

## BOARD CHARTER

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### 1. Introduction

The Board of Directors of Nestlé (Malaysia) Berhad (the “Board”) has adopted this Board Charter (the “Charter”) to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to the principles of good corporate governance, international best practices and applicable laws.

This Charter includes an overview of:

- the Board composition and processes;
- the Board’s roles and responsibilities;
- the authority delegated by the Board to the Board Committees and management; and
- the relationship and interaction between the Board and management.

The Board Charter and the Terms of Reference adopted by the Board for its Board Committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of Nestlé (Malaysia) Berhad (the “Company”), create shareholder value and enhance the confidence of the investment market.

This Charter is to be reviewed annually to ensure that it continues to reflect the requirements of the Company to meet its commitment towards good corporate governance practices and a high performance Board.

### 2. The Board’s Composition, Size and Tenure

- As set out in the Company’s Constitution, unless otherwise determined by the Company at the general meeting, the number of Directors shall not be less than two (2) and not more than eight (8) Directors.
- The Board, together with the Nomination and Compensation Committee, determines the size and composition of the Board, subject to the terms of the Company’s Constitution.
- It is intended that the Board should comprise a majority of Independent Non-Executive Directors and Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds (including gender, ethnicity/cultural background and age).
- As the Company’s senior representatives and voice of influence, all Malaysian Directors shall be locally domiciled in order to be well-engaged and connected with the local community and the relevant Malaysian stakeholders.
- Each Director shall not hold more than five (5) directorships in listed issuers and shall devote sufficient time and effort to carry out the responsibilities and duties as a Director of the Company.



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- The Board, together with the Nomination and Compensation Committee, will review the skills represented by Directors on the Board and determine whether the composition and mix of those skills remain appropriate to the Company's strategy, subject to limits imposed by the Company's Constitution.
- The Board is to be chaired by a Non-Executive Director, appointed by the Board from its members.
- The Chairman of the Board is responsible to ensure effective conduct and performance of the Board and provide leadership to the Board in driving the focus on governance and compliance.
- The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company shall be members of the Board.
- In accordance with the Company's Constitution, an election of Directors is to take place each year at the Annual General Meeting (the "AGM") of the Company where one-third of the Directors for the time being, or, if their number is not three (3) or multiples of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election, provided always that Directors are to retire from office once at least in each three (3) years but shall be eligible for re-election. The Directors to retire are to be those who have been longest in office since their last election.
- Directors who have attained the age of 72 shall retire no later than the AGM subsequent to the Director attaining the age of 72.
- The tenure of an Independent Director is not to exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board as a Non-Independent Director. However, if the Director meets the independence assessment as well as the relevant codes and regulations on independence and retention, and there is strong justification for the Director to continue with his or her tenure, the Board may retain the Independent Director beyond the nine (9) years subject to the approval of the Shareholders at the AGM.

### 3. Independence of Directors

- On an annual basis, the Board reviews the independence of each Independent Director in light of information relevant to this assessment as disclosed by each Independent Director.
- The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence that is set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

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- The Nomination and Compensation Committee shall perform the annual evaluation of the Board's independence.

### 4. The Board's Role and Responsibilities

The Board is the ultimate governance body of the Company. The role of the Board is to provide leadership and approve the strategic direction of the Company in the long term interests of, and to maximise value for the Shareholders, guide and monitor the management of the Company in achieving its strategic plans and desired culture in accordance with the Company's core values, to review, approve and monitor the Company and its subsidiary companies' ("the Group") risk management systems across its businesses, and to oversee overall good governance practice, management and performance of the Group.

The Board has the following responsibilities:

- Promote good corporate governance and compliance culture within the Group, ensuring that a proper structure is in place;
- Provide leadership in ensuring that the Group's business objectives are met;
- Review, challenge and approve the strategic plans of the Group, including addressing the business strategies in ensuring the Group's sustainability and how its long term strategy relates to its ability to create value;
- Approve the management's proposal for the implementation of the strategic plans and to monitor its execution, monitor the management's performance and the exercise of the Board's delegated authority;
- Approve the annual investment budget for the Group;
- Review and evaluate key policies adopted by the Group;
- Oversee the conduct of the Group's business and operations, and evaluate whether its businesses are being properly managed;
- Have an overview of the Group's accounting and financial control principles as well as the principles of financial planning;
- Identify principal business risks faced by the Group, ensure the implementation of appropriate risk management framework and internal control, and the mitigating measures to address such risks;
- Review the adequacy and integrity of the Group's risk management and internal control systems, including but not limited to systems for compliance with applicable laws, regulations, rules, directives and guidelines;

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- Review and set the risk appetite within which the Board expects the management to operate;
- Be updated and advised on related party transactions and conflict of interest issues;
- Approve the appointment of external auditor and review their audit fees;
- Establish Board Committees and be accountable for all decisions made by the Board Committees;
- Review and approve reports, deliberate on all proposals presented and recommended, including those proposed by the Board Committees;
- Review the Board composition and ensure a balanced composition of the Board;
- Review the succession plans and policy on Board diversity, including having in place a process to provide for the orderly succession of the members of the Board and diversity (including skills, experience, gender, ethical/cultural background and age);
- Ensure that all candidates appointed to the Board are of sufficient calibre, with the required qualifications, skills and expertise;
- Evaluate and review, on periodical basis, the Board's performance, core competencies and the effectiveness of the Board as a whole, the Board Committees and the individual Directors to ensure the effective performance of the Board and that it continues to reflect the requirements of the Company in the face of ongoing changes;
- Ensure the independence of the Board, of each Independent Director and ensure that the Board and Directors are not in any position of conflict;
- Ensure that the management has the necessary skills and experience and to review the management development and succession plans for the Senior Management Team of the Group (known as the Nestlé Leadership Team);
- Oversee the development and implementation of an investor relations programme and stakeholder engagement programme;
- Review the updates from the Creating Shared Value ("CSV") Council on the Group's corporate social responsibilities and sustainability initiatives, and to promote such efforts;
- Oversee the preparation of the Annual Report and the general meetings, including the agenda, proposed resolution and the implementation thereon, upon approval from the Shareholders at the AGM;
- Investigate any matters within its roles and responsibilities; and



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- Carry out or perform any such other functions necessary for the discharge of its fiduciary duties under the relevant laws, rules and regulations.

The matters and responsibilities that are reserved for the Board are:

- Review, approve and adopt the Company's strategic plans and annual budgets;
- Declaration of dividends, approval of financial statements, accounts and quarterly reports of the Company;
- Acquisition, divestment or closure of business;
- Establishment of new substantial businesses;
- Significant capital investment and disposal of material assets from the existing business to a third party;
- Increase or reduction of the Company's subsidiary(ies)'s issued capital;
- Any corporate restructuring not listed above; and
- The change of name of any company within the Group and the establishment of any subsidiary company.

### **5. Board and Senior Management Remuneration**

The remuneration of the Directors are generally determined at levels which would attract and retain highly competent Directors with the right attributes, calibre and industry standing. The Board will be guided by the established Remuneration Policy and the recommendation of the Nomination and Compensation Committee. The remuneration and allowances are to be approved by the Shareholders at the Annual General Meeting.

The Board also reviews the remuneration of the CEO, CFO and the Nestlé Leadership Team.

### **6. Separation of Functions between the Chairman and the Chief Executive Officer**

The Chairman and the CEO have separate distinct functions, a clear division of responsibilities, ensuring a clear and proper balance of power and authority to facilitate an accountable and high performing Board. This also ensures that no one has unfettered powers of decision.

The Chairman provides leadership to the Board, instills good corporate governance practices and oversees the Board in the effective discharge of its fiduciary duties. In performing this role, the Chairman shall work closely and facilitate the effective communication with the CEO and the management.

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The key roles and responsibilities of the Chairman are to:

- Guide and mediate the Board's actions with respect to organisational priorities and governance concerns;
- Undertake the primary responsibility for organising the information necessary for the Board to deal with the items on the agenda and for providing this information to the Directors on a timely basis with the assistance of the Company Secretary;
- Ensure that Board meetings are effective, including the setting of its agenda, ensuring that all relevant issues are on the agenda, that all Directors receive timely and relevant information tailored to their needs and that they are properly briefed on issues discussed at the Board meetings;
- Encourage the Directors to actively participate in constructive deliberations and to ensure that the Directors are able to freely express their views;
- Ensure proper flow of information to the Board and alignment of the Board Committees with the Board;
- Be the major point of contact between the Board and the CEO;
- Be kept fully informed of current events by the CEO on all matters which may be of interest to the Directors;
- Regularly review progress on important initiatives and significant issues facing the Group together with the CEO and other relevant members of the management;
- Undertake appropriate public relations activities together with the CEO and ensuring there is effective communication with the Shareholders and other stakeholders; and
- Be the spokesperson for the Company at the ("AGM") and in the reporting of performance and profit figures, together with the CEO.

The Board delegates to the CEO all powers to manage the day-to-day business of the Group to deliver the strategic directions and goals as determined, subject to those powers reserved to the Board and any specific delegations of authority approved by the Board. The CEO is supported by his direct reports, the Nestlé Leadership Team.

The key roles and responsibilities of the CEO are to:

- Manage and administer the day-to-day operations and running of the Group and its businesses in accordance with the shared values, strategy, business plans and policies approved by the Board;

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- Develop strategies for the Group, its businesses and management, and makes recommendations to the Board on such strategies, having regard to the Group's shared values, reputation and key stakeholders;
- Support a culture within the Group that promotes ethical and socially responsible behaviour in accordance with the Group's shared values;
- Develop the Group's annual budget and conduct the Group's activities within the approved annual budget;
- Develop strategies for the Group to maintain a strong balance sheet and sound credit rating;
- With the support of the CFO, develop and maintain the Group's risk management framework and systems, including internal compliance and control mechanisms;
- Management of resources and stakeholder management;
- Assign responsibilities clearly to his direct reports, and supervise and report on their performance to the Board;
- Report regularly to the Board with accurate, timely and clear information, such that the Board is fully informed to discharge its responsibilities effectively; and
- Exercise such additional powers as are delegated to the CEO by the Board from time-to-time.

### **7. Role of the Company Secretary**

The Board is to be supported by a qualified and competent Company Secretary.

The appointment and removal of the Company Secretary is subject to the approval of the Board.

The Company Secretary is accountable to the Board, through the Chairman, on all matters concerning the proper functioning of the Board. The Company Secretary plays an advisory role to the Board in relation to policies, procedures and compliance with the relevant regulatory requirements and guidelines as well as the principles of best corporate governance practices.

Each Director has a right of access to the Company Secretary at all times.

The role of the Company Secretary includes:

- Assisting the Board and the Board Committees on governance matters;
- Monitoring the policy and procedures of the Board and Board Committees;

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- Monitoring compliance, providing and procuring advice on the relevant law and regulations, including the Companies Act 2016, the Listing Requirements, corporate governance practices including the principles and recommendations of the Malaysian Code on Corporate Governance (“MCCG”), providing updates thereof and informing the Board of any departures/breaches and possible violations of legal and regulatory acts;
- Preparing the Board agenda with the Chairman of the Board and CEO, the Board Committee agenda with the Chairmen of the Board Committees, and notifying all Directors of the Board and Board Committee meetings;
- Coordinating the timely completion and circulation of Board and Board Committees’ papers;
- Attending all Board and Board Committee meetings and the AGM, ensuring that all meetings are properly convened, and ensuring that the matters discussed and deliberated at the Board and Board Committees meetings are properly recorded and accurately captured in the minutes. Communicating decisions of the Board and Board Committees to the management for their necessary action, and to follow-up on proposals or matters tabled at the Board or Board Committee meetings;
- Facilitating the training, professional development of the Directors and the induction programme for the new Directors; and
- Ensuring availability of information as required by Directors for the proper discharge of their duties.

### **8. Role of Board Committees**

The Board may from time-to-time, if capable of delegation, delegate any powers to a committee of the Board.

The Board is responsible for approving and reviewing the Terms of Reference and membership of each Board Committee as established by the Board.

The Board has established the following committees to assist in the discharge of its functions and responsibilities:

- Audit Committee; and
- Nomination and Compensation Committee.

The Board Committees have the authority to examine specific issues within their respective Terms of Reference, as approved by the Board and report to the Board with their recommendations. The Board monitors the functions of the Board Committee.

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The Chairman of the Board shall not be the Chairman of the Audit Committees to allow each of the Chairman to provide full commitment and devote adequate time to matters under his responsibility and to exercise independent judgment.

All Directors will be entitled to attend meetings of the Board Committees, receive papers and minutes of Board Committees where there is no conflict of interest.

### **9. Board Meetings**

The Board is to meet at least four (4) times a year, scheduled in every quarter. If required, additional meetings will be scheduled. The quorum for the Board meeting is to be at least five (5) members present in person, by telephone or other means of communication.

The Board will ensure that adequate time is allocated for the Board meeting to ensure due attention is accorded to the matters discussed.

The Chairman of the Board or the Company Secretary on the requisition of a member will at any time summon a meeting of the Board by giving reasonable notice. Annual meeting calendar is set in advance to allow the members to plan ahead for the meetings. The Chairman together with the Company Secretary will set the meeting agenda which will be circulated to the Directors 14 days prior to the meetings. The meeting papers are to be furnished to the Directors at least five (5) business days prior to the meetings, to enable them to prepare for the meetings.

The Chairman of the Board will chair the Board meeting and in his absence, the members present will elect one (1) of the members to be the Chairman for the meeting. The Chairman encourages the Directors to actively participate in constructive and healthy debates and deliberations, and the Directors are able to freely express their views and share information.

The Board may invite other members of the management or independent professional advisors to attend the Board meetings where the Board considers their presence necessary.

Any decision to be taken shall be decided by a majority of votes and in the case of equality, the Chairman shall have a second or a casting vote.

The Board may also deal with matters by way of written resolutions.

Draft minutes of each meeting shall be distributed to all members of the Board. The minutes will then be confirmed at the next Board Meeting.

### **10. Board and Board Committee Evaluation**

On an annual basis, facilitated by the Nomination and Compensation Committee and the Company Secretary, Directors will provide written feedback in relation to the performance of the Board, the Board Committees and the individual Directors against a set of agreed criteria. Each Board Committee will also be required to provide feedback in terms of a review of its own performance.

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Feedback will be collated by the Chairman of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or the Board Committees.

Based on the results of the performance assessment, the Board will identify the necessary training and development needs for the Board, Board Committees and individual Board members.

Where appropriate, assistance may be obtained from professional independent advisors to facilitate the review and evaluation process. It is recommended that a professional independent advisor be appointed at least once every five (5) years to carry out Board interviews as part of the Board and Board Committee Evaluation.

### **11. Access to Information, Advice and Training**

The Board has access to the advice and services of the Company Secretary and the management on matters relating to the Group's interest.

Each member can seek any information that it requires and has full and unrestricted access to information of the Group's businesses.

If required, the Board is entitled to seek independent professional advice on matters in furtherance of the Directors' duties, at the Company's expense. The Company Secretary will facilitate such request, with the permission of the Chairman.

Induction programmes are to be conducted for newly appointed Directors, which includes briefings by the management. All new Directors are required to attend the Mandatory Accreditation Programme.

On an annual basis, all Directors are required to attend internal and external trainings to increase their knowledge on the Group's businesses and operations, the industry which the Group operates and other trainings relevant to their roles and responsibilities as a member of the Board/Board Committees.

### **12. Ethical Standards, Integrity and Legal Duties**

The Directors are to maintain the highest degree of integrity, professionalism and ethical standards at all times, exercise their powers and authority in good faith, in the best interest of the Group and shall act honestly and use reasonable care, skill and diligence.

All Directors are guided by the Nestlé Corporate Business Principles, Nestlé Code of Business Conduct and the Nestlé Anti-Corruption, Gift & Entertainment Guidelines.

The Board will operate in a manner reflecting the shared values of the Group and in accordance with the best corporate governance practices, the Constitution, the Companies Act 2016 and all other applicable laws and regulations.



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Each Director has a fiduciary and statutory duty not to place themselves in a position which gives rise to, or is perceived to give rise to, a real or substantial possibility of conflict, whether it be a conflict of interest or conflict of duties. A Director who has a conflicting interest in a matter involving the Group shall promptly disclose the nature of his interest to the Board. Board members shall abstain from participating in, deliberating and from exercising voting rights in matters for which they have a conflict of interest.

### **13. Confidentiality**

The Directors acknowledge that all proceedings of the Board and the Board Committees, and any information and documents in which they had insight during their tenure of office are strictly confidential and will not be disclosed to any person other than the Board members, except as agreed by the Board or as required by law.

**This Board Charter was reviewed and approved by the Board on 25 February 2020.**