

NOMINATION COMMITTEE REPORT

MEMBERS

Tan Sri Dato' Seri Syed Anwar Jamalullail
Independent, Non-Executive Director
Chairman

Tan Sri Datuk Yong Poh Kon
Independent, Non-Executive Director
Member

Dato' Frits van Dijk
Independent, Non-Executive Director
Member

TERMS OF REFERENCE FOR NOMINATION COMMITTEE

The Nomination Committee was formed by the Board of Directors (“Board”) and the principal responsibilities of the Nomination Committee are as follows:

1. Review the size, structure, balance and composition of the Board and the Board Committees;
2. Evaluate the required mix of skills, experience, core competencies, diversity of the Board, the Board Committees and the contribution and performance of the individual Directors for the effective and efficient functioning of the Board and the Board Committees;
3. Undertake gap assessment and develop improvement programme based on the review and evaluation of the Board, Board Committees and individual Directors;
4. Review the independence of Directors including, where appropriate, criteria on assessing the independence of candidates’ appointment as Independent, Non-Executive Directors and time commitment of each Independent Director;
5. Review the succession plans, policy on Board composition and board diversity (including gender, ethnicity and age diversity) and review the management development and succession plans for the Management Team of the Company;
6. Establish a suitable process to identify, recommend and nominate suitably qualified candidates for the Board in terms of appropriate balance of skills, expertise, attributes and core competencies, taking into consideration the character, experience, integrity, competence and time commitment prior to the appointment;

7. Review the retirement of Directors by rotation in accordance with the Company's Article of Association, the Directors who are eligible for re-election, the re-appointment of Directors of or over the age of 70 years and the retention of Directors who have served beyond nine (9) years as Independent Directors, and to assess their eligibility for re-election, re-appointment or retention prior to recommending to the Board the candidates for re-election, re-appointment or retention; and
8. Ensure new Directors go through a proper induction programme, to review the trainings attended by the Directors and to continuously evaluate the training needs for individual Directors.

THE PROCESS OF THE COMMITTEE

The Nomination Committee should be chaired by the Chairman of the Board and the Chairman is responsible for the conduct of meetings. Regular meetings are fixed in a calendar year and the Chairman has the discretion to call for additional meetings whenever required. The quorum required for the Nomination Committee meeting shall be at least two (2) members.

The Company Secretary of the Company acts as the Secretary of the Nomination Committee who shall be in attendance and shall record the proceedings of the meeting. The Nomination 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.

In appointing the appropriate individual to the Board, the Nomination Committee shall first consider a suitable candidate for directorship taking into consideration the candidate's skills, knowledge, competencies, expertise and experience, time commitment, professionalism, integrity and diversity. The Nomination Committee will then evaluate the candidate based on the established framework. The Nomination Committee shall prepare a description of the role and capabilities required for a particular appointment before a recommendation is made to the Board.

Upon appointment to the Board, all new Directors will undergo a comprehensive induction programme and he or she will receive a briefing regarding the Company, its operations as well as what is expected of them in terms of time commitment, Board Committee involvements, if any, and other involvements outside Board and Board Committee meetings.

Before any Director accepts any new external Board appointment, the Director shall first ensure sufficient time commitment to the Company and write to the Company Secretary who will then bring the matter to the attention of the Chairman. The Chairman will then discuss with the Managing Director on the

acceptance of the appointment. If there is a potential conflict in the appointments, it will be tabled at the Nomination Committee.

Directors seeking re-election, re-appointment and retention would abstain from all deliberations regarding his/her re-election, re-appointment and retention.

All Nomination Committee meeting minutes, including meeting papers, on matters deliberated by the Nomination Committee in the discharge of its functions are properly documented.

Recommendations by the Nomination Committee are reported at the meeting of the Board by the Chairman of the Nomination Committee for the Board's consideration and approval.

A. STATEMENT ON ACTIVITIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

In 2015, the Nomination Committee met four (4) times and the attendance of members was as follows:

| No. | Nomination Committee Members | Meeting attendance |
|-----|---|--------------------|
| 1. | Tan Sri Dato' Seri Syed Anwar Jamalullail | 4/4 |
| 2. | Tan Sri Datuk Yong Poh Kon | 4/4 |
| 3. | Dato' Frits van Dijk | 4/4 |

The Nomination Committee had **assessed**, reviewed and considered the size, structure and composition of the Board and the Board Committees, including the required mix of skills and experience, core competencies of the Directors and Board diversity for the effective and efficient functioning of the Board and the Board Committees and evaluated the effectiveness of each Director, Board Committee and Board as a whole. The Nomination Committee was of the view that the current size, structure and composition facilitated good discussions and encouraged contributions and participations from all the Directors.

The Nomination Committee had recommended to the Board for the Board composition to be maintained, with the desire to achieve a balance between continuity and renewal. The current composition of the Board fulfils the required balance and diversity which is evident from the recognition given to the Company when it was awarded with Best Inclusiveness and Diversity Reporting Award at the National Annual Corporate Report Awards 2015.

A separate independence assessment was carried out by the Nomination Committee by way of the Director's self and peer evaluation in order to ensure that Independent Directors are able to continue to bring independent and objective judgment to the Board.

As part of the independence assessment process, the Nomination Committee reviewed the declaration of directorship and time commitment by each Director. This declaration discloses all directorship held by the Director in all companies

including non-governmental organisations (“NGOs”). The Directors had also provided confirmation on their commitment to devote sufficient time to carry out their responsibility and duties as a Director of the Company.

The Nomination Committee also discussed and assessed the policy on the tenure of directorship and the Directors’ succession planning to ensure that the Directors are able to continue to provide independent and objective judgment to the Board and Company as a whole.

The Board, through the assessment and recommendations of the Nomination Committee, is confident and firmly believes that individuals chosen and appointed to the Board are individuals of high calibre and integrity and can be tasked to discharge their duties and responsibilities independently and effectively.

Following the review undertaken by the Nomination Committee in respect of induction and trainings for directors, it was acknowledged that the Directors do have the competencies to serve as members of the Board, but additional customised trainings are important to areas relevant to the Company’s business and the challenges faced by the Company in the fast moving consumer goods industry. The Nomination Committee reviewed the recent trainings attended by each Director and deliberated on the 2015 training programme for the Board, which was subsequently approved by the Board. The Company Secretary had identified and informed the Board of relevant trainings for attendance by the Directors.

The description of trainings attended by the Directors is found on pages X and X of this Corporate Governance & Financial Report 2015.

The Board took cognisance of the importance of effective human capital development, talent retention and succession planning for key management positions in the Company to ensure business continuity. Hence, the Nomination Committee had also reviewed the development and succession planning for the Management Team. The Nomination Committee was also included in the deliberation of the Company’s Remuneration Direction for 2016.

The Nomination Committee continuously reviews its Terms of Reference and has discussed and planned the Nomination Committee Agenda for the following year in advance.

The Nomination Committee had approved the revised Terms of Reference and the Nomination Committee Report, which was disclosed in the Annual Report 2014.

In addition to the activities above, some of other key activities undertaken by the Nomination Committee include Board Effectiveness Evaluation and the development of the Board Competency Matrix.

(a) Board Improvement Programme

Subsequent from the Board Effectiveness Evaluation (“BEE”) conducted in 2013, the Nomination Committee reviewed the results of the exercise and formulated the Board Improvement Programme (“BIP”) which was later approved by the Board.

The BIP is a framework in which a number of areas have been identified during the BEE, which require further improvements and could further enhance Board effectiveness. Some of the key areas addressed by the BIP were human capital development and succession planning, continuous updates on the status of Business Continuity Plan, risk management, Management key performance indicators and investor relations initiatives.

The BIP was implemented throughout 2015 and successfully completed by end of 2015.

(b) Board Competency Matrix

The complexity of the Company’s operations and the environment in which it operates requires the Board to be highly competent and knowledgeable in the relevant areas. As such the Nomination Committee regularly reviews the current composition of the Board to ensure that the directors are able to understand what is expected of them.

The Nomination Committee also formulated a Board Competency Matrix. The Competency Matrix was used to assess the composition of the Board and to identify gaps in the required skills, experience and attributes. It served as a review on the competencies of the Directors and it was acknowledged that the Directors do have the required competencies to serve as members of the Board. Based on the Competency Matrix, the Nomination Committee had identified and recommended to the Board the measures to be taken to address the identified areas of improvements.

(c) Directors' Retirement and Re-election

The Nomination Committee had deliberated and proposed to the Board its recommendations on the re-election, re-appointment and retention of the relevant Directors that shall be tabled for shareholders' approval at the forthcoming Annual General Meeting.

Article 88 of the Company's Articles states that at any point of time, the total number of Directors shall not be less than two (2) and not more than eight (8) and Nestlé S.A. shall be entitled to appoint up to four (4) Directors.

The Company's re-election process accords with Articles 90.1 and 90.2 of the Company's Articles of Association ("Articles"), which state that one-third (1/3) of the Directors for the time being appointed shall retire from office and be eligible for re-election, provided that all Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election, to allow the shareholders the opportunity to renew their mandate at the Annual General Meeting. The Directors to retire in every year shall be those who have been the longest in office since their last election.

Article 97 of the Articles provides that a Director appointed by the Board from time to time shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election at the Annual General Meeting.

The Directors standing for re-election, re-appointment and retention at the forthcoming Annual General Meeting of the Company are as follows:

| Director | Designation | Relevant Provisions |
|---|-------------------------------------|--|
| (a) Tan Sri Datuk (Dr.) Rafiah Binti Salim | Independent, Non-Executive Director | Re-election under Article 90.1 |
| (b) Alois Hofbauer | Independent, Non-Executive Director | Re-election under Article 90.1 |
| (c) Toh Puan Dato' Seri Hajjah Dr. Aishah Ong | Executive Director | Re-appointment under Article Section 129 of the Companies Act 1965 |
| (d) Tan Sri Datuk Yong Poh Kon | Independent, Non-Executive Director | Re-appointment under Section 129 of the Companies Act 1965 |
| (e) Tan Sri Dato' Seri Syed Anwar Jamalullail | Independent, Non-Executive Director | Retention under Recommendation 3.3 of the MCCG 2012 |

1. **Re-election of Tan Sri Datuk (Dr.) Rafiah Binti Salim pursuant to Article 90.1 of the Company's Articles of Association**

The recommendation to re-elect Tan Sri Datuk (Dr.) Rafiah Binti Salim is based on her vast experience in the public and private sectors both domestically and internationally.

Her experience provides her with a distinctive outlook and unique perspective on diverse corporate matters, while adding to a healthy Board diversity.

Tan Sri Rafiah's outstanding service in legal and human resource management during her tenure as the General Manager for human resource management of Maybank, Assistant Governor of Bank Negara Malaysia and Assistant Secretary General for Human Resource Management for the

United Nations, New York enables her to give value added guidance to the Company pertaining to issues on human resource.

2. **Re-election of Alois Hofbauer pursuant to Article 90.1 of the Company's Articles of Association**

The recommendation to re-elect Alois Hofbauer is supported by his vast experience in the Nestlé Group and in-depth knowledge of the Company's business operations. His background in sales and marketing in various businesses, his knowledge and experience of the Nestlé operations and the Asian market is a most valuable asset to the Company with regards of driving performance. He has over 10 years' experience in general management positions in the Nestlé Group in Asia. His views and approaches on operational matters, in particular sales, marketing and general management provides the Board a clear in-depth understanding of the business operations and strategies.

3. **Re-appointment of Toh Puan Dato' Seri Hajjah Dr. Aishah Ong pursuant to Section 129 of the Companies Act 1965**

Toh Puan Dato' Seri Hajjah Dr. Aishah Ong, age 71 was appointed as Independent Non-Executive Director of the Company on 28 November 2013.

The recommendation for the re-appointment of Toh Puan Dato' Seri Hajjah Dr. Aishah Ong is supported by her invaluable contributions to the Board and the Group.

She has also shown full commitment in discharging her responsibilities as a Director of the Company. Her previous knowledge and experience as a medical professional is also important to the Company as it further strengthens and positions itself to be the leading nutrition and wellness company globally. Her active involvement in non-governmental and charity organisations provides the Company valuable guidance on how the Company can contribute to the society through its corporate social responsibility (known as creating shared value). In light of the various challenges faced by

the Company in certain segments of its business, Toh Puan Dato' Seri Hajjah Dr. Aishah Ong has been instrumental in providing guidance to the Company.

4. **Re-appointment of Tan Sri Datuk Yong Poh Kon pursuant to Section 129 of the Companies Act 1965**

Tan Sri Datuk Yong Poh Kon, age 70 was appointed as Independent Non-Executive Director of the Company on 25 April 2011.

The recommendation for the re-appointment of Tan Sri Datuk Yong Poh Kon is supported by his contributions to the Board of Directors through the sharing of his vast knowledge, experience and expertise as a businessman particularly in relation to manufacturing, export activities and industry practices. His experience as the former President of the Federation of Malaysian Manufacturers, as a current member of the Economic Council and former Co-Chair of PEMUDAH (a Special Taskforce to Facilitate Business) contributed greatly to the Company.

5. **Retention of Tan Sri Dato' Seri Syed Anwar Jamalullail pursuant to Recommendation 3.3 of the MCG 2012**

Tan Sri Dato' Seri Syed Anwar Jamalullail age 64 was first appointed in as Non-Independent Non-Executive Director of the Company on 25 February 2002 and later re-designated to be Independent Non-Executive Director on 5 November 2004.

His position as an Independent Non-Executive Director has been assessed pursuant to Recommendation 3.2 of the MCG 2012 and it has been agreed to retain Tan Sri Dato' Seri Syed Anwar Jamalullail as an Independent Non-Executive Director of the Board of Directors and as Chairman of the Audit Committee.

The recommendation is based on his exemplary leadership and dedication to his responsibilities as the Chairman of the Board. He has provided unwavering support to the Company's initiatives in implementing relevant

strategies in moving the Company forward and strengthening the Company's credibility and reputation as the leader in the food and beverage industry. His tenure in the Board has given him an in depth understanding of the business environment in which the Company operates, including the challenges faced by the Company. His vast experience in the Company also allows him to provide guidance to the Management team especially in setting the strategies and direction of the Company.

His leadership has ensured effective check and balance in the proceedings of the Board and the Board Committees and he encourages active participations from all members of the Board. Tan Sri is practical in his analysis and assessment, vocal in his outlook and views and has provided the Board with a strong and principled voice. His experience in various companies and capacities suits the Company's required mix of skills and Board diversity.

Tan Sri Dato' Seri Syed Anwar Jamalullail is a qualified Chartered Accountant from the Malaysia Institute of Accountants and also a Certified Practising Accountant from the Australian Society of Certified Practising Accountants.

Tan Sri Dato' Seri Syed Anwar Jamalullail holds a number of directorships. He is the Chairman of Cahya Mata Sarawak Berhad, Malakoff Corporation Berhad, Lembaga Zakat Selangor and Pulau Indah Ventures Sdn. Bhd. (a joint venture company between Khazanah Nasional Berhad and Temasek Holdings of Singapore).

All of the above Directors have complied with the various statutory provisions and other regulatory matters.

Information of each Director standing for re-election/re-appointment/retention is set out at pages x to x of the Corporate Report 2015.