



**Nestlé** Good food, Good life

28 July 2022

**NESTLÉ (MALAYSIA) BERHAD**  
Registration No.: 198301015532 (110925-W)

# **BOARD CHARTER**



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## **1. INTRODUCTION**

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

This Charter includes an overview of:

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

The Charter and the Terms of Reference adopted by the Board and the Board Committees respectively, have been prepared and adopted on the basis that strong corporate governance not only strengthens the performance of Nestlé (Malaysia) Berhad (the “Company”), but it also creates shareholder value and enhances the confidence of the investment markets.

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

## **2. THE BOARD’S COMPOSITION, SIZE AND TENURE**

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



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- Each Director shall devote sufficient time and effort to carry out the responsibilities and duties as a Director of the Company and shall not hold more than five (5) directorships in listed issuers.
- The Board, together with the Governance, Nomination and Compensation Committee, will review the skills represented by Directors on the Board and determine if the composition and mix of those skills remain appropriate and relevant to the Company's strategy, subject to limits imposed by the Company's Constitution.
- The Board is to be chaired by a Non-Executive Director, appointed by the Board from its members.
- The Chairman of the Board is responsible to ensure effective conduct and performance of the Board and provide leadership to the Board in driving the focus on governance and compliance.
- The Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO") of the Company shall be members of the Board.

### **3. APPOINTMENT, RETIREMENT AND RE-ELECTION**

- The appointment of a new Director of the Company is based on the recommendation of the Governance, Nomination and Compensation Committee.
- In line with the Guidance issued under the Malaysian Code on Corporate Governance 2021 ("MCCG") no person in active politics shall be appointed as a Director of the Company.
- In accordance with the Company's Constitution, an election of Directors is to take place each year at the Annual General Meeting (the "AGM") of the Company where one-third of the Directors for the time being, or, if their number is not three (3) or multiples of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election, provided always that Directors are to retire from office at least once in each three (3) years but shall be eligible for re-election. The Directors to retire are to be those who have been longest in office since their last election.
- Directors who have attained the age of 72 shall retire no later than the AGM subsequent to the Director attaining the age of 72.



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- The tenure of an Independent Director is not to exceed a cumulative term of nine (9) years.
- All members of the Board shall be assessed based on the Company's Directors' Fit and Proper Policy to ensure that they have the necessary qualities, competencies, experience and time commitment that allow them to perform their duties and carry out the responsibilities as Directors in the most effective manner.

#### **4. INDEPENDENCE OF DIRECTORS**

- On an annual basis, the Governance, Nomination and Compensation Committee shall perform the annual evaluation of the Director's independence. The independence of each Independent Director is thereafter reviewed by the Board based on the disclosure of information relevant to the evaluation.
- The Board only considers Directors to be independent if they are independent of Management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted the definition of independence that is set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

#### **5. THE BOARD'S ROLE AND RESPONSIBILITIES**

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

The Board has the following responsibilities:

- Promote good corporate governance, professional, ethical behavior and compliance culture within the Board and the Group, ensuring that a proper structure is in place;
- Provide leadership in ensuring that the Group's business objectives are met;
- Review, challenge and approve the strategic plans of the Group, including addressing the business strategies in ensuring the Group's sustainability and how its long-term strategy relates to its ability to create value;



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- Approve the Management's proposal for the implementation of the strategic plans and to monitor its execution, the Management's performance and the exercise of the Board's delegated authority;
- Approve the annual investment budget for the Group;
- Review and evaluate key policies adopted by the Group;
- Oversee the conduct of the Group's business and operations, and evaluate whether its businesses are being properly managed;
- Have an overview of the Group's accounting and financial control principles as well as the principles of financial planning;
- Identify principal business risks faced by the Group, ensure the implementation of appropriate risk management framework and internal control, and the mitigating measures to address such risks;
- Review the adequacy and integrity of the Group's risk management and internal control systems, including but not limited to systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Review and set the risk appetite within which the Board expects the Management to operate;
- 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 the Audit Committee and the Market Compliance Officer to ensure adequate procedures are implemented;
- Be updated and advised on related party transactions and conflict of interest issues;
- Approve the appointment of external auditor and review their audit fees;
- Establish Board Committees and be accountable for all decisions made by the Board Committees;
- Review and approve reports, deliberate on all proposals presented and recommended, including those proposed by the Board Committees;
- Review the Board composition and ensure a balanced composition of the Board;
- Review the succession plans and policy on Board diversity, including having in place a process to provide for the orderly succession of the members of the Board and



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diversity (comprising skills, experience, gender, ethical/cultural background and age);

- Ensure that all candidates appointed to the Board are of calibre, with the required qualifications, skills and expertise;
- Evaluate and review on periodical basis, the Board's performance, core competencies and the effectiveness of the Board as a whole, the Board Committees and the individual Directors, to ensure the effective performance of the Board and that it continues to reflect the requirements of the Company in the face of ongoing changes;
- Ensure the independence of the Board, of each Independent Director and ensure that the Board and Directors are not in any position of conflict;
- Ensure that the Management has the necessary skills and experience and to review the management development and succession plans for the Senior Management Team of the Group (known as the Nestlé Leadership Team);
- Oversee the development and implementation of an investor relations programme and stakeholder engagement programme;
- Review the updates from the Nestlé Creating Shared Value ("CSV") Council on the Group's corporate social responsibilities and sustainability initiatives, to monitor and promote such efforts and to ensure the Group's long-term strategies creates shared value in the economic, social and environmental dimension;
- Ensure that the Group develops and implements effective action plans to address climate change and other environmental related topics including plastics and packaging, water management and responsible sourcing;
- Review the Group's diversity and inclusion management, employee health and wellbeing and evaluate any potential infringement and risks to human rights;
- Discuss and review the impact of other material non-financial issues; on (i) the financial performance of the Group and its ability to create shared value; (ii) the Group's significant stakeholders and their material interests; and (iii) emerging trends in Environment, Social and Governance ("ESG"), including sustainability;
- Ensure that the Group effectively communicates its sustainability strategies, priorities and performance, to its stakeholders through its annual Creating Shared Value and Sustainability Report (known as the Nestlé in Society Report);



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- Oversee the preparation and review of the Annual Report (consisting of the Annual Review Report, Corporate Governance & Financial Report and Nestlé in Society Report), general meetings, including the agenda, proposed resolution and the implementation thereon, upon approval from the shareholders at the AGM;
- Investigate any matters within its roles and responsibilities; and
- Carry out or perform any such other functions necessary for the discharge of its fiduciary duties under the relevant laws, rules and regulations.

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

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

## **6. BOARD AND SENIOR MANAGEMENT COMPENSATION**

The compensation of the Directors is generally determined at levels which would attract and retain highly competent Directors with the right attributes, calibre and industry standing. The compensation and allowances shall be approved by the shareholders at the Annual General Meeting.

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

In matters pertaining to the compensation of the Board and Senior Management, the Board will be guided by the established Compensation Policy and the recommendation of the Governance, Nomination and Compensation Committee.



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## **7. SEPARATION OF FUNCTIONS BETWEEN THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER**

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

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

The key roles and responsibilities of the Chairman are to:

- Lead the Board in establishing and monitoring good corporate governance practices.
- Guide and mediate the Board's actions concerning organisational priorities and governance matters;
- Undertake the primary responsibility for organising the information necessary for the Board to deal with the items on the agenda and for providing this information to the Directors on a timely basis with the assistance of the Company Secretary;
- Ensure that Board meetings and the setting of its agenda are effective, and that all relevant issues are on the agenda, all Directors are properly briefed on issues discussed at the Board meetings and receive timely the relevant required information;
- Encourage the Directors to actively participate in constructive deliberations, to ensure that the Directors are able to freely express their views and able to include diverse opinions and views in the Board deliberations;
- Ensure proper flow of information to the Board and alignment of the Board Committees with the Board;
- Be the major point of contact between the Board and the CEO, working closely with the CEO and facilitating effective communication between the CEO and the Board;
- Be kept fully informed of current events by the CEO on all matters which may be of interest to the Directors;



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- Regularly review progress on important initiatives and significant issues facing the Group together with the CEO and other relevant members of the Management;
- Undertake appropriate public relations activities together with the CEO and ensuring there is effective communication with the shareholders and other stakeholders; and
- Be the spokesperson for the Company at the AGM and in the reporting of performance and profit figures, together with the CEO.

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

The key roles and responsibilities of the CEO are to:

- Manage and administer the day-to-day operations and running of the Group and its businesses in accordance with the shared values, strategy, business plans and policies approved by the Board;
- Develop strategies for the Group, its businesses and operations, and makes recommendations to the Board on such strategies, having regard to the Group's shared values, reputation and key stakeholders;
- Support a culture within the Group that promotes ethical, socially responsible behaviour and sustainability initiatives in accordance with the Group's shared values and in line with ESG considerations;
- Develop the Group's annual budget and conduct the Group's activities within the approved annual budget;
- Develop strategies for the Group to maintain a strong balance sheet and sound credit rating;
- With the support of the CFO, develop and maintain the Group's risk management framework and systems, including internal compliance and control mechanisms;
- Management of resources and stakeholder management;
- Assign responsibilities clearly to his direct reports, and supervise and report on their performance to the Board;



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- Report regularly to the Board with accurate, timely and clear information, such that the Board is fully informed to discharge its responsibilities effectively; and
- Exercise such additional powers as are delegated to the CEO by the Board from time-to-time.

## **8. ROLE OF THE COMPANY SECRETARY**

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

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

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

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

The role of the Company Secretary includes:

- Assisting the Board and the Board Committees on governance matters;
- Advising the Board on its roles and responsibilities, monitoring the policies and procedures of the Board and Board Committees, ensuring the Board policies and procedures are followed, good corporate governance practices are adopted and that the Board is advised on governance and relevant regulatory matters;
- Monitoring compliance, ensuring applicable rules and regulations are complied with, providing and procuring advice on the relevant law and regulations, including the Companies Act 2016, the Listing Requirements, corporate governance practices including the principles and recommendations of the MCCG, providing updates thereof and informing the Board of any departures/breaches and possible violations of legal and regulatory acts;
- Preparing the Board and Board Committee agenda with the Chairmen of both the Board and Board Committees as well as the CEO, and notifying all Directors of the Board and Board Committee meetings;
- Coordinating the timely completion and circulation of the Board and Board Committee papers;



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- Managing the AGM, the Board and Board Committee meeting arrangements and logistics, attends all Board and Board Committee meetings and the AGM, making sure that all meetings are properly convened, and ensuring that the matters discussed and deliberated at the Board and Board Committees meetings are properly recorded and accurately captured in the minutes;
- Communicating decisions of the Board and Board Committees to the Management for their necessary action, and to follow-up on proposals or matters tabled at the Board or Board Committee meetings;
- Facilitating the training, professional development of the Directors and the induction programme for the new Directors;
- Be the focal point for stakeholder's communication and engagement on corporate governance issues; and
- Facilitating the flow of information and communication to the Board and ensuring availability of information as required by Directors for the proper discharge of their duties.

## **9. ROLE OF BOARD COMMITTEES**

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

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

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

- Audit Committee; and
- Governance, Nomination and Compensation Committee.

The Board Committees have the authority to examine specific issues within their respective Terms of Reference, as approved by the Board and report to the Board with their recommendations. The Board monitors the functions of the Board Committees. Ultimately, the responsibility for the decisions or recommendations by the Board Committees rests with the Board as a whole.

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



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

## **10. BOARD MEETINGS**

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

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

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

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

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

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

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

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

At least twice a year, the Non-Executive Directors may meet for an 'In Camera' session, chaired by the Board Chairman, usually preceding the Board Meeting. Thereafter, the Board Chairman will inform the Chief Executive Officer the areas of concern, if any.



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## **11. BOARD AND BOARD COMMITTEE EVALUATION**

On an annual basis, facilitated by the Governance, Nomination and Compensation Committee and the Company Secretary, Directors will provide written feedback in relation to the performance of the Board, the Board Committees and the individual Directors. The Board assessment on sustainability issues is also part of the annual Board evaluation. Each Board Committee will also be required to provide feedback in terms of a review of its own performance.

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

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

Where appropriate, assistance may be obtained from professional independent advisors to facilitate the review and evaluation process. A professional independent advisor will be appointed at least once every three (3) years to carry out Board interviews as part of the Board and Board Committee Evaluation.

As part of the evaluation, for the Directors seeking re-election upon their retirement, there shall also be an assessment based on the Company's Directors' Fit and Proper Policy.

## **12. ACCESS TO INFORMATION, ADVICE AND TRAINING**

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

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

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

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

On an annual basis, all Directors are required to attend internal and external trainings to increase their knowledge on matters relevant to the Group's businesses, operations and



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sustainability initiatives, the industry which the Group operates and other trainings relevant to their roles and responsibilities as a member of the Board/Board Committees.

The Directors shall also stay abreast with and understand the issues and trends relevant to the Group and its business, including in the area of ESG.

### **13. ETHICAL STANDARDS, INTEGRITY AND LEGAL DUTIES**

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

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

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

Each Director has a fiduciary and statutory duty not to place themselves in a position which gives rise to, or is perceived to give rise to, a real or substantial possibility of conflict, whether it be a conflict of interest or conflict of duties. A Director who has a conflicting interest in a matter involving the Group shall promptly disclose the nature of the conflicting interest to the Board. Board members shall abstain from participating in, deliberating and from exercising voting rights in matters for which they have a conflict of interest. A Director shall also avail to his/her best efforts to ensure that he/she does not receive, directly or indirectly any confidential information in connection with such matters.

### **14. CONFIDENTIALITY**

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

**This Board Charter was reviewed and approved by the Board on 28 July 2022.**