

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4707  
**COMPANY NAME** : NESTLE (MALAYSIA) BERHAD  
**FINANCIAL YEAR** : December 31, 2023

## 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 fulfilling its obligations to oversee the effective management of Nestlé (Malaysia) Berhad (Company or Nestlé Malaysia), has meticulously executed the following activities during the course of the preceding fiscal year:</p> <p><b>Ensure that the Company's strategic plans support its long-term value creation and include strategies relating to economic, environmental, social and governance considerations, and sustainability as part of its ESG commitments;</b></p> <p>The cornerstone of effective corporate governance lies in a highly competent and accountable Board of Directors. The Board, through direct action and through its Board Committees, provides leadership and strategic guidance to the Management, with a view to aligning the Company's objectives with its long-term value creation strategy, taking into account the economic, environmental, social and governance dimensions and sustainability.</p> <p>The Board regularly evaluates the Company's operational and financial performance, ensures the presence of a robust governance framework, sustainability programmes, internal control system, risk management practices and reviews its compensation policies and succession planning processes.</p> <p>The Company is committed to operating sustainably and responsibly. It strives to make a positive impact on society and the environment through its business practices. Further details on the Company's sustainability goals and progress can be found in the comprehensive Nestlé in Society Report 2023.</p> <p>In 2023, the Board had reviewed, deliberated and approved the proposed acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd. (Wyeth Nutrition) by Nestlé Products Sdn. Bhd., a wholly owned subsidiary of</p>

the Company from Wyeth (Hong Kong) Holding Company Limited, for a purchase consideration of RM165.0 million. This strategic acquisition also marks a significant milestone in the Group's journey towards leadership in the category, whilst aligning neatly with our purpose of unlocking the power of food to enhance the quality of life for everyone, today and for generations to come. The proposed acquisition was approved by the shareholders at the Company's Extraordinary General Meeting (EGM) on 26 April, 2023 and was completed on 30 June 2023.

**Review, challenge and decide on Management's proposals for the Company and monitor its implementation by Management;**

In pursuit of exceptional governance and leadership, the Board regularly assesses the progress of the approved strategies, plans and budgets through in-depth reviews of the reports and presentations provided by the Chief Executive Officer (CEO) and the Management. The Board also receives regular updates, reports and recommendations from both the Board Committees and the Management, covering the Company's governance practices, business performance and ongoing development initiatives.

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

The daily operation of the Company's businesses is delegated to the CEO and executed with the support of the Executive Leadership Team (ELT) and the Nestlé Leadership Team (NLT). In addition to overseeing the Company's business and operational activities, the Board also evaluates and ensures effective management of its business, aiming to achieve performance outcomes that align with the Company's established corporate objectives and targets.

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

The Board of Directors and Management bear the responsibility and accountability for implementing the Company's system of risk management and internal control. An effective and efficient internal control system has been established, enabling the Company to respond to significant business, operational, financial, compliance and other risks.

This includes efficiently safeguarding 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.

With effect from 1 February 2024, the Audit Committee was renamed as the Audit and Risk Committee. This renaming signifies a proactive approach in acknowledging the interdependence of audit and risk functions within the Group, as well as a strategic move aimed at reinforcing the Committee's commitment to robust risk management and internal control framework, aligning them seamlessly with the Company's overarching governance structure.

The Audit and Risk Committee supports the Board in its efforts to monitor the Group's risk exposure, as well as the design and effectiveness of the underlying risk management and internal control systems. Specifically, the Audit and Risk Committee aids the Board in overseeing the following processes:

- i. The formulation of the Group's comprehensive Enterprise Risk Management framework, including policies, procedures, systems and capability to identify, assess and manage risks, ensuring their relevance and appropriateness to the Group's business;
- ii. Periodic evaluations of the principal business risks, control measures and action plans to mitigate or reduce such risks, as well as the overall internal control system, with focus on addressing weaknesses and improving the assessment process;
- iii. The monitoring of the Group's internal control through the internal audit function, the Nestlé Internal Audit (NIA), which is responsible for conducting ongoing reviews of major operational, financial, compliance and risk management controls throughout the Group;
- iv. The periodic assessment of internal audit findings reported by NIA, including the implementation of action plans to address any identified control weaknesses and the implementation of recommendations by NIA;
- v. The review of reports issued by external auditors on control issues identified in the course of their audit-related and non audit-related work and discussions with external auditors regarding the scope of their respective reviews and findings; and
- vi. An evaluation of any matters arising from the Group's anti-corruption policies and procedures, as well as any allegations or incidents of anti-corruption within the Group, through review of reports from Risk Management & Control, NIA and the Market Compliance Officer, to ensure the implementation of adequate procedures.

The Audit and Risk Committee updates the Board on the relevant issues discussed during its quarterly meetings.

**Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;**

	<p>The Board recognises the crucial relationship between risk, internal control, strategy and value creation. To ensure this alignment, the Company's strategy, risk management processes and internal controls are integrated to support the achievement of the Company's strategic priorities and maximise value for its shareholders.</p> <p>The Board sets the risk tolerance levels within which the Management is expected to operate and ensures that an effective risk management framework is in place to identify, assess, manage and monitor significant financial and non-financial risks.</p> <p>The Board and Management are committed to the principles and practices outlined in the Statement on Risk Management and Internal Control. Throughout the Group, risk management guidelines, controls and processes have been established and regularly reviewed to maintain their effectiveness.</p> <p>The Company has implemented the Enterprise Risk Management Framework, which is deeply ingrained in the Group's operations and actively identifies, assesses and monitors key business risks. The risk management policies, procedures and practices are regularly reviewed and the risks identified through the Enterprise Risk Management Framework, as well as the mitigating measures and updates, are thoroughly discussed and reviewed at the Audit and Risk Committee and Board meetings.</p> <p><b>Ensure the integrity of the Company's financial and non-financial reporting;</b></p> <p>The Board of Directors, charged with overseeing the preparation of annual financial statements, stays informed of the Company's performance, financial position and prospects through the receipt of quarterly management accounts and updates. The Audit and Risk Committee provides assistance to the Board in overseeing the financial reporting process and ensuring the quality of financial reporting.</p> <p>In preparing the financial statements, the Board exercised due diligence by consistently applying appropriate accounting policies, making prudent and reasonable estimations, and ensuring that the financial statements were presented on a going concern basis and accurately reflect the consolidated financial position and performance of the Company.</p> <p>In line with the enhanced sustainability reporting requirements in Main Market Listing Requirements by Bursa Malaysia Securities Berhad (Listing Requirements), the Board continued to provide valuable guidance in all aspects of the Company's sustainability disclosure and Environmental, Social and Governance (ESG) agenda.</p>
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The Company is guided by the Nestlé S.A. Group's Creating Shared Value (CSV) strategy and initiatives, which are rigorously monitored and managed by key internal stakeholders, the Nestlé S.A.'s Board of Directors, Chairman, Chief Executive Officer (Group CEO) and the Executive Board of Nestlé S.A., with support from internal management bodies such as the Nestlé S.A. Sustainability Committee and relevant committees. This ensures that the Company's ambitions and commitments regarding sustainability and CSV are effectively realised.

Locally, at Nestlé Malaysia, the Executive Director, Group Corporate Affairs is the designated person to steer the business units and functions on the implementation of their CSV and sustainability initiatives. He provides updates and progress to the Board twice a year on CSV-related matters.

**Ensure the Company has in place procedures to enable effective communication with stakeholders;**

The Board recognises the importance of open and transparent communication with its shareholders and investors to foster understanding of the Company's performance, growth prospects and operating environment. To achieve this objective, the Company has implemented an Investor Relations program under the direction of the Chief Financial Officer (CFO). This program includes regular engagement with the investment community and a commitment to providing timely and accurate information.

Additionally, the Company places a high emphasis on stakeholder engagement and details of these efforts can be found in the Company's Nestlé in Society Report 2023, pages 12 to 15.

**Together with the NLT, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;**

The Board recognises the significance of good governance in fostering ethical, responsible and professional behavior throughout the Company. The Board, in conjunction with the GNCC and the NLT, endeavours to continuously cultivate a culture of good governance and responsible behavior by implementing policies and procedures that reflect these values.

The Company has implemented a number of initiatives to promote good governance, including the adoption of the Nestlé Corporate Business Principles, the Nestlé Code of Business Conduct, the Nestlé Management and Leadership Principles, and the Nestlé Malaysia Anti Corruption, Gifts and Entertainment Guidelines. These policies outline the conduct expected of Directors and employees and serve as a standard for responsible behavior within the Group. Furthermore, all Directors and employees are required to sign an Integrity Pledge declaration as a testament to their commitment to ethical conduct.

	<p><b>Ensure that the senior management team (the NLT) has the necessary skills and experience and there are measures in place to provide for the orderly succession of the NLT;</b></p> <p>The Board places a paramount emphasis on ensuring proper succession planning for the NLT and identifying individuals with the necessary skills and expertise to drive the Company's strategic objectives forward. The Governance, Nomination and Compensation Committee (GNCC) plays a crucial role in overseeing succession planning, not only for the Board but also for the NLT. The GNCC regularly evaluates succession plans, compares their compensation and hiring processes against competitive industry standards and makes decisions based on merit-based principles.</p> <p>The Board strives to ensure that the NLT possesses the relevant skills and experience, and that there are established protocols in place to facilitate a smooth transition of leadership within the team.</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

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 holds a crucial role in fostering good governance within the Company. He provides leadership to the Board to ensure effective conduct and performance of the Board, drives the focus on implementing best practices in corporate governance and ensuring compliance.</p> <p>The key roles and responsibilities of the Chairman include:</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 with the CEO and other relevant members of the Management.</li><li>• Undertakes appropriate public relations activities 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 2023 BEE assessment findings reaffirm the positive dynamics within the boardroom, further empowering the Board to effectively fulfill its duties and drive the Company towards success. The Chairman continued to demonstrate exceptional leadership, characterised by openness to dissenting views and proactive contributions, allowing the Directors to actively engage in open and constructive discussions.</p> <p>The detailed responsibilities of the Chairman are outlined in the Board Charter.</p> <p>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></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 1.3**

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, roles and responsibilities and are held by different individuals. The Board recognises the importance of separating the roles to ensure a well-balanced and efficient management structure. This distinction ensures that there is a clear and proper balance of power, authority and decision making and that no one person has unfettered powers of decision.</p> <p>The Chairman of the Board has never assumed any executive position within the Company, thus further emphasising the clear distinction between the functions and responsibilities of the Board and the CEO.</p> <p>The separate distinct roles and responsibilities of the Chairman and the CEO are also reflected in the Board Charter.</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

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>It is important to have a clear governance structure and well-defined roles and responsibilities to ensure effective decision-making and accountability. The Board Charter and the Terms of Reference of the Committees provide a clear outline of the responsibilities and expectations for each individual. 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.</p> <p>Taking this into consideration and after evaluating how YAM Tan Sri Dato' Seri Syed Anwar Jamalullail has strongly guided and emphasised the Board to adopt objectively in the decision-making process and ultimately greatly benefiting the Company, the Company continued to leverage on his extensive experience and profound knowledge which have proven to be invaluable in steering and overseeing the Company's strategic growth and progress.</p> <p>As an alternative practice, all members of the Audit and Risk Committee and GNCC are Non-Executive Directors with a majority of Independent Directors. The Board views that having a majority of Independent Directors in the Audit and Risk Committee and GNCC enhances the Committee's independence, objectivity and effectiveness in carrying out its duties and responsibilities. Independent Directors bring a fresh perspective and a diversity of views, allowing robust discussions which can help the Board and management make better decisions. They are not beholden to any particular interest or party, allowing them to evaluate the Company's operations and financial performance objectively. Having a majority of Independent Directors in these</p>

	Committees also helps to ensure that appropriate systems of internal control and risk management are in place.	
<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 underwent an annual Board Effectiveness Evaluation (BEE) to ascertain the effectiveness of his contributions to the Board, the Audit and Risk Committee and the GNCC which he chairs.
<b>Timeframe</b>	:	Others
		This will be reviewed on an annual basis.

## 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 suitably qualified to fulfill the role, as she possesses the necessary certifications issued by the Registrar of Companies under sections 235(2) and 241(1) of the Companies Act 2016. The Company Secretary holds a Bachelor of Laws (Hons) degree from the University of Nottingham in the United Kingdom and has been admitted as a Barrister-at-Law by the Honourable Society of Lincoln's Inn in 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 provides guidance to the Board on their duties and responsibilities and ensures that all relevant rules and regulations are adhered to, proper procedures are followed, and good corporate governance practices are in place. She is responsible for advising the Board on governance and relevant regulatory matters and she serves as the primary point of contact for stakeholders regarding corporate governance matters.</p> <p>The role of the Company Secretary is also to support and collaborate with the Chairman of the Board, the CEO and the Chairman of the various Board Committees in determining the agenda items for their meetings. She manages and coordinates the arrangements and logistics for the Board and Committee meetings, AGM, attends these meetings and helps facilitate the Board communication.</p> <p>The Company Secretary also works with the Chairman to provide training opportunities for the Directors and to develop and implement an induction program for the new Directors, which includes series of meetings with the Heads of business units and functions to allow them to have a better understanding of the Group's business and operations. All Directors have access to the services of the Company Secretary.</p> <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 ELT, details of which can be found below:</p> <ul style="list-style-type: none"><li>• Members Voluntary Winding Up, Strike Off &amp; Management of Assets of Dissolved Company</li></ul>

	<ul style="list-style-type: none"> <li>• Seminar on “Onboarding Programme for First-Time Director, Corporate Governance Matters for the Board”</li> <li>• Share and Capital Maintenance with Illustration for Ordinary and Preference Shares</li> <li>• Conflict of Interest (COI) and What Can go Wrong Unpacking its Implications to Listed Issuers ad their Directors</li> <li>• Game-Changing Capabilities for Uncertainties Management</li> <li>• Nestlé Global Antitrust Leads Conference</li> <li>• Nestlé Zone AOA Head of Legals Conference</li> <li>• Nestlé Head of Legals Conference</li> <li>• Nestlé Resilient Training</li> <li>• In-house training: <ul style="list-style-type: none"> <li>a) Overview on Sustainability</li> <li>b) Digital 101</li> <li>c) Cyber Crisis Exercise</li> </ul> </li> </ul> <p>The Board was satisfied with the performance of the Company Secretary following the 2023 BEE. The support and guidance provided by the Company Secretary is notable strong, with the board meetings scheduled in advance, well managed meetings agenda, board papers prepared and circulated well in advance and taking accurate and comprehensive minutes of meetings that recorded all discussions, differing opinions, and points of contention raised during the meetings.</p> <p>The role of the Company Secretary has also been clearly defined 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 1.6

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, the Company Secretary prepared and circulated the annual meeting calendar to the Directors well in advance, before the start of each financial year. This allows the Directors to schedule their availability accordingly.</p> <p>At least two weeks before each Board or its Committee meeting, the Company Secretary will circulate the notice of meeting and an agenda as approved by the respective Chairman of the Board or its Committees to all members and attendees. The Board and Committee papers, including any presentations and reading materials, are distributed to all Directors at least five business days prior to the meeting to provide them with adequate understanding of the subject matter and to prepare them to handle any matters that may arise during the meeting. This also enables the Directors to fulfill their duties and make effective informed decisions. The Board is confident that the quality of information provided by the Management, as well as the timely distribution of all materials, are crucial to effective deliberation and decision-making. In cases of urgent matters or when additional papers are distributed less than five business days before the meeting, the Management will take the Board through the documents for a more indepth explanation.</p> <p>The Chairman is responsible for ensuring that all Directors receive the proper briefing on any issues discussed at Board meetings and have access to all relevant information in a timely manner.</p> <p>The minutes of the Board and Board Committee meetings document the discussions and decisions made capturing the substance of the deliberation. The draft minutes are then sent to all the Directors or to the members of the Board Committee meetings. The Company Secretary will also inform the Management of any actions that need to be taken or further updates that should be provided to the Board. These updates and action plans for any matters arising will be further discussed at the next Board or its Committee meeting.</p> <p>To keep the Directors informed, the Management and Company Secretary provide updates on key issues and significant developments, including those discussed at the Board meetings. Briefings may be arranged to discuss important topics.</p>

	To promote efficiency and environmental sustainability, the Board utilises technology and electronic devices to provide immediate access to the necessary materials.	
<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 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 of Directors has established a Board Charter to guide its responsibilities and decision-making process. The Charter outlines the Board's authority and powers, promoting high standards of corporate governance, ethical behavior and compliance culture. It provides clarity and guidance to the Directors and the Management regarding their roles, responsibilities and the Board's reserved matters.</p> <p>The Board Charter details the composition of the Board, the separation of functions between the Chairman and the CEO, as well as the Board's operating practices, evaluations, access to information and training and expected ethical standards and confidentiality.</p> <p>In order to carry out its duties and responsibilities effectively, the Board has established various Board Committees with clear Terms of Reference. The Executive Directors implement the strategies and operational decisions, while the Non-Executive Directors provide an independent perspective and complement the skills and expertise of the Executive Directors. They evaluate the Group's strategy, performance, internal controls, risk management, governance and sustainability efforts.</p> <p>With the recent requirement to the conflicts of interest disclosure by the Directors and Senior Key Management, the Terms of Reference of the Audit and Risk Committee was amended to reflect the adoption of the said policy. The Board Charter and the Terms of Reference were last reviewed and approved by the Board on 27 February 2024. 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></p>
<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

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>Adhering to the highest standards of honesty, integrity, as well as legal and ethical conduct is a fundamental principle of the Company. The Board and the Nestlé Leadership Team set the tone for the Company's culture of integrity and compliance. In performing its responsibilities, the Board is guided by the code of conduct and principles outlined in the Company's internal policies and guidelines.</p> <p><b><u>The Nestlé Corporate Business Principles (NCBP)</u></b></p> <p>The NCBP guides the Directors and all employees with a strong ethical framework which ensures integrity of action and compliance with laws, regulations and their own commitments. These principles are designed to ensure that the Company operates in a manner that is compliant with relevant laws and regulations, responsible to all stakeholders, and committed to sustainable business practices. The NCBP guides the actions and decision-making processes of all individuals within the Company, promoting integrity, ethical behavior and the creation of shared value in all circumstances.</p> <p>The NCBP focuses on principles surrounding our employees, consumers, customers, suppliers, shareholders and wider society:</p> <ul style="list-style-type: none"><li>• Consumers: emphasising nutrition, health and wellness, quality assurance and product safety as well as responsible and reliable consumer communication.</li><li>• Our people: emphasising human rights, diversity and inclusion as well as safety and health at work.</li><li>• Value Chain: emphasising responsible sourcing, honesty, integrity and fairness to our customers and business partners and commitment to environmental sustainability.</li><li>• Business Integrity: emphasising ethics, privacy and ethical data management.</li></ul>

- 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.

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

The NCBC implements the Nestlé Corporate Business Principles by outlining the expected conduct and responsibilities of both the Board and all employees within the organisation.

The NCBC covers various important aspects of business conduct, including compliance with all relevant laws, regulations and ethical guidelines. It also highlights the need for effective conflict of interest management and prevention, prompt declaration of interests in competing businesses, against the use of inside information and insider trading, the importance of whistleblower protection, prohibition against corrupt activities, and commitment to protecting and properly utilising 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 (Anti-Corruption Guidelines)**

The Anti-Corruption Guidelines were established in 2016 with the purpose of establishing clear limits on gifts, entertainment, and procedures for high-risk areas. These guidelines are regularly reviewed to ensure their relevance and effectiveness. The goal is to maintain the highest level of integrity and ethical standards in all business practices within the Group.

To strengthen internal processes to deter corruption, the Anti-Corruption Guidelines were recently reviewed and updated in 2022 particularly in the areas of sponsorships and dealings with government officials.

The Company continued to roll out its third party anti-corruption due diligence when onboarding new suppliers. For existing suppliers, it ensured that suppliers, particularly those who are substantial business partners, completed such anti-corruption due diligence. The third party anti-corruption due diligence effectively allows the Company to manage its risks relating to corruption. To create awareness within the Company, training sessions were organised for employees by way of e-Learning

	<p>which is updated with the most recent amendments to the Anti-Corruption Guidelines.</p> <p>Additionally, all Directors and employees must undergo regular training on the NCBP, NCBC and the Anti-Corruption Guidelines to ensure that they remain knowledgeable and are up to date on the policies and procedures. All Directors and employees have signed an Integrity Pledge. The Integrity Pledge serves as a declaration of their commitment to maintain the highest standards of integrity in all their business dealings and to uphold the policies outlined in the Guidelines. These efforts help to maintain a strong culture of ethics and compliance within the Company.</p> <p>The NCBP, NCBC 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/anticorruption-gifts-entertainment-guidelines">https://www.nestle.com.my/aboutus/nestle_in_malaysia/anticorruption-gifts-entertainment-guidelines</a></p> <p><b><u>Sanctions</u></b></p> <p>The Company lawfully engages in business activities in jurisdictions where sanctions laws from the United Nations and countries such as Switzerland, the European Union, the United States of America, the United Kingdom may apply. Such sanctions laws may embargo some countries generally embargoed and some may target specially designated nationals or blocked persons or entities. Consistent with its approach to comply with all applicable laws as laid out in the Nestlé Corporate Business Principles, the Sanctions Compliance Standard requires that the Group applies a risk-based approach when dealing with such jurisdictions.</p> <p>In 2023, the Company designed a sanctions compliance plan that correspond with its sanctions risk profile. The Company also rolled out e-Learning on sanctions to employees who deal with third parties and who may be subject to sanctions laws.</p> <p>The sanctions compliance plan also considers situations where if there are dealings with generally embargoed countries, persons from the United States of America must recuse themselves from any discussions of, decisions on, or facilitation of any activities in accordance with the Nestlé US Sanctions Recusal Standard.</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

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>The Company places a strong emphasis on professional conduct, honesty, and integrity in all its business dealings. It is dedicated to identifying and addressing any reportable conduct and promoting a culture of continuous improvement. In line with the Nestlé Corporate Business Principles, the Company provides readily accessible internal and external grievance mechanisms to its employees and external stakeholders, allowing for the raising of any potential instances of non-compliance. All concerns raised are thoroughly investigated and any retaliation against employees who report in good faith is strictly prohibited.</p> <p>Recognising that misconduct is often first reported by those who work with or for the Group, the Company has in place a reporting system for illegal or unacceptable behavior and non-compliant conduct. An early warning system such as a whistleblowing mechanism and procedure can help the Company detect any wrongdoing and take corrective actions before a problem becomes a crisis. It believes that a whistleblowing system demonstrates accountability, provides effective risk management, and supports good governance practices, thereby increasing investor confidence in the Company.</p> <p>Employees are encouraged to speak up and report any compliance violations, suspicions of wrongdoing, malpractice, or impropriety by communicating these issues with their line managers or the Market Compliance Officer through any mode of communication, or through the internal whistleblowing procedure also known as "Speak Up". These whistleblowing mechanisms are an essential component of a comprehensive framework that outlines when, how, and to whom a concern may be raised, and gives whistleblowers the opportunity to report a concern outside of their management line. Aside from internal parties, Speak Up also offers an avenue for external parties to lodge complaints to the Company on any non-compliances. 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>Additionally, the Company engages an independent third-party to manage the Speak Up hotline, ensuring confidentiality and protection of the whistleblower's identity. This allows for a secure and unbiased reporting channel for employees, as well as third parties such as customers, suppliers, and service providers. The Speak Up hotline can be accessed through the Company's corporate website and is communicated to relevant parties through annual email communications.</p> <p>The Company has established a Business Ethics &amp; Fraud Committee (BEFC), which is chaired by the CEO and comprises the CFO, the Executive Director, Legal &amp; Secretarial (as the Market Compliance Officer) and the Executive Director, Group Human Resource. The BEFC is tasked to review all complaints and allegations received through the Speak Up hotline or any other means. It holds formal meetings three to four times a year and meets regularly as needed to review individual non-compliance matters. The BEFC conducts investigations in an impartial and confidential manner, and upon completion of the investigation, determines the necessary corrective actions to be taken based on the outcome. The findings of these investigations are reported and discussed at Audit and Risk Committee meetings before being presented to the Board. The Board has ensured that the Company has in place a robust whistleblowing system.</p> <p>During the year 2023, the Company received a total of 25 reports of alleged non-compliance through both the Speak Up hotline and other modes of avenues. Each of these reports were thoroughly investigated and appropriate measures were taken when necessary.</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 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 long-term viability of the Company is directly tied to its ability to generate value for both its shareholders and society at large. The Company's philosophy is rooted in the belief that creating shared value is essential for sustained success, and as such, it continues to implement sustainable initiatives with a view to having a positive impact on individuals, families, communities, and the environment. In light of the ongoing global challenges posed by climate change, the COVID-19 pandemic and post pandemic, and economic uncertainty, it is increasingly important for the Company to provide solutions that address societal needs, overcome challenges, and generate economic value.</p> <p>The CSV framework is a cornerstone of the Company's approach, serving as the foundation for its business operations and its impact to the world. CSV is deeply integrated into the Company's culture, values, and principles, providing a clear vision for a sustainable future, and enabling consistent enhancement of value for the Company's shareholders, stakeholders, and society at large. This is how the Company brings its purpose to life and unlocking the power of food to enhance quality of life for everyone, today and for generations to come.</p> <p>The Board of Directors holds a vital role in ensuring the success and alignment of the Group with its core principles, including sustainability and climate-related performances. The Board oversees all aspects of the Group's ESG efforts, receiving regular updates and reports on its progress, as well as providing advice on measures that contribute to the long-term sustainability of the Group across economic, environmental, social and governance dimensions.</p> <p>The Board continuously reviews the Company's progress towards its commitments to environmental, social, and governance aspects, as well as its annual Nestlé in Society Report, to assess the impact of non-financial issues on the Company's financial performance and the</p>

alignment of its long-term strategy with its shared value creation goals. The Board ensures good governance is in place, provides oversight on the Group's response to climate change, oversees its human capital management, including diversity, equity and inclusion strategies, and periodically evaluates the Group's key stakeholders and their material interests.

In pursuit of its sustainability goals and climate-related, the Company has been making significant investments in new technologies and implementing transformative changes to its operations. This includes a concerted effort to achieve its net zero carbon and plastic objectives, as well as ongoing engagement with vendors and suppliers to advance sustainability and climate-related practices. This will include our transition to 100% renewable electricity across our operations as part of the Green Tariff Programme as well as Renewable Energy Certificate, and to promote regenerative agriculture to farmers.

The Group's CSV strategy is spearheaded by the Group Corporate Affairs Department under the leadership of the CEO and strategic guidance provided by the Board of Directors. The Executive Director, Group Corporate Affairs, Dato' Adnan Pawanteh, serves as the market sustainability and climate champion and is responsible for overseeing and providing advice on the Group's CSV strategy, sustainability and climate-related initiatives. The Board of Directors regularly provides guidance on the alignment of the Group's CSV strategy and sustainability initiatives with its long-term business goals and assesses progress against commitments during biannual reviews as presented by the Executive Director of Group Corporate Affairs. The CEO provides quarterly updates to the Board on the progress of the Group's CSV strategy, sustainability and climate-related initiatives.

Key CSV topics reviewed by the Board in 2023 include updates on:

1. Nestlé for Healthier Kids
2. Safe Water, Safe Communities Project
3. Project S.A.V.E:
  - River Plastic Collection Pilot
  - First Mile Collection of Recyclable (Rural)
  - Informal Sector Aggregation
  - Strata Recycling Programme
  - Door-to-door collection & Recycling Programme (Urban)

Operationally, the implementation of CSV initiatives is led by subject matter experts from various business units and support functions of the Group. The Group Corporate Affairs Department provides oversight and receives regular reports on progress. The subject matter experts, the Group Corporate Affairs Department, and the CEO engage in periodic reviews to ensure the continued advancement of CSV initiatives. Additionally, the Group Corporate Affairs Department keeps a vigilant eye on sustainability developments in both local and global markets, promptly reporting any changes or events that could impact the

	Group's business and operations to the CEO and updating the Board as necessary.	
<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 4.2

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 of Directors plays a crucial role in overseeing the implementation and success of the Group's ESG performance, and ensures alignment with the Group's CSV strategy and sustainability initiatives. The Board regularly reviews the Group's commitments and performance in the areas of environmental and climate sustainability, social responsibility, and governance, and provides counsel on the strategic alignment of the Group's CSV goals and initiatives with its long-term business objectives.</p> <p>The Group's efforts to transition towards zero net carbon are guided by Nestlé S.A. 's Net Zero Roadmap, which sets out a comprehensive approach to mitigating climate change and working with stakeholders to drive societal change towards a sustainable future.</p> <p>The Company places a strong emphasis on stakeholder engagement and two-way communication, and actively seeks insights and feedback from its employees, shareholders, consumers, suppliers, and various industry and governmental organisations.</p> <p>These efforts have helped us to gain a deeper understanding of our stakeholders' expectations and concerns, which allows us to continuously refine and improve our sustainability strategies and initiatives. By engaging in meaningful and ongoing dialogue with our stakeholders, we are better positioned to identify and address the most pressing issues impacting our business, such as sustainability, diversity, and social responsibility. Our commitment to open and transparent communication is a key component of our corporate governance framework and serves to reinforce our position as a responsible and trustworthy corporate citizen. Through our stakeholder engagement programs, we aim to foster a shared understanding of our values and purpose, as well as to create lasting, mutually beneficial relationships with the communities we serve.</p> <p>The Nestlé in Society Report, which forms part of the Annual Report, provides a comprehensive update on the Group's sustainability performance and initiatives.</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 4.3

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 significant steps to monitor the Group's ESG initiatives. The Board conducts bi-annual evaluations of the Group's CSV strategy, sustainability goals, and progress towards meeting commitments, as provided by the Executive Director, Group Corporate Affairs. The CEO provides regular updates to the Board on a quarterly basis, keeping them informed of the Group's sustainability efforts.</p> <p>The Directors have throughout the year under review, collectively attended the following relevant ESG training:</p> <ul style="list-style-type: none"><li>• Internal training - Overview on Sustainability</li><li>• MAP Part 2: Leading for Impact</li><li>• Task Force on Climate-Related Financial Disclosures (TCFD) 101 – Getting started with climate-related financial reporting</li><li>• TCFD 102 – Building experience in climate-related financial reporting</li><li>• TCFD 102 – Building experience in climate-related financial reporting</li><li>• ESG in insurance: Strategy and transformation</li><li>• Task Force Climate-Related Financial Disclosures (TCFD) Awareness Session</li><li>• Protecting Your Business with Adaptation &amp; Resilience Against Climate Impacts</li><li>• Dialogue with Bursa Malaysia FTSE4GOOD ESG Rating for all PLCs</li><li>• Bursa Malaysia's Enhanced Sustainability Disclosures &amp; ISSB's IFRS S1 and S2</li><li>• Bridging the Gap: Metaverse, Board of Directors, Net Zero &amp; NFT</li><li>• FMM Sustainability Conference 2023 - Equipping Business for Sustainability Transition</li></ul> <p>Additionally, the BEE incorporated evaluations on ESG factors, such as effectiveness of Nestlé's overall sustainability governance framework in reporting its ESG risks, sustainability targets and initiatives, and Directors' Skill Set which provided insights in determining crucial priorities and educational needs of the Directors.</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>In line with Bursa Malaysia's emphasis on sustainability, it is crucial for directors to stay updated on sustainability-related developments. The BEE questionnaire has been reviewed to include criteria related to ESG. This evaluation was designed to assess the Board of Directors, Board Committees and individual Directors ability to infuse ESG considerations and standpoints, and engagement with the Company's CSV and sustainability governance structure and processes. As the CEO and CFO also serve on the Board, they were also evaluated on their ESG knowledge and contributions. The outcomes of the BEE helped identify areas where the Board could benefit from further ESG training, which would aid in advancing the Company's sustainability goals.</p> <p>Additionally, the Group Corporate Affairs Department conducted monthly Sustainability Steering Committee meetings, where updates on sustainability projects were provided to relevant members of the ELT. This ensured that sustainability was integrated into the Company's daily operations and that the Management was effectively implementing the Company's sustainability strategies and plans. The Sustainability Steering Committee also received monthly updates on sustainability initiatives from the market sustainability and climate champion, which further emphasised the importance of sustainability considerations in the Company's decision-making processes.</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 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.

*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.*

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>Nestlé Malaysia's CSV strategy and sustainability efforts are overseen by the Group Corporate Affairs Department, which is spearheaded by the Executive Director, Dato' Adnan Pawanteh under the leadership of the CEO. He is the designated person to steer the business units and functions on the implementation of the CSV and sustainability initiatives. In this capacity, he is also accountable for the Company's Net Zero Roadmap and the advancement of sustainable packaging.</p> <p>The CEO and the Board provide guidance and support for the sustainability initiatives. Meanwhile, subject matter experts from various business units and support functions lead their respective CSV initiatives under the guidance of the Group Corporate Affairs Department. Regular progress updates are provided by subject matter experts on monthly basis, and the progress of the updates are assessed and presented to the Sustainability Steering Committee which comprise of the CEO, CFO and a few members of Nestlé Leadership team.</p> <p>The Group Corporate Affairs Department also ensures that climate change and other sustainability issues are considered in all business operations, and the CSV strategies are implemented.</p>

### 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 regularly evaluates the composition and balance of the Board and its Committees to ensure they align with the Company's strategic goals and to identify any need for the progressive refreshing of the Board.</p> <p>With the upcoming retirement of any Director, the Board would take the opportunity to refresh the composition of the Board, to bring in a further diverse set of skills, expertise and knowledge to strengthen the composition of the Board to meet the current and future needs of the Company.</p> <p>In 2023, the Board was further enhanced embracing a fresh wave of Independent Non-Executive Directors with diverse expertise and backgrounds with the appointment of YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim, who is well-recognised for her outstanding contributions to social activism and humanitarian endeavours; and Tan Sri Wan Zulkiflee Wan Ariffin, who brought to the table an impressive four decades in corporate and leadership roles spanning across various sectors.</p> <p>On an annual basis, the GNCC reviews the tenure of each Director and conducts an assessment of the BEE to ensure that the Board as a whole and its Committees have been effective in fulfilling their roles and responsibilities. This BEE process also evaluates the performance and contribution of each individual Director and the Board as a whole.</p> <p>To ensure the appointment and re-election of Directors meets the necessary criteria, the Company has established the Directors' Fit and Proper Policy. This policy outlines the approach and standards for the appointment and re-election of Directors of the Company and guides the GNCC and the Board in their evaluation and assessment of Board candidates and Directors eligible for re-election. This ensures that they possess the required character, experience, integrity, competence, and time to effectively carry out their duties as directors.</p> <p>The following Directors will be retiring and eligible for re-election at the next AGM pursuant to the following Company's Constitution:</p>

	<p>Article 97.1 :</p> <ul style="list-style-type: none"> <li>• Chin Kwai Fatt;</li> <li>• YM Dr. Tunku Alina Alias; and</li> <li>• Juan Aranols.</li> </ul> <p>Article 106 :</p> <ul style="list-style-type: none"> <li>• YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim; and</li> <li>• Tan Sri Wan Zulkiflee Wan Ariffin.</li> </ul> <p>The GNCC has undertaken a comprehensive evaluation of the performance and contribution of those Directors who are retiring and eligible for re-election. The GNCC considers factors such as the individual's performance, contribution to the Board and Committees, and overall balance of knowledge, skills, experience, and diversity, as well as their time commitment, to determine whether re-election would be in the best interests of the Company.</p> <p>The GNCC has assessed and is satisfied with the performance and contribution of the Directors.</p> <p>The GNCC also considers the time commitment of each Director and whether each re-election would be in the best interests of the Company.</p> <p>Additionally, the GNCC conducts an annual review of the independence of all Independent Directors, to assess their independence of any relationships or circumstances that could impact their judgement. The above retiring Directors had also met the fit and proper declarations and Non-Conflict declaration in the prescribed form and submitted the same to the GNCC for consideration. Based on the outcome of the GNCC's review, GNCC had made the recommendation to the Board to propose for the recommendation of the said Directors at the upcoming AGM.</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

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 composition of the Board of Directors consists of eight members, with a majority of Independent Directors. The Chairman holds the position of Non-Independent Non-Executive Director, while five Directors hold the title of Independent Non-Executive Directors. The remaining two members serve as Executive Directors, comprising the Chief Executive Officer and Chief Financial Officer.</p> <p>The strong representation of Independent Directors, accounting for 62.5% of the Board, ensures objective and impartial review and decision-making processes.</p> <p>In accordance with the Listing Requirements, an annual independence assessment was conducted for the year 2023 for all Independent Non-Executive Directors, and they have successfully satisfied the independence criteria 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 strictly capped at a maximum cumulative term of nine years as reflected in the Board Charter. Once this term is reached, the Independent Director may continue to serve on the Board, provided that they are redesignated as a Non-Independent Director.</p> <p>The GNCC is responsible for conducting annual independence assessment of all Independent Directors, examining their independence of character and judgement and any relationships or circumstances that could impact their judgement. All Independent Directors have met the independence criteria.</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 5.4 - 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 considered and approved the practice of limiting the tenure of Independent Directors to a cumulative term of nine years. This was approved by the Board and the Board Charter was updated to reflect this limit, ensuring adherence to the best corporate governance practices.

### 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>While ensuring that all appointments to the Board and to the senior management are made based on merit, against a set of objective criteria taking into account the skills, experience, independence, and knowledge required for the Board and NLT to be effective, the Company also places a strong emphasis on diversity principles in order to maintain a capable and well-rounded Board and NLT. A diverse composition, encompassing a balance of skills, experience, age, ethnicity/cultural background, gender, and diverse perspectives, is essential to the long-term success of the Company. The Company adopts a meritocracy system which does not discriminate on the grounds of gender, age and ethnicity/cultural background.</p> <p>The GNCC is responsible for overseeing the structure, size, and composition of the Board and its Committees, and leads the process of Board appointments, re-elections, and successions. The GNCC has established a formal procedure for the appointment of new Directors. It conducts due diligence, character and reference checks, as well as interviews, as part of the assessment process to ensure the candidates are suitable for the role and can meet the responsibilities and requirements of the Board. No active politicians are considered in order to ensure independence, objectivity, and avoid potential conflicts of interest situations.</p> <p>Part of the process includes an in-depth review of the candidate's corporate leadership, corporate industry standing, integrity, skills, knowledge, competencies, experience, expertise to complement the Board. Diversity of experience in business, academic background, age, gender, and ethnicity/cultural background are also considered. It takes into account the challenges and opportunities facing the Group, as well as the future skills and expertise needed to remain competitive in the market. The Board's firm belief that in order to be effective, the 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 potential candidates for Board appointments and Directors seeking re-election shall undergo a comprehensive assessment, which included evaluation based on the Company's Directors' Fit and Proper criteria which includes the integrity of the candidates and declaration of any potential conflicts of interest.</p> <p>The GNCC also considers the time commitment of each Director and potential candidates to the Board, and all Directors declare their existing board positions, including those in non-listed companies and other organisations. This is to ensure that each Director and potential candidates to the Board has sufficient time and capability to fulfil their Director's roles and responsibilities. None of the Directors holds more than five directorships each in listed companies and none of the Board members is an active politician.</p> <p>The succession plan for the NLT 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 Diversity, Equity and Inclusion 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></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>	:	The Board has previously engaged with an independent source but did not proceed as the Board was of the view that the independent source does not have the required insights and understanding on the requirements of the Company. Be that as it may, the Board will continue to gauge and utilise all resources and continuously explore the services of independent sources to identify suitably qualified candidates.	
		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. A due diligence process, candidate reference checks, non-conflict checks and interviews are also carried out by the GNCC prior to recommending any appointment to the Board.	
<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 continuously reviews the application of this Practice and will continue to gauge the capability of the independent sources in understanding the needs and requirements of the Company.	
<b>Timeframe</b>	:	Others	

### 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 places a great importance on effective communication to both its institutional and individual shareholders. In line with this commitment to transparency, shareholders are provided with Notices of AGM at least 28 days in advance, accompanied by the publication of the Annual Report. These notices contain essential information to ensure that communication with shareholders is disseminated clearly and effectively. Information contained relevant to all Directors, including those seeking re-election would include:</p> <ul style="list-style-type: none"><li>• 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>• the working experience and occupation;</li><li>• any other directorships in public companies and listed issuers, and other positions held;</li><li>• the details of any interest in the securities of the listed issuer and its subsidiaries;</li><li>• the family relationship with any director and/or major shareholder of the listed issuer;</li><li>• any conflict of interest that they have with the listed issuer; and</li><li>• 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>Before making any recommendations for Director re-election, the Board, facilitated by the GNCC, conducts a comprehensive evaluation of the Director's performance and contribution, as well as an independence assessment of Independent Directors. Only after obtaining satisfactory results, upon review by GNCC and the Board, will the Board proceed with the recommendations.</p>

	<p>The Board clearly communicates its stance on the re-election of eligible Directors in the Notice of AGM and Annual Report, along with the justifications for the Board's support.</p> <p>Shareholders are encouraged to raise questions and voice their concerns both prior to and during the AGM, and the Board strives to create a receptive environment where these questions can be answered by members of the Board. The results of the re-elections and voting outcomes from the AGM are made readily accessible on the Company's website.</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>YAM Tan Sri Dato' Seri Syed Anwar Jamalullail serves as the Chairman of the GNCC, holding the position of Non-Independent Non-Executive Director. He was elected to this role based on his exemplary leadership qualities, dedication and commitment. With his extensive experience, expertise and in-depth knowledge, he strives to ensure the GNCC operates with maximum efficiency and effectiveness, and provides direction and guidance in achieving its objectives.</p> <p>Additionally, the GNCC was of the view that the appointment for a Senior Independent Director was not necessary for the Company given the size of the Board which is relatively small. Such a position was not deemed to add any value to the Board.</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 underwent an annual BEE to ascertain the effectiveness of his contributions to the Board and the GNCC in which he chairs.	
<b>Timeframe</b>	:	Within 1 year	This will be reviewed upon the retirement of YAM Tan Sri Dato' Seri Syed Anwar Jamalullail.

**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>Currently, the Board consists of eight individuals, including three highly qualified women namely, Dato’ Hamidah Naziadin, YM Dr. Tunku Alina Alias, and YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim who represent 37.5% of the Board’s composition.</p> <p>In line with our commitment to diversity, equity and inclusion, when evaluating potential candidates for appointment to the Board, the focus would be to enhance the diversity of the Board, not only from a diverse background, but also the required expertise, experience, corporate industry standing, and skills that can bring added value to the already experienced and well-rounded Board. It is imperative to emphasise that all Board appointments are made solely on the basis of merit, with no compromise on the quality of the selected individual.</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 a strong emphasis on diversity principles, recognizing that a balanced blend of skills, experience and diversity is essential to ensure the effectiveness of both the Board and the NLT. This, in turn, contributes to the long-term success of the Company.</p> <p>A diverse Board and the NLT 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 upholds a meritocracy system which does not discriminate on the grounds of gender, age and ethnicity/cultural background. Whilst having a strong focus on diversity, it is also important that all appointments to the Board and to the NLT must be based on merit.</p> <p>The GNCC plays a pivotal role in regularly reviewing the structure, size and composition of the Board and the NLT, with due consideration given to skills, leadership, knowledge, competencies, experience and diversity. It leads the process for Board appointments, re-elections and succession of Directors, whereby all aspects of diversity in terms of experience in business, professionalism, corporate industry standing, integrity, academic background, age, gender and ethnicity/cultural background are considered.</p> <p>The succession plan for the NLT is also reviewed by the GNCC and presented to the Board, taking into account merit and leadership skills, as well as diversity in gender, skills, experience, age and ethnicity/cultural background. The plan is formulated with a focus on the challenges and opportunities facing the Group, as well as the future skills and expertise needed to remain competitive in the market.</p> <p>The Board has in place a Diversity, Equity and Inclusion Policy for both Board and the senior management which was last reviewed and approved by the Board on 27 February 2024.</p> <p>The Diversity, Equity and Inclusion 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></p>

	The statement on Company's policy on gender diversity for the Board and the NLT can be found on page 15 of the Corporate Governance & Financial Report 2023.	
<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

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>During the year under review, the GNCC conducted the BEE exercise internally as facilitated by the Company Secretary and supported by KPMG Management &amp; Risk Consulting Sdn. Bhd. The BEE questionnaires were tailored to the specific needs and nuances of the Board which comprised an assessment of the Board of Directors, Director's Skill Set, Directors' Self and Peer Assessment, Independence Assessment of Independent Directors, assessment of the Audit and Risk Committee and GNCC.</p> <p>Once every three years an external consultant is engaged to assist the GNCC to facilitate an independent, objective and candid board evaluation. The last review was in 2022.</p> <p>In addition to the above, all Independent Directors have declared compliance for all assessment criteria (100%) as set out in the Directors' Fit and Proper Policy relating to background, economic relationship, family relationship, independence, and time commitment.</p> <p>The results of the 2023 BEE were presented by the Company Secretary at the Board meeting in February 2024.</p> <p>The Board achieved an impressive overall high score. The assessment findings reaffirm the positive dynamics within the boardroom, further empowering the Board to effectively fulfill its duties and drive the Company towards success. The Chairman continued to demonstrate exceptional leadership, characterised by openness to dissenting views and proactive contributions, allowing the Directors to actively engage in open and constructive discussions. The CEO was also commended for spearheading the efficient management of the Group's day-to-day business. The Audit and Risk Committee deserved recognition for its diligent oversight and effective challenge to Management's assertions. The Directors had also expressed their satisfaction with the seamless</p>

	<p>information flow and the efficient Board administration by the Company Secretary.</p> <p>The results of the BEE will be used as a basis for a Board Improvement Programme to be implemented in 2024. The Board Improvement Programme is a framework in which a number of areas from the BEE that require further improvements to enhance the Board's effectiveness are identified and action plans formulated to address them.</p> <p>The results of these assessments form the basis of the GNCC's recommendation to the Board for the re-election of the Directors at the upcoming 40<sup>th</sup> AGM in April 2024.</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 7.1

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 established a Compensation Policy in determining the compensation of the Directors and the Nestlé Leadership team.</p> <p>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>This policy, under the oversight of the GNCC, outlines the philosophy and principles that guide the determination of compensation for Non-Executive Directors, Executive Directors and employees of the Group.</p> <p>When determining compensation levels, the GNCC considers various factors to ensure that the compensation is aligned with the Company's objectives and supports the recruitment and retention of top talent.</p> <p>These factors include:</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>• the risk environment and ensuring that the compensation does not encourage excessive risk-taking.</li></ul> <p>The Executive Directors' compensation is guided by the compensation framework of its ultimate holding company, Nestlé S.A.</p> <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 continued responsibilities for all Directors;</li> <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 compensation 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 reviewed by the Board on 27 February 2024. The Compensation 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></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 7.2

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 GNCC comprises of four Non-Executive Directors, including three Independent Directors. The Committee's primary purpose with regards to compensation is to evaluate and provide guidance to the Board regarding compensation policies for Directors, senior management and employees throughout the Group. The Committee's key responsibilities in the area of compensation include:</p> <ul style="list-style-type: none"><li>• 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>• 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>• 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>• Review and approve the Management's proposal for the annual salary increase package for the employees as recommended by the Group Human Resource Department for subsequent approval by the Board;</li><li>• Review and make recommendations 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>• Review the individual compensation packages of the Executive Directors and the NLT; and</li></ul>

	<ul style="list-style-type: none"> <li>Review the report on the compensation to be disclosed in the Annual Report, in line with applicable statutory and regulatory disclosure requirements.</li> </ul> <p>The GNCC may, as deemed necessary, utilise the services of independent professional advisors or service providers to fulfill its responsibilities, including compensation consultants. The GNCC shall be directly responsible over the appointment, termination, remuneration and oversight of the work performed by any advisors they engage.</p> <p>The Terms of Reference of the GNCC 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></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**

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 Director's remuneration paid in 2023 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 Jamalullail	Chairman, Non-Independent Non-Executive Director	445	-	-	-	-	70	515	-	-	-	-	-	-	-
2	Chin Kwai Fatt	Independent Director	220	-	-	-	-	26	246	-	-	-	-	-	-	-
3	Dato' Hamidah Naziadin	Independent Director	180	-	-	-	-	16	196	-	-	-	-	-	-	-
4	YM Dr. Tunku Alina Alias	Independent Director	180	-	-	-	-	20	200	-	-	-	-	-	-	-
5	YTM Tan Sri Tunku Puteri Intan Safinaz Sultan Abd Halim	Independent Director	-	-	-	-	-	4	4	-	-	-	-	-	-	-
6	Tan Sri Wan Zulkiflee Wan Ariffin	Independent Director	-	-	-	-	-	2	4	-	-	-	-	-	-	-
7	Juan Aranols	Executive Director	-	-	1,485	-	-	3,527	5,012	-	-	-	-	-	-	-
8	Syed Saiful Islam	Executive Director	-	-	921.9	-	-	997.9	1919.8	-	-	-	-	-	-	-
9	Datin Sri Azlin Bin Arshad ( <i>retired on 26 April 2023</i> )	Independent Director	185	-	-	-	-	10	195	-	-	-	-	-	-	-



### 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 aligns its compensation framework with that of Nestlé S.A., its ultimate holding company.</p> <p>The Company recognises that attracting, retaining and motivating top talent is essential to the success of the business. To support this objective, the Company implements various programs, including a comprehensive competitive compensation policy. The Company's philosophy emphasises a performance-oriented culture, good corporate governance and sustainability. The compensation principles that the Company adheres to include:</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 a highly competitive business landscape, maintaining the retention of key personnel is essential to the successful execution of the Company's strategic objectives. The Company is of the view that revealing the compensation of the top five members of the senior management team could have negative impacts on the organisation as it may lead to, amongst others:</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 adheres to the compensation framework established by its parent company, Nestlé S.A., in order to determine the appropriate compensation packages for its senior management team. These packages are designed to align with industry standards and reflect the roles, responsibilities and skill levels of each individual, serving as a motivator for high 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 2023 Financial Report does provide disclosure of the total compensation for the key management personnel, as defined within the report.</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>: 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>
<p><b>Timeframe</b></p>	<p>: Others</p>

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Chairman, Non-Independent Non-Executive Director	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 role of Chairman of the Audit and Risk Committee is fulfilled by Mr. Chin Kwai Fatt, an Independent Non-Executive Director and he is not the Chairman of the Board. This allows the Chairman of the Audit and Risk Committee to provide full commitment and devote sufficient time to matters under the responsibilities of the Audit and Risk Committee and to remain impartial in order 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 (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.</p> <p>The Chairman of the Audit and Risk Committee is responsible for upholding the efficiency and independence of the Audit and Risk Committee. He ensures that:</p> <ul style="list-style-type: none"><li>• the Audit and Risk Committee discharges its roles and responsibilities as defined in the Terms of Reference of the Audit and Risk Committee;</li><li>• the Audit and Risk Committee is fully informed and addresses the significant matters related to the Company's audit and its financial statements; and</li><li>• the Audit and Risk Committee appropriately communicates its insights, views or any matters of concern relevant to its role, to the internal auditors, external auditors and the Board, whichever is relevant.</li></ul> <p>The Chairman of the Audit and Risk Committee also presents the Audit and Risk Committee Report at the Board meetings.</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

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>The Company recognises the importance of maintaining the independence and impartiality of its Audit and Risk Committee. To that end, the Company has established a policy whereby any former key external audit partner is subject to a cooling-off period of at least three years prior to being appointed as a member of the Audit and Risk Committee. This policy is outlined in the Audit and Risk Committee's Terms of Reference, which are designed to ensure the overall effectiveness and independence of the Audit and Risk Committee.</p> <p>The Terms of Reference of the Audit and Risk 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></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

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 upholds the principles of transparency and professionalism in its relationship with the external auditor, which is managed primarily through the Audit and Risk Committee. This relationship is guided by the Malaysian Code on Corporate Governance (MCCG) to ensure the highest level of corporate governance.</p> <p>Guided by the MCCG, the Audit and Risk Committee has established a structured framework for the annual assessment of the effectiveness of the external audit process and the quality of audit, covering all aspects of the audit services provided by the external auditor. This comprehensive assessment considers key aspects such as the suitability, objectivity, performance and independence of the external auditor and is carried out in close collaboration with the Management. The evaluation takes into account the following factors:</p> <ul style="list-style-type: none"><li>• the Audit and Risk 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 and Risk 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 and Risk Committee conducted a private deliberation with the Management to assess the outcome of the Assessment of the Objectivity, Independence and Quality of Service Delivery of the external auditors and quality of service delivery of the external auditors, Ernst &amp; Young PLT (EY), in the absence of the external auditors.</p> <p>Based on the comprehensive evaluation, the Audit and Risk Committee determined that the primary areas of audit were given adequate attention and that the external auditor exhibited robust challenge and skepticism in the conduct of the audit. The Audit and Risk Committee also received written confirmation from EY affirming their independence throughout the engagement, in accordance with all relevant professional and regulatory requirements. Moreover, EY provided written assurance of compliance with Chapter 15.21 of the Listing Requirements, including adequate experience and resources, a</p>

	<p>21-year track record of the engagement partner serving clients in the same industry, and a sufficient number of supervisory and professional staff with relevant experience assigned to carry out the external audit.</p> <p>To ensure independence, the Audit and Risk Committee requires the external auditor to rotate the audit partner responsible for the Company audit every seven years, in line with the Audit Partner Rotation requirements of the MIA.</p> <p>Having taken into consideration all relevant factors, the Board is confident that the impartiality, objectivity and effectiveness of EY have been consistently upheld.</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 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>The Audit and Risk Committee is comprised of financially literate individuals with extensive corporate experience and the necessary business acumen. They possess a discerning outlook on the Company's financial reporting process and information, and are equipped to effectively challenge and direct probing questions to the management on the Company's financials to ensure that the financial reporting accurately reflects the Company's operations and performance.</p> <p>The Audit and Risk Committee is chaired by an Independent Non-Executive Director, Mr. Chin Kwai Fatt, who is a highly qualified professional, being a Chartered Accountant, a member of the 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 assumed the role of Chairman of the Audit and Risk Committee on 29 April 2021.</p> <p>On 1 February 2024, the Audit and Risk Committee welcomed Tan Sri Wan Zulkiflee Wan Ariffin as a new member, joining YAM Tan Sri Dato' Seri Syed Anwar Jamalullail and YM Dr. Tunku Alina Alias on the Committee.</p> <p>All members of the Audit and Risk Committee are financially literate, competent and are able to understand matters under the purview of the Audit and Risk Committee including the financial reporting process. They are committed to maintaining professional development and in 2023, they attended various trainings that are relevant to their roles as Audit and Risk Committee members, including:</p> <ol style="list-style-type: none"><li>1. Mr. Chin Kwai Fatt<ul style="list-style-type: none"><li>• Post budget strategy and Outlook</li></ul></li></ol>

	<ul style="list-style-type: none"> <li>• TCFD 101 – Getting started with climate-related financial reporting</li> <li>• TCFD 102 – Building experience in climate-related financial reporting</li> <li>• Budget 2023 Seminar</li> <li>• TTCS 4th Virtual Tax Conference</li> <li>• MIA Conference 2023</li> <li>• ESG in insurance: Strategy and transformation</li> <li>• ICDM Power Talk Series AI – An Opportunity or Risk</li> <li>• Game-Changing Capabilities for Uncertainties Management</li> <li>• MAP Part II: Leading for Impact (LIP)</li> <li>• Management of Cyber Risk</li> <li>• In-house training: <ul style="list-style-type: none"> <li>a) Overview on Sustainability</li> <li>b) Digital 101</li> <li>c) Cyber Crisis Exercise</li> </ul> </li> </ul> <p>2. Tan Sri Dato’ Seri Syed Anwar Jamalullail</p> <ul style="list-style-type: none"> <li>• In House Directors Training – Demystifying ESG: Understanding Bursa Malaysia’s Requirements and ISSB’s Global Baseline on Sustainability Reporting</li> <li>• A Leadership Agenda : Driving Trust from the Top</li> <li>• In House Directors Training – ESG: Principles of Responsible Investment &amp; Carbon Market</li> <li>• In-house Directors’ Training 1. Global Outlook for ESG Finance; and 2. Digital Transformation</li> <li>• Game-Changing Capabilities for Uncertainties Management</li> <li>• Leaders, Take Charge!</li> <li>• Directors’ In-House Training – Anti Money Laundering (AML), Anti-Terrorism Financing &amp; Anti Profileration</li> <li>• Directors’ In-House Training – Cybersecurity Awareness</li> <li>• Sharing Session on ESG: Heading the Call To Action for Sustainability</li> <li>• PNB Knowledge Forum II 2023 – Education Reimagined</li> <li>• Chairperson Masterclass Series 2023: Session 5 – The New Era of Board Duties by Philippe Jourbert (CEO, Earth on Board)</li> <li>• Setia Governance Risk &amp; Audit Forum (SGRAF) 2023 – “Accelerating Transformation, Navigating the Future – A Governance Perspective”</li> <li>• In-house Directors’ Training: Conflicts of Interest by Asia School of Business</li> <li>• In-house training: <ul style="list-style-type: none"> <li>a) Overview on Sustainability</li> <li>b) Digital 101</li> <li>c) Cyber Crisis Exercise</li> </ul> </li> </ul> <p>3. YM Dr. Tunku Alina Alias</p> <ul style="list-style-type: none"> <li>• Mergers and Acquisitions - Executive Education Programme</li> <li>• Global Minimum Tax’s Implementation in Malaysia</li> <li>• Model Structure for PPP in Social Infrastructure Projects</li> </ul>
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	<ul style="list-style-type: none"> <li>• Stakeholder Engagement</li> <li>• Bursa Carbon Exchange briefing</li> <li>• Dialogue with Bursa Malaysia FTSE4GOOD - ESG Rating for all PLCs</li> <li>• Financial Fraud &amp; Forensics Conference 2023</li> <li>• Investor Expectations and Stewardship - BNPP AM Learning Lunch series</li> <li>• Game-Changing Capabilities for Uncertainties Management</li> <li>• Bursa Malaysia's Enhanced Sustainability Disclosures &amp; ISSB's IFRS S1 and S2</li> <li>• Bridging the Gap: Metaverse, Board of Directors, Net Zero &amp; NFT</li> <li>• Lego Serious Play Facilitator Certification</li> <li>• Advocacy Session for Directors and CEOs of MML issuers - Corporate Disclosure Framework and Guidance</li> <li>• Operationalising Resolution Planning: A Perspective from the Trenches</li> <li>• Conflict of Interest and the Governance of COI</li> <li>• MAP Part 2: Leading for Impact</li> <li>• In-house training: <ul style="list-style-type: none"> <li>a) Overview on Sustainability</li> <li>b) Digital 101</li> <li>c) Cyber Crisis Exercise</li> </ul> </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>Adherence to the principles outlined in the Statement on Risk Management and Internal Control and the Guidelines for Directors of Listed Issuers serves as the benchmark for the Board and Management's risk management practices. The Company, in collaboration with the NIA, has implemented comprehensive risk management guidelines, control measures and processes that are integrated into the Group's operations.</p> <p>The implementation of effective risk management and internal control systems is a fundamental aspect of corporate governance and is deeply ingrained in the Group's processes through the implementation of a robust Risk Management Framework. The Board bears the ultimate responsibility for ensuring the maintenance of sound and effective risk management and internal control systems, while the Management ensures the implementation of sufficient and effective operational controls over the Group's key business processes.</p> <p>The Group's activities are infused with a culture of risk management, which involves, among other things, the establishment of appropriate risk tolerance thresholds and the proactive identification, assessment, monitoring and management of key business risks faced by the organisation. The adoption of an Enterprise Risk Management (ERM) framework enables the Company to identify major risks faced by the Group and implement mitigation measures to minimise these risks. The NIA regularly reviews the effectiveness of the internal control system in mitigating risks and monitors the Group's risk profile and exposure.</p> <p>Periodic review of risk management and internal control principles, policies, procedures and practices is conducted to ensure their continued relevance and compliance with current and applicable laws and regulations. The Risk Management &amp; Control Manager attends the quarterly Audit and Risk Committee meetings to present the Enterprise Risk Management framework, the risks identified, its evolution, prioritization and the monitoring of the risks and its mitigation plans. The results of these reviews are communicated to the Board through the Audit and Risk Committee.</p>

	Further information on the Company's Risk Management and Internal Control Frameworks can be found in the Statement of Risk Management and Internal Controls, as detailed on pages 35 to 39 of the Company's Corporate Governance & Financial Report 2023.	
<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 of Directors assumes the ultimate responsibility of ensuring that the Company maintains a comprehensive and efficient system of risk management and internal control. The Board understands the significance of identifying and continuously monitoring the key business risks and challenges faced by the Company, including strategic, financial, operational and reputational risks, as well as long-term trends, threats and challenges faced by the business. The Audit and Risk Committee provides support to the Board in the ERM process and is responsible for continuously monitoring and reviewing the effectiveness of the risk management and internal control frameworks prior to it being presented to the Board at its quarterly meetings.</p> <p>The Company considers both external and internal risks faced by the Company's business units and across the Group level. The Company is committed to implementing a risk-aware culture and has established a comprehensive risk management and control framework that enables it to effectively identify, evaluate and manage its principal and emerging risks. The Company's risk management approach aims to strike a balance between risk mitigation and risk optimisation, by clearly defining its risk appetite and ensuring that the ELT has the capability to respond to changes in its risk profile and to effectively navigate the challenges and opportunities faced.</p> <p>The NIA provides support to the Audit and Risk Committee and ELT in evaluating the design and operating effectiveness of the risk management and internal control processes, through regular independent reviews conducted by the NIA. The Company remains committed to refining and enhancing its risk management and internal control processes to ensure that it has the most effective set of controls to mitigate its principal risks.</p> <p>During the year under review, the Audit and Risk Committee conducted a comprehensive evaluation of the Group's ERM process and framework. Dedicated sessions were held with the Risk Management &amp; Control Manager, who presented a thorough overview of the Group's ERM processes, including the implementation of mitigating measures</p>

	<p>and any relevant updates. The ERM process was also presented to the Board.</p> <p>The Company's risk management and internal control framework and the discussion covered various key topics relevant to the effective management of risk which can be found in the Statement on Risk Management and Internal Control on pages 35 to 39 of the Company's Corporate Governance &amp; Financial Report 2023.</p> <p>The Statement on Risk Management and Internal Control was reviewed and approved by the Board on 27 February 2024.</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**

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>	:	There is an Audit and Risk Committee in place which oversees the Company's risk management framework and policies.

**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><u>The Nestlé Malaysia Internal Audit (NIA)</u></b></p> <p>The NIA is aligned with and adopts the MCCG. As a department within the Finance &amp; Control function, the NIA reports directly to the Audit and Risk Committee and Nestlé Internal Audit (Center) in Switzerland, ensuring its impartiality and independence in performing its functions.</p> <p>The primary mandate of the NIA is to undertake independent, thorough and systematic evaluations of the Group's processes, guidelines and its application and compliance, with objective reporting to the Audit and Risk Committee and Management. The results of the evaluations are then presented for review by the Board.</p> <p>Further details of the NIA can be found on pages 31 (under the Audit and Risk Committee Report) and 38 to 39 (under the Statement of Risk Management and Internal Controls) of the Corporate Governance &amp; Financial Report 2023.</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>With a reporting structure that functions independently to the Audit and Risk Committee and the Nestlé Internal Audit (Center) of Nestlé S.A. in Switzerland, the NIA plays an important role in ensuring the Group's adherence to established processes and guidelines.</p> <p>The Department is led by Miss Loo Wai Leng, aged 46 years old. She has served the Group for more than 16 years in various functions within the Finance &amp; Control function such as Corporate Finance &amp; Control, Commercial Control, Credit Management &amp; Human Resource control, Business and Supply Chain control, before moving to her current role in NIA in May 2022. She is a member of Malaysia Institute of Accountants and Certified Practising Accountant (Australia). She holds a Degree of Bachelor of Business (Accountancy) from Royal Melbourne Institute of Technology (RMIT), Australia.</p> <p>Her team consists of six qualified auditors with various professional qualifications which include amongst others, Bachelor of Mechanical Engineering, Bachelor of Chemical Engineering and members from the Association of Chartered Certified Accountants (ACCA).</p> <p>All internal auditors are free from any relationship or conflicts of interest that may impact 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 places a high priority on effective communication and transparency with all stakeholders, including shareholders, investors and the general public. The Company has established a robust channel for communication that ensures the timely dissemination of accurate and relevant information.</p> <p>In ensuring accountability and transparency to enable the shareholders and investors to make informed investment decisions, the Board adopts a comprehensive, accurate and timely approach in disclosing material information to ensure compliance with the Listing Requirements and the Corporate Disclosure Guide of Bursa Malaysia Berhad.</p> <p>The Chief Financial Officer (CFO) leads the Company's investor relations activities, and experienced members of the Management are directly involved in these efforts. The Company announces its quarterly financial results as soon as possible, and audited financial statements are published within three months of the end of each financial year.</p> <p>The Company held four briefing sessions in 2023, conducted virtually by the Chief Executive Officer and CFO, for fund managers, institutional investors and investment analysts after each quarterly results announcement. These briefing sessions provided in-depth insights into the Company's financial performance and business strategies and provided updates on the progress and development of the Company's business. Questions raised during the briefings were also meaningfully addressed by the Company.</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 the Board to provide an overview of the Company's progress and respond to questions and concerns raised by shareholders.</p> <p>Despite it being a fully virtual AGM in 2023, the shareholders were given opportunities to raise questions before and during the AGM. All Directors, representatives of the senior management team and the Company's external auditors, were present to answer all questions</p>

	<p>raised and provided clarification as required by the shareholders. The Company's responses to the advance questions raised by Employees' Provident Funds (EPF), Minority Shareholders Watch Group (MSWG) and other shareholders prior to the AGM were shared with the shareholders at the AGM. The questions submitted by the shareholders were made visible during the AGM and all questions were answered by the Board. The outcome of the AGM was announced to Bursa Malaysia Securities Berhad (Bursa) on the same day after the conclusion of the AGM.</p> <p>In 2023, the Company held a fully virtual Extraordinary General Meeting for the acquisition of Wyeth Nutrition (Malaysia) Sdn. Bhd. by Nestlé Products Sdn. Bhd., a wholly owned subsidiary of the Company from Wyeth (Hong Kong) Holding Company Limited, for a purchase consideration of RM165.0 million. All Directors, representatives of the senior management team, external auditors, legal advisor, principal advisor and independent valuer relating to the corporate exercise, were present to answer all questions raised and provided clarification as required by the stakeholders. The Company had adopted the same principles of effective, transparent communication with its stakeholders.</p> <p>The Company's corporate website at <a href="http://www.nestle.com.my">www.nestle.com.my</a> is the main source for information on the Company's corporate governance structure and policies. Hard copies of the Annual Report and accompanying documents are available upon written request to the Company Secretary.</p> <p>The Chairman, CEO, CFO and Company Secretary are the primary contacts for the Company's shareholders, and the Company Secretary is responsible for providing feedback and responses to shareholder inquiries, excluding sensitive information that may not be disclosed to the general public.</p> <p>In addition, the Company also maintains continuous engagements with other stakeholders, including but not limited to its employees, consumers, regulators, authorities, suppliers and society in general. The full details of the Company's stakeholder engagements are available on pages 12 to 15 of the Company's Nestlé in Society Report 2023.</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>



<b>Timeframe</b>	:		
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**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 Company has fully embraced the principles of integrated reporting and maintains a commitment to adhering to the frameworks provided by the Value Reporting Foundation (VRF). Throughout the fiscal year of 2023, the Company has consistently aligned its reporting practices with the VRF frameworks, placing a strong emphasis on value creation, connectivity and strategic alignment. This commitment is clearly reflected in the Annual Review, Corporate Governance &amp; Financial Report and the Nestlé in Society Report for the year 2023.</p> <p>The Company's dedication to driving value creation and enhancing transparency remains resolute, as evidenced by our continuous and diligent reporting efforts.</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 39<sup>th</sup> AGM held on 26 April 2023 was executed in full compliance with the established regulations and guidelines set forth by the Company's Constitution, the Companies Act 2016 and the Listing Requirements. The notice for the AGM was issued on 24 March 2023, more than 28 days prior to the meeting, providing the shareholders with sufficient time to review the proposed resolutions tabled at the AGM and make informed decisions accordingly.</p> <p>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>Additionally, the Company distributed an Administrative Note along with the AGM notice, providing the shareholders with a comprehensive understanding of their rights and entitlements as shareholders, as well as details regarding the AGM. The Company remains committed to maintaining transparent and open communication channels with its shareholders and stakeholders.</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 values the direct interaction and engagement with its shareholders and recognises the AGM as a key event for promoting open communication and transparency. The 39<sup>th</sup> AGM and the EGM held saw the active participation of all seven Directors, including the Chairman of the Board and the Chairmen of the Board Committees, which provided a valuable opportunity for the shareholders to address their questions and concerns directly to the key decision-makers of the Company.</p> <p>The AGM also provided a platform for the CEO to present a comprehensive business update, which was made available on the Company's official website, further demonstrating the Company's commitment to keeping its stakeholders informed. The Company's senior management team and external auditors were also in attendance, ensuring that meaningful responses were provided to the shareholders' queries and concerns.</p> <p>In line with its principles of good corporate governance, the Company responded to the advance questions raised by EPF, MSWG and other shareholders prior to the AGM and EGM and shared the responses with the attendees. The Board also responded to the questions raised during the AGM and EGM. The Company remains committed to fostering a culture of transparency and continuous engagement with its shareholders.</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>The Company's 39<sup>th</sup> AGM and EGM were held virtually on 26 April 2023 through live streaming using the Remote Participation and Electronic Voting (RPEV) facilities, which allowed the remote participation and online voting by all shareholders and their appointed proxies. The broadcast venue of the AGM and EGM were at the Company's office, at Level 22, 1 Powerhouse, No. 1, Persiaran Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia, where the Chairman, all Directors and Company Secretary were present at the broadcast venue.</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 RPEV 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 KPMG Management &amp; Risk Consulting 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 and EGM.</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 and EGM. The Minutes of the AGM and EGM 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 39<sup>th</sup> AGM and the EGM were attended by all members of the Board (including the Chairman and the Chairmen of various Board Committees), the Company Secretary and several members of the senior management team. The general meeting serves as a crucial platform for open communication and engagement between the Company and its shareholders, providing a valuable opportunity for direct interaction and discussion.</p> <p>Prior to the AGM and EGM, notices of the meetings were disseminated to all shareholders, providing details of the time, venue and resolutions to be considered. The notice of meetings also includes clear guidance on voting procedures, the lodgment of Proxy Forms and remote participation options for shareholders. The Chairman ensures that shareholders have a fair and equal opportunity to engage with the Board and effectively participate in the AGM and EGM.</p> <p>During the AGM, presentations were delivered by the Chairman and the CEO, providing updates on the business, financial performance and non-financial aspects of the Company.</p> <p>Given the special resolution at the EGM, presentations in relation to the proposed acquisition were delivered by the CEO, MIDF Amanah Investment Bank Berhad as the Principal Adviser and KAF Investment Bank Berhad, as the Independent Valuer.</p> <p>The Company provided shareholders with the opportunity to submit questions before the AGM and EGM, from 24 March 2023 to 18 April 2023, through its RPEV platform. These questions were then displayed and addressed by the Board during both meetings in a comprehensive and transparent manner.</p>

	<p>The Company's corporate website provides additional channels for shareholders to provide feedback, raise inquiries and engage with the Company.</p> <p>Please refer to the minutes of meeting for the list of questions raised. The minutes is available for download through the following URL: <a href="https://www.nestle.com.my/investors/shareholders-meetings">https://www.nestle.com.my/investors/shareholders-meetings</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

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 is committed to providing with a seamless and efficient virtual AGM and EGM experience for its shareholders. The utilisation of the RPEV facility during the 39<sup>th</sup> AGM and the EGM was the result of a thorough assessment and testing process, ensuring its effectiveness and reliability.</p> <p>This RPEV platform enabled the Company to conduct a fully virtual AGM and EGM, providing shareholders with the ability to participate in the meeting remotely, cast their votes on all resolutions in real-time, and engage in two-way communication with the Board and senior management team through questions submitted via the RPEV facility.</p> <p>The questions received by the Company from MSWG, EPF and other shareholders prior to the AGM and EGM, including the real time questions at the AGM and EGM, were answered and displayed on the screen during both general meetings.</p> <p>The administrative details of the AGM and EGM, including the instructions and procedures for remote participation and e-voting, were communicated to shareholders in a clear and comprehensive manner.</p> <p>The transparency, accountability and accuracy of the e-voting results were ensured through the real-time dissemination of the results, which were also announced to Bursa on the same day as the conclusion of the AGM and EGM. The Minutes of the AGM and EGM were also made readily 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>	: A full record of the proceedings of the 39 <sup>th</sup> AGM and the EGM, including the questions raised by shareholders and the Company's responses, was meticulously documented and made available on the Company's official website within 30 working days following the conclusion of the meeting. The minutes serve as a valuable resource for stakeholders, providing a comprehensive understanding of the topics discussed and actions taken at the 39 <sup>th</sup> AGM and the EGM.  The minutes can be accessed through the following URL: <a href="https://www.nestle.com.my/investors/shareholders-meetings">https://www.nestle.com.my/investors/shareholders-meetings</a>
<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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