

## **TERMS OF REFERENCE FOR THE GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE**

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The Governance, Nomination and Compensation Committee (the “Committee”) is a committee of the Board of Directors of Nestlé (Malaysia) Berhad (the “Board”).

### **KEY OBJECTIVES**

The main objectives of the Committee are as follows:

1. To assess the effectiveness of the governance structure, framework and policies and ensure they meet the requirements, purpose and values of Nestlé (Malaysia) Berhad (the “Company”) and its subsidiary companies (the “Group”).
2. To ensure that the Board and the Group are in compliance with their respective legal and fiduciary duties.
3. To promote good corporate governance within the Board and the Group, and to reinforce professional, ethical behavior and a compliance culture.
4. To ensure that the Board comprises of individuals with the necessary skills, knowledge and experience for the effective discharge of its responsibilities and to have an oversight of all matters relating to corporate governance; and
5. To assess and make recommendations to the Board on the policies for compensation of the members of the Board, the Senior Management and employees of the Group.

### **COMPOSITION**

1. The members of the Committee shall be appointed by the Board from amongst its Directors. The Committee shall comprise of at least three (3) members, exclusively of Non-Executive Directors, with a majority of them being Independent Directors. Each member shall devote sufficient time to carry out the responsibilities and duties as a member of the Committee.
2. The Committee shall be chaired by an experienced Non-Executive Director who shall be responsible for the efficient conduct of the meetings and the affairs of the Committee.
3. The quorum for the Committee meeting shall be at least two (2) members present at the meeting, one of whom must be an Independent Director.
4. The Company Secretary of the Company acts as the Secretary of the Committee.

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### **FUNCTIONS & RESPONSIBILITIES OF THE COMMITTEE**

#### **Governance**

The principal responsibilities of the Committee with regard to the governance functions are as follows:-

1. Oversee all matters relating to corporate governance, including ensuring that the Board and the Group have in place good corporate governance practices and a robust compliance and integrity framework;
2. Reinforce the Group's stand against bribery and corruption and oversee the Group's anti-corruption commitment, including ensuring adequate procedures are in place in line with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009;
3. Review the application of the practices under the Malaysian Code on Corporate Governance; and
4. Review any gaps under the Malaysian Code on Corporate Governance, and the action plans to remedy the gaps, if any.

#### **Nomination**

The principle responsibilities of the Committee with regard to the nomination functions are as follows:-

1. Review the size, structure, balance and composition of the Board and the Board Committees;
2. Evaluate the required mix of skills, experience, core competencies, diversity of the Board (including gender, ethnicity/cultural background and age) and the Board Committees;
3. Undertake annual overall Board and Board Committees assessments, individual Director evaluations, Board Skills Matrix, independence assessment of Independent Directors and time commitment of each Director, for the effective and efficient functioning of the Board and the Board Committees;
4. Undertake gap assessments and develop a Board Improvement Program based on the assessment and evaluation of the Board, Board Committees, individual Directors and the Board Skills Matrix;

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5. Review the tenure of each Non-Executive Director;
6. Review the retirement of Directors, Directors eligible for re-election and the retention of Directors who have served beyond nine (9) years as Independent Directors, and to assess their eligibility for re-election or retention prior to recommending to the Board the Directors for re-election or retention;
7. Review the Board succession plan;
8. Identify and recommend suitably qualified candidates for appointment to the Board in terms of appropriate balance of skills, experience, attributes and core competencies, taking into consideration not only the diversity (including gender, ethnicity/cultural background and age) but also the character, calibre, expertise, integrity, core competencies and time commitment of the candidates;
9. Ensure new Directors undergo a proper induction programme, review the trainings attended by the Directors, continuously evaluate the training needs for individual Directors and facilitate the required training programmes for the Directors;
10. Review the diversity, management development, succession plans and movement of the Senior Management Team; and
11. Review the attraction and retention strategy of talents.

### **Compensation**

The principle responsibilities of the Committee with regard to the compensation functions are as follows:-

1. Ensure that the compensation package of the members of the Board and employees of the Group are benchmarked against industry standards in light of the Group's performance in the industry and to ensure market competitiveness in order to attract and retain talents;
2. Determine the Group's compensation philosophy and principles to ensure that they are in line with the business strategy, objectives, values and long term interests of the Group and comply with all regulatory requirements;
3. Review the Group's compensation practices in relation to the risk environment and ensure that compensation does not encourage excessive risk-taking and is determined within the Group's risk management and control framework, taking into account the long-term interests of shareholders, fund investors and other stakeholders;

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4. Review and approve the management's proposal for the annual salary increase package for the employees as recommended by the Group Human Resource Department for subsequent approval by the Board;
5. Review and recommend to the Board on the compensation of the Non-Executive Directors, by taking into account the level of expertise, commitment and responsibilities undertaken;
6. Review the individual compensation packages of the Executive Directors and the Senior Management Team; and
7. Review the report on the compensation to be disclosed in the Annual Report, in line with applicable legal and regulatory disclosure requirements.

### **AUTHORITY**

As it deems appropriate, the Committee may also engage independent professional advisors or service providers to carry out certain delegated functions and responsibilities, including but not limited to compensation consultants, and shall be directly responsible for the appointment, termination, compensation and oversight of the work of any such advisors engaged by the Committee.

### **COMMITTEE MEETING**

1. The Committee shall meet as required, at least two (2) times a year.
2. The Committee shall ensure that adequate time is allocated for the Committee meeting to ensure due attention is accorded on the governance, nomination and compensation matters discussed.
3. The Chairman of the Committee or the Company Secretary, on the requisition of a member shall at any time summon a meeting of the Committee 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 shall set the meeting agenda which shall be circulated to the members of the Committee 14 days prior to the meetings. The meeting papers shall be furnished at least five (5) business days prior to the meetings, to enable the members of the Committee to prepare for the meetings.
4. The Chairman of the Committee shall chair the Committee meetings and in his absence, the members present will elect one (1) of the members to be Chairman of the meeting.



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5. The Chairman encourages the members to actively participate in constructive and healthy debates and deliberations, and the members are able to freely express their views and share information.
6. Any member who has a direct or deemed interest in the subject matter deliberated upon shall declare his or her interest in advance and shall abstain from the deliberations and the voting.
7. The Committee may invite other members of the management or independent professional advisors to attend the Committee meetings where the Committee considers their presence necessary.
8. Any decision to be taken shall be decided by a majority of votes and in the case of equality, the Chairman of the meeting shall have a second or a casting vote.
9. The Committee may also deal with matters by way of written resolutions.
10. All reports, recommendations and findings of the Committee shall be submitted/presented by the Chairman to the Board for notation and approval, if required.
11. Draft minutes of each meeting shall be distributed to all members of the Committee. The minutes shall then be confirmed at the next Committee meeting and the confirmed minutes will be tabled at the Board meeting for notation.

### **DISCLOSURE**

The Committee shall assist the Board in making the required disclosure concerning the activities of the Committee for inclusion in the Annual Report.

### **REVIEW OF TERMS OF REFERENCE**

This Terms of Reference will be periodically reviewed to ensure that it continues to reflect the requirements of the Company to meet its commitments towards good corporate governance practices.

**This Terms of Reference was reviewed by the Committee on 15 February 2021  
and approved by the Board on 23 February 2021.**