



Nestlé

Good Food, Good Life



Nestlé in Society Report 2016

Creating Shared Value and
meeting our commitments

CONTENTS

02

About
This Report

03

Nestlé in Society:
Creating Shared Value

06

Nestlé
Fast Facts

10

Creating Shared Value
Governance



12

Engaging
Stakeholders and
Mapping Material
Issues



16

Key Performance
Data

08

A Message from
Our Chairman and Our CEO

18

Nutrition

38

Water &
Environment

50

Rural
Development

60

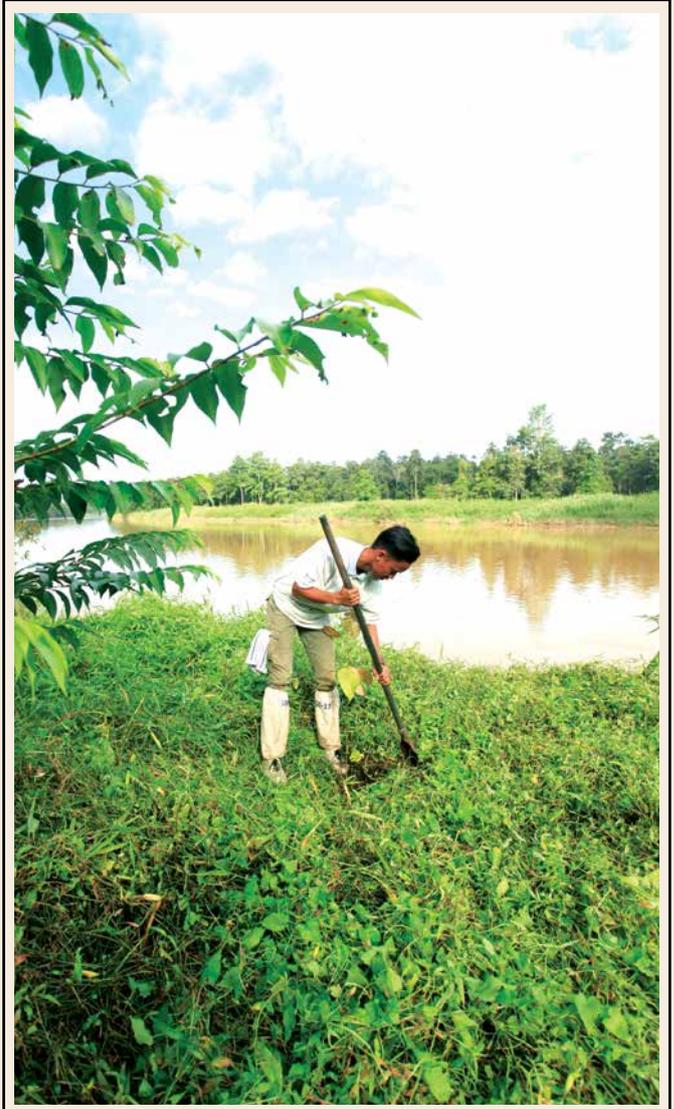
Our
People

80

Awards and
Achievements

82

GRI G4 Content
Index



ABOUT THIS REPORT

G4-3, G4-12, G4-20, G4-21, G4-23, G4-28, G4-30, G4-32, G4-33

This Nestlé in Society Report (“Report”) is published with the aim of promoting transparent reporting and communication to our shareholders and all stakeholders. The report includes detailed information on issues material to us, as well as on the societal and environmental impacts of our business. This edition of the Nestlé in Society Report is our 11th stand-alone annual sustainability report, showcasing our dedication to Creating Shared Value and meeting our commitments whilst delivering on our promise of **‘GOOD FOOD, GOOD LIFE’**.

REPORT SCOPE AND BOUNDARIES

This Report covers a reporting period between January and December 2016. It covers 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



Agriculture



Tier 1 suppliers



Nestlé



Retail/Business Channels



Consumers

REPORTING FRAMEWORK

This Report is prepared in accordance with the Global Reporting Initiative (GRI) G4 - Comprehensive Option. Following the GRI guidelines, we address material issues or those that reflect significant economic, environmental and social impacts, and those issues that substantively influence the assessments of our stakeholders. The reporting framework has 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, reliability and objectivity of the reported information and the report 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.

NESTLÉ IN SOCIETY: CREATING SHARED VALUE

G4-DMA: Indirect Economic Impacts,
G4-DMA: Compliance

At Nestlé, we believe that for the company to prosper and deliver superior shareholder value, we need to create value for the society. We need to ensure that the communities that we serve and operate in prosper as well. Creating Shared Value is a theme that cuts across our entire operations.

Creating Shared Value (“CSV”) means that the way we do business creates value for society in three areas that are core to our business strategy and operations. The areas we have identified as having the greatest importance are Nutrition, Water & Environment and Rural Development.

Nutrition is our key contribution towards building a healthier and happier community and it is the basis of our business. In addition to nutrition, we focus on water because of its significance in ensuring food security. Water scarcity is a very serious issue in many parts of the world. Rural

development is one of our core themes because the overall wellbeing of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business.

We continue to actively manage our commitments to environmental and social sustainability, necessary for operating our factories, for sustainable value growth and development of the communities and countries in which we operate.

Our position in society brings both opportunities and responsibilities. We do

business in compliance with national laws, international standards and our own values and principles, as expressed in the Nestlé Corporate Business Principles (“NCBP”) - which also forms the base of our Creating Shared Value strategy. Ours is a robust set of principles and values developed over the last 150 years. They are based on respect: respect for people, respect for cultures, respect for the environment and respect for the future of the world we live in. Our commitments go beyond simple compliance and are embodied in our vision of CSV.



The Nestlé Creating Shared Value Legacy

Nestlé's legacy of CSV originated from our founder, a Swiss-pharmacist named Henri Nestlé. In an effort to save his neighbour's child who was unable to accept his mother's breast-milk, he developed the world's first milk supplement for infants. In an era when infant mortality rates in Europe were high due to malnutrition, this product was timely and well-received. This signified the beginning of Nestlé's CSV philosophy, which is deeply embedded within our values and the Nestlé Corporate Business Principles today.

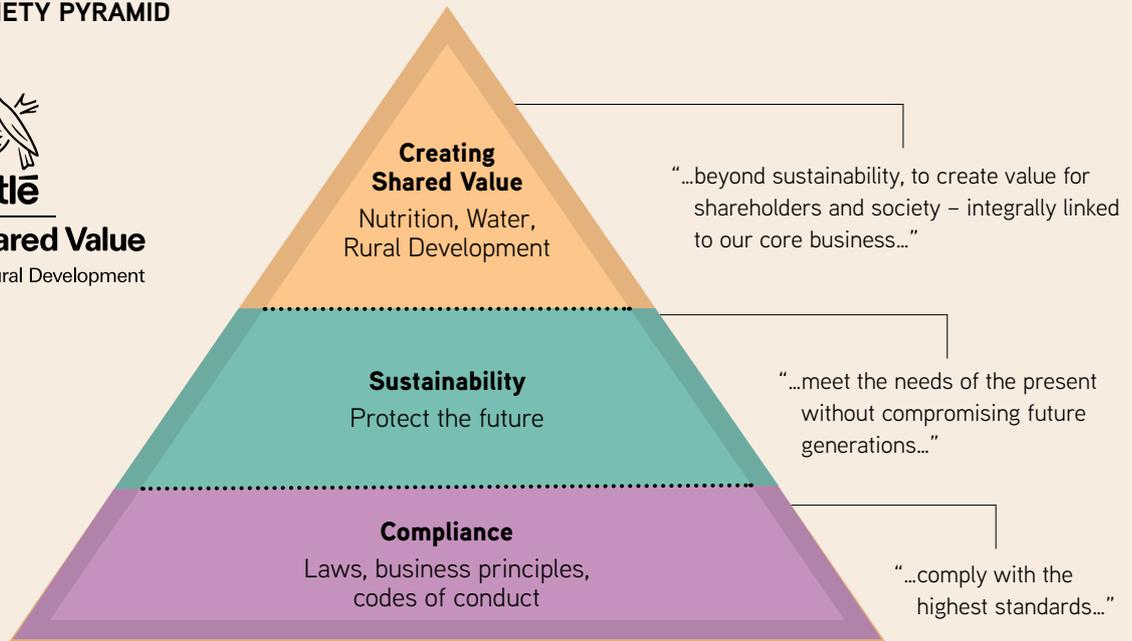
The Pride of Nestlé: The 'Nest'

Henri Nestlé adopted his coat-of-arms as a trademark in 1867. The German word Nestlé, which means 'little nest', is universally understood to represent warmth, security, nourishment, family togetherness, nurturing and caring values. It remains the recognisable symbol of the Nestlé brand across the world.

Nestlé in Society: Creating Shared Value

G4-DMA: Indirect Economic Impacts

THE NESTLÉ IN SOCIETY PYRAMID



HIGHLIGHTS

Nutrition



Why Nutrition?

Food and nutrition are the basis of health and of our business – it is the reason we exist.

- 3.4 billion servings of nutritious and fortified foods and beverages sold.
- 79% of our products exceeded Nutritional Foundation profiling criteria.
- The NESTLÉ HEALTHY KIDS Programme has reached out to 10,000 students since 2010.
- Nestlé Malaysia is recognised as the Halal Centre of Excellence for the Nestlé Group.

Water & Environment



Why Water?

Water is one of our most critical resources, the scarcity of which will have a drastic impact on quality of life as well as on our business operations.

- 7% reduction of specific water usage in 2016 as compared to 2015.
- 7 out of 8 of our factories have achieved zero landfill status.
- Planted 480,000 trees in an area over 2,300 hectares along the Kinabatangan River since 2011, through Project RILEAF.

Rural Development



Why Rural Development?

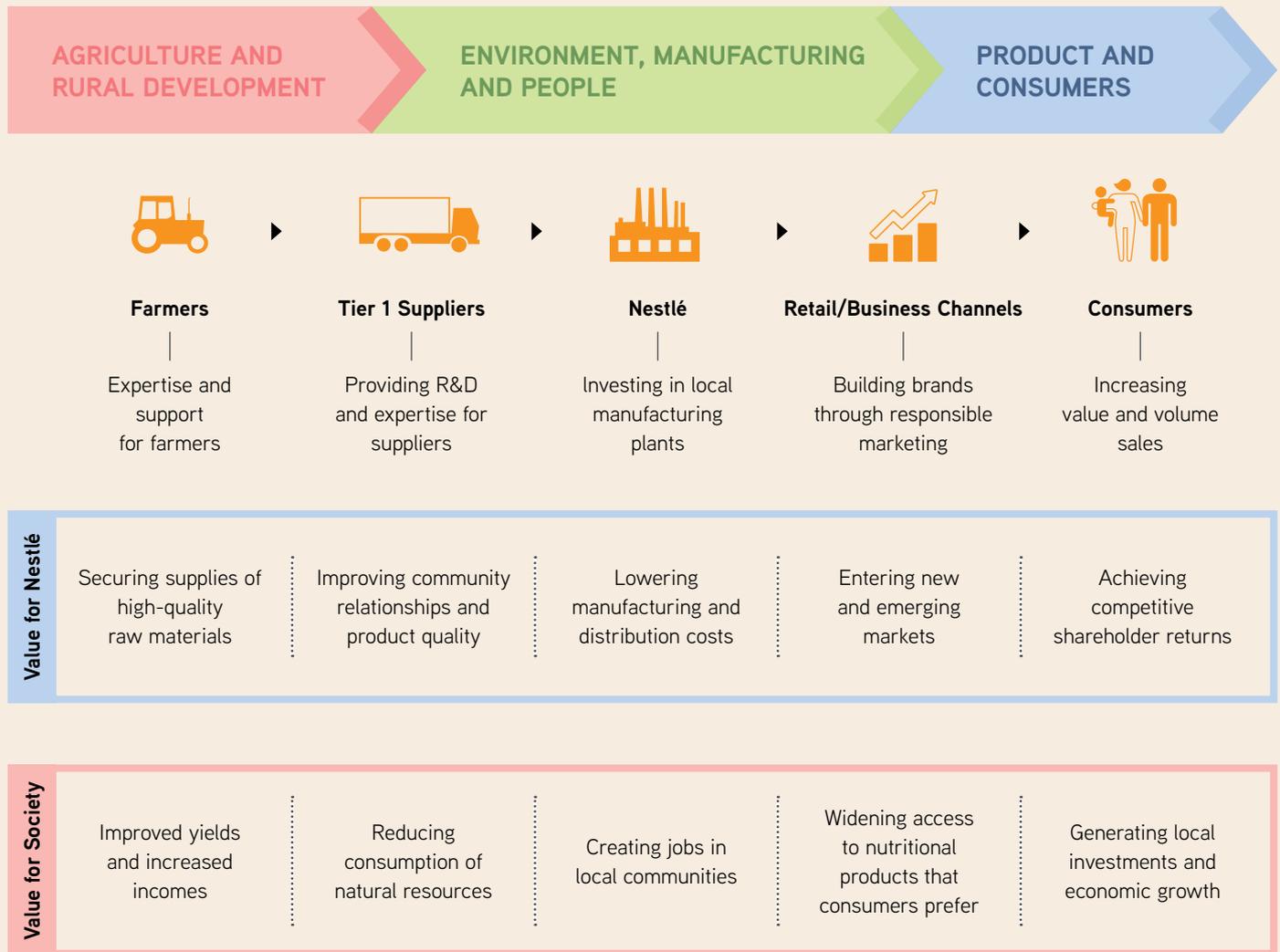
The overall wellbeing of our various stakeholders – farmers, rural communities, employees, small entrepreneurs and suppliers – is key to our continued success and the nation’s development.

- 402 farmers supplying chilli and paddy to Nestlé Malaysia through our NESTLÉ CHILLI CLUB and NESTLÉ PADDY CLUB.
- KIT KAT bars manufactured at Nestlé Malaysia factory in Chembong are now made with 100% sustainable, high-quality cocoa sourced through the NESTLÉ COCOA PLAN from Côte d’Ivoire.

As a company that has won the hearts and minds of Malaysian consumers, we are proud to elaborate on the many ways in which we have created value for society. A range of these initiatives are detailed in this Report.

Nestlé in Society: Creating Shared Value

CREATING SHARED VALUE AT EACH STAGE OF THE VALUE CHAIN



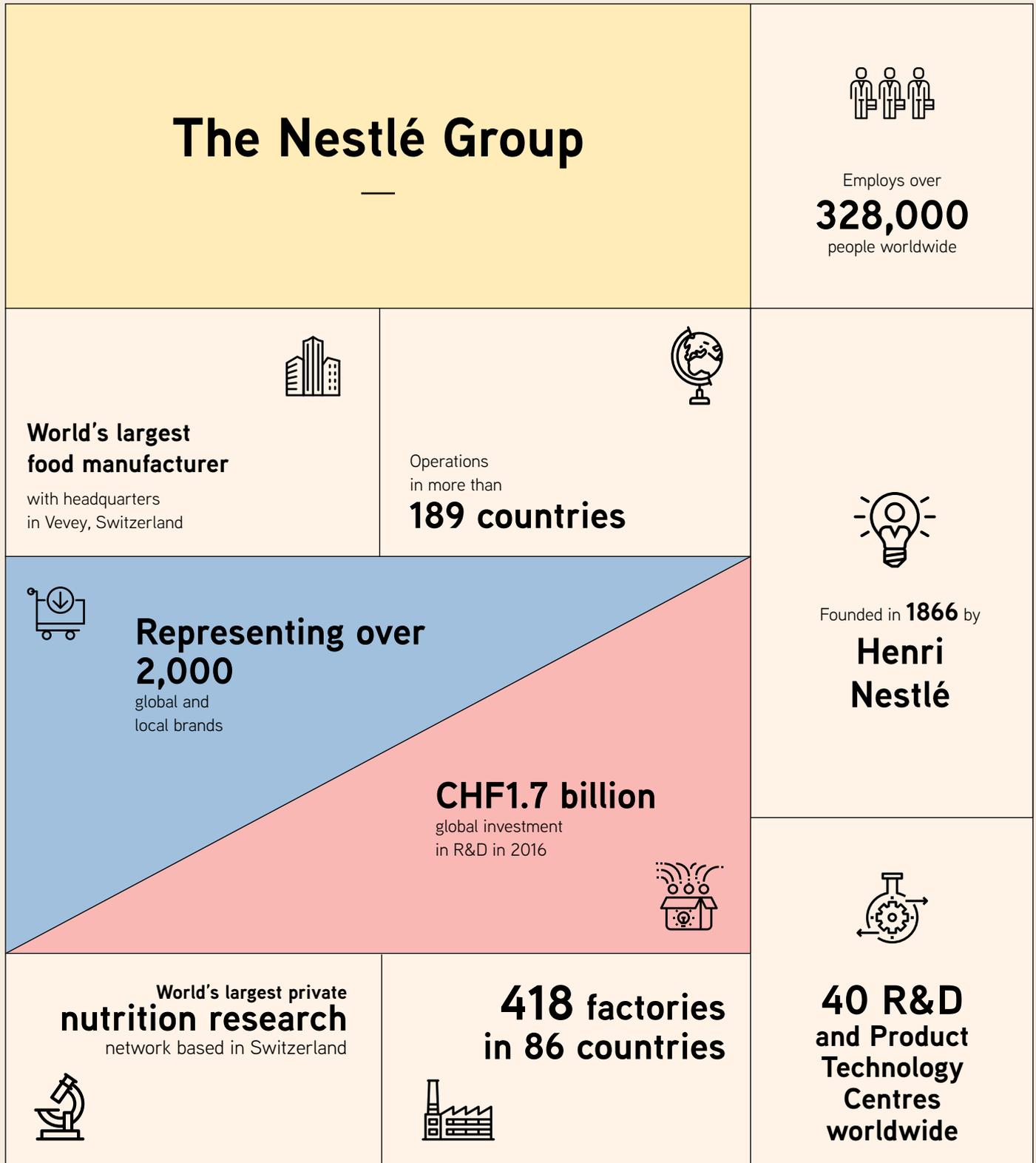
Peter Brabeck-Letmathe
Chairman, Nestlé S.A.

“Our Creating Shared Value priorities are the areas of greatest intersection between Nestlé’s business and society, and where we can create the most value and make the most difference.”

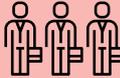
Paul Bulcke
Chief Executive Officer, Nestlé S.A.

“Behind all of our efforts are our company values, which are rooted in respect – respect for ourselves, respect for others, respect for diversity of the world we live in and respect for the future.”

NESTLÉ FAST FACTS



Nestlé Fast Facts

<h1 style="text-align: center;">Nestlé Malaysia</h1> <hr style="width: 20%; margin: 20px auto;"/> <p style="text-align: center;">Categories of Products</p> <ul style="list-style-type: none"> Dairy + Beverages + Foods + Ready-to-Drink + Infant and Maternal Nutrition + Healthcare Nutrition + Breakfast Cereals + Chilled Dairy + Ice Cream + Confectionery + Out-of-Home 			
	<p>Commercial operations in Malaysia since 1912</p>	<p>Employs more than 5,500 people</p>	<p>Head office located in Mutiara Damansara, Selangor</p>
		<p>Produces over 500 halal products, with locally made leading household brand names, such as MILO, MAGGI and NESCAFÉ.</p>	
		<p>Market capitalisation of RM18 billion</p>	<p>Biggest Halal producer in the Nestlé world and the Halal Centre of Excellence for the Nestlé Group</p>
	<p>Turnover of RM5 billion in 2016</p>		
		<p>8 factories and a National Distribution Centre</p>	<p>Public listed on Bursa Malaysia since 1989</p>

A MESSAGE FROM OUR CHAIRMAN AND OUR CEO

G4-1, G4-2

On behalf of the Board of Directors, we are pleased to present the Nestlé in Society Report of Nestlé (Malaysia) Berhad for the financial year ended 31 December 2016.

Chairman

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

Chief Executive Officer

Alois Hofbauer



We at Nestlé believe that for a company to be successful and create long-term value for shareholders, it must also create value for society. CSV is the approach we take to the business as a whole. We offer consumers - individuals and families - products and services that help enhance their quality of life and contribute to a healthier future. We also believe that in a world facing long-term economic, social and nutritional challenges, corporations have a role to play in contributing to solutions.

Instead of organising isolated community projects, our approach is based on respect for people, cultures and the environment. We have identified three focus areas that have the greatest potential for joint value creation: Nutrition, Water & Environment and Rural Development. These areas are core to our business strategy and operations.

A Message from Our Chairman and Our CEO

Nestlé in Society reports, such as this one, are part of our commitment to communicate to our stakeholders about our actions and how we engage society.

GOOD FOOD, GOOD LIFE

Food is the basis of health and the foundation of our business. We firmly believe that good food is the foundation for good life - as in our tagline GOOD FOOD, GOOD LIFE. Nutrition is one of our strongest focus areas, and in the past years, we have launched many new nutritionally sound and innovative products. We have made them healthier by reducing sugar and salt content, in line with the World Health Organization's pledge to reduce salt and sugar consumption. From 2014 to 2016 we reduced the sugar content in MILO 3-in-1 drink by 16% and by 22% in KOKO KRUNCH cereals. The salt content in MAGGI 2-Minute Noodles Kari, for example, was reduced by 31%.

We make sure that we produce food that is safe, of high quality and nutritious. All of our products for children are made according to the nutritional criteria set by the Nestlé Nutritional Foundation, which are based on nutrition science and public health dietary recommendations that are accepted globally. We continue to ensure that our food products are marketed responsibly.

We also continuously look for ways to engage with our consumers to raise awareness on the importance of leading healthy and active lifestyles. One of our flagship initiatives is the NESTLÉ HEALTHY KIDS Programme. Through it, we continue to promote healthy eating and active lifestyles amongst children. Since its inception in 2010, we have reached out to 10,000 children, 177 schools, 570 food operators in school kitchens and 370 teachers.

Looking After the Environment

We are aware that resource scarcity is a global concern. As a food and beverage business that utilises these resources, we continue to seek solutions to improve the environmental performance of our operations. In 2016, we reduced our water usage by 7.6%, reduced our greenhouse gas emissions by 6.3% and used 6.5% less energy than the previous year. We also are on track towards our goal of 'Zero Landfill Status' with seven out of eight factories in Malaysia having reached the target.

We are involved in Project RILEAF, an initiative to restore 2,400 hectares of deforested land along the riparian area of lower Kinabatangan River in Sabah. Since its inception in 2011, 484,580 trees have been planted through Project RILEAF, covering now over 2,300 hectares of the area.

Project UPLEAF is another initiative driven by the Company, through which we assist local oil palm smallholders to obtain Roundtable on Sustainable Palm Oil ("RSPO") certification, an important step towards creating a more sustainable supply chain. As of 2016, 177 oil palm smallholders were RSPO-certified.

Rural Development

Nestlé not only makes products much-loved by Malaysians, but also creates value in society on a deeper level. We contribute to local economies through employment and our supply chains. We buy large quantities of raw materials locally, and groom local small and medium enterprises to become thriving suppliers to our business and other major food companies. Our contract farming schemes, NESTLÉ PADDY CLUB and NESTLÉ CHILLI CLUB, continue to support local farmers in Malaysia.

People and Innovation

Our people are our greatest asset and the backbone of our Company. We encourage diversity and gender balance in all our operations.

We believe in investing in our people and helping them to develop their careers. In 2016, we concentrated in leadership training on all levels and introduced Innovation Awards to encourage employees to come up with innovative solutions, because we believe that their ideas matter.

We also continue to encourage our employees to volunteer and contribute to our community through the Nestlé Reaching Out to Community and Kids ("ROCKS") programme. Over the past six years, our employees have volunteered over 5,000 hours in making a difference in the communities we operate in.

We believe that this Report represents our commitment to communicate transparently to our shareholders and stakeholders on the areas in which we engage with society. We hope that you will find this Report informative, as we aim to provide a better understanding on how we operate, and share information about our long-term impact on society and how they are fundamental to the creation of our long-term business success.



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



Alois Hofbauer
Chief Executive Officer

CREATING SHARED VALUE GOVERNANCE

G4-34, G4-35, G4-36, G4-37,
G4-42, G4-45, G4-46, G4-47

Globally, the Nestlé Chairman, the Chief Executive Officer (“CEO”) and other members of the Executive Board supervise and manage Nestlé’s role in society and our CSV strategy. They are supported by internal management bodies, including the Nestlé in Society Board, Operations Sustainability Council, Issues Round Table, R&D Council for Sustainability and Nutrition and the Group Compliance Committee.

The Nestlé in Society Board, chaired by the CEO, leads the development and implementation of CSV across all businesses. It also directs the sustainability objectives and strategies at the Group-level. When required, the Board will seek advice and confirmation from the Executive Board.

External advisory groups, CSV Council and the Nestlé Nutrition Council provide counsel on the CSV strategies. Nestlé CSV Council comprises 13 world-leading experts from the areas of nutrition, water and rural development. These experts provide advice to Nestlé management on the best ways to implement CSV and to assess Nestlé’s progress. CSV strategies and opportunities are communicated by Nestlé S.A. to be implemented across different Nestlé markets.

In all that we do, we are also guided by a set of values and principles that has been developed over the past 150 years. The Nestlé Corporate Business Principles (“NCBP”) shapes the way we do business and is the basis of our culture, values and CSV strategy.

THE NESTLÉ CORPORATE BUSINESS PRINCIPLES

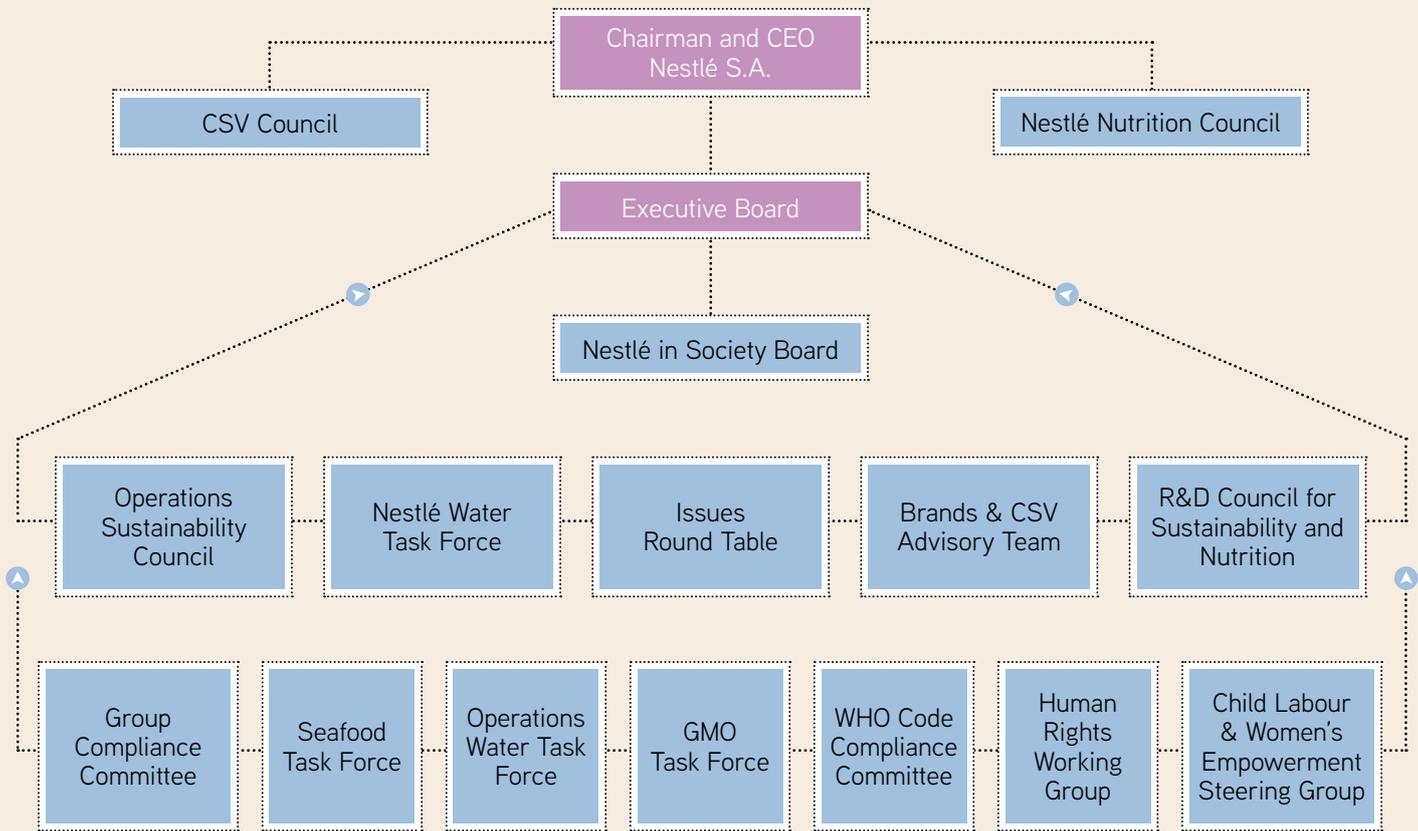
Consumers	1. Nutrition, Health and Wellness	We aim to enhance the quality of consumers’ lives by offering tastier, healthier food and drinks and encouraging a healthy lifestyle.
	2. Quality assurance and product safety	We want to ensure that, everywhere in the world, the Nestlé name represents the highest 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.

Creating Shared Value Governance

G4-34, G4-35, G4-36, G4-37, G4-42, G4-45, G4-46, G4-47

GLOBAL CSV GOVERNANCE STRUCTURE

● Creating Shared Value



CSV GOVERNANCE AT NESTLÉ MALAYSIA

Nestlé Malaysia CSV Council 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 within the organisation.

CSV GLOBALLY AND IN MALAYSIA:



ENGAGING STAKEHOLDERS AND MAPPING MATERIAL ISSUES

G4-2, G4-18, G4-24, G4-25, G4-26, G4-27



Nestlé Stakeholder Convening 2016 which was held on 18 November at the Royale Chulan, Damansara received an encouraging turn up from various key stakeholders.

A company like ours touches people's lives everyday. We are known to generations of consumers in Malaysia and continue to have strong working relationships with regulators, non-state actors and media alike. In order to be successful, we need to pay close attention to opinions of all these key stakeholders. Our stakeholders are varied and have specific areas of interest that can have a direct impact on our business.

To decide which issues are material and to prioritise, the Company uses a formal materiality process that helps to identify the most important issues for our critics, our stakeholders and our business.

It is the Nestlé way to engage and have a dialogue with our stakeholders to develop and improve our corporate policies and commitments.

Our extensive stakeholder engagement process enables us to map and identify current and emerging issues.

In 2016, Nestlé conducted a Stakeholder Equity Research, also known as Key Opinion Leaders ("KOL") survey. Face-to-face interviews were conducted with business partners and suppliers, industry and trade associations, regulatory bodies, ministries, health and sports bodies, media and academia.

According to the survey our key strengths, threats, improvement areas and opportunities are:

Strengths: product quality, halal products and nutritional value of products.

Threats: reassurance needed on ethical issues (ethics in sourcing raw material and in promoting infant formula).

Improvement areas: responsible sourcing of raw materials, water, conservation of the environment and rural development.

Opportunities: focus on contribution to rural development can further improve the overall perception of Nestlé amongst stakeholders.

The results from the KOL survey were used to formulate the key areas for discussion during our 2016 external stakeholder convening session.

Our regular stakeholder convening sessions are an opportunity to intensify the dialogue with experts and other key stakeholders. During these meetings, we also update our stakeholders on our performance, business growth opportunities, market dynamics, and the status of various CSV initiatives undertaken. Our stakeholder convenings aim to promote increased levels of trust and mutual respect.

Engaging Stakeholders and Mapping Material Issues

G4-2, G4-18, G4-24, G4-25, G4-26, G4-27

Our main stakeholder engagement methods in 2016:

STAKEHOLDER GROUP	ENGAGEMENT METHODS
EMPLOYEES	<ul style="list-style-type: none"> ❶ Ongoing education and training programmes ❷ Progress & Development Guide (PDG) ❸ Performance Review ❹ Intranet (The Nest) ❺ Newsletter (The Nestlé Edge) ❻ Internal e-announcement and news ❼ Employee survey (Nestlé & I) ❽ Townhall meetings and roadshows (Reignite The Growth - RTG) ❾ Safety, Health and Environment (SHE) initiatives ❿ Employee Volunteer Programme (ROCKS) ⓫ Employee events (annual hi-tea, festive celebrations, etc.)
CONSUMERS AND GENERAL PUBLIC	<ul style="list-style-type: none"> ❶ Corporate and brand websites ❷ Consumer relationship marketing (Dear Nestlé Club) ❸ Social media channels (Facebook) ❹ Corporate and brand campaigns ❺ Consumer research (Corporate Equity Monitor) ❻ Advertisements and promotions
SHAREHOLDERS AND INVESTORS	<ul style="list-style-type: none"> ❶ Annual Report ❷ Annual General Meeting ❸ Analyst briefings
LOCAL COMMUNITIES	<ul style="list-style-type: none"> ❶ Community development programmes
BOARD OF DIRECTORS	<ul style="list-style-type: none"> ❶ Board of Directors meetings ❷ Creating Shared Value update meetings ❸ Corporate & CSV events
NON-GOVERNMENTAL ORGANISATIONS	<ul style="list-style-type: none"> ❶ Roundtable discussions ❷ Strategic partnerships and agreements ❸ Memberships ❹ Monthly food contribution programme ❺ Key Opinion Leader (KOL) survey
GOVERNMENT	<ul style="list-style-type: none"> ❶ Advocacy meetings ❷ Roundtable issue discussions ❸ Ministerial visits and dialogues ❹ Regulatory filings ❺ Exhibitions and showcases ❻ Key Opinion Leader (KOL) survey
MEDIA	<ul style="list-style-type: none"> ❶ Face-to-face engagements ❷ Dialogues and forums ❸ Media familiarisation trip to CSV project sites ❹ Corporate and brand events ❺ Key Opinion Leader (KOL) survey
INDUSTRY AND TRADE ASSOCIATION	<ul style="list-style-type: none"> ❶ Member participation in key associations ❷ Advisory panelists ❸ Key Opinion Leader (KOL) survey
SUPPLIERS	<ul style="list-style-type: none"> ❶ Supplier Engagement Day (Nestlé Procurement Day) ❷ Training on Nestlé Supplier Code and Nestlé Malaysia Anti-Corruption, Gift and Entertainment Policy ❸ Small Medium Enterprise (SME) Mentoring Programme
CUSTOMERS/RETAILERS	<ul style="list-style-type: none"> ❶ Product campaigns ❷ Consumer engagement and sampling activities ❸ Trade deals and promotions
ACADEMIA	<ul style="list-style-type: none"> ❶ Partnership programmes ❷ Talks and forums ❸ Employer branding activities (e.g. career fair)

Engaging Stakeholders and Mapping Material Issues

G4-2, G4-18, G4-24, G4-25, G4-26, G4-27

STAKEHOLDER ENGAGEMENT STRATEGY

PROTECT AND BUILD TRUST



STAKEHOLDER ENGAGEMENT PROCESS



Engaging Stakeholders and Mapping Material Issues

G4-2, G4-18, G4-19, G4-24, G4-25, G4-26, G4-27

OUR MATERIALITY MATRIX

In 2016, we updated our materiality matrix. We organised an external stakeholder convening session with invitees from a variety of stakeholders, including Nutrition Society of Malaysia (NSM), the Department of Islamic Development Malaysia (JAKIM), WWF-Malaysia, Malaysian Agricultural Research and Institute (MARDI) as well as various regulatory organisations and non-profit organisations. Participants were invited to discuss key issues impacting the Company’s business in Malaysia and to prioritise them. We also conducted an internal survey on the same issues among key internal stakeholders. The findings of the two activities were analysed and used to update the 2016 materiality matrix.

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			

In 2016, Nutrition has been expanded to **Nutrition, Health & Wellness** as we offer not only nutritious products, but also advocate for healthy lifestyles through various health initiatives. Nutrition, Health & Wellness was identified as the most important material issue to the Company’s internal and external stakeholders.

Innovation has been added to the matrix this year. Innovation at Nestlé encompasses our entire value chain. It includes research and production of new nutritious products for consumers and innovative agricultural practices. It also includes efforts to reduce our environmental impact, for example the production of packaging material and innovations that improve our commercial capabilities (e.g. marketing and manufacturing our products).

Food Safety & Quality, Product Marketing & Advertising and **Halal** remain key material issues to us. It is our responsibility to ensure that the Nestlé brand continues to represent high quality, safe and nutritious products. We are also committed to responsible advertising and marketing of our products, especially regarding the breast-milk substitutes and products targeted at children. As a global leader in halal products, we will remain steadfast with our Halal commitment to manufacture, import and distribute halal products.

KEY PERFORMANCE DATA

G4-EN5, G4-EN8, G4-EN16, G4-EN23, G4-PR3, G4-FP7

Description	2014	2015	2016
Nutrition			
Products covered with Nestlé Nutritional Compass (NNC) (% of sales)	100%	100%	100%
Products with Guideline Daily Amount (GDA) labelling (% of sales)	98%	98%	99%
Products with Nutritional Claim on Front of Pack (FOP) (% of sales)	59%	65%	67%
Products meeting or exceeding Nutritional Foundation profiling criteria (% of sales)	77%	74%	79%
Products meeting or exceeding consumer taste preference (% of sales)	88%	89%	88%
Products with nutritional plus over competitors (% of sales)	51%	55%	59%
NESTLÉ HEALTHY KIDS Programme			
– Number of students involved	4,835	4,573	4,216
Water & Environment			
Total amount of energy per tonne (GJ/tonne)	3.5	3.4	3.1
Total water withdrawal (tonne)	4.5	4.3	4.0
Percentage of specific greenhouse gas reductions (%)	2.9	3.1	6.3
Landfill waste (tonne)	202	191	158
Recycled waste (tonne)	11,895	11,550	11,270
Project RILEAF			
– Number of trees planted	114,524	201,413	116,850
– Total seedlings purchased from KAPOK (RM)	175,960	369,048	318,234
Project UPLEAF			
– Number of oil palm smallholders that received RSPO-certification	36	115	177
Rural Development			
NESTLÉ PADDY CLUB			
– Number of farmers impacted/benefitted from the project (Jan/Feb)	310	300	299
– Number of farmers impacted/benefitted from the project (Aug/Sept)	298	294	290
– Average yield (Jan/Feb)	5.85MT/ha	4.81MT/ha	6.10MT/ha
– Average yield (Aug/Sept)	6.40MT/ha	6.11MT/ha	6.44MT/ha
– Total number of hectares (Jan/Feb)	814	789	798
– Total number of hectares (Aug/Sept)	788	794	762

Key Performance Data

Description	2014	2015	2016
NESTLÉ CHILLI CLUB			
- Number of farmers impacted/benefitted from the project	112	80	112
- Average yield	506	350	506
- Total number of hectares	32	45	32

Our People

Total number of employees	5,702	5,578	5,505
Leadership positions held by women	43%	45%	37%
Total spent on training and development annually (RM)	617,647	9,064,843	11,094,860
Lost time injury frequency rate (LTIFR)	1.5	2.2	1.7
Employee Volunteer Programme (ROCKS)			
- Total number of volunteers (employee & non-employee)	152	174	150
- Total number of volunteer hours	835.5	1,111.8	854.31

Economic

OPERATIONAL FOOTPRINT

Number of total factories	7	8	8
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VALUE GENERATION (RM'000)

Total sales for Malaysia	4,808,933	4,837,957	5,063,506
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VALUE DISTRIBUTION (RM'000)

Turnover	4,808,933	4,837,957	5,063,506
Operating costs	975,005	1,105,280	1,198,675
Taxes	150,803	136,978	129,367
Net profit	550,384	590,733	637,127
Earnings per share (sen)	234.71	251.91	271.70
Net dividends per share (sen)	235.00	260.00	270.00
Dividend yield	3.4	3.5	3.5

Cher Siew Wei

Corporate Wellness Manager



In line with our promise to deliver GOOD FOOD, GOOD LIFE, we strive to nourish and delight our consumers with our products.





—
**Chapter
One**

100%

of our children's products have met the
Nestlé Nutritional Foundation
criteria since 2013

100%

of our products display the
**Nestlé Nutritional
Compass**

We have reached out to

10,000

students through our
NHK Programme
since 2010

88%

of our products meet
or exceed consumer taste
preference

Trained up to

400

Small and Medium Enterprises
in halal food and beverages production



NUTRITION

NUTRITION

G4-DMA: Customer Health and Safety

Our goal is to enhance the quality of consumers' lives by making sure good food and beverages are accessible to all. We believe in the tagline of **GOOD FOOD, GOOD LIFE** which places nutrition at the centre of everything we do. With consumers at the heart of our business, we continuously invest in innovating our products to create more nutritious and healthier food and beverages to meet the needs of our consumers.

Our key commitments in the area of Nutrition are:



Nutrition

NUTRITIOUS PRODUCTS FOR CHILDREN

Our commitment: Provide nutritionally sound products designed for children.

We live by our commitment to provide children with nutritious products. Every new product is assessed against a system based on nutrition science and public health recommendations. The Nestlé Nutritional Profiling System (“NNPS”) was designed to optimise the nutritional composition of products.

All our foods and beverages for children are also assessed against the Nestlé Nutritional Foundation (“NF”) criteria, based on nutrition science and globally accepted public health dietary recommendations. A product must meet all the criteria, as well as local dietary requirements, to be considered appropriate for consumers as part of a balanced diet.

New products launched in 2016:

NESTLÉ BLISS Go is a ready-to-drink beverage for growing kids. It is the first yogurt drink to be made available in ambient format. Endorsing ‘Goodness for Tummies and More’, it contains inulin prebiotic, which promotes good bacteria in the gut for digestive health. It also has calcium for bone health and Vitamin C to enhance the absorption of iron.

CERELAC NUTRIPUFFS are Nestlé’s first toddler finger food in Asia. CERELAC NUTRIPUFFS are fortified cereal snacks made of rice, whole wheat and fruits. It contains micronutrients such as iron, calcium, and Vitamin B1 which are critical to growth and development.



Nutrition

REDUCTION OF SALT AND SUGARS IN OUR PRODUCTS

G4-FP6

Our commitment: Further reduce salt (sodium) and sugar content by 10% by 2016 in our products.

We have made significant progress in the recent years, making our products healthier according to recommendations from our nutrition experts and scientists. We formulated the first Nestlé Policy on Sodium in 2005 and the first Nestlé Policy on Sugars in 2007 globally. Our commitment in reducing sugars and salt is aligned with guidelines issued by the WHO (World Health Organization). The amount of sugars and sodium in many products – especially children's products – has since been significantly reduced.

Nestlé fully supports WHO's position to help consumers achieve the recommended target for daily salt intake and we proactively reduce salt levels in our products. Our target for 2013 to 2016 was to further reduce sodium content by at least 10% in products that did not yet meet the Nestlé Nutritional Foundation criteria for sodium. For example, we reduced the amount of salt in our leading MAGGI 2-Minute Noodles Kari by 31%. We encourage consumers to supplement MAGGI noodles by adding in fresh ingredients like vegetables and eggs.

WHO recommends that less than 10% of total energy intake should be from free sugars. This is equivalent to 50g (or around 12 level teaspoons) per day. Our goal for reducing the sugar content was to reach an average of 10% reduction by weight across our product portfolio in 2014 – 2016.

We have reduced sugar in MILO 3-in-1 by 16% since 2014. Each serving (30g) of MILO 3-in-1 now contains two teaspoons of sugar, compared to a can of carbonated soft drink, which can contain more than three times that amount. Over 50% of the total sugars in MILO actually come from milk and malt.

Since 2008, we have also reduced the amount of sugar by 22% in our breakfast cereal, KOKO KRUNCH. One serving of KOKO KRUNCH has less than two teaspoons of sugar.



Nutrition

PRODUCT LABELLING

G4-DMA: Product and Service Labelling, G4-PR3

Our commitment: Deliver nutrition information and advice on all our labels.

The Nestlé Nutritional Compass (“NNC”) is a tool developed to help consumers make informed decisions on food and beverage choices and improve their understanding of good eating habits. It provides clear information about ingredients and ideal portion sizes of our products. The NNC is displayed on all of our products. The NNC includes a breakdown of the products’ nutritional composition, tips for a healthy eating and active lifestyles, and contact details for more information.

The product packaging also includes the Guideline Daily Amounts (“GDA”), in Malaysia known as Front of Pack (“FOP”) Labelling in line with local requirements. These information on labels inform consumers about the amount of calories, sugars, total fat, saturated fat and salt in a serving and most importantly, how this compares to the recommended average daily intakes. In 2016, 99% of our products sold displayed this information.

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

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

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

What is FOP Labelling for Energy?

Front of Pack Labelling for Energy is an at-a-glance label that tells you the amount of energy (expressed in kcal) a particular food contains and how it contributes to your recommended daily requirements (2000kcal).

One serving contains

Energy 94kcal
Based on 2000kcal

Based on 2000 kcal

Our progress

Description	2014	2015	2016
a. Products displaying with Nestlé Nutritional Compass (% of sales)	100	100	100*
b. Products with Guideline Daily Amount labelling (% of sales)	98	98	99
c. Products with nutritional claim on Front of Pack Labelling (% of sales)	59	65	67

*This data has been independently audited. Please refer to the Independent Assurance Report from pages 99-100.

Nutrition

FOOD SAFETY AND QUALITY

Consumer trust is fundamental to our success and 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 are important to us and are reflected in our 10 Corporate Business Principles, which form the basis of everything we do. Nestlé adheres to the strictest quality control and safety measures at all stages of our supply chain. We are also guided by the Nestlé Responsible Sourcing Guidelines.

The Nestlé Quality Policy summarises the elements of our commitment for excellence and includes:

- ❶ **Food safety and full compliance** - we never compromise on food safety and always comply with all applicable regulatory requirements.
- ❷ **Consumer trust and preference** - consumer confidence and satisfaction in all our brands, products and services.
- ❸ **Zero-defect, no-waste attitude** - we always strive for excellence and create no waste in anything we do.
- ❹ **Everybody's commitment** - quality is a group-wide objective.

Nestlé Quality Management System

The Nestlé Quality Management System ("NQMS") is the framework for implementation of the Nestlé Quality Policy. It is the cornerstone of our food safety and regulatory compliance as well as all other systems needed to ensure quality and performance across the value chain. The NQMS encompasses essential elements, such as good manufacturing practices, hazard analysis and critical control points (HACCP), and traceability, together with new requirements and initiatives across the whole value chain. The NQMS is audited and verified by independent certification bodies to prove conformity to internal standards, ISO9001, laws and other regulatory requirements.



OUR PROGRESS:

Customer Satisfaction Survey

We conduct regular surveys to identify opportunities to improve customer service throughout the supply chain. The survey is our way of asking our customer "Are you satisfied with the service we are offering you?" We also measure factors related to the supply of our products to customers from our factories, such as freshness and availability of the products.



Nutrition

RESPONSIBLE PRODUCT MARKETING AND ADVERTISING

G4-15, G4-DMA: Marketing Communications,
G4-DMA: Compliance, G4-PR6, G4-PR7

Our commitment: Ensure responsible marketing communication to children.

Being one of the largest corporations in the F&B industry comes with responsibility. We follow the global Nestlé Marketing Communication to Children Policy and are fully committed to responsible advertising and marketing.

When marketing to children, we apply the shared EU Pledge nutritional criteria as a minimum; and where local or regionally agreed criteria are stricter, they are applied. We have achieved our objective by launching a strengthened Nestlé Marketing Communication to Children Policy.

We seek to increase knowledge and awareness on the marketing to children criteria across our organisation, and are currently developing a web-based tool to embed understanding of our policy among our marketeers and external agency partners. It is critical that our people are aware of the impact this policy has on the food and beverages we sell. We hope that our plan to roll out targeted training by 2017 will help us raise this awareness.

Consumer communication is one of our NCBP, which form the foundation of all we do. The principles state: "We are committed to responsible, reliable consumer communication that empowers consumers to exercise their right to informed choice and promotes healthier diets." Adherence to these principles is regularly monitored by Nestlé S.A.

Our advertisements must:

- ✔ Be truthful and credible;
- ✔ Encourage moderation;
- ✔ Not generate unrealistic expectations of popularity or success; and
- ✔ Not undermine parental authority.

Nestlé does not directly advertise or market products towards children younger than six years of age. Advertising to children aged 6 to 12 is restricted to products with a nutritional profile that helps them achieve a healthy, balanced diet, including limits for ingredients such as sugar, salt and fat.

The Company is a member of the MAA (Malaysian Advertisers Association). Nestlé complies with all regulations by the relevant government agencies. To our best knowledge and with reasonable steps taken, there were no incidents reported in 2016.

As a member of FMM (Federation of Malaysian Manufacturers), the Company signed the pledge on Responsible Advertising to Children in 2013. We support Ministry of Health Malaysia ("MOH") and FMM to develop common criteria for monitoring compliance to the pledge.

RESPONSIBLE MARKETING OF BREAST-MILK SUBSTITUTES

G4-15, G4-DMA: Marketing Communications,
G4-DMA: Compliance, G4-PR6, G4-PR7

Our commitment: Market breast-milk substitutes responsibly.

We believe that breastfeeding is best for infants and strongly supports 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.

WHO's International Code for the Marketing of Breast-milk Substitutes was published in 1981 and Nestlé complies to it. In 1982, we issued the first Nestlé Instructions to give precise guidelines to our personnel for the implementation of the WHO Code. Subsequent to revisions made in 1996 and 2004, we further updated the Nestlé Instructions in 2010 to include some provisions specific to the FTSE4Good criteria.

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.

The Internal WHO Code Ombudsman System allows any Nestlé employee to raise concerns via the appointed ombudsman person on any activities 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 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 2016, related to any breaches of the codes in the use or marketing of breast-milk substitutes.

Nutrition

COMMUNITY ENGAGEMENT

G4-DMA: Local Communities, G4-EC8, G4-SO1

Our commitment: Promote healthy diets and lifestyles, including physical activity.



NESTLÉ HEALTHY KIDS Programme

We believe good nutrition is crucial for the wellbeing of all individuals. The NESTLÉ HEALTHY KIDS (“NHK”) Programme are all the more relevant in view of nutrition-related issues, such as nutrient deficiencies and rising obesity, particularly amongst schoolchildren. The NHK Programme was introduced as a global response to promote healthier lifestyles among schoolchildren.

NHK was introduced in Malaysia in collaboration with the Nutrition Society of Malaysia (NSM) in 2010. Sharing the same objective, the first phase of the programme started with a three-year longitudinal intervention study “Evaluation of Nutrition Education Package for Primary School Children”, involving 200 children. It also involved developing educational modules that were presented to the Ministry of Education Malaysia (“MOE”) to be utilised by schools.

In Malaysia, the programme has two components:

- ❶ Primary school programme, known as the NESTLÉ HEALTHY KIDS Programme (targeted at school children aged 7-12).
- ❷ Secondary school programme, Program Cara Hidup Sihat (targeted at lower secondary school children aged 13-15)*.

**This programme ended in 2014. It is reported here because the data collected is inclusive of both components.*



Dr. Tee E Siong

President of the Nutrition Society of Malaysia

“At Nutrition Society of Malaysia, we believe that educating our young children to lead healthy and active lifestyles will ensure that we bring up a generation of healthy Malaysians. This will eventually pave the way to a healthy nation. Programmes such as NESTLÉ HEALTHY KIDS are essential in order to bring about change by inculcating better dietary habits.”



Participants received certificate after completing three years Train-the-Trainer workshop.



Participants learning engaging ways to teach NHK educational modules to their students.

Nutrition

G4-DMA: Local Communities, G4-EC8, G4-S01



In 2016, we continued the programme with the third annual train-the-trainer workshop as part of the second phase which was organised in 77 day-boarding schools in East Malaysia between 2014 to 2016. The workshops aim to educate teachers on NHK modules, as well as focus on improving nutrition knowledge and cultivating healthy lifestyle habits among students. In total, 166 senior assistants of student affairs and wardens from primary day-boarding schools in Sabah and Sarawak attended the workshop. We reached out to at least 4,200 children in 2016.

Impact since 2014:

Description	2014	2015	2016
Number of schools impacted	77	75	77
Number of students involved in intervention programme	4,835	4,573	4,216
Number of visits to the NESTLÉ HEALTHY KIDS website	19,821	41,173	41,213
Number of page views on the NESTLÉ HEALTHY KIDS website	51,282	85,811	72,261

NESTLÉ HEALTHY KIDS Website

The NESTLÉ HEALTHY KIDS website (www.healthykids.org.my) has articles and recipes relevant for parents, as well as interactive games, which makes learning easy and fun, for children. The website was redesigned in 2016, and it is now mobile-friendly.

Launched in 2010, the programme has since reached out to:

 **10,000** students

 **570 food** operators of school kitchens

 **177** schools

 **370** teachers



Scan here to visit our NESTLÉ HEALTHY KIDS website

Nutrition

G4-DMA: Local Communities, G4-EC8, G4-SO1



International Food Artist, Ms. Samantha Lee demonstrating food artworks to excited children during the International Chefs Day.



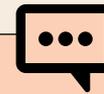
Children learning about good nutrition and health eating through hands-on activities.

International Chefs Day

International Chefs Day is celebrated every year on the 20th of October. In conjunction, workshops and activities for thousands of children are organised across the world. Following the success of the inaugural International Chefs Day celebration in 2015, Nestlé joined forces with the Professional Culinaire Association of Malaysia (PCA) for the 2016 celebration through our NHK programme. With the aim of raising children's awareness on healthy eating by unleashing their creativity with food, we treated over 200 children from Pusat Jagaan Lambaian Kasih, Yayasan Chow Kit, Trinity Kids and Victory Academy to a delicious and fun afternoon.

StarLIVE Talk

We take part in events that can be used as platforms for showcasing the importance of eating healthy from a young age. One such event in 2016 was the StarLIVE Talk, organised by The Star newspaper. The event included hands-on activities during which children were given information on healthy portions and the food pyramid. Parents and children were also treated to some simple and fun physical activities they can do as a family to live healthier lives while strengthening family ties.



Nurul Iliani Ahmad

Senior Nutritionist, Nestlé Malaysia

“ Although Malaysians are aware of the importance of a balanced diet together with physical activities, many still neglect the essential foods for a balanced nutrition and only consume what they like. Parents play an important role in ensuring their children get adequate nutrition, as they are the ones preparing meals at home. ”

Nutrition

We are actively involved with communities across the country. Our other initiatives to promote healthy lifestyles for kids are:

Grassroots Sports Development



YB Khairy Jamaluddin Abu Bakar

Minister of Youth & Sports

“Malaysian athletes made their mark in the recent Rio 2016 Olympics demonstrating the best performance the country has ever seen with the biggest haul of medals. That says a lot about the calibre of our young athletes and more has to be done to help develop the potential and future of Malaysian sports. MILO’s invaluable contribution to grassroots sports development over the past 60 years recognises this opportunity and they have helped drive tremendous growth in Malaysian sports through cultivating the talent of young athletes. Their continued support will ensure that we keep the momentum of the recent Olympics to charge full steam ahead for the Kuala Lumpur 2017 (29th SEA Games & 9th ASEAN Para Games) for our best chance of success.”

MILO has played an important role in the development of junior sports in Malaysia and has executed various campaigns successfully. These initiatives are aimed at encouraging children to have a balanced lifestyle, because we believe 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 2016

Objective

Enable access to sporting excellence.

The MILO Champions clinic provides Malaysian children aged between 7 and 11 years old with the opportunity to pursue their interest in sports in a fun, affordable, and safe environment under the guidance of quality coaches. We have offered coaching in seven different sports: futsal, gymnastic, hockey, badminton, netball, bowling and basketball.

Progress

In 2016, the number of participants in MILO Champions Clinic grew to 550, from 152 in 2015.

Notable coaches who were involved in developing the modules or coaching the MILO Champions Clinic: Rashid Sidek (former national player/coach), Chiew Chun Yoong (current national futsal head coach), Tai Beng Hai (former national head coach and current 1MAS Director of Development Director), Choo Kon Lee (current netball head coach in Bukit Jalil Sports School), Sim Sin Heng (ex-national basketball head coach and current deputy secretary general of Malaysia Basketball Association (MABA)).



MILO Champions Clinic bowling coach, helping a student with bowling techniques.

Nutrition

G4-DMA: Local Communities, G4-EC8, G4-SO1



MILO Activ-Jam Senamrobik 1MIS aerobics exercise with primary schoolchildren.

Supporting '1 Student 1 Sport' Policy

Objective

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

MILO has partnered with MOE since 2015 in organising *MILO-Jurulatih 1MIS Workshops*. Until now, 100 sessions of the *Jurulatih 1MIS* workshop have been conducted and more than 3,000 teachers from different schools have been trained in conducting sports workshops or competitions, basic sports nutrition and selected sports or modified sports playing techniques. MILO has developed a nutrition module to be included in the workshop and provides a nutritionist to conduct the session with the teachers during the training session. The signature MILO van is a regular sight at the workshops and events, where fun physical activities are conducted. In 2016, the MILO vans reached 2.4 million students (almost 100% of total primary school students in Malaysia).

Progress

In 2016, we engaged with about one million students from 2,500 schools through our *MILO Activ-Jam Senamrobik 1MIS* aerobics exercise in primary schools, with the support from MOE. MILO drinks were provided for the schools hosting the *senamrobik* activity.

MILO Breakfast Day 2016

Objective

To emphasise the importance of breakfast as an essential source of energy to "Own the Day".

Our annual MILO Breakfast Day initiative has been organised since 2013, and includes a wholesome breakfast with fun, educational activities, including consultations with nutritionists, Zumba, MILO Breakfast 3km Family Fun Run and 5km Individual Run. In 2016, the event was expanded to four new locations, taking the event to seven cities: Malacca, Kuantan, Kota Kinabalu, Johor Bahru, Penang, Kuching and Putrajaya.

Progress

The events saw 50,000 participants, compared to 34,000 in 2015. We hope to foster closer bonds between friends and family members whereby everyone is encouraged to join the run together and thereafter enjoy a hearty and nutritious breakfast.



Running for the fourth consecutive year, our MILO Breakfast Day continues to attract more Malaysians indicating an increased awareness on the importance of breakfast.

Nutrition

G4-DMA: Local Communities, G4-EC8, G4-S01



Participants in action during the 11th NESTLÉ KOKO KRUNCH Junior Taekwondo Championship.

NESTLÉ KOKO KRUNCH

Junior Taekwondo Championship

Around 2,420 young taekwondo enthusiasts took part in the 11th NESTLÉ KOKO KRUNCH Junior Taekwondo Championship, a nationwide competition for Malaysian children aged 7 to 12. The championship is organised in partnership with Taekwondo Malaysia (“WTF”).

Progress

In 2016, participants from over 100 Taekwondo Clubs contended for the Tunku Imran Challenge Trophy. The Championship is now an annual event in the WTF calendar.



Dato’ Ahmad Shapawi

Director General, National Sports Council (NSC)

“ This is indeed a commendable achievement by Nestlé Malaysia. The development of an athlete starts at the grassroots level and platforms such as this are crucial in helping us not only identify athletes but also ensure they receive the support they need to develop into world champions. ”

Walk-A-Mile

2016 marked the 15th year of the annual Walk-A-Mile event, in collaboration with Yayasan Jantung Malaysia (“YJM”) and NESTLÉ OMEGA PLUS. The longest-running event for heart health advocacy in the country saw 3,800 Malaysians walking for a healthier heart this year.

Progress

A cheque from NESTLÉ OMEGA PLUS totalling RM30,000 was presented to YJM towards their continuous efforts to educate the public on heart health matters.



Malaysians walk to a healthier heart at the 15th NESTLÉ OMEGA PLUS Walk-A-Mile Event.

Nutrition

G4-DMA: Local Communities, G4-EC8, G4-S01

MAGGI Secondary School Cooking Competition



Young chefs demonstrating their kitchen skills at the MAGGI Secondary Schools Cooking Competition.

Objective



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

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. Since 1997, this cooperation between MAGGI and MOE has seen 301,500 young cooks from 13,060 secondary schools around Malaysia gaining knowledge and skills on food, nutrition and healthy eating.

Progress

Description	2014	2015	2016
Number of schools involved	1,600	1,280	1,280
Number of participating students	4,800	6,400	5,580

Nutrition

DELIGHTING LOCAL TASTEBUDS THROUGH INNOVATION

Innovation is the lifeblood of Nestlé and will continue to be a key driver for business growth. Product innovation and enhancements contributed 10% of our annual sales in 2016. Investment towards product innovation is part of our long-term strategy, with a focus on enhancing efficiencies and encouraging a culture of innovation throughout the Company.

Nestlé is a global company which tailors products to suit local tastes and needs. Our Malaysian consumers have local, with local taste preferences, eating traditions and unique expectations. We strive to ensure the optimal nutritional composition of our foods and beverages through the Nestlé Nutritional Profiling System (“NNPS”), which rigorously analyses the content of our food and beverage products.

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.

Product Innovation

In 2016, we launched 31 new products and the key innovative products, such as:

- **MAGGI OATMEE** Mee Goreng Curry, an instant noodles made from wheat and wholegrain oat. Whole grain oat is known as a source of fibre, while wheat provides protein.
- **MILO frozen confection** is a new MILO ice cream variant that offers consumers their favourite chocolate malt beverage in an ice cream stick format. Ingredients include PROTOMALT made from barley malt, with tasty MILO bits. This latest edition contributed to MILO’s strong household penetration and market share.
- **NESTLÉ OMEGA PLUS Milk with Oats** has ACTICOL naturally derived from plant sterols that have been suggested to block cholesterol from entering the bloodstream. It acts in addition to the beta-glucan from oats which binds with cholesterol in the gut and removing it from the body.
- **NESTUM Banana Caramel** is made with real bananas, caramel and NESTUM multi-grain flakes. Bananas contain natural dietary fibre and each serving of NESTUM Banana Caramel and added Vitamin C1, contributes towards daily Vitamin C requirement.
- **NESTLÉ CHEERIOS Oat Crisp** is Malaysia’s first ready-to-eat breakfast cereal made from Australian oats with beta-glucan which is said to help to lower cholesterol and contains fibre, calcium, iron, vitamins and minerals.

Description	2014	2015	2016
Products meeting or exceeding Nutritional Foundation profiling criteria (% of sales)	77	74	79
Products meeting or exceeding consumer taste preference (% of sales)	88	89	88
Products with nutritional plus over competitors (% of sales)	51	55	59

Wellness Together-Gather Campaign

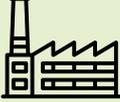
In tandem with product development, we also encourage innovation in the way we engage with our consumers. This was demonstrated during our month-long ‘Wellness Together-Gather’ campaign, which marked the launch of the first multi-brand e-Commerce Wellness store by a F&B company in Malaysia. Our e-Commerce flagship store offers wellness solutions, nutrition-themed bundles and product discounts, developed based on insights from real searches and social data.

Nutrition

OUR HALAL COMMITMENT

G4-DMA: Indirect Economic Impacts, G4-EC8

Our commitment: All products that are manufactured, distributed and imported by Nestlé Malaysia are certified halal by the JAKIM (Department of Islamic Development Malaysia).

<p>Nestlé Malaysia is the BIGGEST HALAL PRODUCER in the Nestlé world and the HALAL CENTRE OF EXCELLENCE for the Nestlé Group.</p> 	<p>Apart from 8 factories in Malaysia, Nestlé Group has more than 150 factories producing halal products in 43 countries.</p> 	<p>Nestlé Malaysia introduced its Halal Policy in 1992 and received halal certification by JAKIM in 1994.</p> 	
 <p>We export halal products to more than 50 countries.</p>	<p>We have successfully trained and mentored more than 400 SMEs in Halal food and beverages production, a joint effort with HDC and SME Corp.</p>  	<p>We have been implementing internal halal audits and a Halal Assurance System since 2008.</p> 	<p>Our National Distribution Centre was certified Halal by JAKIM in 2014 and our Central Factory Warehouse in 2016.</p> 

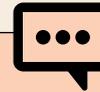
The Company is committed to producing safe, high quality food and beverages to all consumers, in accordance with Syariah requirements. The Company has been a champion of the Halal cause in Malaysia for almost three decades - and is now the flag bearer for the local halal food industry. As a result of our commitment and efforts in Halal practices and being the leading exporter of Halal products, the Company has been recognised as the Halal Centre of Excellence for the Nestlé Group. We are currently the biggest halal food producer in the Group and export halal products to more than 50 countries.

We provide 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. We have been instrumental in developing the Malaysian Halal Standards, that serve as a benchmark for Halal standards around the world. We collaborate with the Halal Industry Development Corporation ("HDC") and SME Corporation Malaysia ("SME Corp") in mentoring the local small and medium entrepreneurs in Halal best practices.

We also make sure our employees have a good understanding of Halal through our comprehensive training programmes, such as the basic Halal requirement based on MS1500:2009, that covers the fundamentals of the Malaysian Halal Standards.

The philosophy of the Halal Centre of Excellence is that halal benefits everyone, and it must be done right all the time.

Nutrition

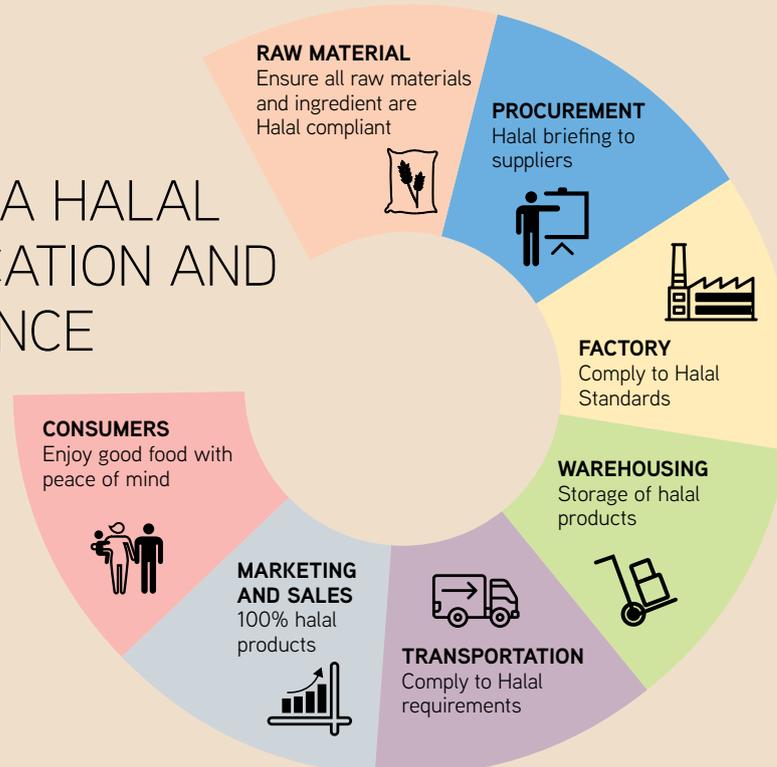


Dato' Seri Jamil Bidin

Chief Executive Officer of HDC

“ We are content to join hands with Nestlé, as we strive to achieve our objective of elevating Malaysia’s Halal industry to international standards. Undoubtedly, through initiatives such as SME Mentoring and Vendor Development Programme, we are one step closer towards realising Malaysia’s vision to be a regional and global hub for halal products and services. ”

NESTLÉ MALAYSIA HALAL CERTIFICATION AND ASSURANCE



Nutrition

Small & Medium Enterprise (SME) Mentoring Programme



En. Othman, Head of Halal Affairs Nestlé Malaysia sharing Nestlé halal best practices with participants.

The SME Mentoring Programme is a capacity building initiative between Nestlé, HDC and SME Corp, that we have been running since 2009 to share our knowledge and world-class best practices in Halal implementation and assurance with the local SMEs involved in the halal food and beverage industry. In 2016, the programme reached out to another 77 companies.

Description	2014	2015	2016
Number of Companies	76	77	77
Number of Participants	98	100	110

We also utilise this platform to share our expertise on food regulation, productivity and sales and marketing. In addition, participants gain valuable knowledge about requirements for suppliers of multinational companies. HDC and SME Corp provide further insights on the Halal industry on a global and local scale, as well as share information on assistance available for SMEs.

Within three months after completing the programme, participating SMEs are evaluated on the best practices that they have learnt and implemented. These practices include the formation of internal Halal committee, ensuring good manufacturing practices, and improving quality processes to reduce food safety issues. To date, over 400 SMEs have been successfully trained.

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 2016, we identified three companies to join the Flagship Programme in 2017. The participating companies were selected based on the relevance of their product categories and their readiness was assessed by conducting plant visits.

Vendor Development Programme

In 2016, the Company signed a Memorandum of Understanding (“MoU”) with HDC to create a stronger presence in the global Halal market, as well as to further promote Malaysian halal products. This MoU also aims to facilitate enterprise development in the sector.

As the leading halal producer, the Company, will provide support and advice for potential SMEs in Malaysia, especially on implementation of Halal best practices.

The programme aims to further build the capacity of SMEs and help them become suppliers of halal ingredients and products, in line with the country’s aspiration of becoming a global hub for halal products and competencies.

Under this programme, we:

- Support local manufacturers to produce halal ingredients based on our requirements and help them to become Nestlé vendors.
- Support young entrepreneurs to use and promote our products.

Nutrition

Vendor Development Programme

SUPPORTING LOCAL MANUFACTURERS

OMCORP, a local company specialising in meat-based dry ingredients was identified as a potential supplier, and we started working with them in 2016.

With our technical assistance, OMCORP developed their processes and started to supply us with halal chicken meat powder which adheres to all quality requirements. With this initiative, OMCORP's annual production capacity has already more than doubled.

A follow-up development plan has been made together with OMCORP. It includes a further increase of their production capacity and development of range of new halal ingredients, such as chicken extract, beef meat powder and beef fat.

HDC has assisted OMCORP in obtaining funds for renovation and other improvement of their facilities.

We will also assist OMCORP to prepare for achieving the AVA Singapore and other international certifications, which will enable us to export products that include OMCORP's halal ingredients. Certification also helps OMCORP to penetrate the export markets.

NESCAFÉ Entrepreneurship Development Programme

The NESCAFÉ Entrepreneurship Programme's mission is to develop future entrepreneurs by providing Malaysian youth with real business experience. This programme provides young entrepreneurs with first-hand experience of managing a halal compliant mobile café business that uses the NESCAFÉ range in a creative manner.

The selected young entrepreneurs are students of local universities, who will go through comprehensive training on Halal issues, marketing as well as managing a café business. In addition, they will have an opportunity to experience real marketing work at the NESCAFÉ Business Unit through an internship programme.

Together with HDC, we collaborate with UiTM and UKM and aim to recruit more young entrepreneurs in 2017.



Murali Samudram

Corporate Services Engineer



We set ourselves commitments and objectives for real progress: from using sustainably managed and renewable resources to operating more efficiently, and from working towards our goal of zero waste to acting on climate change.



—
Chapter
Two

Reduced specific water
usage (m³/tonne product)
by **7.6%**

Spent
RM12 million
on environmental management

Reduced specific energy
usage (GJ/tonne product)
by **6.5%**

Planted over
480,000
trees in an area of over
2,300 hectares along the
Kinabatangan river since 2011

Reduced specific greenhouse
gas (GHG) emissions
(kg GHG/tonne)
by **6.3%**

Helped
62 oil palm smallholders
achieve RSPO certification



WATER & ENVIRONMENT

Note: All Nestlé targets and tracking are based on specific usage, which refers to resource consumption per tonne of production. It is a useful indicator as the volume of our production differs on a yearly basis. This way we are able to determine resource consumption on yearly basis and compare it annually.

WATER & ENVIRONMENT

G4-DMA: Materials, G4-DMA: Water,
G4-DMA: Biodiversity, G4-DMA: Overall, G4-EC2

Food production and consumption use a significant share of the world's resources. As a responsible food and beverage manufacturer, we are constantly striving to make Nestlé's products not only tastier and healthier but also better for the environment. Nestlé has always been committed to growing in a sustainable manner, and we have identified four areas of particular concern:

- ✔ Water, which is getting increasingly scarce;
- ✔ Limited natural resources;
- ✔ Biodiversity is on the decline; and
- ✔ Climate change, which poses a fundamental threat to the environment, species and people's livelihoods.

It is imperative that we embrace sustainability in all areas of our business. Our commitment to environmentally sustainable business practices is embedded in our NCBP. In addition, the Nestlé Policy on Environmental Sustainability guides us in making environmentally conscious decisions at all stages of the product life cycle. This means using sustainably managed and renewable resources where we can, improving resource efficiency in our operations and continuing to work towards our target of zero waste.

We also focus on instilling best practices across the supply chain and work closely with industry specialists, non-governmental organisations, authorities and vendors to optimise the environmental performance of our products. Nestlé has a policy on Responsible Sourcing in place. We ensure that our supply chain addresses various environmental issues, from start to finish.

Nestlé Policy on Environmental Sustainability

The Nestlé Policy on Environmental Sustainability incorporates the environmental principles of the United Nations Global Compact ("UNGC"). It states that businesses should adopt a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility, and encourage the development and diffusion of technologies with better environmental performance.

The policy is complemented by detailed commitments on key environmental issues:



- ✔ **The Nestlé Commitment on Climate Change;**
- ✔ **The Nestlé Commitment on Biofuels;**
- ✔ **Nestlé's Commitment on Water Stewardship;**
- ✔ **The Nestlé Commitment on Natural Capital;**
- ✔ **The Nestlé Commitment Towards Zero Food Wastage; and**
- ✔ **The Nestlé Commitment on Deforestation and Forest Stewardship.**

Water & Environment

G4-DMA: Compliance, G4-EC2, G4-EN31



Our commitments in the area of environmental sustainability are to:

- Improve resource efficiency in our operations;
- Assess and optimise the environmental performance of our products;
- Provide climate change leadership;
- Preserve natural capital, including forests; and
- Provide meaningful and accurate environmental information and dialogue.

We ensure that our operations comply with the 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 at factories in Malaysia are tracked globally through a central reporting software known as SHE-PM (Safety, Health and Environment Performance Monitoring).

In 2016, we significantly increased our investment in environmental management by upgrading water recycling processes through wastewater treatment plants. We invested nearly RM10 million on the water recycling project.

Total environmental protection expenditure by type:

Description	2014	2015	2016
Waste disposal, emission treatment and remediation cost (RM)	3,885,187	4,317,723	5,699,204
Environmental management cost (RM)	2,398,283	3,036,076	11,903,941
Solid waste disposal cost (RM)	34,260	32,070	44,350

Water & Environment

WATER MANAGEMENT - OUR TOP PRIORITY

G4-DMA: Water, G4-DMA: Effluents and Waste, G4-EN8, G4-EN9, G4-EN10, G4-EN22

Our Commitment: Improve resource efficiency in our operations.

Water is one of the most critical resources on earth. It is also at the heart of sustainability in our value chain. Our factories need large quantities of water to operate - to wash ingredients for cooking, for cooling and cleaning equipment, and to provide sanitation for our employees.

We are committed to developing our business in a way that enables effective water stewardship in catchment areas where we source water and have 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.

Responsible water management is a priority for Nestlé. As a testament to this, Nestlé is a founding signatory to the UN Global Compact CEO Water Mandate, and a key member of the Water Environment and Federation Water Task Force and 2030 Water Resource Group.

To reach our long-term goals in terms of water management, we have for example, worked to reduce the amount of water used in manufacturing by raising awareness among the factory staff to eliminate waste, re-using water where appropriate and optimising water supply pressure in selected operations and social blocks. We ensure that our water-related activities respect local water resources and that the water discharged back into the environment is clean. We also engage with vendors, suppliers and our farmers to encourage water conservation.

Our target for 2016

Reduce our specific water usage (m³/tonne product) by 4%, compared to 2015.

Our progress

In 2016, our specific water usage of 3.98 m³/tonne was 7.6% less than in 2015 (4.31 m³/tonne). The savings of 140,261 m³ water per year is equivalent to average usage of 2,570 people or 642 houses in one year. We also upgraded water recycling systems at our manufacturing sites.

This year, we recycled and reused 7.1% of the water used, similar to last year. Looking ahead in 2017, we are planning to commission a direct potable water reuse system in one of our factories as a pilot project for innovative water management. This system can treat industrial water and process it into drinking water quality standard, as well as reuse water for non-potable purposes, such as cooling towers and social blocks.

At Nestlé factories, we source water from municipal water supplies, including Syarikat Bekalan 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	2014	2015	2016
a. Total water withdrawn (m³/year)	1,710,038	1,664,338	1,698,604*
b. Total water withdrawal per tonne	4.48	4.31	3.98

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

Description	2014	2015	2016
a. Total water discharge by quality and destination (m³/year)	966,636	902,916	823,611
b. Volume of water recycled and reused (m³/year)	80,710	121,232	121,232
c. Percentage of water recycled and reused (%)	5	7.2	7.1

*This data has been independently audited. Please refer to the Independent Assurance Report from pages 99-100.

Water & Environment



Wastewater Treatment Plant

Nestlé ensures that 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. 96% of the organic load in the water is removed before the water is returned to the environment. Nestlé factory complexes in Chembong, Shah Alam, Petaling Jaya, and Kuching have treatment plants.

MINIMISING SOLID WASTE

G3-EN23, G4-EN25

Our commitment: Improve resource efficiency in our operations.

Nestlé has globally committed to achieving zero landfill by 2020. Packaging waste is sorted at all our sites to ensure paper, plastic, glass and rejected products are segregated for recycling. Only damaged packaging and rejected products are disposed. Our appointed waste management company does a second inspection to recover recyclable materials before disposing waste to landfills. Unrecyclable laminates can now be converted into building materials such as roofing sheets and partitions.

Most of the market returns in our central warehouse are recycled into animal feed and organic fertiliser. By using microbes we also convert sludge from the wastewater treatment plant into fertiliser.

Our target for 2016

To achieve zero landfill status for our factory in Kuching, Sarawak by end of 2016.

Our progress

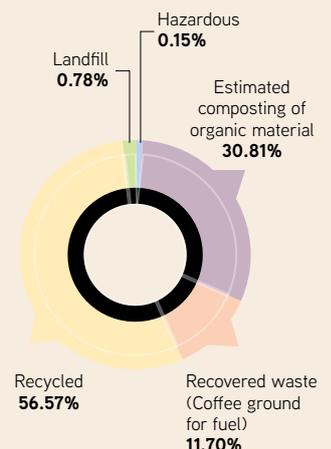
We have made great progress in attaining zero landfill status, with seven out of eight factories reaching the status. Nestlé Kuching Factory in Sarawak successfully achieved zero landfill status in December 2016.

A majority of our waste is recycled, reused or composted. Only 1% of our total waste, about 158 tonnes, ended up at the landfill in 2016. This is a 17.3% reduction compared to 2015 and takes us closer to our target of zero landfill. Our organic waste is converted into animal feed or organic fertiliser. We will continue to work towards reducing our solid waste by improving the recycling and recovery of our waste materials.

Total weight of waste by type and disposal method:

Description	2014	2015	2016
a. Hazardous waste (tonne)	46	24	30.5
b. Landfill waste (tonne)	202	191	158*
c. Recycled waste (tonne)	11,895	11,550	11,270
d. Recovered waste (tonne) Coffee Ground for fuel	6,172	6,536	2,331
e. Estimated composting organic material (tonne)	4,917	5,476	6,138

WASTE BY TYPE



Total weight of hazardous waste transported:

Description	2014	2015	2016
a. Weight of hazardous waste transported (tonne)	46	24	33.6
b. Weight of treated hazardous waste (tonne)	nil	nil	3.1

*This data has been independently audited. Please refer to the Independent Assurance Report from pages 99-100.

*Restatement of data for item b (landfill waste) in 2014 and 2015 due to the current use of the SHE-PM platform for data monitoring and calculation.

Water & Environment

OPTIMISING PRODUCT PACKAGING

G4-DMA: Materials, G4-DMA: Products and Services, G4-EC8, G4-EN1, G4-EN2, G4-EN27

Our commitment: Assess and optimise the environmental impact of our products.

Product packaging is more than just a pretty wrapping: it differentiates brands, helps keep products fresh and free from contamination and provides important information on ingredients and nutritional content.

Globally, Nestlé continues to develop and use materials from sustainably managed renewable resources, support initiatives to recycle or recover energy from used packaging, and use recycled materials where beneficial and appropriate. At Nestlé Malaysia, there was an 8.4% increase in total weight of materials used in 2016, but at the same time the percentage of recycled materials increased to 3.75% from 3.40% in 2015.

In choosing packaging solutions and assessing their environmental impact, we utilise a life cycle assessment tool EcodEX (Ecodesign for Sustainable Product Development and Introduction). It enables product development teams to assess the environmental performance of a product faster and early on in the design process. It can be used to assess the overall environmental impacts of a packed food product throughout the value chain, from sourcing of raw materials right to the end of its life cycle.

Our progress

We have achieved good results by using best materials, new technology and optimising packaging. In 2016, we completed 10 packaging optimisation projects that resulted in reducing material usage by 710 tonnes.

REDUCTION IN PACKAGING MATERIAL SOURCING (TONNES)



Nestlé recorded a reduction in the packaging material sourcing in 2016 as compared to 2015. The high packaging material reduction in 2014 and 2015 was due to a project on the MAGGI Chilli Sauce glass bottle.

Materials used by weight or volume:

Description	2014	2015	2016
a. Production volume (tonne)	381,886	386,390	426,651
b. Non-renewable materials used (tonne)	590	546	702
c. Direct materials (tonne)	374,913	397,042	430,049
d. Total weights of materials used (tonne)	376,576	398,520	432,049

Percentage of materials used that are recycled input materials:

Description	2014	2015	2016
a. Recycled materials (tonne)	13,180	13,540	16,000
b. Percentage of recycled materials (%)	3.50	3.40	3.75

Water & Environment

G4-DMA: Emissions, G4-DMA: Transport

CLIMATE CHANGE

Our commitment: To provide climate change leadership.

With the carbon dioxide levels soaring, we are concerned about the impacts of climate change, the threat they pose to global food security in general, and our business in particular. Yields fall and areas suitable for farming may now may not be arable in the years to come; making the long-term supply of safe, high-quality ingredients uncertain. Unpredictable weather conditions can impact our manufacturing and distribution. We are seeking holistic solutions to these pressing concerns, including integrating reducing emissions and adapting to climate change into our risk managing processes.

Climate leadership for us means integrating environmental performance in our own operations and leading by example. We are doing our part by reducing our energy consumption and the emission of greenhouse gases from our operations and by improving our refrigerant management.

G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19

Minimise Greenhouse Gas Emissions

We have made climate change adaptation and reduction of greenhouse gas ("GHG") emissions a focus area in the Nestlé Policy on Environmental Sustainability and have committed to reducing our direct GHG emissions per tonne of finished goods.

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.

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.

Our direct emissions under Scope 1 are derived from diesel generators, boilers, furnaces, turbines, waste processing and transportation of materials, products and waste, as well as methane and refrigerant leakages. Our indirect emissions under Scope 2 are caused by electricity consumption, hot water and steam. Scope 3 emission sources are from transportation of finished goods.

Our target for 2016

Reduce specific GHG emissions (kg GHG/tonne) by 5% in comparison to 2015.

Our progress

Our 2016 GHG data:

- Total carbon footprint was 166,264 tonne CO₂, which translates to specific GHG usage of 390 kg GHG/tonne). This indicates a decrease of 6.30% from the previous year, falling slightly short of our target.
- Breakdown of Scopes 1, 2 and 3 CO₂ emissions:
 - ✔ Scope 1: 58,883 tonne CO₂, a 3.57% increase from 2015. Scope 1 accounts for 35.41% of the total carbon footprint for 2016.
 - ✔ Scope 2: 107,380 tonne CO₂, a 3.40% increase from 2015. Scope 2 accounts for 64.58% of the total carbon footprint for 2016.
 - ✔ Scope 3: 3,055 tonne CO₂, a 21.75% decrease from 2015. Scope 3 accounts for 1.80% of the total carbon footprint for 2016.

We have implemented numerous initiatives, including improving energy efficiency of our factories through Nestlé Continuous Excellence programme, installing new equipment, switching to cleaner fuels and exploring how to use more renewable energy sources.

Water & Environment

G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21

Description	2014	2015	2016
a. Total direct and indirect GHG emissions (tonne CO ₂)	159,538	160,701	166,264
b. Total direct GHG emissions (Scope 1) (tonne CO ₂)	57,240	56,855	58,883
c. Total indirect GHG emissions (Scope 2) (tonne CO ₂)	102,298	103,845	107,380
d. Total indirect GHG emissions (Scope 3)(tonne CO ₂)	3,900	3,904	3,055
e. Total greenhouse gas per tonne of finished goods (kg CO ₂ /tonne)	418	416	390
f. GHG emission intensity over production volume (Scope 1,2 and 3) (kg CO ₂ /tonne)	428	426	397
g. Types of GHG emissions included in the intensity ratio	Direct energy (Scope 1), energy indirect (Scope 2) and other indirect energy (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	4,773	5,007	12,437
i. Percentage of specific greenhouse gas reductions (%)	2.9	3.1	6.3
j. Gas included in the calculation	Carbon dioxides (CO ₂) and hydrofluorocarbon (HFC) emission from refrigerants.		

* Restatement of data for item a, c, d, e, f, h and i in 2014 and 2015 due to the current use of the SHE-PM platform for data monitoring and calculation.

Nitrogen oxides (NOx), Sulphur oxides (SOx), and other significant air emissions:

Description	2014	2015	2016
a. SOx (tonne)	144.6	142.6	144
b. NOx (tonne)	159.7	157.6	161
c. Particulate Matter (PM) (tonne)	44	44	44

G4-EN30

Transport and Distribution

Transportation of finished goods from factories to distribution centres and business-related travel are significant sources of emissions. We have worked with our suppliers and distributors to introduce various initiatives on load optimisation throughout Malaysia and reduced truck movements by implementing direct dispatches from factories instead of through the National Distribution Centre. We also plan the routes of the distribution trucks to avoid running empty vehicles. For example, we do this by arranging distribution routes so that the same trucks can distribute finished goods and deliver raw materials back to the factories.

Description	2014	2015	2016
a. Total distance travelled for finished goods for land and sea ('000 km)	9,391	6,903	9,119
b. Total CO ₂ discharge for above travels (tonne)	12,056	7,516	10,865
c. Average of CO ₂ for every tonne of finished goods, over the total distance travelled (CO ₂ /tonne km)	60	51	48
d. Total distance travelled by Nestlé sales employees on business	11,859	8,622	9,183
e. Total CO ₂ discharge from business related travel (tonne)	1,873	1,362	1,451

Water & Environment



The Company's newly purchased ice-cream freezers now use natural refrigerants to reduce ozone depletion.

G4-DMA: Products and Services, G4-EN20, G4-EN27

Refrigerant Management

We are phasing out synthetic refrigerants with high global warming potential (GWP) and ozone-depleting potential (ODP) such as hydrofluorocarbons (HFC), globally. Nestlé's strict purchasing policies on refrigeration and management of refrigerant gases mandate us to:

- Purchase natural refrigerants, which have zero ODP and GWP - ammonia, carbon dioxide or hydrocarbon;
- Phasing out appliances that use HFC; and
- HFC synthetic refrigerant in the absence of natural refrigerant equipment or technology.

We ensure that consumption of refrigerant gases is monitored on a monthly basis. The scheduled replacement of old equipment follows the aforementioned policy.

Our target for 2016

All our new ice cream chest freezers, upright and island freezers will use natural refrigerants.

Our progress

All our newly purchased ice-cream freezers along with freezers that are provided to our merchants and retailers use hydrocarbon gas. The old freezers which are still functioning will remain in use until they are due to be replaced with new freezers.

Description	2014	2015	2016
Total ODS imports (kg)	254	346	353

Water & Environment

G4-DMA: Energy, G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7

Reducing Our Energy Consumption

Our commitment: To improve resource efficiency in our operations.

To reduce our energy consumption, we are constantly raising awareness among factory employees on improving process efficiencies to maximise productivity, strengthening standard routines and installing new, energy efficient equipment. We have, for example, replaced traditional aerators with air diffusers at wastewater treatment plants, started using low pressure steamers for our noodle line and installed reverse osmosis water treatment for boilers. We have also started to explore possibilities to use renewable energies such as photovoltaic cells to harness solar energy and clean fuel (e.g. natural gas) in place of light fuel oil.

Our target for 2016

Reduce specific energy usage by 4.5%, with comparison to 2015.

Our progress

In 2016, we recorded a reduction of 6.5% in energy usage per tonne product. We used 1,340,303 GJ of energy, which translates to 3.14 GJ per tonne product, compared with 3.36 GJ per tonne in 2015, surpassing the annual 4.5% target. Looking ahead, we will seek to identify suppliers of renewable energy and explore the possibility of installing biomass boilers.

Energy consumption within organisation:

Description	2014	2015	2016
a. Total energy (GJ)	1,346,213	1,298,270	1,340,303
b. Total direct energy consumption by primary source (GJ)	682,063	623,776	630,448
c. Total direct energy per tonne of finished goods (GJ/tonne)	1.79	1.61	1.48
d. Total direct energy by renewable primary source (Coffee Ground) (GJ)	61,769	22,677	11,222
e. Total direct energy by non-renewable primary source (NG/LFO/Diesel/LPG) (GJ)	620,294	601,099	619,226
f. Indirect energy consumption by primary source (GJ)	422,887	431,361	441,382
g. Total amount of energy per tonne (GJ/tonne)	3.53	3.36	3.14
h. Indirect energy per tonne (GJ/tonne)	1.74	1.67	1.03
i. Percentage of Renewable Energy for Indirect Energy (%)	6.40	6.40	10.00
j. Renewable Energy for Indirect Energy (GJ)	27,605	27,607	44,138
k. Non Renewable Energy for Indirect Energy (GJ)	395,822	403,754	397,244
l. Energy saved due to improvements (GJ)	113,726	65,687	93,243

Energy consumption outside of our organisation:

Description	2014	2015	2016
Energy Consumption Outside Organisation (GJ)	nil	150,346	113,610

* Note: 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 f, j and k in 2014 and 2015 due to the current use of the SHE-PM platform for data monitoring and calculation.

Water & Environment

PROTECTING BIODIVERSITY

G4-DMA: Indirect Economic Impacts, G4-DMA: Biodiversity, G4-DMA: Local Communities, G4-EC8, G4-EN13, G4-SO1

Our commitment: Preserve natural capital, including forests.

Project RILEAF

In line with Nestlé’s commitment to preserving forests, Project RILEAF was launched in 2011 to restore 2,400 hectares along the lower Kinabatangan River. By replanting trees we can help minimise water pollution and promote greater awareness on importance of restoring riparian forest buffer for filtering agricultural run-offs, in the local community.

We work with Komuniti Anak Pokok Kinabatangan (KAPOK), a community-based forest seedlings producer comprising entrepreneurs from four villages. This initiative is supported by Sime Darby Foundation and other local stakeholders such as Universiti Malaysia Sabah, oil palm smallholders and plantations, Sabah State Government and the local communities.

Our progress

Since its inception in 2011, RILEAF has helped to:



Plant over **480,000** trees in an area of over 2,300 hectares along the Kinabatangan river.

Description	2014	2015	2016
Number of trees planted	114,524	201,413	116,850
Total purchase of seedlings from KAPOK (RM)	175,960.50	369,048	318,234.60
Total amount of contracted work for tree planting (RM)	188,847	291,639	254,854

In 2016, Nestlé Malaysia and Sime Darby Foundation signed a MoU to extend Project RILEAF until 2017.

Project UPLEAF

Project UPLEAF, a component under Project RILEAF, aims to minimise the environmental footprint of oil palm and to encourage RSPO-certified fresh fruit bunch production among local oil palm smallholders. We engage regularly 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 the Wild Asia and Sime Darby Foundation and the target is to increase the number of RSPO-certified smallholders in the local communities.

Our progress



In 2016, we assisted 62 oil palm smallholders with RSPO certification. Since Project UPLEAF’s inception till 2016, we have assisted a total of 177 oil palm in smallholders.

Description	2014	2015	2016
Cumulative number of oil palm smallholders who received RSPO-certification	36	115	177

In 2016, together with our partners, we hosted Kinabatangan Sustainability Open Day for Oil Palm Smallholders 2016, with the aim of sharing best practices on sustainable palm oil with local farmers. The Open Day brought together 300 visitors, including speakers from the sustainable palm oil industry, farmers under the UPLEAF programme (comprising of over 90 RSPO-certified farmers and farmers undergoing the group certification process), as well as other farmers and members of the public from the Kinabatangan region.

Yong Lee Keng

Agricultural Manager



Ensuring a sustainable future is our responsibility. It is crucial not only for the Company but also to future generations.





—
Chapter
Three

402 farmers

supply to Nestlé Malaysia through
NESTLÉ CHILLI CLUB and
NESTLÉ PADDY CLUB

KIT KAT bars manufactured at Nestlé Malaysia
factory in Chembong are now made with

100% certified sustainable cocoa

sourced through the NESTLÉ COCOA PLAN
from Côte d'Ivoire



RURAL DEVELOPMENT

RURAL DEVELOPMENT

G4-12, G4-DMA: Indirect Economic Impacts,
G4-DMA: Local Communities G4-EC8, G4-SO1

Our commitment: Implement responsible sourcing in our supply chain.

To produce our foods and beverages, we rely on millions of farmers across the globe to supply us with agricultural raw materials. We prefer to use agricultural materials which are produced based on sustainable practices and are locally available.

It is in the field of rural development where our approach to Creating Shared Value is most dearly demonstrated. The overall wellbeing of our stakeholders, including farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business.

The Company's key rural development programmes are contract farming initiatives. The farmers are actively engaged as a part of the Nestlé supply chain, ensuring a steady and sustainable stream of income for them while providing a reliable, traceable and controllable source of quality agricultural raw material for our products. This is especially important in a world where consumers are increasingly concerned about the traceability of products.

Nestlé's contract farming includes the long-standing fresh chilli project in Kelantan and a rice farming scheme in Kedah. The Company supports the farmers by sharing good agricultural practices and the farmers are guaranteed a fair market price for the quality produce delivered.

In this section, we will also highlight on our commitments on responsible sourcing, human rights guidelines, policies and standards.

Performance highlights



Technology transfer and exposure to good agricultural practices **help farmers improve their yield and crop quality** to meet global standards



Maintain the stability of supply, traceability and freshness of our raw material



Offer stable and fair market price



506
metric tonnes
yield

112
farmers

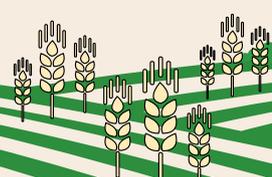
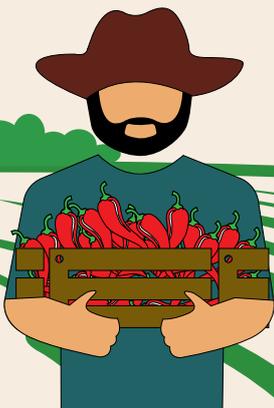


Average yield of
6.44 MT/ha

290
farmers

45
hectares of land

762
hectares
of cultivated fields



Rural Development



OUR PROGRESS:

In Malaysia, we offer farmers capacity building through various schemes; NESTLÉ CHILLI CLUB and NESTLÉ PADDY CLUB.



G4-DMA: Local Communities, G4-EC7, G4-EC8, G4-S01

NESTLÉ CHILLI CLUB

The NESTLÉ CHILLI CLUB (“NCC”) contract farming scheme is a collaboration between the Nestlé Agricultural Services Department and farmers’ association, Pertubuhan Peladang Kawasan Bukit Awang (“PPKBA”). Established 20 years ago, the NCC’s objective is to improve yields and quality of crops among local farmers to meet global standards.

Through the NCC, local farmers receive agricultural training sessions that focus on increasing productivity, reducing farm costs, minimising environmental impact as well as enhancing work safety. In addition, Nestlé’s Agricultural Services Department provides 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 90% of the chillies produced under this scheme are purchased by the Company, 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 2016, there were 112 farmers under NCC producing a regular yields of fresh chillies amounting to 506 metric tonnes across 45 hectares of land. The farmers have reported that their income has increased by approximately 70% after joining this programme.



Mek Zaini

Local Kelantan farmer

“ I am grateful to the NESTLÉ CHILLI CLUB for teaching us many new techniques. We were taught to pluck the best chillies. We learned planting techniques to ensure that the soil is fertile and yield top-quality chillies, so that only the best produce goes into MAGGI Chilli Sauce. ”

Rural Development

G4-DMA: Local Communities, G4-EC7, G4-EC8, G4-SO1



A NCC farmer in Bukit Awang sorting out quality chillies from his harvest.

Through NCC, the Company is also collaborating with Lembaga Zakat and PPKBA to help the underprivileged residents at the 15 hectares agro-economy integrated Desa Alam Shah by giving training on chilli planting and purchasing the produce for MAGGI Chilli Sauce. So far, 29 residents have received 0.4 hectares land for chilli planting, and are generating an average income of RM1,200 monthly.

In 2016, we ran a pilot project in which the NCC extended its best practices to the students of the agricultural club of SMK Dato' Ismail in Pasir Putih, Kelantan. Around 63 students were given 1,000 poly bags of chilli plant seedlings to be planted. The yields from these plants will then be purchased by the Company.



Students of SMK Dato' Ismail checking on the chilli plants' progress and discussing best agricultural practices with the NCC farmer, PPKBA officer, and Nestlé's agricultural officer.

Kebun Dapur MAGGI

Kebun Dapur MAGGI is a one-acre farm dedicated to innovative research and development initiatives to establish sustainable and holistic farming practices. Launched in 2015 to celebrate 20th year of collaboration with PPKBA, it is an expansion of the NCC. *Kebun Dapur MAGGI* cultivates chilli and other high quality, high-yielding breeds of vegetables, herbs and spices that are used in MAGGI's wide range of products.

Research and development efforts for sustainable and holistic farming practices are carried out at *Kebun Dapur MAGGI* in Kampong Gong Kulim, Kelantan. The farm also focuses on developing new varieties and soil improvement methods and including more local farmers into its activities.



Rural Development

G4-DMA: Local Communities, G4-EC7, G4-EC8, G4-S01

NESTLÉ PADDY CLUB

Rice is a key ingredient in Nestlé's infant cereals and 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 reduced, as the SARI method encourages farmers to use environmentally friendly microbial supplements, such as Agri-Organica, provided by the Company. An added advantage of using these organic microbes is the potential to provide farmers with more income, because these microbes have been proven to increase average annual yield by 20%.



SARI (Semi-Aerobic Rice Intensification)

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.



Mat Yusof Abu Bakar

Chairman of NPC, Sanglang, Kedah

“ Not only has the programme benefited myself, but also the other farmers and our families. Through the sustainable agricultural best practices that Nestlé has taught us, we now better understand the need to protect the environment. In addition, the increase in yield also generates more income, and we are able to provide more for our families and give them the best. ”



Rural Development

G4-DMA: Local Communities, G4-EC7, G4-EC8, G4-SO1

The Benefits of NESTLÉ PADDY CLUB

<p>1</p>  <p>PEOPLE</p> <p>Providing environmentally friendly means to increase yields, minimising exposure to hazardous chemicals and ensuring safe handling of inputs.</p>	<p>2</p>  <p>PLANET</p> <p>Water conservation through using 30%-40% less water, reduction of methane emissions and the environmental footprint, as well as soils improvement.</p>	<p>3</p>  <p>PROFITS</p> <p>Farmers can improve their income. Nestlé has access to a reliable, traceable and controllable source of raw material for infant cereals.</p>
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Our progress

During the last August-September 2016 harvest, 290 farmers harvested an average yield of 6.44MT/ha (metric tonne per hectare), well above the national average yield of 3.7MT/ha. With over 762 hectares of cultivated fields, the NPC ensures supply meets our paddy demand for the infant cereals, CERELAC.

HARVEST SEASON/YEAR	2014		2015		2016	
	JAN/ FEB	AUG/ SEPT	JAN/ FEB	AUG/ SEPT	JAN/ FEB	AUG/ SEPT
Number of farmers impacted/benefited from the project	310	298	300	294	299	290
Average yield	5.85 MT/ha	6.40 MT/ha	4.81 MT/ha	6.11 MT/ha	6.10 MT/ha	6.44 MT/ha
Total number of hectares	814	788	789	794	798	762

Rural Development

G4-DMA: Local Communities, G4-EC7, G4-EC8, G4-S01



Sharing Good Agricultural Practices through SAIN

The SAIN – Sustainable Agriculture Initiative at Nestlé 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 the business performance.

Rural Development

G4-15, G4-DMA: Procurement Practices, G4-DMA: Supplier Environmental Assessment, G4-DMA: Supplier Assessment for Labor Practices, G4-DMA: Supplier Assessment for Impacts on Society, G4-DMA: Local Communities, G4-EN33, G4-S01

RESPONSIBLE SOURCING

The Company is committed to the Nestlé Supplier Code. It sets out the non-negotiable minimum standards that we require our suppliers, and their suppliers – down to the individual farm level – to respect and implement.

The Nestlé Supplier Code is embedded into our internal procurement objectives and procedures, which use approaches tailored to the nature of the supply chain, the type of supplier and our commercial relationship with them.

In order to support the Nestlé Supplier Code, Nestlé has developed 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. 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.

As part of the implementation of the Nestlé Policy on Responsible Sourcing, Nestlé screens a range of suppliers using the Suppliers Ethical Data Exchange platform (SEDEX). This assessment is performed on suppliers' social and environmental performance. In 2016, 147 high priority vendors (70% of our top suppliers, logistics, administration and HR services) were audited and issued with a valid letter of conformance issued by third party auditors. Audits are valid for three years.

Description	2014	2015	2016
Number of new suppliers that were screened using environmental criteria (number of vendors covered)	nil	118	147



Our Commitment on Sustainable Palm Oil

Nestlé works closely with farmers. We recognise the important role that farmers, both large and small, play in supplying us with raw materials.

We have a policy for responsible sourcing of palm oil and have pledged to only use palm oil that has been certified by the RSPO (Roundtable on Sustainable Palm Oil) in our products and operations. In 2016, we stopped sourcing palm oil from the Malaysian palm oil producer IOI after the group was suspended from RSPO due to non-compliance.

In line with our pledge, we have assisted oil-palm smallholders to achieve RSPO certification through our Project UPLEAF, which is a component of our longstanding Project RILEAF. The certification process and journey assist the smallholders to increase yields, improve the quality of their production and to reduce the risk of land conversion.

Rural Development

Human Rights and Compliance

Respecting human rights and ensuring compliance with international laws, standards, codes of conduct and our own business principles is extremely important to Nestlé. This helps us to operate responsibly, mitigate risk and build trust with stakeholders.

We keep our responsibility to respect human rights at the forefront of our business by continually reviewing and addressing the human rights risks of our activities.

By upholding international human rights standards, and our own policies, which are aligned with the UN Guiding Principles on Business and Human Rights, we strive to prevent any negative impacts that we may have on those who we employ, do business with, or interact with along our value chain.

Human rights are a non-negotiable and our Nestlé Supplier Code includes strict rules on labour rights.

CHILD LABOUR

We do not accept any form of child labour in our value 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.

Supporting Local Farmers Through Our Supply Chain

We have put in place various initiatives to ensure that key commodities for Nestlé such as coffee and cocoa are cultivated with more sustainable methods, from an economic, social and environmental perspective. The initiatives include NESCAFÉ Plan, the NESTLÉ COCOA PLAN and NESPRESSO Ecolaboration. The NESCAFÉ Plan and NESPRESSO Ecolaboration are two global initiatives that bring together our commitments and activities that support the responsible farming, production and supply, as well as consumption of coffee.

NESTLÉ COCOA PLAN

The NESTLÉ COCOA PLAN aims to improve the quality of farming, cocoa beans and lives in cocoa farming communities in Côte d'Ivoire. Nestlé also supports children's education in Côte d'Ivoire and aims to prevent 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.

Since February 2016, the Company has been using only cocoa sourced through the NESTLÉ COCOA PLAN to produce the KIT KAT product range at our factory in Chembong, Negeri Sembilan. We made significant investments in this facility in the form of new machinery, to enable production to take place locally.



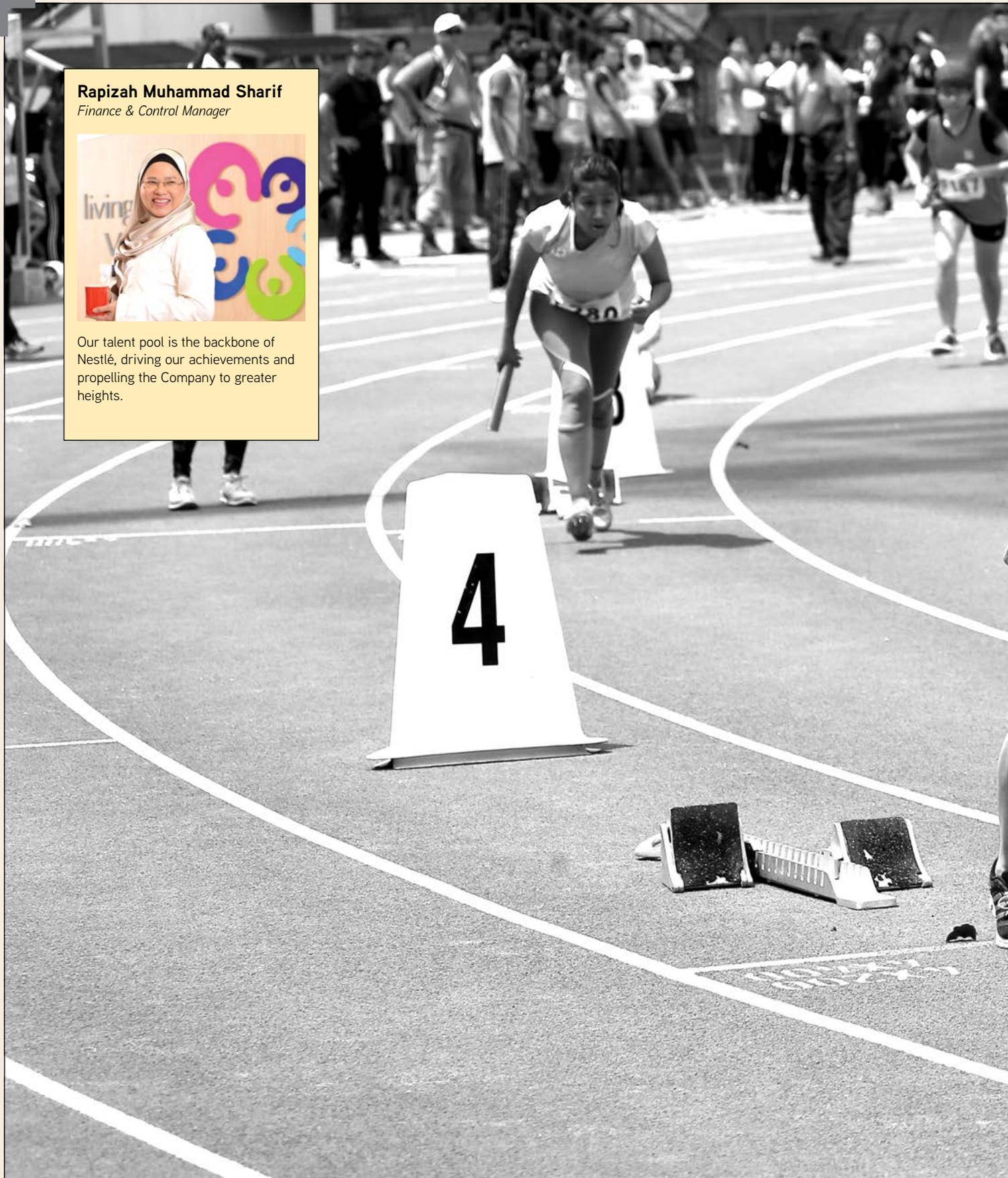
More about our NESTLÉ COCOA PLAN are detailed here <http://www.nestlecocoaplan.com/>

Rapizah Muhammad Sharif

Finance & Control Manager



Our talent pool is the backbone of Nestlé, driving our achievements and propelling the Company to greater heights.





—
Chapter
Four

37%
of leadership positions
are held by women

Spent
RM11 million
on employee training and development

Trained up to
934 individuals
across our value chain on
anti-corruption policies and
procedures

Employees volunteered a total of
854.31 man hours
through **Nestlé Reaching Out to
Community and Kids** programme



OUR PEOPLE

OUR PEOPLE

G4-DMA: Employment, G4-DMA: Training and Education,
G4-DMA: Non-discrimination

People are at the core of everything we do. They are the key to our success, and our achievements are a result of their engagement and commitment. Good working conditions and keeping our employees safe, healthy and engaged are our top priorities.

The Company employs more than 5,500 people. The Nestlé family is our strongest asset and an integral part of building the current and future success of our business. We are continuously raising the

bar on attracting and retaining these talents, and we strive to make sure that every employee has the opportunities and environment to learn and develop.

Employees of the Company embrace the corporate values of Trust, Respect, Involvement, Pride and Commitment (TRIPC) - and Passionate Pursuit of Excellence.

TRUST

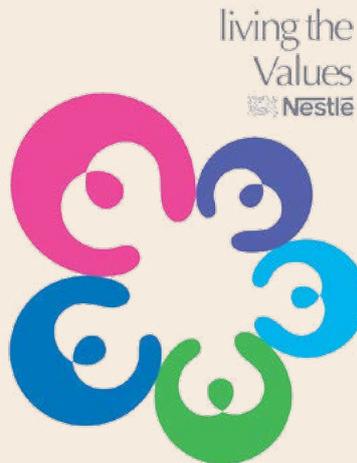
We earn trust from each other, consumers and business partners with our competence, honesty and integrity.

- Build and earn trust
- Show honesty and integrity
- Be reliable and genuine
- Take ownership

PRIDE

We have pride in passionately building successful brands through our people and the quality of all our activities and products.

- Take pride in our work
- Be the Nestlé ambassador
- Uphold our high quality & standards
- Be passionate about what we do



INVOLVEMENT

We are involved in proactive change to create sustainable and profitable growth.

- Be enthusiastic
- Demonstrate team spirit
- Engage and align in company initiatives
- Encourage others

COMMITMENT

We are committed towards excellence in achieving the company's goals and individual accomplishment.

- Persevere
- Walk the talk
- Take initiative
- Be result focused

RESPECT

We respect and care for our people and their diverse cultures, religions and traditions.

- Be courteous
- Treat each other with respect
- Give constructive feedback
- Listen to others & be fair

With regards to Our People, our commitments are:

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

Enhance gender balance in our workforce

Protect and monitor human rights in our operations and supply chain

Ensure that all employees and stakeholders can easily report possible compliance violations

Work against corruption and bribery

Our People

SAFETY, HEALTH AND WELLBEING

G4-DMA: Occupational Safety and Health

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

Safety is a non-negotiable priority and a fundamental part of our work culture. We have an ambitious goal of zero work-related injuries and illnesses and with the help of various programmes set out in our Safety and Health Roadmap, we are steadily moving towards it.

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.

We continuously improve our safety and health standards, procedures and processes, using the Nestlé Occupational Safety and Health Management System. It is based on the internationally recognised standard OHSAS 18001:2007. We use third-party auditors to verify the implementation and certification of these systems. This year, we continued to expand the scope of our management systems beyond manufacturing, and now employees in Office and Sales, and Supply Chain functions are also covered.

Safety, Health and Environment (“SHE”) practices

Nestlé takes pride in providing a working environment that ensures the safety, health and wellbeing of our employees, contractors and visitors. We continue to improve our occupational safety and health management system and shall:

- Ensure that policies, procedures and resources are in place and are made available.
- Ensure compliance of all local regulations and industry codes of practices in combination with the Nestlé standards, codes, policies and guidelines.
- Ensure that occupational safety and health objectives and programmes are established, implemented and maintained.
- Encourage individual accountability and personal responsibility for safety and health at the workplace.

SHE Committees, set up in every region, serve as a platform for staff to provide feedback on any related issues. These committees meet at least once every three months. 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. 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).

Office Safety Procedures are displayed in every Nestlé in Region (NiR) main hub and Area Sales Office. Each office has an Office Emergency Response procedure (ERP) and we ensure that employees are aware of them.

Incident Reporting Procedures are in place to make sure all incidents are reported to prevent future occurrence and to track safety and health performance. We also have a Behavioral Based Safety (“BSS”) online system, which requires employees to submit BBS observations every three months - this can be either self-observation or peer-to-peer observation. The purpose of this system is to inculcate safe behaviour be it when driving or working in the office.



Dr. Magdi Batato

Executive Vice President,
Head of Operations, Nestlé S.A.

“ We care for our people; and to care for people is to care for their safety. ”

Our People

Our progress

Description	2014	2015	2016
a. Lost Time Injury Frequency Rate (LTIFR) ^~			
	1.5	2.2	2.0*
b. Injury rate (IR):			
Nestlé HOU	0.9	0.7	0.5
NMM Shah Alam	0.6	2.7	1.8
NMM Petaling Jaya	0.5	2.0	2.2
NMM Batu Tiga	2.0	2.6	3.3
NMM Kuching	1.8	0.0	1.8
NMM Chembong	3.2	1.5	0.4
NMM Chembong Ice Cream	16.8	3.8	5.6
Nestlé NDC	0.5	1.5	0.0
Sales & Marketing	2.1	2.1	2.7
c. Lost day rate (LDR):			
Nestlé HOU	17.4	0.0	3.1
NMM Shah Alam	8.2	74.3	5.0
NMM Petaling Jaya	1.5	40.2	21.0
NMM Batu Tiga	4.3	36.7	44.7
NMM Kuching	0.0	0.0	1.9
NMM Chembong	7.6	85.6	1.3
NMM Chembong Ice Cream	77.3	108.5	137.8
Nestlé NDC	3.1	9.9	0.0
Sales & Marketing	2.8	89.3	25.6
d. Absolute number of fatalities:			
Nestlé HOU	0	0	0
NMM Shah Alam	0	0	0
NMM Petaling Jaya	0	0	0
NMM Batu Tiga	0	0	0
NMM Kuching	0	0	0
NMM Chembong	0	0	0
NMM Ice Cream	0	0	0
Nestlé NDC	0	0	0
Sales & Marketing	0	0	0

^ Total number of hours worked denominator used for the calculation of LTIFR are calculated based on the estimation of total number of employees and on-site contractors X 26 days X 8 hours.

~ This data excludes the total man hours worked for Supply Chain due to unavailability of data.

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 99-100.

Safety is a non-negotiable priority and a fundamental part of our work culture. We have an ambitious goal of zero work-related injuries and illnesses and with the help of various programmes set out in our Safety and Health Roadmap, we are steadily moving towards it.

Driving is one of the main safety risks for our sales staff. We run safe driving initiatives and advocate for the “9 Golden Rules for Safe Driving”. Each sales employee attends the Defensive Driving Course (DDC) within six months of joining the company and a refresher once every three years.

Nestlé S.A. requires CARE compliance audits to be performed by all Nestlé markets. All regional hubs go through a CARE compliance audit every three years, involving an external auditor. There are five pillars to the audit:

- safety and health
- environment
- human resource and labour practices
- business integrity
- security

For more information on CARE, please refer to page 78.

Our People

Safety, Health & Environment and Wellness Day

We believe that by inculcating safety behaviours in the workplace, we are also indirectly encouraging our employees to practice good safety precautions in their daily lives at home and with their loved ones.

SHE and Wellness Day was conducted at our head office, regions, and selected factories in 2016. These sessions offer employees various informational activities including fitness and health checks, courses on safe driving, blood donation sessions, calorie planning contests, zumba dance classes, and many more. These sessions also paved way for greater communication and strengthened ties between employees of all levels, from management to those on the shop floor-level.



The Nestlé Management members alongside the SHE team celebrating the launch of the SHE & Wellness Day 2016 at head office.



A group of employees completing a treasure hunt task during the SHE & Wellness Day 2016 at the head office.



Employees had the opportunity to test their safe riding skills at the SHE & Wellness Day 2016 at the Nestlé National Distribution Centre.

Our People

DIVERSITY AND GENDER BALANCE

G4-DMA: Diversity and Equal Opportunity, G4-LA12, G4-LA13

Our commitment: Enhance gender balance in our workforce.

Diversity has been the foundation of our people policies for years. Our strong, multicultural workforce has shaped our success and culture. We work hard to integrate in our communities and to embrace the unique perspectives of our people. We believe we have a social responsibility to promote diversity, while recognising that diversity sharpens our performance and gives us an advantage over our competitors.

Gender balance has been a priority for us since 2008. Even though progress is well under way, it continues to be at the top of the agenda.

Our target

The Company supports the Malaysian government's efforts in increasing the number of women in the workforce and in decision-making roles in the corporate sector. The target is for 30% of decision-making roles in the corporate sector to be held by women by 2016. Nestlé aims to be a gender-balanced company by 2018.

Our progress

We have a diverse workforce: 35% of our employees are women, and the percentage of female managers grew from 38.2% in 2015 to 39.3% in 2016. 37% of our senior leadership team were women in 2016.

In 2016, we also focused on making sure that our talent and succession planning practices encourage gender diversity by introducing KPIs related to gender balance. For example, we want to develop long-term female talent in the succession pipeline by ensuring candidates for key positions include at least one woman.

Description	2014	2015	2016
a. Gender profile (%) - male	66	65	65
b. Gender profile (%) - female	34	35	35
c. Leadership positions held by women (%)	43	45	37*
d. Female/Male salary ratio by employee category			
i. Top Management	31:69	43:57	35:65
ii. Senior Management	34:66	35:65	28:72
iii. Middle Management 1	38:62	42:58	44:56
iv. Middle Management 2	48:52	49:51	51:49
v. Executives	52:48	54:46	53:47
vi. Confidential Administrative Support	79:21	75:25	82:18
vii. Non-management (unionised)	28:72	35:65	28:72

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 99-100.

Unconscious Bias Training

From 2015 to 2016, 329 employees attended the Unconscious Bias Training, designed to promote more inclusive communication between women and men. The objective of the training sessions is to create awareness on the importance of diversity and inclusion and how it can impact decisions on hiring, promoting and succession management decisions. The sessions helped employees identify their blind spots and ways to deprogramme biases in line with the Nestlé Gender Balance Strategy and Inclusion and Diversity Strategy.

Parental Support Initiatives

Families are the core of Nestlé's business. In June 2015, Nestlé launched a global Maternity Protection Policy. It is based on the International Labour Organization (ILO) Maternity Protection Convention, and establishes minimum standards that must 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 also guaranteed security of employment after confinement. We also offer mentoring, flexible work hours and dedicated facilities for nursing mothers.

Nestlé Scholarship

We believe in power of education and offer generous scholarships to children of our employees. In 2016, 20 scholarships were awarded. The selection criteria is based on the student's academic results (30%), participation in co-curricular activities (20%), leadership positions held (20%) as well as the financial standing of the parents (30%). Since the inception of this programme, more than 250 students have been able to pursue their studies in more than 25 universities. Currently, there are 56 Nestlé scholars. We have contributed RM3.7 million in Nestlé Scholarship Awards.

Our People

NESTLÉ WOMEN IN THE WORKFORCE Q&A:



Sim Shyh Liang
Factory Manager
Batu Tiga Plant

Q:1 WHEN DID YOU JOIN NESTLÉ? WHAT MADE YOU OR LED YOU TO PURSUE A CAREER IN NESTLÉ AS A FACTORY MANAGER?

I started my research technologist career in Nestlé R&D Centre Singapore in September 1996. Throughout the 20 years, I have been inspired by the value creation directly attributable to manufacturing. I had seen how a Factory Manager can lead a team to overcome everyday challenges and help to develop people's capability. I like this dynamics and the continuous learning opportunities, and I have drawn great satisfaction from it.

Q:2 HOW WOULD YOU DESCRIBE THE WORKING CONDITIONS AT A NESTLÉ FACTORY AS A WOMAN IN A ROLE COMMONLY PERCEIVED AS MALE-ORIENTED JOB?

In my two decades of working with Nestlé, half of my time has been spent focused in the factory. There the challenges and opportunities were mainly related to problem solving and ways to produce high quality and cost-competitive products on a daily basis. The male-female divide was not obvious to me as we worked collaboratively and celebrate successes and achievements as a team, regardless of gender.

Q:3 HOW HAS NESTLÉ ENHANCED OR HELPED YOU IN YOUR CAREER?

Nestlé can offer a variety of experiences and a vast reach compared to many regional and local competitors. During my years at Nestlé, my career has been helped by the hand-to-hand knowledge transfer from senior colleagues to the younger generations, along with the organisation's willingness to invest and entrust responsibilities to employees regardless of race, creed and gender. As long as we are willing to put in the effort, be committed and professional, the Nestlé journey is an opportunity of for self-discovery, self-enhancement and to realising one's full potential.

Q:4 WOULD YOU RECOMMEND OTHER WOMEN TO PURSUE A POSITION AS A NESTLÉ FACTORY MANAGER?

Certainly! This is the best job in Nestlé manufacturing. We touch the lives of hundreds of employees and that in turn makes a difference in the community around us.

Our People

TALENT MANAGEMENT

G4-10, G4-DMA: Training and Education, G4-LA1, G4-LA9, G4-LA10

At Nestlé, we believe that a comprehensive leadership style – leading to win, managing for results, growing talent and teams, and proactively competing and connecting with the external environment provides the competitive edge to create shared value for our shareholders and the society.

Talent acquisition and retention is very important to us. We seek to provide each of our employees with opportunities to grow, evolve and contribute. We champion the idea of lifelong learning and believe that fulfilled employees create satisfied consumers. The international nature of our business is a considerable attraction for employees. Recruiting and developing local talent with local knowledge first has always been our strategy. We employ local staff in all our manufacturing sites in Malaysia.

Workforce - Full Time Equivalent Employees:

Description	2014	2015	2016
a. Total number of employees	5,702	5,578	5,505
b. Total number of employees - Nestlé Products Sdn. Bhd.	1,585	1,573	1,571
c. Total number of employees - Nestlé Manufacturing (Malaysia) Sdn. Bhd.	4,117	4,005	3,934
NMM Shah Alam	1,126	937	873
NMM Petaling Jaya	610	590	564
NMM Batu Tiga	901	893	854
NMM Kuching	234	228	224
NMM Chembong & Chembong Ice Cream	951	924	967
NMM Sri Muda	-	144	168
NMM HOU	75	71	70
NMM NDC	220	218	214
d. Employee breakdown			
i. Permanent	99	99	99
ii. Contract	1	1	1
e. Number of new employees by gender			
i. Male	131	175	220
ii. Female	116	148	183
f. Number of employees leaving employment by gender			
i. Male	181	255	243
ii. Percentage – Male	3.17	4.57	5.40
iii. Female	174	129	167
iv. Percentage – Female	3.05	2.31	3.90
g. Number of employees leaving employment by region			
i. Nestlé Products Sdn. Bhd.	184	201	202
ii. Percentage – Nestlé Products Sdn. Bhd.	3.23	3.60	3.67
iii. Nestlé Manufacturing (Malaysia) Sdn. Bhd.	171	183	208
iv. Percentage – Nestlé Manufacturing (Malaysia) Sdn. Bhd.	3.00	3.29	3.78

Training and Development

We strive to maintain the skills base of our employees and ensure they have every opportunity to develop their careers according to their ambitions. We offer a wide range of trainings designed to help our employees develop their careers, contribute to our environmental objectives, achieve our business goals and maintain healthy lifestyles. Our training programmes are constantly revised and improved based on changing business needs, and are delivered by internal and external training providers, as well as through a wide variety of e-courses. In 2016, we spent RM11 million in employee training.

Our progress

Description	2014	2015	2016
a. Average training hours by			
i. Male	900	16.24	14.7
ii. Female	1,869	21.35	18.2
iii. Management	12.73	20.51	27.41
iv. Non-management	11.11	14.44	11.31
b. Total spent on Training and Development annually (MYR) Attendance breakdown	617,647	9,064,843	11,094,860
i. Local training	4,018	5,079	11,431
ii. Overseas training	121	61	127
iii. Flexi-benefits	887	928	980
c. Number of employees receiving nutrition training	7,169	4,300	4,598

Our People



Training and Learning

Our trainings are geared towards all employees. We have a range of trainings for new employees that introduce Nestlé as an employer and integrate new employees into the Nestlé family and culture.

PROGRAMME	OBJECTIVE
<p>My First 100 Days</p>	<p>A comprehensive orientation programme designed for all new hires which aims to:</p> <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.
<p>Mentoring Programme</p>	<p>A 12-month programme that aims to:</p> <ul style="list-style-type: none"> • Support young talents in navigating the business landscape and to accelerate pipeline building to meet future business needs. • Give senior leaders an opportunity to engage with the next generation and understand the latest technologies and workplace trends. • Give young talents access to senior leaders.
<p>Coaching Skill Pills Workshop</p>	<p>Bite-sized session on training and coaching practice:</p> <ul style="list-style-type: none"> • Coaching Skill Pill #1 - Feedback for Performance. • Coaching Skill Pill #2 - Career Coaching. <p>The objective is to equip line managers with practical coaching skills, help them better understand their role in managing their direct reports' career development and to create a coaching culture in Nestlé.</p>
<p>e-Learnings on iLearn</p>	<p>e-Learning programmes cover a range of topics from mandatory trainings (e.g. Nutritional Quotient, Nestlé Corporate Business Principles, Nestlé Leadership Framework, WHO Code, etc.) to functional knowledge (e.g. Finance, Supply Chain, Sales, etc.).</p> <p>By offering on-line learning we want to encourage a culture of independent learning and taking ownership of personal development.</p>

Our People

Cultivating and Nurturing Leaders

The strength of Nestlé lies in our leaders. High-performing leaders drive employee satisfaction, commitment and engagement, which in turn drive customer satisfaction, loyalty and company advocacy. We are committed to creating an environment in which leadership can develop and flourish everywhere in the organisation. Our employees are supported by a number of tools and practices for executing their roles.

Our intranet portal, me@Nestlé, has a section specifically aimed at providing line managers with the information and support they need to build successful teams and maintain Nestlé's reputation as a great place to work. Our **Nestlé Leadership Framework ("NLF")** has been strengthened in response to feedback from our 'Nestlé & I' employee survey, by identifying competencies at three different levels (all employees; leaders; and senior leaders) to help us target development initiatives at the right levels to drive our business.

Nestlé Leadership Framework

The NLF is used to identify competencies for development initiatives. The curriculum was completed in 2015 and was published on our intranet as an interactive document, called Mastering the NLF. It provides detailed learning paths for the three employee levels (all employees, leaders and senior leaders). The document acts as a map for employees to plan their leadership development journey, to suit with individual development needs and career aspirations. Employees can explore course descriptions and other information, helping them choose the right course at the right time.

- i. **Becoming an Effective Leader Programme** is a workshop that aims to growth leaders by developing leadership capabilities and is meant for those who are new in a line management role. The modules focus on different aspects of leadership such as leading with integrity, learning to manage team conflicts, delegating effectively, leading across different generations, building trust and developing leadership courage. Effective Frontline Leadership is a similar programme tailored to suit the Sales and Technical & Production teams.



Participants engaged in several hands-on activities to test their practical sales knowledge.

- ii. **Sales Training Programme** as part of our Transform to Grow initiatives for Sales Division, began with Sales Rallies that saw 1,810 participants across eight sales regions. Throughout the year, the Sales Division's initiatives included creating templates and tools for recruitment and induction of distributor sales representatives, a Sales Academy with five training programmes, coaching for line managers and others.

2016 Key Training Statistics:



30
training
sessions



12,388
man hours
spent on
training



1,269
training
participants

Our People

iii. Leadership & Personal Effectiveness Programme (LEAD PEP 2.1)

is aimed at senior leaders, division heads and business unit managers. The objective of the programme is to strengthen relationships between leaders and teams as well as increase employee engagement. During the three-day residential programme, organised in partnership with the Melbourne Business School, participants are exposed to a wide range of leadership development topics, i.e. self-awareness, motivation and engagement of employees, coaching, strategic human capital, cultural sensitivity, and navigating complex and abstract challenges. We have already trained 11 cohorts with in total 296 middle and senior managers.

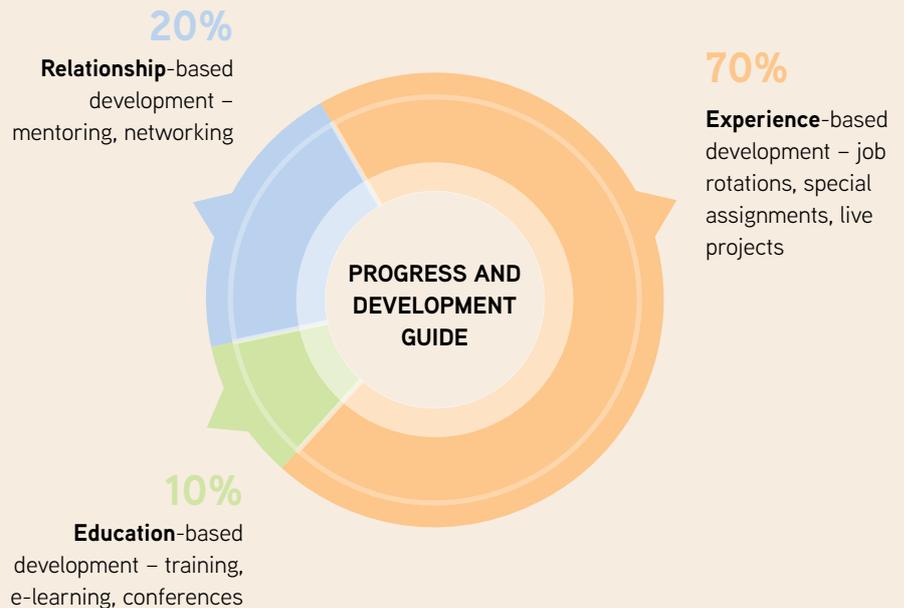
According to an impact survey, 100% of line managers observed an increase in participants' capability. Feedback after the training has showed an increase in employee engagement and improved relationships between leaders and staff.

iv. Nestlé Management Trainee Programme

is a comprehensive training programme that prepares high-performing young talents to become the future leaders of Nestlé Malaysia. The Management Trainee Programme is a full-time position and following the completion of the two-year programme, graduates are offered a role within their chosen field. In 2016, 21 trainees graduated from the programme and they were offered a position within the Company. In addition to that, 28 new trainees enrolled into our 2016 Management Trainee Programme.

Progress and Development Guide

Nestlé's Progress and Development Guide (PDG) is at the core of our commitment to promote lifelong learning. It enables employees to engage in a quality development dialogue with line managers about future career aspirations. Each employee development plan includes a variety of actions that promote learning:



The plans are reviewed bi-annually and designed to be flexible so that they take into account changes in career paths and new opportunities.

Performance and career development review:

Description	2014	2015	2016
Percentage of employees receiving performance review and career development review (%)	100	100	100

Our People

EMPLOYEE ENGAGEMENT

Engaged employees are key to the success of any business. We recognise the importance of listening to our people and we place a high value on their feedback and opinions.

Nestlé & I Survey

Nestlé & I Survey is an important method of collecting the feedback and opinions of our people. Through this biennial survey, we periodically 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.

Nestlé attaches great importance to confidentiality and has engaged the help and services of an external partner Towers Watson to conduct the data collection, analysis and reporting on the results of the survey. All permanent employees are eligible to participate.

Preliminary results for 2016 indicate a 99% overall participation rate, an achievement that reflects our employees' commitment to making Nestlé a great place to work in. Towers Watson is currently reviewing and analysing the responses, and results will be made available in March 2017.

Nestlé Recognition Programme

Recognising the efforts and achievements of our people is crucial to building a strong and engaging environment. Recognition motivates and inspires employees to keep up the good work and continues driving business performance. Recognition is a key Human Resource priority for us, and our global strategic Recognition Framework guides our consistent, locally relevant approach. Employees in Malaysia can recognise their colleagues by Thank You card and Certificates of Recognition with gift vouchers.



Hermi Kasim and Suryani Tambi were shortlisted as one of the top five finalists of the Innovation Award 2016. Their idea also received the highest number of votes from our employees which won them the People's Choice Award.

Innovation Awards 2016

Product innovation is a key driver to our business. Our employees know their ideas matter. Through our Reigniting the Growth strategy, employees can be our Innovation Ambassadors. We have more than 5,500 employees in Malaysia and we strongly believe in engaging them in contributing to the future of the Group.

As part of our drive to encourage more innovative ideas from our employees, we introduced the 'Innovation Awards 2016'. This award rewards new innovation ideas from employees which are workable and will drive growth to the business. Winners stand to win USD10,000 in prize money and two business flight tickets to Switzerland.

We received over 400 innovative ideas submitted by 311 employees. From the shortlisted ideas, five were selected for market testing. At the finals the shortlisted innovation ambassadors presented their ideas to the employees, who then voted for their favourites. One of the finalists was from the Kuching factory and we flew him down to Kuala Lumpur for the presentation. It was his first time on a plane and his idea won the Popular Choice Award with a total of 1,000 votes.

A team award of RM10,000 was given to the Nestlé business function which submitted the most ideas. The competition was well received and employees were enthusiastic about submitting their ideas. With more than 1/3 of their employees participating, Kuching factory brought home the award.

Our People

Reigniting the Growth (RTG) - FIT

In 2013, faced with a challenging market situation, we decided that the Company needed to 'Reignite the Growth' in order to remain relevant. This led us to developing our long-term growth strategy in 2016, known as **FIT** - "Fuel to Grow", "Innovate to Grow" and "Transform to Grow". The FIT strategy is focused on enhancing efficiencies and encouraging innovation throughout the Company, with highly engaged employees to fuel our growth.



Our FIT strategy framework, which was formulated based on suggestions from our employees, will continue to drive us towards a sustainable growth.

Wellness at Work - JOM FIT

In order to encourage our employees to embrace healthier and more active lifestyles, in 2016, we rolled out JOM FIT. This is an employees wellness programme which hosted an array of activities including:

<p>1</p>  <p>HEALTHY CANTEENS AT FACTORIES</p> <p>We focused on improving canteen facilities and providing guidance on preparing healthy meals. We will continue to promote healthy eating via monthly campaigns in 2017.</p>	<p>2</p>  <p>HEALTH CHECK-UPS</p> <p>We conducted free health screening for employees. Health screening was done for 219 employees in head office and 296 employees across the region.</p>	<p>3</p>  <p>FLU VACCINATION</p> <p>We provided flu vaccination for 225 employees (100 pax at head office and 115 pax across the region).</p>
<p>4</p>  <p>LUNCH N' LEARN</p> <p>Conducted monthly, these one-hour interactive sessions raise awareness on relevant topics among employees, ranging from health and nutrition to managing personal finances. These sessions feature experts speakers and on average, 80% of our headoffice employees attend these popular talks.</p>	<p>5</p>  <p>FINANCIAL LITERACY</p> <p>We organised talks on personal finance management for our employees together with Agensi Kaunseling dan Pengurusan Kredit (AKPK), an agency set up by Bank Negara Malaysia to help individuals grasp control of their financial situation. Total of 474 employees took part in these talks.</p>	
<p>6</p>  <p>GROUP EXERCISE SESSIONS</p> <p>In order to further encourage our employees to lead active lifestyles, we organise weekly exercise classes for head office employees, ranging from yoga, pilates and zumba to strength training and aerobics. Around 328 employees took part in these classes.</p>	<p>7</p>  <p>WEIGHT WELLNESS CHALLENGE 2.0</p> <p>As a fun campaign to encourage employees to lose weight and embark on healthier lifestyles, we organised the 100-day Weight Wellness Challenge 2.0. This year we recorded a participation rate of 45%, compared to only 20% in 2015.</p>	

Our People

Nestlé Supermeet 2016

Nestlé Supermeet gathers employees from Malaysia and Singapore once every four years to compete in a range of sports activities. The event encourages bonds between employees and inspires fitter and healthier lifestyles. This year, 22 events were organised, among others, badminton, football, netball, *sepak takraw*, tennis and athletics.

Over a thousand Nestlé athletes came together on the grounds of University of Malaya to vie for the champion trophy. After three days of intense competition, the Nestlé Malaysia Head Office and Sales contingent emerged as the winner.

The NESTLÉ OMEGA PLUS Fun Walk was one of the highlights of the event. It saw almost 500 Nestlé employees and their families walk in solidarity towards greater heart health.



Held once every four years, Nestlé Supermeet promotes the spirit of sportsmanship and camaraderie aside from encouraging fair and friendly competition amongst employees through an array of sport events.

Our People



Employee Volunteer Programme

Nestlé Malaysia employees are encouraged to dedicate their time in giving back to the community and can allocate 16 working hours each year to volunteer work. In 2016, our employees volunteered 854.31 man hours through the Nestlé ROCKS (Reaching Out to Communities and Kids) programme. Employees can choose to volunteer in any of the activities hosted to assist various beneficiaries from the 50 organisations adopted by the company, including civil society organisations working to help unprivileged children, single parents, disabled, old folks, refugees and the *orang asli* community. In 2016, we launched the Education through ROCKS initiative (“ETR”), which aims to embed education in community projects.

Description	2014	2015	2016
Number of activities	14	11	11
Number of volunteers			
i. Employees	146	165	119
ii. Non-employees	6	9	31
Number of volunteer hours	835.5	1,111.75	854.31



Veteran chef, Florence Tan guiding on the art of making delicious cookies using Nestlé products to single mothers.



Nestlé ROCKer creating a Deepavali handpainted banner with a child from Siddharthan Care Centre.

Our People

G4-S01

Among the key ROCKS programmes in 2016 were:

PROGRAMME	DETAILS
Nestlé ROCKin' Bazaar	The ROCKin' Bazaar is an annual fundraising event. The fifth bazaar was themed 'Markets of the World' and raised RM70,540, over RM17,000 more than the previous year. The proceeds were channeled to three charitable organisations: <i>Pusat Jagaan Lambaian Kasih</i> , <i>Rumah Kasih Harmoni</i> and Victory Elderly Home. The homes care for underprivileged children, single mothers, senior citizens and other disadvantaged communities.
Nutrition Talks	In 2016, we launched the ETR initiative, which aims to embed education in community projects. To kick-off the initiative, we organised a talk on the importance of nutrition to underprivileged children with Dignity for Children Foundation. 150 children attended the talk by our in-house nutritionist that highlighted the importance of embracing nutritious and healthy eating habits.
Breakfast Boost	This programme encouraged employees to either buy delicious <i>nasi lemak</i> packs for personal consumption or opt to pay-it-forward for a good cause, benefiting various ROCKS beneficiaries. The drive was a hit, garnering a total sale of 2,787 packs of <i>nasi lemak</i> , from which 2,271 packs were paid forward by the Nestlé employees.
Kuih Raya Workshop	Also part of ETR, a <i>Kuih Raya</i> workshop was organised for underprivileged mothers. The training equipped the women with <i>kuih raya</i> recipes, enabling them to generate additional income for the <i>Hari Raya</i> celebrations. Renowned veteran Nyonya Chef, Ms. Florence Tan conducted the hands-on workshop with 16 participants.
A Delightful Deepavali	Nestlé ROCKS organised a day of art and fun with underprivileged children of Siddharthan Care Centre at the Company headquarters in conjunction with the Deepavali celebration. ROCKS also contributed a much needed washing machine unit to the home.
Back-to-School Shopping	Nestlé ROCKS treated 60 underprivileged children to a shopping spree in preparation for the 2017 school year. The children could purchase schooling necessities such as uniforms, stationery sets and books.

Our People

LABOUR RELATIONS

We treat our people fairly and with respect, ensuring good labour conditions. Good labour relations are imperative to our growth and the Nestlé Employee Relations Policy provides a frame of reference for relationships with trade unions and employee representatives. Our management and employees work daily to develop and maintain positive individual and collective relationships.

Collective Bargaining and Freedom of Association

Nestlé's culture is based on values of trust, mutual respect and dialogue. We see good labour relations as imperative to our growth. We support collective bargaining and freedom of association to address the rights and responsibilities of the parties involved, and hence ensuring harmonious and productive workplaces. Nestlé respects the right of employees to meaningful and constructive discussions over issues related to working conditions and workplace environment, at all times and in all places.

Approximately 71% of our employees are covered by collective bargaining agreements. In June 2016, we concluded the Collective Agreement 2016–2018 with National Union of Commercial Workers (NUCW), with the official signing ceremony held on 15 August 2016.

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

According to the Collective Agreement between Nestlé Manufacturing (Malaysia) Sdn. Bhd. and Food Industry Employee 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.

G4-11, G4-DMA: Labor Practices Grievance Mechanisms,
G4-DMA: Freedom of Association and Collective Bargaining, G4-EC5



Description	2014	2015	2016
Percentage of employees covered by collective bargaining agreement (%)	72	71	72

Breakdown of employees covered by collective bargaining agreements:

- Total of non-management employees – 4,012
- Total of employees under the union – 3,968
 - o NMM – 3,311
 - o NPS – 588
 - o NFM – 69

Our People

G4-DMA: Supplier Assessment for Labor Practices, G4-DMA: Assessment, G4-DMA: Supplier Human Rights Assessment, G4-DMA: Anti-Corruption, G4-DMA: Compliance, G4-DMA: Supplier Assessment for Impacts on Society, G4-SO3, G4-SO4

HUMAN RIGHTS AND COMPLIANCE

- Our commitment:**
- Protecting and monitoring human rights in our operations and supply chain.
 - Ensure that all employees and stakeholders can easily report possible compliance violations.
 - Work against corruption and bribery.

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 especially proud to be one of the first companies to adopt the new UN Guiding Principles on Business and Human Rights Reporting Framework. Human rights are non-negotiable and our Nestlé Supplier Code includes strict rules on labour rights. We will suspend any suppliers that do not meet these requirements.

Anti-Corruption

 Nestlé condemns any form of bribery or corruption. We introduced the new Nestlé Malaysia Anti-Corruption, Gifts and Entertainment Guidelines in 2016, designed to be clear, practical and effective in providing directions for our employees and suppliers.

As per our newly introduced guidelines, we have extended our training on anti-corruption policies and procedures beyond our employees to encompass entities across our value chain as indicated in the table below.

This year, we have trained up to 934* of individuals across the Company's value chain on anti-corruption policies and procedures.

Description	2016
Total number of individuals from across value chain who participated in the the Company's anti-corruption policies and procedures training	
Head Office Unit (HOU)	374
Factory	432
Sales	20
Vendor	64
Customer	44

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 2016.

Description	2014	2015	2016
Percentage and total number of business units analysed for risk related to corruption	10 out of 85 (12%)	7 out of 81 (9%)	15 out of 81 (18.5%)

Further information is available in the Corporate Governance Statement - Anti-Corruption of the Corporate Governance and Financial Report on page 9.

* This data has been independently audited. Please refer to the Independent Assurance Report from pages 99-100.



What is CARE?

CARE stands for Corporate Compliance Assessment Program of Human Rights & Labour Practices, Business Integrity, Safety & Health, Environment Sustainability and Security. CARE is a global audit performed every three years by external auditors. CARE is about compliance, identifying, addressing and closing existing gaps to accelerate our journey to achieving full sustainable compliance with the NCBP.

Our People

Consumer Privacy



We aim to respond to evolving consumer expectations, security threats and regulation concerning data privacy. Nestlé treats personal data of our consumers, employees and other stakeholders with utmost respect and transparency. 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 provided 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 particularly on our 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 NCBP. No incidences of discrimination were reported in 2016.

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") forms 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 whistleblowing hotline known as the Non-Compliance Hotline which is a comprehensive framework that outlines when, how and to whom a concern may be raised. Our Non-Compliance Hotline is open to any employee, supplier or third-party may report any non-compliance incident in Nestlé Malaysia. Employees are assured

that all reports will be properly investigated and treated with confidentiality by the Business Ethics and Fraud Committee.

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 and Entertainment Guidelines. In 2016, we have trained up to 1,105 employees (management and non-management), with a total of 2,277 hours, on human rights. We also require all our new employees to undergo human rights training.

Description	2014	2015	2016
Number of new employees trained on employee requirements, human rights and labour standards	145	128	202

Further elaboration about our compliance practices can be found in Corporate Governance Statement under the Corporate Governance and Financial Report on page 39-41.

AWARDS AND ACHIEVEMENTS



The Edge Billion Ringgit Club Corporate Awards 2016

The Edge Billion Ringgit Club awards top performing public-listed companies in Malaysia and encourages more companies to strive for greater efficiency, better transparency and improved governance. In 2016, Nestlé Malaysia won the prestigious 'Company of the Year' Award for delivering solid, sustained and consistent financial returns to shareholders over the years as well as showcasing excellent Creating Shared Value efforts.

Asia Recruitment Awards 2016

The Asia Recruitment Awards recognises the best recruitment and talent acquisition efforts by organisations in Asia. As a result of the Company's Management Trainee Programme which has succeeded in attracting top talents from renowned universities, the Company was awarded Bronze for the Best Graduate Programme in 2016.

Kantar Worldpanel Most Chosen Brand Award

Kantar Worldpanel, the global expert in shopper behaviour is renowned for their deep understanding of consumers and shoppers as well as the marketplace. In 2016, MAGGI and MILO earned recognition as Malaysia's Number One Most Chosen Brands for the Food and Beverages categories respectively, reflecting the popularity of these brands in the Malaysian market.

Awards and Achievements

Randstad Award 2016

In 2016, the Randstad Award was held for the first time in Malaysia and its 16th edition globally. Presented annually to the most attractive employers in 25 countries worldwide, this award is based on a survey sample of 200,000 individuals across different age groups, genders, and educational levels. During this inaugural award, the Company was named one of the top three most attractive employers in the nation, demonstrating the Company's position as an employer of choice among Malaysians.

Malaysia's 100 Leading Graduate Employers Award 2016

The Malaysia's 100 Leading Graduate Employers Award celebrates Malaysia's top graduate companies which are voted by university students in the Malaysia Graduate Barometer Survey 2016. For the fourth consecutive year, the Company was conferred the Most Popular Graduate Employer in the FMCG category, demonstrating the Company's popularity among graduates.

JobStreet.com's People's Choice Award 2016

The JobStreet.com's People's Choice Award is based on an online survey with almost 8,000 respondents across different age groups, genders and educational backgrounds. In 2016, the Company received one of the highest numbers of votes and ranked Top 10 Most Preferred Employers in Malaysia, once again proving to be among Malaysia's favourite employers.

National Annual Corporate Report Awards 2016

Jointly organised by Bursa Malaysia Berhad, the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants, the National Annual Corporate Report Awards (NACRA) encourages greater transparency and accountability in financial reporting. In 2016, the Company was awarded Gold for Best Corporate Social Responsibility Reporting and Silver for Best Inclusiveness & Diversity Reporting.

The Putra Brand Awards 2016

The Putra Brand Awards grants recognition to Malaysia's most popular brands across various industry categories based on consumer preference. In 2016, MILO earned top recognition when the brand was crowned 'Brand of the Year' for its continuous product innovation with a commitment to brand-building and corporate social responsibility. In addition, MILO also won the Gold Award for Beverages (Non-Alcoholic) while NESCAFÉ, MAGGI and KIT KAT won the Silver Award of Beverages (Non-Alcoholic) and Foodstuff categories respectively.

MSWG – ASEAN Corporate Governance Transparency Index, Findings & Recognition

The Minority Shareholder Watchdog Group (MSWG) – ASEAN Corporate Governance Transparency Index, Findings & Recognition Awards recognises public-listed companies with best practices for corporate governance, disclosure as well as solid overall performance. In 2016, the Company was awarded the Industry Excellence Award in the Food & Beverage category for demonstrating transparency, sustainable performance as well as good corporate governance.

GRI G4 CONTENT INDEX

FOR 'IN ACCORDANCE' OPTION - COMPREHENSIVE

GENERAL STANDARD DISCLOSURES

General Standard Disclosure	Page Number	Omissions	External Assurance
Strategy and Analysis			
G4-1	NiS: A Message from our Chairman and our CEO (pg. 8-9)	-	No
G4-2	NiS: A Message from our Chairman and our CEO (pg. 8-9) NiS: Engaging Stakeholders and Mapping Material Issues (pg. 12-15)	-	No
Organisational Profile			
G4-3	NiS: About This Report (pg. 2)	-	No
G4-4	NiS: Fast Facts (pg. 7) CR: Business Review (pg. 14-31)	-	No
G4-5	NiS: Fast Facts (pg. 7)	-	No
G4-6	NiS: Fast Facts (pg. 7) CR: Corporate Directory (pg. 58-59)	-	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: Fast Facts (pg. 7) NiS: Key Performance Data (pg. 17)	-	No
G4-10	NiS: Talent Management (pg. 68) 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).	-	No
G4-11	NiS: Labour Relations (pg. 77)	-	No
G4-12	NiS: About This Report (pg. 2) NiS: Rural Development (pg.52)	-	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. CR: Organisation Structure (pg. 54-55)	-	No

General Standard Disclosure	Page Number	Omissions	External Assurance
Organisational Profile			
G4-14	<p>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 8 Principles and 26 Recommendations of the Malaysian Code on Corporate Governance 2012 ["MCCG 2012"], 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.</p> <p>CGFR: Corporate Governance Statement (pg. 2-42)</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	-	No
G4-15	<p>NiS: Responsible Product Marketing and Advertising (pg. 25) NiS: Responsible Marketing of Breast-milk Substitutes (pg. 25) NiS: Responsible Sourcing (pg. 58)</p> <p>Nestlé Malaysia signed and supports, amongst others:</p> <ul style="list-style-type: none"> • UN Global Compact (29 March 2007) • Responsible Advertising to Children (5 August 2013) 	-	No
G4-16	<p>The Company deems our membership in the associations below as strategic:</p> <ul style="list-style-type: none"> • Federation of Malaysia Manufacturers (FMM) <ul style="list-style-type: none"> o CEO is the Chairman of the FMM o Business Executive Officer, Maternal & Infant Nutrition is the Chairman of Ethical Business Practices Committee o Head, Halal Affairs is the Chairman of Halal Committee o Head of Regulatory & Scientific Affairs is the Chairman of Scientific & Technical Committee o FMM Health & Nutrition – Member o FMM Communications Committee – Member o FMM Public Affairs Committee – Member • International Chamber of Commerce (ICC) – Executive Director, Legal & Secretarial, Legal is a Vice Chairman of the ICC • 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>	-	No
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: Engaging Stakeholders and Mapping Material Issues (pg. 12-15)	-	No
G4-19	NiS: Engaging Stakeholders and Mapping Material Issues (pg. 15)	-	No
G4-20	NiS: About This Report (pg. 2)	-	No
G4-21	NiS: About This Report (pg. 2)	-	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 (pg. 2)	-	No

General Standard Disclosure	Page Number	Omissions	External Assurance
Stakeholder Engagement			
G4-24	NiS: Engaging Stakeholders and Mapping Material Issues (pg. 12-15)	-	No
G4-25	NiS: Engaging Stakeholders and Mapping Material Issues (pg. 12-15)	-	No
G4-26	NiS: Engaging Stakeholders and Mapping Material Issues (pg. 12-15)	-	No
G4-27	NiS: Engaging Stakeholders and Mapping Material Issues (pg. 12-15)	-	No
Report Profile			
G4-28	NiS: About This Report (pg. 2)	-	No
G4-29	The Company's Annual Report 2015, which consists of three books: Corporate Report, Corporate Governance and Financial Report and Nestlé in Society Report was published in March 2016. The online version of the 2015 Annual Report can be found online at http://www.nestle.com.my/aboutus/investors/annual_report .	-	No
G4-30	NiS: About This Report (pg. 2)	-	No
G4-31	CR: Corporate Directory (pg. 58)	-	No
	For more information, please contact us through our headquarters: Nestlé (Malaysia) Berhad (110925-W) 22-1, 22 nd Floor, Menara Surian No. 1, Jalan PUJ 7/3 Mutiar Damansara 47810 Petaling Jaya Selangor Darul Ehsan, Malaysia		
	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 (pg. 2)	-	No
G4-33	NiS: About This Report (pg. 2)	-	No
Governance			
G4-34	NiS: Creating Shared Value Governance (pg. 10-11) CGFR: Corporate Governance Statement (pg. 2)	-	No
G4-35	NiS: Creating Shared Value Governance (pg. 10-11)	-	No
G4-36	NiS: Creating Shared Value Governance (pg. 10-11)	-	No
G4-37	NiS: Creating Shared Value Governance (pg. 10-11)	-	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 members and the remaining six are independent and non-executive members. CR: Profile of Directors (pg. 38-47)	-	No
G4-39	CR: Board of Directors (pg. 39) CGFR: Corporate Governance Statement (Independence) (pg. 12)	-	No
	The Chair of the highest governance body is the Chairman of the Board, who is independent and non-executive.		
G4-40	CGFR: Corporate Governance Statement (pg. 13-14)	-	No
G4-41	CGFR: Corporate Governance Statement (Board Charter) (pg. 3)	-	No
G4-42	NiS: Creating Shared Value Governance (pg. 10-11) CGFR: Corporate Governance Statement (pg. 2-42)	-	No

General Standard Disclosure	Page Number	Omissions	External Assurance
Governance			
G4-43	CGFR: Continuous Professional Development (pg. 18) CSV is embedded in our business management, and thus a core part of their role as well as in the governance model. 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	-	No
G4-44	CGFR: Corporate Governance Statement (pg. 4)	-	No
G4-45	NiS: Creating Shared Value Governance (pg. 10-11) CGFR: Corporate Governance Statement (pg. 4)	-	No
G4-46	NiS: Creating Shared Value Governance (pg. 10-11) CGFR: Corporate Governance Statement (pg. 4)	-	No
G4-47	NiS: Creating Shared Value Governance (pg. 10-11)	-	No
G4-48	The full Nestlé in Society – Creating Shared Value Report was reviewed by the Board of Directors and CEO.	-	No
G4-49	Nestlé reported to Board of Directors as meeting agenda twice a year. CGFR: Corporate Governance Statement (pg. 24)	-	No
G4-51	CGFR: Compensation Committee Report (Board Remuneration) (pg. 19-20)	-	No
G4-52	CGFR: Compensation Committee Report (pg. 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 (pg. 7-9) 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	-	No
G4-57	CGFR: Additional Compliance (pg. 39-40) CGFR: Whistleblowing Policy (pg. 41) 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	-	No
G4-58	CGFR: Additional Compliance (pg. 39-40) CGFR: Whistleblowing Policy (pg. 41) 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	-	No

SPECIFIC STANDARD DISCLOSURES

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
ECONOMIC				
Economic Performance	G4-DMA	-	Not applicable as it does not reach our materiality threshold.	No
	G4-EC1	NiS: Key Performance Data (pg. 17) CGFR: Statement of Financial Position (pg. 55) CGFR: Statements of Profit or Loss and Other Comprehensive Income (pg. 56)	-	No
	G4-EC2	NiS: Water & Environment (pg. 40-41)	-	No
	G4-EC3	CGFR: Employee Benefits (pg. 71-72) Nestlé Management Employee Handbook (internal circulation)	-	No
	G4-EC4	Nestlé does not receive any financial assistance from the Government.	Not applicable as it does not reach our materiality threshold.	No
Market Presence	G4-DMA	-	-	No
	G4-EC5	NiS: Labour Relations (pg. 77)	-	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. 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 Malaysian's senior management employees based on gender: <ul style="list-style-type: none"> Male: 33 Female: 18 	-	No
Indirect Economic Impacts	G4-DMA	NiS: Nestlé in Society: Creating Shared Value (pg. 3-5) NiS: Our Halal Commitment (pg. 34) NiS: Protecting Biodiversity (pg. 49) NiS: Rural Development (pg. 52)	-	No
	G4-EC7	NiS: Rural Development (NESTLÉ CHILLI CLUB) (pg. 53-54) NiS: Rural Development (NESTLÉ PADDY CLUB) (pg. 55-57) CGFR: Notes to the Financial Statements (Goodwill) (pg. 77)	-	No
	G4-EC8	NiS: Community Engagement (pg. 26-32) NiS: Our Halal Commitment (pg. 34-37) NiS: Protecting Biodiversity (pg. 49) NiS: Rural Development (pg. 52-57) NiS: Optimising Product Packaging (pg. 44)	-	No
Procurement Practices	G4-DMA	NiS: Responsible Sourcing (pg. 58)	-	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

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
ECONOMIC				
	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
ENVIRONMENT				
Materials	G4-DMA	NiS: Water & Environment (pg. 40) NiS: Optimising Product Packaging (pg. 44)	-	No
	G4-EN1	NiS: Key Performance Data (pg. 16) NiS: Optimising Product Packaging (pg. 44)	-	No
	G4-EN2	NiS: Optimising Product Packaging (pg. 44)	-	No
Energy	G4-DMA	NiS: Reducing Our Energy Consumption (pg. 48)	-	No
	G4-EN3	NiS: Reducing Our Energy Consumption (pg. 48)	-	No
	G4-EN4	NiS: Reducing Our Energy Consumption (pg. 48)	-	No
	G4-EN5	NiS: Key Performance Data (pg. 16) NiS: Reducing Our Energy Consumption (pg. 48)	-	No
	G4-EN6	NiS: Reducing Our Energy Consumption (pg. 48)	-	No
	G4-EN7	NiS: Reducing Our Energy Consumption (pg. 48)	-	No
	Water	G4-DMA	NiS: Water & Environment (pg. 40) NiS: Water Management – Our Top Priority (pg. 42)	-
G4-EN8		NiS: Key Performance Data (pg. 16) NiS: Water Management – Our Top Priority (pg. 42)	-	Yes (Total water withdrawn)
G4-EN9		NiS: Water Management – Our Top Priority (pg. 42)	-	No
G4-EN10		NiS: Water Management – Our Top Priority (pg. 42)	-	No
Biodiversity	G4-DMA	NiS: Water & Environment (pg. 40) NiS: Protecting Biodiversity (pg. 49) All our factories are located in Industrial Estates designated by the respective State governments. Nevertheless, Nestlé's commitment to the environment is reflected in its Project RILEAF, reforestation of the Kinabatangan area.	Not applicable as it does not reach our materiality threshold.	No
	G4-EN11	-	-	No
	G4-EN12	-	-	No
	G4-EN13	NiS: Protecting Biodiversity (pg. 49)	-	No

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
ENVIRONMENT				
	G4-EN14	<p>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.</p> <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/nest%C3%A9%20policy%20on%20environmental%20sustainability.pdf</p>	-	No
Emissions	G4-DMA	NiS: Climate Change (pg. 45)	-	No
	G4-EN15	NiS: Minimise Greenhouse Gas Emissions (pg. 45-46)	-	No
	G4-EN16	NiS: Key Performance Data (pg. 16) NiS: Minimise Greenhouse Gas Emissions (pg. 45-46)	-	No
	G4-EN17	NiS: Minimise Greenhouse Gas Emissions (pg. 45-46)	-	No
	G4-EN18	NiS: Minimise Greenhouse Gas Emissions (pg. 45-46)	-	No
	G4-EN19	NiS: Minimise Greenhouse Gas Emissions (pg. 45-46)	-	No
	G4-EN20	NiS: Refrigerant Management (pg. 47)	-	No
	G4-EN21	NiS: Minimise Greenhouse Gas Emissions (pg. 46)	-	No
Effluents and Waste	G4-DMA	NiS: Water Management – Our Top Priority (pg. 42)	-	No
	G4-EN22	NiS: Water Management – Our Top Priority (pg. 42)	-	No
	G4-EN23	NiS: Key Performance Data (pg. 16) NiS: Minimising Solid Waste (pg. 43)	-	Yes (Landfill waste)
	G4-EN24	There were no incidents of significant spills in 2016.	-	No
	G4-EN25	NiS: Minimising Solid Waste (pg. 43)	-	No
		Nestlé did not import or export any hazardous waste in 2016.		
	G4-EN26	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 (pg. 44) NiS: Refrigerant Management (pg. 47)	-	No
	G4-EN27	NiS: Optimising Product Packaging (pg. 44) NiS: Refrigerant Management (pg. 47)	-	No
		Nestlé has also invested in the construction of separate control rooms for boilers to reduce noise exposure in Chembong factory.		

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
ENVIRONMENT				
	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: Water & Environment (pg. 41)	-	No
	G4-EN29	As of December 2016, 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 (pg. 45)	-	No
	G4-EN30	NiS: Transport and Distribution (pg. 46) Monitoring for finished goods movement within Malaysia is monitored monthly.	-	No
Overall	G4-DMA	NiS: Water & Environment (pg. 40)	-	No
	G4-EN31	NiS: Water & Environment (pg. 41)	-	No
Supplier Environmental Assessment	G4-DMA	NiS: Responsible Sourcing (pg. 58) 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-EN32	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. About 47%* of our targetted vendors have been audited. Audits are valid for 3 years. <i>*147 vendors out of an estimation of 1,000 targetted vendors.</i>	-	No
	G4-EN33	NiS: Responsible Sourcing (pg. 58) 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. We also continue to utilise the application of highly-efficient lightings in our distribution warehouses and introduced Zero Landfill Technologies in our National Distribution Centres.	-	No

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
ENVIRONMENT				
Environmental Grievance Mechanisms	G4-DMA	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. 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. NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf 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-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
SOCIAL				
LABOUR PRACTICES AND DECENT WORK				
Employment	G4-DMA	NiS: Our People (pg. 62)	-	No
	G4-LA1	NiS: Talent Management (pg. 68)	-	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 2016. Data will be available in 2018.	No
Labor/ 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

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance																																																					
SOCIAL																																																									
LABOUR PRACTICES AND DECENT WORK																																																									
Occupational Health and Safety	G4-DMA	NiS: Safety, Health & Wellbeing (pg. 63) Nestlé Management Employee Handbook (internal circulation)	-	No																																																					
	G4-LA5	100% of our total workforce were represented in health and safety committees.	-	No																																																					
	G4-LA6	NiS: Key Performance Data (pg. 17) NiS: Our People (Safety, Health and Wellbeing) (pg. 64)	-	Yes (Lost Time Injury Frequency Rate, LTIF)																																																					
	G4-LA7	The below table summarises the assistance programmes provided to the below recipients:	-	No																																																					
<table border="1"> <thead> <tr> <th colspan="9">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> </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> </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> </tr> <tr> <td>Community Members</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		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	✓			✓		✓		✓
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<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>																																																									
	G4-LA8	100% of collective agreements contain Health and Safety topics.	-	No																																																					
<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. 																																																									

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance				
SOCIAL								
LABOUR PRACTICES AND DECENT WORK								
Training and Education	G4-DMA	NiS: Our People (pg. 62) NiS: Talent Management (pg. 68)	-	No				
	G4-LA9	NiS: Talent Management (pg. 68)	-	No				
	G4-LA10	NiS: Our People – Talent Management (pg. 68-71)	-	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>								
	G4-LA11	NiS: Our People – Talent Management (Progress & Development Guide) (pg. 71)	-	No				
Diversity and Equal Opportunity	G4-DMA	NiS: Diversity and Gender Balance (pg. 66)	-	No				
	G4-LA12	NiS: Key Performance Data (pg. 17) NiS: Diversity and Gender Balance (pg. 66)	-	Yes (Leadership positions held by women)				
Breakdown of employees in terms of ethnic composition, age group and gender:								
ETHNIC								
	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Bumiputera	435	7.9	3,325	60.4	24	0.42	3,784	68.72
Chinese	823	15.0	312	5.7	15	0.27	1,150	20.97
Indian	129	2.3	242	4.4	2	0.04	373	6.74
Others	106	1.9	88	1.6	4	0.07	198	3.57
Total	1,493	27.1	3,967	72.1	45	0.8	5,505	100
AGE								
	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Below 30	292	5.3	1,127	20.5	14	0.3	1,433	26.1
30-50	1,057	19.2	2,475	44.9	6	0.1	3,538	64.2
Above 50	144	2.62	365	6.63	25	0.45	534	9.7
Total	1,493	27.12	3,967	72.03	45	0.85	5,505	100
GENDER								
	Mgt	%	N-Mgt	%	Temp.	%	Total	%
Male	750	13.6	2,829	51.4	22	0.4	3,601	65.4
Female	743	13.5	1,138	20.7	23	0.4	1,904	34.6
Total	1,493	27.1	3,967	72.1	45	0.8	5,505	100
Breakdown of Nestlé Malaysia's Board of Directors in terms of ethnic composition, age group and gender:								
ETHNIC			AGE			GENDER		
	%	Total		%	Total		%	Total
Bumiputera	37.5	3	Below 30	0	0	Male	75	6
Chinese	25	2	30-50	25	2	Female	25	2
Indian	0	0	Above 50	75	6	Total	100	8
Others	37.5	3	Total	100	8			
Total	100.	8						

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance																											
SOCIAL																															
LABOUR PRACTICES AND DECENT WORK																															
Equal Remuneration for Women and Men	G4-DMA	-	Not applicable as it does not reach our materiality threshold.	No																											
	G4-LA13	NiS: Diversity and Gender Balance (pg. 66)	-	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>76,292,934</td> <td>784</td> <td>0.80</td> <td>92,535,851</td> <td>759</td> <td>1.25</td> </tr> <tr> <td>Non-Management</td> <td>33,910,441</td> <td>1,120</td> <td>0.90</td> <td>95,205,072</td> <td>2,842</td> <td>1.11</td> </tr> </tbody> </table>	EMPLOYEE CATEGORY	WOMEN			MEN			Annual Basic Salary	HC	Ratio	Annual Basic Salary	HC	Ratio	Management	76,292,934	784	0.80	92,535,851	759	1.25	Non-Management	33,910,441	1,120	0.90	95,205,072	2,842	1.11		
EMPLOYEE CATEGORY	WOMEN			MEN																											
	Annual Basic Salary	HC	Ratio	Annual Basic Salary	HC	Ratio																									
Management	76,292,934	784	0.80	92,535,851	759	1.25																									
Non-Management	33,910,441	1,120	0.90	95,205,072	2,842	1.11																									
Supplier Assessment for Labor Practices	G4-DMA	<p>NiS: Responsible Sourcing (pg. 58)</p> <p>NiS: Human Rights and Compliance (pg. 78)</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>	Not applicable as it does not reach our materiality threshold.	No																											
	G4-LA14	100% of our new suppliers were informed on the Nestlé Supplier Code and were required to sign an acknowledgement form.	-	No																											
		The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf																													
	G4-LA15	There were no incidents reported in 2016.	-	No																											
Labor Practices Grievance Mechanisms	G4-DMA	<p>NiS: Labour Relations (pg. 77)</p> <p>CGFR: Corporate Compliance (pg. 39-40)</p> <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>	Not applicable as it does not reach our materiality threshold.	No																											
	G4-LA16	There were no incidents about labor practices reported in 2016.	-	No																											
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) (pg. 79)	-	No																											

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
SOCIAL				
HUMAN RIGHTS				
Non-discrimination	G4-DMA	NiS: Our People (pg. 62) NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	-	No
	G4-HR3	There were no incidents of discrimination reported in 2016.	-	No
Freedom of Association and Collective Bargaining	G4-DMA	NiS: Labour Relations (pg. 77) NCBP: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/corporate-business-principles-en.pdf	-	No
	G4-HR4	There were no incidents report in 2016.	-	No
Child Labor	G4-DMA	NiS: Rural Development (Child Labour) (pg. 59) 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-HR5	NiS: Rural Development (Child Labour) (pg. 59)	-	No
Forced or Compulsory Labor	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
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 (pg. 79)	-	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 (pg. 78)	-	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 (pg. 78) 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

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
SOCIAL				
HUMAN RIGHTS				
Supplier Human Rights Assessment	G4-HR10	<p>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.</p> <p>Our new suppliers were informed on the Nestlé Supplier Code and were required to sign an acknowledgement form.</p> <p>The Nestlé Supplier Code: http://www.nestle.com.my/asset-library/documents/pdf/nestle_supplier_code_dec_2013.pdf</p> <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>	-	No
	G4-HR11	There were no incidents reported in 2016.	-	No
Human Rights Grievance Mechanisms	G4-DMA	<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>	-	No
	G4-HR12	There were no grievances reported in 2016.	-	No
SOCIETY				
Local Communities	G4-DMA	<p>NiS: Community Engagement (pg. 26-32)</p> <p>NiS: Protecting Biodiversity (pg. 49)</p> <p>NiS: Rural Development (pg. 52-57)</p> <p>NiS: Responsible Sourcing (pg. 58)</p>	-	No
	G4-S01	<p>NiS: Community Engagement (pg. 26-32)</p> <p>NiS: Protecting Biodiversity (pg. 49)</p> <p>NiS: Rural Development (pg. 52-57)</p> <p>NiS: Responsible Sourcing (pg. 58)</p> <p>NiS: Our People (Employee Volunteer Programme) (pg. 75-76)</p> <p>Our facilities are subject to all local building codes, regulations and requirements including environmental impact studies.</p>	-	No
	G4-S02	There were no incidents reported in 2016.	-	No
Anti-Corruption	G4-DMA	<p>NiS: Human Rights and Compliance (pg. 78)</p> <p>CGFR: Corporate Governance Statement (pg. 9)</p> <p>NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf</p>	-	No
	G4-S03	NiS: Human Rights and Compliance (pg. 78)	-	No
	G4-S04	NiS: Human Rights and Compliance (pg. 78)	-	Yes (Total number of individuals who participated in anti-corruption training)
	G4-S05	We received 3 allegations related to corruption and bribery through Non-Compliance Hotline. 2 were resolved and 1 is currently pending investigation.	-	No

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
SOCIAL				
SOCIETY				
Public Policy	G4-DMA	CGFR: Corporate Governance Statement (pg. 7) NCBC: http://www.nestle.com/asset-library/documents/library/documents/corporate_governance/code_of_business_conduct_en.pdf	Not applicable as it does not reach our materiality threshold.	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 (pg. 40) 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	Not applicable as it does not reach our materiality threshold.	No
	G4-SO7	There were no incidents reported in 2016.	-	No
Compliance	G4-DMA	NiS: Nestlé in Society: Creating Shared Value (pg. 3) NiS: Human Rights and Compliance (pg. 78)	-	No
	G4-SO8	There were no incidents reported in 2016.	-	No
Supplier Assessment for Impacts on Society	G4-DMA	NiS: Responsible Sourcing (pg. 58) NiS: Human Rights and Compliance (pg. 78) 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-SO9	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 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	-	No
	G4-SO10	There were no incidents reported in 2016.	-	No

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
SOCIAL				
PRODUCT RESPONSIBILITY				
Grievance Mechanisms for Impacts on Society	G4-DMA	<p>CGFR: Corporate Governance Statement (pg. 40)</p> <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>	-	No
	G4-SO11	There were no grievances reported in 2016.	-	No
Customer Health and Safety	G4-DMA	<p>NiS: Nutrition (pg. 20)</p> <p>NiS: Food Safety and Quality (pg. 24)</p>	-	No
	G4-PR1	<p>NiS: Food Safety and Quality (NQMS) (pg. 24)</p> <p>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.</p>	Percentage of products that are screened for health and safety improvements is not disclosed due to commercial sensitivity.	No
	G4-PR2	There were no incidents reported in 2016.	-	No
	FP5	<p>The percentage of production sites certified by an independent third party is 100%; based on Nestle Quality Management System and international recognized standards. The factories are audited annually by SGS for FSSC 22000, OHSAS 18001 and ISO 14000.</p> <p>(Source: Manufacturing Management, Technical and Production, Nestlé Malaysia.)</p>	-	No
	FP6	<p>NiS: Reduction of Salt and Sugars in Our Products (pg. 22)</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>	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: Key Performance Data (pg. 16)</p> <p>NiS: Delighting Local Tastebuds through Innovation (pg. 33)</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>	-	No	
Product and Service Labelling	G4-DMA	NiS: Product Labelling (pg. 23)	-	No
	G4-PR3	<p>NiS: Key Performance Data (pg. 16)</p> <p>NiS: Product Labelling (pg. 23)</p>	-	Yes (Products covered with Nestlé Nutritional Compass (NNC))

Material Aspects	DMA and Indicators	Page Number (or link)	Omissions	External Assurance
SOCIAL				
PRODUCT RESPONSIBILITY				
	G4-PR4	There were no incidences reported in 2016.	-	No
	G4-PR5	NiS: Food Safety and Quality (pg. 24)	Customer satisfaction survey results are currently unavailable as it was not administrated in 2016. We will conduct the survey in 2017.	No
Marketing Communications	G4-DMA	NiS: Responsible Product Marketing and Advertising (pg. 25) NiS: Responsible Marketing of Breast-milk Substitutes (pg. 25)	-	No
	G4-PR6	NiS: Responsible Product Marketing and Advertising (pg. 25) NiS: Responsible Marketing of Breast-milk Substitutes (pg. 25)	-	No
	G4-PR7	NiS: Responsible Product Marketing and Advertising (pg. 25) NiS: Responsible Marketing of Breast-milk Substitutes (pg. 25)	-	No
Customer Privacy	G4-DMA	Privacy Policy: http://www.nestle.com.my/info/privacy_policy	-	No
	G4-PR8	There were no incidents reported in 2016.	-	No
Compliance	G4-DMA	NiS: Responsible Product Marketing and Advertising (pg. 25) NiS: Responsible Marketing of Breast-milk Substitutes (pg. 25)	-	No
	G4-PR9	There were incidents reported in 2016.	-	No
Animal Welfare	G4-DMA	Nestlé Malaysia does not breed animals or handle livestock in its operations.	Not applicable as it does not reach our materiality threshold.	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
 CR : Corporate Report
 CGFR : Corporate Governance and Financial Report
 NCBP : Nestlé Corporate Business Principles
 NCBC : Nestlé Code of Business Conducts



Independent Assurance Report

To Management of Nestlé (Malaysia) Berhad (2016)

We have been engaged by Nestlé (Malaysia) Berhad (“Nestlé Malaysia”) 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 2016: Creating Shared Value and Meeting Our Commitments (“Nestlé in Society Report 2016”).

Management’s Responsibility

Management of Nestlé Malaysia is responsible for the preparation of the Selected Information included in the Nestlé in Society Report 2016 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 2016 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 2016 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 six (6) Selected Information reported and marked with asterisks (*) in the Nestlé in Society Report 2016 as follows:

1. Total water withdrawn (m³/year) for the financial year 2016;
2. Landfill waste (tonne) for the financial year 2016;
3. Lost Time Injury Frequency Rate for the financial year 2016;
4. Total number of individuals from across Nestlé Malaysia’s value chain who participated in its anti-corruption policies and procedures training for the financial year 2016;
5. Leadership positions held by women as of 31 December 2016; and
6. Products covered with Nestlé Nutritional Compass (NNC) (as % of sales) for the financial year 2016.



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 2016 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 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 used in the computation of the Selected Information; and
- Checking the Nestlé in Society Report 2016 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 2016 disclosures are not sufficient to be reported in accordance with the Comprehensive GRI's G4 Sustainability Reporting Guidelines.

Other Matters

This report is addressed to Nestlé Malaysia 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 2016 for financial year 2016, and should not be used or relied upon for any other purposes. Our report is not to be disseminated to any third party in whole or in part. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over a faint, larger version of the same signature.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants
Kuala Lumpur

10 March 2017

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