

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4707  
**COMPANY NAME** : NESTLÉ (MALAYSIA) BERHAD  
**FINANCIAL YEAR** : December 31, 2021

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors (Board) in discharging its responsibilities in overseeing the overall management of Nestlé (Malaysia) Berhad (Company) has, during the year under review, undertaken the following:</p> <p><b>Ensure that the Company's strategic plans support its long-term value creation and includes strategies on the economic, environmental and social considerations underpinning sustainability;</b></p> <p>Good governance emanates from an effective and accountable board. The Board directly, and indirectly through its Board Committees, leads and provides direction to the Management to ensure that the Company's strategic plans support its long-term value creation and includes strategies on the economic, environmental and social considerations underpinning sustainability. It monitors the Company's operational and financial performance, reviews the Company's compensation policies and succession planning, and ensures that effective good governance, sustainability practices, sound internal control and risk management systems are in place. The Company's sustainability goals and journey can be found in the Company's Nestlé in Society 2021 Report.</p> <p><b>Review, challenge and decide on Management's proposals for the Company and monitor its implementation by Management;</b></p> <p>For effective oversight and leadership, the Board regularly reviews the reports and presentations from the Chief Executive Officer (CEO) and the Management on the progress of the approved strategies, plans and budgets. The Board also receives reports, updates and recommendations from the Board Committees and the Management on the governance, business performance and development of the Company.</p>

**Supervise and assess Management performance to determine whether the business is being properly managed;**

Day-to-day operation of the businesses of the Company is delegated to the CEO who is supported by the Executive Leadership Team and the Nestlé Leadership Team. The Board not only oversees the conduct of the Company's business and operations, it also evaluates and ensures that its businesses are being properly managed to ensure the performance of the Company, as measured against the corporate goals and targets are met.

**Ensure there is a sound framework for internal controls and risk management;**

The Board and the Management are responsible and accountable for the establishment of the Company's system of risk management and internal control.

There is in place an effective and efficient internal control system which enables the Company to respond appropriately to significant business, operational, financial, compliance and other risks in achieving its objectives. This includes the safeguard of assets from inappropriate use or from loss and fraud, and ensuring that risks and liabilities are identified and managed. Furthermore, it helps to safeguard the quality of internal and external reporting within the Company and its subsidiaries (the Group) and the compliance with applicable laws and regulations, as well as internal policies with respect to the conduct of business of the Company.

The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems. Specifically, the Audit Committee assists the Board to oversee the following processes:

- i oversee the formulation of the Group's overall Enterprise Risk Management framework and strategies, including policies, procedures, systems, capability and parameters to identify, assess and manage risks, including any new or emerging trends of threats to ensure their relevance and appropriateness to the Group's position and business;
- ii periodic reviews of the principal business risks and control measures to mitigate or reduce such risks; the strengths and weaknesses of the overall internal control system and action plans to address the weaknesses or to improve the assessment process;
- iii monitors the Group's internal control through the internal audit function known as the Nestlé Internal Audit (NIA) which is responsible for reviewing major operational, financial, compliance and risk management controls of the Group on a continuous basis;

	<ul style="list-style-type: none"> <li>iv periodic reviews of the internal audit findings reported by NIA, including action plans to address any identified control weaknesses and implementation of recommendations;</li> <li>v reports issued by external auditors of any control issues identified in the course of their audit related and non-audit related work, and discussions with the external auditors on the scope of their respective reviews and findings; and</li> <li>vi review any matters arising from the Group's anti-corruption policies and procedures, review any allegations or incidents of anti-corruption matters within the Group and review reports from Risk Management &amp; Control, NIA and the Market Compliance Officer, in order to ensure adequate procedures are put in place.</li> </ul> <p>The Audit Committee will then update the Board on the issues raised at the quarterly Audit Committee meetings.</p> <p><b>Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;</b></p> <p>The Board acknowledges that the link between risk, internal controls, strategy and value is critical. This link is formalised through an alignment of the Company's strategy, risk and internal processes, which supports fulfilment of the Company's strategic priorities, thereby delivering value for its stakeholders.</p> <p>It sets the risks appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks. The Board and Management fully support the contents of the Statement on Risk Management and Internal Control. The Board and the Management have ensured that there are risk management guidelines, control measures and processes throughout the Group.</p> <p>The Company has in place its Enterprise Risk Management Framework and risk management practices are inculcated and entrenched in the activities of the Group, which requires, amongst others, establishing risk tolerance thresholds to actively identify, assess and monitor key business risks faced by the Group.</p> <p>The risk management principles, policies, procedures and practices are periodically reviewed, and the risks identified under the Enterprise Risk Management Framework, the mitigating measures, its implementation and updates are presented and deliberated at the Audit Committee and Board meetings.</p>
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**Ensure the Company has in place procedures to enable effective communication with stakeholders;**

The Board gives high priority to maintaining balanced, clear and transparent communications with the shareholders and other investors to facilitate their understanding of the Group's performance and prospects as well as the market environment in which it operates. The Company has a sound Investor Relations programme led by the Chief Financial Officer (CFO) which reaches out to the investing community and other stakeholders through continuous engagement and through the maintenance of a comprehensive, informative website which is investor focused and feedback driven.

The Company also maintains continuous engagements with other stakeholders, the full details are available on pages 12 to 13 of the Company's Nestlé in Society Report 2021.

**Ensure that the Senior Management Team (the Nestlé Leadership Team) has the necessary skills and experience and there are measures in place to provide for the orderly succession of the Senior Management Team;**

The Board recognises the importance of ensuring proper succession for the Senior Management Team and identifying leaders with appropriate skills and experience to support delivery of the Company's strategic initiatives. Succession planning for the Senior Management Team is considered by the Board through the Governance, Nomination and Compensation Committee (GNCC) which reviews the succession plans of both the Board and the Senior Management Team, and benchmarks their review of compensation and hiring based on competitive industry practices and through meritocracy.

The Board ensures that the Senior Management Team has the necessary skills and experience, and that there are measures in place to provide for the orderly succession of the Senior Management Team.

**Ensure the integrity of the Company's financial and non-financial reporting;**

The Board, which is responsible for overseeing the preparation of annual financial statements, receives quarterly management accounts and updates on the Company's performance, financial position and prospects. The Board is assisted by the Audit Committee in overseeing the Company's financial reporting processes and the quality of the financial reporting.

In preparing the financial statements for the financial year ended 31 December 2021, the Board adopted appropriate accounting policies consistently, made prudent and reasonable judgements and estimates, and ensured that the financial statements were prepared on a going concern basis and show a true and fair view of the consolidated financial position of the Company as at 31 December 2021 and of the

	<p>Company's consolidated financial performance and cash flows for the year.</p> <p>From a sustainability perspective, under the Nestlé S.A. Global governance structure, the Nestlé Group Creating Shared Value (CSV) strategy and initiatives are supervised and managed by key internal stakeholders, namely the Nestlé's Global leadership team, the Nestlé S.A. Board of Directors, Chairman, Chief Executive Officer (Group CEO) and the Executive Board of Nestlé S.A. They are supported by internal management bodies such as the Nestlé S.A. CSV Council, as well as relevant Committees to drive Nestlé's ambitions and commitments.</p> <p>Locally, at Nestlé Malaysia, the CSV strategy implementation is led by its Group Corporate Affairs Department, ensures that CSV and sustainability issues are taken into account across all product categories and brand operations. Meetings with the Board are held twice yearly whereby the Executive Director, Group Corporate Affairs shares updates and progress on all matters relevant to CSV, including sustainability.</p> <p><b>Together with the Senior Management Team, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;</b></p> <p>Good governance is intrinsic to promoting ethical, prudent and professional behaviour. The Board along with the GNCC and the Senior Management Team continues to promote good corporate governance culture, whereby the Company has in place policies and procedures which promote a culture of good governance and ethical, prudent and professional behaviour. Such policies include the Nestlé Corporate Business Principles, Nestlé Code of Business Conduct, Nestlé Management and Leadership Principles and Nestlé Malaysia Anti-Corruption, Gifts and Entertainment Guidelines, which outline the conduct and responsibilities of the Directors and employees. All Directors and employees of the Group also sign an Integrity Pledge declaration.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman's main role and responsibility is to ensure effective conduct and performance of the Board and provide leadership to the Board in driving the focus on corporate governance and compliance, through the execution of the following:</p> <ul style="list-style-type: none"><li>• Leads the Board in establishing and monitoring good corporate governance practices.</li><li>• Guides and mediates the Board's actions with respect to organisational priorities and governance concerns.</li><li>• Undertakes 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.</li><li>• Ensures that Board meetings are effective, including setting and ensuring that all relevant issues are on the agenda, ensuring that the agenda and all relevant information is timely received by all Directors and that the Directors are properly briefed on issues discussed at the Board meetings.</li><li>• Encourage the Directors to actively participate in constructive deliberations, ensures that the Directors are freely able to express their views and able to include diverse opinions and views in the Board deliberations.</li><li>• Be the major point of contact between the Board and CEO, working closely with the CEO, and facilitating effective communication with the CEO and the Board.</li><li>• Be kept fully informed of current events by the CEO on all matters which may be of interest to the Directors.</li><li>• Regularly reviews progress on important initiatives and significant issues facing the Company together with the CEO and other relevant members of the Management.</li></ul>

	<ul style="list-style-type: none"> <li>• Undertakes appropriate public relations activities together with the CEO and ensuring that there is effective communication with the shareholders and other stakeholders.</li> <li>• Be the spokesperson for the Company at the Annual General Meeting (AGM) and in the reporting of performance and profit figures, together with the CEO.</li> </ul> <p>The 2021 Board Effectiveness Evaluation (BEE) concluded that the Chairman displayed strong leadership and was able to foster healthy and productive discussion. Board meetings were conducted professionally, opposing views were able to be heard, debated, recorded, as well as ensuring independent views, balance and objectivity.</p> <p>The key roles and responsibilities of the Chairman can be found in the Board Charter.</p> <p><i>The Board Charter is available on the Company's corporate website at: <a href="https://www.nestle.com.my/aboutus/investors/corporate_governance">https://www.nestle.com.my/aboutus/investors/corporate_governance</a></i></p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	



**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board and the CEO have separate distinct functions and responsibilities and are held by different individuals.</p> <p>This division ensures that there is a clear and proper balance of power and authority to facilitate an accountable and high performing Board and to ensure that no one has unfettered powers of decision. The Chairman of the Board has never assumed any executive position in the Company.</p> <p>The separate distinct functions and responsibilities of the Board and the CEO are also reflected in the Board Charter.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
<b>Application</b>	: Departure
<b>Explanation on application of the practice</b>	:
<b>Explanation for departure</b>	: <p>Our governance structure ensures that the right people have access to the right information, with roles and responsibilities clearly defined in our Board Charter and the Terms of Reference of the Committees. Delegated authorities throughout our Group enable effective decision making at appropriate levels. During the year, the GNCC reviewed the broader composition and balance of the Board and its Committees, their alignment with the Company's strategic objectives, and the need for progressive refreshing of the Board. The development and execution of our long-term strategic objectives, embedding of our culture and values, and promotion of the interests of our stakeholders are all dependent upon effective leadership at both Board and Committee Levels. It is with this in mind and after having assessed the contributions of our Chairman, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, it was satisfied that he continues to place objectivity to the decision-making process. His experience, knowledge and contributions are a tremendous asset to Group in providing oversight to the Group's strategic progress.</p> <p>As an alternative practice, all members of the Audit Committee and GNCC are Non-Executive Directors with a majority of Independent Directors, bringing balance to the Audit Committee and GNCC which allows robust discussions and constructive assessments on policies and procedures.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	: This will be taken into account when planning for the succession of the Board Chairman.
<b>Timeframe</b>	: Within 3 years

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary is a person qualified to act as a company secretary under Section 235(2) of the Companies Act 2016 and was issued with a practising certificate by the Registrar of Companies under Section 241 of the Companies Act 2016. She holds a Bachelor of Laws (Hons) from the University of Nottingham, United Kingdom and was admitted as a Barrister-at-Law of the Honourable Society of Lincoln's Inn, London. She has also been called to the Malaysian Bar and is a Member of the Malaysian Association of Company Secretaries.</p> <p>The Company Secretary supports and works closely with the Chairman of the Board, the CEO and the respective Chairmen of the Board Committees in setting agenda items for meetings of the Board and the Board Committees. She manages the AGM, the Board and Committee meeting arrangements and logistics, attends the meetings and facilitates the Board communications. She is also the focal point for stakeholder's communication and engagement on corporate governance issues.</p> <p>The Company Secretary advises the Board on its roles and responsibilities, is responsible to the Board for ensuring applicable rules and regulations are complied with, Board procedures are followed, good corporate governance practices are adopted and that the Board is advised on governance and relevant regulatory matters.</p> <p>Pursuant to the Malaysian Code on Corporate Governance (MCCG) issued by the Securities Commission Malaysia on 28 April 2021, the Company Secretary conducted a gap analysis of the internal practices against the best practices and guidance in the revised MCCG. The preliminary gap analysis report was presented to the Board for its consideration and discussion on the way forward.</p> <p>In addition, the Company Secretary supports the Chairman in facilitating the trainings for the Directors and the design and delivery of the induction programme which includes series of meetings with the Heads of Business Units and Functions for the newly appointed Directors to familiarise them with the Company's business and operations. All Directors have access to the services of the Company Secretary.</p>

The Company Secretary has undertaken continuous professional development by attending the following trainings relevant to her role as a Company Secretary and as a member of the Executive Leadership Team:

- Fundamentals of Board Governance (*MACS*)
- Malaysian Code on Corporate Governance Revision 2021 : The Evolving Role of Company Secretaries (*ICDM*)
- SC's Guidelines on Conduct of Directors of Listed Corporation and their subsidiaries (*Tricor*)
- Training on Recurrent Related Party Transactions (*Tricor*)
- Corporate Governance Revisited : The co-existence of Ethics & Law sets you F.R.E.E Malaysian Alliance of Corporate Directors (*MACD*)
- Beneficial Ownership & Voluntary Winding of LLP (*MACS*)
- Anti-Money Laundering Regime: Director and Company Secretary's Reporting Obligations (*MACS*)
- Some New Challenges and Changes in the Employment and Labour Landscape (*MACS*)
- LeadWomen WEPs Awareness Training (*LeadWomen*)
- Company Secretary as Governance Professional (*MAICSA*)
- Cyber Securities Landscape in Nestlé
- Overview on Human Resources
- Overview on Company's Strategy
- Overview on Sales and Business Strategy
- Overview on First Party Data Strategy
- Malaysia Food Regulatory & Nutrition Health Wellness Landscape
- Social Media Listening
- Overview of Plant Based Meal Solution
- Overview on Creating Shared Value
- Nestlé Global Anti-trust eLearning
- Nestlé Data Privacy
- Sexual Harassment Prevention
- Compliance: A Leadership Responsibility
- Sustainable Packaging Fundamentals
- Diversity and Inclusion at Nestlé
- Creating Shared Value
- Nestlé e-Business Academy Certificate

Following the 2021 BEE, the Board of Directors was satisfied with the level of secretarial support by the Company Secretary. The evaluation observed that meeting agendas were well arranged, Board and its Committee papers were in-depth and circulated in advance, and minutes of meetings were detailed, accurately recording Board deliberations on issues raised and dissenting remarks and challenge points to the Management.

The role of the Company Secretary has also been clearly defined in the Board Charter.

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.6

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the Directors' planning, an annual meeting calendar is prepared and circulated to the Directors in advance before the beginning of each new financial year for the Directors to block their dates accordingly.</p> <p>At least 14 days prior to each Board and Board Committee meetings, a notice and the structured agenda, as approved by the respective Chairman of the Board or the Board Committees, will be issued by the Company Secretary to the respective members and attendees. The Board and Board Committee papers, including presentations and reading materials are generally circulated to all Directors in advance, at least five business days prior to each Board or Board Committee meetings for the Directors to have a clear and adequate understanding of the subject matters and be prepared to deal with matters at each Board and Board Committee meetings. This also enables the Board and Board Committees to discharge their duties and make effective decisions. The Board firmly believes that effective deliberation and its decision-making process is highly dependent on the quality of information furnished by the Management as well as the timely circulation and provision of all materials by the Management to the relevant attending members. In the event of any urgent matters or when additional papers are circulated less than five business days, the Management will take the Board through the documents for a more detailed explanation.</p> <p>The Chairman is responsible for ensuring that all Directors receive and are properly briefed on issues arising at Board meetings and that they have full and timely access to all relevant information.</p> <p>The deliberations and decisions of the Board and Board Committees are properly documented in the minutes and the draft minutes are circulated to all the Directors/members of the Board Committees. The Company Secretary would also notify and follow-up with the Management of any appropriate actions to be taken or further updates to be provided to the Board. The updates and action plans for the items identified as matters arising would be further discussed at the next Board/Board Committee meetings.</p>

	<p>In addition to the Board meetings, the Board is informed or updated, on important issues and major development of matters including those discussed in the Board meetings, by the Management and the Company Secretary. Briefings may be arranged to discuss important issues.</p> <p>As part of the Board’s initiative to promote efficiencies and environmental sustainability, as much as possible, the Board has adopted paperless meetings through the usage of technology and electronic devices which allows immediate access to the materials.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

### Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Board Charter, which defines the Board's authority and power and provides guidance to the Board on the fulfilment of its roles, duties and responsibilities. The Board Charter is to promote high standards of corporate governance, ethical behaviour and compliance culture, and is designed to provide guidance and clarity to the Directors and the Management with regard to the respective roles and responsibilities, and the Board's reserved matters and responsibilities.</p> <p>The Board Charter also outlines among others, the Board composition, Board's roles and responsibilities, separation of functions between the Chairman and the CEO, Board operating practices, Board evaluation, Board access to information, advice and training, and the ethical standards, integrity, legal duties and confidentiality expected from the Directors.</p> <p>The Board has also created separate Board Committees with clear Terms of Reference to enable the Board to discharge its duties and responsibilities properly and to fulfil its decision-making process more effectively. The Board plays a pivotal role in strategy planning and establishing benchmarks to measure the Group's strategic objectives. The Executive Directors implement strategies and operational decisions, and the Non-Executive Directors provide an independent perspective and complement the skills and experience of the Executive Directors. They assess strategy and performance, internal control and risk management, governance and sustainability efforts of the Group.</p> <p>The Board Charter is annually reviewed. In conjunction with the revised MCCG 2021, the Board has reviewed the Board Charter on 22 February 2022 and approved various changes made to the Board Charter to incorporate the applicable practices and guidance.</p> <p><i>The Board Charter is available on the Company's corporate website at: <a href="https://www.nestle.com.my/aboutus/investors/corporate_governance">https://www.nestle.com.my/aboutus/investors/corporate_governance</a></i></p>



<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>It is a fundamental policy of the Company to conduct its business with honesty, integrity and in accordance with the highest legal and ethical standards.</p> <p>The Board together with the Senior Management Team, sets the tone and standards of integrity and compliance within the Company.</p> <p>In discharging its responsibilities, the Board is guided by the code of conduct and principles contained in the following internal policies/guidelines:</p> <p><b>Nestlé Corporate Business Principles (NCBP)</b></p> <p>The NCBP provides the governing framework of the Company and sets out the ethical framework to guide the actions and behaviours of all employees and Directors in ensuring integrity of action and compliance with laws, regulations and their own commitments. The NCBP also ensures that the Company conducts business sustainably, in a way that creates shared value and in an ethical and principles-based manner in every situation.</p> <p>In July 2020, the NCBP has been updated to ensure its relevance in keeping-up with the cultural and social changes without compromising on the core values and principles of the NCBP. These changes include updates on the Company's sustainability, human rights, diversity and inclusion, transparency and open communication.</p> <p>As a whole, the NCBP focuses on principles surrounding our employees, consumers, customers, suppliers, shareholders and wider society:</p> <ul style="list-style-type: none"><li>• <b>Consumers</b> : emphasising nutrition, health and wellness, quality assurance and product safety as well as responsible and reliable consumer communication.</li><li>• <b>Our people</b> : emphasising human rights, diversity and inclusion as well as safety and health at work.</li></ul>

- **Value Chain** : emphasising responsible sourcing, honesty, integrity and fairness to our customers and business partners, and commitment to environmental sustainability.
- **Business Integrity** : emphasising ethics, privacy and ethical data management.
- **Transparent interaction and communication** : emphasising transparent internal interaction and communication, and responsible external engagement and advocacy.
- **Compliance** : emphasising a “doing the right thing for the right reason” mindset, a robust compliance assessment, communications and training program, and accessible grievance reporting mechanisms for both internal and external stakeholders.

#### **Nestlé Code of Business Conduct (NCBC)**

The NCBC outlines the conduct and responsibilities of the Board and all employees. The Directors and all employees have a duty to declare immediately should they be interested in any transaction to be entered into directly or indirectly with the Company or any of its subsidiaries.

The provisions in the NCBC covers amongst others, compliance with laws, rules and regulations, conflicts of interest management and prevention, timely declaration of interests in competing businesses, prohibition against use of inside information, corporate opportunities, insider trading, whistleblowing, prohibition on corrupt activities and the need to protect and ensure the proper and efficient use of the Group’s assets.

The NCBC is premised on the following three basic principles:-

- Avoidance of any conduct that could damage or create risk to the Company or its reputation;
- Legal compliance and honesty, to place the Company’s interests ahead of personal or other interests; and
- Guidance on how the Directors and employees should behave.

#### **Nestlé Malaysia Anti-Corruption, Gifts and Entertainment Guidelines (Guidelines)**

The Group launched the Nestlé Malaysia Anti-Corruption, Gifts and Entertainment Guidelines in 2016. The objective of the Guidelines is to capture specific limits on gifts, entertainment and procedures on other high-risk areas. The Guidelines is periodically reviewed.

In 2021, to strengthen internal processes to deter corruption, the Guidelines were updated particularly in the areas of sponsorships and dealings with government officials.

All Directors and employees have signed an Integrity Pledge declaration of their commitment to uphold integrity in all business dealings and to

	<p>comply with the Guidelines. Periodical trainings are also conducted on the above Policies and Guidelines.</p> <p><i>The Nestlé Corporate Business Principles, Nestlé Code of Business Conduct and the Nestlé Malaysia Anti-Corruption, Gifts and Entertainment Guidelines (for Customers and Suppliers) are available on the Company's corporate website at:  <a href="https://www.nestle.com.my/aboutus/business-principles">https://www.nestle.com.my/aboutus/business-principles</a>; and  <a href="https://www.nestle.com.my/aboutus/nestle_in_malaysia/anti-corruption-gifts-entertainment-guidelines">https://www.nestle.com.my/aboutus/nestle_in_malaysia/anti-corruption-gifts-entertainment-guidelines</a></i></p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Whistleblowing System</b></p> <p>Professionalism, honesty and integrity are core to the Company's business. The Company is committed to identifying and responding to reportable conduct, and fostering a culture of continuous improvement.</p> <p>It is also a core principle of the NCBP that the internal and external Nestlé grievance mechanisms are made widely accessible to both our employees and external stakeholders. This is to facilitate and allow the raising of any potential instances of non-compliance. All concerns raised are investigated and any retaliation against any employee made in good faith is prohibited.</p> <p>This principle is echoed in the NCBC which provides for a system to enable reporting of illegal or unacceptable behaviour and/or non-compliant conduct. The Board acknowledges that misconduct such as violation of laws, rules, regulations, production fault, fraud, health and safety violations or corruption are usually known first by the people who work in or with the Group. An early warning system such as a whistleblowing system and procedure can help the Company detect wrongdoings and alert the Company to take corrective actions before any problem becomes a crisis.</p> <p>A whistleblowing system strengthens and supports good management and at the same time demonstrates accountability, provides good risk management and sound corporate governance practices. The Company believes that having a whistleblowing system in place increases investors' confidence in the Company.</p> <p>Employees are strongly encouraged to speak up and raise any compliance violations, suspicions of wrongdoing, malpractice or impropriety by bringing up these issues with their line managers or through the internal whistleblowing procedures, also known as Speak Up. The internal whistleblowing procedures are an integral part of a comprehensive framework which outlines when, how and to whom a concern may be properly raised, and allows the whistleblower the opportunity to raise a concern outside his or her management line.</p>

	<p>The Company has adopted the following principles in relation to its whistleblowing system:</p> <ul style="list-style-type: none"> <li>• The identity of the whistleblower is safeguarded at all times. Whistleblowers who act honestly, reasonably and in good faith with genuine belief about the reportable conduct, will be supported and protected from coercion, retaliation or reprisals that stem from making a disclosure.</li> <li>• Investigations will be conducted in an objective, independent and confidential manner. Appropriate corrective action will be taken as warranted by the investigation.</li> <li>• The Company will not take any disciplinary action against a whistleblower where a disclosure cannot be substantiated or is found to be untrue, when such disclosure was made with a genuine or reasonable belief regarding the reportable conduct.</li> </ul> <p>For this purpose, the Speak Up hotline is managed by an independent third party to respect anonymity and protect a whistleblower.</p> <p>Additionally, the Company makes available a whistleblowing avenue to any third parties, including its service providers through the same whistleblowing system, Speak Up. Third parties may find the contact details for Speak Up on the Company’s corporate website. The Company also actively informs third parties, its customers, suppliers and service providers of the Speak Up contact details through annual email communication.</p> <p>A Business Ethics &amp; Fraud Committee (BEFC) set up by the Management is in place to review all complaints and/or allegations lodged via the Speak Up system, or any other avenues (e.g. phone, letter, email). The BEFC, chaired by the CEO and consisting of a few members of the Executive Leadership Team and the Legal &amp; Compliance Counsel, ensures an investigation is conducted in an objective, independent and confidential manner. The BEFC has formal scheduled meetings three to four times a year and as and when required, discussions are held to review the individual allegations of non-compliance matters. It held three formal meetings in 2021. It reviews the investigation report and decides on the next steps including appropriate corrective actions as warranted based on the investigation outcome and nature of the violation. Reports and updates are presented and discussed at the Audit Committee meetings prior to it being presented to the Board.</p> <p>In 2021, six non-compliance complaints were received via the whistleblowing system, all of which have been duly investigated and actions have been taken, when necessary.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's long-term success depends on creating shared value for both its shareholders and society. The Company believe that if the Company wants to be successful in the long term, it must be committed to creating shared value and continue to implement sustainability initiatives to create a positive impact to individuals and families, the communities and for the planet. As the Company tackles the global impacts of climate change, a global pandemic and economic downturn, the need to deliver solutions that meet people's needs, address society's challenges and generate economic value has never been more important. The Creating Shared Value (CSV) framework is at the very heart of Nestlé – shaping the foundation of how we do business, as well as how the Company impact the world as a force for good. CSV is embedded in the overall Nestlé culture and the principles that we live by, defining our vision for a sustainable future for all, and allowing us to consistently enhance value for the Company's shareholders, stakeholders and society as a whole. This is how the Company bring its purpose to life – unlocking the power of food to enhance quality of life for everyone, today and for generations to come.</p> <p>The Company has been investing in new technologies and been making fundamental changes to the way it operates. It has been accelerating its work in multiple areas to drive carbon and plastic neutrality and also exploring regenerative agriculture across the supply chain through engagements with farmers and suppliers.</p> <p>The Board plays a crucial role in guiding and ensuring the success of the Group based on these principles. It oversees all aspects of the Group's Environmental, Social and Governance (ESG) performance. It reviews updates, reports and gives advice on measures which ensure the long-term sustainability of the Group in its economic, social and environmental dimension and have an overview of the Group's progress and performance. The Board reviews the Group's commitments on environmental, social and governance aspects as well</p>



as the annual Nestlé in Society Report and discusses periodically how other material non-financial issues affect the Company's financial performance and how its long-term strategy relates to its ability to create shared value. It oversees the response to climate change and related reporting, oversees the Group's human capital management at Board level, including its strategies for diversity and inclusion and periodically reviews the Group's significant stakeholders and their material interests.

The Group's CSV strategy is led by the Group Corporate Affairs Department, which oversees CSV and sustainability efforts with the supervision of the CEO, as well as strategic guidance provided by its Board of Directors. The Executive Director of Group Corporate Affairs, Dato' Adnan Pawanteh is the designated person responsible for managing the Company's CSV strategy and sustainability initiatives.

Further to this, the Group's Board of Directors provide counsel on strategic alignment of the Group's CSV strategy and sustainability initiatives, long-term business goals as well as reviews progress on initiatives against commitments. These reviews are conducted bi-annually. On a quarterly basis, the CEO in his updates to the Board keeps the Board informed of the progress of the Group's CSV strategy and sustainability initiatives. Key CSV topics reviewed by the Board in 2021 include updates on:

- **Environmental Efficiency**
- **Adopt Renewable Energy**
  - Subscription to Green Electricity Tariff
- **Plastic Reduction (Reduce, Reuse & Recycle)**
- **Plastic Recovery & Circularity**
  - Door-to-Door collection & Recycling Program
- **Reforestation**
  - Project RELeaf - To plant 3 million trees in 3 years (by 2023)
- **Regenerative Agriculture solutions in all Nestlé farmer connect activities**
  - Nestlé Chilli Club
  - Nestlé Paddy Club
  - NESCAFÉ Grown Respectfully
- **Communication, Engagement & Public Awareness**
  - On-pack recycling guidelines in all products
- **Nutrition, Health and Wellness initiatives**
  - Nestlé For Healthier Kids programme roll-out and Healthier Choice Logo Certification update

Operationally, CSV initiatives are led by subject matter experts from the various business units and support functions of the Company. The Group Corporate Affairs Department oversees this and is kept apprised of progress through scheduled reports. Regular reviews are also carried out with the subject matter experts, the Group Corporate Affairs Department and the CEO.

	<p>In addition, the Group Corporate Affairs Department monitors sustainability developments in both local and global markets. Changes or occurrences that could potentially affect the business and operations are reported to the CEO and updated to the Board.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	<p>:</p>

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board receives update and provides counsel on strategic alignment of the Group's CSV strategy and sustainable initiatives, long-term business goals as well as reviews progress on initiatives against commitments. The Company is guided by the Nestlé S.A.'s Net Zero Roadmap - a document which outlines the steps the Group will take to transition towards carbon neutrality, provides a comprehensive and far-reaching ambition and, setting out priority action items across the entirety of our value chain, from ingredients sourcing to transporting finished goods. Beyond our direct operations, the roadmap also details our intended approach to work with customers, regulators and other stakeholders to accelerate societal shifts towards a climate-friendly future.</p> <p>The Company's exposure to climate-related risks is managed by the Nestlé Policy on Environmental Sustainability, which sets out a framework for our practices to reduce greenhouse gas emissions and ozone-depleting substances along our value chain. It also works closely with suppliers to promote sustainable agriculture and climate change resilience, such as amongst others, our commitment to responsibly sourced palm oil.</p> <p>One of the responsibilities of the Board is ensuring that the Company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders. The Company's approach to stakeholder engagement is reflective of the multi-dimensional nature of our relationships and includes the use of various channels of communication throughout the year, such as amongst others, media releases, communication, various meetings and engagement sessions. The insights gathered through these engagement channels are instrumental to guiding our business strategy and shaping our disclosures. We have dedicated great efforts to build strong relationships and two-way communication with our employees, shareholders, consumers, service providers and suppliers directly impacted by our operations, as well as with the broader industry community, including Government and relevant authorities, non-governmental organisations (NGOs), industry and trade associations and academia.</p>

	<p>These efforts have helped us to better understand stakeholders' concerns and gather insightful feedback on environmental, economic and social issues that are material to our business.</p> <p>On an annual basis, the Company issues a comprehensive update in its Nestlé in Society Report, which forms part of its Annual Report.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

## Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

## Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Chairman and the Board have taken great lengths to ensure Board oversight of the Group's ESG agenda.</p> <p>Bi-annually, strategic alignment of the Group's CSV strategy and sustainability initiatives, its long-term business ambitions as well as progress on initiatives against commitments are presented and reviewed by the Board. On a quarterly basis, the CEO in his updates to the Board keeps the Board informed of the progress of the Group's CSV strategy and sustainability initiatives.</p> <p>The Chairman has sought to ensure the Group has directors with the appropriate level of sustainability knowledge. During the year under review, the Board maintained its practice of adding diverse experience and fresh perspectives through the appointment of YM Dr. Tunku Alina Raja Muhd. Alias, a new Independent Director with knowledge and experience in sustainability governance.</p> <p>Throughout the ESG under review, the Directors' have attended the following relevant trainings :</p> <ul style="list-style-type: none"><li>• Overview on Creating Shared Value</li><li>• Overview on Sustainability Initiatives</li><li>• Carbon targets in Malaysia: Challenges and Opportunities (<i>Eco-Business &amp; Engie Impact</i>)</li><li>• The Net Zero Journey: What Board Members Need to Know – Part 1 (<i>Climate Governance Malaysia (CGM)</i>)</li><li>• The Net Zero Journey: What Board Members Need to Know – Part 2 (<i>Climate Governance Malaysia (CGM)</i>)</li><li>• ICAEW Members Forum Q2: Chartered Accountants and Sustainability (<i>ICAEW</i>)</li><li>• APAC Launch – Primer on Climate Change : Director's Duties and Disclosure Obligations (<i>Commonwealth Climate and Law Initiative &amp; Climate Governance Initiative</i>)</li><li>• ESG Trends and Board Responsibilities (PwC)</li><li>• ESG Reporting Health Check (<i>BoardRoom</i>)</li><li>• Unlocking Capital for Sustainability 2021 : Scaling Sustainable Finance for a Green Recovery<ol style="list-style-type: none"><li>1. Scaling sustainable finance for a green recovery</li><li>2. ESG risks and opportunities: strategy and implementation</li></ol></li></ul>

	<p>3. The future of ESG investing  4. The role of government and public-private partnership in sustainable finance</p> <ul style="list-style-type: none"> <li>• ESG : Navigating the Board’s Roles (<i>Berkeley Law</i>)</li> </ul> <p>Further, the BEE 2021 included ESG criteria which assists in identifying the necessary priorities and trainings.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company’s material sustainability risks and opportunities.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The BEE carried out for the financial year ended 31 December 2021 included ESG criteria as part of the questionnaire. These questionnaires assess a Director’s contribution to and knowledge in relation to the Company’s CSV and sustainability agenda. As the CEO and CFO of the Company are also the Board members, their contribution and knowledge of the same were also assessed. The results of the evaluation would assist to identify the necessary ESG training in view of enhancing the Board’s ESG knowledge, thus contributing to the sustainability narrative and ambitions.</p> <p>In 2021, the Group Corporate Affairs Department organised monthly Sustainability Steering Committee, where relevant members of the Executive Leadership Team were provided with monthly progress updates on all sustainability projects as well as quarterly updates on the initiatives to ensure the Management Team integrated sustainability considerations in the day-to-day operations of the Company and effective implementation of the Company’s sustainability strategies and plans.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

## Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

<i>Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.</i>	
<b>Application</b>	: Adopted
<b>Explanation on adoption of the practice</b>	: <p>The Executive Director of Group Corporate Affairs, Dato' Adnan Pawanteh spearheads and is responsible for managing the Nestlé Malaysia CSV strategy and sustainability efforts, with guidance from the CEO and counsel from the Board. Operationally, subject matter experts from various business units and support functions leads their respective CSV initiatives with the guidance from the Group Corporate Affairs Department.</p> <p>The Group Corporate Affairs Department is further responsible for enacting the CSV strategy and ensuring that climate change and other sustainability issues are taken into account across all business operations.</p> <p>Regular progress reviews are assessed with subject matter experts, Group Corporate Affairs, CEO and relevant members of the Executive Leadership Team.</p> <p>The highlights of CSV and sustainability topics assessed by the Board in 2021 include:</p> <ul style="list-style-type: none"><li>• <b>Environmental Efficiency</b></li><li>• <b>Adopt Renewable Energy</b><ul style="list-style-type: none"><li>- Subscription to Green Electricity Tariff</li></ul></li><li>• <b>Plastic Reduction (Reduce, Reuse &amp; Recycle)</b></li><li>• <b>Plastic Recovery &amp; Circularity</b><ul style="list-style-type: none"><li>- Door-to-Door collection &amp; Recycling Program</li></ul></li><li>• <b>Reforestation</b><ul style="list-style-type: none"><li>- Project RELeaf - To plant 3 million trees in 3 years (by 2023)</li></ul></li><li>• <b>Regenerative Agriculture solutions in all Nestlé farmer connect activities</b><ul style="list-style-type: none"><li>- Nestlé Chilli Club</li><li>- Nestlé Paddy Club</li><li>- NESCAFÉ Grown Respectfully</li></ul></li><li>• <b>Communication, Engagement &amp; Public Awareness</b><ul style="list-style-type: none"><li>- On-pack recycling guidelines in all products</li></ul></li></ul>



	<ul style="list-style-type: none"><li>• <b>Nutrition, health and wellness initiatives</b><ul style="list-style-type: none"><li>- Nestlé For Healthier Kids programme roll-out and Healthier Choice Logo Certification update</li></ul></li></ul>
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## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The GNCC reviews the broader composition and balance of the Board and its Committees, their alignment with the Company's strategic objectives, and the need for progressive refreshing of the Board.</p> <p>In the last two years, with the retirement of a few Directors, the Board took the opportunity to refresh the composition of the Board, with the appointment of four new Directors who bring with them a diverse set of skills, expertise and knowledge strengthening further the composition of the Board.</p> <p>On an annual basis, the GNCC reviews the tenure of each Director and carries out a BEE to ensure that the Board as a whole and the Board Committees have been effective and fulfilling its roles and responsibilities. The performance and contribution of each individual Director are also assessed as part of the BEE process.</p> <p>In addition, the independence of all Non-Executive Directors is reviewed by the GNCC annually, with reference to their independence of character and judgement and whether any circumstances or relationships exist which could affect their judgement.</p> <p>For those Directors who are retiring and eligible for re-election, the GNCC would only make recommendations for their re-election upon their satisfactory evaluation of their performance and contribution to the Board and the Committees, together with the overall balance of knowledge, skills, experience and diversity.</p> <p>The GNCC also considers the time commitment of each Director and whether each re-election would be in the best interest of the Company.</p> <p>The GNCC is satisfied with the performance and contribution made to the Board of the following Directors who will be retiring and eligible for re-election at the next AGM pursuant to Articles 97.1 and 106 of the Company's Constitution:</p> <ul style="list-style-type: none"><li>• YAM Tan Sri Dato' Seri Syed Anwar Jamalullail;</li><li>• Craig Connolly;</li><li>• Chin Kwai Fatt; and</li><li>• YM Dr. Tunku Alina Raja Muhd. Alias</li></ul>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.2

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board comprises of seven Directors, the majority of whom are Independent Directors. The Chairman is a Non-Independent Non-Executive Director, four Directors are Independent Non-Executive Directors and two are Executive Directors, comprising of the CEO and CFO.</p> <p>Independent Directors constitute 57% of the Board and this allows for objective and independent deliberation review and decision making.</p> <p>All four Independent Non-Executive Directors have satisfied the annual independence assessment carried out for the year 2021, in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), as part of the BEE.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.3

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The tenure of an Independent Director is not to exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve the Board upon redesignation as a Non-Independent Director.</p> <p>Prior to the introduction of the Company's recent policy to limit the tenure of Independent Directors to nine years, if the Director meets the 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 years subject to the approval of the shareholders at the AGM.</p> <p>The GNCC reviews and assesses the performance of the Directors who are subject to re-election based on among others, the following criteria, and submits its recommendation to the Board for the proposed re-election to be presented to the shareholders at the AGM for approval:-</p> <ul style="list-style-type: none"><li>• Compliance with prescriptive requirements by regulators;</li><li>• Assessment of continued independence to ensure their ability to remain independent in their character and judgement, and without any conflicts of interest;</li><li>• Participation, active interaction and contribution to the Board and Board Committee meetings;</li><li>• Performance and quality of input;</li><li>• Understanding of roles and responsibilities; and</li><li>• Providing value to the Board through unique, in-depth knowledge, skills, experience and expertise.</li></ul>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

### **Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### **Practice 5.4 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
<b>Application</b>	: Adopted
<b>Explanation on adoption of the practice</b>	: The GNCC has deliberated and agreed to limit the tenure of an Independent Directors to nine years. The recommendation of the GNCC was approved by the Board with the Board Charter updated accordingly to limit the tenure of Independent Directors to nine years.

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.5

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company places great emphasis on diversity principles. The right blend of skills, experience and diversity of the Board and the Senior Management Team (the Nestlé Leadership Team) is an essential element of ensuring its effectiveness, which in turns leads to the long-term success of the Company.</p> <p>A diverse Board and Senior Management Team is one that possesses a balance of skills, experience, age, ethnicity/cultural background, gender and a diversity of perspectives that are relevant to the Company's business and its strategic objectives. The Company adopts a meritocracy system which does not discriminate on the grounds of gender, age and ethnicity/cultural background. All appointments to the Board and to the Senior Management Team must be based on merit.</p> <p>The GNCC is responsible for regularly reviewing the structure, size and composition of the Board, with due regard to skills, knowledge, experience and diversity. It leads the process for Board appointments, re-election and succession of Directors and makes recommendations to the Board, including the composition and skills of the Board, proposed changes to the Board and the membership of the Board Committees.</p> <p>The GNCC has a formal and transparent procedure for the appointment of new Directors to the Board. When assessing new appointments to the Board, it carefully reviews the combined skills set and experience of the existing Board members to determine the required characteristics and profile of the new Director. Candidates are identified based on their corporate leadership, skills, knowledge, competencies, experience and expertise to complement the Board. Diversity of experience in business, professionalism, corporate industry standing, integrity as well as academic background, age, gender and ethnicity/cultural background are also considered.</p> <p>Besides carrying out procedures such as due diligence of their character, integrity and reference checks, the candidates are interviewed as part of the assessment process. Consideration is given to ensure the candidates have sufficient time to devote to the role, ability to</p>



	<p>discharge responsibilities and that the balance of skills, knowledge and experience of the Board will be maintained and enriched. No active politicians are considered in view of ensuring independence, objectivity and avoiding any potential conflict of interest situations. When the GNCC has found a suitable candidate, the GNCC makes a recommendation to the Board for deliberation. The Board has the final say on any appointments.</p> <p>In 2021, following the retirement of Dato' Mohd Rafik Shah Mohamad and Dato' Dr. Nirmala Menon, the Board welcomed two new independent Directors, Mr Chin Kwai Fatt and YM Dr. Tunku Alina Raja Muhd. Alias. With the appointment of the new Directors, the Board composition has been strengthened with further knowledge in financial, accounting, digital, law, sustainability and governance.</p> <p>The Board recognises the benefits of diversity in its broadest sense and sets out the Board's ambitions and objectives regarding diversity at Board and Senior Management level. The Board ensures that appointments will continue to be made on merit against a set of objective criteria, which are developed in consideration of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. The Board's firm belief that in order to be effective, a board must properly reflect the environment in which it operates and that diversity in the boardroom can have a positive effect on the quality of decision making.</p> <p>The succession plan for the Senior Management Team is also reviewed by the GNCC prior to it being presented to the Board. The said appointment is also based on merit and leadership skills, with due regard for diversity in skills, experience, age, ethnicity/cultural background and gender. It also takes into account the challenges and opportunities facing the Group as well as future skills and expertise needed to allow the Group to compete effectively in its market.</p> <p><i>The Diversity Policy is available on the Company's corporate website at: <a href="https://www.nestle.com.my/aboutus/investors/corporate_governance">https://www.nestle.com.my/aboutus/investors/corporate_governance</a></i></p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board has previously engaged with an independent source but decided not to proceed as the Board was of the view that the independent source may not understand the requirements of the Company. Be that as it may, it has in the past and will utilise all resources and continuously explore the services of independent sources to identify suitably qualified candidates.</p> <p>Candidate reference checks and interviews are also carried out by the GNCC prior to recommending any appointment to the Board.</p> <p>The Board also relies on those proposed by professional advisors to identify potential candidates with the right expertise, skills, competencies, industry standing, and calibre suited to the needs of the Company.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Board will continue to gauge the capability of the independence sources in understanding the needs and requirements of the Company.	
<b>Timeframe</b>	:	Within 3 years	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board attaches great importance to communications with both institutional and private shareholders. Shareholders receive Notices of AGM 28 days in advance together with the publication of the Annual Report. Statements accompanying Notices of AGM contain the following to ensure transparent dissemination of communication with shareholders:</p> <ul style="list-style-type: none"><li>(a) the name, age, gender, nationality, qualification, and whether the position is an executive or non-executive one and whether such director is an independent director;</li><li>(b) the working experience and occupation;</li><li>(c) any other directorships in public companies and listed issuers, and other positions held;</li><li>(d) the details of any interest in the securities of the listed issuer and its subsidiaries;</li><li>(e) the family relationship with any director and/or major shareholder of the listed issuer;</li><li>(f) any conflict of interests that they have with the listed issuer; and</li><li>(g) other than traffic offences, the list of convictions for offences within the past five years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any.</li></ul> <p>Prior to recommending a Director for re-election, the Board, facilitated by the GNCC carries out an evaluation of the Director's contribution and performance and an independence assessment of the Independent Directors. Only upon a satisfactory outcome the Board would make the recommendations.</p> <p>The Board also includes a statement in its Notice of AGM and Annual Report as to whether it supports the re-election of the Directors eligible for re-election, and the reasons for the support.</p> <p>Shareholders are also encouraged to raise questions before and during the AGM and these are addressed at the meeting by members of the</p>

	<p>Board. The Board seeks to create an environment in which shareholders are able to express their voting preferences and engage with the Board to the fullest extent possible under the circumstances.</p> <p>The Board uses the Company's website to make available details of the results of the Directors' re-election and votes casted at the AGM.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.8

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The GNCC is chaired by YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, who is a Non-Independent Non-Executive Director. The election of YAM Tan Sri Dato' Seri Syed Anwar Jamalullail as the Chairman of the GNCC is not only based on his exemplary leadership, but is also based on his expertise, dedication and also his commitment in leading the Board's succession planning. His vast experience and knowledge ensure a more efficient and effective committee, and sets the direction and objective of the GNCC.</p> <p>The GNCC had also discussed the position of a Senior Independent Director and it was of the view that as the size of the Board was small, the position of a Senior Independent Director was not necessary.</p> <p>As an alternative practice, all members of the GNCC are Non-Executive Directors with a majority of Independent Directors, bringing balance to the GNCC and allowing robust discussions and constructive assessments on policies and procedures.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	YAM Tan Sri Dato' Seri Syed Anwar Jamalullail undergoes an annual BEE to ascertain the effectiveness of his contributions to the Board and the GNCC in which he chairs.	
<b>Timeframe</b>	:	Within 3 years	This will be taken into account when planning for the succession of the GNCC Chairman.

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.9**

The board comprises at least 30% women directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company currently has seven Directors, and comprising of three women Directors; Dato' Hamidah Naziadin, Datin Sri Azlin Arshad and YM Dr. Tunku Alina Raja Muhd. Alias, which constitute 43% of the Board.</p> <p>When a new Board candidate is considered, the focus would be to enhance the diversity of the Board, not only from a diverse background but more importantly with the required expertise, experience, corporate industry standing and skills in view of adding value to an already experienced Board, without compromising the quality of the candidate. All appointments to the Board must be based on merit.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.10

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Company places great emphasis on diversity principles. The right blend of skills, experience and diversity for the Board and the Senior Management Team (the Nestlé Leadership Team) is an essential element of ensuring its effectiveness, which in turns leads to the long-term success of the Company.</p> <p>A diverse Board and Senior Management Team is one that possesses a balance of skills, experience, age, ethnicity/cultural background, gender and a diversity of perspectives that are relevant to the Company's business and its strategic objectives. The Company adopts a meritocracy system which does not discriminate on the grounds of gender, age and ethnicity/cultural background. All appointments to the Board and to the Senior Management Team must be based on merit.</p> <p>The GNCC is responsible for regularly reviewing the structure, size and composition of the Board, with due regard to skills, knowledge, experience and diversity. It leads the process for Board appointments, re-election and succession of Directors and makes recommendations to the Board, including the composition and skills of the Board, proposed changes to the Board and the membership of the Board Committees.</p> <p>The GNCC has a formal and transparent procedure for the appointment of new Directors to the Board. When assessing new appointments to the Board, it carefully reviews the combined skills and experience of the existing Board members to determine the required characteristics and profile of the new Director. Candidates are identified based on their corporate leadership, skills, knowledge, competencies, experience and expertise to complement the Board. Diversity of experience in business, professionalism, corporate industry standing, integrity as well as academic background, age, gender and ethnicity/cultural background are also considered.</p> <p>These were the considerations taken into account by Board for the appointment of the two new Directors in 2021.</p> <p>Besides carrying out reference checks and due diligence, the candidates are interviewed as part of the assessment process. Consideration is given to ensure appointees have sufficient time to devote to the role, ability to discharge responsibilities and that the balance of skills, knowledge and experience on the Board will be maintained and</p>

	<p>enriched. When the GNCC has found a suitable candidate, the GNCC makes a recommendation to the Board for deliberation. The Board has the final say on any appointments.</p> <p>The succession plan for the Senior Management Team is also reviewed by the GNCC prior to it being presented to the Board. The said appointment is also based on merit and leadership skills, with due regard for diversity in skills, experience, age, ethnicity/cultural background and gender. It also takes into account the challenges and opportunities facing the Group as well as future skills and expertise needed to allow the Group to compete effectively in its market.</p> <p>The Board has in place a Diversity Policy for both Board and the Senior Management Team which was last reviewed and approved by the Board on 22 February 2022.</p> <p><i>The Diversity Policy is available on the Company's corporate website at: <a href="https://www.nestle.com.my/aboutus/investors/corporate_governance">https://www.nestle.com.my/aboutus/investors/corporate_governance</a></i></p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		



## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 6.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>The Group considers that the main objective of the BEE is a desire to build a high-performing Board, which is equipped to anticipate, meet and overcome future challenges and to ensure alignment with the Company's long-term strategy. Boards, which commit to a regular evaluation benefit in terms of improved leadership, greater clarity of roles and responsibilities, improved teamwork, greater accountability, better decision making, improved communication and more efficient Board operations.</p> <p>This year's BEE was facilitated by the Company Secretary with support from KPMG Management &amp; Risk Consulting Sdn. Bhd. The Board Committees and independence assessment were also observed as part of the review. The BEE questionnaires were approved by both the GNCC and Board, before being disseminated to each Director. The questions were focused around the following areas:</p> <ul style="list-style-type: none"><li>• Board effectiveness and information to the Board;</li><li>• Committee effectiveness;</li><li>• Board dynamics; and</li><li>• Opportunities/concerns.</li></ul> <p>The BEE also included questions in relation to ESG.</p> <p>A comprehensive report was then compiled by the secretarial team based on the information and views supplied, and presented to the Chairman of the Board for his feedback. The results of the evaluation were presented to the GNCC for their review and assessment of the findings and recommendations on further performance improvements for the Board, the Committees and their operations.</p> <p>Subsequently, the report and findings were thereafter presented to the Board for review and discussion in developing action plans for improvement or in enhancing its overall effectiveness.</p>

	<p>The BEE concluded that the Board has the right balance of skills, experience and expertise and tackles the issue of diversity from all aspects, allowing the Company to avoid “blind spots” and nullify “group think” during deliberations and decision making. There is a noticeable strength in leadership across the Board as a whole, with the Chairman of the Board providing strong leadership and effective facilitation of meetings. The assessment has revealed that information flow and boardroom inner workings have been successfully handled. Induction programmes for newly appointed members are useful, informative, well planned and comprehensive enough to facilitate quick and effective integration to the Board, familiarising the new Director with the culture, history and dynamics of the Board and Company.</p> <p>The evaluation additionally highlighted that to support the Group’s digitalisation journey, an area which could be further developed would be the Director’s knowledge in information technology and digital strategy.</p> <p>Further, with the ascension of ESG risks and opportunities gaining corporate momentum, the Board recognised the need to further strengthen the Board’s leadership and knowledge in the area of sustainability.</p> <p>The GNCC will look to prioritise information technology, digitalisation and sustainability/ESG leadership trainings as part of the Director’s continued professional improvements.</p> <p>The Board Chairman will also be having one-to-one sessions with each individual Directors to discuss the outcome of the respective individual’s performance and contribution to the Board.</p> <p>Once every three years, the Board engages independent experts to facilitate objective and candid board evaluations. The BEE for the year 2019 which included individual interviews was carried out by an external independent party, KPMG Management &amp; Risk Consulting Sdn. Bhd.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 7.1

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place a Compensation Policy in determining the compensation of the Directors and the Senior Management Team. The Compensation Policy is designed with the key objective of attracting and retaining experienced, qualified and high calibre members of the Board and also the right calibre of employees to drive the business strategy, objectives, values and long-term interests of the Company.</p> <p>The Compensation Policy is under the purview of the GNCC and it sets out the philosophy and principles in determining the level of compensation for the Non-Executive Directors, Executive Directors and the employees of the Group.</p> <p>In determining the level of compensation, the Compensation Policy provides that the GNCC shall take into account:</p> <ul style="list-style-type: none"> <li>• demands, complexity of activities and performance of the Group;</li> <li>• level of responsibilities, skills, expertise and experience required;</li> <li>• industry benchmarks against similar companies;</li> <li>• market practice; and</li> <li>• Executive Directors' compensation is guided by the compensation framework of its ultimate holding company, Nestlé S.A.</li> </ul> <p>In relation to the compensation of the Non-Executive Directors, the Committee is further guided by the following:</p> <ul style="list-style-type: none"> <li>• a suitable balance of fees between the Board and Board Committee retainer fees, and meeting attendance fees. The principle is to ensure recognition of the workload and responsibilities for the Non-Executive Directors who sit on the various Board Committees, ensuring that a balance is struck between compensating for time spent, frequency of meetings and also as a reflection of the</li> </ul>

	<p>continued responsibilities for all Directors;</p> <ul style="list-style-type: none"> <li>• the compensation should not bring any conflict to their obligation to exercise objectivity and independent judgment;</li> <li>• the provisions of Article 107 of the Company’s Constitution;</li> <li>• the fees payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover; and</li> <li>• the compensation must not place an inappropriate burden on the Group’s finances.</li> </ul> <p>The Compensation Policy is periodically reviewed on an annual basis with its last review by the Board on 22 February 2022.</p> <p><i>The Compensation Policy is available on the Company’s corporate website at:</i>  <a href="https://www.nestle.com.my/aboutus/investors/corporate_governance">https://www.nestle.com.my/aboutus/investors/corporate_governance</a></p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 7.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place a combined GNCC with three members, who are all Non-Executive Directors, two of whom are Independent Directors.</p> <p>The main objective of the GNCC with regards to the compensation function is to assess and make recommendations to the Board on the policies for compensation of the members of the Board, the Senior Management Team and employees of the Group.</p> <p>The principle responsibilities of the GNCC with regards to the compensation functions are as follows:-</p> <ol style="list-style-type: none"><li>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;</li><li>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;</li><li>3. Review the Group's compensation practices in relation to the risk environment and ensure that the 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 the shareholders, fund investors and other stakeholders;</li><li>4. Review and approve the Management's proposal for the annual salary increase package for the employees as recommended by the</li></ol>

	<p>Group Human Resource Department for subsequent approval by the Board;</p> <ol style="list-style-type: none"> <li>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;</li> <li>6. Review the individual compensation packages of the Executive Directors and the Senior Management Team; and</li> <li>7. Review the report on the compensation to be disclosed in the Annual Report, in line with applicable statutory and regulatory disclosure requirements.</li> </ol> <p>As it deems appropriate, the GNCC may also engage independent professional advisors or service providers to carry out its function and responsibilities, including compensation consultants, and shall be directly responsible for the appointment, termination, compensation and oversight of the work of any advisors engaged by the GNCC.</p> <p><i>The Terms of Reference of the Governance, Nomination and Compensation Committee is available on the Company's website at: <a href="https://www.nestle.com.my/aboutus/investors/corporate_governance">https://www.nestle.com.my/aboutus/investors/corporate_governance</a></i></p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Company discloses in detail, on a named basis, the remuneration of its individual directors which includes fees, salary, emoluments and benefits.  The breakdown of the Directors' remuneration paid in 2021 is as below:

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	YAM Tan Sri Dato' Seri Syed Anwar	Non-Executive Non-Independent Director	445	0	0	0	0	118	563	0	0	0	0	0	0	0
2	Mr Chin Kwai Fatt <i>(Appointed on 29 April 2021)</i>	Independent Director	0	0	0	0	0	10	10	0	0	0	0	0	0	0
3	Dato' Hamidah Naziadin	Independent Director	120	0	0	0	0	18	138	0	0	0	0	0	0	0
4	Datin Sri Azlin Arshad	Independent Director	123	0	0	0	0	20	143	0	0	0	0	0	0	0
5	YM Dr. Tunku Alina Raja Muhd. Alias <i>(Appointed on 21 June 2021)</i>	Independent Director	0	0	0	0	0	6	6	0	0	0	0	0	0	0
6	Juan Aranols	Executive Director	0	0	1,353	0	0	4,270	5,623	0	0	0	0	0	0	0
7	Craig Connolly	Executive Director	0	0	774	0	0	1,678	2,452	0	0	0	0	0	0	0
8	Dato' Mohd Rafik Bin Shah <i>(Retired on 28 April 2021)</i>	Independent Director	250	0	0	0	0	12	262	0	0	0	0	0	0	0
9	Dato' Dr. Nirmala Menon <i>(Retired on 28 April 2021)</i>	Independent Director	170	0	0	0	0	8	178	0	0	0	0	0	0	0



### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 8.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company follows the compensation framework of Nestlé S.A., its ultimate holding company.</p> <p>The Company is aware that the success of the business is dependent on the Company's ability to attract, motivate and retain the right talented employees. The Company has numerous programmes to support this ambition, which includes a competitive compensation policy. The Company believes in a performance culture as well as good corporate governance and sustainability. The Company's compensation is based on the following principles:</p> <ul style="list-style-type: none"><li>• pay-for-performance to support the Company's short-term and long-term objectives;</li><li>• compensation is aligned with the long-term strategy of the Company and the shareholders' interests;</li><li>• coherence in the Company's compensation plans and levels throughout the Company;</li><li>• competitiveness versus external market comparisons; and</li><li>• appropriate balance of fixed and variable compensation and short-term and long-term rewards.</li></ul> <p>In such a competitive environment, the retention of key talent is critical to the successful delivery of the Company's strategy. The Company is of the view that disclosing the compensation of the top five Senior Management Team will be detrimental to the Company and may lead to:</p> <ul style="list-style-type: none"><li>• other competitor companies attempting to 'poach' its performing executives;</li><li>• upward pressure on executive packages as lesser paid executives will demand comparability; and</li></ul>

	<ul style="list-style-type: none"> <li>an invasion of privacy and may expose named officers to extortion attempts and other criminal acts.</li> </ul> <p>The Company takes guidance from Nestlé S.A. to determine the level of compensation that the Senior Management Team receives. Such guidance ensures that compensation packages are set at industry standards, reflects the roles, responsibilities, level of skills and the experience of Senior Management Team, and motivates performance.</p> <p>The performances of the Senior Management Team is evaluated on an annual basis and measured against the targets set for the year. The compensation packages are reviewed annually and adjustments to their compensation are made based on not only on their individual performance and contributions in the preceding year, but also the Company's overall performance.</p> <p>The Financial Report 2021 does disclose the total compensation of the key management personnel (as defined therein).</p> <p>The Board will continuously review the requirement and the appropriateness of such disclosure.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>	<p>Others</p>	<p>This was deliberated by the Board and it will continue to review it on an annual basis in its efforts towards the application of Practice 8.2.</p>

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 9.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Audit Committee, Mr. Chin Kwai Fatt is an Independent Non-Executive Director and he is not the Chairman of the Board. This allows the Chairman of the Audit Committee to provide full commitment and devote sufficient time to matters under the responsibilities of the Audit Committee and to exercise independent judgment.</p> <p>Mr. Chin Kwai Fatt is a qualified Chartered Accountant who is a member of the Malaysian Institute of Accountants, a Fellow Member of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants.</p> <p>The Chairman of the Audit Committee is responsible for ensuring the overall effectiveness and independence of the Audit Committee. He ensures that:</p> <ul style="list-style-type: none"><li>• the Audit Committee is fully informed and addresses the significant matters related to the Company's audit and its financial statements; and</li><li>• the Audit Committee appropriately communicates its insights, views or any matters of concern relevant to its role, to the internal and external auditors, whichever is relevant.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 9.2**

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>This policy is in place. The Audit Committee’s Terms of Reference states that any former key external audit partner is to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.</p> <p><i>The Terms of Reference of the Audit Committee is available on the Company’s website at:</i>  <a href="https://www.nestle.com.my/aboutus/investors/corporate_governance">https://www.nestle.com.my/aboutus/investors/corporate_governance</a></p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group's transparent and professional relationship with the external auditor is primarily maintained through the Audit Committee and guided by the principles of the Malaysian Code on Corporate Governance.</p> <p>The Audit Committee has in place a formal framework for the annual assessment of the effectiveness of the external audit process and quality of the audit, covering all aspects of the audit services provided by the external auditors. It covers the assessment on the suitability, objectivity, performance and independence of the external auditors. In carrying out the assessments, the Audit Committee works closely with the Management, taking into account the following:</p> <ul style="list-style-type: none"><li>• the Audit Committee's own assessment;</li><li>• the feedback from the senior finance personnel of the Company focusing on a range of factors that the Audit Committee considered relevant to the audit quality;</li><li>• Annual Inspection issued by the Audit Oversight Board; and</li><li>• External Auditors Transparency Report</li></ul> <p>The Audit Committee also has a private discussion with the Management on the outcome of the Assessment of the Objectivity, Independence and Quality of Service Delivery of the external auditors, in the absence of the external auditors, Ernst &amp; Young PLT (EY).</p> <p>Based on the assessment carried out, the Audit Committee concluded that there has been appropriate focus and challenge on the primary areas of audit and the external auditor has applied robust challenge and scepticism through the audit conducted by them. The Audit Committee has also obtained written confirmation from the external auditor, EY that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. EY has also provided written confirmation that they comply with the requirements pursuant to Chapter 15.21 of the Listing Requirements, whereby they have adequate experience and resources to perform the role as external auditors, the engagement partner has 20 years' experience as</p>



	<p>an auditor serving clients in the same industry as the Company, and EY has sufficient number and experience of supervisory and professional staff assigned to carry out the audit.</p> <p>Further, in ensuring the independence of the external auditors, the Audit Committee does impose a requirement on the external auditor to rotate the audit partner responsible for the Company audit every seven years, in line with the Audit Partner Rotation requirements issued by the Malaysian Institute of Accountants.</p> <p>Having considered all relevant matters, the Board is satisfied that EY's independence, objectivity and effectiveness have been maintained.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

**Practice 9.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All members of the Audit Committee are financially literate, with extensive corporate experience and equipped with the required business skills. They are able to apply a critical view of the Company's financial reporting process and information and to effectively challenge and direct probing questions to the management on the Company's financials to ascertain whether the financial reporting reflects the Company's operations and performance.</p> <p>The Audit Committee is chaired by an Independent Non-Executive Director, Mr. Chin Kwai Fatt, who is a Chartered Accountant, a member of the Malaysian Institute of Accountants (MIA), a Fellow Member of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Certified Public Accountants. He was appointed as the Chairman of the Audit Committee on 29 April 2021. Another member, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, is also a Chartered Accountant, a member of the MIA and a Certified Practising Accountant (Australia) and Datin Sri Azlin Arshad, another member who has extensive experience of no less than 20 years, in various industries including experience in investment banking.</p> <p>All members of the Audit Committee have undertaken continuous professional development and in 2021, the various trainings attended that are relevant to their role as Audit Committee members are listed as below:</p> <p><b><u>Mr. Chin Kwai Fatt:</u></b></p> <ul style="list-style-type: none"><li>• Asia-Pacific Board Leadership Centre Webinar Board and Audit Committee Priorities 2021 (<i>KPMG</i>)</li><li>• How Digitalisation and Data Analytics Can Help You Do Wonders in Your Business (<i>MICPA-KPMG</i>)</li></ul>

	<ul style="list-style-type: none"> <li>• Implementing Amendments in the Malaysia Code on Corporate Governance. <i>(Asia School of Business)</i></li> <li>• BNM-FIDE Forum Dialogue : The Role of Independent Director in Embracing Present and Future Challenges. <i>(FIDE Forum)</i></li> <li>• SC’s Guidelines on Conduct of Directors of Listed Corporations and their subsidiaries <i>(Tricor)</i></li> <li>• Training on Recurrent Related Party Transactions <i>(Tricor)</i></li> <li>• ICAEW Members Forum Q2: Chartered Accountants and Sustainability <i>(ICAEW)</i></li> <li>• Joint Committee on Climate Change (JC3) Flagship Conference 2021 : FinanceForChange <i>(Bank Negara Malaysia &amp; Securities Commission Malaysia)</i></li> <li>• Carbon targets in Malaysia: Challenges and Opportunities <i>(Eco-Business &amp; Engie Impact)</i></li> <li>• APAC Launch – Primer on Climate Change : Director’s Duties and Disclosure Obligations <i>(Commonwealth Climate and Law Initiative &amp; Climate Governance Initiative)</i></li> <li>• Launch of the Malaysia Board Diversity Study &amp; Index <i>(ICDM)</i></li> <li>• The Net Zero Journey: What Board Members Need to Know – Part 1 <i>(Climate Governance Malaysia (CGM))</i></li> <li>• The Net Zero Journey: What Board Members Need to Know – Part 2 <i>(Climate Governance Malaysia (CGM))</i></li> <li>• ESG Trends and Board Responsibilities <i>(PwC)</i></li> <li>• The New Reality of Cyber Hygiene <i>(KPMG Board Leadership Center Exclusive)</i></li> <li>• ESG Reporting Health Check <i>(BoardRoom)</i></li> <li>• Masterclass : Digital Disruptions – Winning Strategies for Legacy Companies <i>(ICDM)</i></li> <li>• Cyber Security Landscape in Nestlé</li> <li>• Overview on Company’s Strategy</li> <li>• Overview on Sales (Trade Visit and Business Strategy)</li> <li>• Unlocking Capital for Sustainability 2021 : Scaling Sustainable Finance for a Green Recovery <i>(Eco-Business Singapore)</i> <ol style="list-style-type: none"> <li>1. Scaling sustainable finance for a green recovery</li> <li>2. ESG risks and opportunities: strategy and implementation</li> <li>3. The future of ESG investing</li> <li>4. The role of government and public-private partnership in sustainable finance</li> </ol> </li> <li>• Resource Transformation Dialogue 2021 <i>(Eco-Business Singapore)</i></li> <li>• e-Learning : Nestlé MY Anti-Corruption, Gifts &amp; Entertainment Guidelines</li> <li>• Overview on First Party Data Strategy.</li> <li>• Malaysia Food Regulatory &amp; Nutrition Health Wellness Landscape.</li> </ul> <p><b><u>YAM Tan Sri Dato’ Seri Syed Anwar Jamalullail:</u></b></p> <ul style="list-style-type: none"> <li>• SC’s Guidelines on Conduct of Directors of Listed Corporations and their subsidiaries &amp; Malaysian Code on Corporate Governance (2021 revision) <i>(Tricor)</i></li> <li>• PNB Knowledge Forum 2021 : Rising Above COVID-19 : Reimagining Work in Malaysia &amp; Beyond <i>(Permodalan Nasional Berhad)</i></li> </ul>
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	<ul style="list-style-type: none"> <li>• 2021 Anti-Money Laundering Training for Board of Directors of Kenanga Group of Companies (<i>Kenanga Investment Bank Berhad</i>)</li> <li>• Directors In-House Training on Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MCCA) – Strengthening Integrity: The Role of Directors and Senior Management in The Anti-Corruption System (<i>Kenanga Investment Bank Berhad</i>)</li> <li>• The Law Behind Corporate Governance (<i>MICG &amp; SP Setia Berhad</i>)</li> <li>• Cyber Security Landscape in Nestlé</li> <li>• Overview on Company’s Strategy</li> <li>• Overview on Sales (Virtual Trade Visit and Business Strategy)</li> <li>• e-Learning : Nestlé MY Anti-Corruption, Gifts &amp; Entertainment Guidelines</li> <li>• Overview on First Party Data Strategy.</li> <li>• Malaysia Food Regulatory &amp; Nutrition Health Wellness Landscape.</li> </ul> <p><b><u>Datin Sri Azlin Arshad:</u></b></p> <ul style="list-style-type: none"> <li>• SC’s Guidelines on Conduct of Directors of Listed Corporations and their subsidiaries (<i>Tricor</i>)</li> <li>• Training on Recurrent Related Party Transactions (<i>Tricor</i>)</li> <li>• Masterclass : Digital Disruptions – Winning Strategies for Legacy Companies (<i>ICDM</i>)</li> <li>• Cyber Security Landscape in Nestlé</li> <li>• Overview on Company’s Strategy</li> <li>• Overview on Sales (Trade Visit and Business Strategy)</li> <li>• e-Learning : Nestlé MY Anti-Corruption, Gifts &amp; Entertainment Guidelines</li> <li>• Overview on First Party Data Strategy.</li> <li>• Malaysia Food Regulatory &amp; Nutrition Health Wellness Landscape.</li> </ul>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 10.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board and the Management follow as a guide, the contents of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. In addition, the Company and the Nestlé Internal Audit have in place risk management guidelines, control measures and processes throughout the Group.</p> <p>Risk management is an essential part of corporate governance and it is firmly embedded in the Group's key processes through its Risk Management Framework. The Board is responsible for ensuring that sound and effective risk management and internal control systems are maintained, while the Management ensures that sufficient and effective operational controls over the key business processes are properly implemented with regular review and update.</p> <p>Risk management practices are inculcated and entrenched in the activities of the Group, which requires, amongst others, establishing appropriate risk tolerance thresholds and, actively identify, assess, monitor and proactively manage key business risks faced by the Group.</p> <p>Through the adoption of the Enterprise Risk Management framework, the Company is able to identify the potential major risks to the Group and implement of mitigating measures and steps to monitor the actions taken to minimise risks.</p> <p>NIA reviews the effectiveness of the system of internal control in mitigating risks and monitors the Group's risk profile and exposure.</p> <p>Risk management and internal control principles, policies, procedures and practices are periodically reviewed, with the results thereof communicated to the Board through the Audit Committee to ensure their continuing relevance and compliance with current/applicable laws and regulations.</p> <p>Further details of the Company's Risk Management and Internal Control Frameworks can be found under the Statement of Risk Management and Internal Controls, on pages 26 to 29 of the Company's Corporate Governance &amp; Financial Report 2021.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 10.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has the overall responsibility to ensure the Company maintains a robust risk management and internal control system.</p> <p>The Board recognises the importance of identifying and actively monitoring the strategic, reputational, financial and operational risks, and other longer-term threats, trends and challenges faced by the business. The Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year. The Company considers both external and internal risks faced by the Company's business units and across the Group level. The Group has in place an established risk management and control framework that enables it to effectively identify, evaluate and manage the Company's principal and emerging risks. The Group's approach is not to eliminate risk entirely, but to ensure the Company has the right structure to effectively navigate the challenges and opportunities faced.</p> <p>The Group focuses on being risk aware, clearly defining the Group's risk appetite, responding to changes to its risk profile quickly and having a strong risk culture among its employees. The Executive Leadership Team is responsible for the day-to-day management of risk.</p> <p>The NIA provides support to the Audit Committee and Executive Leadership Team in evaluating the design and operating effectiveness of the risk management and internal control processes, through independent reviews conducted by the NIA. The Group continues to enhance and refine the key controls to ensure it has the most effective set of key controls to mitigate its principal risks. The Group's Enterprise Risk Management (ERM) process is reviewed annually and monitored on a quarterly basis by the Audit Committee prior to its presentation to the Board.</p> <p>During the year under review, the Audit Committee had a focused session with the Risk Management &amp; Control Manager who presented in detail the Group's ERM, the processes, mitigating measures taken and updates. The following topics were covered:-</p>



	<ul style="list-style-type: none"> <li>• ERM framework</li> <li>• Risk assessment overview</li> <li>• Risk assessment process</li> <li>• Timeline for the risk assessment in 2021</li> <li>• Top 10 risks for 2021</li> </ul> <p>Further features of the Company's Risk Management and Internal Control Framework and its adequacy and effectiveness can be found in the Statement on Risk Management and Internal Control on pages 26 to 29 of the Company's Corporate Governance &amp; Financial Report 2021.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 10.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 11.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p><b>The Nestlé Malaysia Internal Audit Department</b></p> <p>The NIA is aligned with and adopts the Malaysian Code on Corporate Governance. The NIA is a department within the Finance &amp; Control function in the Group but reports functionally to the Audit Committee and the Nestlé Internal Audit (Center) of Nestlé S.A. in Switzerland, thus ensuring its independence.</p> <p>Its main role is to undertake independent and systematic reviews of the Group's processes and guidelines and to report on their application and compliance. The outcome of the reviews are objectively reported to the Management and to the Audit Committee, prior to further review by the Board.</p> <p>Further details of the NIA can be found on page 22 (under the Audit Committee Report) and on pages 27 (under the Statement of Risk Management and Internal Controls) of the Company's Corporate Governance &amp; Financial Report 2021.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 11.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NIA is led by Miss Hong Ging Ging, aged 37 years old. She has served the Group for more than eight years, two years in the Corporate Finance &amp; Control function, two years in a business unit within the Company, four years in a factory controlling function before moving to her current role in the NIA in early 2021.</p> <p>She is a Fellow Member of Association of Chartered Certified Accountants (ACCA). She holds a Bachelor of Accounting (Hons) degree from Multimedia University (MMU) and a Diploma in Technology Management (Accounting) from University of Technology Malaysia (UTM).</p> <p>Her team consists of six qualified auditors with various professional qualifications which include amongst others, Master of Business Administration and as Certified Fraud Examiner (US). The team also consists of members of the Chartered Institute of Management Accountant (UK), the Association of Chartered Certified Accountant (UK) and associate members of the Institute of International Auditors Malaysia.</p> <p>All internal auditors are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>The work of the NIA is in line with the established Internal Audit Charter and in accordance with the International Standards for the Professional Practice of Internal Auditing Framework.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 12.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place an effective communication channel between the Company, its shareholders and the general public.</p> <p>As part of the Company's commitment towards this objective, experienced members of Management are directly involved in the Company's investor relations activities, which is led by the CFO.</p> <p>Quarterly financial results are announced as early as possible and audited financial statements are published within three months after the end of the financial year. Quarterly statements are issued to keep the shareholders informed of the performance and operations of the Company.</p> <p>The Company holds separate quarterly briefings for fund managers, institutional investors and investment analysts after its announcement of each quarterly results to Bursa. Due to the COVID-19 pandemic, the four briefing sessions in 2021 were conducted virtually by the CEO and CFO, and intended not only to promote the dissemination of the financial results of the Company to fund managers, investors and the shareholders but to also keep the investing public and other stakeholders updated on the progress and development of the Company's business.</p> <p>In addition to providing comprehensive insights into the Company's financial performance, the Board also recognises the importance of communicating the Company's business strategies and updates on the progress of the current business initiatives to its shareholders, stakeholders and investors.</p> <p>The Board places great importance in maintaining active dialogue and effective communication with the shareholders and investors, ensuring accountability and transparency to enable the shareholders and investors to make informed investment decisions. In terms of disclosure of material information, the Board adopts a comprehensive, accurate and timely approach to ensure compliance with the Listing Requirements and the Corporate Disclosure Guide of Bursa Malaysia Berhad.</p>

	<p>The Company's corporate website at <a href="http://www.nestlé.com.my">www.nestlé.com.my</a> is the main channel to provide the shareholders and other stakeholders with information on the Company's corporate governance structure, policies and systems. The Company recognises that not all the shareholders and stakeholders have ready access to the internet. For those who do not have access, hard copies of the Company's Annual Report and other accompanied documents are available free of charge upon written request to the Company Secretary.</p> <p>The Company's AGM represents the primary platform for a direct two-way interaction between the shareholders, the Board and the Senior Management Team of the Company. The AGM further acts as a principal forum for dialogue with all the shareholders, and for the Board to provide an overview of the Company's progress, and to receive questions from the shareholders.</p> <p>Despite it being a fully virtual AGM in 2021, the shareholders were given opportunities to raise questions before and during the AGM. The Company's responses to the advance questions raised by the Minority shareholders Watch Group, the Employees Provident Fund and the shareholders prior to the AGM were shared with the shareholders at the AGM. The Board, representatives of the Senior Management Team and the Company's external auditors, were present to answer all questions raised and provided clarification as required by the shareholders. The outcome of the AGM was announced to Bursa on the same day after the conclusion of the AGM.</p> <p>A press conference was held after the AGM where the CEO and CFO provided updates to the media representatives and to answer questions on matters relating to the Company.</p> <p>The Company's primary contact with the shareholders is through the Chairman, CEO, CFO and the Company Secretary. The Company Secretary provides feedback and responses to the shareholders' queries, save for sensitive information, which the general public may not be privy to. Written responses will also be given, if necessary.</p> <p>In addition, the Company also maintains continuous engagements with the other stakeholders, including but not limited to it employees, consumers, regulators, authorities, suppliers and society in general. The full details of the Company's stakeholder engagements are available on pages 12 to 13 of the Company's Nestlé in Society Report 2021.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 12.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The new guidance for Integrated Reporting (&lt;IR&gt;) under the new Value Reporting Foundation (VRF) frameworks is taken into account. The Board is cognisant that the new guidance provides greater connectivity of the value creation narrative with non-financial and sustainability considerations.</p> <p>During the year under review, the Company’s Annual Review, the Corporate Governance &amp; Financial Report and the Nestlé in Society Report 2021 have all been guided by the &lt;IR&gt; /VRF frameworks, particularly those that relate to value creation, connectivity and strategy. The Group will continue to work towards greater disclosure and will ensure the Group remains committed to create value over time.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's 2021 AGM was held on 28 April 2021 and the notice for the AGM was issued on 29 March 2021, more than 28 days prior to the date of the AGM, well in advance of the 21 days requirement pursuant to the Company's Constitution, the Companies Act 2016 and the Listing Requirements. This allowed additional time for the shareholders to consider the proposed resolutions tabled at the AGM and to make informed decisions accordingly. It also allowed the shareholders to make the necessary arrangements to attend and participate in the AGM virtually, either personally, or through corporate representatives, proxies or attorneys.</p> <p>The Company also distributed an Administrative Note together with the notice of AGM, which provides information to the shareholders regarding the AGM details, and their entitlement as a shareholder.</p> <p>The Company endeavors to provide the Notice of the 2022 AGM which will be held on 28 April 2022 to the shareholders more than 28 days prior to the AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's AGM in 2021 was conducted on a virtual basis as it was held during the Conditional Movement Control Order, in accordance with the strict Standard Operating Procedures (SOPs) imposed by National Security Council.</p> <p>All seven Directors (including the Chairman of the Board and the Chairmen of the Board Committees) attended and participated at the Company's AGM in 2021. As the AGM was conducted during the Conditional Movement Control Order, it was virtually held with limited physical attendance at the broadcast venue. The Chairman, the Executive Directors (CEO and CFO) and the Company Secretary were at the broadcast venue. The remaining four Directors attended and participated in the AGM virtually. The AGM was also attended virtually by the representatives of the Senior Management Team and the external auditors.</p> <p>The Company's AGM acts as a principal forum for dialogue with the shareholders and represents the primary platform for direct two-way interaction between the shareholders, the Board and the Senior Management Team. There was also a business presentation by the CEO and the presentation was uploaded on the Company's corporate website.</p> <p>At the AGM, the shareholders actively participated in discussing the resolutions proposed, asking questions, seeking clarification and raising concerns directly to the Directors. The presence of all Directors, including the CEO and CFO, the representatives of the Senior Management Team and the Company's external auditors ensured that meaningful responses were provided to the shareholders.</p> <p>The Company's responses to the advance questions raised by the Minority Shareholders Watch Group, Employees Provident Fund and shareholders prior to the AGM were also shared with the shareholders in attendance. The Company had also answered all questions posted at the virtual AGM.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In 2021, as the Company's 37<sup>th</sup> AGM was held on 28 April 2021 during the enforcement of the Conditional Movement Control Order, the Company had a virtual AGM which was conducted through live streaming using the Remote Participation and Electronic Voting (RPEV) facilities, which allowed the remote participation and online voting by all Shareholders. The broadcast venue of the AGM was at Auditorium, Level 3A, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, where the Chairman, CEO, CFO and Company Secretary were present at the AGM.</p> <p>The Company had leveraged technology to facilitate remote participation and electronic voting (e-voting) for the conduct of poll on all resolutions. The RPV facilities were provided by Boardroom Share Registrars Sdn. Bhd. (Boardroom) on its online website at <a href="https://web.lumiagm.com">https://web.lumiagm.com</a>. The Company also appointed Boardroom as the Poll Administrator to conduct the polling process and Coopers Professional Scrutineers Sdn. Bhd. was appointed as independent scrutineers to verify the poll results.</p> <p>Prior to the engagement of Boardroom, the Company's Information Technology Department had conducted a review of the system provided by Boardroom to ensure its safety and security, in its efforts to prevent cyber threats.</p> <p>Detailed instructions and procedures on the remote participation and e-voting process were provided in the Company's notification to the Shareholders on the administrative details of the AGM.</p> <p>The e-voting had provided a more efficient and accurate outcome of the results. For the benefit of all Shareholders, the results were also announced by the Company to Bursa on the same day after the conclusion of the AGM. The Minutes of the AGM were also made available on the Company's website.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

## Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>The Company's AGM is attended by all members of the Board, the Company Secretary and several members of the Senior Management Team. The Board believes that the AGM is an effective channel of communication for all stakeholders and encourages active participation. Prior to the AGM, Notices of the AGM and the Statements Accompanying the Notices are disseminated to all shareholders detailing the time, venue and the resolutions to be considered during the AGM. There was clear guidance on voting procedure, lodgment of Proxy Form and remote participation in the Notice of AGM to shareholders. The Chairman ensures that shareholders have the opportunity to participate in these meetings effectively.</p> <p>Shareholders have an avenue to submit questions prior to the AGM from 12 April 2021 to 23 April 2021. Sufficient opportunity was provided for shareholders to pose questions during the AGM through Boardroom's RPEV platform. The questions received were moderated to avoid repetition and summarised for reasons of brevity. All questions submitted before and during the AGM were answered by the Board at the AGM.</p> <p>The Company's corporate website provides a further avenue for Shareholders to provide feedback and make enquiries.</p> <p>During the AGM for the year under review, the topics queried by shareholders and their proxies included, amongst others:</p> <ul style="list-style-type: none"><li>a) the Company's e-Commerce strategy.</li><li>b) Goals and progress on plant-based meal manufacturing.</li><li>c) Plans to reduce plastic packaging in products and the progress of 100% recyclable packaging materials.</li><li>d) Operational and financial matters.</li></ul>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		



### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Company had in place a fully virtual AGM platform which allows it to conduct its AGM through live streaming, utilising a Remote Participation and Electronic Voting (RPEV) facility. This facility was chosen after careful consideration, a thorough assessment and has been tested to be effective. The RPEV facility provided a smooth broadcast, whereby shareholders had the ability to remotely participate in the AGM, cast electronic votes on all resolutions in real time and engage with the Board and Executive Leadership Team through questions submitted through the RPEV. All questions posed by shareholders were answered at the AGM.</p> <p>Detailed instructions and procedures on remote participation and the e-voting process were provided in the Company's notification to the Shareholders under the administrative details of the AGM.</p> <p>Results of the e-voting are made in real time, ensuring transparency, accountability and accuracy. Results are also announced by the Company to Bursa on the same day after the conclusion of the AGM. The Minutes of the AGM are also made available on the Company's corporate website.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.6**

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: Minutes of the AGM, detailing the meeting proceedings including the issues, and questions raised by shareholders and the Company's responses were made available on the Company's corporate website no later than 30 business days after the completion of the general meeting.  <i>The minutes of the 37<sup>th</sup> general meeting is available on the Company's corporate website at: - <a href="https://www.nestle.com.my/investors/annual-general-meetings">https://www.nestle.com.my/investors/annual-general-meetings</a></i>
<b>Explanation for departure</b>	:  
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:  
<b>Timeframe</b>	:  

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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