a Trustee of Perdana Global Peace Foundation ["PGPF"] in March 2011. He was also one of three of Malaysia's Representatives on Asia Pacific Economic Community ["APEC"] and ASEAN Business Advisory Council ["ABAC"]. He was awarded Malaysia's CEO of the Year by Business Times and American Express Corporate Services in year 2001 and an Honorary Doctorate in Engineering by University Teknologi Mara ["UTM"] for his contributions to Malaysia's engineering capacity, and Automotive Man of the Year at the New Straits Times-Mastercard Car of the Year awards 2004. Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff graduated with a Bachelor of Arts [Honours] from the University of Malaya in 1970 and has attended courses conducted by Harvard University, London School of Economics and Manchester Business School on Strategy, Strategic Management and Marketing. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff has attended all 4 [four] meetings of the Board of Directors in the financial year ended 31 December 2010.

### **TENGGU TAN SRI DR. MAHALEEL BIN TENGGU ARIFF**

Independent, Non-Executive Director  
Member of the Audit Committee  
Member of the Nomination Committee  
Malaysian Citizen, age 64 years



Dato' Mohd. Rafik Bin Shah Mohamad was appointed as a director of the Company on 1 June 2007. He is also a member of the Audit Committee and the Chairman of the Compensation Committee. He commenced his career as an Analyst with Esso Malaysia Berhad in 1973 and before joining the Company in 1981, he held senior finance positions in several local companies. He has also held various significant positions in the Nestlé group of companies, in Malaysia and other countries before retiring in April 2006. Currently he is also a director of Felda Global Ventures Holdings Sdn. Bhd., Malaysian AgriFood Corp. Berhad, and Chairman of Cold Chain Network Sdn. Bhd [a subsidiary of Malaysian AgriFood Corp. Berhad]. He is also the Chairman/Director of Biotropics Malaysia Berhad. Biotropics Malaysia Berhad wholly owns Phytes Biotek Sdn. Bhd., which is one of the current suppliers of raw materials to a subsidiary of the Company. Be that as it may, Phytes Biotek Sdn. Bhd. carries on business with the subsidiary of the Company on the same terms as other suppliers. Dato' Mohd. Rafik Bin Shah Mohamad is a qualified Chartered Accountant from the Malaysian Institute

of Accountants and is a member of the Association of Chartered Certified Accountants, United Kingdom ["ACCA"]. He holds 27,000 shares in the Company, but has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Dato' Mohd. Rafik Bin Shah Mohamad has attended all 4 [four] meetings of the Board of Directors in the financial year ended 31 December 2010.

**DATO' MOHD. RAFIK  
BIN SHAH MOHAMAD**

Independent, Non-Executive Director  
Member of the Audit Committee  
Chairman of the Compensation Committee  
Malaysian Citizen, age 60 years





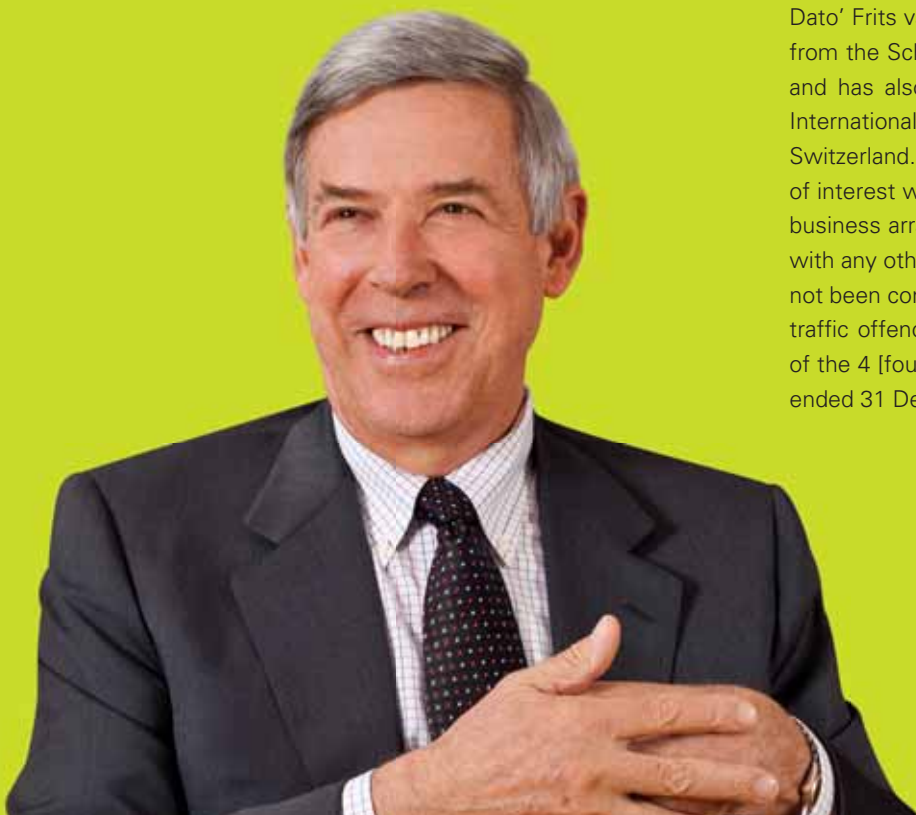
## Profile of Directors

Datuk Rafiah Binti Salim was appointed as a director of the Company on 17 April 2009. She is a member of the Audit Committee and the Compensation Committee. She has excellent service records in the public and private sectors, and at international level, having served as a Lecturer, Deputy Dean and Dean at the Law Faculty of University Malaya, as the Assistant Secretary General for the United Nations ["UN"] Human Resource Management in New York, as the Assistant Governor of the Central Bank of Malaysia, and as a Human Resource General Manager with Malayan Banking Berhad. She was previously the Executive Director of the International Centre for Leadership in Finance and in 2006, she was appointed as the first female Vice-Chancellor in Malaysia, attached to the University of Malaya. Currently she is also a Director of Perbadanan Usahawan Nasional Berhad and was appointed as Chairman for Malaysian Genomics Resource Centre Berhad. Datuk Rafiah Binti Salim, graduated with Masters and Bachelor Degree in Law from the Queen's University Belfast, United Kingdom and was awarded an honorary Doctorate by the same University in 2002. She was called to the Malaysian Bar in 1988. She does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Datuk Rafiah Binti Salim has attended all 4 [four] meetings of the Board of Directors in the financial year ended 31 December 2010.



### **DATUK RAFIAH BINTI SALIM**

Independent, Non-Executive Director  
Member of the Audit Committee  
Member of the Compensation Committee  
Malaysian Citizen, age 64 years



Dato' Frits van Dijk was appointed as a director of the Company on 26 April 2006. He is a member of the Nomination Committee and the Compensation Committee. He has served the Nestlé group of companies for the last 40 years, beginning in 1970 as a Sales Representative of Nestlé UK and presently, he is the Executive Vice President and Head of Zone Asia, Oceania, Africa and Middle East of Nestlé S.A. Prior to his current position, he has held various senior positions within the Nestlé group of companies in various countries, such as India, Philippines, Sri Lanka and Japan. He was the Chief Operating Officer and subsequently the Market Head of the Company from 1987 until 1995. He has also served as the Market Head of Nestlé Japan and as the Chairman and Chief Executive Officer of Nestlé Waters. Dato' Frits van Dijk graduated with a Bachelor's Degree in Economics from the School of Economics ["HES"], Rotterdam, the Netherlands, and has also attended the Executive Development Program at the International Institute for Management Development, in Lausanne, Switzerland. He holds 8,000 shares in the Company, but has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Dato' Frits van Dijk has attended 2 [two] out of the 4 [four] meetings of the Board of Directors in the financial year ended 31 December 2010.

**DATO' FRITS VAN DIJK**

Non-Independent, Non-Executive Director  
Member of the Nomination Committee  
Member of the Compensation Committee  
Dutch Nationality, age 63 years

## Profile of Directors

Peter Vogt, the Managing Director of the Company, was appointed as a director of the Company on 16 September 2009. He has served the Nestlé group of companies worldwide for over 30 years, beginning in 1980 as a trainee in Nestlé S.A., Vevey. Before his current appointment in Malaysia, he has held various senior positions in other Nestlé Markets, the majority of which were spent in Asia [Japan, Hong Kong, Malaysia, Sri Lanka and Indonesia]. During his last posting to Malaysia, Peter Vogt held the position of Marketing Division Manager of the Company from 1990 to 1994. Thereafter Peter Vogt headed various Nestlé operations in Switzerland, Scandanavia and Germany, after which he was appointed President Director [CEO] of PT Nestlé Indonesia, the second largest food company in Indonesia. Peter Vogt graduated from University St. Gallen, Switzerland. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any. Peter Vogt has attended all 4 [four] meetings of the Board of Directors in the financial year ended 31 December 2010.

### **PETER VOGT**

Managing Director  
Swiss Nationality, age 56 years







Marc Seiler, the Executive Director, Finance & Control of the Company, was appointed as a director of the Company on 1 December 2008. He started his career with Coopers and Lybrand as an external auditor, before joining the Nestlé group of companies in 1990 as the Finance Planning Manager of Nestlé Waters in Paris. Subsequently he was transferred to Nestlé Waters, North America where he held several positions such as Director Corporate Planning, Director Finance Supply Chain, Director Promotional Trade Spending, Chief Financial Officer Canada, Chief Financial Officer US Retail Division, with his last position as the Business Development, Mergers & Acquisitions Director. Marc Seiler graduated from Ecole Supérieure de Commerce de Paris, France with a Masters of Science in Management and an Accounting & Finance Diploma [Diplome d'Etudes Supérieures Comptables et Financières]. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group and has not been convicted for offences within the past 10 years other than traffic offences, if any. Marc Seiler has attended all 4 [four] meetings of the Board of Directors in the financial year ended 31 December 2010.

**MARC SEILER**

Executive Director  
[responsible for Finance & Control]  
French Nationality, age 46 years

# Management Team



## **PETER VOGT**

Managing Director

Peter Vogt is the Managing Director of the Company and was appointed as a director of the Company on 16 September 2009. Having had over 30 years of experience with Nestlé worldwide, Peter Vogt has held various senior positions in other Nestlé Markets, the majority of which were spent in Asia [Japan, Hong Kong, Malaysia, Sri Lanka and Indonesia]. During his last posting in Malaysia, Peter Vogt held the position of Marketing Division Manager of the Company from 1990 to 1994. Thereafter he headed various Nestlé operations in Switzerland, Scandinavia and Germany, after which he was appointed President Director [CEO] of PT Nestlé Indonesia. Peter Vogt graduated from University St. Gallen, Switzerland.

## **ARIFFIN BIN BURANUDEEN**

Executive Director, Supply Chain  
[retired on 1 April 2011]

Ariffin Buranudeen is the Supply Chain Director of the Group. He has served the Company for over 30 years including international roles. From 1996-1997, Ariffin Buranudeen was attached to Nestec S.A. Switzerland as the Logistics Organiser and thereafter from 2001 to 2002 he was appointed as the Pilot Market Representative for GLOBE Project. He is also the Advisor for Nestlé Employee Volunteer Programme "ROCKS". Ariffin Buranudeen holds a Master in Distribution Technology & Management, Cranfield United Kingdom and the Degree of the Chartered Institute of Transportation [UK] from Mara Technology University [formerly known as Mara Technology Institute].



### **ZAINUN NUR BINTI ABD. RAUF**

Human Resource &  
Group Corporate Affairs Director  
[appointed on 1 November 2010]

Zainun Nur is the Human Resource and Group Corporate Affairs Director of the Group. She joined the Company in 1998 as Group Brand Manager for Breakfast Cereal. Thereafter, she moved to FoodServices business unit [now known as Nestlé Professional], followed by a stint in Consumer Services Division. In 2005, she moved back to FoodServices as Country Business Manager for Malaysia and Singapore managing the out-of-home food and beverage market. Zainun Nur holds a Masters in Business Administration [MBA] from the Institute of Marketing, United Kingdom.

### **MARC SEILER**

Executive Director, Finance & Control

Marc Seiler, is the Executive Director, Finance & Control of the Company. He was appointed as a director of the Company on 1 December 2008. Prior to joining Nestlé group of companies, Marc Seiler was an external auditor with Coopers and Lybrand. Marc Seiler joined Nestlé group of companies in 1990 as the Finance Planning Manager of Nestlé Waters in Paris. Thereafter, he was transferred to Nestlé Waters, North America where he held several senior positions and his last position prior to joining the Company was Business Development, Mergers & Acquisitions Director. Marc Seiler graduated from Ecole Supérieure de Commerce de Paris, France with a Masters of Science in Management and an Accounting & Finance Diploma [Diplome d'Etudes Supérieures Comptables et Financières].

### **IZHAM MOHAMED**

Executive Director, Food

Izham Mohamed is the Business Executive Manager, Foods business unit. Izham joined the Company from college as a Marketing Trainee in 1979 and has been in Sales & Marketing ever since. In 1993 he was assigned to the Foods Strategic Business Unit in Switzerland and from 1996 to 1997 he was posted to Nestlé [Thailand] Inc. Izham spent a large part of his 31 years in the Company with MAGGI, helping to grow the brand to be the strong household name in Malaysia that it is today. Izham graduated from MARA Institute of Technology and has a Bachelor in Business Administration [Decision Sciences] from the University of San Francisco, USA.



## Management Team

### VICTOR SEAH

Executive Director, Sales

Victor Seah is the Executive Director, Sales since 1 January 2008 and has been with the Company for 5 years. Prior to joining the Company, he has had more than 10 years of experience in FMCG, Retail and Consultancy Services in various Sales, Marketing, Finance and General Management functions in the USA and the Asia Pacific region. Victor Seah spent 1 year in Singapore as the Country Business Manager for FoodServices business [now known as Nestlé Professional]. Victor Seah holds a First Class Honors degree in Finance from the Southern Illinois University, USA.

### DETLEF KROST

Executive Director, Technical & Production

Detlef Krost is the Executive Director, Technical & Production and was transferred from Nestec S.A., Switzerland to the Company effective 1 August 2009. He was also appointed to the Board of Directors of the Company effective the same date. Detlef Krost has over 27 years of working experience with Nestlé having served various positions which include Production Manager, Project Coordinator as well as Head of the Nestlé Productivity Team. Detlef Krost holds an engineering degree from Technische Fachhochschule Berlin [TFH Berlin University for Applied Science] [now known as Beuth Hochschule für Technik Berlin] in Food Science and Technology.

### ABDUL WAHAB BIN ABU BAKAR

Executive Director, Human Resource  
[retired on 1 January 2011]

Abdul Wahab Abu Bakar was the Human Resource Director of the Group. Prior to joining the Company, he was with the Malaysian Airlines System [MAS], ESSO Malaysia, and Citibank amongst others. Abdul Wahab Abu Bakar also advised other Nestlé Markets such as Sri Lanka and Vietnam to recommend the setting up and review of the Human Resource functions. He was also a member of the Human Resource Team at the Nestlé worldwide level responsible in designing and recommending the Human Resource Blueprint for the Global Business Excellence [GLOBE] initiative. Abdul Wahab Abu Bakar is an Economics [Honours] graduate from the University of Malaya and an International Management Development [IMD] Alumni.



### **CHEW SOI PING**

Executive Director, Ice Cream

Chew Soi Ping was appointed as the Business Executive Manager of the Ice Cream business unit effective 1 May 2008. Chew Soi Ping joined the Company as a Management Trainee in January 1988 and from 1989 to 1994, he has held various brand position including Foods, Milks and Chilled businesses. From 1996 to 1998 he was sent for an expatriation to Switzerland and assumed the role of Zone Asia, Oceania, Africa and Middle East Regional Assistant. Chew Soi Ping holds a Masters in Business Administration from University of Central Arkansas, USA and Bachelor of Science in Marketing [Honours] from University of Ozarks, Arkansas USA.

### **PATRICK HARTLESS**

Executive Director, Supply Chain  
[appointed on 1 March 2011]

Patrick Hartless is the Supply Chain Director of the Group. He has been with Nestlé for 7 years. Patrick Hartless has joined from Nestlé UK where he was previously Head of Supply Chain for the Food & Beverage Division. He has worked for Kraft in the UK, as well as Ashland Chemicals in Europe and the USA and has also worked in the Middle East. Patrick Hartless holds a Bachelor in Engineering from Loughborough University, United Kingdom as well as a Masters in Science from Cranfield University.

### **DONALD HOWAT**

Executive Director, Coffee & Beverages

Donald Howat is the Business Executive Manager of the Coffee & Beverages business unit. He has served Nestlé for over 18 years including international roles. Donald Howat spent 3 years in Nestlé Russia where he was responsible for the coffee and beverage business. He also spent 3 years in Switzerland as Commercial Director responsible for Developing Markets in the Coffee and Beverage Strategic Business Unit. Donald Howat is a graduate in Business studies from the Manchester Metropolitan University, United Kingdom.



# Corporate Governance Statement

Throughout the years, the Company and its Board of Directors has been resolute in ensuring that the Group's business and affairs are in strict adherence to the doctrine and principles of good corporate governance such as integrity, transparency, accountability and responsible business conduct.

Being a subsidiary of Nestlé S.A., of Vevey, Switzerland, the Company has adopted the "Corporate Governance Principles" of its holding company as the basis of its best practice in corporate governance.

The principles of corporate governance as practiced by the Company cover mainly, 4 [four] areas, as follows:

- The rights and responsibilities of shareholders;
- The equitable treatment of shareholders;
- The duties and responsibilities of directors; and
- Disclosure and transparency.

These principles adopted by the Company are in accordance with the principles and practices stipulated in external requirements such as the Malaysian Code on Corporate Governance [Revised 2007] ["Malaysian Code"] and paragraphs 15.25 and 15.26 of the Main Market Listing Requirements

of Bursa Malaysia Securities Berhad. ["Listing Requirements"] and also internal requirements such as the Nestlé Code of Business Conduct ["Nestlé Code"].

The Nestlé Code adopted is in line with the principles and best practices set out in the Malaysian Code and the developments of globally recognized best governance practices. Such principles and best practices are practiced throughout the Group.

The Nestlé Code governs the conduct of all the employees of the Company including the Board of Directors. Examples of provisions in the Nestlé Code are, compliance with laws, rules and regulations, avoiding situations where there are conflicts of interest, interest in competing businesses, prohibition on the use of inside information, corporate opportunities, insider trading, whistleblowing and no corrupt activities.

In addition to the Nestlé Code, the Company is also guided by the Nestlé Corporate Business Principles ["Nestlé Business Principles"]. The Nestlé Business Principles cover key issues that underpin Corporate Social Responsibilities ["CSR"] or for the Company, known as Creating Shared Value ["CSV"] catered to fit the unique characteristics of consumer goods business. The 10 principles can be summarised as follows:

- We delight consumers [Principles 1, 2, 3]
- We care about people [Principles 4, 5, 6]
- We develop responsible partnerships [Principles 7, 8]
- We promote sustainability [Principles 9, 10]



The Company is committed to high ethical standards and regards them as a key success factor to the performance of the Company. "The Nestlé Management and Leadership Principles" issued by Nestlé S.A. have been applied within the Company and have been communicated to every employee with respect to his/her function.

The Nestlé Code, the Nestlé Business Principles and the Nestlé Management and Leadership Principles are made available to our employees and Directors on our Company's intranet and the Nestlé Business principles is available on the Company's corporate website at [www.nestle.com.my](http://www.nestle.com.my). Copies of the documents can also be obtained from the Company Secretary.

Apart from the Nestlé Code, the Nestlé Business Principles and the Nestlé Management and Leadership Principles, the Company also has in place other internal policies and guidelines to ensure good corporate governance. Such internal policies, standards and guidelines include amongst others the Nestlé Supplier Code and the Company Standing Instruction of Procurement of Services with the objectives to engage good quality service providers to protect the Company's customer service and competitive and transparent bidding process to deliver competitive pricing.

The following awards are the testimony of the Company's commitment to manage its business responsibly amidst the fluctuation of commodity prices:

#### **Unity Award**

- "Kalung Perpaduan" Award

At the launch of the National Level Unity Week Celebration 2010, the Company was awarded the "Kalung Perpaduan" Award under the Corporate category. The event was organised by the National Unity and Integration Department, and was held on 21 May 2010 at the Malacca International Trade Centre in Ayer Keroh.

#### **Reporting Award**

- ACCA Malaysia Sustainability Reporting Award [MaSRA] 2010

The Company was awarded the Commendation Award for reporting on Stakeholder Engagement and Inclusion for clearly identifying its stakeholders ranging from employees to the environment to consumers and the marketplace.

#### **Corporate Governance Award**

- Malaysian Corporate Governance Index 2010 Award [Minority Shareholder Watchdog Group]

The Company was given recognition at the Malaysian Corporate Governance Index 2010 Award organised by the Minority Shareholder Watchdog Group [MSWG]. The Company was the recipient of the Distinction Award and the Best CSR Award.

#### **Best Designed Annual Report Award [Platinum]**

- National Annual Corporate Report Awards [NACRA] 2010

The Company received a platinum Award for the category of Best Designed Annual Report. The event is a collaboration effort of Bursa Malaysia Berhad, Malaysian Institute of Accountants [MIA] and the Malaysian Institute of Certified Public Accountants [MICPA].

**"Nestlé pursues a strategy of best practice of corporate governance. Compliance builds trust. It forms the base of how we do business and is the first layer of how we create shared value"**

# Corporate Governance Statement

## BOARD OF DIRECTORS

### Board of Directors' Composition

The Board of Directors' composition complies with the requirements mandated by the Listing Requirements and as prescribed by the principles and best practices of the Malaysian Code. As at the date of this Statement, the size and composition of the Board of Directors is well balanced in its current constituted state to address any business challenges and to drive the business to greater heights.

The Board of Directors comprises a mixture of Executive and Non-Executive Directors from diverse professional backgrounds with a wealth of experience, skills and expertise. As at 31 December 2010, the Board of Directors consists of 7 [seven] members, 5 [five] of which are Non-Executive Directors [including Chairman] and the remaining 2 [two] are Executive Directors. 4 [four] out of 5 [five] Non-Executive Directors are Independent Non-Executive Directors.

As at 31 December 2010, the members of the Board of Directors are as follows:

Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail  
Independent, Non-Executive Director  
Chairman of the Board of Directors  
Chairman of the Audit Committee  
Chairman of the Nomination Committee

Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff  
Independent, Non-Executive Director  
Member of the Audit Committee  
Member of the Nomination Committee

Dato' Mohd. Rafik Bin Shah Mohamad  
Independent, Non-Executive Director  
Member of the Audit Committee  
Chairman of the Compensation Committee

Datuk Rafiah Binti Salim  
Independent, Non-Executive Director  
Member of the Audit Committee  
Member of the Compensation Committee

Dato' Frits van Dijk  
Non-Independent, Non-Executive Director  
Member of the Nomination Committee  
Member of the Compensation Committee

Peter Vogt  
Managing Director  
Alternate Director to Marc Seiler

Marc Seiler  
Executive Director  
Alternate Director to Peter Vogt

Detlef Krost  
Alternate Director to Dato' Frits van Dijk

The proportion of Non-Executive Independent Directors 2/3 [two-third] satisfies the criteria set out in the Listing Requirements.

The current structure of the Board of Directors ensures that no single individual or group dominates the decision making process. Further, the roles of Chairman and Managing Director are separately held, and the division of their responsibilities is clearly established, with each having distinct and clearly defined authority and responsibilities.

The Chairman is responsible for the leadership of the Board of Directors, ensuring its effectiveness and setting the agenda for all Board of Directors meetings. Once the objectives and strategies have been reviewed and adopted by the Board of Directors as a whole, the Managing Director's responsibility is to ensure delivery of such objectives and strategies within the authority limits delegated by the Board of Directors. The Managing Director is responsible for the stewardship of the Group's direction and the day to day management of the Company.

It is the duty of the Managing Director, working together with the other Management Team of the Company, to manage the business of the Company in the manner consistent with the Nestlé Code and the Nestlé Business Principles as well as in accordance with any specific plans, instructions and directions of the Board of Directors.

The Members of the Board of Directors are all professionals of high caliber and integrity and they possess in-depth knowledge and experience of the business to enable them to discharge their duties effectively.

#### **Principle Responsibilities of the Board of Directors**

The Board of Directors directs the Company's risk assessment, strategic planning, succession planning and financial and operational management to ensure that obligations to shareholders and other stakeholders are understood and met. The Board of Directors provides the leadership necessary to enable the Company's business objectives to be met within the framework of internal controls as described in this Statement. The Board of Directors is responsible for determining all major policies, reviewing the system of internal control, ensuring that effective strategies and management are in place, for assessing the performance of the Company and its Management Team.

In discharging its responsibilities, the Board of Directors is guided by the code of ethics and principles contained in the Nestlé Code and the Nestlé Business Principles in addition to the Malaysian Code. The Nestlé Code and Nestlé Business Principles outlines the conduct and responsibilities of the Board of Directors, Chairman and the Managing Director. The Board of Directors ensures that compliance is monitored through a process where declarations are obtained from all directors and Management Team on their compliance and this includes disclosure of any conflict of interest situations.

Amongst the key duties for which the Board of Directors is responsible for include, identifying principal risks and ensuring implementation of appropriate systems to manage these risks, reviewing and adopting strategic plans for the Company, reviewing the adequacy and integrity of the Company's internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board of Directors has a collective responsibility for the management of the Company. The Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board of Directors and providing objective challenges to the management.

The Non-Executive Directors do not participate in the day to day management of the Company and do not engage in any business dealing or other relationship with the Company to ensure that they are capable of exercising judgment objectively and act in the best interest of the Company, its shareholders and minority shareholders.

The Board of Directors is also responsible for declaring dividends and approving the financial statements and accounting policies of the Company. Other duties of the Board of Directors are to consider succession planning, including appointing, training, fixing the compensation and where appropriate, replacing Management Team.

Further, the Board of Directors is also tasked to decide on the following business transactions and activities:

- Acquisition and disposal or closure of a business;
- Establishment of new business;
- Annual strategic plan;
- Capital investment and disposal of tangible assets from existing business to third party;
- Proposal for borrowings or the grant of extended credit facilities by an operating subsidiary from another group company;
- Increase or reduction by a subsidiary of authorised or issued capital;



## Corporate Governance Statement

- Unbudgeted redemption or early repayment of loans;
- Any corporate restructuring not covered by any of the above paragraphs; and
- The change of name of any group company and the establishment of any new company.

### Management Team

In discharging the abovementioned responsibilities and duties, the Board of Directors is duly assisted by the Management Team of the Company, which consists of senior officers holding the following positions:

1. Managing Director;
2. Executive Director, Finance & Control;
3. Executive Director, Technical & Production;
4. Executive Director, Food;
5. Executive Director, Sales;
6. Executive Director, Supply Chain;
7. Executive Director, Human Resource
8. Executive Director, Coffee and Beverages; and
9. Executive Director, Ice Cream.

It is important that the Board of Directors and the Management Team complement each other. The Management Team is in charge with the responsibility of implementing the policies and decisions of the Board of Directors, overseeing the operations as well as developing, co-ordinating and implementing business and corporate strategies.

From time to time, when the Board of Directors requires relevant information updates from any members of the Management Team, the relevant member of the Management Team will be invited to attend meetings of the Board of Directors to provide the Board of Directors with any such relevant information or updates.

### Company Secretary

In addition to the Management Team, the Company Secretary provides support to the Chairman to ensure the effective functioning of the Board of Directors. The Company Secretary organises and attends all the meetings of the Board of Directors and its Committees and ensures that an accurate and proper record for deliberation of issues discussed, decisions and conclusions are circulated and the minutes are properly kept at the registered office of the Company and produced for inspection, if required.

In addition, the Company Secretary also updates the Board of Directors regularly on amendments to the Listing Requirements, practice and guidance notes, circulars from Bursa Malaysia Securities Berhad, legal and regulatory developments and impact, if any, to the Company and its business. All Directors have access to the advice and the services of the Company Secretary. The Company Secretary is appointed and can be removed by the Board of Directors.

### Board Meetings

The Board of Directors schedules 4 [four] meetings in a year to consider all matters relating to the overall control, business performance and strategy of the Company. Additional meetings will be called if and when necessary.

The Company's Board of Directors and its Committees meetings for the whole year are scheduled in the 3rd quarter of the preceding year so as to enable the Directors to plan ahead and ensure that the Board of Directors and its Committees meetings are booked in their respective schedules.

During the 12 months ended 31 December 2010, 4 [four] Board of Directors Meetings were held.

The following table provides the attendance of the directors at the Board of Directors' meetings held in 2010:

Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail	4/4
Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff	4/4
Dato' Mohd. Rafik Bin Shah Mohamad	4/4
Datuk Rafiah Binti Salim	4/4
Dato' Frits van Dijk	2/4
Peter Vogt	4/4
Marc Seiler	4/4

\* Tan Sri Dato' Ernst Zulliger attended 2/2 meeting before retiring on 22 April 2010.

Where any direction or decisions are required expeditiously or urgently from the Board of Directors between the regular meetings, special Board of Directors meetings are convened by the Company Secretary, after consultation with the Chairman. The agenda for Board of Directors meetings are set by the Chairman in consultation with the Managing Director and the Company Secretary.

Decisions of the Board of Directors are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolution between scheduled and special meetings. In 2010, 10 [ten] resolutions were approved by the Directors via Circular Resolutions.

The Board of Directors has a regular schedule of matters which are in the agenda and reviewed during the course of the year namely, the Managing Director's Quarterly Reports, the Quarterly Unaudited Consolidated Results and recommendations made in the minutes of the Audit Committee meeting. Other agenda include:

1. Managing Director's Presentations;
2. Quarterly Unaudited Consolidated Results;
3. Company's Plan;
4. All announcements released to Bursa Malaysia Securities Berhad;
5. Company's Creating Shared Value activities;
6. Company's Annual Report [which includes the Statement on Corporate Governance, Statement on Internal Control, Audit Committee Report and Creating Shared Value Committee's Statement];
7. Company's Audited Financial Statements; and
8. Corporate Governance Guide issued by Bursa Malaysia Berhad.

Members of the Management Team or external advisors are invited, as and when required to attend the Board of Directors and its Committee meetings to advise and furnish the members of the Board of Directors and its Committees with information and clarification on items in the agenda tabled to enable them to arrive at a considered decision.

#### **Board of Directors Committees and Sub-committees**

The Board of Directors has established 3 [three] main Board of Directors Committees to which it has delegated certain of its responsibilities. They are the Audit Committee, Nomination Committee and Compensation Committee.

To promote the smooth running of the Board of Directors Committees, each of the Board Committee shall adhere to the clear terms of reference which has been approved by the Board. All the Committees have their roles/functions, written terms of reference, operating procedures and authorities clearly defined. The Board of Directors reviews the Committees' authority and terms of reference from time to time.

Each of the Committee has to submit to the Board of Directors, reports of their respective deliberations and recommendations, and all deliberations and decisions taken have to be minuted and approved by each Committee and confirmed by the Chairman of the Committee at the next Board of Directors' meeting.

## Corporate Governance Statement

The composition of the Board of Directors Committees as at 31 December 2010 and the attendance of the Members at the meetings held in 2010 are as follows:

Member	Attendance		
	Audit Committee Meeting*	Nomination Committee Meeting**	Compensation Committee Meeting
1. Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail [Chairman] Independent Non-Executive Director	4/4	**	–
2. Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff Independent Non-Executive Director	4/4	**	–
3. Dato' Mohd. Rafik Bin Shah Mohamad Independent Non-Executive Director	4/4	–	1/1
4. Datuk Rafiah Binti Salim Independent Non-Executive Director	4/4	–	1/1
5. Dato' Frits van Dijk Non-Independent Non-Executive Director	–	**	1/1
6. Peter Vogt Managing Director	–	–	–

\* Tan Sri Dato' Ernst Zulliger attended 2/2 meetings before retiring on 22 April 2010.

\*\* No Nomination Committee meeting was held in 2010.



## **BOARD OF DIRECTORS COMMITTEES**

### **1. Audit Committee**

The Board of Directors' obligation to establish formal and transparent arrangements in considering how it should apply financial reporting and internal control principles, and maintaining an appropriate relationship with the Company's external auditors, KPMG is met through the Audit Committee.

As at the date of this Statement, the Audit Committee comprises of 4 [four] Directors. All Members of the Audit Committee are Non-Executive Independent Directors.

All Members of the Audit Committee have the requisite qualifications as defined by the Malaysian Code and the Chairman, Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail fulfils all the requirements under paragraph 15.09 and 15.10 of the Listing Requirements. The Chairman is a qualified Chartered Accountant from the Malaysian Institute of Accountants and also a Certified Practising Accountant from the Australian Society of Certified Practising Accountants having qualified in 1984.

### **Authority**

The Audit Committee assists the Board of Directors in its review of the effectiveness of the internal control, risk management and governance process of the Company which includes reviewing the Company's financial statements and reporting processes.

The Audit Committee had met with the Management Team and the internal and external auditors to review the effectiveness of internal controls and business risk management, received reports from the internal audit function [called Nestlé Market Audit] and had reviewed compliance with the Nestlé Business Principles and procedures in place within the Group for the management of its business policies. It has given detailed consideration to business risks arising in the context of the Group's treasury operations, its information technology systems and the threat to the Group's business posed by infringement of Intellectual Property rights in relation to the products, and reviewed the specific controls in place within the Group to address such risks. The Audit Committee has satisfied itself by means of these steps that proper and satisfactory internal control systems remain in place to identify and contain business risks, and that the Group's business is being conducted in a proper and economically sound manner.

The Audit Committee is also responsible for approving audit, recurring audit related and non-audit related services by the external auditors and in carrying out their duties, the Audit Committee ensures that the independence and objectivity of the external auditors are not compromised.

The Audit Committee had reviewed and discussed the Audited Financial Statements as at 31 December 2010 audited by KPMG and recommended to the Board of Directors on 24 February 2011 that the Audited Financial Statements as at 31 December 2010 be included in the Company's Annual Report 2010.

The Board of Directors had on 24 February 2011 approved the aforesaid Audited Financial Statements for inclusion in the Company's Annual Report 2010 and to be filed with the Bursa Malaysia Securities Berhad, Securities Commission and Companies Commission of Malaysia.

### **Meetings**

The Managing Director, Executive Director, Finance & Control, Head of Nestlé Market Audit, Head, Accounting & Consolidation Insurance & Pension and representatives of the external auditors attend the meetings of the Audit Committee together with the members of the Audit Committee. The Audit Committee had met 4 [four] times during 2010.

## Corporate Governance Statement

No member of the Audit Committee, save and except the Chairman of the Audit Committee, received any payments in 2010 from the Group other than the fees which had been received as a Director of the Company and allowances for attendance at meetings. The Chairman of the Audit Committee receives an annual fixed fee for his chairmanship of the Audit Committee.

The functions, composition and membership of the Audit Committee are described in detail at pages 84 to 87 of this Annual Report.

### 2. Nomination Committee

The Nomination Committee comprises exclusively of a majority Independent Non-Executive Directors.

Pursuant to the approval of the Board of Directors, a Nomination Committee has been established on 26 August 2010 to make recommendations to the Board of Directors on suitable candidates for appointment to the Board. The Nomination Committee consists of:

- [i] Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail (Chairman)
- [ii] Dato' Frits van Dijk
- [iii] Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff

The Nomination Committee is empowered by the Board of Directors to, amongst others, identify, recommend and nominate suitably qualified candidates for appointment to the Board of Directors, the re-election and re-appointment of directors, review the independence of directors, ensure the new directors go through a proper induction programme and to continuously collectively and individually evaluate directors and senior management on their performance on an on-going basis and recommend training, if necessary. The Nomination Committee has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions. A Director seeking re-election and re-appointment will abstain from all deliberations regarding his re-election and re-appointment to the Board of Directors and its Committees. The meetings of the Nomination Committee shall be held at least once a year and as and when required.

The turnover of directors has been very low throughout the years and prior to the establishment of the Nomination Committee, whenever appropriate, the nomination of an appointment and the resignation of a director was fully deliberated upon by all members of the Board of Directors at their meeting.

The authority and terms of reference of the Nomination Committee are as follows:

#### a. Authority

The Nomination Committee is authorised by the Board of Directors to act as follows:

- To make proposals to the Board of Directors on suitable candidates for appointment as directors;
- To ensure that the Board of Directors has an appropriate balance of skills, expertise, attributes and core competencies from its members;
- To regularly review profiles of the required skills, expertise, attributes and core competencies for membership to the Board of Directors;
- To review succession plans for members of the Board of Directors;
- To recommend to the Board of Directors the potential directors to fill the seats on the Board of Directors Committees; and
- To assess annually the effectiveness of the Board of Directors, its Committees and the contribution of each individual Director.

#### **b. Meetings**

- The Nomination Committee shall meet at least once a year or upon the request of any of its members.
- A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.
- The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Nomination Committee and ensure that the minutes are properly kept and produced for inspection if required.
- The Nomination Committee shall report to the Board of Directors and its minutes will be tabled and noted by the Board of Directors.

No Nomination Committee Meeting was held in 2010 as at that point of time it was not necessary.

#### **3. Compensation Committee**

Pursuant to the approval of the Board of Directors, a Compensation Committee has been established on 26 August 2010 to make recommendations to the Board of Directors of the compensation

framework for directors. The Compensation Committee consists of 3 [three] members, with a majority being Independent, Non-Executive Directors, as follows:

- [i] Dato' Mohd. Rafik Bin Shah Mohamad [Chairman]
- [ii] Dato' Frits van Dijk
- [iii] Datuk Rafiah Binti Salim

The main responsibilities of the Compensation Committee are to ensure that the compensation and benefits of the directors commensurate with the level of the Directors' responsibilities in light of the Company's performance in the industry, to review and recommend to the Board of Directors the compensation of Non-Executive Directors and to review and approve the annual bonus and increment of the Executive Directors and the senior management, in accordance with the compensation practices of the worldwide Nestlé group of companies as established by the Human Resource function of Nestlé S.A. in Vevey, Switzerland. A director whose package is being deliberated would abstain from discussing their own compensation.

The Compensation Committee has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required in carrying out its functions. The meetings of the Compensation Committee shall be held at least once a year and as and when required.

The objectives of the Compensation Committee in determining the levels and components of compensation packages are to attract, motivate and retain talented and dedicated Executive Directors and members of the senior management. In their determination, the Compensation Committee takes into consideration levels comparable to those of key senior management in other benchmarked companies.

#### **a. Authority**

The Compensation Committee is authorised by the Board to act as follows:

- To recommend to the Board of Directors the Company's policy framework on the terms of employment of the Executive Directors and members of the Management Team.
- To recommend to the Board of Directors on all elements of remuneration and compensation payments of the Executive Directors and members of the Management Team.
- To review and approve the annual bonus and salary increments of the Executive Directors and members of the Management Team.
- To review and recommend to the Board the compensation of the Non-Executive Directors.



### b. Meetings and Minutes

- The Compensation Committee shall meet at least once in each year or more frequent as it decides.
- A majority of the members in attendance must be Non-Executive Directors in order to form a quorum for the meeting.
- Executive Directors and Non-Executive Directors shall abstain from the deliberations and voting decisions in respect of their respective compensation either at the Compensation Committee or Board of Directors level as the case may be.
- The Compensation Committee shall be entitled to call for advice internally from the Human Resources Department or from external sources, when necessary.
- The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Compensation Committee and ensure that the minutes are properly kept and produced for inspection if required.
- The Compensation Committee shall report to the Board of Directors and the minutes of the Compensation Committee Meeting will be tabled and noted by the Board of Directors.

The Compensation Committee had met once in 2010.

### Appointment and Re-election or Re-appointment of Directors

#### Appointment Process

The Board of Directors appoints its members through a formal process which is in accordance with Articles 90.1 and 90.2 of the Company's Articles of Association ["Articles"], one-third of the directors from the time being appointed shall retire from office and be eligible for re-election, provided always that all directors shall retire from office at least once in each 3 [three] years but shall be eligible for re-election, to allow the shareholders the opportunity to renew their mandate at the Annual General Meeting. The directors to retire in every year shall be those who have been longest in office since their last election.

#### Re-election or Re-appointment Process

The Company does not have term limits for both Executive Directors and Independent Directors as the Board of Directors believes that continued contribution provides benefit

to the Board of Directors and the Group as a whole. However, Article 88 of the Company's Articles states that at any point of time, the total number of Directors shall not be less than 2 [two] and not more than 8 [eight] and Nestlé S.A. shall be entitled to appoint up to 4 [four] Directors. Further, the Company is confident and firmly believes that individuals chosen and appointed to the Board as Directors are all individuals of high caliber and integrity and can be tasked to discharge their duties and responsibilities independently and effectively. Article 97 of the Articles provides that a director appointed by the Board of Directors from time to time shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election at the Annual General Meeting.

Pursuant to Section 129[6] of the Companies Act 1965, members of the Board of Directors who are over 70 years of age may be re-appointed as a director on a yearly basis at the Annual General Meeting.

The Directors standing for re-election in 2011 are as follows:

Name	Designation
Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff	Independent Non-Executive Director
Dato' Frits van Dijk	Non-Independent Non-Executive Director

Article 90.1 of the Articles provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting.

Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff, an Independent, Non-Executive Director and Dato' Frits van Dijk, a Non-Independent, Non-Executive Director, are due to retire pursuant to Articles 90.1 at this Annual General Meeting and will be recommended for re-election and re-appointment by the Board of Directors pursuant to the Articles.

Information of each director standing for re-election is furnished on page 50 and 53 of this annual report.

#### **Directors' Remuneration**

The policy for directors' remuneration is to provide a remuneration package needed to attract, retain and motivate directors of the quality required to manage the business of the Company and the Group as a whole.

For the Executive Directors of the Group, corporate and individual performance is rewarded through the use of an integrated pay benefits and bonus structure and reflects the competitive nature of the Group's operations in order to contribute to the winning organisation strategy of the Group. Executive Directors who are full

time employees of the Company receive no additional compensation for services as a member of the Board of Directors. On an annual basis, the Compensation Committee considers market competitiveness, business results and individual performance in evaluating the Executive Directors' remuneration.

In evaluating the Managing Director's remuneration, the Compensation Committee also takes into account corporate and individual performance, as well as performance on a range of other factors including accomplishment of strategic goals as well as regional and global corporate performance.

- **BASIC SALARY**

The basic salaries for the Executive Directors are based on remuneration practices of the Nestlé worldwide group of companies as established by the Human Resource function of Nestlé S.A. in Vevey, Switzerland.

- **BENEFITS**

Customary benefits such as provision of rental payment, motor vehicle, club membership and personal expenses and other benefits are made available to the Chairman and Executive Directors in accordance with the policies of the Group.

- **EMOLUMENTS**

Emoluments include bonuses, retirement benefits, provision for leave passage and fixed allowances.

- **DIRECTORS FEES**

Fees paid to Non-Executive Directors.

For Non-Executive Directors, the amount of remuneration varies with the level of responsibilities undertaken by the individual Non-Executive Director.

The fees payable to each of the Non-Executive Director are determined by the Board of Directors as authorised by the shareholders of the Company.

All Non-Executive Directors are paid fixed annual director fees as members of the Board of Directors and Board of Directors Committees. In addition to fixed annual director fees, all Non-Executive Directors, save for the Chairman, is paid a meeting attendance allowance for each Board of Directors and its Committees meetings attended. In recognition of the additional time and commitment required, the Chairman of the Audit Committee also receives an annual fixed fee for his chairmanship in the Audit Committee.

## Corporate Governance Statement

[a] Details of the nature and amount of each major element of the remuneration of the directors of the Company paid in 2010 are as follows:-

	2010	
	Executive Directors*	Non-Executive Directors*
<b>[MYR, in Gross] **</b>		
Salaries	1,971,882.00	–
Directors Fees***	–	270,000.01
Emoluments****	1,378,160.29	–
Benefits*****	2,172,626.00	63,726.00
<b>Total</b>	<b>5,522,668.29</b>	<b>333,726.01</b>

\* Include directors who have resigned/retired.

\*\* Numbers are provided before tax.

\*\*\* Fees paid to Non-Executive Directors.

\*\*\*\* Other emoluments include bonuses, incentives, retirement benefits, provision for leave passage and allowances.

\*\*\*\*\* Benefits include rental payment, motor vehicle, club membership, personal expenses and other benefits as directors.

[b] For the financial year ended 31 December 2010, the number of directors of the Company whose total remuneration fell within the following bands for the total amount paid in 2010 are as follows:-

Ranges of Remuneration [MYR]	2010	
	Executive Directors*	Non-Executive Directors*
1 – 50,000	–	5
50,000 – 100,000	–	2
1,500,000 – 1,550,000	1	–
1,650,000 – 1,700,000	1	–
2,300,000 – 2,350,000	1	–
<b>Total</b>	<b>3</b>	<b>7</b>

\* Include directors who have resigned/retired.

Salaries, bonuses and benefits paid to Peter Vogt and Marc Seiler are based on the individual remuneration package of each person as determined by the Human Resource function of Nestlé S.A. and are also based on individual performance and the profit achievement of the Company.

### Board Effectiveness Evaluation [BEE]

The Company conducted its first BEE exercise for the year 2010 for most of its Board members. PricewaterhouseCoopers Advisory Services Sdn. Bhd. [PwCAS] was engaged to carry out the BEE by evaluating the performance of the Board of Directors as a whole, its Committees, the Chairman, individual directors' contribution and the governance processes that support the Board of Directors' work. The BEE process was led by the Managing Director with the support from the Company Secretary.

The Board of Directors evaluates the overall performance against criteria that the Board of Directors determines are important to its success. These include the composition of the Board of Directors, communication, effectiveness and responsibilities. The Company Secretary circulates to the directors an evaluation survey questionnaire to ascertain their views on the performance of the Board of Directors and its Committees which thereafter are compiled into a report for the Chairman.



The Board of Directors' performance evaluation process in 2010 reported that one of the key strengths of the Board of Directors and its Committees is the effective working relationship with the Managing Director. Equally important is that there is a transparent communication policy for effective communication with stakeholders. Overall, the Board of Directors had continued to operate effectively in discharging their duties and responsibilities.

The evaluation also takes into account areas such as effectiveness of the Board of Directors in discharging their responsibilities, availabilities of positive Boardroom attributes including dynamic discussion and debate at Board level and its Committees meetings and effectiveness of Board administration tools and processes. The range of dimensions considered for the assessment of the performance of the individual director include, inter-alia, high levels of professionalism and integrity, independence of judgment and availability of knowledge and professional competencies that adds value to the Board of Directors as a whole.

The BEE results confirmed that there is an overall satisfaction with the performance of the Board of Directors and its Committees in the discharge of duties and responsibilities. Areas identified for further enhancements were subsequently discussed and addressed as appropriate.

### **Directors' Training**

All existing Directors of the Company have completed the Mandatory Accreditation Programme [MAP]. Any Director appointed to the Board of Directors is required to complete the MAP within 4 [four] months from the date of appointment. Following the repeal of the Continuing Education Programme [CEP] requirements prescribed by Bursa Malaysia Securities Berhad with effect from 1 January 2005, the Board of Directors continues to evaluate and determine the training needs of its members to ensure continuing education to assist them in the discharge of their duties as directors.

All directors appointed to the Board of Directors, apart from attending the MAP have also completed other relevant training programmes to further enhance their business acumen and professionalism in discharging their duties to the Group. Pursuant to paragraph 15.08[2] and Appendix 9C [Part A, Paragraph 28] of the Listing Requirements, the directors have during the financial year ended 31 December 2010, attended training programmes in areas of leadership, corporate governance, finance, regulatory developments, corporate social responsibility, information security and business intelligence.

On 3 November 2010, the Company organised a 1 [one] day training for the directors, which was jointly conducted by the Security Industry Development Corporation [SIDC] and PwCAS. The training was aimed at empowering the directors on what they needed to do in protecting the Company's asset value and addressing the key challenges they face on a daily basis.

The Company also provided internal briefings to the directors on key corporate governance developments and updates them on changes to the Listing Requirements, laws and regulations. The directors were fully informed of the impact of such development or changes to the Company.

As part of the directors' continuous training, all directors were updated on a timely basis by the management, by providing them with hard copies of reading materials, on the latest development in relation to directors' roles and responsibilities.

The directors are also encouraged to attend appropriate external trainings and where applicable to the Company, the costs of attending these programmes are borne by the Company.

### **Direct and Indirect Interest of Directors**

As at 31 December 2010, the direct and indirect interests of Directors in the Company are as follows:

- [i] Dato' Mohd. Rafik Bin Shah Mohamad holds 27,000 shares in the Company;
- [ii] Dato' Frits van Dijk holds 8,000 shares in the Company; and
- [iii] Peter Vogt holds 10,450 shares in Nestlé S.A.

## Corporate Governance Statement

### Supply of Information

The Board of Directors and its Committees receive up-to-date information for review in good time and ahead of each meeting, and the Company Secretary, under the direction of the Chairman, ensures the flow of information to the Board of Directors and its Committees. The Company Secretary is also responsible for advising the Board of Directors, through the Chairman on all governance matters. Prior to Board of Directors and its Committees meetings, a formal and structured agenda together with a set of Board of Directors and its Committees papers containing information relevant to the matters to be deliberated at the meetings are forwarded to all directors at least 5 [five] days before the relevant Board of Directors and its Committees meetings. This is to enable the directors to review, consider and if necessary, obtain further information or research on the matters to be deliberated in order to be well prepared at the meetings. The meeting papers are presented in a manner that is concise which include among others, comprehensive management reports, minutes of meetings, proposals project and supporting documents.

Presentation to the Board of Directors and its Committees are prepared and delivered in a manner that ensures a clear and adequate presentation of the subject matter. In addition, reading materials on the

subject matter are prepared and circulated prior to each meeting to assist all directors in having an understanding of the subject matter.

The Board of Directors recognises that the decision making process is highly dependent on the quality of information furnished. In furtherance to this, every director has unrestricted access to all information within the Company. The Board of Directors encourages the attendance of senior management as well as officers of the Company at the Board of Directors and its Committees meetings to increase the Board of Directors' understanding of the Company's operations and to give the directors access to senior management.

The directors are regularly updated on new statutory and regulatory requirements relating to the duties and responsibilities of directors and their impact and implication to the Company and the Directors in carrying out their fiduciary duties and responsibilities. There is also a formal procedure approved by the Board of Directors for all Directors, whether acting as full Board of Directors or in their individual capacity, to obtain independent professional advice when necessary, at the Group's expense. Prior to engaging an independent adviser, approval must be obtained from the Chairman of the Board of Directors and, where applicable, the Chairman may circulate the external advice to the Board of Directors.

### RELATIONSHIP WITH STAKEHOLDERS

The Board of Directors believes that they are not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Company's stakeholders.

### SHAREHOLDERS

The Company recognizes the importance of maintaining transparency and accountability to its shareholders. The Board of Directors ensures that all the Company's shareholders are treated equitably and the rights of all investors, including minority shareholders are protected.

The Company's primary contact with shareholders is through the Chairman, Managing Directors, Executive Director of Finance & Control and the Company Secretary. All shareholders' queries will be received by the Company Secretary. The Company Secretary will provide feedback and responses to the shareholders' queries and where any information may be regarded as sensitive information about the Group such information will not be made available to the shareholders unless already in the public domain through disclosure.

### **Annual General Meeting [AGM]**

The AGM is the principal opportunity for the Board of Directors to meet the shareholders of the Company and for the Chairman to provide an overview of the Company's progress and receive questions from the shareholders. At the AGM, shareholders participate in the deliberations of the resolutions being proposed or on the Group's operations in general. At every AGM, a helpdesk will be set up as a contact point for the shareholders.

The 2010 AGM was held on the 22 April 2010 at the Hilton Petaling Jaya Hotel, Selangor. The number of shareholders that attended the AGM in 2010 had increased and this indicates a high level of engagement with shareholders. All resolutions were approved and all Directors including the Company Secretary attended the meeting. The Board of Directors, senior management and the Company's external auditors, KPMG were present to answer questions raised and provide clarification as required by the shareholders. A press conference was held immediately after the AGM where the Chairman, Managing Director and Executive Director of Finance & Control provided updates to the media representatives of the resolutions passed and answered questions on matters related to the Group.

The 2011 AGM will be held on 21 April 2011 at the Sime Darby Convention Centre, Kuala Lumpur. The Notice of AGM and the Proxy Form are enclosed with this Annual Report. The results of all resolutions proposed will be made available on the Company's and the Bursa Malaysia Securities Berhad's website soon after the 2011 AGM.

### **Annual Report**

Another major channel used by the Board of Directors to provide its shareholders and investors with information on its business, financials and other key activities is the Annual Report of the Company, which contents are continuously enhanced to take into account the developments, amongst others, in corporate governance.

The Board of Directors aims to provide and present a clear and comprehensive assessment of disclosures in the Annual Report to shareholders. In disclosing information in the Annual Report, the Board of Directors is guided by the principles set out in the Listing Requirements and the Nestlé Code.

The Statement on Corporate Governance, Statement on Internal Control and Audit Committee Report form part of the Annual Report 2010. These statements and reports were tabled at the Audit Committee meeting for its comments and recommendation before presented to the Board of Directors for review and deliberation before being incorporated into the Annual Report.

As essential aspect of an active and constructive communication policy is the promptness in disseminating information to shareholders and investors. The Company sends out the Notice of the Annual General Meeting and related circular to shareholders at least 21 days before the meeting as required under the Listing Requirements in order to facilitate full understanding and evaluation of the issues involved. Where special business items appear in the Notice of the Annual General Meeting, a full explanation is provided to shareholders on the effect of the proposed resolution emanating from the special business item.

Prompt and timely release of financial results on a quarterly basis, as follows enables shareholders to have an overview of the Company's performance and operations and make informed investment decisions.



## Corporate Governance Statement

### Release of Quarterly Financial Results

2010 Quarterly Results	Date of Issue/Release	Bursa Securities Deadline	Number of Days after end of Quarter
1st Quarter	25.02.2010	28.02.2010	56
2nd Quarter	21.04.2010	31.05.2010	21
3rd Quarter	26.08.2010	31.08.2010	57
4th Quarter	28.10.2010	30.11.2010	28

### Investors Relations

The Company holds separate quarterly briefings for fund managers, institutional investors and investment analysts as well as the media after each quarter's announcement of results to Bursa Malaysia Securities Berhad.

The quarterly briefings are intended not only to promote the dissemination of the financial results of the Company to as wide an audience of investors, shareholders and media as possible but

also to keep the investing public and other stakeholders updated on the progress and the development the of the business of the Company.

The quarterly briefing is conducted by the Executive Director of Finance & Control and in the presence of the Company Secretary. In 2010, the Company held 4 [four] quarterly briefings for fund managers, institutional investors and investment analysts.

### Company Website

To maintain the highest level of transparency as possible, the Company has established a website at [www.nestle.com.my](http://www.nestle.com.my) where shareholders can access for information under the 'Investor Relations' link encompassing corporate information, latest annual reports, latest press releases, latest financial results, share prices, Bursa Malaysia Securities Berhad's announcements, investor relations briefings, the Company's policies and the standard social responsibility.

### Senior Personnel

The details of the senior officer responsible for Investor Relations are as follows:

Name : Marc Seiler  
Designation : Executive Director, Finance & Control  
Age : 46 years  
Address : Nestlé [Malaysia] Berhad [110925-W]  
22-1, 22nd Floor,  
Menara Surian  
No. 1, Jalan PJU 7/3  
Mutiara Damansara  
47810 Petaling Jaya  
Selangor Darul Ehsan  
Tel No. : 03 - 7965 6107  
E-mail : InvestorRelations.  
Malaysia@my.nestle.com

Further details of his qualification and relevant experience can be found in the Profile of Directors section of this Annual Report.

It has been the Company's practice to respond to shareholders letters, telephone and e-mail enquiries. Each letter or e-mail received, if it requires the attention of the Board of Directors, will be reviewed by the Legal and Secretarial Department before the same is forwarded to the Board of Directors for consideration.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price sensitive information. Any information that may be regarded as sensitive information about the Company or the Group will not be disclosed to the public.

### **EMPLOYEES**

The Company believes in promoting high standards of conducts and to ensure that all employees continuously uphold such conduct in the performance of their duties, they are guided by 3 [three] core value systems, namely the Nestlé Code, the Nestlé Business Principles, and the Nestlé Management and Leadership Principles ["Value System"].

The Nestlé Code is premised on 3 [three] basic principles, which are the avoidance of any conduct that could damage or risk the Company or its reputation, legal compliance and honesty and to place the Company's interests ahead of personal or other interests guide the way the Company's employees behave. The Nestlé Business Principles focuses on work place practices and ethics, employee relations and employee human rights. These principles set out a common approach to the development of policies and procedures taking into account of the labour law and practice and the political, economic and cultural context. The Nestlé Management and Leadership Principles describe how the employee can contribute to the company by doing or acting in a manner that is adding value to the Company. This can only materialise with high involvement of each employee and a common mindset geared to results.

To ensure compliance, all management employees, including the Board of Directors and the Company's suppliers and service providers are required to declare their compliance with the Nestlé Code and the Nestlé Business Principles and disclose any conflicts of interest on a yearly basis.

### **CONSUMERS**

Guided by the Quality Policy and the Nestlé Consumer Communication Principles, the Company's products and brands are developed, manufactured and marketed in a responsible manner. In order to achieve the Company's vision of uncompromising quality, the Company maintains one toll free consumer hotline for all its products with the objectives to capture consumer complaints, feedback and to respond to all complaints in a timely manner.

### **SUPPLIERS AND SERVICE PROVIDERS**

The Nestlé Code, Nestlé Business Principles and the Supplier Code ["Standards"] are also binding on the Company's suppliers and service providers to ensure high standards of business ethics amongst all suppliers and service providers of the Company including the supplier or service provider's related companies. The Standards are incorporated into the contract with the relevant supplier or service provider. It is made clear in all agreements with suppliers and service providers that breaches of any provisions in the Standards of which the relevant supplier or service provider have been made aware of, may lead to immediate termination of the contract with the affected supplier or service provider.

# Corporate Governance Statement

## ACCOUNTING AND AUDIT

### Financial Reporting

The Board of Directors aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement and review of operations in the annual report. The Board of Directors is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statements

The Board of Directors ensures that the Company's financial statements provide a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of the profit or loss and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that accounting standards approved by the Malaysian Accounting Standards Board [MASB] in Malaysia and the provisions of the Companies Act, 1965 have been complied with and reasonable and prudent

judgments and estimates have been made. The directors' overall responsibilities also include taking such steps as are reasonably open to them to safeguard the assets of the Group and for the implementation and continued operation of adequate accounting and internal control systems for the prevention of fraud and other irregularities.

The Board of Directors is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position and prospects in the Directors' Report at pages 6 to 9 and the Financial Statements from pages 10 to 55 of this year's Financial Report.

### Internal Control

It is important to emphasise that the ultimate responsibility for ensuring a sound internal control system and reviewing the effectiveness of the system lies with the Board of Directors. The Board of Directors sets policies and procedures for internal control and ensures that such internal control system is properly carried out by the Management Team. The Company has established processes to oversee and manage risk.

Details of these processes are set on pages 82 to 83 of this Annual Report.

The Company has in place an Information Technology Policy that outlines the processes that should be followed to create policies, best practices, standards and the use of the supporting information technologies. The Company is mindful of the legal implications if technology systems or information are misused in a manner which breaches legislation. The Company therefore ensures that all software used by the Company are licensed copies.

In accordance with the Guidance for Directors of Public Listed Companies, reviews by the Board of Directors were carried out at least annually, covering all material controls including financial, operational and compliance controls and risk management systems. The Board of Directors derives reasonable assurances from reports submitted by the relevant committee on risk management and internal control.

Details of internal audit function appear on page 82 to 83 of this Annual Report.

### Whistleblowing Policy

One of the key provisions in the Nestlé Code is reporting on illegal or non-compliant conduct. The Company acknowledges that misconduct in any company such as violation of laws, rules, regulations, production fault, fraud, health and safety violations or corruption are usually known first by the people who work in or with the Company.

An early warning system such as a whistleblowing procedure can help the Company detect wrongdoings and alert the Group to take corrective action before a problem becomes a crisis. A whistleblowing system strengthens, supports good management and at the same time demonstrates accountability, provides good risk management and sound corporate governance practices. It is the Board of Directors' belief that having a whistleblowing system in place will increase investors' confidence in the Group and is in line with the Company's sound corporate governance practices. This is further enhanced with the coming into effect of the Whistleblower Protection Act 2010 recently, where a whistleblower may be given proper protection against the employer while a complaint is being investigated.

The Company's employees are strongly encouraged to speak up and raise any suspicions of wrongdoing, malpractice or impropriety in the management of the Company's business through the internal whistleblowing procedure which will be implemented in due course.

The internal whistleblowing procedure will be a comprehensive framework which outlines when, how and to whom a concern may be properly raised, distinguishes a concern from a personal grievance, and allows the whistleblower the opportunity to raise a concern outside their management line.

An employee who complies in good faith with his or her duty to report suspected misconduct and who discloses information will be protected by the Company from coercion, retaliation or reprisal in connection with his or her cooperation. Protection is extended throughout the discipline and appeal process, including safe guarding the identity of the whistleblower.

These procedures enable employees to make their concerns known without fear of retaliation and in the knowledge that procedures are in place in which their complaints are acted upon and their identity is kept confidential. Any concerns raised will be investigated by an investigation team which comprises of senior managers and a report and updates are provided to the Board of Directors, through the Audit Committee.

#### **Statement on Internal Control**

The Statement on Internal Control furnished on pages 82 to 83 of the Annual Report provides an overview on the state of internal controls within the Company.

#### **Related Party Transactions**

An internal compliance framework exists to ensure that the Company meets its obligations under the Listing Requirements including obligations relating to related party transactions. The Board of Directors, through its Audit Committee, reviews all related party transactions involved. A director who has an interest in a transaction must abstain from deliberating and voting on the relevant resolution, in respect of such transaction at the Board of Directors and at any annual general meeting convened to consider the matter.

There are procedures established by the Company to ensure that all related party transactions are undertaken on an arm's length basis and on normal commercial terms, consistent with the Company's usual business practices and policies, which are generally not more favourable than those generally available to the public and other suppliers and are not detrimental to the minority shareholders.



## Corporate Governance Statement

The internal practice pertaining to the governance of related party transactions is summarised as follows:

- A list of related parties of the Company will be circulated to the Directors and management of the Company and its subsidiaries to notify that all related party transactions are required to be undertaken on an arm's length basis and on normal commercial terms and 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 will be reported to the Audit Committee of the Company. Any member of the Audit Committee of the Company may as he deems fit, request for additional information pertaining to the transaction including from independent sources or advisers;

- All recurrent related party transactions which are entered into pursuant to the shareholders' mandate for recurrent related party transactions will be recorded by the Company in a register or records maintained by the Company;

The Recurrent Related Party Transactions entered into by the Company with its related parties in 2010 were for the:

- purchases of raw materials, semi finished and finished food products from Nestlé affiliated companies amounted to approximately RM325 million;
- payment of royalties for the use of trademarks for the sale of food products to Nestlé affiliated companies amounted to RM147 million;
- payment for information technology shared services for use and maintenance of information technology services to Nestlé affiliated companies amounted to approximately RM20 million; and
- sale of food products to Nestlé affiliated companies amounted to approximately RM780 million.

The item below is to be tabled for the shareholders' approval at the forthcoming Annual General Meeting to be held on 21 April 2011:

- payment for cleaning services and pest control amounted to approximately RM52,000;
- payment for logistics services amounted to approximately RM3 million; and
- payment for purchase of raw materials amounted to approximately RM47 million.

### Relationship with External Auditors

The Audit Committee discusses with the external auditors the nature and scope of the audit and reporting obligations before audit commences. The Audit Committee ensures that the management will provide a timely response on any material queries raised by the external auditors after the audit to management, in respect of the accounting records, financial accounts or systems of control.

The Audit Committee works closely with the senior audit partner assigned by KPMG to the Company, to act as the key representative for overseeing the relationship of the Company with the external auditors. In compliance with the Malaysian Institute of Accountants, the Company rotates its audit partners every 5 [five] years to ensure objectivity, independence and integrity of the audit opinions.

The Audit Committee also meets with the external auditors to review the reasonableness of significant judgment, accounting principles and the operating effectiveness of internal controls and business risk management.

The Audit Committee is tasked with authority from the Board of Directors to review any matters concerning the appointment and re-appointment, audit fee, resignation or dismissal of external auditors and review and evaluate factors relating to the independence of the external auditors and assist them in preserving their independence.

#### **Material Contracts**

For the financial year ended 31 December 2010 there were no material contracts entered into by the Company and its subsidiaries [not being contracts entered into in the ordinary course of business], involving directors and substantial shareholders, except for material contracts in respect of the recurrent related party transactions of a revenue or trading nature.

#### **Compliance with the Nestlé Code of Business Conduct**

The Board of Directors has deliberated, reviewed and approved this Corporate Governance Statement. The Board of Directors considers that the Corporate Governance Statement provides the information necessary to enable shareholders to evaluate how the Malaysian Code has been applied. The Board of Directors considers and is satisfied that the Company has fulfilled its obligation under the Nestlé Code, Malaysian Code, the Listing Requirements and all applicable laws and regulations throughout the financial year ended 31 December 2010.

This Statement was presented at the Board of Directors meeting on 24 February 2011.

# Statement on Internal Control

## INTRODUCTION

Nestlé [Malaysia] Berhad [110925-W] and its directors are committed to a sound system of internal control and are pleased to provide the following statement on the scope and nature of internal control for the Group for the financial year ended 31 December 2010.

## BOARD RESPONSIBILITY

The directors and management are responsible and accountable for the establishment of internal controls for the Group. Internal control systems are subjected to regular evaluations on their adequacy and integrity by management. These systems are designed to manage, rather than eliminate, the risk of failure arising from non-achievement of the Group's policies, goals and objectives. Such systems provide reasonable, rather than absolute assurance against material misstatement or loss. The Company's directors have delegated the responsibility of monitoring of these internal control systems to management.

Accompanying these regular reviews and evaluations of internal control systems, is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process is subjected to regular reviews by the directors in accordance with the "Statement on Internal Controls: Guidance for Directors of Public Listed Companies" ["Internal Control Guidance"] issued by the Institute of Internal Auditors Malaysia.

## RISK MANAGEMENT FRAMEWORK

The directors and management fully support the contents of the Internal Control Guidance. Working closely with the Company's Internal Audit Department and related companies, the directors and management have put in place risk management guidelines, control measures and processes.

## INTERNAL AUDIT FUNCTION

The Nestlé Market Audit Department is responsible for reviewing all processes of the Group and its relations with third parties. It provides the directors with independent opinions of processes, risk exposures and system of internal controls of the Group. The responsibilities of the Audit Department include:

- Assessing and reporting on the effectiveness of the internal control systems;
- Assessing and reporting on the reliability of systems and reporting information;
- Assessing and reporting on the operational efficiency of various Business Units and Departments within the Group and identifying saving potentials where it is practical; and
- Reviewing compliance with the Group policies, Company Standing Instructions and guidelines, and applicable laws and regulations.

The Audit Department identifies those units to be audited based on risk assessments performed on [a] the inherent risk of the unit, and [b] the complexity of the end to end processes.

A matrix which covers the overall audit rating, nature and urgency of the respective audit issues has been developed as a guide to conduct the follow up on audit issues raised. The results of audit reviews are reported on a quarterly basis to the Audit Committee and then via the Chairman to the Board of Directors. The responses from management and action plans are regularly reviewed and followed up by the Internal Audit Department and the Audit Committee.

For the year ended December 2010, the department conducted 11 [eleven] audits across corporate function, distribution centre, factories and business units. In addition, 8 [eight] ad-hoc reviews were conducted. Where exceptions were noted, these were not material and corrective actions have been taken.

Furthermore, Nestlé Group Audit ["NGA"], the internal auditing arm of the holding company Nestlé S.A., is responsible for assessing the effectiveness of internal control for the entire Nestlé Group. The NGA conducts reviews of processes, systems and business excellence on selected business areas/units based on a risk assessment methodology. The annual audit plan and results of the NGA are reported to Zone Management and the

Audit Committee of Nestlé S.A. Based on this risk assessment, 2 [two] audits [Shah Alam Complex and Coffee and Beverage Business Unit] were performed by the NGA in the market for the year ended December 2010.

The annual audit plan for the financial year ending 31 December 2011 was presented to the NGA and approved in the last quarter of 2010.

### **OTHER RISK AND CONTROL PROCESSES**

The structure and the formally defined process [via Company Standing Instructions] play a major part in risk mitigation. Although the Group is a networked organisation, a documented and auditable trail of accountability remains. In addition, authority limits and major Group Policies [health and safety, training and development, equality of opportunity, staff performance, sexual harassment, and serious misconduct] and the Nestlé S.A. Business Principles [available on [www.nestle.com](http://www.nestle.com)] have been disseminated to the Group's employees. These procedures have been established across the whole organisation and help provide assurance to all levels of management, including directors. The Nestlé Market Audit function serves to ensure the full application of these procedures and reporting structures, as well as to verify the system of internal controls. The Managing Director also reports to the directors on significant changes in the business and the external environment which affect the operations.

Financial information, key performance and risk indicators are also reported on quarterly basis to the directors of the Company.

In addition to the above, the Group leverages the Nestlé Self Assessment Tool ["NSAT"] for all Business Units and corporate functions, which was rolled out in 2008. NSAT, a globally driven initiative by Nestlé S.A. in response to the changes in the Swiss Code of Obligations for companies listed on the Swiss exchange, is an internally developed Control Self Assessment solution which is used to measure each unit's compliance with the minimum internal controls determined by the Group. The objective of control self assessment is to help each unit better identify their own internal control gaps and to develop specific, measurable, and timely action plans to address these gaps. These results are monitored at management level as well as by Nestlé S.A. NSAT will also act as a repository for best in class internal controls which can be shared with other Nestlé units across the world.

The completed NSAT for the Group found no major gaps in minimum internal control and where gaps existed, action plans have been implemented or defined with expected completion dates and persons responsible. The Group's internal audit function will be reporting to management on the status of these action plans [implemented, in progress, or pending] on a quarterly basis.



# Audit Committee Report

## SIZE AND COMPOSITION

Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail  
Independent, Non-Executive Director  
Chairman

[Chartered Accountant of the Australian Society of Certified Practising Accountants;  
Chartered Accountant of the Malaysian Institute of Accountants]

Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff  
Independent, Non-Executive Director  
Member

Dato' Mohd. Rafik Bin Shah Mohamad  
Independent, Non-Executive Director  
Member  
[Chartered Accountant of the Association of Chartered Certified Accountants,  
United Kingdom; Chartered Accountant of the Malaysian Institute of Accountants]

Datuk Rafiah Binti Salim  
Independent, Non-Executive Director  
Member

The Audit Committee comprises of 4 [four] members who are all Independent, Non-Executive Directors. The Chairman of the Audit Committee, Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail and another member Dato' Mohd. Rafik Bin Shah Mohamad, are both qualified chartered accountants, being members of the Malaysian Institute of Accountants. All members of the Audit Committee are financially literate having had extensive exposure in the corporate world. A quorum, established by the presence of the Chairman and at least 2 [two] members, was always met for the Audit Committee meetings.

The Audit Committee held 4 [four] meetings in the financial year ended 31 December 2010. Upon invitation by the Audit Committee, the Executive Director, Finance & Control, representatives of the external auditors, the Head, Nestlé Market Audit and the Head, Accounting & Consolidation/Insurance & Pension have attended all the meetings. When there is a need by the Audit Committee, the relevant members of the management will also be invited to attend the meetings.

The Audit Committee also has the right to meet the external and/or the internal auditors without the presence of the Executive Directors and management.

At least twice a year, the Audit Committee shall meet the external auditors, without the presence of the Executive Directors and management.

## DUTIES & RESPONSIBILITIES

The Audit Committee acts as a committee of the Board of Directors and was established on 2 March 1994 under the Terms of Reference as stated in this Annual Report.

## SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

### Activities with regards to external audit:

- review of external audit scope and audit plans based on the external auditors' presentation of audit strategy and plan; and
- review of external audit results, audit reports, management letter and the response from the management.

### Activities with regards to internal audit:

- review of internal audit's resource requirements, scope adequacy and function;
- review of internal audit's plan and programmes;
- review of internal audit reports, recommendations and management responses. Improvement actions in the areas of internal control, systems and efficiency enhancements suggested by the internal auditors were discussed together with the management in a separate forum;
- review of implementation of these recommendations through follow up audit reports;

- suggested additional improvement opportunities in the areas of internal control, systems and efficiency improvement; and
- review and take cognisance of the movements of internal audit staff member.

### Activities with regards to financial statements:

- review of annual report and the audited financial statements of the Group prior to submission to the directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act 1965 and the applicable approved accounting standards as per the Malaysian Accounting Standards Board ["MASB"];
- review of the Group's compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, MASB and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements; and
- review of the unaudited financial results announcements before recommending them for the Board of Directors' approval.

### Other activities:

- review of related party transactions, ordinary and extraordinary dividend payments; and review of compliance with the Malaysian Code.

### Internal audit function:

The internal audit function in the Company is aligned with the Malaysian Code. The internal audit function [called Nestlé Market Audit] is administered as a department within the Finance & Control function in the Company which reports directly to the Audit Committee and functionally to the Nestlé Group Audit in Vevey, Switzerland, thus ensuring its independence. Its main role is to undertake independent and systematic reviews of the processes and guidelines of the Group and to report on their application and compliance.

The individual assessments are to be objectively reported to the management and to the Audit Committee.

The Nestlé Market Audit is headed by Shusaku Kimura, 33 years of age, who has served the Nestlé group of Companies for approximately 10 [ten] years. He was previously attached to the Finance and Control Division of Nestlé Japan and subsequently to the Nestlé Group Audit of Nestlé S.A. Shusaku Kimura is a graduate of the Waseda University in Japan, with a Bachelor of Arts Degree in Education. The costs incurred for the internal audit function for the financial year ended 31 December 2010 is MYR1,603,750.

# Terms of Reference of the Audit Committee

## OBJECTIVES

The Audit Committee is an independent committee which assists the Board of Directors in the discharge of its responsibilities for corporate governance, corporate control and financial reporting.

The Audit Committee acts on behalf of the Board of Directors to ensure that:

- the internal audit function is operating effectively and in accordance with the Standards for the Professional Practice of Internal Auditing; adequate attention is paid to the effectiveness, efficiency and economy of the Group's operations;
- the quarterly results and year end financial statements are reviewed prior to the approval by the Board of Directors;
- adequate systems of internal control are in operation so as to produce accurate and meaningful management information; and
- appropriate and timely action is taken by the relevant managers to rectify the major areas of concern.

The Audit Committee reports to the Board of Directors at every quarter, on matters falling within the Audit Committee's terms of reference.

## DUTIES AND RESPONSIBILITIES

The Audit Committee is responsible in particular for:

### Risk and Control

- evaluate if adequate risk assessment processes and measures are put in place to minimise any risk exposures, including fraud;
- review and evaluate, with the external and internal auditors, management procedures, which are designed to provide assurance of compliance with laws, regulations, policies and codes of practice or conduct;
- monitor systems and procedures, with external and internal auditors, which are designed to provide a satisfactory and effective level of internal control, asset protection and management information; and
- monitor the Group's operations via appropriate internal audit reviews, to ascertain if adequate attention is paid to attributes of efficiency, effectiveness and economy.

### Internal Audit

- review the internal audit reports of major audits which were undertaken;
- review the extent to which internal audit recommendations are implemented and the timeliness of responses received;
- review internal audit performance and effectiveness to ensure consistency with the approved plans, the Internal Audit Charter, and relevant professional standards; and
- review the adequacy of the scope, functions, competency and resources of the internal audit function.

### External Audit

- review management's responses to the external auditor's interim reports, annual report and management letters;
- monitor developments in the external audit field and standards issued by professional bodies and other regulatory authorities; and
- oversee external audit arrangements in place at the various controlled entities or subsidiaries.

**Reporting**

- review the quarterly and annual final draft of the financial statements [prior to the meeting of Board of Directors to approve the financial statements], receiving explanations for significant variations from the prior year and from budget, and referring issues to the Board of Directors, as and when necessary;
- monitor compliance with statutory requirements for financial reporting, with focus on significant changes in accounting policies and practices, together with significant adjustments recommended by external audit; and
- review compliance with all related party disclosures required by the Accounting Standards.

**Others**

- review as and when necessary any matters arising from the Group's financial operations; and
- commission such investigations or reviews relevant to its role as it sees fit.

**Authority**

The Audit Committee in the course of discharging its duties, is authorised to require any officer of the Group or any subsidiary to supply such information and explanations as may be needed;

- have discussions with line managers and employees of the Group and subsidiaries at any reasonable time;
- draw assistance from qualified external party to advise on issues, where the members require expert input; and
- convene meetings with external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the **27th [Twenty-Seventh] Annual General Meeting of the Company** will be held at the **Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur** on **Thursday, 21 April 2011** at **10.00 a.m.** for the transaction of the following business:

## AGENDA

### As Ordinary Business

1. To receive the statutory financial statements for the financial year ended 31 December 2010 and the directors' and auditors' reports thereon.

#### Resolution 1

2. To approve the payment of a final dividend of 115.00 sen per share, under single-tier system, in respect of the financial year ended 31 December 2010.

#### Resolution 2

3. To approve the payment of directors' fees for the financial year ended 31 December 2010.

#### Resolution 3

4. To re-elect the following directors retiring in accordance with the Company's Articles of Association:

#### 4.1 Under Article 90.1

Tengku Tan Sri Dr. Mahaleel  
Bin Tengku Ariff

#### Resolution 4

#### 4.2 Under Article 90.1

Dato' Frits van Dijk

#### Resolution 5

5. To re-appoint Messrs KPMG [Firm No. AF 0758] as auditors of the Company and to authorise the directors to fix their remuneration.

#### Resolution 6

### As Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions:

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[a] of the Circular to Shareholders dated 28 March 2011.**

"That the mandate granted by the shareholders of the Company on 22 April 2010 pursuant to paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.3[a] of the Circular to Shareholders dated 28 March 2011 with the related parties mentioned therein which are necessary, for the Company and/or its

subsidiaries' day-to-day operations and which are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of minority shareholders, be and is hereby renewed.

That the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:-

[i] the conclusion of the next Annual General Meeting ["AGM"] of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

[ii] the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143[1] of the Companies Act 1965 [but must not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act 1965]; or

[iii] revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier;

That the directors be and are hereby authorised to complete and do all such acts and things [including executing such documents as may be required] to give effect to the transactions contemplated and/or authorised by this resolution." **Resolution 7**

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[b] of the Circular to Shareholders dated 28 March 2011.**

"That the mandate granted by the shareholders of the Company on 22 April 2010 pursuant to paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.3[b] of the Circular to Shareholders dated 28 March 2011 with the related parties mentioned therein which are necessary, for the Company and/or its subsidiaries' day-to-day operations and which are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of minority shareholders, be and is hereby renewed.

That the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:-

- [i] the conclusion of the next AGM of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

- [ii] the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143[1] of the Companies Act 1965 [but must not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act 1965]; or

- [iii] revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier;

That the directors be and are hereby authorised to complete and do all such acts and things [including executing such documents as may be required] to give effect to the transactions contemplated and/or authorised by this resolution." **Resolution 8**

8. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[c] of the Circular to Shareholders dated 28 March 2011.**

"That the Company and/or its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.3[c] of the Circular to Shareholders dated 28 March 2011 with the related

parties mentioned therein which are necessary, for the Company and/or its subsidiaries' day-to-day operations and which are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of minority shareholders.

That the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:-

- [i] the conclusion of the next AGM of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

- [ii] the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143[1] of the Companies Act 1965 [but must not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act 1965]; or

## Notice of Annual General Meeting

[iii] revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier;

That the directors be and are hereby authorised to complete and do all such acts and things [including executing such documents as may be required] to give effect to the transactions contemplated and/or authorised by this resolution.” **Resolution 9**

9. **Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[d] of the Circular to Shareholders dated 28 March 2011.**

“That the Company and/or its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.3[d] of the Circular to Shareholders dated 28 March 2011 with the related parties mentioned therein which are necessary, for the Company and/or its subsidiaries’ day-to-day operations and which are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of minority shareholders.

That the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:-

[i] the conclusion of the next AGM of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

[ii] the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143[1] of the Companies Act 1965 [but must not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act 1965]; or

[iii] revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier;

That the directors be and are hereby authorised to complete and do all such acts and things [including executing such documents as may be required] to give effect to the transactions contemplated and/or authorised by this resolution.” **Resolution 10**

10. **Proposed New Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[e] of the Circular to Shareholders dated 28 March 2011.**

“That the Company and/or its subsidiaries shall be mandated to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.3[e] of the Circular to Shareholders dated 28 March 2011 with the related parties mentioned therein which are necessary, for the Company and/or its subsidiaries’ day-to-day operations and which are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of minority shareholders.

That the authority conferred by such mandate shall commence upon the passing of this resolution and continue to be in force until:-

[i] the conclusion of the next AGM of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

[ii] the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 143[1] of the Companies Act 1965 [but must not extend to such extension as may be allowed pursuant to Section 143[2] of the Companies Act 1965]; or

[iii] revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier;

That the directors be and are hereby authorised to complete and do all such acts and things [including executing such documents as may be required] to give effect to the transactions contemplated and/or authorised by this resolution.” **Resolution 11**

**NOTICE IS ALSO HEREBY GIVEN THAT,** subject to the approval of the shareholders at the 27th [Twenty - Seventh] Annual General Meeting of the Company, a final dividend of 115.00 sen per share, under single-tier system in respect of the financial year ended 31 December 2010 will be paid to the shareholders on 26 May 2011. The entitlement date for the said dividend shall be 12 May 2011.

**FURTHER NOTICE IS HEREBY GIVEN THAT** a depositor shall qualify for entitlement only in respect of:

- A. Shares transferred into the Depositors' Securities Account before 4.00 p.m. on 12 May 2011 in respect of ordinary transfers; and
- B. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

**MOHD. SHAH BIN HASHIM**

Company Secretary

[LS 0006824]

Petaling Jaya

28 March 2011



## Notice of Annual General Meeting

### NOTES:

- [i] A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may, but need not be, a member of the Company and the provision of Section 149[1][b] of the Companies Act 1965, shall not apply to the Company.
- [ii] The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- [iii] Where a member of the Company is an authorised nominee as defined under the Securities Industry [Central Depositories] Act 1991, it may appoint at least 1 [one] proxy but not more than 2 [two] proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- [iv] An authorised nominee with more than 1 [one] securities account must submit a separate instrument of proxy for each securities account.

- [v] The instrument appointing a proxy and the power of attorney or other authority [if any] under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Share Registrar of the Company at Tricor Investor Services Sdn. Bhd. [Company No. 118401] Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

### EXPLANATORY NOTES ON SPECIAL BUSINESS:-

#### Recurrent Related Party Transactions

For further information, please refer to the Circular to Shareholders dated 28 March 2011 accompanying the Company's Annual Report for the financial year ended 31 December 2010.

No. of shares held

I / We \_\_\_\_\_ NRIC No: \_\_\_\_\_ [New] \_\_\_\_\_ [Old]  
of \_\_\_\_\_  
being a member of **Nestlé [Malaysia] Berhad**, hereby appoint \*the Chairman of the meeting or \_\_\_\_\_  
\_\_\_\_\_ NRIC No: \_\_\_\_\_ [New] \_\_\_\_\_ [Old]  
of \_\_\_\_\_  
or failing him/her, \_\_\_\_\_ NRIC No: \_\_\_\_\_ [New] \_\_\_\_\_ [Old]  
of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the 27th [Twenty-Seventh] Annual General Meeting of the Company to be held at the Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 21 April 2011 at 10.00 a.m. and at any adjournment thereof.

*\* Delete if not applicable*

My/Our proxy is to vote as indicated with an "X" below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

No.	Resolutions	For	Against
1.	To receive the statutory financial statements for the financial year ended 31 December 2010 and the directors' and auditors' reports thereon.		
2.	To approve the payment of a final dividend of 115.00 sen per share, under single-tier system, in respect of the financial year ended 31 December 2010.		
3.	To approve the payment of directors' fees for the financial year ended 31 December 2010.		
4.	To re-elect Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff as a director of the Company.		
5.	To re-elect Dato' Frits van Dijk as a director of the Company.		
6.	To re-appoint Messrs KPMG [Firm No. AF 0758] as Auditors of the Company and to authorise the directors to fix their remuneration.		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[a] of the Circular to Shareholders dated 28 March 2011.		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[b] of the Circular to Shareholders dated 28 March 2011.		
9.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[c] of the Circular to Shareholders dated 28 March 2011.		
10.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[d] of the Circular to Shareholders dated 28 March 2011.		
11.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out under Section 2.3[e] of the Circular to Shareholders dated 28 March 2011.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Witnessed by: \_\_\_\_\_

Signature: \_\_\_\_\_

Address: \_\_\_\_\_

Company Stamp: \_\_\_\_\_

Occupation: \_\_\_\_\_

\_\_\_\_\_  
Signature of Shareholder or Common Seal

**Notes:**

- [i] A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may, but need not be, a member of the Company and the provision of Section 149[1][b] of the Companies Act 1965, shall not apply to the Company.
- [ii] The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- [iii] Where a member of the Company is an authorised nominee as defined under the Securities Industry [Central Depositories] Act 1991, it may appoint at least 1 [one] proxy but not more than 2 [two] proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

- [iv] An authorised nominee with more than 1 [one] securities account must submit separate instrument of proxy for each securities account.
- [v] The instrument appointing a proxy and the power of attorney or other authority [if any] under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Share Registrar of the Company at Tricor Investor Services Sdn. Bhd. Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Please fold here to seal

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Affix postage  
stamp

Tricor Investor Services Sdn. Bhd. [Company No. 118401-V]  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur

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