

AUDIT COMMITTEE REPORT

MEMBER

Tan Sri Dato' Seri Syed Anwar Jamalullail
Independent, Non-Executive Director
Chairman
(Chartered Accountant of the Australian Society of Certified Practising Accountants
(CPA);
Chartered Accountant of the Malaysian Institute of Accountants)

Dato' Mohd. Rafik Bin Shah Mohamad
Independent, Non-Executive Director
Member
(Chartered Accountant of the Association of Chartered Certified Accountants, United
Kingdom;
Chartered Accountant of the Malaysian Institute of Accountants)

Tan Sri Datuk (Dr.) Rafiah Binti Salim
Independent, Non-Executive Director
Member

TERMS OF REFERENCE FOR AUDIT COMMITTEE

The Audit Committee acts as a committee of the Board of Directors (“Board”) and was established on 2 March 1994.

Objectives

The Audit Committee is an independent committee which assists the Board in the discharge of its responsibilities for corporate governance, internal controls and financial reporting. The Audit Committee acts on behalf of the Board to ensure that:

1. The financial statements of the Group complies with the applicable financial reporting standards;
2. The internal audit function is operating effectively and in accordance with the Standards for the Professional Practice of Internal Auditing;
3. Adequate attention is paid to the effectiveness, efficiency and economy of the Group’s operations;
4. The quarterly results and year-end financial statements are reviewed prior to the approval by the Board;
5. Adequate systems of governance, risk management and internal control are in operation so as to produce accurate and meaningful management information;
6. Management has implemented policies to ensure that the Company’s risks are identified, evaluated and that internal controls in place are adequate and effective to address the risks;
7. Appropriate and timely action is taken by the relevant managers to rectify the major areas of concern; and

8. Assess any major litigation, claims and/or issues with substantial financial impact (if any).

DUTIES AND RESPONSIBILITIES

The Audit Committee is responsible in particular for:

Risk and Control

- evaluate if adequate risk assessment processes and measures are put in place to minimise any risk exposures, including fraud;
- review and evaluate, with the external and internal auditors, management procedures, which are designed to provide assurance of compliance with laws, regulations, policies and codes of practice or conduct;
- monitor systems and procedures, with external and internal auditors, which are designed to provide a satisfactory and effective level of internal control, asset protection and management information;
- monitor the Group's operations via appropriate internal audit reviews, to ascertain if adequate attention is paid to attributes of efficiency, effectiveness and economy;
- review the related party transactions and any conflict of interest situations, if any; and
- rely on Nestlé's Group Audit for Information System/Information Technology ("IS/IT") related internal control risks.

Internal Audit

- review the internal audit reports of major audits which were undertaken;
- review the extent to which internal audit recommendations are implemented and the timeliness of responses received;
- review internal audit performance and effectiveness to ensure consistency with the approved plans, the Internal Audit Charter, and relevant professional standards; and
- review the adequacy of the scope, functions, competency and resources of the internal audit function.

External Audit

- review of external audit report;
- review management's responses to the external auditor's interim reports, annual report and management letters;
- monitor developments in the external audit field and standards issued by professional bodies and other regulatory authorities;
- oversee external audit arrangements that are in place at the various controlled entities or subsidiaries;
- review and monitor the suitability, competence and independence of the external auditors; and
- review the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the auditor's independence or objectivity.

Reporting

- review the quarterly, cumulative half year and full year results and annual final draft of the financial statements (prior to the meeting of the Board to approve the financial statements), receiving explanations for significant variations from the prior year and from budget, and referring issues to the Board, as and when necessary;
- monitor compliance with statutory requirements for financial reporting, with focus on significant changes in accounting policies and practices, together with significant adjustments recommended by external audit; and
- review compliance with all related party disclosures required by the Accounting Standards.

Others

- review as and when necessary any matters arising from the Group's financial operations such as possible material litigation, claims or issues with substantial financial impact; and
- commission such investigations or reviews relevant to its role as it sees fit.

Authority

The Audit Committee in the course of discharging its duties, has the necessary resources, has full and unrestricted access to any information pertaining to the Group and is authorised to require any officer of the Group to supply such information and explanations as may be needed and to:

- investigate any matter within its Terms of Reference;
- have discussions with the Management Team and employees of the Group at any reasonable time;
- draw assistance from qualified external party to advise on issues, where the members require expert input;
- meet with the external auditors twice a year without the presence of the Management Team; and
- convene meetings with external auditors, the internal auditors or both, without the presence of the Management Team, whenever necessary.

THE PROCESS OF THE AUDIT COMMITTEE

The Audit Committee should be chaired by an independent chairman demonstrating in depth relevant skills and capabilities. All of the members of the Audit Committee are Independent, Non-Executive Directors. The Audit Committee meets at least four (4) times a year scheduled in every quarter. If required, additional meetings will be scheduled. The quorum required for the Audit Committee meeting shall be at least two (2) members.

The Company Secretary of the Company acts as the Secretary of the Audit Committee who shall be in attendance and shall record the proceedings of the meeting. The Audit Committee may invite any employee of the Company to attend its meetings, has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions.

The Audit Committee reports to the Board every quarter, on matters falling within the Audit Committee's terms of reference.

Nestlé [Malaysia] Berhad
[Company Number 110925-W]
[Incorporated in Malaysia]



The Audit Committee continuously reviews its Terms of Reference. The Audit Committee had reviewed and approved the Terms of Reference, which is disclosed in this Annual Report 2015.