



Nestlé

Good Food, Good Life



NESTLÉ IN SOCIETY 2017

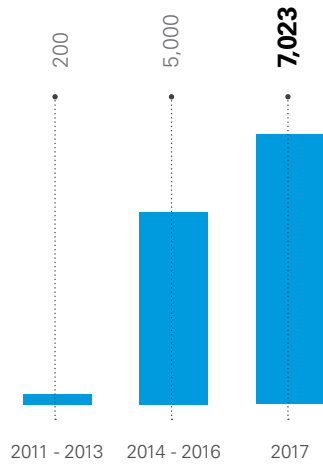
Creating Shared Value and
Meeting Our Commitments



Good Food, Good Life

Key Highlights

NESTLÉ HEALTHY KIDS (number of students)

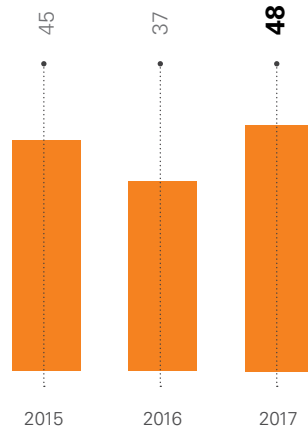


41 Recipes certified with Healthier Choice Logo



Trained **697** Small and Medium Enterprises in Halal F&B Industry

WOMEN IN LEADERSHIP TEAM (%)

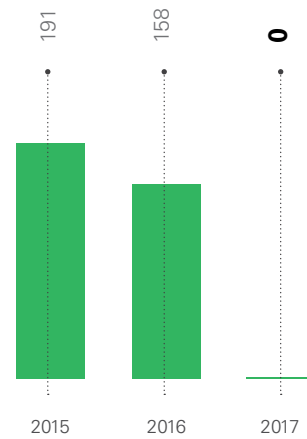


351 farmers supply Nestlé Malaysia through NESTLÉ CHILLI CLUB and NESTLÉ PADDY CLUB



KIT KAT bars manufactured at Nestlé Malaysia factory in Chembong are made with **100%** sustainable cocoa

LANDFILL WASTE (tonnes)



Spent **RM8** million on environmental management



Reduced CO₂ emissions by **1,705 tonnes** through Project Double

Our Purpose

Enhancing quality of life and contributing to a healthier future

This is our purpose. This is why we exist. This is what inspires and drives us as individuals and as a company. This is how we contribute to society while ensuring the long-term success of our Company.



FOR INDIVIDUALS AND FAMILIES

Enabling healthier and happier lives



FOR OUR COMMUNITIES

Helping develop thriving, resilient communities



FOR THE PLANET

Stewarding resources for future generations

Inside This Report

p.4

About This Report

p.5

About Us

p.6

A Message from Our Chairman and CEO

p.8

**Nestlé in Society:
Creating Shared Value**



To access more information,
log on to www.nestle.com.my
or scan the QR code.

p.12

**Creating Shared Value
Governance**

p.20

For Individuals & Families



p.88

Awards and Achievements

p.14

**Stakeholder Engagement
and Material Issues**

p.42

For Our Communities



p.90

GRI G4 Content Index

p.18

CSV Key Performance Data

p.70

For The Planet



p.113

**Independent Assurance
Report**

About This Report

Welcome to the **Nestlé in Society 2017**

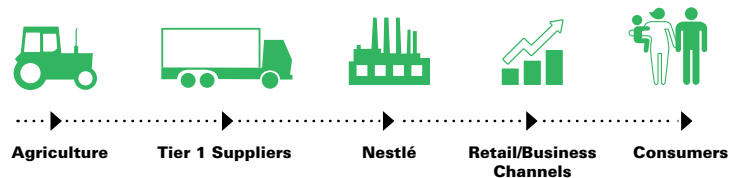
This Nestlé in Society report is an important part of our policy to promote transparent reporting and communication to our shareholders and other stakeholders. This is our 12th stand-alone annual sustainability report and it includes detailed information on issues material to us, as well as on the impact of our business on society and the environment. Through this report, we want to communicate our dedication to Creating Shared Value (CSV) and how we are meeting our commitments.

Report Scope and Boundary

This Report covers a reporting period between January and December 2017. It encompasses the operations of the Nestlé (Malaysia) Berhad (110925-W) (Company) and its subsidiaries (Group).

The Report illustrates in detail our efforts in creating value in areas that are most relevant to the Company as well as its value chain.

The Nestlé Value Chain



Reporting Framework

This Report is prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines - Comprehensive Option. Following the GRI guidelines, we address material issues or those that reflect significant economic, environmental and social impacts and issues that substantially influence our stakeholders. The Report has also been prepared in accordance with Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

Independent Assurance

This Report is subject to a limited independent assurance by PricewaterhouseCoopers to ensure accuracy and objectivity of the reported information and it covers the issues material to the business. In order to view the scope of work and observations, see the full assurance statement at the back of this Report.

About Us



Commercial operations
in Malaysia
since **1912**



Employs more than
5,300 people



Market capitalisation of
RM29 billion
as of 31 December 2017



We export our products to
50 countries
worldwide



Turnover of
RM5.3 billion
in 2017



7 Factories
and a **National Distribution Centre**

100%

of our manufacturing workforce are
Malaysian



The biggest Halal producer
in the Nestlé world

Produces over
500 halal products,
with locally made leading household brand names
such as **MILO, MAGGI** and **NESCAFÉ**

A Message from Our Chairman and CEO



Every day, Nestlé touches the lives of people across the region: from our employees to the farmers who grow our ingredients and the families who enjoy our products. We engage with communities where we live and work, and our actions impact the natural environment upon which we all depend. That means we work alongside partners to create shared value – contributing to society while ensuring the long-term success of our business.

In 2017, we introduced the newly articulated global Nestlé Purpose and Values framework in Malaysia. This framework will bring us closer as one Company, across all our businesses, markets and functions. Our values have seen us thrive over the past 150 years, and will continue to form a strong backbone for our business. In today's world, consumers expect more from corporations and want to be more informed about how companies run their business. As such, we recognise the need to be more explicit and to articulate better on what we do and what drives us forward as a business. This is what the newly-formulated Purpose and Values framework does.

Nestlé is driven by our purpose of enhancing quality of life and contributing to a healthier future and guided by our core Nestlé values, which are rooted in Respect – respect for ourselves, others, diversity as well as for the generations to come. We have always strived to go beyond just business and profit, and will continue making a positive impact for individuals and families, for our communities, and for the planet – this is what we call Creating Shared Value.

Our CSV priorities are the areas at the intersection of Nestlé's business and society, and where we can make the most difference. We have refined our nutrition commitments to enable healthier and happier lives for individuals and families, and in rural development we will help develop thriving and resilient communities and livelihoods for those we live and work with. Water remains an issue of critical concern for the planet and food security. We have strengthened our commitments in the areas of water and environmental sustainability to emphasise our determination to steward natural resources for future generations.

This year, we will once again drive our vision to grow through being FIT. Our FIT operational strategy remains at the heart of our success. FIT represents the three key pillars which power our growth – ‘Fuel to Grow’, ‘Innovate to Grow’ and ‘Transform to Grow’. Our FIT strategy has been pivotal in steering us through the challenges in 2017 to deliver sustainable growth.

In Malaysia, we launched exciting new products including the MILO NUTRI UP, NESTUM Cereals with Milk and new flavours of the CERELAC NUTRIPUFFS among others. Our product innovation, research and development remain key growth drivers, whom contribute to our overall success. These efforts ensure that we move forward and continue delivering relevant products that cater to the needs and preferences of Malaysians at every age.

Not only do we strive to provide the nation with tasty and healthier food, we also support national initiatives pertaining to food nutrition. In 2017, we were one of the early adapters of the Malaysian Ministry of Health’s Healthier Choice Logo programme. Over 40 Nestlé products now carry the Healthier Choice Logo (HCL), a voluntary certification which aims to empower consumers to make better choices.

We continue to build on our halal commitment by focusing on the SME Mentoring Programme, a capacity building programme with a multiplier effect and upskills participating companies. In 2017, we reached out to more than 100 participants from 72 companies.

Our evolving product portfolio impacts management of our environmental footprint as different product compositions lead to different emissions. For example, changes in the ratios per overall products produced lead to specific greenhouse gas emissions, specific water usage and energy savings. Some of our environmental performance indicators varied due to such changes.

We are constantly looking for better ways to manage our impact. One example is Project Double, through which we improved transportation, distribution and warehouse efficiency by simple changes in how we optimise the trucks and warehouses. We have achieved a reduction in emissions of 1,705 tonnes CO₂ from Project Double. We will continue to look for opportunities to improve operational efficiency and our environmental performance.

The Nestlé Supplier Code is embedded into our internal procurement objectives and procedures. Additionally, we follow the Nestlé Responsible Sourcing Guideline, which categorises specific requirements for prioritised raw materials. In 2017, 73 high priority suppliers participated in our Responsible Sourcing Audit to enhance their implementation of the Nestlé Supplier Code.

We continued to invest in our capabilities and work environment by responding to our Nestlé & I survey for employee satisfaction and introduced many improvements on what our employees regard as important to their working experience and to our business. We won the 2017 Healthiest Workplace Award by AIA’s Vitality Survey for efforts on employee wellbeing. We are proud of the diversity of our workforce, in which 48% of leadership positions are held by women.

We have a robust plan for sustainable growth in place and we are confident that our FIT strategy will enable us to meet the challenges ahead. We will continue to lift efficiency across our entire value chain and reinvest our realised improvements into growing our business sustainably. Moving forward, we will remain guided by our purpose of enhancing quality of life and contributing to a healthier future and continue to focus on delivering high quality products at greater value to all Malaysians.



**Y.A.M. Tan Sri Dato' Seri
Syed Anwar Jamalullail**
Chairman



Alois Hofbauer
Chief Executive Officer

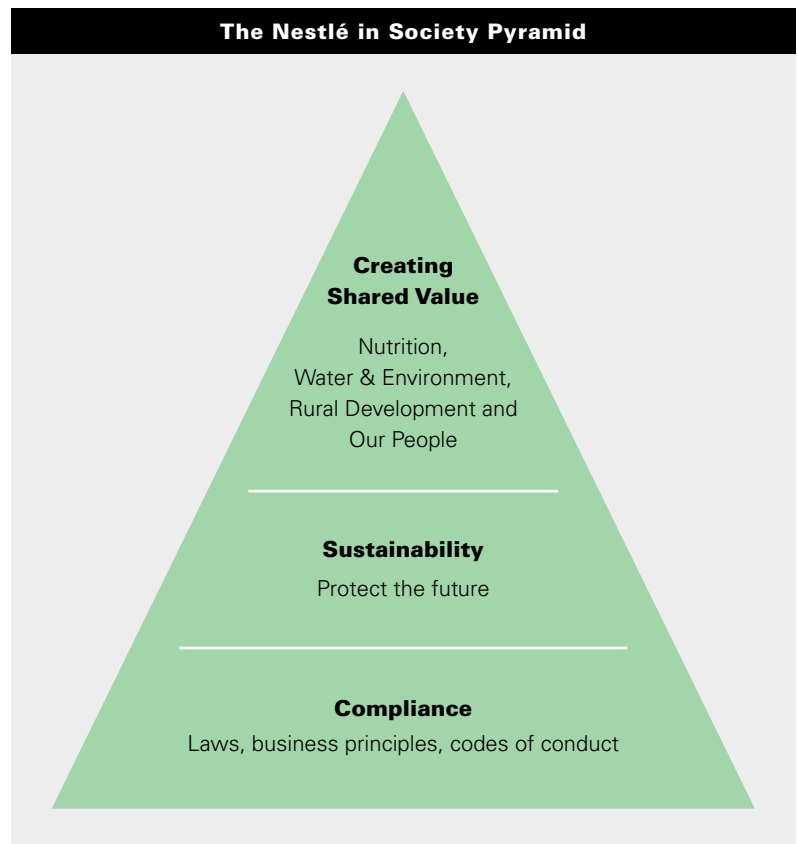
Nestlé in Society: Creating Shared Value

Creating Shared Value

remains the fundamental guiding principle for how Nestlé does business. CSV is the strategy tool that Nestlé uses to manage and operationalise all the the actions it takes to ensure it creates value for shareholders and for society. **This is how Nestlé brings to life its purpose of enhancing quality of life and contributing to a healthier future.**

Our size and scale as a global multinational company brings both opportunities and responsibilities. We operate in compliance with national laws, international standards and our own values and principles, as expressed in the Nestlé Corporate Business Principles (NCBP) - which also form the base of our CSV strategy. Our commitments, embodied in our vision of CSV, go beyond simple compliance.

For more information on our NCBP, see page 12.



“ ”

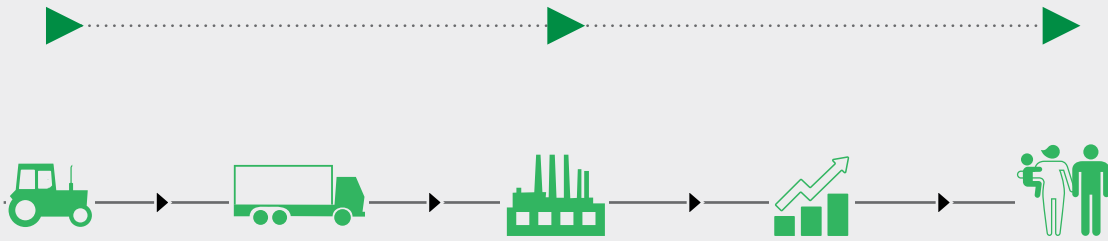
Every day, Nestlé touches the lives of billions of people worldwide – from our employees to the farmers who grow our ingredients and the families who enjoy our products; to the communities where we live and work; as well as the natural environment upon which we all depend.

Creating Shared Value at Each Stage of the Value Chain

AGRICULTURE AND RURAL DEVELOPMENT

ENVIRONMENT, MANUFACTURING AND PEOPLE

PRODUCT AND CONSUMERS



Farmers

Tier 1 Suppliers

Nestlé

Retail/Business Channels

Consumers

Providing expertise and support for farmers

Providing R&D and expertise for suppliers

Investing in local manufacturing plants

Building brands through responsible marketing

Increasing value and volume sales

Value for Nestlé

Securing supplies of high-quality raw materials

Improving community relationships and product quality

Lowering manufacturing and distribution costs

Entering new and emerging markets

Achieving competitive shareholder returns

Value for Society

Improving yields and increasing incomes

Reducing consumption of natural resources

Creating jobs in local communities

Widening access to products that consumers value

Generating local investments and economic growth

Bringing Our Purpose to Life

We live in times of immense challenges, unprecedented change and extraordinary possibility. All over the world, people strive for healthier and fulfilling lives, sometimes in difficult situations. The use of natural resources puts stress on our environment and on the stability of communities. Yet human creativity, technology and a commitment to progress open up new possibilities to improve lives and help create a healthier and more sustainable future for all.

In 2017, we introduced our newly articulated Nestlé Purpose and Values framework that will bring us even closer as one Company, across all our businesses, markets and functions. Our values have seen us thrive over the past 150 years, and in line with changing times, we are aware that we have to be more explicit in the way we articulate them.

In Nestlé, we are driven by our purpose - **enhancing quality of life and contributing to a healthier future**. We are guided by our core Nestlé values rooted in **Respect: respect for ourselves, for others, for diversity as well as for future generations**. We want to go beyond business performance, and wish to continue making a positive impact for individuals and families, our communities, and for the planet – that's what we mean by CSV.

We at Nestlé touch lives worldwide – from the farmers we work with, to the individuals and families who enjoy our products, the communities where we live and work in and the natural environment upon which we all depend. Their challenges are our challenges. Their success is success we all share.

We strive towards enhancing quality of life and contributing to a healthier future:



For Individuals and Families

By offering products and services that enable healthier and happier lives.



For Our Communities

By helping to develop thriving and resilient communities and support better livelihoods for those we live and work with.



For The Planet

By shaping sustainable consumption and steward resources for future generations.

This is how we contribute to society while ensuring the long term success of our Company.

Contributing to the Sustainable Development Goals

At Nestlé, while it is our business to deliver good food and to enhance the quality of life of everyone we touch, we make strides in ensuring that our efforts not only benefit us but also those we work with in this journey.

We have aligned our CSV agenda closely with the United Nations 2030 Agenda for Sustainable Development. Having had the opportunity to participate in shaping the 17 Sustainable Development Goals (SDGs), the global business community are committed to doing our part to meet the goals.

We have integrated the SDGs into our CSV approach, which allows us to identify those goals where we can add most value. We have mapped our material issues globally against the SDGs to help us do this.

We have defined three overarching ambitions to guide our work and have formulated a set of 2030 commitments. These will support the achievement of the SDGs. These global ambitions are:

- Enable healthier and happier lives:**
Helping 50 million children lead healthier lives;
- Help develop thriving, resilient communities:**
Helping to improve 30 million livelihoods in communities directly connected to our business activities; and
- Steward resources for future generations:**
Striving for zero environmental impact in our operations.

Our Company's Purpose

Enhancing quality of life and contributing to a healthier future

Our Ambitions



For Individuals and Families

Enabling healthier and happier lives



For Our Communities

Helping develop thriving, resilient communities



For The Planet

Stewarding resources for future generations

Our CSV Impact Areas

Nutrition, Health and Wellness

**Rural Development
 Human Rights and Compliance
 Our People**

**Water
 Environmental Sustainability**

How We Make Impact

Offering tastier and healthier choices
 Inspiring people to lead healthier lives
 Building, sharing and applying nutrition knowledge

Enhancing rural livelihoods
 Respecting and promoting human rights
 Promoting decent employment and diversity

Caring for water
 Acting on climate change
 Safeguarding the environment

Through our ambitions, we are supporting the Sustainable Development Goals



Creating Shared Value Governance

To be a trusted leader in an industry as complex as ours requires clear principles and sound practices. We believe robust governance helps us maintain trust in the Nestlé brand and reduce risk throughout our value chain.

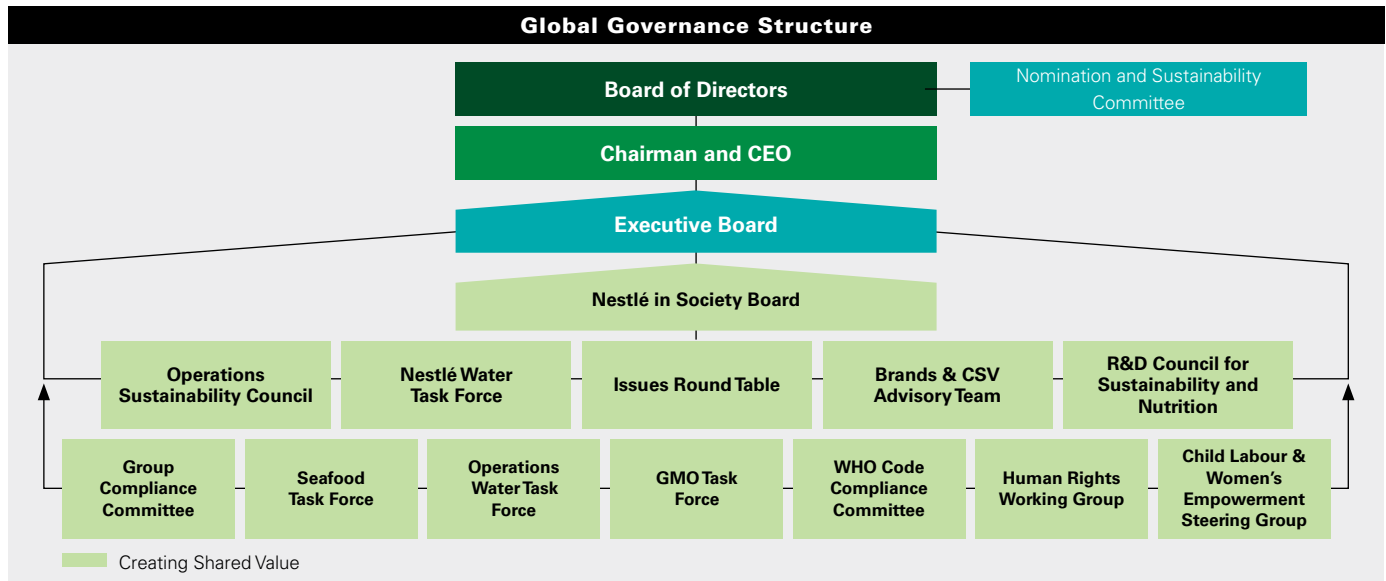
Nestlé Corporate Business Principles

Nestlé Corporate Business Principles form the basis of our culture, our values and our Creating Shared Value strategy. All employees must comply with them through the ongoing implementation of relevant business codes, policies, processes and tools. We monitor their application and effectiveness through various channels, including our CARE (Nestlé Corporate Compliance Assessment Programme of Human Rights & Labour Practices, Business Integrity, Safety & Health, Environmental Sustainability and Security) audits. Our Corporate Business Principles are reviewed by the Executive Board and aligned with international best practices and standards such as the United Nations Global Compact (UNGC) Principles.

The Nestlé Corporate Business Principles		
Consumers	1. Nutrition, Health and Wellness	We aim to enhance the quality of consumers' lives by offering tastier, healthier food and drinks and encouraging a healthy lifestyle.
	2. Quality assurance and product safety	We want to ensure that, everywhere in the world, the Nestlé name represents the highest levels of product safety and quality.
	3. Consumer communication	We are committed to responsible and reliable communication that informs consumers and promotes healthier diets. We respect consumer privacy.
Human Rights and Labour Practices	4. Human rights in our business activities	We fully support the United Nations Guiding Principles on Business and Human Rights, and aim to set an example of good human rights and labour practices throughout our business activities.
Our People	5. Leadership and personal responsibility	While fostering a culture of respect and dignity, we provide our people with equal opportunities for development, protect their privacy and do not tolerate any form of harassment or discrimination against them. At the same time, we expect our employees to be responsible, motivated and to respect our values.
	6. Safety and health at work	We are committed to preventing work-related accidents, injuries and illnesses, and to protecting employees, contractors and others involved along the value chain.
	7. Supplier and customer relations	We require our suppliers, agents, subcontractors and their employees to demonstrate honesty, integrity and fairness, and to adhere to our non-negotiable standards.
Suppliers and Customers	8. Agriculture and rural development	We aim to help rural communities become more environmentally sustainable by contributing to improvements in agricultural production and the social and economic status of farmers.
The Environment	9. Environmental sustainability	We are committed to environmentally sustainable business practices and strive to use natural resources efficiently, achieve zero waste and use sustainably managed renewable resources.
	10. Water	The world faces a growing water challenge, and we are committed to using water sustainably and improving our water management.

GOVERNANCE STRUCTURE AT GLOBAL LEVEL

The Board of Directors, the Chairman, Chief Executive Officer and Executive Board are responsible for the supervision and management of Nestlé's role in society, and for the Creating Shared Value strategy. They are supported by internal management bodies such as the Nestlé in Society Board (see below), as well as the Operations Sustainability Council, Issues Round Table, R&D Council for Sustainability and Nutrition, and the Group Compliance Committee.



The Nestlé in Society Board

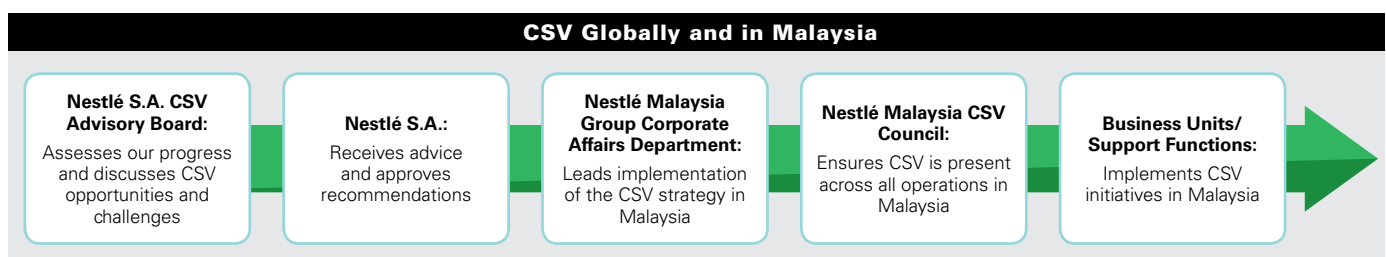
The Nestlé in Society Board is chaired by the Group CEO. It leads the strategic development and implementation of CSV across our business, including all societal commitments, objectives and strategies, and reverts to the Executive Board for input and confirmation.

External Advisory Groups

The Nestlé CSV Council is tasked to further develop the CSV concept and analyse the Nestlé value chain. The Council comprises 13 external members, who have expertise in corporate social responsibility, strategy, sustainability, nutrition, water and rural development. The Group also advises Nestlé management on implementing Creating Shared Value and assesses our progress. For the complete list of experts on the Advisory Board, please visit our Nestlé S.A. website at www.nestle.com.

GOVERNANCE STRUCTURE AT NESTLÉ MALAYSIA

The CSV Council of Nestlé Malaysia was established in 2011 to ensure that sustainability issues are taken into account across all product categories and brand operations. The Council consists of representatives, or CSV Champions, from all the business units and support functions, and is headed by the Group Corporate Affairs Department. The CSV Council meets the Board of Directors twice a year to present the CSV progress and discuss CSV issues of the Company.



Stakeholder Engagement and Material Issues

For over 105 years Nestlé has been present in Malaysia, and is known to generations of Malaysians. We have a vast network of stakeholders, whose opinions we value deeply.

Our stakeholder network ranges from people we engage with regularly through our operations to those in public positions who influence our activities. They range from employees, consumers, suppliers and communities to governments, NGOs, shareholders, industry and trade associations and academia. These stakeholders have specific areas of interest that can have a direct impact on our business.

PROTECT AND BUILD TRUST



Stakeholder Engagement Process

IDENTIFYING

We consider our stakeholders to be those who have a direct interest in our business and those who have an interest in how we manage our business.

MAPPING & DEFINING

Our extensive stakeholder engagement process with both internal and external stakeholders allows us to track and manage current and emerging issues.

ENGAGEMENT LEVEL

The material issues can change: continuous monitoring of the changing environment enables us to manage expectations in a fair and transparent manner.

We engage our stakeholders through multiple channels. Our engagement approach includes formal meetings, surveys, websites, social media and market research.

Nestlé conducts a Stakeholder Equity Research, also known as the Key Opinion Leaders (KOL) survey once every two years. It is a face-to-face interview with business partners and suppliers, industry and trade associations, regulatory bodies, ministries, health and sports bodies, media and academia partners among others.

In 2017, we did not identify substantive changes to the issues, thus the results of the 2016 survey still remain relevant to us. According to the 2016 survey, our key strengths, threats, improvement areas and opportunities are:

- **Strengths:** Good product quality, halal assurance on our products and nutritional value of our products.
- **Threats:** Further reassurance requested for issues including sourcing of raw materials and marketing of infant formula.
- **Improvement areas:** Stronger communication on responsible sourcing of raw materials, water, conservation of the environment and rural development.
- **Opportunities:** Focus on contribution to rural development which can further improve the overall perception of Nestlé amongst stakeholders.

We will conduct another exercise of this stakeholder survey in 2018 and the results will be made available for the 2018 report.

Engaging internal and external stakeholders through Purpose and Values Day

Nestlé Malaysia organised an exhibition to demonstrate how our business delivers on our purpose of enhancing quality of life and contributing to a healthier future. The exhibition showcased initiatives from production to distribution, which captured succinctly our contributions to the three key impact areas that are close to our hearts – individuals and families, our communities and the planet.

The aim of this initiative was to promote greater awareness on Nestlé’s commitment to our purpose and values among our employees and stakeholders, as this defines the foundation of our Company.



The table below summarises the standard methods we use in engaging with our stakeholders throughout the year:

Stakeholder Groups	Engagement methods
Employees	<ul style="list-style-type: none"> Ongoing education and training programmes People Development and Performance (PDP) Intranet (The Nest) Newsletter (The Nestlé Edge) Internal e-announcement and news Employee survey (Nestlé & I) Townhall meetings and roadshows (Delivering Power Growth - DPG) Safety, Health and Environment (SHE) initiatives Employee Volunteer Programme (Reaching Out to Community & Kids - ROCKS) Employee events (annual hi-tea, festive celebrations etc.) Purpose and Values Day
Consumers and General Public	<ul style="list-style-type: none"> Corporate and brand websites Consumer relationship marketing (Dear Nestlé Club) Social media channels (Facebook & Instagram) Corporate and brand campaigns Consumer research (Corporate Equity Monitor) Advertisements and promotions Exhibitions and showcases
Shareholders and Investors	<ul style="list-style-type: none"> Annual Report Annual General Meeting Analyst briefings Announcement to Bursa Malaysia Securities Berhad
Local Communities	<ul style="list-style-type: none"> Community development programmes Monthly food contribution programme Corporate Sponsorship
Board of Directors	<ul style="list-style-type: none"> Board of Directors meetings Creating Shared Value update meetings Corporate & CSV events
Non-Governmental Organisations	<ul style="list-style-type: none"> Roundtable discussions Strategic partnerships and agreements Memberships Monthly food contribution programme Key Opinion Leaders (KOL) survey Corporate Sponsorship
Government	<ul style="list-style-type: none"> Advocacy meetings Roundtable issue discussions Ministerial engagements and dialogues Regulatory filings Exhibitions and showcases Key Opinion Leaders (KOL) survey
Media	<ul style="list-style-type: none"> Face-to-face engagements Dialogues and forums Media familiarisation trip to CSV project sites Corporate and brand events Key Opinion Leaders (KOL) survey Corporate Sponsorship
Industry and Trade Association	<ul style="list-style-type: none"> Member participation in key associations Advisory panelists Key Opinion Leaders (KOL) survey Exhibitions and showcases Corporate Sponsorship
Suppliers	<ul style="list-style-type: none"> Supplier Engagement Day (Nestlé Procurement Day) Training on Nestlé Supplier Code and Nestlé Malaysia Anti-Corruption, Gift & Entertainment Policy Small Medium Enterprise (SME) Mentoring Programme
Customers/Retailers	<ul style="list-style-type: none"> Product campaigns Consumer engagement activities Trade deals and promotions
Academia	<ul style="list-style-type: none"> Partnership programmes Talks and forums Employer branding activities (e.g. career fair) Key Opinion Leaders (KOL) survey Corporate Sponsorship

Multi-Stakeholder Partnerships

Nestlé has long been a champion of multi-stakeholder partnerships in the industry. Together with other industry players in the Federation of Malaysian Manufacturers (FMM), we support government agencies and regulators in addressing important industry issues. Through FMM, we provide input and feedback to government stakeholders on numerous topics, including food manufacturing related proposals, various legislation and guidelines, such as on ingredients. We also provide industry counsel on Halal issues, responsible marketing to children, and advise on nutrition labelling. FMM has also shared industry consultation to the Malaysian Ministry of Health in support of its Healthier Choice Logo programme.

For further info on the Healthier Choice Logo, please refer to the Nutrition section in this report on page 25.

Materiality

Materiality is about identifying the issues that matter most and have the biggest influence to our business, as well as those with the most significance to our stakeholders in terms of environment, social and economy.

To ensure we prioritise the key issues for our stakeholders and our business, we conduct a formal materiality analysis every two years. The trending topics from our 2016 analysis include nutrition, obesity, non-communicable diseases, human rights, supply chain, labour issues, marketing of breast-milk substitutes, marketing to children and sustainability - are reflected in the materiality matrix, hence no changes were made to the materiality matrix this year.

Our Materiality Matrix 2017

INCREASING CONCERN TO STAKEHOLDERS		<ul style="list-style-type: none"> • Nutrition, Health & Wellness • Food Safety & Quality • Halal • Innovation • Product Marketing & Advertising 	
	<ul style="list-style-type: none"> • Human Rights 	<ul style="list-style-type: none"> • Rural Development & Empowerment • Community Development 	<ul style="list-style-type: none"> • Packaging • Climate Change • Waste Management
		<ul style="list-style-type: none"> • Supply Chain & Distribution 	<ul style="list-style-type: none"> • Integrity & Governance • Employee Health & Safety • Talent Management • Diversity & Inclusion
	INCREASING OR CURRENT IMPACT ON NESTLÉ		

The position of an issue in the matrix is relative to the degree of stakeholder interest and potential business impact. These issues should not be viewed in isolation; they are usually interconnected and sometimes improvements in one can lead to changes in another. Together, they represent the material issues facing our business.

CSV Key Performance Data

Description	2015	2016	2017
ECONOMIC			
Operational Footprint			
• Number of total factories	8	8	7
Value Generation (RM'000)			
• Total sales for Malaysia	4,837,957	5,063,506	5,260,490
Value Distribution (RM'000)			
• Turnover	4,837,957	5,063,506	5,260,490
• Operating costs	1,105,280	1,198,675	1,082,447
• Taxes	136,978	129,367	168,334
• Net profit	590,733	637,127	645,795
• Earnings per share (sen)	251.91	271.70	275.39
• Net dividends per share (sen)	260.00	270.00	275.00
• Dividend yield	3.5	3.5	2.7
NUTRITION			
• Products displaying the Nestlé Nutritional Compass (NNC) (% as at 31 December 2017)	100	100	100*
• Products with Guideline Daily Amount (GDA) labelling (% as at 31 December 2017)	98	99	100*
• Products meeting or exceeding consumer taste preference (% of sales)	89	88	92
• Products with nutritional plus over competitors (% of sales)	55	59	52
• NESTLÉ HEALTHY KIDS Programme (Number of students involved)	4,573	4,216	7,023
WATER & ENVIRONMENT			
• Total amount of energy per tonne (GJ/tonne)	3.36	3.14	3.12
• Total water withdrawn (m ³ /year)	1,664,338	1,698,604	1,659,565*
• Total water withdrawal (per tonne)	4.31	3.98	3.90
• Percentage of specific greenhouse gas reductions (%)	3.1	6.3	(0.7)
• Landfill waste (tonne)	191	158	0*
• Recycled waste (tonne)	11,550	11,270	10,250
• Kinabatangan RiLeaf Project			
– Number of trees planted	201,413	116,850	55,679#
– Total seedlings purchased from KAPOK (RM)	369,048	318,234	111,358
• Project UpLeaf (Number of oil palm smallholders that received RSPO-certification)	115	177	196

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.

In 2017, we focused our efforts on the maintenance work of trees previously planted.

Description	2015	2016	2017
RURAL DEVELOPMENT			
• NESTLÉ PADDY CLUB			
– Number of farmers who participated in NPC (Jan/Feb)	300	299	285*
– Number of farmers who participated in NPC (Aug/Sept)	294	290	272*
– Average yield (Jan/Feb)	4.81MT/ha	6.10MT/ha	5.27MT/ha
– Average yield (Aug/Sept)	6.11MT/ha	6.44MT/ha	5.71MT/ha
– Total number of hectares (Jan/Feb)	789	798	762
– Total number of hectares (Aug/Sept)	794	762	732
• NESTLÉ CHILLI CLUB			
– Number of farmers impacted/benefited from the project	80	112	79
– Average yield	350	506	200
– Total number of hectares	45	32	32
OUR PEOPLE			
• Total number of employees	5,578	5,502	5,338
• Leadership positions held by women	45%	37%	48%
• Total spent on training and development annually (RM)	9,064,843	11,094,860	4,913,337
• Lost time injury frequency rate (LTIFR)	2.2	2.0	1.6
• Employees receiving regular performance and career development reviews (%)	100	100	100*
• Total number of employees receiving training on the Company's anti-corruption policies and procedures	Nil	934	1,782*

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.





For Individuals & Families

Enabling healthier and happier lives

Nestlé is the world's largest food and beverage company, with the widest product portfolio. We provide individuals and families with food, beverages and services they can trust, including products for those requiring a life supporting nutritional formula, appropriately packaged and priced products for consumers on low incomes, and premium products and services for those wanting an indulgent moment of pleasure. Driven by the Company's purpose to enhance quality of life and contribute to a healthier future, we have defined an overarching ambition that will guide our work towards achieving our global 2030 commitments and supporting the achievement of the SDGs. Our 2030 ambition is to help 50 million children lead healthier lives.



100% of our children's products have met the stringent Nestlé Nutritional Foundation profiling criteria every year since 2013



We have reached out to more than **17,000** schoolchildren through our **NESTLÉ HEALTHY KIDS** Programme since 2010



Trained **697** Small and Medium Enterprises in **Halal F&B Industry**



MILO educated approximately **1.96** million schoolchildren on active lifestyles through the **'1 MURID 1 SUKAN'** programme

Our Nutrition, Health & Wellness Strategy

Our goal is to be a trusted leader with deep respect for individuals and families, helping them reach and maintain optimal nutrition, hydration and health throughout their lives. Our industry-leading research and development (R&D) drives innovation and supports the ongoing development of our foods and beverages to ensure we provide healthier and delicious options. We inspire people to live healthy, active lives through education programmes, awareness campaigns, clear nutritional advice and guidance on portion control.



Our global ambition:

To help 50 million children lead healthier lives by 2030



Our focus areas:

01. Offering tastier and healthier choices

People want their food to be both healthy and enjoyable. They want food and beverages that are made with ingredients that they easily recognise. By adding nutrients that support good health and reducing others, like sugar, we offer better choices. At every moment of the day, at every stage of life, Nestlé strive to deliver healthier options without compromising on taste. We are working to ensure our products and services can always make a positive contribution to health and development.

02. Inspiring people to lead healthier lives

People want to stay healthy throughout their life. We can contribute by providing clear nutritional information and portion guidance where they can make more informed food choices. Easy to understand information, advice and guidance can help people select the foods they need in their diet. Through our brands, we help people, especially children, to understand the importance of healthy eating and exercise by promoting activities and sports programmes. This way, we support people on the journey to better health.

03. Building, sharing and applying nutrition knowledge

We currently have the most advanced science and innovation network in the food industry, which gives us the ability to develop food and beverages at the cutting edge of nutrition science. Throughout our 150-year history, we have created new products systems and industries. Now, as scientific advances allow us to develop nutritional solutions to help tackle illness, along with our partners in universities and public health, we continue our pioneering work.

Contributing to the Sustainable Development Goals

These SDGs in particular are relevant to our work on Nutrition, Health & Wellness:



Nutrition, Health & Wellness

Nestlé is the world's largest food and beverage company, with the widest portfolio and we have been in the country for more than 105 years. We provide individuals and families with foods and beverages that they can trust, including products for those requiring a life supporting nutritional formula, appropriately packaged and priced products for consumers on low incomes, and premium products and services for those wanting an indulgent moment of pleasure. Inspired by our founder, Henri Nestlé, guided by our values and with nutrition at our core, we are offering individuals and families products, services and knowledge that enhance quality of life and contribute to a healthier future.



Our key commitments:

- **Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children**
- **Further decrease sugars, sodium and saturated fat in our foods and beverages**
- **Apply and explain nutrition information on packs, at point of sale and online**
- **Offer guidance on portions for our products**
- **Market to children only choices that help them achieve a nutritious diet**
- **Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly**
- **Empower parents, caregivers and teachers to foster healthy behaviours in children**

Nutritious Products for Children



Our commitments:

Launch more nutritious foods and beverages, especially for mothers-to-be, new mothers and children

We seek to continually improve our foods and beverages for children by assessing them through the Nestlé Nutritional Profiling System (NNPS) criteria and undertaking significant research when developing products for infants. Our consumer testing programme ensures a taste preference by at least 60% of consumers, while the NNPS guarantees our recipes make a positive nutritional contribution. Together, they form our 60/40+ programme. As part of this system, we have also worked hard to ensure that 100% of our products catered to children continue to meet the Nestlé Nutritional Foundation.



2017 progress:

New innovative products for children:

- **NANKID OPTIPRO HA 3** - Manufactured using a patented process, the milk helps ease the digestion and absorption of protein, essential for building a strong foundation for children.
- **CERELAC NUTRIPUFFS** - Made with rice, whole wheat and vegetables, CERELAC NUTRIPUFFS unveiled two new variants – Tomato & Onion and Spinach & Onion. High in iron, calcium, vitamin B1 and zinc, this wholesome snack contains the essential nutrients to support a child's overall growth and development.
- **KOKO KRUNCH Bar** - Chocolate crisps with whole grains and milk are conveniently packaged in a cereal bar.



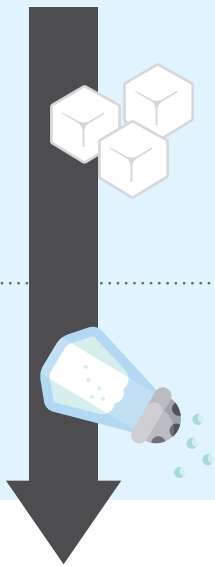
Addressing Our Consumption of Sugar and Sodium



Our commitments:

Further decrease sugars, sodium and saturated fat

Reducing sugars, sodium and saturated fat in our foods and beverages, and removing all trans fats originating from partially hydrogenated oils (PHOs) are key to our commitment to provide healthier and tastier choices. By reducing the levels of these ingredients in our foods and beverages through gradual, science-based renovation, we can improve health outcomes and decrease non-communicable diseases (NCDs).



- Reduced sugar in **MILO 3in1** by **16%** since 2016
 - Reduced sugar amount by **22%** in **KOKO KRUNCH** since 2008
 - Reduced sugar in **MAT KOOL Butterfly** ice cream by **14%** since 2016
 - Reduced sugar in **BLISS Low Fat Yogurt Drink** (200gm) by **10%** since 2017
-
- Reduced salt in **MAGGI 2-Minute Curry** as much as **12%** since 2014
 - Reduced salt in **MAGGI 2-Minute Tom Yam** as much as **10%** since 2016



MALAYSIA'S HEALTHIER CHOICE LOGO

The Healthier Choice Logo (HCL) was launched in Malaysia by the Ministry of Health. It is in line with the National Plan of Action for Nutrition Malaysia (NPANM) III (2016-2025) to promote healthy eating and active living for all. This initiative is based on the same principles as the Choice labelling programme and other voluntary labelling programmes around the world. It was developed under the leadership of the Malaysian health authorities, in close collaboration with the food industry and Choices International. The new label is a valuable tool to combat obesity and non-communicable diseases in Malaysia.

Nestlé is committed to delivering the tastiest and healthiest product options in every category. We believe that providing Malaysians with accurate, transparent and science-based nutrition labelling will help people make more informed product choices.

The objectives of HCL are:

- To assist consumers in making informed food choices by merely looking at the front label of the food packages.
- To help consumers identify healthier product options in the same category of food.
- To encourage food and beverage industries to reformulate and produce healthier products.
- To provide an environment that supports healthy eating practices.

This logo is awarded to F&B products that fulfill a specific and stringent nutrient criteria set. This includes fat content and levels of sugar, sodium, fibre and calcium. At the launch day, 42 products of 18 companies received the approval to use the logo on their packaging.

To-date, Nestlé Malaysia has 41 recipes that are certified with HCL logo.

After Thailand, Singapore and Brunei, Malaysia is the fourth ASEAN country with a national voluntary positive labelling programme with a strong involvement from the national government. More countries are expected to follow.



Product Labelling

Our commitment:
Apply and explain nutrition information on packs, at point of sale and online

To make it easier for people to make informed choices about what they purchase and consume, we provide clear information about ingredients, nutritional benefits, health and portion size on all our packaging. This information must be truthful, meaningful, transparent and scientifically substantiated, and cannot mislead. We strive to ensure that our labelling is fully accurate, and declares the absence of a nutrient, and states an ingredient or substance that a consumer might wish to avoid, such as sugar or saturated fats.

The **Nestlé Nutritional Compass** (NNC) is a tool developed to help people learn more about what they consume through our products. The compass presents a variety of information including at least the nutritional composition of each product, contact details for more information and, whenever possible, lifestyle and nutrition tips. However, there are Nestlé products that are exempted from NNC requirement due to their minute packaging size, for example MAGGI stock cubes as well as machines and accessories such as the NESCAFÉ DOLCE GUSTO coffee machine.

The product labelling also includes the **Guideline Daily Amount** (GDA)-based labels on front of pack to inform consumers about the nutritional content. GDAs are divided into calories, sugars, fats and other nutrients in a serving and most importantly, how this compares to the recommended average daily intakes. In 2017, 100% of our products sold displayed this information.



Nutritional Information Panel
Provides a list of nutrients and their amount contained in a product

Contact Us
Contact details to find out more about a product and ask for nutrition tips

Good to Know
Gives consumers a better understanding of the benefits of the product

Good to Remember
Shares tips on healthy eating and leading active lifestyles



One serving contains

Satu hidangan (24g) mengandungi

Tenaga 110kcal
6%

Berdasarkan 2000 kcal

Based on 2000 kcal

Description	2015	2016	2017
a. Products displaying the Nestlé Nutritional Compass (% as at 31 December 2017)	100	100	100*#
b. Products with Guideline Daily Amount (GDA) labelling (% as at 31 December 2017)	98	99	100*

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.

This data exclude the products that are exempted from NNC requirement.

Portion Guidance

Our commitment:
Offer guidance on portions for our products

Inappropriate portion sizes are major contributors to imbalanced eating habits leading to adverse health outcomes, including obesity and nutrient shortfalls. We believe we share the responsibility for guiding consumers to pursue healthy diets when it comes to consumption quantity, frequency and quality, and we encourage age-appropriate portion sizes through our voluntary **Nestlé Portion Guidance** initiative. This helps individuals and families understand the nutritional value of our foods and beverages, and redefine their portion habits, particularly for energy-dense foods and beverages. Our guidance is based on national food guides and recommendations from internationally recognised bodies such as the World Health Organization.



Supporting the Malaysian Healthy Plate Campaign – “Suku-Suku Separuh”

The Malaysian Healthy Plate concept is a campaign launched by the Malaysian Ministry of Health in 2017, to educate the public on what a healthy meal should look like on a plate. The campaign translates the recommendations from the food pyramid and Malaysian Dietary Guidelines into a visual representation that emphasises the concept of “Quarter-Quarter-Half” or “Suku-Suku Separuh”.

According to the “Suku-Suku Separuh”, a quarter of the meal should consist of carbohydrates, like rice, bread or noodles, while the other quarter contains proteins, like meat, fish, beans or eggs. The remaining half of the meal should consist of fruit and vegetables. This ensures a balanced meal that is rich in fibre and essential vitamins and minerals.

In line with the commitment towards enabling healthier and happier lives, Nestlé Malaysia has been a keen supporter of the Malaysian Ministry of Health in communicating about the Malaysian Healthy Plate campaign. In 2017, information on the Malaysian Healthy Plate was included in the educational modules of the NESTLÉ HEALTHY KIDS programme, which was rolled out to over 7,000 schoolchildren across Peninsular Malaysia.

Nestlé Malaysia’s nutritionist teams also used the Malaysian Healthy Plate concept to educate the public on healthy eating during activities such as MILO UHT’s Bento Workshop and other brand workshops on the importance of eating breakfast.



**Product Safety
and Quality**




Consumer trust is fundamental to our success. That trust begins with the safety and quality of the food we produce. It is our responsibility to ensure that the Nestlé brand continues to represent high quality, safe and nutritious products.

Quality assurance and product safety is one of Nestlé's 10 Corporate Business Principles, which form the foundation of all we do. Our actions to ensure quality and food safety are guided by the company's Quality Policy. Our Quality Management System is the framework that we use globally to guarantee food safety and compliance with quality standards. Our Quality Management System is audited and verified by independent certification bodies to prove conformity to internal standards, ISO norms, laws and regulatory requirements.

Nestlé Malaysia has started to move to ISO9001:2015 certification. Two factories, Chembong and Chembong Ice Cream have successfully obtained the certification in 2017. Moving forward, we aim to certify all our remaining factories in 2018.



How we ensure food safety

 Systems and processes	 Function performed	 Metrics and key performance indicators
Nestlé Quality Management System (NQMS)	<ul style="list-style-type: none"> • Sets out the basic principles for managing food safety and product quality. 	<p>100% of our sites are certified with NQMS.</p>
Nestlé Food Safety Management System (NFSMS)	<ul style="list-style-type: none"> • Allocates responsibilities for manufacturing practices, hazard analysis and traceability throughout the value chain. • Drives continuous improvement by eliminating defects and waste. • Certified by independent third parties. 	<p>100% of our manufacturing sites are certified with FSSC 22000.</p>
GLOBE Quality Monitoring Scheme (QMS)	<ul style="list-style-type: none"> • Ensures manufactured products meet consumer requirements. • Identifies and controls processes that impact consumer, food safety and regulatory requirements. • Supports our manufacturing excellence strategy of zero waste through the 'right first time' approach. 	<p>Implemented for 100% of our portfolio by the end of 2017.</p>
Compliance Tracking Tool (CTT)	<ul style="list-style-type: none"> • Ensures implementation of our standards. 	<p>Implementation index score of 100%.</p>
Quality Compliance Verification	<ul style="list-style-type: none"> • Each factory has an annual quality compliance assessment. 	<p>100% of sites comply with base level for quality compliance assessment.</p>
Early Warning System (EWS)	<ul style="list-style-type: none"> • Global system to identify, evaluate and anticipate emerging risks (e.g. counterfeit products, adulteration of ingredients). 	

24-hour Consumer Engagement Services

In 2017, we upgraded our Consumer Engagement Services by increasing the number of call representatives and extending our operating hours. All channels of communication – our free phone lines and social media platforms are now contactable 24 hours a day, 7 days a week. This allowed us to attend to more queries, resulting in an increase of more than double the amount compared to 2016. Also contributing the numbers were queries from consumers seeking clarification regarding online scams. All complaints were amicably resolved.

Consumer Services	2015	2016	2017
Number of cases handled	23,432	34,121	68,294
Number of enquiries	20,383	30,164	61,392
Number of complaints	2,932	3,882	6,846
Number of praises	117	75	56

**Responsible
Product
Marketing and
Advertising****Our commitment:****Market to children only choices that help them achieve a nutritious diet**

We have a responsibility to promote our foods and beverages truthfully and reliably. In doing so, we are guided by the Nestlé Consumer Communication Principles, which set the highest standards for all our marketing and communication to consumers and we are fully committed and compliant with our Nestlé Marketing Communication to Children Policy.

Among the policy content, the two main criteria are:

- No advertising of food and beverage products to children under the age of 12 on television, print or online, except for products that fulfil the Nestlé Policy Nutrition Criteria; and
- No communication related to products in primary schools, except where specifically agreed with the school for educational purposes.

We aim to lead the industry, reporting transparently on our responsible marketing of foods and beverages designed for consumption by children, including breast-milk substitutes.

To our best knowledge and with reasonable steps taken, there were no incidents reported in 2017.

**Our progress:**

We seek to increase knowledge and awareness on the marketing to children criteria across our organisation. It is critical that our marketeers and external agency partners are aware of the impact this policy has on the food and beverages we sell. In 2017, we conducted two sessions for internal marketeers as well as agency partners as part of Marketing Academy.

**Responsible
Marketing of
Breast-milk
Substitutes****Our commitment:****Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly**

We believe that breastfeeding is best for infants and strongly support WHO's recommendation that mothers exclusively breastfeed their babies for the first six months of life, followed by the introduction of adequate nutritious complementary food along with sustained breastfeeding for up to two years or beyond. The WHO code recognises the importance of breastfeeding while acknowledging that there is a legitimate market for breast-milk substitutes when breastfeeding is not possible.

For children who cannot be breastfed as recommended, infant formula is the only suitable breastmilk substitute (BMS) recognised as appropriate by the WHO. We are committed to market BMS responsibly by complying with the WHO Code as implemented by national governments.

**Our progress:**

We comply with the WHO's International Code of Marketing of Breast-milk Substitutes and the Malaysia Code of Ethics for Marketing of Infant Foods and Related Products, as well as all other applicable laws and regulations in relation to the sales and marketing of infant formula. We transparently report on our progress in our corporate website.

We encourage people to share with us any concerns regarding our BMS marketing practices through our corporate 'Tell us' system. We investigate all concerns related to our BMS marketing practices and promptly address any instances of non-compliance reported to us. The system also allows any Nestlé employee to raise concerns via the appointed Ombudsperson on any activity or behaviour that is against the WHO Code and Malaysia Code of Ethics. The system ensures that the employee's identity remains confidential if he/she so wishes. We also proactively share and encourage this commitment with our distributors, third party agencies and partners, including retailers.

To our best knowledge and with reasonable steps taken, there were no confirmed incidents initiated by Nestlé Malaysia reported in 2017, related to any breaches of the codes in the use or marketing of breast-milk substitutes.

We require all employees who are involved directly or indirectly with infant nutrition to fully understand the importance of promoting and protecting breastfeeding, as well as complying with our policy. To strengthen our capacity to market our infant products responsibly, we have implemented a mandatory global training programme on WHO Code.

FTSE4Good and ATNI™ third-party validation

We are proud to have been the first BMS manufacturer included in the FTSE4Good Responsible Investment Index and to have consistently met its rigorous criteria for the responsible marketing of BMS since 2011.

Nestlé topped the BMS sub-index of the 2016 Global Access to Nutrition Index (ATNI™), which assessed the BMS marketing policies and practices of the world's six leading manufacturers.

**Community
Engagement**

Our commitment:
Empower parents, caregivers and teachers to foster healthy behaviours in children

NESTLÉ HEALTHY KIDS PROGRAMME



We at Nestlé believe that we can contribute towards helping to develop a healthier future. One of the best ways to do so is by using education as a tool to help young children understand the value of nutrition and physical activity.

The NESTLÉ HEALTHY KIDS (NHK) Programme is a global initiative by Nestlé, which aims to address rising health issues in line with our commitment towards Nutrition, Health and Wellness as well as to create a healthier future generations.

The NHK was first introduced in Malaysia in August 2010 in collaboration with the Nutrition Society of Malaysia, and was aimed at improving nutrition knowledge and promoting active lifestyle among schoolchildren aged 7 to 12 years.

Evolution of the NHK Programme:

- Phase 1 (2011 – 2013), a three-year research component involving about 200 schoolchildren in Klang Valley.
- Phase 2 (2014 – 2016), a three-year Train-the-Trainer Workshop in 77 day-boarding schools across East Malaysia involving about 5,000 schoolchildren.

In 2017, NHK continued with Phase 3. The programme was simplified into a two-hour module and reached 7,023 students by the end of the year. This year, the programme focused on schools near Nestlé operations, such as factories and our farming communities, NESTLÉ PADDY CLUB and NESTLÉ CHILLI CLUB.

Impact since 2015:

Description	2015	2016	2017
Number of schools impacted	75	77	29
Number of students involved in intervention programme	4,573	4,216	7,023

At the end of 2017, the NHK programme has reached more than 7,000 schoolchildren and a total of more than 17,000 schoolchildren since 2010, involving more than 200 schools nationwide. In 2018, we target to expand the reach by 50% from the 2017 result.



International Chefs Day

In conjunction with International Chefs Day 2017, NESTLÉ HEALTHY KIDS and NESTLÉ PROFESSIONAL teamed up with the World Association of Chefs' Societies and Professional Culinaire Association (PCA) of Malaysia for the third consecutive year, hosting an educational session on healthy eating at R.E.A.L. Schools Shah Alam Campus.

Themed 'Foods for Healthy Heroes', the fun-filled affair involved 100 kids and more than 40 professional chefs from PCA.



GRASSROOTS SPORTS DEVELOPMENT

MILO has played an important role in the development of junior sports in the country since the 1950’s and has been steadfast in encouraging a sporting culture especially amongst young Malaysians. These initiatives are based on our belief that sports is a vital aspect of a child’s development and a fundamental part of growing up. We currently run the following programmes:

MILO Champions Clinic 2017

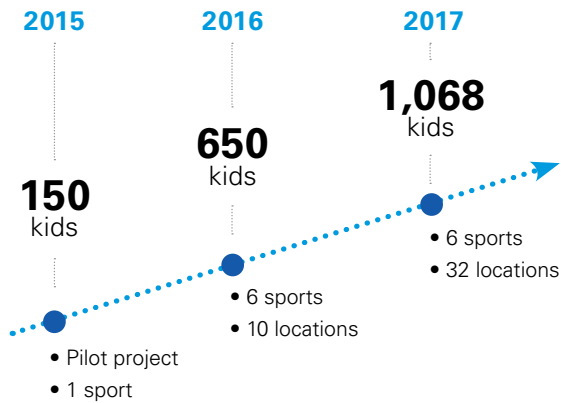


Objective:

To enable access to sporting excellence

The MILO Champions Clinic aims to develop Malaysia’s next generation of sporting champions with the opportunity to explore a range of sports in a fun environment under the guidance of certified sports coaches. This programme, which began in 2015 with only six training sessions, expanded to 15 sessions the following year and 35 sessions in 2017. As many as 1,068 young students between the ages of 7 and 11 took part in the clinics this year in six different sports: futsal, badminton, hockey, bowling, netball and basketball.

In the coming year, we are planning to increase the age bracket to improve the reach and appeal of the programme.



Supporting "1 Murid 1 Sukan" Policy



Objective:

To have a trained sports teacher in each of Malaysia's 7,772 primary schools to nourish active lifestyles among children

Since 2015, MILO has partnered with the Ministry of Education (MOE) in organising MILO-Jurulatih 1M1S Workshops with the aim to equip at least one teacher from each primary school with the knowledge and know-how to coach and organise sports activities in their school. To date, we have completed 96 workshops across Peninsular Malaysia, training 4,800 teachers. MILO has developed a nutrition module to be included in the workshop and provides a nutritionist to conduct the training session.

In supporting the workshops, MILO also organised *senamrobik* with our MILO sports engagement team where in 2017 alone, we engaged about 1.96 million schoolchildren from 3,767 schools.

MILO MALAYSIA BREAKFAST DAY 2017



Objective:

To emphasise the importance of breakfast as an essential source of energy

To further drive awareness on the importance of breakfast as a vital source of nutrients and energy for both young and old, the MILO brand once again hosted the MILO Malaysia Breakfast Day. Now in its fifth year, the breakfast campaign continued to call on Malaysians to adopt the breakfast habit for a healthier and more active lifestyle. The event includes a wholesome breakfast with various games and educational activities, starting off with the 3km Family Fun Run and 5km Individual Run.

This year the event took place in seven locations across the country – Pahang, Sabah, Johor, Sarawak, Kelantan, Penang and Putrajaya – reaching 60,000 Malaysians.



NESTLÉ KOKO KRUNCH JUNIOR TAEKWONDO CHAMPIONSHIP

1,735 young taekwondo enthusiasts took part in the 12th NESTLÉ KOKO KRUNCH Junior Taekwondo Championship, representing 23 clubs. It is a nationwide competition for Malaysian children aged 7 to 12. The championship is organised in partnership with Taekwondo Malaysia (WTF) and is now an annual event in the WTF calendar.



“ ”

The Malaysian Education Blueprint 2013 – 2025, among others, encourages the development of students holistically by providing them the opportunity to develop their individual talents and interests outside of the classroom. This shift also reinforces the requirement for every student to participate in 1 Sport, 1 Club and 1 Uniformed Body.

Dr. Mehander Singh
Director of Sports Division, Ministry of Education

NESTLÉ OMEGA PLUS WALK-A-MILE

Held annually, Walk-A-Mile is part of Nestlé’s continued commitment towards inspiring Malaysians to take positive steps towards better heart health by adopting healthier lifestyles. 2017 marked the 16th year of the event in collaboration with Yayasan Jantung Malaysia (YJM) and saw over 3,000 participants walking for a healthier heart.

During the event, NESTLÉ OMEGA PLUS also contributed RM30,000 to YJM in support of their continuous efforts and activities to educate the public on heart health matters.

In a prelude to the event, NESTLÉ OMEGA PLUS held a series of walks around the country in selected community parks and neighbourhoods called Walk-A-Sunday with the same aim of promoting awareness on the importance of staying active for a healthier heart.



MAGGI SECONDARY SCHOOL COOKING COMPETITION

The MAGGI Secondary Schools Cooking Competition, supported by MOE and the State Education Department, has enabled thousands of schoolchildren to participate in cooking competitions at district, state and national levels and continues to do so.



Objectives:

- To cultivate an interest in cooking among secondary school children
- To raise the awareness on nutritious food and a balanced diet
- To promote cooking as an alternative career choice

Since 1997, the programme has seen 301,500 young cooks from 13,060 secondary schools around Malaysia participating in these cooking activities.

Description	2015	2016	2017
Number of schools involved	1,280	1,280	1,280
Number of participating students	6,400	5,580	5,789



Meeting Local Taste Buds through Innovation

Our industry-leading research and development (R&D) drives innovation and supports the ongoing renovation of our foods and beverages to ensure we provide healthier and delicious options. We strive to ensure the optimal nutritional composition in our foods and beverages through the Nestlé Nutritional Profiling System, which is aligned to the World Health Organization.

We understand that consumers are looking for healthier foods that taste great. We constantly assess our products through the Nestlé 60/40+ programme to ensure that taste and nutrition go hand in hand. This involves testing new and existing foods and beverages using a representative consumer panel where at least 60% of the consumers must prefer the taste of the Nestlé product over a competitor's. The "+" sign is added on products that have gone through NNPS as indicator that the product has added nutritional benefits.

NESTUM Cereal with Milk

NESTUM brand launched the first-ever blended cereal drink in Malaysia, the NESTUM Cereal with Milk. It caters particularly to Malaysians who are always on-the-go. NESTUM Cereal with Milk blends the goodness of brown rice, wheat, oats and barley with calcium and protein.



MILO NUTRI UP

In 2017, Ready-to-Drink targeted active adults with the relaunch its PET bottles with MILO NUTRI UP, enriched with high calcium and protein. The beverage offers the benefits of milk, minerals and vitamins and comes in a format that supports today's on-the-go lifestyle.



NESTLÉ BLISS PLUS

Nestlé Chilled Dairy enhanced its portfolio of yogurt drinks with NESTLÉ BLISS PLUS, a value-up range that offers the goodness of super fruit mixed with the digestive benefits of inulin, a prebiotic that promotes growth of good gut bacteria, coupled with live culture.



NESTLÉ FITNESS Granola

With fibre and calcium, NESTLÉ FITNESS Granola is a wholesome combination of wholegrain oats and wheat, topped with the goodness of natural ingredients. The range offers two delicious variants – Oats Cranberry & Pumpkin Seeds and Oats & Honey.



Description	2015	2016	2017
Products meeting or exceeding Nutritional Foundation profiling criteria (% of sales)	74	79	78
Products meeting or exceeding consumer taste preference (% of sales)	89	88	92
Products with nutritional plus over competitors (% of sales)	55	59	52



KIT KAT Mini

Nestlé Confectionery saw its biggest product launch of the year with the KIT KAT Mini. This bite-sized product encourages portion control and comes in three flavours – Caramel, Mocha and Cookies & Cream.

Nestlé Ice Cream – MILO & MAT KOOL

2017 saw various new ice cream flavours and formats launched to cater to a wider range of consumers and their consumption patterns. Building on the popularity of the MILO ice cream stick in 2016, the team introduced an ice cream cone version, enabling consumers to enjoy the familiar great taste of MILO with a crunchy wafer. MAT KOOL, the number 1 kids' brand in Malaysia, launched a panda-shaped vanilla and chocolate ice cream on a stick, while MAT KOOL FruityBug combines strawberry and pineapple flavours on twin sticks that encourage children to share their ice cream.



MAGGI HOT MEALZ

Over the years, we have established a culture of innovation which has led to the creation of more varieties of flavours and packaging for our MAGGI noodles. This trend continued during 2017, with the introduction of MAGGI HOT MEALZ in Kari Laksa Ayam and Kari Kari Kaw flavours. The noodles cater to adults who lead busy lifestyles, enabling them to prepare easy yet satisfying hot meals, with just the simple addition of hot water. MAGGI also launched two more flavours – Tom Yam Kaw & Roasted Sesame Chicken.

Our Halal Commitment



Our commitment:

All products that are manufactured, imported and distributed by Nestlé Malaysia are certified Halal by JAKIM (Department of Islamic Development Malaysia) and other relevant recognised Islamic authorities

In line with our Creating Shared Value philosophy and as a leader in Malaysia's Halal industry, we are committed to supporting Malaysia's vision to be a Global Halal Hub. Our well-established Halal operations in the country and recognition as the Company global Halal Centre of Excellence place us in a strong position to contribute to the development of the Halal F&B industry since the 1980's.

We have collaborated with JAKIM from an industry level and helped in the establishment of the Malaysian Halal Standards, particularly the MS 1500 and its revisions that serve as a benchmark for Halal standards around the world. We were also involved in subsequent development of Halal Standards for Malaysia.

We are the biggest halal food producer in the Group and export halal products to more than 50 countries worldwide. We act as a global reference point in providing support and give technical advice to other Nestlé companies that seek to produce halal products or obtain Halal certification. We also engage with relevant stakeholders and government agencies, locally and internationally to strengthen the Halal industry across the globe.

In doing so, we strive to groom more Halal experts from within the local industry, by training and educating local industry players about our Halal best practices via our collaboration with the Halal Industry Development Corporation (HDC) and SME Corp, namely through the SME Mentoring Programme. We also established a Halal Committee in the Federation of Malaysian Manufacturers (FMM) to strengthen the Halal industry and coach more Halal experts from within the local industry.

In 2017, we took part in various platforms and initiatives to share our knowledge about Halal food and beverages, including:

- Participated in the 14th Malaysia International Halal Showcase (MIHAS) hosted by the Ministry of International Trade and Industry (MITI) and organised by the Malaysia External Trade Development Corporation (MATRADE). MIHAS is widely recognised as the world's leading halal exhibition, regularly attracting trade participation from over 80 countries.
- Involved in the 8th Halal Certification Bodies Convention where all the members from Foreign Halal Certification Bodies recognised by JAKIM gathered in a two-day programme to have an open dialogue on industry-specific issues.
- Participated in the 1st Halal Technical Capacity Development Programme organised by JAKIM. It is a workshop to streamline the technical components amongst recognised international certification bodies and the Halal industry.
- Hosted several visits to our factories to showcase our Halal best practices to visitors from the Organisation of Islamic Cooperation (OIC) and International Halal Certification bodies, with JAKIM.
- Delivered talks at four universities; Management & Science University (MSU), Universiti Sains Islam Malaysia (USIM), Universiti Kebangsaan Malaysia (UKM) and Universiti Putra Malaysia (UPM). Focused on our Halal best practices and certification procedures.
- Invited as one of the panelists at international forums; Penang International Halal Forum and World Halal Forum in the Philippines on Nestlé's contribution to Halal in Malaysia.
- Invited to speak on Halal-related topics on television programmes such as My Halal (RTM) and Tabayyun (Astro Oasis), reinforcing our position as a thought leader on Halal certification and industry standards, clarifying any confusion on Halal to the public as well as reassuring the integrity of the Halal industry.

OUR HALAL COMMITMENT FROM FARM TO FORK



SMALL AND MEDIUM ENTERPRISE MENTORING PROGRAMME

Nestlé, Halal Industry Development Corporation (HDC) and SME Corp have established a strategic collaboration to promote the potential of business opportunities towards enhancing the capabilities of local Small and Medium Enterprise (SMEs) in the Halal F&B industry since 2009.

The SME Mentoring Programme offers SMEs the opportunity to share, explore and enhance their knowledge on ways to improve business performance in order to compete in the global market. Under this programme, Nestlé as a global and renowned producer for Halal food and beverages share expertise and world-class best practices on Halal procedures as well as what it takes to become competent suppliers to multinational corporations.

Upon completion of this two-day workshop, participants will have learned:

- Halal Awareness
- Managing Food Regulatory Issues
- Strategic Marketing
- The Formation of Internal Halal Committee
- Production Optimisation
- Enhancing Industrial Performance Awareness
- Mentoring Aspect for Sourcing of Raw Materials

Description	2015	2016	2017
Number of Companies	77	77	72
Number of Participants	100	110	105

The SME Mentoring Programme now also includes the flagship programme, designed to identify companies that have potential to become Halal suppliers for the fast moving consumer goods industry. In 2017, we identified two new companies for the programme. The participating companies were selected based on the relevance of their product categories and their readiness was assessed by conducting plant visits.

To date, this programme has benefited over 490 SMEs involving more than 690 participants.







For Our Communities

Helping develop thriving, resilient communities

At Nestlé, we believe that the key to our success are the communities across our value chain - the people who work for us and with us. We operate with a fundamental respect to the livelihoods of our employees and those who are directly connected to our business. Driven by the Company's purpose to enhance quality of life and contribute to a healthier future, we have defined an overarching ambition that will guide our work towards achieving our 2030 commitments and supporting the achievement of the SDGs. Our global 2030 ambition is to improve 30 million livelihoods in communities.



351 farmers supply to Nestlé Malaysia through **NESTLÉ CHILLI CLUB** and **NESTLÉ PADDY CLUB**



KIT KAT bars manufactured at Nestlé Malaysia factory in Chembong are made with **100%** sustainable cocoa



We employ more than **5,300** people and **100%** of our manufacturing workforce are Malaysian



Trained **1,782** individuals across our value chain on anti-corruption policies and procedures

Rural Development & Our People Strategy

Being part of the communities where we operate means respecting the rights of those who work for us and with us. This includes our employees as well as our farmers and suppliers.

We support farmers through a range of activities, including improving access to markets, providing training and technical support as well as helping them develop alternative income streams. Through our work, we strengthen and secure the long-term supply of high-quality raw materials. Thereby, our support contributes to improving farmers' livelihood and encourages the next generation of farmers, ultimately strengthening rural communities.

Moving closer to the heart of our Company, we believe that our success is the success of our employees. They are our strongest asset and the Company's achievements are a result of their engagement and commitment. Providing good working conditions and keeping our people safe, healthy and engaged are always our top priorities. Across Nestlé, our employees are driven by purpose and guided by values.



Our global ambition:

To improve 30 million livelihoods in communities directly connected to our business activities by 2030



Our focus areas:

01. Enhancing rural livelihoods

We rely on people living and working in rural communities to produce the ingredients that go into our food. We have a responsibility to make sure that our farmers and their families are healthy and have sufficient resources and food. By supporting them and helping their children to thrive, we build stronger communities.

02. Respecting and promoting human rights

We do not tolerate any kind of human right abuse across our value chain. We have a responsibility to respect human rights across our business. It is critical to the security and wellbeing of our workforce and suppliers.

03. Promoting decent employment and diversity

We are determined to help young people find jobs while supporting local communities, fairly and without prejudice. Good working conditions, respect for labour practices and human rights are essential – as are a safe and healthy work environment and flexible employment, which enable us to attract and retain the best people, from the widest range of cultures.

Contributing to the Sustainable Development Goals

These SDGs in particular are relevant to our work on Rural Development and Our People:





Rural Development

Rural development is at the heart of our approach to Creating Shared Value - we rely on millions of farmers across the globe to supply us with agricultural raw materials. The overall wellbeing of our stakeholders, including farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business.



Our key commitments:

- **Improve farm economics among the farmers who supply us**
- **Implement responsible sourcing in our supply chain**
- **Roll out the NESTLÉ COCOA PLAN with cocoa farmers**
- **Continuously improve our green coffee supply chain**
- **Assess and address human rights impacts across our business activities**

Sharing Good Agricultural Practices through SAIN

The SAIN, Sustainable Agriculture Initiative, is a company-wide initiative to optimise the supply chain from farm to factory, improve efficiency, risk management and support sustainable development in agriculture. It focuses on raw material sourcing with direct contact with farmers. We help them to produce more, sell their yields and earn a greater income. Through SAIN and other integrated corporate programmes, we share best agricultural and sourcing practices and optimise value sharing with suppliers. The objective of SAIN is to ensure a sustainable production of safe and high-quality food products which also positively impact on business performance.

Farmer Connect and Direct Sourcing Operations



Our commitment:

Improve farm economics among the farmers who supply us

We prefer to use agricultural materials which are produced based on sustainable practices and are locally available. Our contract farming initiatives ensure that the farmers are actively engaged as a part of the Nestlé supply chain and are ensured a steady and sustainable income. At the same time our factories are provided with a reliable, traceable and controllable source of quality agricultural raw material. The farmers are also supported by knowledge sharing on good agricultural practices and guaranteed a fair market price for the quality produce delivered.

Nestlé's contract farming schemes include the long-standing fresh chilli project in Kelantan and a rice farming scheme in Kedah.

NESTLÉ CHILLI CLUB

The NESTLÉ CHILLI CLUB (NCC) contract farming scheme has been operating since 1995 in Kelantan to produce chillies for MAGGI Chilli Sauce. It is a collaboration between Nestlé Agricultural Services Department and the local farmers' association, Pertubuhan Peladang Kawasan Bukit Awang (PPKBA).

The NCC's objective is to improve yields and quality of crops among local farmers to meet global standards. Through the programme, local farmers receive agricultural training on increasing productivity, reducing farm costs, minimising environmental impact and improving work safety. The Nestlé Agricultural Services Department provides the farmers with technological support and technical know-how in getting the highest possible yields whilst meeting global standards.

The NCC is aligned with Nestlé's Agricultural Policy that emphasises promotion of local sources of raw material.

**Our target:**

Target quota for each season is 200 tonnes of chillies

**Our progress:**

Up to 80% of the chillies produced under the scheme are purchased by Nestlé, estimated to meet 60% of the Company's need for fresh chilli used for the production of MAGGI Chilli Sauce. Chilli planting and harvesting season is from March to October.

In 2017, there were 79 farmers under NCC producing regular yields of fresh chillies amounting to 200 metric tonnes across 32 hectares of land. Our average yield for 2017 was unexpectedly lower than in 2016, owing to a poor yield response. We are still investigating the cause for the lower yield.



Description	2015	2016	2017
Number of farmers impacted/ benefited from the project	80	112	79
Average yield (MT/ha)	350	506	200
Total number of hectares	45	32	32

Second generation of farmers working with Nestlé

Pak Noh, a local farmer in Kelantan, was part of the NESTLÉ CHILLI CLUB for over 20 years. Through the NESTLÉ CHILLI CLUB, Pak Noh has been able to improve his income and living standards - including building a family home and putting his son, Amir, through tertiary education. Amir has now taken over the management of the chilli farm from Pak Noh.



MAGGI *Kebun Dapur*

To make great tasting chilli sauce, you need quality chillies. MAGGI *Kebun Dapur* is a one-acre farm in Kampong Gong Kulim, Kelantan, dedicated to research and development of sustainable and holistic farming practices. MAGGI *Kebun Dapur* is a place where Nestlé's agricultural team of experts can cultivate and develop new chilli and other high quality, high-yielding breeds of vegetables, herbs and spices that are used in MAGGI's wide range of products.

Currently, our experts conduct trials at MAGGI *Kebun Dapur* on chilli planting using live groundnut mulch. This natural mulch is environmentally friendly and its production provides additional income opportunities for local farmers. Aside from finding new methods to improve the crops, the farm also develops new varieties and soil improvement methods.

NESTLÉ PADDY CLUB

Rice is one of the key ingredients used in infant cereals. It is produced in Malaysia for the regional market. NESTLÉ PADDY CLUB (NPC) was formed in 2012 to provide additional income to the rice farmers in Kedah and improve environmental practices in rice farming.

In this programme, farmers are taught new ways of paddy farming that use an innovative method called SARI (Semi-Aerobic Rice Intensification). SARI is more ecological than conventional farming techniques, as it uses water more efficiently. The amount of greenhouse gases emitted from paddy farming are also reduced, as the method encourages farmers to use environmental friendly microbial supplements, provided by the Company. An added advantage of using the organic microbes is the increased yield.

SARI is a water-saving approach that can be applied in lowland paddy fields to reduce water usage and methane emissions in irrigated fields. The conventional method of farming rice requires the paddy stalks to be immersed in water. By using the SARI method, the soil is kept moist but not inundated, significantly reducing not only the need for irrigation water by 30% to 40% but also reducing emissions of methane gas that is released from the decaying organic materials submerged in water.

The Benefits of NESTLÉ PADDY CLUB**PEOPLE**

Providing environmentally friendly means to increase yields, minimising exposure to hazardous chemicals and ensuring safe handling of inputs.

**PLANET**

Water conservation through using 30%-40% less water, reduction of methane emissions and the environmental footprint, as well as soil improvement.

**PROFITS**

Farmers can improve their income. Nestlé has access to a reliable, traceable and controllable source of raw material for infant cereals.



Our progress:

Description	2015	2016	2017
Number of farmers who participated in NPC			
i. Jan – Feb	300	299	285*
ii. Aug – Sept	294	290	272*
Average yield (MT/ha)			
i. Jan – Feb	4.18	6.10	5.27
ii. Aug – Sept	6.11	6.44	5.71
Total number of hectares			
i. Jan – Feb	789	798	762
ii. Aug – Sept	794	762	732

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.



Responsible Sourcing

 **Our commitment:**

Implement responsible sourcing in our supply chain

In addition to our direct sourcing activities, we use traditional procurement channels to help meet our raw ingredient requirements. We source ingredients for our products from millions of farmers across the world. Among Nestlé’s goals in responsible sourcing is to ensure that our products do not result in harmful practices such as deforestation, and to ensure that human rights are respected.

We are committed to the Nestlé Supplier Code and it is embedded into our internal procurement objectives and procedures. In addition, we follow the Nestlé Responsible Sourcing Guideline which categorises specific requirements for prioritised raw materials. This guideline aligns with, and often goes beyond, internationally recognised standards.

These guidelines are applicable to our farmers and all other suppliers. As part of the implementation of the Nestlé Policy on Responsible Sourcing, we screen a range of suppliers using the Suppliers Ethical Data Exchange platform (SEDEX). This assessment is performed on suppliers’ social and environmental performance.

In 2017, 73 high priority vendors (our top suppliers and logistics, administration and HR services) were audited and issued with a valid letter of conformance by third party auditors. Audits are valid for three years.

Description	2015	2016	2017
Number of suppliers screened based on Nestlé Responsible Sourcing Guideline which includes environmental criteria	118	147	73

Nestlé launches Global Procurement Hub in Malaysia

Launched in November 2017, the new centre is one of the Group’s three Global Procurement Hubs. The new hub based in Malaysia will source ingredients, materials and services from around the world for the Nestlé companies in over 100 countries. The hub will procure specific raw materials such as cocoa and coffee, according to the Group’s strict responsible sourcing guidelines. It employs about 130 people. The hub will help to deliver sustainable value to the business by focusing on efficiency, quality, safety, availability and sustainability in all our procurement activities.

Building Trust Begins with Our Suppliers

As part of our commitment to strengthen relationships and our suppliers’ best practices, Group Procurement organised a Raw & Packaging Material Supplier Day together with Group Quality Assurance Management in 2017. During this event, our suppliers learnt more about the importance of prioritising quality in order to enhance trust with customers and consumers. About 60 participants from Malaysia, Thailand, Indonesia and Singapore attended the event.

Responsible Cocoa and Coffee Sourcing

We strive to ensure that key commodities for Nestlé such as coffee and cocoa are cultivated with more sustainable methods - socially and environmentally. We have put in place various initiatives to this goal, such as the NESCAFÉ Plan, the NESTLÉ COCOA PLAN and the NESPRESSO AAA Sustainable Quality Programme.

The NESTLÉ COCOA PLAN



Our commitment:

Roll out the NESTLÉ COCOA PLAN with cocoa farmers

The NESTLÉ COCOA PLAN aims to improve the quality of farming, cocoa beans and lives in cocoa farming communities in Cote d'Ivoire. Nestlé also supports children's education in Cote d'Ivoire and aims to prevent the use of child labour. The NESTLÉ COCOA PLAN is our way of sourcing sustainable cocoa, used to produce Nestlé confectionery products, including KIT KAT bars. Our global goal is to use only sustainable cocoa.



Our progress:

Since February 2016, KIT KAT in Malaysia has used only sustainable cocoa to produce the KIT KAT product range at the factory in Chembong, Negeri Sembilan.



The NESPRESSO AAA Sustainable Quality Programme



Our commitment:

Continuously improve our green coffee supply chain

Launched 15 years ago in collaboration with the environmental non-governmental organisation, the Rainforest Alliance, the NESPRESSO AAA Sustainable Quality Programme works with more than 70,000 farmers in 12 countries to create sustainable coffee farming practices that increase coffee quality, farmers' productivity and the viability of their farms.



Our progress:

NESPRESSO coffee in Malaysia has been fully sourced from the NESPRESSO AAA Sustainable Quality Programme since the business was introduced in 2016.



Our Commitment on Sustainable Palm Oil

We recognise the important role that farmers, both large and small, play in supplying us with palm oil and work closely with them to ensure it is sustainably produced. We have a policy for responsible sourcing of palm oil and strive to use palm oil that has been certified by the Roundtable on Sustainable Palm Oil (RSPO) in our products and operations.

In line with our pledge, we have assisted oil-palm smallholders to achieve RSPO certification through our Project UpLeaf. The certification process also assists the smallholders to increase yields, improve the quality of their production and to reduce risk of conversion.

For more information on our Project UpLeaf, see page 87.



**Human Rights
and Compliance
in our Supply
Chain**



Our commitment:

Assess and address human rights impacts across our business activities

Respecting human rights and ensuring compliance with international laws, standards, codes of conduct and our own business principles are our top priority. We continually review and address the human rights risks of our activities and strive to prevent any negative impacts on those whom we employ, do business with, or interact with along our value chain.

Our policies are aligned with the UN Guiding Principles on Business and Human Rights. The Nestlé Supplier Code includes strict rules on labour rights.

Child labour

We are strongly against any form of child exploitation, and are committed to preventing and eliminating it in our supply chain. Our policy prohibits child labour and our recruitment procedures verify that prospective employees are of legal working age. There can be potential conflict in countries where human rights are compromised and we keep abreast of potential issues of concern. We use information from various resources such as Amnesty International, and ensure that education on human rights and equality are integrated into our management training programmes.



Our People

The Nestlé Malaysia family more than 5,300 employees is the key to our success. Our people are at the core of everything we do. This is why we care for people first and put people above systems.

At Nestlé, it is our people that make the company what it is. We empower our people to demonstrate leadership and take personal responsibility for the benefit of all within the Nestlé family. We take pride in our employees embracing the corporate values of Trust, Respect, Involvement, Pride and Commitment. In pursuing our purpose, we are guided by these values which are rooted in Respect.

Our Values are rooted in Respect

Respect for ourselves

Respect starts with each of us, with self-respect and being true to ourselves, then acting with integrity, fairness and authenticity.

Respect for others

Respect for the people around us and all those we interact with creates a climate of mutual trust. This is about taking pride in living up to what we promise. For us, it is about quality in our products, our brands and in everything we do.

Respect for diversity

Respect for other ways of thinking, other cultures, and all facets of society requires openness and inclusiveness in all our interactions, both inside and outside the company.

Respect for the future

Respect for the world's future and generations who follow us compels us to act with responsibility and courage, even at difficult times.

We aim to provide a workplace culture that generates equal opportunities for everyone and we strive to provide each of our employees with opportunities to grow and contribute.

As an employer, we can make a positive difference by providing employment and training opportunities and skills development. We are also committed to the development of our people and encourage lifelong learning to help our employees build successful careers and achieve their full potential. Prioritising local resources has always been our

strategy. This includes recruiting and developing local talent with local knowledge first. We also employ 100% local staff in all our manufacturing sites in Malaysia.

We want to see all our employees living safe and healthy lives. As we seek to enhance the quality of life and contribute to a healthier future, we also want to help our employees take personal responsibility, make more informed decisions about their own health, and choose to live and work in a safe and healthy way.

**Our key commitments:**

- Enhance gender balance in our workforce and empower women across the entire value chain
- Roll out the Global Youth Initiative across all our operations
- Ensure that all employees are covered by a certified safety and health management system
- Advocate for healthy workplaces and healthier employees
- Assess and address human rights impacts across our business activities
- Enhance a culture of integrity across the organisation
- Provide effective grievance mechanisms to employees

Our Workforce - Full Time Equivalent Employees:

Description	2015	2016	2017
a. Total number of employees	5,578	5,505	5,338
b. Total number of employees - Nestlé Products Sdn. Bhd.	1,573	1,571	1,543
c. Total number of employees - Nestlé Manufacturing (Malaysia) Sdn. Bhd. (NMM)	4,005	3,934	3,795
i. NMM Shah Alam	937	873	849
ii. NMM Petaling Jaya	590	564	511
iii. NMM Batu Tiga	893	854	880
iv. NMM Kuching	228	224	174
v. NMM Chembong & Chembong Ice Cream	924	967	917
vi. NMM Sri Muda	144	168	187
vii. NMM Head Office	71	70	65
viii. NMM National Distribution Centre	218	214	209
d. Employee breakdown (%)			
i. Permanent	99	99	99
ii. Contract	1	1	1
e. Number of new employees by gender			
i. Male	175	220	316
ii. Female	148	183	223
f. Number of employees leaving employment by gender;			
i. Male	255	243	222
ii. Percentage – Male	4.57	5.40	4.2
iii. Female	129	167	162
iv. Percentage – Female	2.31	3.90	3.0

Diversity and Gender Balance



Our commitment:

Enhance gender balance in our workforce and empower women across the entire value chain

Our strong, multicultural workforce has shaped our success and culture, and diversity remains at the core of our people policies. We believe we need to embrace the unique perspectives of our people. We aim to provide a workplace culture that generates equal opportunities for everyone, and in which people are treated with dignity and respect.

Nestlé believes that the right approach to achieving gender diversity is not by setting artificial quotas but through nurturing an environment that brings about natural gender-balance and diversity within the organisation.



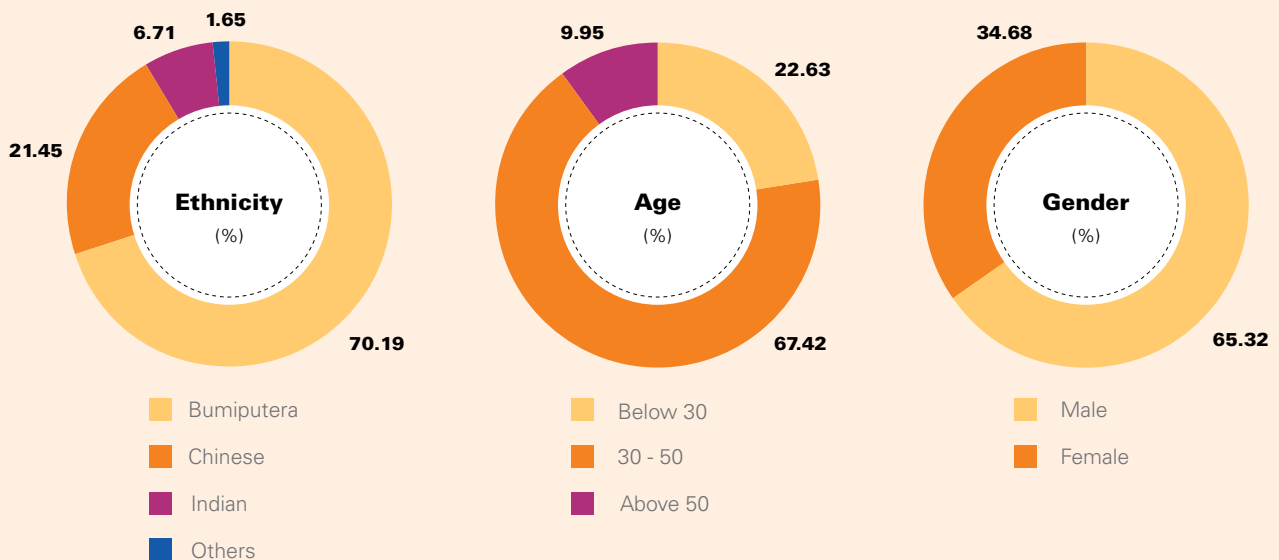
Our progress:

34% of our employees are women and 48% of managers are women, which is an increase from 37% in 2016. Part of this change is the increase in the representation of female senior management, from 28% in 2016 to 37% in 2017.

We want to develop long-term female talent and encourage women to apply for top management positions. In 2017, we have identified 29 female successors for Nestlé Leadership Team (NLT) positions. A conscious effort has been made to have at least one female successor for all NLT positions.

Description	2015	2016	2017
a. Gender profile (%) - male	65	65	66
b. Gender profile (%) - female	35	35	34
c. Leadership positions held by women (%)	45	37	48
d. Female/Male salary ratio by employee category;			
i. Top Management	43:57	36:65	26:74
ii. Senior Management	35:65	28:72	37:63
iii. Middle Management 1	42:58	44:56	43:57
iv. Middle Management 2	49:5	51:4	63:47
v. Executives	54:46	53:47	50:50
vi. Confidential Administrative Support	75:25	82:18	84:16
vii. Non-management (unionised)	35:65	28:72	25:75

EMPLOYEE BREAKDOWN BY ETHNIC COMPOSITION, AGE GROUP AND GENDER



UNCONSCIOUS BIAS TRAINING

In 2017, we conducted 92 Unconscious Bias Training sessions with 1,654 management employees. The objective of the training is to create an awareness on the importance of diversity and inclusion, and to help employees become conscious of their biases and to eliminate them. This will enable them to be fair and objective in people management, including career decisions and creating equal opportunities.

PARENTAL SUPPORT INITIATIVES

We help our employees care for their families. Nestlé’s global Maternity Protection Policy from 2015 is based on the International Labour Organization (ILO) Maternity Protection Convention, and establishes minimum standards to be implemented at Nestlé workplaces across the globe by 2018.

Currently, the Company’s female employees are entitled to 12 weeks of paid maternity leave with an option to extend for another 12 weeks unpaid. Employees on maternity leave are guaranteed security of employment after returning from their leave. In addition, we offer mentoring, flexible work hours and dedicated facilities for nursing mothers.

NESTLÉ SCHOLARSHIPS

We offer scholarships to children of our employees and retirees. In 2017, 20 scholarships were awarded. Since the inception of this programme, more than 270 students have been able to pursue their studies in numerous universities with the assistance of this scholarship. Currently, there are 56 Nestlé scholars. We have contributed RM3.7 million in the Nestlé Scholarship Awards since 1978.

Safety, Health and Wellbeing

Our commitment:
Ensure all Nestlé employees are covered by a certified safety and health management system

Safety is a fundamental part of our work culture. At all our sites, we implement the mandatory Nestlé Occupational Safety and Health Management System, based on OHSAS 18001:2007. We use third-party auditors to verify the implementation and certification of these systems. Employees in Office and Sales, Supply Chain and Manufacturing functions are covered by our management systems. Our safety and health standards, procedures and processes are constantly evolving.

Our global Safety and Health Roadmap, updated in 2016, sets out our approach for managing strategic priorities through to 2018. The Roadmap is focused on four strategic priorities:

- Everyone engaged;
- Key risks managed;
- Our passion for Nutrition, Health and Wellness; and
- Management processes.

Rather than an exhaustive list, the Roadmap sets high-level priorities for the Group to guide our planning for the period 2016 to 2018. It is to be used as a reference by zones, markets and support functions.



We work hard to create a culture in which safety and health are leading principles, and our aim is to achieve zero work-related injuries and illnesses. We gather information on key health and safety measures in order to help us recognise the impact of work on health, and to address and reduce workplace health risks.

Safety, Health and Environment (SHE) Committees in every region meet at least once in three months, and serve as a platform for employees to provide feedback on any related issues. All of our employees are represented by respective members of the SHE Committees.

All first-aid cases and injuries, illnesses and environmental incidents must be immediately logged into our health and safety database, SHE-PM (Safety, Health and Environment Performance Monitoring). Incidents during the hours of work must be recorded whether or not they happened at a Nestlé site.

The scope depends on the location of the incident, as specified below:

Location of Incident	Affected Persons in Scope
At Nestlé sites	All individuals, i.e. all employees (regular & temporary), contractors and members of the public.
Outside Nestlé sites	All employees (regular & temporary).



Our progress:

Description	2015	2016	2017
a. Lost Time Injury Frequency Rate	2.2	2.0	1.6
b. Injury rate (IR);			
i. Nestlé Head Office	0.7	0.5	1.1
ii. NMM Shah Alam	2.7	1.8	1.1
iii. NMM Petaling Jaya	2.0	2.2	2.8
iv. NMM Batu Tiga	2.6	3.3	2.5
v. NMM Kuching	0.0	1.8	6.1
vi. NMM Chembong	1.5	0.4	1.5
vii. NMM Chembong Ice Cream	3.8	5.6	0.0
viii. Nestlé NDC	1.5	0.0	0.6
ix. Sales & Marketing	2.1	2.7	0.6
c. Lost day rate (LDR);			
i. Nestlé Head Office	0.0	3.1	1.7
ii. NMM Shah Alam	74.3	5.0	4.7
iii. NMM Petaling Jaya	40.2	21.0	182.3*
iv. NMM Batu Tiga	36.7	44.7	94.8
v. NMM Kuching	0.0	1.9	13.3
vi. NMM Chembong	85.6	1.3	8.8
vii. NMM Chembong Ice Cream	108.5	137.8	0.0
viii. Nestlé NDC	9.9	0.0	0.0
ix. Sales & Marketing	89.3	25.6	20.9
d. Absolute number of fatalities;			
i. Nestlé Head Office	0	0	0
ii. NMM Shah Alam	0	0	0
iii. NMM Petaling Jaya	0	0	0
iv. NMM Batu Tiga	0	0	0
v. NMM Kuching	0	0	0
vi. NMM Chembong	0	0	0
vii. NMM Chembong Ice Cream	0	0	0
viii. Nestlé NDC	0	0	0
ix. Sales & Marketing	0	0	0

* The high LDR value for NMM Petaling Jaya in 2017 is due to an operator who took several months extended sick leave following an injury, up until the operator's due retirement later on that year.

We are also helping employees make more informed decisions on their health outside the workplace. The Nestlé Framework for Employee Health, introduced in 2015, helps us structure and focus our efforts in this area.

Training and Development

In our fast paced industry, it is important to maintain the skills base of all employees and ensure they have every opportunity to develop their careers if they so wish. We offer a wide range of training programmes designed to help our employees grow to new roles, contribute to our environmental objectives, help us achieve business goals and maintain healthy lifestyles. The programmes are delivered by internal and external training providers, as well as through a wide variety of e-courses, and they are constantly revised and improved based on changing business needs. In 2017, we spent close to RM5 million in employee training.

Description	2015	2016	2017
a. Average training hours by;			
i. Male	16.24	14.7	13.14
ii. Female	21.35	18.2	16.27
iii. Management	20.51	27.41	22.63
iv. Non-management	14.44	11.31	11.08
b. Total spent on Training and Development annually (RM)	9,064,843	11,094,860	4,913,337
Attendance breakdown;			
i. Local training	5,079	11,431	10,465
ii. Overseas training	61	127	100
iii. Flexi-benefits	928	980	1,500
c. Number of employees receiving nutrition training (Nutrition Quotient Foundation)	4,300	4,598	4,680

TRAINING AND LEARNING

Our training is designed to enhance personal performance and to help achieve our business goals. Training programmes are continuously revised and improved to meet business needs. They are delivered both online and by internal and external providers. An overview of some of our training courses in 2017 can be seen in the table below.

My First 100 Days	All Employees	A comprehensive orientation programme designed for all new hires which aims to: <ul style="list-style-type: none"> • Introduce Nestlé as an employer of choice. • Integrate new hires into the Nestlé family and culture. • Provide all the essentials to help new hires get started at the workplace.
Mentoring Programme	All Employees	A part of our retention strategy, this programme engages and enables our employees and helps to build a sustainable talent pipeline to meet future business needs. It is also a platform to instill the Nestlé values and principles by exposing our young talents to senior leaders. In 2017, we had 30 mentees under the supervision of 24 mentors.
Sales Briefcase	Sales Representative	A structured guide to help Long Term Partners (LTPs) in recruiting the right candidates, onboarding sales representatives and managing, tracking and rewarding their performance. In 2017, 149 Sales Representatives & Managers joined the training.

TRAINING AND LEARNING (CONT'D)

E-Learning on iLearn	All Employees	By offering online learning, we want to encourage a culture of independent learning and taking ownership of personal development. Trainings that are available on iLearn include: <ul style="list-style-type: none"> - Nutritional Quotient - Nestlé Leadership Framework - Nestlé Corporate Business Principles - Nestlé Code of Business Conduct - People Development & Performance - Aset Green (Higher Risk) – This training was developed to ensure that Nestlé Nutrition employees act according to our vision and mission, understand the basic WHO Code and Nestlé Policy and Instructions and the importance of breastfeeding. - MySecurity Super-Hero - Anti-Corruption
Line Manager's Suite	Line Managers	As a response to the results of the Nestlé & I Survey in 2016, we designed an intervention to enhance our Line Manager's capability. The Suite has three components: a two-day workshop called People Management Workshop, inspirational talks by the CEO and other senior leaders and a repository of online videos and learning modules on people management skills.
Driving Digital Business Transformation by IMD	Middle Management	This three-day programme is designed to explore the dynamics of digital disruption and how to become more agile to succeed in the new environment. In 2017, 44 employees took part in the training.
Marketing Tigers	Marketing Team	This programme was developed as a response to the results of the Nestlé & I Survey in 2016, that indicated a need for more employee upskilling projects. This project, aimed at our marketeers, included 7 modules carried out within the course of the year.
Effective Frontline Leadership	Technical & Production – Line Managers	Develops and enhances fundamental skills of Line Managers in leading teams and builds self-awareness to bridge leadership gaps. In 2017, we had 66 participants in three sessions of this new training module.

PEOPLE DEVELOPMENT & PERFORMANCE

At Nestlé, we believe in a continuous performance mindset that enables us to take hold of our own professional growth. We encourage open, honest and transparent conversations through regular discussions that help drive performance and development.

Employees are also given support through coaching, feedback and recognition. The recognition may be in the form of financial benefits or career opportunities, aligned with the employees' aspirations and needs of the company.

We explore various approaches to help maximise our employees' potential. At Nestlé, the foundation of development is the 70/20/10 model, that stipulates that 70% of learning is acquired through job-related experience. Social interaction makes up the 20% and 10% is through formal training.

Description	2015	2016	2017
Employees receiving regular performance and career development reviews (%)	100	100	100*

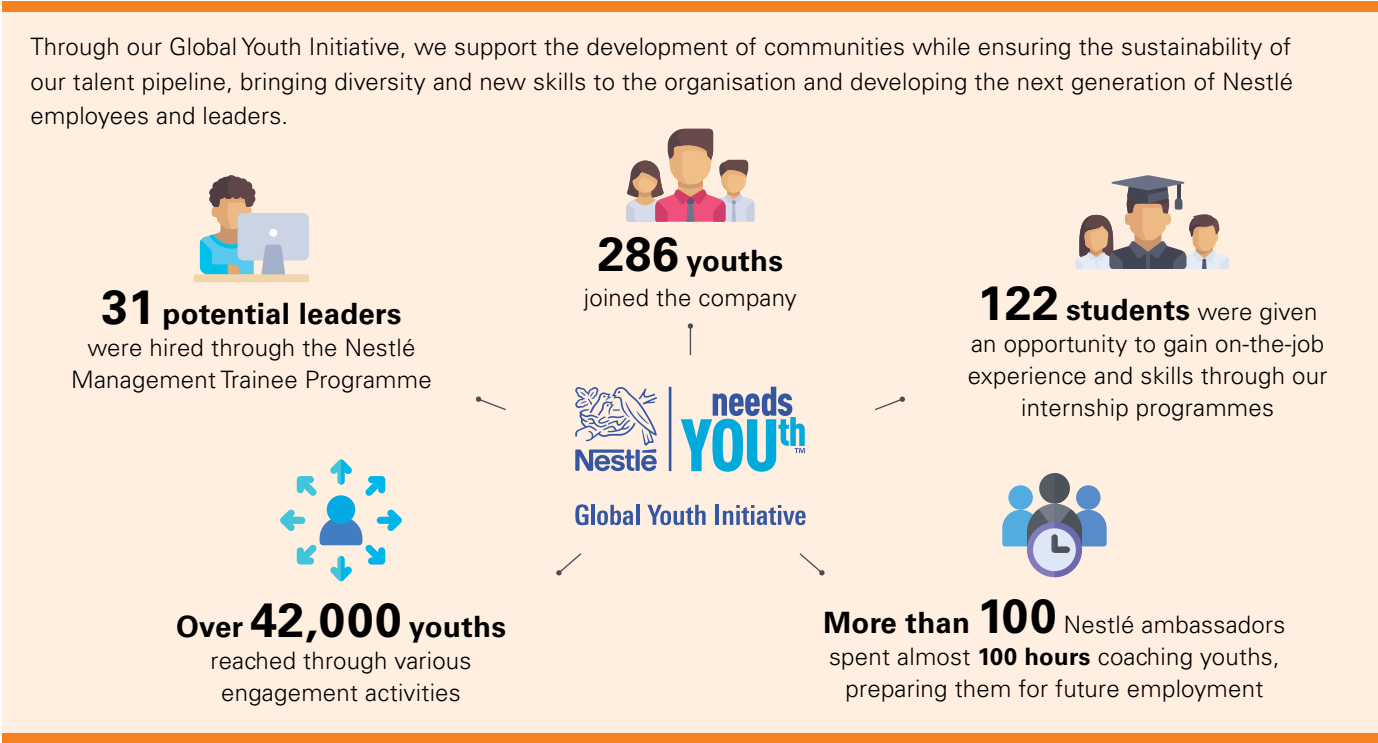
* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.

Promoting Youth Employment and Employability

Our commitment:

Roll out the Global Youth Initiative across all our operations

Youth unemployment is a burning global issue. We recognise our possibilities for making a positive difference for young people by providing employment opportunities and skills development. Through apprenticeships, training schemes and initiatives to equip young people with the skills required for the workplace, and by hiring young people from local communities, we can help address youth unemployment and its effects.



NESCAFÉ Youth Entrepreneurship Programme

The NESCAFÉ Youth Entrepreneurship Programme accelerated in 2017 as part of the academic course structure at six top universities in Malaysia. Through this programme which aims to groom and empower youth, 500 students have so far gained experience in 'running their own business' by managing NESCAFÉ Pop Up Stores. Through the programme, the youths involved have successfully engaged more than half a million students.



**Employee
Engagement**



Our commitment:

Advocate for healthy workplaces and healthier employees

Engaged employees are key to the success of any business. We recognise the importance of listening to our people and place a high value on their feedback and opinions. We have more than 5,300 employees in Malaysia and strongly believe in engaging them in contributing to the future success of the Group.

NESTLÉ & I SURVEY

Nestlé & I Survey is an important method of collecting the feedback and opinions of our people. Through this biennial survey, we solicit views and comments relating to the workplace environment and use it as a channel to discuss ways of improving the way we do business. The Survey was conducted in 2016 and through the results released in early 2017, the following key areas of improvement were identified:



People Management



Promote Growth and Development



Rewards and Recognition

NESTLÉ RECOGNITION PROGRAMME

Recognising the efforts and achievements of our people is crucial for building a strong and engaging environment. We reward employees who have successfully delivered FIT goals or demonstrated the right set of principles, behaviors and actions. The recognition scheme is designed to merit the individuals for their contribution and the effort that goes behind exemplary performance. We spent about RM160,000 on recognition rewards in 2017.

INNOVATION AWARDS 2017

Innovation is a key growth driver for our Company and an integral part of the Nestlé DNA. We introduced the Innovation Award in 2016 to cultivate innovative mindsets amongst Nestlé employees. This exciting challenge encourages our employees to contribute new innovative and workable ideas with the ultimate aim of driving growth to our business.

2017 saw double the entries compared to 2016, with 1,170 improvement ideas submitted by over 1,000 employees across Nestlé Malaysia and Singapore. Winners stand to win USD10,000 in prize money and two business class flight tickets to Switzerland.

DELIVERING POWER GROWTH

In 2013, we first started our journey of Reigniting the Growth (RTG) to ensure that we continue to invest in our brands and deliver sustainable growth to the business. In 2016, we then introduced our RTG FIT strategy, focusing the Company towards the three key pillars of Fuel to Grow, Innovate to Grow and Transform to Grow. The Company's solid results over the past few years reflect our successful RTG efforts. Never one to rest on our laurels, this year we ramped up our efforts by introducing our strategy, Delivering Power Growth (DPG) - FIT to ensure that our Company powers ahead in tandem with our FIT vision.

FIT represents the three key pillars which power our growth. Our FIT strategy has been pivotal in steering us through the challenges throughout the year to deliver sustainable growth. In 2017, the DPG - FIT Roadshow reached out to more than 5,200 employees.



WELLNESS AT WORK - JOM FIT

The JOM FIT programme encourages our employees to embrace healthier and more active lifestyles. It allows for a more structured employee wellness focus, and better shapes our development of employee health and wellness initiatives. It comprises three pillars:



To help employees enhance their health knowledge and become passionate Nutrition, Health and Wellness ambassadors.



To help employees access information about and take ownership of their own health.



To help employees develop and maintain healthy lifestyles.

FIT For You, a pillar under our overarching FIT strategy focuses on promoting and encouraging healthy living within our workforce. In line with this, we organised various employee wellness programmes throughout the year, including health talks, weight loss contests and quizzes among others. We also took the opportunity to raise awareness on global health issues on key international celebrations such as World Health Day and World Heart Day.

Weight Wellness Challenge 3.0

Weight Wellness Challenge is a popular programme at Nestlé. In 2017, the participation rate increased by 41%, from 3,194 attendees in 2016 to 5,210 in 2017. In 2017, 326 employees succeeded in the challenge and managed to lose weight over a 100-day duration.

FIT Back Programme

Back pain and other muscle-related conditions are common ailments among office and production workers. The 2017 FIT Back programme addressed back pain by conducting awareness, prevention and treatment sessions with employees. In total, 847 employees participated in this programme over 36 sessions in 2017. In addition to the back assessment and stretching sessions within the programme, 66 employees with chronic back pain received treatment by a physiotherapist.

Financial Wellness

We teamed up with Credit Counselling and Debt Management Agency (AKPK) for the second year in educating employees on financial wellness. In total, nine sessions were organised, and 427 employees attended. A session on retirement financial planning programme was attended by about 100 employees, who were offered a one-to-one financial counseling session.

Nutrition Programme

Healthy Cooking demo sessions with MAGGI were conducted at our Head Office and factories. Our in-house chef shared simple and healthy meal preparation tips using Nestlé products. The six sessions were attended by 857 employees in total.

Malaysia Healthiest Employer Award

Nestlé won the Healthiest Employer Award for the first time in the Large Company category at the Malaysia's Healthiest Workplace by AIA Vitality 2017. The Healthiest Workplace by AIA Vitality survey offers a comprehensive overview of employees' wellbeing, giving employers useful strategies to support them in their healthy living goals and improve company-wide productivity. Around 5,369 employees were surveyed in 47 organisations. The wider Healthiest Workplace survey, encompassing Australia, Hong Kong, Malaysia and Singapore, saw 214 organisations participating in total, with 10,001 employees surveyed.



EMPLOYEE VOLUNTEER PROGRAMME

At Nestlé Malaysia, employees can allocate 16 working hours annually for volunteer work through the Nestlé ROCKS (Reaching Out to Community and Kids) employee volunteer programme.

Among the key ROCKS Programme in 2017 were:

1. ROCKS Towel Project

We held a donation drive in January 2017, after the monsoon season caused flooding in the East Coast. The drive successfully raised RM1,755, that was used to purchase basic essentials, towels and mineral water for the victims of the flood.

2. ROCKS Chinese New Year Celebration

In collaboration with MAGGI, Nestlé ROCKS celebrated the Lunar New Year with the residents of Rumah Orang Tua Seri Setia at the company's headquarters. The residents were presented with 10 sets of MAGGI Fortune Boxes and a brand new much needed computer for their general management and communication activities.

3. ROCKS Iftar with Rumah Kasih

In conjunction with the fasting month of Ramadan, Nestlé ROCKS treated over a hundred of the underprivileged children at Rumah Kasih Harmoni for an Iftar buffet spread and contributed hampers and necessary cleaning appliances to the home.

4. ROCKS Party with Rumah Charis

Nestlé ROCKS hosted an exciting evening for the children of Rumah Charis. The kids were entertained with fun activities such as making and decorating their own NESTUM cookies, face painting, and competing in exciting party games. The home was also presented with much needed electrical items such as standing fans, a PA system and an electronic oven.

5. ROCKS Northern Flood Relief Drive

The monsoon also hit hard the Northern States and had caused many to lose their homes. The donation drive collected Nestlé products worth RM164,417. The products were distributed through the Malaysian Red Crescent Society.

6. ROCKS Back-to-School Donation Drive

A programme held in December to help equip children in need for the upcoming school session. The campaign collected 773 units of school items that were distributed to a charitable organisation - Rumah Kasih Harmoni.

Labour Relations

Nestlé's culture is based on values of trust, mutual respect and dialogue. Our management and employees work daily to develop and maintain positive individual and collective relationships. Good labour relations are imperative to our growth. Nestlé Employee Relations Policy provides a frame of reference for relationships with trade unions and employee representatives.

COLLECTIVE BARGAINING AND FREEDOM OF ASSOCIATION

We support collective bargaining and freedom of association and work with the labour unions to address the rights and responsibilities of the parties involved, and to ensure harmonious and productive workplaces. Nestlé respects the rights of employees to meaningful and constructive discussions over issues related to working conditions and workplace environment, at all times and in all places.

Approximately 70% of our employees are covered by collective bargaining agreements.

- In June 2016, we concluded the Collective Agreement 2016-2018 with the National Union of Commercial Workers (NUCW), with the official signing ceremony held on 15 August 2016.
- In March 2017, we concluded the Collective Agreement 2017-2019 with Food Industry Employees Union (FIEU), with the official signing ceremony held on 19 April 2017.

Schedule of salaries and wages of non-management employees are specified in the Collective Agreements with the respective unions, irrespective of gender.

According to the Collective Agreement between Nestlé Manufacturing (Malaysia) Sdn. Bhd. and Food Industry Employees Union, the wage ratio is 1:1.56 (ranging from RM1,000 [for Category 1] to RM1,400 [for Category 11]).

According to the Collective Agreement between Nestlé Products Sdn. Bhd. and the National Union of Commercial Workers, the wage ratio is 1:1.60 (ranging from RM1,000 to RM1,600). We proactively seek to prevent labour disputes through open dialogue, training and other local initiatives.

Description	2015	2016	2017
Percentage of employees covered by collective bargaining agreement (%)	71	72	70

Breakdown of employees covered by collective bargaining agreements:

- Total of non-management employees – 3,851
- Total of employees under the union – 3,802



Human Rights and Compliance



Our commitments:

- **Assess and address human rights impacts across our business activities**
- **Enhance a culture of integrity across the organisation**
- **Provide effective grievance mechanisms to employees**

Human rights are non-negotiable. The Nestlé Supplier Code includes strict rules on labour rights and we will suspend any suppliers that do not meet these requirements. By adhering to national laws and applying our own standards, we can have a positive impact on the communities in which we operate and on society at large. We are proud to be one of the first companies globally to adopt the new UN Guiding Principles on Business and Human Rights Reporting Framework.

Our commitment towards human rights is further reflected by our employee human rights training. The training sessions conducted include training on the NCBP, NCBC as well as Anti-Corruption, Gifts & Entertainment Guidelines.

In 2017, we trained 193 employees including management and non-management on human rights issues. All new employees are required to undergo human rights training.

Description	2015	2016	2017
Number of new employees trained on employee requirements, human rights and labour standards	128	202	193

Anti-Corruption

Nestlé condemns any form of bribery or corruption. The Nestlé Malaysia Anti-Corruption, Gifts & Entertainment Guidelines introduced in 2016, provide clear directions for employees and suppliers.

In 2017, we added the training on anti-corruption policies and procedures to the iLearn system and has been made compulsory for all employees with computer access. 93.8% of our employees with computer access completed this training.

Description	2016	2017
Total number of employees receiving training on the Company's anti-corruption policies and procedures	934	1,782*
Breakdown by business operation		
• Head Office		805
• Factories		632
• Sales		345

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.

We also monitor implementation of the guidelines through our CARE audit programme, which helps us identify areas that require improvement and additional training. There were no reported incidents of corruption in 2017.

Description	2015	2016	2017
Percentage and total number of business units analysed for risk related to corruption	7 out of 81 (9%)	15 out of 81 (18.5%)	16 out of 83 (19.3%)

Consumer Privacy

Data privacy is an area of concern in the rapidly digitalising world. Nestlé treats personal data of our consumers, employees and other stakeholders with utmost respect. The Company respects consumers' right to privacy when they use our websites and communicate electronically with us. We have put in place all necessary measures to keep any personal information secure. To read our Privacy Policy, please refer to our website.

Security Practices

All security personnel, including the outsourced third party security service providers, have been trained on our policies - especially the Internal Security Policy which outlines basic security guidelines and procedures concerning aspects of human rights and labour practices.

Anti-discrimination

Zero tolerance for discrimination is part of the Nestlé Corporate Business Principles (NCBP). No incidences of discrimination were reported in 2017.

COMPLIANCE

Our business practices are governed by integrity, honesty and full compliance with applicable laws. NCBP is the foundation of our corporate culture and describe our core commitments to our stakeholders. Nestlé Code of Business Conduct (NCBC) is the framework for how we conduct our business.

We encourage employees, suppliers and stakeholders to report any illegal or unacceptable behaviour or non-compliance. We have in place a comprehensive framework that outlines when, how and to whom a concern may be raised, this includes the whistleblowing hotline known as the Non-Compliance Hotline.

The Nestlé Non-Compliance Hotline is open to any employee, supplier or third-party who wishes to report any incident of non-compliance in Nestlé Malaysia. Employees are assured that all reports will be properly investigated and treated with confidentiality by the Business Ethics and Fraud Committee.

Further information about our compliance practices can be found in the Corporate Governance Statement under the Corporate Governance and Financial Report on page 4.





For The Planet

Stewarding Resources for Future Generations

Providing food for the growing world population will put more stress on already fragile resources. If we are to continue to grow sustainably, we must ensure that we use the planet's resources wisely. Our goal is that Nestlé's products are not only tastier and healthier but also better for the environment along our value chain. Driven by the Company's purpose of enhancing quality of life and contributing to a healthier future, we have defined an overarching ambition that will guide our work towards achieving our global 2030 commitments and supporting the achievement of the SDGs. Our 2030 ambition is to strive for zero environmental impact in our operations.



Achieved **ZERO** Waste to Landfill status for all our **7** factories



Spent **RM8 million** on **environmental management**



Achieved reduction of CO₂ emissions by **1,705 tonnes** through **Project Double**



Planted over **690,000** trees along the Kinabatangan river since 2011 through our **Kinabatangan RiLeaf Project**

Our Water & Environmental Strategy

Our goal is to be responsible stewards of water, ensuring it is available and managed sustainably. We treat the water we use as effectively as possible and support our supply chain in the use of water. With the same focus in mind, our efforts towards the environment ensures that our products are not only tastier and healthier, but also better for the planet. We will achieve this by acting on climate change and striving to safeguard the environment around us.

Our planet faces major sustainability challenges:

- **Water** is getting increasingly scarce;
- **Natural resources** are becoming more constrained;
- **Biodiversity** is rapidly declining; and
- **Climate change** poses a fundamental threat to the environment, species and people's livelihoods.



Our global ambition:

To strive for zero environmental impact in our operations by 2030



Our focus areas:

01. Caring for Water

Producing our food and beverages uses up a lot of water, and it is essential that we are as efficient as possible. We are always exploring how to reduce and, where possible to reuse water. This precious resource needs to be conserved to ensure the long-term health of our business and the neighbouring communities.

02. Acting on Climate Change

Global warming is forcing food producers to adjust how, when and where they manage their land and crops. We are determined to be a leader in reducing greenhouse gas (GHG) emissions and use more renewable energy. We set ambitious targets to improve environmental performance and strive for zero impact in our operations.

03. Safeguarding the Environment

Like all food and beverage companies, we depend on a healthy environment: all our ingredients come from plants and animals, from forests, farms and oceans. Protecting where those raw materials grow and live is essential. Our agricultural expertise allows us to help our farmers keep their land healthy and productive.

Contributing to the Sustainable Development Goals

These SDGs in particular are relevant to our work on water and environmental sustainability:





Water

Water is one of the most critical resources on earth. It is also one of the core resources at the heart of our value chain. Our factories need large quantities of water to operate - to wash and process raw materials, to cool and clean our equipment, and to provide sanitation for our employees. We strive for continuous improvement in our withdrawal, use and treatment of water.



Our key commitments:

- **Work to achieve water efficiency and sustainability across our operations**
- **Treat the water we discharge effectively**
- **Engage with suppliers, especially those in agriculture***

* Further information can be found in NESTLÉ PADDY CLUB on page 48.

We are committed to developing our business in a way that enables effective water stewardship in catchment areas where we source water and operate our facilities. Guided by the Nestlé Commitment on Water Stewardship, we ensure all our operations use water efficiently and do not compromise the right to water of local communities.



Our target for 2017:

Reduce our specific water usage (m³/tonne product) by 5% compared to 2016



Our progress:

In 2017, our specific water usage of 3.90 m³/tonne was 2% less than in 2016 (3.98 m³/tonne). The saving of 34,041 m³ of water in 2017 is equivalent to the average usage of 621 people or 155 households in one year.

Nestlé factories source water from municipal water supplies, including Pengurusan Air Selangor Sdn. Bhd., Syarikat Bekalan Air Negeri Sembilan Sdn. Bhd. and Lembaga Air Kuching. We do not source water from sensitive or protected water bodies that are part of the Ramsar Wetlands list.

Water withdrawal:

Description	2015	2016	2017
a. Total water withdrawn (m³/year)	1,664,338	1,698,604	1,659,565*#
b. Total water withdrawal per tonne	4.31	3.98	3.90

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.

Amount of water withdrawal is based on Nestlé's actual water meter reading.

We were short of meeting our specific water usage target for 2017 due to our change in product mix portfolio. However, we recycled and reused 9.1% of the water used, compared to 7.1% in 2016. Recycling and reusing water means easing the burden on water sources.

**Wastewater
Treatment Plant**



Our commitment:

Treat the water we discharge effectively

We apply efficient technologies and methods to treat the water we use, prior to reusing or releasing into the environment. We are committed to treating the effluents from our operations in a responsible manner and adhere to strict quality requirements for returning used water to the environment.



Our progress:

All excess water from our operations is clean and safe before it is discharged to the environment.

In line with international water quality standards, 100% of the wastewater from factories is treated in biological treatment plants. All the discharge parameters comply with the local environmental regulations. Around 96% of the organic load in the water is removed before the water is returned to the environment. Each Nestlé factory complex, situated in Chembong, Shah Alam, Petaling Jaya and Kuching, hosts treatment plants.

Percentage and total volume of water discharged, recycled and reused:

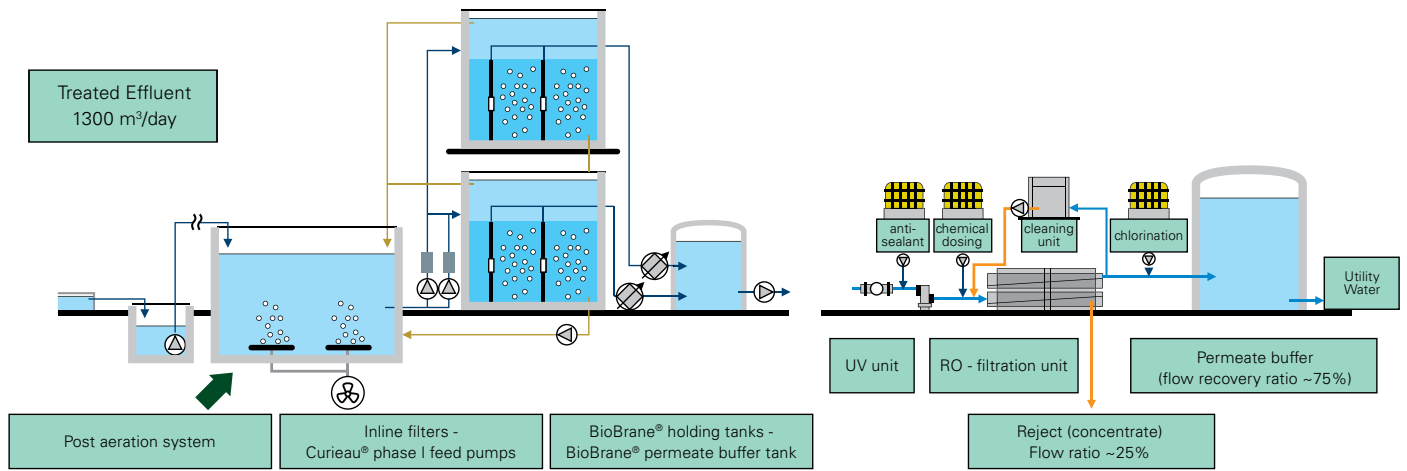
Description	2015	2016	2017
a. Total water discharged by quality and destination (m³/year)	902,916	823,611	912,250
b. Volume of water recycled and reused (m³/year)	121,232	121,232	149,816
c. Percentage of water recycled and reused (%)	7.2	7.1	9.1



Direct Potable Reuse System

In 2017, we commissioned the first Direct Potable Reuse System (DPRS) to the Shah Alam factory. The system treats used industrial water to drinking water quality strictly to be used in our cooling towers and social blocks. This process employs reverse osmosis and is in line with the World Health Organization's water quality standards. It has a design capability to reduce factory water usage by 25% at the non-production areas.

DPRS Process Flow



- Biological treatment for treated effluent polishing
- Tank capacity 112m³

- Tertiary Membrane Bio Reactor (MBR) system
- Filter out suspended solid and allow water and dissolve constituent pass through
- Tank capacity 50m³

- Filtered water store in permeate buffer tank prior Reverse Osmosis (RO) feed
- Tank capacity 5m³

- First stage Ultra Violet (UV) disinfection with UV lamp
- Filtered water feed into RO system to recover ~75% capacity, i.e. ~1000 m³/day
- For Phase I, RO recover ~600 m³/day

- Permeate water pass through final stage chlorine disinfection
- Permeate water will store in tank for distribution
- Reject water from RO will be mixed with other treated effluent for final discharge



Environmental Sustainability

As a major Nutrition, Health and Wellness Company, we can help shape sustainable consumption and steward resources for future generations. We set ourselves commitments and objectives for real progress. This includes using sustainably managed and renewable resources to operate more efficiently, working towards our goal of zero waste and acting on climate change.



Our key commitments:

- **Assess and optimise the environmental impact of our products**
- **Improve the environmental performance of our packaging**
- **Provide climate change leadership**
- **Preserve natural capital, including forests**

Our operations comply with local laws and regulations, as well as Nestlé's global guidelines. All our manufacturing plants and the National Distribution Centre have been certified with ISO14001 in Environmental Management.

Our efforts for reduction of environmental impact of our factories in Malaysia are tracked globally through a central reporting software known as SHE-PM (Safety, Health and Environment Performance Monitoring).

Total environmental protection expenditure by type:

Description	2015	2016	2017
a. Waste disposal, emissions treatment and remediation cost (RM)	4,317,723	5,699,204	4,751,433
b. Environmental management cost (RM)	3,036,076	11,903,941	8,267,423
c. Solid waste disposal cost (RM)	32,070	44,350	0

Minimising Solid Waste

Our commitment:

Assess and optimise the environmental impact of our products

We recognise the need to use earth's limited resources in a sustainable manner while minimising our impact on the environment. Nestlé Malaysia has worked towards attaining zero landfill status since June 2013.

Our target for 2017:

No waste is sent to the landfill from our factories

Our progress:

We have made great progress, with the latest addition of the Nestlé Kuching factory in Sarawak in December 2016, now all of our Nestlé factories have achieved zero waste to landfill status.

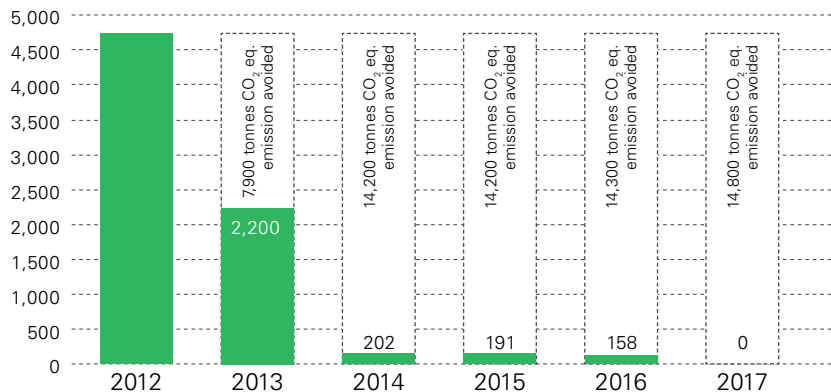
We define waste for disposal as any material that leaves a site and is destined for final disposal with no economic or ecological value. It includes landfilling and incineration without energy recovery.

To date, we have converted 5,900 tonnes of organic waste from our operations, mainly market returns from our central warehouse, into animal feed or organic fertilisers.



NESTLÉ MALAYSIA ACHIEVED ZERO WASTE TO LANDFILL STATUS

Waste disposal is one of the key environmental issues in Malaysia. Poor waste management leads to environmental damage and poses health risks. Nestlé Malaysia is proud of having reached our goal of zero waste for disposal at all our factories. We have spent the past years improving our waste disposal technologies and methods, and are happy to announce that the seven Malaysian manufacturing facilities are amongst those over 100 Nestlé factories worldwide that produce zero waste.



Total emission avoided since 2013 = 65,400 CO₂ eq.

Equivalent to 4,200 Malaysian household energy usage for 1 year*

Equivalent to 13,800 cars on the road for 1 year**

* Suruhanjaya Tenaga Malaysia Energy Statistic Handbank 2016, 5 persons per household

** US environmental Protection Agency EPA-420-F-14-040a May 2014

Total weight of waste by type and disposal method:

Description	2015	2016	2017
a. Hazardous waste (tonne)	24	30.5	39.8
b. Landfill waste (tonne)	191	158	0*
c. Recycled waste (tonne)	11,550	11,270	10,250
d. Recovered waste (tonne Coffee Ground for fuel)	6,536	2,331	2,026
e. Estimated composting organic material (tonne)	5,476	6,138	5,903

Total weight of hazardous waste transported:

Description	2015	2016	2017
a. Weight of hazardous waste transported (tonne)	24	33.6	39.8
b. Weight of treated hazardous waste (tonne)	nil	3.1	nil

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.

Optimising Product Packaging



Our commitment:

Improve the environmental performance of our packaging

Packaging plays a key role in protecting food, preventing waste and ensuring the quality and safety of products until they are consumed. Our mission is to ensure that we use the minimum adequate amount of packaging by weight and volume and that packaging is recovered at the end of its useful life. We are also intensifying our efforts to develop innovative new materials that can deliver the desired protection and functionality of incumbent packaging materials with better environmental performance.

Guided by our Corporate Packaging Environmental Sustainability Roadmap, we seek to:

- Optimise the weight and volume of our packaging;
- Lead the development and use of materials from sustainably managed renewable resources whilst considering packaging and product performance requirements;
- Support initiatives to recycle or recover energy from used packaging; and
- Use recycled materials where there is an environmental benefit and it is appropriate.

Our approach is to design and select optimised packaging solutions that has a minimised negative impact on the environment. We use eco-design tools such as EcodEX to assess the overall performance of packaging throughout the whole life cycle to select the most optimum packaging solution. The tool utilises the analytical Life Cycle Assessment (LCA) method that covers the environmental impact of a packaging throughout the supply chain from the material extraction and manufacturing process up to its disposal after the product is consumed.

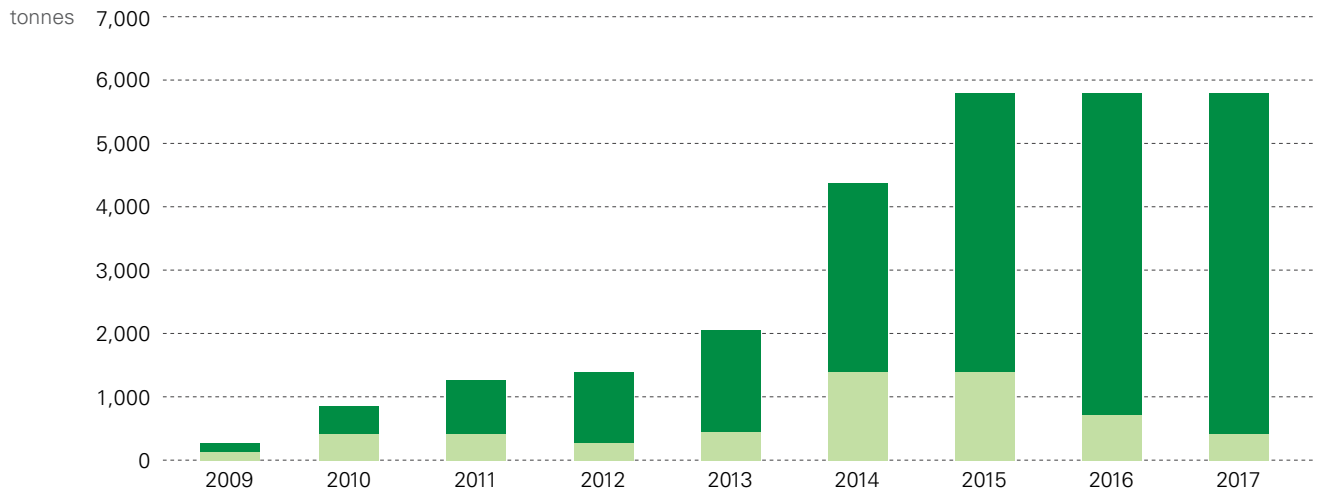


Our progress:

The total amount of materials used decreased due to a reduction in production volume by 1,129 tonnes in 2017. However, the proportion of recycled materials remained at 3.75%.

In 2017, our material optimisation projects focused on plastic and flexible laminate, enabling us to reduce material usage by 330 tonnes from 2016. Since 2009, our annual material usage has decreased by 5,400 tonnes.

Packaging Source Reduction Project



● Cumulative Reduction	136	506	891	1,171	1,601	2,983	4,383	5,093	5,423
● Annual Reduction	136	370	385	280	430	1,382	1,400	710	330

Materials used by weight or volume:

Description	2015	2016	2017
a. Production volume (tonne)	386,390	426,651	425,522
b. Non-renewable materials used (tonne)	546	702	701
c. Direct materials (tonne)	397,042	430,049	430,000
d. Total weights of materials used (tonne)	398,520	432,049	431,000

Percentage of materials used that are recycled input materials:

Description	2015	2016	2017
Recycled materials (tonne)	13,540	16,000	16,000
Percentage of recycled materials (%)	3.40	3.75	3.75

**Climate
Change****Our commitment:****Provide climate change leadership**

Climate change is a critical global challenge. GHG emissions have increased dramatically over the last century, leading to unprecedented atmospheric concentrations of carbon dioxide (CO₂), methane and nitrous oxide (N₂O). Climate change already impacts how Nestlé does business; as a responsible food and beverage company, we must further reduce air emissions while supporting our supply chain in becoming more resilient.

MINIMISE GREENHOUSE GAS EMISSIONS

Reduction of GHG emissions is one of the focus areas of The Nestlé Policy on Environmental Sustainability. Becoming more efficient and switching to cleaner fuels, including renewable sources of energy, are critical for improving our environmental performance.

We are committed to further reducing emissions along our value chain, while strengthening our supply chain and helping the farmers we work with to be more resilient to climate change.

Our overall carbon footprint is caused by manufacturing and distribution of our finished goods. The boundary for our disclosure includes the operations of our head office and branches, and the process of manufacturing, import, export and distribution of our products in Malaysia. Our emissions are monitored through the SHE-PM platform and the data is calculated based on fuel and energy usage.

Our Environmental Target Setting programme is designed to help our factory teams improve resource efficiency. To support this ambition, we have developed a web-based tool, Do It Yourself, which enables each site to identify and adopt energy and water-saving opportunities that have already been successful elsewhere in the Group.

**Our target for 2017:**

Reduce specific GHG emissions (kg GHG/tonne) by 5% in comparison to 2016



Our progress:

Nestlé Malaysia's carbon footprint (total direct and indirect GHG emissions) increased to 166,660 tonnes CO₂ in 2017, from 166,264 tonnes last year. The total GHG per tonne of finished product remained at similar level as last year, with an increase from 390 GHG/tonne last year to 392 GHG/tonne this year. Hence we did not meet our reduction target, due to product mix changes resulted in higher GHG emissions per tonne product (GHG scope 1 and 3).

Materials used by weight or volume:

Description	2015	2016	2017
a. Total direct and indirect GHG emissions (tonne CO₂)	157,276	166,264	166,660
b. Total direct GHG emissions (Scope 1) (tonne CO₂)	56,855	58,883	59,653
c. Total indirect GHG emissions (Scope 2) (tonne CO₂)	100,421	107,380	107,007
d. Total indirect GHG emissions (Scope 3) (tonne CO₂)	674	3,055	3,404
e. Total greenhouse gas per tonne of finished goods (kg CO₂ /tonne)	416	390	392
f. GHG emissions intensity over production volume (Scope 1,2 and 3) (kg CO₂ /tonne)	426	397	400
g. Types of GHG emissions included in the intensity ratio	Direct (Scope 1), Energy indirect (Scope 2) and Other indirect (Scope 3) such as transportation of our finished goods from our National Distribution Centre to our distributors via land and sea.		
h. Greenhouse gas reductions	5,007	12,437	(1,193)
i. Specific greenhouse gas reductions (%)	3.1	6.3	(0.7)
j. Gas included in the calculation	Carbon dioxide (CO ₂) and hydrofluorocarbon HFC emissions from refrigerants		

Nitrogen oxides (NO_x), Sulphur oxides (SO_x), and other significant air emissions:

Description	2015	2016	2017
a. SO_x (tonne)	142.6	144	147
b. NO_x (tonne)	1576	161	154
c. Particulate Matter (PM) (tonne)	44*	44	43

Note:

1. We track our carbon footprint in Scope 1, Scope 2 and Scope 3 emissions in accordance with the GHG Protocol Corporate Standard, covering all factories and offices in Malaysia.
2. Our direct emissions under Scope 1 are derived from diesel generators, boilers and waste processing.
3. Our indirect emissions under Scope 2 are caused by electricity consumption, hot water and steam.
4. Scope 3 emissions sources are from transportation of finished goods.

TRANSPORTATION AND DISTRIBUTION

Globally, Nestlé transports more than 145,000 tonnes of goods from 1,600 warehouses daily – a distance equivalent to travelling 274 times around the world each day. Our partnerships with third-party logistics providers enable us to track our environmental performance and improve efficiency by reducing kilometers travelled, fuel consumed, GHG emissions, noise and congestion.

Description	2015	2016	2017
a. Total distance travelled for finished goods for land and sea ('000 km)	6,903	9,119	12,387
b. Total CO₂ discharge for above travels (tonne)	7,516	10,865	14,624
c. Average of CO₂ for every tonne of finished goods, over the total distance travelled (CO₂/tonne km)	51	48	65
d. Total distance travelled by Nestlé Staff on business ('000 km)	8,622	9,183	9,617
e. Total CO₂ discharge from business related travel (tonne)	1,362	1,451	1,520

We introduced Project Double in 2017 to improve efficiencies of our land transportation of finished goods between factories, warehouse and distributors which resulted in a reduction of CO₂ emissions by 1,705 tonnes. However, due to an increase in the production volumes across Nestlé Malaysia and additional volume distribution in East Malaysia throughout the year, the overall travel distance also increased which then resulted in a higher amount of CO₂ discharged (Scope 3) for the year.





PROJECT DOUBLE

One of Nestlé's global objectives is to reduce greenhouse gas emissions by 10% in our distribution operations, compared to 2014 figures. These distribution operations are of finished goods that are transported between the factories, warehouses and distributors.

In 2017, among our key initiatives to this end was Project Double, that improved our transportation and storing methods over land.

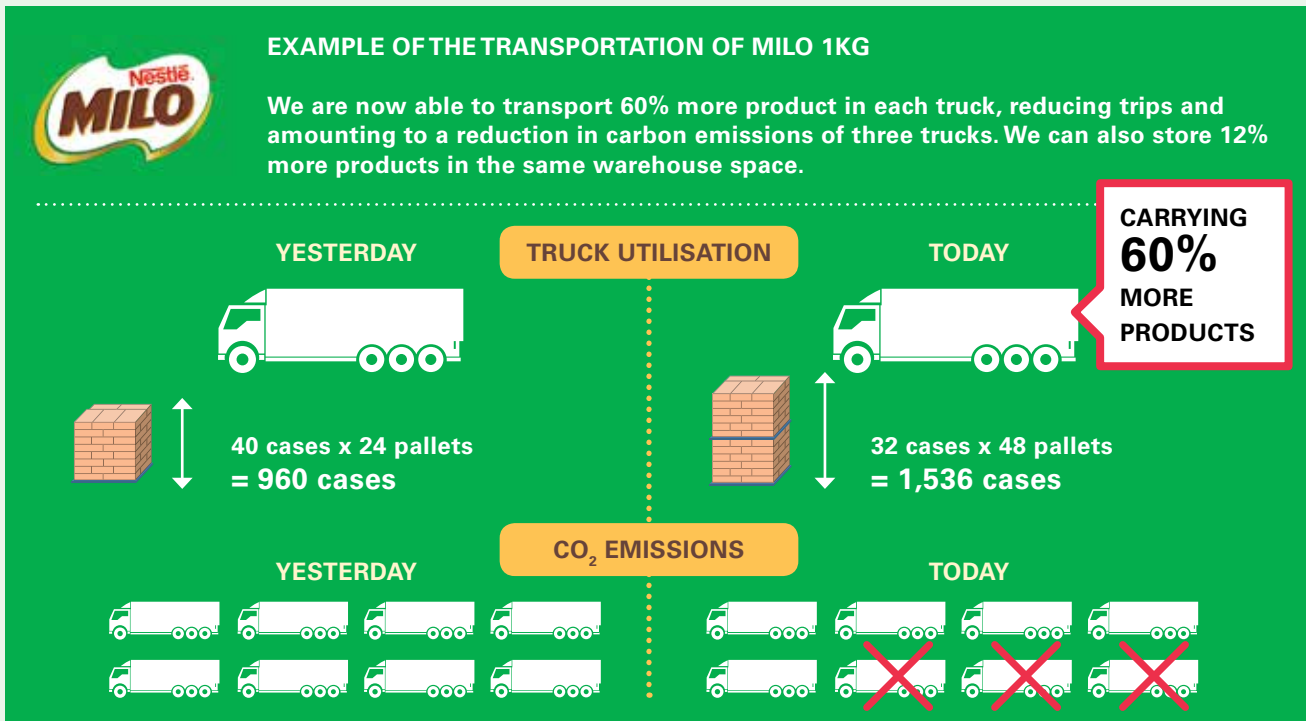
Stocking pallets uses typically only 65% of shelving space in warehouses and 49% of space in trucks. Project Double offered a double stacking system including in the handling of pallets as a solution - a relatively low-cost improvement with a big impact. Our investment involved the adjustment of beams in our warehouses and factories to fit double stacked pallets and increase carton strength on selective item which is relatively low in cost compared with the project's overall benefit savings.

The project was fully implemented in late 2017, resulting in:

- Increased warehouse intensity by up to 20%;
- Reduced trucks on the road by up to 30%;
- Achieved reduction of CO₂ emissions by **1,705 tonnes*#**;
- Increased handling productivity (movement of pallets via machinery) by 35%; and
- Greater floor utilisation in warehouse and reduce loose picking activity.

This project will be 100% implemented in 2018 where the expected reduction of CO₂ will be 3,000 tonnes.

Project Double was able to cut back on CO₂ emitted, however there is still an increase in the overall distance travelled and consequent CO₂ discharged due to an increase in the production volumes across Nestlé Malaysia and additional volume distribution in East Malaysia throughout the year.



* This data has been independently audited. Please refer to the Independent Assurance Report from pages 113 - 114.

The GHG emission reduction (CO₂) from Project Double compares the reductions to a baseline. The baseline is computed as follows:
Actual quantity of cases delivered (after implementation of Project Double) / Number of cases per pallet by product (before implementation of Project Double) / 22 pallets (i.e. number of pallets per truck before implementation of Project Double).

REFRIGERANT MANAGEMENT

Our policy is to use natural refrigerants wherever feasible. This allows us to achieve future proof, sustainable solutions that reduce our carbon footprint. It also helps us tackle changing regulations as well as disruptions to our business resulting from implementing new refrigeration systems.

Description	2015	2016	2017
Total ODS imports (kg)	346	353	541*

* We have enhanced our internal procedures for tracking ODS in 2017. The 2014, 2015 and 2016 value were based on estimation.

REDUCING OUR ENERGY CONSUMPTION



Our commitment:

To improve resource efficiency in our operations

We regularly raise awareness among factory employees on improving process efficiency to maximise productivity, strengthen standard routines and install new, energy efficient equipment. For example, in 2017, we installed condensing economiser and variable speed driver equipment to improve energy efficiency at our factories.

In 2017, we received support from GreenTech Malaysia to perform energy audits for three of our factories: Shah Alam, Chembong and Petaling Jaya.



Our target for 2017:

Reduce specific energy usage by 4%, with comparison to 2016



Our progress:

In 2017, we recorded a reduction of 0.6% in energy usage per tonne product, 3.12 GJ per tonne product compared to 3.14 GJ per tonne in 2016. The saving in energy utilisation is equivalent to fueling 202 cars annually or supplying electricity for 394 households. Despite our initiatives to reduce energy usage, the changes in the overall product mix in 2017 resulted in lower savings than the expected.

Energy consumption within organisation:

Description	2015	2016	2017
a. Total energy (GJ)	1,298,270	1,340,303	1,325,815
b. Total direct energy consumption by primary source (GJ)	623,776	630,448	607,961
c. Total direct energy per tonne of finished goods (GJ/tonne)	1.61	1.48	1.43
d. Total direct energy by renewable primary source (Coffee Ground) (GJ)	22,677	23,310*	20,260
e. Total direct energy by non-renewable primary source (NG/LFO/Diesel/LPG) (GJ)	601,099	607,138*	587,701
f. Indirect energy consumption by primary source (GJ)	431,361	441,382	434,869
g. Total amount of energy per tonne (GJ/tonne)	3.36	3.14	3.12
h. Indirect energy per tonne (GJ/tonne)	1.67	1.03	1.02
i. Percentage of Renewable Energy for Indirect Energy (%)	6.4	10.0	10.0
j. Renewable Energy for Indirect Energy (GJ)	27,607	44,138	43,487
k. Non Renewable Energy for Indirect Energy (GJ)	403,754	397,244	391,382

Energy consumption outside of our organisation:

Description	2015	2016	2017
Energy Consumption Outside Organisation (GJ)	150,346	113,610	127,587

Reduction of energy consumption:

Description	2015	2016	2017
Energy saved due to improvements (GJ)	65,687	93,243	10,942

Note:

1. Energy consumption is based on our steam, fuel and electricity consumption, and encompasses our activity within and outside of the organisation.

* Restatement of data for item d and e due to improvement and data monitoring and calculation.

Protecting Biodiversity

Our commitment:

Preserve natural capital, including forests

Nestlé’s biodiversity programmes and rural development initiatives are a way of making sure we protect the nature our business relies on, and ensure that the farmers are supported in producing quality raw materials sustainably. We aim to develop our business and operations to safeguard natural capital, acting as a responsible steward of natural resources, particularly in terms of water preservation, no deforestation, soil management and biodiversity conservation.

KINABATANGAN RILEAF PROJECT

The Kinabatangan River in Sabah is an important eco-region and home to over 250 bird, 50 mammal, 20 reptile species and 1,056 plant species. It is also one of only two places on the planet where 10 primate species, including the orang utan, the proboscis monkey and the Borneo gibbon, can be found.

Nestlé launched the Kinabatangan RiLeaf Project in 2011 as an initiative to reforest 2,400ha of land along the lower Kinabatangan River. The project aims to create a landscape where people, nature and agriculture (oil palm) can harmoniously co-exist in their need for water, and to demonstrate that mutual co-existence is possible for all stakeholders. This initiative is supported by Yayasan Sime Darby (YSD), who has been committed to co-funding the project since 2014.

3 ways Nestlé and YSD is helping to save Sabah's Kinabatangan River



Restoring the Environment

Since 2011, over 690,000 trees have been planted, covering 2,500 hectares of degraded forest areas along the lower Kinabatangan River in Sabah.

The restored areas form a buffer zone that filters soil sediments and agricultural fertiliser run-offs flowing into the river, allowing the Kinabatangan to repair itself over time.



Supporting Communities

The project supports local villagers along the river through its KAPOK programme (*Komuniti Anak Pokok Kinabatangan*).

Through KAPOK, local villagers generate additional income by providing indigenous seedlings for reforestation. They serve as local contractors for demarcation, planting and maintenance work.



Preserving Biodiversity

The tree planting initiative ensures that the Kinabatangan River continues to be a home to over 1,300 unique species.

The restored zones form a wildlife corridor where animals can forage in their natural habitat, while reducing the conflict between humans and wildlife.

Since 2011, Kinabatangan RiLeaf Project has:

- Planted over 690,000 trees over 2,500 hectares of degraded forest (equivalent to over 3,200 football fields);
- Increased the number of Roundtable of Sustainable Palm Oil (RSPO)-certified smallholders; and
- Promoted capacity-building and increased alternative income of local community.

Community involvement (2011-2017):

- 62 KAPOK members contracted to supply tree seedlings;
- Local entrepreneurs engaged for planting and related services, for example HABITAT, Ekologi Hijau, Usaha Sendiri; and
- All project workforce are hired from surrounding villages.

Description	2015	2016	2017
Number of trees planted	201,413	116,850	55,679#
Total purchase of seedlings from KAPOK (RM)	369,048	318,234	111,358
Total amount of contracted work for tree planting (RM)	291,639	254,854	94,654

In 2017, we focused our efforts on the maintenance work of trees previously planted.

PROJECT UPLEAF

Project UpLeaf, a component under the Kinabatangan RiLeaf Project, aims to minimise the environmental footprint of oil palm and to encourage RSPO-certified fresh fruit bunch production among local oil palm smallholders. We regularly engage with oil palm smallholders to raise awareness on the value of sustainable palm oil, as well as educate them on best agricultural practices advocated by RSPO. This project is conducted in partnerships with Wild Asia and the target is to increase the number of RSPO-certified smallholders within the local communities.



Our progress:

In 2017, we assisted 47 oil palm smallholders in their RSPO certification, 19 of whom had successfully been certified. The remaining 28 smallholders are expected to receive their certification within the first quarter of 2018. Since Project UpLeaf's inception till 2017, we have assisted a total of 196 oil palm smallholders.

Description	2015	2016	2017
Cumulative number of oil palm smallholders who received RSPO-certification	115	177	196

Awards and Achievements

01.

NATIONAL ANNUAL CORPORATE REPORT AWARDS 2017

Aimed at promoting transparency and recognising excellence in the reporting of corporate, financial and sustainability efforts, the National Annual Corporate Report Awards (NACRA), is jointly organised by Bursa Malaysia Securities Berhad, the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. In 2017, the Company was presented the prestigious Platinum Award for Best Corporate Social Responsibility Reporting.

02.

MERCOMM ANNUAL REPORT COMPETITION 2017

Hosted in New York, the globally recognised MerComm Annual Report Competition is one of the world's premier annual report awards dedicated to defining the standards of excellence in the communications field and to recognise outstanding reporting efforts. The Company was accredited with the Gold award for the Food & Consumer Packaged Goods category in 2017.

03.

THE EDGE BILLION RINGGIT CLUB AWARDS 2017

The Edge Billion Ringgit Club Awards pays tribute to the top performing public-listed companies in Malaysia and encourages greater efficiency, transparency and governance. In 2017, Nestlé took home the Gold trophy for the Highest Return on Equity Over the Past Three Years for the Consumer Products category, recognising the Company's solid and sustained financial returns to shareholders over the years.

04.

MALAYSIA'S 100 LEADING GRADUATE EMPLOYERS AWARD 2017

The Malaysia's 100 Leading Graduate Employers Award celebrates Malaysia's top graduate companies and outlines the benchmark for employer branding excellence, with results gained from feedback by university students through the annual Malaysia Graduate Barometer. In 2017, for the fifth consecutive year, the Company has once again been voted The Most Popular Graduate Employer for the FMCG category.



05.

PUTRA BRAND AWARDS 2017

Putra Brand Awards grants recognition to Malaysia's favourite brands across various industry categories based on consumer preference. In 2017, six of our brands received accolades – MILO and MAGGI took home Gold for the Beverage (Non alcoholic) and Foodstuff categories respectively. On top of this, NESCAFÉ (Beverage – Non alcoholic) and KIT KAT (Foodstuff) received Silver awards while Nestlé Breakfast Cereals (Foodstuff) and first-time winner, NESTLÉ OMEGA PLUS (Beverage – Dairy) received Bronze.

06.

MALAYSIA'S HEALTHIEST WORKPLACE SURVEY 2017

The inaugural Malaysia's Healthiest Workplace Survey by AIA Vitality shines the spotlight on health and wellbeing in the workplace and is the first of its kind to be organised in Malaysia. In 2017, the Company was recognised as the Healthiest Employer 2017 under the Large Organisation category.

07.

RANDSTAD AWARD 2017

Malaysia Randstad Employer Brand Awards is presented annually to the most attractive employers in 25 countries worldwide. In 2017, Nestlé Malaysia was recognised as amongst the top three Most Attractive Employers for the second year running. This is a testament of the Company's position as an employer of choice amongst Malaysians.

08.

MSWG-ASEAN ANNUAL CORPORATE GOVERNANCE AWARD 2017

The Minority Shareholder Watchdog Group (MSWG) ASEAN Annual Corporate Governance Award aims to highlight companies which demonstrate exemplary high standards of corporate governance practices. In 2017, the Company was presented with both the Excellence Award for Long-Term Value Creation as well as the Industry Excellence Award under the Food and Beverage category.

09.

PWC BUILDING TRUST AWARDS 2017

The PwC Building Trust Awards acknowledges companies for their efforts in improving trust among their stakeholders based on their corporate reporting. In 2017, the Company received the Special Mention award for our commitment to be transparent and genuine in our communications. Out of 20 finalists, Nestlé Malaysia also topped the charts in the Trust in Business Public Poll having received the highest Experience & Values scores.



GRI G4 Content Index

GENERAL STANDARD DISCLOSURES				
General Standard Disclosures	Indicator Summary	Page Number	Omission(s)	External Assurance
STRATEGY AND ANALYSIS				
G4-1	NiS: A Message from our Chairman and CEO	6-7	-	No
G4-2	NiS: A Message from our Chairman and CEO	6-7	-	No
ORGANISATIONAL PROFILE				
G4-3	NiS: About This Report	4	-	No
G4-4	NiS: About Us AR: Business Review	5 29-50	-	No
G4-5	NiS: About Us	5	-	No
G4-6	NiS: About Us AR: Corporate Directory	5 70-71	-	No
G4-7	The principal activity of the Company is that of an investment holding company, whilst the principal activities of the subsidiaries are as listed under indicator G4-17. There have been no significant changes in the nature of these activities during the financial year. As registered with the Companies Commission of Malaysia since 1983, the legal form of the Company is: <ul style="list-style-type: none"> Limited by shares Public Limited 		-	No
G4-8	The Company manufactures and supplies products for both the domestic and export markets, consumers and also out-of-home (OOH) segments such as coffee-shops and restaurant operators; as well as other relevant stakeholders such as healthcare professionals. The Company distributes its products throughout Malaysia, defined by seven regional areas within Malaysia: <ol style="list-style-type: none"> Central 1 (Kuala Lumpur and Selangor); Central 2 (Negeri Sembilan and Melaka); Northern 1 (Pulau Pinang, Kedah and Perlis); Northern 2 (Perak), Southern (Johor); East Coast (Pahang, Terengganu and Kelantan); and East Malaysia (Sabah, Sarawak and Brunei). 		-	No
G4-9	NiS: About Us NiS: CSV Key Performance Data	5 18-19	-	No
G4-10	NiS: Our Workforce	55	-	No
	The Company does not have a substantial portion of the organisation's work performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.			
	The Company does not have any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).			
G4-11	NiS: Labour Relations	67	-	No

GENERAL STANDARD DISCLOSURES				
General Standard Disclosures	Indicator Summary	Page Number	Omission(s)	External Assurance
ORGANISATIONAL PROFILE				
G4-12	NiS: About This Report NiS: Rural Development	4 45	-	No
G4-13	There were no significant changes during the reporting period regarding size, structure or ownership. However, there was a change in the management team, as featured in the Organisation Structure. AR: Organisation Structure	8-9	-	No
G4-14	This is done in accordance to the Corporate Governance Statement that sets out the adoption and practices of the four principles practiced by the Company, as well as the application of the 3 Principles and 32 Practices of the Malaysian Code on Corporate Governance 2017 [“MCCG 2017”], relevant chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on corporate governance and the internal requirements as codified in the Nestlé Code of Business Conduct. CGFR: Corporate Governance Statement NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	4-37	-	No
G4-15	NiS: Responsible Product Marketing and Advertising NiS: Responsible Marketing of Breast-milk Substitutes NiS: Responsible Sourcing Nestlé Malaysia signed and supports, amongst others:	30 31 50	-	No
G4-16	<ul style="list-style-type: none"> • UN Global Compact (29 March 2007) • Responsible Advertising to Children (5 August 2013) The Company deems our membership in the associations below as strategic: <ul style="list-style-type: none"> • Federation of Malaysia Manufacturers (FMM) <ul style="list-style-type: none"> - CEO is the Council Member of the FMM - Business Executive Officer, Maternal & Infant Nutrition is the Chairman of Ethical Business Practices Committee - Head, Halal Affairs is the Chairman of Halal Committee - Head of Regulatory & Scientific Affairs is the Chairman of Scientific & Technical Committee - FMM Health & Nutrition – Member - FMM Communications Committee – Member - FMM Public Affairs Committee – Member • International Chamber of Commerce (ICC) – Executive Director, Legal & Secretarial, Legal is a Vice Chairman of the ICC 		-	No

GENERAL STANDARD DISCLOSURES				
General Standard Disclosures	Indicator Summary	Page Number	Omission(s)	External Assurance
ORGANISATIONAL PROFILE				
G4-16	<ul style="list-style-type: none"> Business Council for Sustainability and Responsibility Malaysia (BCSRM) – Executive Director, Technical & Production is an Executive Committee Member ASEAN Harmonization Committee – Member <p>The Company does not provide any additional substantive funding beyond routine membership fees/dues.</p>			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	<p>The following are Nestlé (Malaysia) Berhad's investments in subsidiaries:</p> <ul style="list-style-type: none"> Nestlé Products Sdn. Bhd. (100%) Nestlé Manufacturing (Malaysia) Sdn. Bhd. (100%) Nestlé Asean (Malaysia) Sdn. Bhd. (100%) Nestlé Foods (Malaysia) Sdn. Bhd. (100%; inactive) Nihon Canpack (Malaysia) Sdn. Bhd. (20%) 		-	No
G4-18	NiS: Stakeholder Engagement and Material Issues	14-17	-	No
G4-19	NiS: Stakeholder Engagement and Material Issues	14-17	-	No
G4-20	NiS: About This Report	4	-	No
G4-21	NiS: About This Report	4	-	No
G4-22	Significant restatements of data compared to prior years are noted in the section where they appear		-	No
G4-23	NiS: About This Report	4	-	No
STAKEHOLDER ENGAGEMENT				
G4-24	NiS: Stakeholder Engagement and Material Issues	14-17	-	No
G4-25	NiS: Stakeholder Engagement and Material Issues	14-17	-	No
G4-26	NiS: Stakeholder Engagement and Material Issues	14-17	-	No
G4-27	NiS: Stakeholder Engagement and Material Issues	14-17	-	No
REPORT PROFILE				
G4-28	NiS: About This Report	4	-	No
G4-29	<p>The Company's Annual Report 2017, which consists of three books: Annual Review, Corporate Governance & Financial Report and Nestlé in Society was published in March 2017. The online version of the Annual Report 2017 can be found online at http://www.nestle.com.my/aboutus/investors/annual_report.</p>		-	No
G4-30	NiS: About This Report	4	-	No
G4-31	AR: Corporate Directory	70-71	-	No
	<p>For more information, please contact us through our headquarters: 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, Malaysia</p>			

GENERAL STANDARD DISCLOSURES				
General Standard Disclosures	Indicator Summary	Page Number	Omission(s)	External Assurance
REPORT PROFILE				
G4-31	Tel (+603) 7965 6000 Fax (+603) 7965 6767 All information within this report is available online at www.nestle.com.my .			
G4-32	NiS: About This Report	4	-	No
G4-33	NiS: About This Report	4	-	No
GOVERNANCE				
G4-34	NiS: Creating Shared Value Governance CGFR: Corporate Governance Statement	12-13 4-37	-	No
G4-35	NiS: Creating Shared Value Governance	12-13	-	No
G4-36	NiS: Creating Shared Value Governance	12-13	-	No
G4-37	NiS: Creating Shared Value Governance	12-13	-	No
G4-38	There are a total of eight directors, with a composition of 78% (six) males and 22% (two) females, where two are executive directors and the remaining six are independent and non-executive directors. AR: Profile of Directors	52-61	-	No
G4-39	AR: Board of Directors CGFR: Corporate Governance Statement (Independence) The Chair of the highest governance body is the Chairman of the Board, who is non-independent and non-executive.	50-51 6	-	No
G4-40	CGFR: Corporate Governance Statement	11	-	No
G4-41	CGFR: Corporate Governance Statement (Board Charter)	5	-	No
G4-42	NiS: Creating Shared Value Governance CGFR: Corporate Governance Statement	12-13 4-37	-	No
G4-43	CSV is embedded in our business management, and thus a core part of their role as well as in the governance model. CGFR: Training and Development NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	11	-	No
G4-44	CGFR: Corporate Governance Statement	13	-	No
G4-45	NiS: Creating Shared Value Governance CGFR: Corporate Governance Statement	12-13 6	-	No
G4-46	NiS: Creating Shared Value Governance CGFR: Corporate Governance Statement	12-13 39	-	No
G4-47	NiS: Creating Shared Value Governance	12-13	-	No
G4-48	The full Nestlé in Society report was reviewed by the Board of Directors and CEO.		-	No

GENERAL STANDARD DISCLOSURES				
General Standard Disclosures	Indicator Summary	Page Number	Omission(s)	External Assurance
GOVERNANCE				
G4-49	Nestlé reported to Board of Directors as meeting agenda twice a year.		-	No
	CGFR: Corporate Governance Statement	8-9		
G4-51	CGFR: Compensation Committee Report (Board Remuneration)	34-35	-	No
G4-52	CGFR: Compensation Committee Report	34-35	-	No
G4-53	In regards to the Board of Directors compensation, we have identified our shareholders as the key stakeholders for this issue. All remuneration and its revision will be proposed for shareholders' approval at the upcoming AGM.		-	No
ETHICS AND INTEGRITY				
G4-56	CGFR: Corporate Governance Statement	17-19	-	No
	NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf			
	NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf			
G4-57	CGFR: Additional Compliance	22	-	No
	CGFR: Whistleblowing Policy	24		
	NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf			
	NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf			
G4-58	CGFR: Additional Compliance	22	-	No
	CGFR: Whistleblowing Policy	24		
	NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf			
	NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf			

SPECIFIC STANDARD DISCLOSURES						
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance	
CATEGORY: ECONOMIC						
Economic Performance	G4-DMA	-		Not applicable as it does not reach our materiality threshold.	No	
	G4-EC1	NiS: CSV Key Performance Data	18	-	No	
		CGFR: Statement of Financial Position	49			
		CGFR: Statements of Profit or Loss and Other Comprehensive Income	50			
	G4-EC2	NiS: Environmental Sustainability	76	-	No	
G4-EC3	CGFR: Employee Benefits	66-67, 78-81	-	No		
		Nestlé Management Employee Handbook (internal circulation)				
G4-EC4	Nestlé does not receive any financial assistance from the Government.			-	No	
Market Presence	G4-DMA	-		Not applicable as it does not reach our materiality threshold.	No	
	G4-EC5	NiS: Labour Relations	67		No	
	G4-EC6	The Nestlé policy is to hire employees with attitudes and professional skills enabling them to develop a long-term relationship with the Company with no consideration given to origin, nationality, religion, race, gender, disability, sexual orientation or age.			-	No
		Breakdown of Nestlé Malaysia's senior management employees based on nationality: <ul style="list-style-type: none"> Malaysian: 51 Non-Malaysian: 32 61.4% of senior management employees are from local community.				
	Breakdown of Nestlé Malaysia's senior management employees based on gender: <ul style="list-style-type: none"> Male: 33 Female: 18 					
Indirect Economic Impacts	G4-DMA	NiS: Nestlé in Society: Creating Shared Value	8-11	-	No	
		NiS: Our Halal Commitment	40			
		NiS: Rural Development	45			
		NiS: Protecting Biodiversity	86			
	G4-EC7	NiS: Rural Development (NESTLÉ CHILLI CLUB)	46-47	-	Yes	
		NiS: Rural Development (NESTLÉ PADDY CLUB)	48-49			
		CGFR: Notes to the Financial Statements (Goodwill)	64			
	G4-EC8	NiS: Community Engagement	32-37	-	No	
NiS: Our Halal Commitment		40				
NiS: Rural Development		45				
NiS: Optimising Product Packaging		78				
	NiS: Protecting Biodiversity	86-87				

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: ECONOMIC					
Procurement Practices	G4-DMA	NiS: Responsible Sourcing	50	-	No
	G4-EC9	Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf		Data not available. Although we source products locally where possible, due to the global nature of our supply chain and the types of products we source, our ability to track procurement spend locally is limited.	No
	FP1	The percentage of purchase volume from compliant suppliers is 100%, as the Nestlé Suppliers Code requires each and every supplier to adhere to the codes before being listed as a Nestlé supplier or vendor. Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf		-	No
	FP2	Nestlé Malaysia uses one standard, which is the Nestlé Supplier Code. Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf		Percentage of purchased volume is unavailable due to commercial sensitivities.	No
CATEGORY: ENVIRONMENTAL					
Materials	G4-DMA	NiS: Our Water & Environmental Strategy	72	-	No
		NiS: Optimising Product Packaging	78		
	G4-EN1	NiS: Optimising Product Packaging	78-79	-	No
	G4-EN2	NiS: Optimising Product Packaging	78-79	-	No

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: ENVIRONMENTAL					
Energy	G4-DMA	NiS: Reducing Our Energy Consumption	84	-	No
	G4-EN3	NiS: CSV Key Performance Data NiS: Reducing Our Energy Consumption	18 84-85	-	No
	G4-EN4	NiS: Reducing Our Energy Consumption	84-85	-	No
	G4-EN5	NiS: CSV Key Performance Data NiS: Reducing Our Energy Consumption	18 84-85	-	No
	G4-EN6	NiS: Reducing Our Energy Consumption	84-85	-	No
	G4-EN7	NiS: Reducing Our Energy Consumption	84-85	-	No
	Water	G4-DMA	NiS: Our Water & Environmental Strategy NiS: Water	72 73-74	-
G4-EN8		NiS: CSV Key Performance Data NiS: Water	18 73-75	-	Yes
G4-EN9		NiS: Water	73-75	-	No
G4-EN10		NiS: Water	73-75	-	No
Biodiversity		G4-DMA	NiS: Our Water & Environmental Strategy NiS: Environmental Sustainability NiS: Protecting Biodiversity	72-74 76 86	Not applicable as it does not reach our materiality threshold.
		<p>All our factories are located in Industrial Estates designated by the respective State governments.</p> <p>Nevertheless, Nestlé’s commitment to the environment is reflected in its Project RiLeaf, reforestation of the Kinabatangan area.</p>			
	G4-EN11			Not applicable as it does not reach our materiality threshold.	No
	G4-EN12			Not applicable as it does not reach our materiality threshold.	No
	G4-EN13	NiS: Protecting Biodiversity	86-87		No
	G4-EN14	There are no reports of IUCN Red List species in the areas of operations. All factories are located in Industrial Estates designated by the respective States, which is located in a developed area as compared to a forest or the natural habitat for IUCN Red List species.		-	No
		<p>The Nestlé Policy on Environmental Sustainability states that we must incorporate environmental sustainability objectives when we build, construct and renovate manufacturing facilities.</p> <p>The Nestlé Policy on Environmental Sustainability: http://www.nestle.com/asset-library/documents/library/documents/environmental_sustainability/nestl%C3%A9%20policy%20on%20environmental%20sustainability.pdf</p>			

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: ENVIRONMENTAL					
Emissions	G4-DMA	NiS: Climate Change	80-84	-	No
	G4-EN15	NiS: Minimise Greenhouse Gas Emissions	81	-	No
	G4-EN16	NiS: CSV Key Performance Data	18	-	No
		NiS: Minimise Greenhouse Gas Emissions	81	-	No
	G4-EN17	NiS: Minimise Greenhouse Gas Emissions	81-83	-	No
	G4-EN18	NiS: Minimise Greenhouse Gas Emissions	81-82	-	No
	G4-EN19	NiS: Minimise Greenhouse Gas Emissions	81-83	-	No
	G4-EN20	NiS: Refrigerant Management	84	Partially disclosed in kilograms. We are working towards enhancing our ODS calculation.	No
	G4-EN21	NiS: Minimise Greenhouse Gas Emissions	80-81	-	No
	Effluents and Waste	G4-DMA	NiS: Water	73-74	-
G4-EN22		NiS: Water	73-74	-	No
G4-EN23		NiS: CSV Key Performance Data	18	-	Yes
		NiS: Minimising Solid Waste	77-78	-	No
G4-EN24		There were no incidents of significant spills in 2017.		-	No
G4-EN25		NiS: Minimising Solid Waste	77	-	No
G4-EN26		Nestlé did not import or export any hazardous waste in 2017. All water discharged from Nestlé Malaysia factories are treated and are in compliance with the Environment Quality Act Standard B, with the approval from the Environmental Authorities. Our discharge is less than 1% with respect to flow rate of river.		-	No
Products and Services	G4-DMA	NiS: Optimising Product Packaging	78	-	No
		NiS: Refrigerant Management	84	-	No
	G4-EN27	NiS: Optimising Product Packaging NiS: Refrigerant Management	78-79 84-85	-	No
		Nestlé has also invested in the construction of separate control rooms for boilers to reduce noise exposure in Chembong factory.			

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: ENVIRONMENTAL					
	G4-EN28			Unavailable due to no measure on percentage of products sold and their packaging material that are reclaimed because Nestlé products reach consumers through various retail outlets. Due to its high variety of products, no measurement of packaging reclamation rates have been undertaken, and most of the packaging materials are recycled in various recycling centres throughout the country.	No
Compliance	G4-DMA	NiS: Our Water & Environment Strategy	72	-	No
	G4-EN29	As of December 2017, no significant fines, non-monetary sanctions or cases brought through dispute resolution mechanisms were being imposed or happened within the Group.		-	No
Transport	G4-DMA	NiS: Climate Change	80-84	-	No
	G4-EN30	NiS: Transportation and Distribution Monitoring for finished goods movement within Malaysia is monitored monthly.	82-83	-	No
Overall	G4-DMA	NiS: Our Water & Environmental Strategy	72	-	No
	G4-EN31	NiS: Environmental Sustainability	76	-	No
Supplier Environmental Assessment	G4-DMA	NiS: Responsible Sourcing	50	-	No
		Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf			

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: ENVIRONMENTAL					
Supplier Environmental Assessment	G4-EN32	<p>NiS: Rural Development</p> <p>Nestlé conducts screening for its range of suppliers based on risk assessment using the Suppliers Ethical Data Exchange (SEDEX) platform. This assessment was conducted based on suppliers' social and environmental performance. This is part of our Nestlé policy on responsible sourcing.</p> <p>73 high priority vendors (our top suppliers and logistics, administration and HR services) were audited and issued with a valid letter of conformance by third party auditors. Audits are valid for three years.</p>	50	-	No
	G4-EN33	<p>NiS: Responsible Sourcing</p> <p>To date, there have been no major potential negative environmental impacts in the supply chain. However, as part of our commitment to reduce GHG in transportation, we have in place a few programmes to optimise the distance travelled as well as the use of high-capacity trucks.</p> <p>We also continue to utilise the application of highly-efficient lightings in our distribution warehouses and introduced Zero Landfill Technologies in our National Distribution Centre.</p>	50	-	No
Environmental Grievance Mechanisms	G4-DMA	<p>All Nestlé suppliers are required to adhere to the Nestlé Supplier Code (which includes environmental, societal, labour and human rights criteria), and are audited for compliance to the Code.</p> <p>External stakeholders who wish to report any possible non-compliance incidents against NCBP or laws, both internal and external, can contact our Group Corporate Affairs Department and our Non-Compliance Hotline.</p> <p>NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</p> <p>Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf</p> <p>The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf</p>		-	No

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: ENVIRONMENTAL					
	G4-EN34	To date, there have been no formal reports on grievances about the environmental impacts of our Company. Our key focus is to reduce waste generation as well as to reduce energy and water usage.		-	No
CATEGORY: SOCIAL					
LABOUR PRACTICES AND DECENT WORK					
Employment	G4-DMA	NiS: Our People	54-55	-	No
	G4-LA1	NiS: Our Workforce	55	Partially disclosed due to limited data availability. We are examining applicable methods to measure the data to be available in 2020.	No
	G4-LA2	The Group has listed down and provided full disclosure on the benefits of every employee in the Nestlé Management Employee Handbook, the collective agreement between Nestlé Manufacturing (Malaysia) Sdn. Bhd. and Food Industry Employee Union, and the collective agreements between Nestlé Products Sdn. Bhd. and National Union of Commercial Workers. Nestlé Management Employee Handbook (internal circulation)		-	No
	G4-LA3	-		No data available for return to work and retention rates after parental leave due to no measurement in 2017. Data will be available in 2018.	No
Labour/ Management Relations	G4-DMA	-		Not applicable as it does not reach our materiality threshold.	No
	G4-LA4	As stated in the Collective Agreements, the minimum notice period is two months, depending on the nature of the change i.e. restructuring, outsourcing of operations, closures, expansions, new openings, takeovers, sale of all or part of the organisation, or mergers. Nestlé Management Employee Handbook (internal circulation)		-	No
	FP3	There was no working time lost due to industrial disputes, strikes and/or lockout in our Malaysian operations.		-	No

SPECIFIC STANDARD DISCLOSURES																																																															
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance																																																										
CATEGORY: SOCIAL																																																															
LABOUR PRACTICES AND DECENT WORK																																																															
Occupational Health and Safety	G4-DMA	NiS: Safety, Health & Wellbeing Nestlé Management Employee Handbook (internal circulation)	58-59	-	No																																																										
	G4-LA5	100% of our total workforce were represented in health and safety committees.		-	No																																																										
	G4-LA6	NiS: CSV Key Performance Data NiS: Safety, Health and Wellbeing	19 58-59	-	No																																																										
	G4-LA7	The below table summarises the assistance programmes provided to the below recipients:		-	No																																																										
	<table border="1"> <thead> <tr> <th colspan="10" style="text-align: center;">Assistance Programme</th> </tr> <tr> <th rowspan="2">Programme Recipients</th> <th colspan="2">Education/ Training</th> <th colspan="2">Counseling</th> <th colspan="2">Prevention/ Risk Control</th> <th colspan="2">Treatment</th> <th rowspan="2">No</th> </tr> <tr> <th>Yes</th> <th>No</th> <th>Yes</th> <th>No</th> <th>Yes</th> <th>No</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Employees' Families</td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td>Immediate family members are covered under employee's medical insurance</td> <td></td> <td>Immediate family members are covered under employee's medical insurance</td> <td></td> <td></td> </tr> <tr> <td>Community Members</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> </tr> </tbody> </table>						Assistance Programme										Programme Recipients	Education/ Training		Counseling		Prevention/ Risk Control		Treatment		No	Yes	No	Yes	No	Yes	No	Yes	No	Employees	✓		✓		✓		✓			Employees' Families		✓		✓	Immediate family members are covered under employee's medical insurance		Immediate family members are covered under employee's medical insurance			Community Members	✓			✓			✓	
Assistance Programme																																																															
Programme Recipients	Education/ Training		Counseling		Prevention/ Risk Control		Treatment		No																																																						
	Yes	No	Yes	No	Yes	No	Yes	No																																																							
Employees	✓		✓		✓		✓																																																								
Employees' Families		✓		✓	Immediate family members are covered under employee's medical insurance		Immediate family members are covered under employee's medical insurance																																																								
Community Members	✓			✓			✓		✓																																																						
<p>All Nestlé Malaysia factories are exposed to high-risk chemicals. Measures are being taken to reduce the risks to workers.</p> <p>There have been no reported cases of serious illnesses or diseases due to exposure to high-risk chemicals.</p> <p>(Source: Chemical Health Risk Assessments: Year 2009 through 2013)</p>																																																															

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: SOCIAL					
LABOUR PRACTICES AND DECENT WORK					
	G4-LA8	<p>100% of collective agreements contain Health and Safety topics.</p> <p>As indicated in the Collective Agreement 2014-2016 between Nestlé Manufacturing (Malaysia) Sdn. Bhd. and Food Industry Employee Union:</p> <ul style="list-style-type: none"> • Article 25 describes the terms and conditions, under which an employee shall be granted casual leave in the case of hospital admission of legal spouse or children/legally adopted child; • Article 29 describes the terms and conditions, under which an employee shall or shall not be entitled to paid sick leave; • Article 30 describes the terms and conditions, under which an employee shall be granted a prolonged illness leave; • Article 31 describes the terms and conditions, under which an employee shall be granted an industrial accident leave. <p>As indicated in the Collective Agreement 2016-2018 between Nestlé Products Sdn. Bhd. and the National Union of Commercial Workers:</p> <ul style="list-style-type: none"> • Article 16 describes the terms and conditions, under which an employee shall be granted casual leave in the case of hospital admission of legal spouse, children, parent, brother/sister of the same blood, grandparent; • Article 20 describes the terms and conditions, under which an employee shall or shall not be entitled to paid sick leave. 		-	No
Training and Education	G4-DMA	<p>NiS: Our People</p> <p>NiS: Training and Development</p>	54 60-61	-	No
	G4-LA9	NiS: Training and Development	60	-	No
	G4-LA10	NiS: Training and Development	60-61	-	No
		<p>In addition, Nestlé Malaysia partners with a robust e-Learning solution that offers a variety of courses on different topics and also gives access to hundreds of books.</p> <p>Nestlé Malaysia also runs a two-day workshop that covers the three Key Areas of Concerns amongst potential retirees i.e. Finance, Health and Relationships. It is designed to prepare and equip participants with the required knowledge, tools and skills to work out a retirement plan that suits them.</p>			

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: SOCIAL					
LABOUR PRACTICES AND DECENT WORK					
	G4-LA11	NiS: Training and Development	61	-	Yes
Diversity and Equal Opportunity	G4-DMA	NiS: Diversity and Gender Balance	56	-	No
	G4-LA12	NiS: CSV Key Performance Data NiS: Diversity and Gender Balance	19 56	-	No

Breakdown of employees in terms of ethnic composition, age group and gender:

Ethnic	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Bumiputera	461	8.64	3,240	60.70	46	0.86	3,747	70.19
Chinese	834	15.62	305	5.71	6	0.11	1,145	21.45
Indian	139	2.60	217	4.07	2	0.04	358	6.71
Others	69	1.29	18	0.34	1	0.02	88	1.65
Total	1,503	28	3,780	71	55	1	5,338	100

Age	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Below 30	302	5.66	866	16.22	40	0.75	1,208	22.63
30-50	1,056	19.78	2,540	47.58	3	0.06	3,599	67.42
Above 50	145	2.72	374	7.01	12	0.22	531	9.95
Total	1,503	28	3,780	71	55	1	5,338	100

Gender	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Male	741	13.88	2,717	50.90	29	0.54	3,487	65.32
Female	762	14.28	1,063	19.91	26	0.49	1,851	34.68
Total	1,503	28	3,780	71	55	1	5,338	100

Breakdown of Nestlé Malaysia's Board of Directors in terms of ethnic composition, age group and gender.

Ethnic	%	Total
Bumiputera	37.5	3
Chinese	25	2
Indian	0	0
Others	37.5	3
Total	100	8

Age	%	Total
Below 30	0	0
30-50	0	0
Above 50	100	8
Total	100	8

SPECIFIC STANDARD DISCLOSURES																															
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance																										
CATEGORY: SOCIAL																															
LABOUR PRACTICES AND DECENT WORK																															
		<table border="1"> <thead> <tr> <th>Gender</th> <th>%</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>75</td> <td>6</td> </tr> <tr> <td>Female</td> <td>25</td> <td>2</td> </tr> <tr> <td>Total</td> <td>100</td> <td>8</td> </tr> </tbody> </table>	Gender	%	Total	Male	75	6	Female	25	2	Total	100	8																	
Gender	%	Total																													
Male	75	6																													
Female	25	2																													
Total	100	8																													
Equal Remuneration for Women and Men	G4-DMA	NiS: Diversity and Gender Balance	56	-	No																										
	G4-LA13	NiS: Diversity and Gender Balance	56	-	No																										
		<table border="1"> <thead> <tr> <th rowspan="2">Employee Category</th> <th colspan="3">WOMEN</th> <th colspan="3">MEN</th> </tr> <tr> <th>Annual Basic Salary</th> <th>HC</th> <th>Ratio</th> <th>Annual Basic Salary</th> <th>HC</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>Management</td> <td>81,024,981</td> <td>772</td> <td>0.83</td> <td>94,393,884</td> <td>749</td> <td>1.20</td> </tr> <tr> <td>Non Management</td> <td>36,413,504</td> <td>1,079</td> <td>0.91</td> <td>101,530,646</td> <td>2,738</td> <td>1.10</td> </tr> </tbody> </table>	Employee Category	WOMEN			MEN			Annual Basic Salary	HC	Ratio	Annual Basic Salary	HC	Ratio	Management	81,024,981	772	0.83	94,393,884	749	1.20	Non Management	36,413,504	1,079	0.91	101,530,646	2,738	1.10		
Employee Category	WOMEN			MEN																											
	Annual Basic Salary	HC	Ratio	Annual Basic Salary	HC	Ratio																									
Management	81,024,981	772	0.83	94,393,884	749	1.20																									
Non Management	36,413,504	1,079	0.91	101,530,646	2,738	1.10																									
Supplier Assessment for Labour Practices	G4-DMA	NiS: Responsible Sourcing NiS: Human Rights and Compliance in Our Supply Chain	50 53	Not applicable as it does not reach our materiality threshold.	No																										
		<p>Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf</p> <p>The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf</p>																													
	G4-LA14	100% of our new suppliers were informed on the Nestlé Supplier Code and were required to sign an acknowledgement form.		-	No																										
		<p>The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf</p>																													
	G4-LA15	There were no incidents reported in 2017.		-	No																										
Labour Practices Grievance Mechanisms	G4-DMA	NiS: Labour Relations CGFR: Corporate Compliance	67 22-24	Not applicable as it does not reach our materiality threshold.	No																										
		<p>NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>																													
	G4-LA16	There were no incidents about labour practices reported in 2017.		-	No																										

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: SOCIAL					
HUMAN RIGHTS					
Investment	G4-DMA	NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf		Not applicable as it does not reach our materiality threshold.	No
	G4-HR1	-		Data not available. We are examining applicable methods to measure the data, to be available in 2018.	No
	G4-HR2	NiS: Human Rights and Compliance (Compliance)	68	-	No
Non-discrimination	G4-DMA	NiS: Our People NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	54	-	No
	G4-HR3	There were no incidents of discrimination reported in 2017.		-	No
Freedom of Association and Collective Bargaining	G4-DMA	NiS: Labour Relations NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	67	-	No
	G4-HR4	There were no incidents report in 2017.		-	No
Child Labour	G4-DMA	NiS: Rural Development (Child Labour) Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf	53	-	No
	G4-HR5	NiS: Rural Development (Child Labour)	53	-	No
Forced or Compulsory Labour	G4-DMA	Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf		-	No
	G4-HR6	We do not accept any form of forced or compulsory labour in our value chain.		-	No

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: SOCIAL					
HUMAN RIGHTS					
Security Practices	G4-DMA	The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf		-	No
	G4-HR7	NiS: Human Rights and Compliance	68	-	No
Indigenous Rights	G4-DMA	All factories are located in Industrial Estates designated by the respective States, which is located in a developed area as compared to regions where indigenous people reside or have interests near operations of the organisation.		-	No
	G4-HR8	All factories are located in Industrial Estates designated by the respective States, which is located in a developed area as compared to regions where indigenous people reside or have interests near operations of the organisation.		-	No
Assessment	G4-DMA	NiS: Human Rights and Compliance	68	-	No
	G4-HR9	All Nestlé Malaysia sites have been subjected to CARE (Nestlé Corporate Compliance Assessment Program of Human Rights & Labour Practices, Business Integrity, Safety & Health, Environmental Sustainability and Security) audits.		-	No
Supplier Human Rights Assessment	G4-DMA	NiS: Human Rights and Compliance Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf	68	-	No
	G4-HR10	Nestlé Malaysia does not have visibility of these activities, as we do not conduct any Human Rights sessions with third parties. They are however within the purview of the respective stakeholders and advocated to embrace the Human Rights and Integrity principles as contained in NCBP and the NCBC. Our new suppliers were informed on the Nestlé Supplier Code and were required to sign an acknowledgement form. The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf		-	No

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: SOCIAL					
HUMAN RIGHTS					
		NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf			
		NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf			
	G4-HR11	There were no incidents reported in 2017.		-	No
Human Rights Grievance Mechanisms	G4-DMA	NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf			No
		NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf			
	G4-HR12	There were no incidents reported in 2017.		-	No
CATEGORY: SOCIETY					
Local Communities	G4-DMA	NiS: Community Engagement	32-37	-	No
		NiS: Rural Development	45		
		NiS: Responsible Sourcing	50		
		NiS: Protecting Biodiversity	86		
	G4-SO1	NiS: Community Engagement	32-37	-	No
		NiS: Rural Development	45		
		NiS: Responsible Sourcing	50		
		NiS: Our People (Employee Volunteer Programme)	66		
		NiS: Protecting Biodiversity	86-87		
		Our facilities are subject to all local building codes, regulations and requirements including environmental impact studies.			
	G4-SO2	There were no incidents reported in 2017.		-	No
Anti-corruption	G4-DMA	NiS: Human Rights and Compliance	68	-	No
		CGFR: Corporate Governance Statement	19		
		NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf			
	G4-SO3	NiS: Human Rights and Compliance	68	-	No
	G4-SO4	NiS: Human Rights and Compliance	68	-	Yes
	G4-SO5	We received 2 allegations related to corruption and bribery through Non-Compliance Hotline. Both allegations were resolved.		-	No

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: SOCIETY					
Public Policy	G4-DMA	CGFR: Corporate Governance Statement NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	17-19	-	No
	G4-SO6	Nestlé does not contribute to political parties, politicians, and/or related institutions by country. Under Section 10, Page 6 of the Nestlé Code of Business Conduct, political contributions are not allowed. NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf		-	No
Anti-competitive Behavior	G4-DMA	CGFR: Corporate Governance Statement NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	17-19	-	No
	G4-SO7	There were no incidents reported in 2017.		-	No
Compliance	G4-DMA	NiS: Nestlé in Society: Creating Shared Value NiS: Human Rights and Compliance	8-11 68	-	No
	G4-SO8	There were no incidents reported in 2017.		-	No
Supplier Assessment for Impacts on Society	G4-DMA	NiS: Responsible Sourcing NiS: Human Rights and Compliance Nestlé Responsible Sourcing Guideline: http://www.nestle.com/asset-library/documents/library/documents/corporate_social_responsibility/nestle-responsible-sourcing-guidelines.pdf The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf	50 68	-	No
	G4-SO9	All our new suppliers were informed on the Nestlé Supplier Code and were required to sign an acknowledgement form. The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf		-	No

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: SOCIETY					
		NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf			
		NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf			
	G4-SO10	There were no incidents reported in 2017.		-	No
Grievance Mechanisms for Impacts on Society	G4-DMA	CGFR: Corporate Governance Statement	17-19	-	No
		NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf			
		NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf			
	G4-SO11	There were no grievances reported in 2017.		-	No
CATEGORY: PRODUCT RESPONSIBILITY					
Customer Health and Safety	G4-DMA	NiS: Nutrition, Health and Wellness	23	-	No
		NiS: Product Safety and Quality	28		
	G4-PR1	NiS: Product Safety and Quality (NQMS) In addition to our report, all our products undergo strict monitoring for food safety and quality purposes. The results of these monitoring are also used for improvement/product renovation where necessary.	28-29	Percentage of products that are screened for health and safety improvements is not disclosed due to commercial sensitivity.	
	G4-PR2	There were no incidents reported in 2017.		-	No
	FP5	The percentage of production sites certified by an independent third party is 100%; based on Nestlé Quality Management System and international recognised standards. The factories are audited annually by SGS for FSSC 22000, OHSAS 18001 and ISO 14000. (Source: Manufacturing Management, Technical and Production, Nestlé Malaysia.)		-	No

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: PRODUCT RESPONSIBILITY					
Customer Health and Safety	FP6	<p>NiS: Addressing Our Consumption of Sugar and Sodium</p> <p>Nestlé has always been committed to improving both the nutritional benefits and taste of our food and beverage products. We pay particular attention to food safety and nutritional recommendations, whilst complying with regulatory requirements and meeting consumer expectations.</p>	24	Data unavailable due to the confidential nature of the information, Nestlé is unable to provide the percentage of total sales volume of consumer products by product category.	No
	FP7	<p>NiS: CSV Key Performance Data</p> <p>NiS: Meeting Local Tastebuds through Innovation</p> <p>At Nestlé Malaysia, we are constantly innovating and renovating our products to improve their nutritional quality. However, we do not collate quantitative data for the percentage of products that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives.</p> <p>Nestlé Policy on Fortification of Food Products with Vitamins, Minerals and Trace Elements is to promote fortification of food products with vitamins, minerals and trace elements at levels that are sufficient to help to improve health but in amounts that do not increase the risk of developing adverse consequences from excessive consumption.</p>	19 38	-	No
Product and Service Labelling	G4-DMA	NiS: Product Labelling	26	-	No
	G4-PR3	NiS: CSV Key Performance Data NiS: Product Labelling	18 26	-	Yes
	G4-PR4	There were no incidences reported in 2017.		-	No
	G4-PR5	NiS: Product Safety and Quality	28-29	-	No
Marketing Communications	G4-DMA	NiS: Responsible Product Marketing and Advertising NiS: Responsible Marketing of Breast-milk Substitutes	30 31	-	No
	G4-PR6	NiS: Responsible Product Marketing and Advertising NiS: Responsible Marketing of Breast-milk Substitutes	30 31	-	No
	G4-PR7	To our best knowledge and with reasonable steps taken, there were no incidents reported in 2017.		-	No

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Indicator Summary	Page Number	Omission(s)	External Assurance
CATEGORY: PRODUCT RESPONSIBILITY					
Customer Privacy	G4-DMA	Privacy Policy: http://www.nestle.com.my/info/privacy_policy		-	No
	G4-PR8	There were no incidents reported in 2017.		-	No
Compliance	G4-DMA	NiS: Responsible Product Marketing and Advertising	30	-	No
		NiS: Responsible Marketing of Breast-milk Substitutes	31	-	No
	G4-PR9	There were no incidents reported in 2017.		-	No
Animal Welfare	G4-DMA	Nestlé Malaysia does not breed animals or handle livestock in its operations.		-	No
	FP9	Nestlé Malaysia does not breed animals or handle livestock in its operations.		-	No
	FP10	Nestlé Malaysia does not breed animals or handle livestock in its operations.		-	No
	FP11	Nestlé Malaysia does not breed animals or handle livestock in its operations.		-	No
	FP12	Nestlé Malaysia does not breed animals or handle livestock in its operations.		-	No
	FP13	Nestlé Malaysia does not breed animals or handle livestock in its operations.		-	No

Abbreviations:**NiS:** Nestlé is Society – Creating Shared Value**AR:** Annual Review**CGFR:** Corporate Governance and Financial Report**NCBP:** The Nestlé Corporate Business Principles**NCBC:** Nestlé Code of Business Conducts



Independent Assurance Report To Management of Nestlé (Malaysia) Berhad (2017)

We have been engaged by Nestlé (Malaysia) Berhad ("Nestlé Malaysia" or the "Company") to perform an independent limited assurance engagement on selected Sustainability Information (hereon after referred to in the Subject Matter as "Selected Information") as reported by Nestlé Malaysia in its Nestlé in Society Report 2017: Creating Shared Value and Meeting Our Commitments ("Nestlé in Society Report 2017").

Management's Responsibility

Management of Nestlé Malaysia is responsible for the preparation of the Selected Information included in the Nestlé in Society Report 2017 in accordance with Nestlé Malaysia's internal sustainability reporting guidelines and procedures and the Global Reporting Initiative's ("GRI") G4 Sustainability Reporting Guidelines. Management is also responsible for the preparation of the Nestlé in Society Report 2017 disclosures to be in accordance with the Comprehensive GRI's G4 Sustainability Reporting Guidelines.

This responsibility includes the selection and application of appropriate methods to prepare the Selected Information reported in the Nestlé in Society Report 2017 as well as the design, implementation and maintenance of processes relevant for the preparation. Furthermore, the responsibility includes the use of assumptions and estimates for disclosures made by Nestlé Malaysia which are reasonable in the circumstances.

Our Responsibility

Our responsibility is to provide a conclusion on the Subject Matter based on our limited assurance engagement performed in accordance with the approved standard for assurance engagements in Malaysia, International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information".

This standard requires that we comply with ethical requirements, and plan and perform the assurance engagement under consideration of materiality to express our conclusion with limited assurance.

The accuracy of the Selected Information is subject to inherent limitations given their nature and methods for determining, calculating and estimating such data.

Our assurance report should therefore be read in connection with Nestlé Malaysia's internal sustainability reporting guidelines and procedures on the reporting of its sustainability performance. In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Subject Matter

The following information collectively known as Selected Information on which we provide limited assurance consists of:

- The management and reporting processes with respect to the preparation of the following eight (8) Selected Information reported and marked with asterisks (*) in the Nestlé in Society Report 2017 as follows:
 1. Total water withdrawn (m³/year) for the financial year 2017;
 2. Landfill waste (tonne) for the financial year 2017;
 3. Number of farmers which participated in the Nestlé Paddy Club for the financial year 2017;
 4. Total number of employees receiving training on the Company's anti-corruption policies and procedures for the financial year 2017;
 5. Percentage of employees receiving regular performance and career development reviews for the financial year 2017;
 6. Percentage of products covered with Nestlé Nutritional Compass (NNC) as at 31 December 2017;
 7. Percentage of products covered with Guideline Daily Amount (GDA) as at 31 December 2017; and
 8. Total greenhouse gas (GHG) emission reduction (CO₂) from Project Double for the financial year 2017.

*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*



Subject Matter (continued)

The following information collectively known as Selected Information on which we provide limited assurance consists of: (continued)

- Nestlé Malaysia's declaration that Nestlé in Society Report 2017 is prepared in accordance with the Comprehensive GRI's G4 Sustainability Reporting Guidelines.

Criteria

- Nestlé Malaysia's internal sustainability reporting guidelines and procedures by which the Selected Information is gathered, collated and aggregated internally; and
- The "GRI's G4 Sustainability Reporting Guidelines".

Main Assurance Procedures

Our work, which involved no independent examination of any of the underlying financial information, included the following procedures:

- Inquiries of personnel responsible for the Selected Information reported in the Nestlé in Society Report 2017 regarding the processes to prepare the said report and the underlying controls over those processes;
- Inquiries of personnel responsible for data collection at the corporate and business unit level for the Selected Information;
- Inspection on a sample basis of internal documents, contracts, reports, data capture forms and invoices to support the Selected Information for accuracy including observation of management's controls over the processes;
- Inquiries of personnel on the collation and reporting of the Selected Information at the corporate and business unit level;
- Checking the formulas, proxies and default values used in the computation of the Selected Information against Nestlé Malaysia's Sustainability Reporting Guidelines and Procedures; and
- Checking the Nestlé in Society Report 2017 in accordance with the Comprehensive GRI's G4 Sustainability Reporting Guidelines.

Conclusion

Based on our limited assurance engagement, in all material aspects, nothing has come to our attention that causes us to believe that:

- The Selected Information in the Subject Matter has not been fairly stated in accordance with Nestlé Malaysia's internal sustainability reporting guidelines and procedures; and
- The Nestlé in Society Report 2017 disclosures are not sufficient to be reported in accordance with the Comprehensive GRI's G4 Sustainability Reporting Guidelines.

Restriction on use

This report, including our conclusions, has been prepared solely for the Board of Directors of Nestlé Malaysia in accordance with the agreement between us, in connection with the performance of an independent limited assurance on the Selected Information in the Subject Matter as reported by Nestlé Malaysia in its Nestlé in Society Report 2017. Accordingly, this report should not be used or relied upon for any other purposes. We consent to the inclusion of this report in the Nestlé in Society Report 2017 and to be disclosed online at www.nestle.com.my in respect of the 2017 financial year, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. As a result, we will not accept any liability or assume responsibility to any other party to whom our report is shown or into whose hands it may come. Any reliance on this report by any third party is entirely at its own risk.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
8 March 2018

This page has been intentionally left blank.

This page has been intentionally left blank.

www.nestle.com.my

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
Malaysia

Tel (+603) 7965 6000

Fax (+603) 7965 6767

Nestlé Consumer Services Free Phone: 1-800-88-3433

Facebook: <http://www.facebook.com/Nestle.Malaysia>



Cover: Printed on FSC® Mix Certified 300gsm A Snow
Text: Printed on FSC® Mix Certified 120gsm Munken Kristal