

**Minutes of the 35th Annual General Meeting of Nestlé (Malaysia) Berhad (“the Company”) held on Thursday, 25 April 2019 at 10.00 a.m. at Ballroom B & C, Hilton Kuala Lumpur, 3 Jalan Stesen Sentral, 50470 Kuala Lumpur.**

**Members of the Board of Directors present:**

- |    |  |            |
|----|--|------------|
| 1. | Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail<br><i>(Non-Independent, Non-Executive Director)</i> | ] Chairman |
| 2. | Dato' Mohd. Rafik Bin Shah Mohamad<br><i>(Independent, Non-Executive Director)</i>                   | ] Member   |
| 3. | Tan Sri Datuk (Dr.) Rafiah Binti Salim<br><i>(Independent, Non-Executive Director)</i>               | ] Member   |
| 4. | Dato' Frits van Dijk<br><i>(Independent, Non-Executive Director)</i>                                 | ] Member   |
| 5. | Dato' Dr. Nirmala Menon<br><i>(Independent, Non-Executive Director)</i>                              | ] Member   |
| 6. | Juan Jose Aranols Campillo<br><i>(Non-Independent, Executive Director)</i>                           | ] Member   |
| 7. | Craig Grant Connolly<br><i>(Non-Independent, Executive Director)</i>                                 | ] Member   |

**In attendance:**

Tengku Ida Adura Tengku Ismail  
*(Company Secretary)*

**Attendance of Shareholders (As per the Attendance Lists):**

- 1. The number of shareholders was 1,348.**
- 2. The number of proxies was 465.**
- 3. The number of corporate representatives were three (3); Mr. Juan Aranols, the representative of Nestlé S.A., and the corporate representatives from the Minority Shareholders Watch Group and Employees Provident Fund Board.**

## **1. Chairman of Meeting**

Tan Sri Dato' Seri Syed Anwar Jamalullail (“Tan Sri Chairman”), being the Chairman of Nestlé (Malaysia) Berhad, was in the chair and commenced the proceedings of the 35<sup>th</sup> Annual General Meeting of the Company.

Tan Sri Chairman thanked the shareholders, the proxies and the members of the management team of the Company for their attendance. Thereafter, Tan Sri Chairman proceeded to introduce the members of the Board of Directors (“the Board”) and the Company Secretary who were seated with him.

## **2. Quorum**

The Company Secretary confirmed that a quorum was present, i.e. at least two (2) members, in person, by proxy or representatives (for corporations), representing not less than one-third of the issued shares of the Company.

Mr. Juan Aranols was the proxy for Nestlé S.A. which represented 170,276,563 ordinary shares equivalent to 72.61% of the equity of the Company. The shareholders of 208,074,969 shares lodged their proxies within the stipulated time and the holders of 15,798,539 shares had appointed the Chairman to be their proxies. The proxies for these ordinary shares were equivalent to 88.73% of the equity of the Company.

As the requisite quorum was present, the meeting was called to order.

## **3. Presentation of the Annual Report 2018**

Tan Sri Chairman presented to the shareholders the Annual Report 2018 and read out the summary of the Message to Shareholders as published in the Annual Report 2018.

## **4. Presentation on the Company's Performance**

Before Tan Sri Chairman proceeded with the business of the meeting, he invited Mr. Juan Aranols, the Chief Executive Officer of the Company, to present to the shareholders the Company's performance for the financial year 2018.

Mr. Juan Aranols' presentation covered among others, the following areas:

1. Financial Highlights of the Company;
2. Trends shaping the Consumer Landscape;
3. Winning Efforts of the Company;
4. Strengthening the Company's Foundations and commitments to Malaysia.

## 5. Notice of Annual General Meeting

The Notice of Annual General Meeting dated 25 March 2019, having been circulated within the statutory period, was taken as read as it was sent and received by shareholders together with the Annual Report for the financial year ended 31 December 2018.

Tan Sri Chairman informed that the Annual General Meeting was a principal forum for dialogue with shareholders, and invited all shareholders to enquire about the Company's operations and raise any questions regarding the agenda and the resolutions tabled at the Annual General Meeting. The Company Secretary thereafter explained the process to raise questions during the meeting.

The Company Secretary further informed that pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, any resolution contained in the notice of any general meeting was to be voted on by poll. Shareholders were then informed that the poll would be conducted at the end of the meeting and that Tricor Investor & Issuance House Sdn. Bhd. and Coopers Professional Scrutineers Sdn. Bhd. had respectively been appointed as the poll administrator and independent scrutineers to validate the votes casted.

### **AS ORDINARY BUSINESS**

## 6. To receive the statutory financial statements for the financial year ended 31 December 2018 and the Directors' and Auditors' reports thereon.

The Statutory Financial Statements for the Financial Year Ended 31 December 2018 and the Directors' and Auditors' reports were tabled at the Annual General Meeting pursuant to Section 340(1) of the Companies Act 2016. It was for discussion only and not required to be put to vote.

Tan Sri Chairman then informed that the Company had received questions from the Minority Shareholders Watch Group ("MSWG") and Employee Provident Fund ("EPF"). The Company projected on the big screens the questions posted by MSWG and EPF as well as the Company's responses to the questions for the shareholders' reference.

Tan Sri Chairman then invited comments and/or questions from the floor on the Statutory Financial Statements for the Financial Year Ended ("FYE") 31 December 2018 and the Directors' and Auditors' Reports, and any questions in relation to the resolutions that were being put to vote.

Questions were raised by shareholders/proxies and the Board provided the Company's responses to the questions.

The questions by MSWG, by EPF and the summary of questions from the shareholders/proxies together with the Company's responses are annexed hereto and marked as Annexure-A.

Thereafter, with no further questions raised, the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon were received as properly tabled at the Annual General Meeting.

**7. Resolution 1:**

**To re-elect the following Directors retiring in accordance with Article 97.1 of the Company's Constitution:**

**(i) Tan Sri Dato' Seri Syed Anwar Jamalullail**

The Company Secretary tabled the resolution for the re-election of Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail who was retiring in accordance with Article 97.1 of the Company's Constitution.

The Company Secretary shared that Y.A.M. Tan Sri Dato' Seri Syed Anwar Jamalullail had confirmed his willingness to be re-elected. She further shared that as an interested person in relation to this resolution he would abstain from voting on this motion. However, he would vote in his capacity as proxy in accordance with instructions received from non-interested shareholders who have appointed him as their proxy.

Mr. David Poh Chung Wee ("Mr David Poh"), a shareholder, proposed that the resolution be put to vote.

The Company Secretary informed the shareholders that voting for the resolution would be conducted at the end of the meeting.

**8. Resolution 2:**

**To re-elect the following Directors retiring in accordance with Article 97.1 of the Company's Constitution:**

**(ii) Dato' Frits van Dijk**

The Company Secretary tabled the resolution for the re-election of Dato' Frits van Dijk who was retiring in accordance with Article 97.1 of the Company's Constitution. The Company Secretary shared that Dato' Frits van Dijk had confirmed his willingness to be re-elected.

Ms. Leong Ming Chee, a shareholder, proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that voting for the resolution would be conducted at the end of the meeting.

**9. Resolution 3:**

**To re-elect the following Directors retiring in accordance with Article 106 of the Company's Constitution:**

**(i) Dato' Dr. Nirmala Menon**

The Company Secretary tabled the resolution for the re-election of Dato' Dr. Nirmala Menon who was retiring in accordance with Article 106 of the Company's Constitution. The Company Secretary shared that Dato' Dr. Nirmala Menon had confirmed her willingness to be re-elected.

Mr. William Woon, a shareholder, proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that voting for the resolution would be conducted at the end of the meeting.

**10. Resolution 4:**

**To re-elect the following Directors retiring in accordance with Article 106 of the Company's Constitution:**

**(ii) Mr. Juan Aranols**

The Company Secretary tabled the resolution for the re-election of Mr. Juan Aranols who was retiring in accordance with Article 106 of the Company's Constitution. The Company Secretary shared that Mr. Juan Aranols had confirmed his willingness to be re-elected.

Ms. Leong Ming Chee, a shareholder, proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**11. Resolution 5:**

**To re-elect the following Directors retiring in accordance with Article 106 of the Company's Constitution:**

**(iii) Mr. Craig Connolly**

The Company Secretary tabled the resolution for the re-election of Mr. Craig Connolly who was retiring in accordance with Article 106 of the Company's Constitution. The Company Secretary shared that Mr. Craig Connolly had confirmed his willingness to be re-elected.

Ms. Ong Su-Yin, a shareholder, proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**12. Resolution 6:  
To re-appoint KPMG PLT as auditors of the Company and to authorise the Directors to fix their remuneration:**

The Company Secretary tabled the resolution to re-appoint KPMG PLT as auditors of the Company and to authorise the Directors to fix the auditors' remuneration. It was also reported that KPMG PLT had confirmed their willingness to be re-appointed.

Mr. Eng Kwong Howe, a shareholder, proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**AS SPECIAL BUSINESS**

**13. Resolution 7:  
To approve the payment of a final dividend of 140 sen per share, under a single-tier system, in respect of the financial year ended 31 December 2018:**

The Company Secretary tabled the resolution for the payment to the shareholder of a final dividend of 140 sen per share, under the single-tier system, in respect of the FYE 31 December 2018.

Ms. Chuah Yoke Fong, a shareholder, proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**14. Resolution 8:  
To approve the following payments to Directors:**

**Director's fees of RM1,298,700.00 for the financial year ended 31 December 2018**

The Company Secretary tabled the resolution for the payment of Director's fees of RM1,298,700.00 for the FYE 31 December 2018 to the shareholders.

Ms. Leong Ming Chee, a shareholder, proposed that the resolution be put to vote.

The Company Secretary shared that Tan Sri Chairman as an interested person in relation to this resolution he would abstain from voting on this motion. However, he would vote in his capacity as proxy in accordance with instructions received from non-interested shareholders who have appointed him as their proxy.

The Company Secretary informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**15. Resolution 9:  
To approve the following payments to Directors:**

**Director's benefits of RM250,000.00 for the financial period from 1 July 2019 to 30 June 2020**

The Company Secretary tabled the resolution for the payment of Director's benefits of RM250,000.00 for the financial period from 1 July 2019 to 30 June 2020 to the shareholders.

Mr. David Poh, a shareholder, proposed that the resolution be put to vote.

The Company Secretary shared that Tan Sri Chairman as an interested person in relation to this resolution would abstain from voting on this motion. However, he would vote in his capacity as proxy in accordance with instructions received from non-interested shareholders who have appointed him as their proxy.

The Company Secretary informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**16. Resolution 10:  
Retention of Independent Directors:**

**(i) Dato' Mohd. Rafik Bin Shah Mohamad**

The Company Secretary tabled the resolution for the retention of Dato' Mohd. Rafik Bin Shah Mohamad who has served for a cumulative term of more than nine years in the Company, as an Independent Director of the Company until the conclusion of the next Annual General Meeting ("AGM"), in accordance with Article 97.3.1 of the Company's Constitution and the Malaysian Code on Corporate Governance ("MCCG").

Mr. David Poh, a shareholder proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**17. Resolution 11:  
Retention of Independent Directors:**

**(ii) Tan Sri Datuk (Dr.) Rafiah Binti Salim**

The Company Secretary tabled the resolution for the retention of Tan Sri Datuk (Dr.) Rafiah Binti Salim who has served for a cumulative term of more than nine years in the Company, as an Independent Director of the Company until the conclusion of the next AGM, in accordance with Article 97.3.1 of the Company's Constitution and the MCGG.

Mr. Tan Kim Lay, a shareholder proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**18. Resolution 12:  
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature as set out under Section 2.3(a) of the Circular to Shareholders dated 25 March 2019:**

The resolution for the proposed renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature as set out under Section 2.3(a) of the Circular to Shareholders dated 25 March 2019 was tabled. The Company Secretary explained that Nestlé S.A., as a related party and major shareholder of the Company, together with person(s) connected to them would abstain from voting on the resolution.

Mr. David Poh, a shareholder, proposed that the resolution be put to vote.

Tan Sri Chairman informed the shareholders that the voting for the resolution would be conducted at the end of the meeting.

**19. Any Other Business**

It was noted that there was no notice received for any other business.

**20. Voting Process**

Tan Sri Chairman invited the representative from the poll administrator, Tricor Investor & Issuing House Services Sdn. Bhd., to give an explanation on the e-voting process prior to the commencement of e-voting.

The meeting then proceeded with the e-voting of the resolutions. Once the e-voting process was completed, the meeting was adjourned whilst the poll administrators and scrutineers carried out their tasks.



## 21. Announcement of Poll Results

At 11.55 a.m., Tan Sri Chairman reconvened the meeting for the declaration of poll results as follows:-

| Resolution | Vote For      |         | Vote Against  |       | Total Votes   |         |
|------------|---------------|---------|---------------|-------|---------------|---------|
|            | No. of Shares | %       | No. of Shares | %     | No. of Shares | %       |
| <b>1</b>   | 205,476,698   | 99.060  | 1,949,759     | 0.940 | 207,426,457   | 100.000 |
| <b>2</b>   | 200,228,473   | 96.523  | 7,212,884     | 3.477 | 207,441,357   | 100.000 |
| <b>3</b>   | 207,408,377   | 99.991  | 18,080        | 0.009 | 207,426,457   | 100.000 |
| <b>4</b>   | 206,697,554   | 99.649  | 728,803       | 0.351 | 207,426,357   | 100.000 |
| <b>5</b>   | 206,612,211   | 99.608  | 814,046       | 0.392 | 207,426,257   | 100.000 |
| <b>6</b>   | 207,277,257   | 99.935  | 134,100       | 0.065 | 207,411,357   | 100.000 |
| <b>7</b>   | 207,426,357   | 100.000 | 0             | 0.000 | 207,426,357   | 100.000 |
| <b>8</b>   | 207,418,157   | 99.990  | 21,400        | 0.010 | 207,439,557   | 100.000 |
| <b>9</b>   | 207,426,457   | 100.000 | 0             | 0.000 | 207,426,457   | 100.000 |
| <b>10</b>  | 204,212,068   | 98.443  | 3,229,289     | 1.557 | 207,441,357   | 100.000 |
| <b>11</b>  | 203,519,346   | 98.109  | 3,922,111     | 1.891 | 207,441,457   | 100.000 |
| <b>12</b>  | 37,149,794    | 100.000 | 0             | 0.000 | 37,149,794    | 100.000 |

Based on the poll results, Tan Sri Chairman declared that all resolutions tabled at the AGM were carried.

It was RESOLVED as follows:-

### **Resolution 1**

THAT Tan Sri Dato' Seri Syed Anwar Jamalullail, the Director retiring in accordance with Article 97.1 of the Constitution of the Company, be hereby re-elected as Director of the Company.

### **Resolution 2**

THAT Dato' Frits van Dijk, the Director retiring in accordance with Article 97.1 of the Constitution of the Company, be hereby re-elected as Director of the Company.

### **Resolution 3**

THAT Dato' Dr. Nirmala Menon, the Director retiring in accordance with Article 106 of the Constitution of the Company, be hereby re-elected as Director of the Company.

### **Resolution 4**

THAT Mr. Juan Aranols, the Director retiring in accordance with Article 106 of the Constitution of the Company, be hereby re-elected as Director of the Company.

**Resolution 5**

THAT Mr. Craig Connolly, the Director retiring in accordance with Article 106 of the Constitution of the Company, be hereby re-elected as Director of the Company.

**Resolution 6**

THAT KPMG PLT, having indicated their willingness to continue in office, be hereby re-appointed as the Auditors of the Company for the ensuing year at a remuneration to be fixed by the Directors.

**Resolution 7**

THAT the final dividend of 140 sen per share, under a single-tier system, in respect of the FYE 31 December 2018 be and is hereby approved for payment on 30 May 2019 to members who are registered in the Company's records on 9 May 2019.

**Resolution 8**

THAT the payment of Directors' fees amounting to RM1,298,700.00 for the FYE 31 December 2018 be hereby approved.

**Resolution 9**

THAT the payment of Directors' benefits amounting to RM250,000.00 for the financial period from 1 July 2019 to 30 June 2020 be hereby approved.

**Resolution 10**

THAT Dato' Mohd. Rafik Bin Shah Mohamad be hereby retained as an Independent Director of the Company until the conclusion of the next AGM, in accordance with the MCGG.

**Resolution 11**

THAT Tan Sri Datuk (Dr.) Rafiah Binti Salim be hereby retained as an Independent Director of the Company until the conclusion of the next AGM, in accordance with the MCGG.

**Resolution 12**

THAT approval be hereby given for the renewal of the mandate granted by the shareholders of the Company on 26 April 2018 pursuant to paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(a) of the Circular to Shareholders dated 25 March 2019 with the related parties mentioned therein which are necessary, for the Company and/or its subsidiaries' day-to-day operations and which are carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of minority shareholders.

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

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;
- (ii) the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is earlier;

THAT the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.

## 20. Closure of Meeting

There being no other business to be discussed, the meeting was duly concluded at 11.56 a.m. with a vote of thanks to Tan Sri Chairman.

Signed as a correct record of the proceedings:

- SIGNED -

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

## Annexure – A

### Questions from MSWG and EPF, Summary of Shareholders' Questions and Answers.

#### 1. Questions received from MSWG:

##### Strategic & Financial Matters

- i. What is the total estimated cost to set up this manufacturing centre? When is the targeted commencement date for the facility and the progress? How will the Company benefit from this investment?
- ii. The Royal Malaysian Custom Department recently announced the postponement on the implementation of a 40 sen per litre excise duty on sugary drinks to July 1 this year. It has also raised the threshold of sugar content in flavoured milk products to 7g per 100ml from 5g per 100ml earlier.

Will the Company's products be impacted by these changes? If so, what is the percentage and the types of products that will be affected? What are the mitigating measures taken to reduce the impact from this change?

- iii. On page 56 of the Corporate Governance & Financial Report 2018 (CGFR 2018) the Company recorded higher spending of RM38.59 million for "Other expenses" category, as compared to RM8.24 million in FY 2017. What is the reason for the sharp increase in other expenses? What are the purposes of these expenses?
- iv. The Company has partnered with Sime Darby Plantation, a supplier of the Company, to establish a helpline for workers in oil palm plantation in Malaysia in 2018 (page 57 of the Nestlé in Society Report 2018).

Since its launch, how many cases as the Company received on human and labour rights abuses? What are the tangible results and how successful is the Company's efforts to further encourage others to adopt this platform? What are the other measures taken by the Company to further safeguard human rights and to ensure the required raw materials are ethically sourced?

- v. The Company has reported and impairment loss of RM35.6 million for trade receivables in FY2018, a 192% increase compared to the RM12.19 million recorded in FY2017 (page 98 and 116 of the CGFR Report 2018). We note that some RM31.64 million was impaired individually. What are the actions taken by the Company to recover the receivables before it was impaired?

### Corporate Governance

- i. As stated on pages 23, 25, 32, 51 of the Corporate Governance Report, the Company has departed from Practice 4.5, 4.7, 7.2 and 12.3 of Malaysian Code on Corporate Governance (MCCG). These practices are related to policy on gender diversity, chairman of nominating committee, disclosure of senior management's remuneration on named basis and the use of technology to encourage shareholder's participation at General Meetings.

While we take note of the explanation that the Company is reviewing the application of said practices, there is no timeframe given by the Company to achieve those outcomes.

Under paragraph 3.2 (c) of Practice Note 9, Main Market Listing Requirements of Bursa Malaysia, Large Companies must disclose the timeframe required to apply the practices. We hope the Board would take note of this.

The Company's responses to the questions from MSGW were as follows:-

### Strategic & Financial Matters

- i. As announce earlier, the estimated investment is MYR100 million. The commencement date is expected to be in early Q3 2019 as planned. This expansion, which is part of our continuous drive to improve efficiency and enhance competitiveness, will establish Chembong Factory as the world's biggest MILO Manufacturing Centre of Excellence. It will scale up capacity and help us to better meet growing local and export demand.
- ii. A small selection of products within our Ready to Drink category will be impacted. We continue to look into ways to reduce costs and improve efficiencies while maintaining high quality products. We remain committed to deliver healthier and more nutritious products at affordable prices for all Malaysians.
- iii. The main contributor is the additional expenses for the relocation and start-up of our new National Distribution Centre in Sijangkang, Selangor. There was also an increase in provisions for doubtful debts related to a couple of our distributors as well as general provision due to adoption of MFRS 9.
- iv. We are currently still in the pilot stage of the project and are presently focusing on conducting on-ground training to the field staff and management. Once fully deployed, we will be able to identify potential issues from the system and engage with our suppliers to better understand and resolve the issues. We will take action when suppliers are not willing to take steps to resolve these issues. We have also shared with industry peers on how this hotline system works as part of efforts to facilitate better understanding and improvement in the palm oil industry.

Forced labour and human rights abuses have no place in our supply chain. Our Nestlé Responsible Sourcing Standard outlines mandatory non-negotiable standards as well as important and urgent sustainability practices for all of our suppliers to ensure the sustainable long-term supply of materials and services to Nestlé.

- v. We have had numerous settlement discussions with the debtors and failing amicable settlement, we have issued letters of demand and are pursuing legal action. We are still working on recovery of the trade receivables. To be prudent, these particular trade receivables have been impaired but not written off from the books.

#### Corporate Governance

- i. The Board takes note of Practice 4.5, 4.7, 7.2 and 12.3 of Malaysian Code on Corporate Governance and paragraph 3.2 (c) of Practice Note 9, Main Market Listing Requirements of Bursa Malaysia.

The Board is making its best efforts towards incorporating these practices as soon as practicable. We wish to emphasize that these practices are discussed regularly during the Board meetings and extensive time and consideration are given on their best application, with focus on the interest of the Company and Shareholders.

## **2. Questions received from EPF:**

- i. Succession Planning

Directors' independence is of utmost importance to us in the EPF. We noticed that Dato' Mohd Rafik bin Shah Mohamad and Tan Sri Datuk (Dr.) Rafiah binti Salim's terms are gradually approaching the 12-years limit as stipulated in our annual shareholder letter. On that note, we would appreciate if Nestlé could provide some clarity on its direction for succession planning for its board, as well as board composition (should they subsequently be re-designated to non-independent).

- ii. Sugar Tax

As we approach the revised effective date for the implementation of sugar tax on the 1<sup>st</sup> of July, we would appreciate if Nestlé could share with us the approximate revenue contribution of affected products (in % terms over total revenue), as well as the high-level action plans to address the tax (e.g. reformulation, re-sizing, etc.). Additionally, has Nestlé heard of any indication from the government to expand the scope of sugar tax beyond Ready-To-Drink products?

iii. MILO manufacturing Centre of Excellence

As we will see the establishment of the world's largest MILO Manufacturing Centre of Excellence ("CoE") in Chembong this year, will most of the new capacity be used to service the export markets? Following from that, is our understanding of thinner margins from such market as compared to local sales correct?

iv. Growth Drivers

Based on the annual report, it is a pity that we are unable to tell which categories are the biggest contributors for Nestlé. However, would it be possible to share with us which categories are expected to be the bigger growth drivers for Nestlé in the next 2 – 3 years?

The Company's responses to the questions from EPF were summarised as follows:-

i. Succession Planning

The Company has been working on the succession planning for the Board since the last few years, in line with the best corporate governance practices. This is one of the agenda discussed at the Nomination and Compensation Committee meetings. We have already started identifying potential Independent Director candidates, to be appointed upon the retirement or resignation of any Independent Director.

ii. Sugar Tax

There is no substantial financial impact as only a small selection of products within Nestlé Malaysia's Ready to Drink category will be impacted by the implementation of this tax. We have been reformulating our products over the years and in line with our global commitment to produce healthier and more nutritious products and we remain committed to continue delivering on our commitment to all Malaysians. With regard to financial question, we are not in a position to comment on future plans by the Government.

iii. MILO manufacturing Centre of Excellence

The new capacity will serve the long term growth of the business, by accelerating innovation and renovation opportunities, as well as servicing additional demand both in Malaysia and in other market. By concentrating all activities in one single site we see space to generate efficiencies at different levels that will help to protect current level of margins.

iv. Growth Drivers

We are unable to disclose this information as it is commercially sensitive. We see a broad range of opportunities cutting across categories and retail channels. In general, we see good opportunities across five drivers, i.e. healthier solutions, premiumization, e-Commerce, convenience & On the Go solutions, and making the brands more sustainable.

3. Mr. William Woon, a shareholder, commented that Nestlé was a very well-known and good company and over the years its share price has increased from RM9 to RM147. He then requested as follows:
- i. To reward shareholders with at least half a share to enable shareholders to invest more in the future; and
  - ii. To provide free Nestlé products in Malaysian hospitals.

Tan Sri Chairman replied in the affirmative that the Company had been performing well over the years and added that the Company's share price was only around RM22 when he was initially appointed to the Board and it had since increased to RM147. He noted the requests from Mr. Woon. The Management would also look into his proposal of providing free Nestlé products in Malaysian hospitals. He then thanked Mr. William Woon for his comments and for being a loyal shareholder.

4. Mr. Devanesan Evanson, the Chief Executive Officer and representative of MSWG, commented that it would be good for the Company to read out the questions forwarded to the Company as well as the replies ("MSWG's Q&A") instead of only projecting them on the screen as the reading pace of shareholders differs. He then suggested to pre-record the reading of the MSWG's Q&A, as done by another listed company. The Board noted the suggestion.

He then commended on the good Company performance and the Company's high share price. Given the high price of the Company's shares, to make the shares more affordable, he then requested the Company to consider either a share split or a bonus issue.

Tan Sri Chairman replied that this has been discussed at the Board meetings and the Board was of the view that it was the preference that the Company continues to declare good dividends.

Mr. Juan Aranols added that there was no plan for a bonus issue at the moment or in the near future. However, the topic would be continuously reviewed and discussed at the Board level.



5. Mr. David Poh, a shareholder, requested and asked the following:
- i. To explain on the summons and claims filed by Mad Lab Sdn. Bhd. (“MLSB”) against a subsidiary of the Company (“the Defendant”) in relation to the alleged usage of QR code;
  - ii. To provide more details on Nestlé’s partnership with Starbucks, whether the partnership would impact the Nespresso capsules and when would it be launched.

The Company’s replies were as follows:

- i. Mr. Juan Aranols responded that the Company was of the opinion that they had a strong case to defend the claims by MLSB.

The Company Secretary then informed that the Defendant had filed and served the Statement of Defence on MLSB (“the Defence”) to dispute the claims made by MLSB. Further she added that the Defendant’s solicitors have also provided its opinion that MLSB’s claim for the very high amount was not justifiable and the Defendant has strong grounds of defence.

- ii. Mr. Juan Aranols briefed that the global Nestlé partnership with Starbucks gave the right to Nestlé to commercialise the Starbucks brand in certain categories, including the Nespresso and Dolce Gusto System compatible capsules. He commented that the partnership with Starbucks was expected to have a positive impact on the overall Nestlé coffee business, allowing further growth opportunities. The products under the global partnership would most likely be launched towards the end of the year.

6. Ms. Veiven Goon, a shareholder, raised the following questions:

- i. As the Company was promoting healthier products, it should consider including healthier products in its AGM door gift such as breakfast cereals instead of MAGGI noodles;
- ii. How she could get hold of the recipes/serving suggestions as shown in the presentation slides.

Mr. Juan Aranols replied as follows:

- i. He commented that the Company had put a lot of thought and hard work in preparing the door gift and its intention was for the shareholders to sample the diverse portfolio of Nestlé products, especially the new products. However, the Company would take note of her comments;
- ii. The recipes/serving suggestions could be obtained from the website of MAGGI. He also invited the shareholder to meet one of the Company’s personnel for further information.

7. Ms. Wong Wai Li, a shareholder, raised the following questions:
- i. To explain further on the divestment of the Company's chilled dairy business, were the brands part of the sale and whether the ownership of BLISS brand would be maintained;
  - ii. The percentage of sales derived from e-Commerce sales;
  - iii. Would MILO product be affected by sugar tax and what was the percentage of sugar used in MILO products?

Mr. Juan Aranols replied as follows:

- i. The sale and transfer of the chilled dairy business by Nestlé Products Sdn. Bhd., a subsidiary of the Company was completed on 1 January 2019. Lactalis Trading Malaysia Sdn. Bhd. ("Lactalis") was allowed to continue using the Nestlé brand on the chilled dairy products for a limited period as part of the transitional plan to phase in Lactalis' own brand. The BLISS brand has been sold to the Lactalis group with the divestment of the chilled dairy business.
  - ii. Even though the percentage of the Company's e-Commerce sales was still small in value, it was a growing sales channel with a lot of growth potential.
  - iii. The MILO products was within the sugar threshold of 7g per 100ml for milk based beverages, thus it would not be subjected to the sugar tax. Only a small range of the Company's Ready-To Drink products would be subjected to sugar tax and this would not have a big impact on the Company. The Company would continuously look into reformulating the products to reduce its sugar levels.
8. Ms. Yap, a shareholder, commented and asked the following:
- i. She commented that she was concerned when the Company said that RM100 million impact from the Sugar Tax was small;
  - ii. In economic terms, how much would MILO products be affected by the Sugar Tax?
  - iii. She also commented that earlier, the Company said that MILO contained 7g of sugar. She asked if the level of sugar reduces, how it would affect the taste of MILO.
  - iv. She then enquired about usage of substitute sugar in the products.

Mr. Juan Aranols replied that he was unaware of the basis of the RM100 million quoted by Ms. Yap which was incorrect as based on what he has shared earlier, Sugar Tax would not have a major impact on the Company since MILO products fall within the sugar threshold of 7g per 100 ml, thus would not be subjected to Sugar Tax. Nestlé was constantly working locally and internationally to ensure the consistent taste of MILO products whilst ensuring a nutritious product. He further added that MILO products, being a milk-based beverage also has natural sugar from milk, i.e. lactose.

- END -