

# Nestle annual report essay



**ASSIGN  
BUSTER**

rising above 2010 CORPORATE REPORT ... through innovation & renovation  
Our 2008 Annual Report was themed “ A Journey to Wellness” to symbolise the beginning of our journey towards Nutrition, Health and Wellness and in 2009, it was themed “ Inspiring Nutrition from Nature” to reflect our choice of ingredients derived from nature to produce the best quality products for our consumers. This year’s Annual Report, themed “ Rising Above through Innovation & Renovation” illustrates our efforts in delivering the best to our consumers and ensuring that all our stakeholders’ needs are met.

Rising above in our technological innovation and renovation to deliver products that are nutritious, tasty, convenient and of the highest quality to our consumers. 27th Annual General Meeting Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 21 April 2011 at 10. 00 a. m. inside 12 18 28 34 42 44 46 48 49 56 60 82 84 86 88  
Chairman’s Statement MD’s Business Review What’s New Highlights 2010 Nestle in the News What Creating Shared Value Means to Us Board of Directors Corporate Data Profile of Directors Management Team Corporate Governance Statement Statement on Internal Control Audit Committee Report Terms of Reference of the Audit Committee Notice of Annual General Meeting Proxy Form 44 What Creating Shared Value Means to Us 12 18 34 Highlights 2010 MD’s Business Review Chairman’s Statement 28 42 What’s New Nestle in the News 46 Board of Directors 56 Management Team MILO chocolate malt drink provides the nutritional goodness of malted barley. It has PROTOMALT, a malt extract which provides complex carbohydrates that give a source of energy to go further.

Kids enjoying their favourite MILO drink, loading up on energy and chocolate goodness before rollerblading. Youths getting a healthy boost with their favourite Nestle products - NESTLE BLISS Yogurt Drink, KIT KAT wafer and NESTLE Fat Free Yogurt. The new NESTLE BLISS Yogurt Drink comes with Inulin (fibre). When combined with the goodness of Live Cultures, Inulin helps maintain a good digestive system. All NESTLE BLISS Yogurt Drinks contain no artificial colouring. Choosing your favourite MAGGI TASTYLITE Atta noodle makes each meal healthy and fun for the entire family.

Offering consumers a healthier option through MAGGI TASTYLITE Atta noodle innovation, made from wholewheat flour. Great moments with friends are made even more special with NESCAFE coffee. Coffee is a great pick-me-up liked by many and consumed in various ways. In 2010, we launched the improved NESCAFE CLASSIC coffee and NESCAFE 3in1 premix coffee, and introduced the new innovative NESCAFE MENU premix coffee, offering consumers their coffeeshop favourites such as Ipoh White Coffee, Tarik and NESLO. We continue with our policies and strategies to reinforce our position as the world's leading Nutrition, Health and Wellness company.

Chairman's Statement 12 Nestle (Malaysia) Berhad 110925-W Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail Chairman Chairman's Statement  
RESULTS / PERFORMANCE On behalf of the Board of Directors, I am pleased to present the Annual Report of Nestle (Malaysia) Berhad for the financial year ended 31 December 2010. We started the year on a good note, thanks to the positive growth in the global economy, particularly the significant recovery process of the Malaysian economy. Through proper planning and prudent Government economic policies, we saw the Malaysian economy

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expanding by 8.1% in the first nine months, and ending with 7.5% growth for the full year. Bank Negara was very vigilant on the external uncertainties and took the necessary measures in governing its monetary policies to protect and support the country's economic growth. As a result, the Ringgit performed very well in 2010 and was among the league of notable strong currencies for the year. The New Economic Model (NEM), unveiled by the Government during the year under review, also played its part in the country's continued growth. The NEM essentially provides the blueprint for Malaysia's Economic Transformation, formulating new strategies for the country to achieve a high-income status by 2020.

For the year ended 31 December 2010, the Group posted a turnover of RM4.0 billion, on the back of strong showings from the export business and the domestic product categories. 14 Nestle (Malaysia) Berhad 110925-W The positive scenario strengthened consumer confidence, and this in turn provided impetus to the Group. During the year under review, we continue with our policies and strategies to reinforce our position as the world's leading Nutrition, Health and Wellness company. Led by a passionate and dynamic team, we have made significant strides in meeting consumer preferences and needs, reducing waste, improving efficiencies and stepping up the continuous innovation and renovation of our products. For the year ended 31 December 2010, the Group posted a turnover of RM4.0 billion, 7.5% higher than the same period last year, on the back of strong showings from the export business and the domestic product categories. Our decision to invest over half a billion ringgit on capital expenditures over the past three years is yielding positive results, as we built-up our capacity to serve

the growing domestic demand as well as the neighbouring Asian countries following the rebound of their respective economies during 2010.

New investments in production lines for soluble coffee and coffee creamers allowed the Export business to expand and capture strong demand overseas. In particular the shipments to Southeast Asian countries positively contributed to the robust double-digit growth of the export business. The improvement of the Malaysian economy saw most of the domestic product categories continuing to perform well, with Nestle Liquid Drinks and Chilled Dairy achieving double-digit growth. From a channel perspective, both retail and out-of-home sales enjoyed commendable growth.

During the year, the Group remained focused on managing unfavourable trends in input cost. In 2010, the average price of cocoa powder more than doubled vis-avis the previous year while skimmed milk powder was higher by 20%. The Group's initiatives including the Nestle Continuous Excellence (NCE) programme with a focus on zero waste and the streamlining of operations, coupled with the stronger Ringgit provided some relief against the sharp increase in the commodity prices. The year under review also saw us continue to invest in our brands to maintain our leadership positions and gain market shares.

The "MILO with PROTOMALT" and the "MILO PLAY MORE LEARN MORE" campaigns have further strengthened the MILO brand image among consumers. NESCAFE CLASSIC coffee and NESCAFE 3in1 premix coffee product range were relaunched with strong media support, which resulted in market share gain. Despite the strong investment in brand building

activities, our total operational expenses were kept below budget. From a bottom line perspective, profit before tax stood at RM465.7 million, a 5.8% increase over FY2009, translating in a slight margin reduction of 20bps.

The Halal tax incentives related to the substantial capital investments of the last three years helped reduce the effective tax rate. Against the same period last year, the net profit increased by 11.3% to RM391.4 million reflecting a 30bps margin improvement. Nestle (Malaysia) Berhad 110925-W 15 CREATING SHARED VALUE In 2012, Nestle will be celebrating its 100th year in Malaysia. Over the years, the Group has seen the country progress from the challenges of the colonial era and the early years after independence, right through to the rapid industrialisation and development of the past 30 years.

The growth of the Nestle Group of Companies has mirrored the development of the country, and our continued capital investments is testimony to the trust in the country's potential and sound economic policies. We aim to play a significant role as the country enters the final leg of its journey towards 2020. The Group's contribution though, goes beyond economic progress, and extends beyond compliance and sustainability. At Nestle we have analysed our value chain and determined that the areas of greatest potential for joint value optimisation with society are Nutrition, Water and Rural Development.

These areas are core to our business strategy and vital to the welfare of the people of every community we operate within. Water is essential for the production of food, Nutrition is vital for good health and Rural Development helps communities thrive. The well-being of our consumers remains a key

priority for us as we continue on our journey towards our goal of being the world's leading Nutrition, Health and Wellness company. Through convenings with our consumers and key stakeholders we have endeavoured to share our knowledge and resources.

We are fully supportive of the Government's efforts to encourage healthy diets and active lifestyles, and we collaborate with various stakeholders such as UKM (Universiti Kebangsaan Malaysia) to better understand the food consumption in terms of nutritional intake and the eating habits of young school children. Our ongoing efforts to improve the nutritional profile of our products have also seen further progress as we reduce sugar, sodium or trans-fatty acids and eliminate artificial colours from our products. Our efforts in Creating Shared Value have not gone unnoticed as the year under review saw us clinching numerous accolades and awards.

In The Wall Street Journal Asia 200 Survey, Nestle Malaysia is listed in the top 10 among all companies in Malaysia, and retained our ranking as the number two most admired company in Malaysia. Nestle (Malaysia) Berhad was also the winner of the Asia Responsible Entrepreneurship Awards 2010 (AREA) Malaysia under the category of Community Engagement, in recognition of organisations that have shown exceptional effort, perseverance and courage in corporate social responsibility initiatives. 16

#### Nestle (Malaysia) Berhad 110925-W DIVIDENDS

In view of the strong performance in 2010, the Board has recommended a final net dividend of RM1.15 per share, giving a total net dividend proposed and declared for the financial year of RM1.65 per share. The amount

represents an increase of 10% from 2009. **ACKNOWLEDGEMENTS** On behalf of the Board, I would like to take this opportunity to express my appreciation to the management and staff for their role in delivering the Group's strong performance during the year, and to our distributors and customers for their continued support and loyalty to our brands.

I would also like to record my thanks to my fellow directors for their wise counsel and continuing support. During the year, we saw the retirement of Tan Sri Dato' Ernst Zulliger from the Board. Prior to his appointment to the Board in 1983, Tan Sri Dato' Ernst Zulliger served the Nestle Group of Companies worldwide for a remarkable 37 years, with his last position as the Managing Director of Nestle Malaysia between 1980 to 1990. During his tenure in Malaysia, he was responsible for taking the Company public on the Kuala Lumpur Stock Exchange (now Bursa Malaysia).

I would like to acknowledge his valuable contribution to the Company and wish him the best in his retirement. **Chairman's Statement** The growth of the Nestle Group of Companies has mirrored the development of the country, and our continued capital investments is testimony to the trust in the country's potential and sound economic policies. Nestle (Malaysia) Berhad 110925-W 17 Peter Vogt Managing Director Market share and brand image are key measures to assess the health of our business.

Over the past 12 months, the Group has been able to expand its overall share in the food categories in which we operate. **MD's Business Review** Nestle (Malaysia) Berhad 110925-W 19 **MD's Business Review OVERVIEW** Our operating environment improved considerably in 2010 thanks to the



recovery of the global economy in general and the strong rebound of the Malaysian economy in particular. The 7.2% expansion of the Malaysian GDP was reflected in improved consumer confidence and higher consumer purchases in all food categories. Market share and brand image are key measures to assess the health of our business.

Over the past 12 months, the Group has been able to expand its overall share in the food categories in which we operate. This has been achieved with strong marketing support across all our key brands, successful innovations and renovations of our various product ranges as well as improved promotional activities in the trade. We are also pleased to report that our annual Corporate Equity Monitor showed improvements in the key components of the Nestle image, most notably on the aspect of trust, nutrition expertise and as a manufacturer of healthy products.

In line with our goal of being the world's leading Nutrition, Health and Wellness company we have continued to improve and upgrade our product range. The challenge in this task is to strengthen the nutritional profile of products through reduction in sugar or sodium level, fortification of vitamins and minerals or elimination of artificial colours while in parallel achieving a winning taste profile. We are able to achieve this through deep understanding of local consumer needs and aspirations coupled with Nestle global expertise and investment in R&D, which we can harness in our local factories.

In addition, we have renewed our efforts in educating our consumers on nutrition and health by introducing Guideline Daily Amounts (GDA)

information on front of packs, strengthening nutrition messages on back of packs and promoting health campaigns on our website and through traditional media. Commodity cost increases for most of our key raw materials have been an important area of focus for the Group. Benefiting from Nestle worldwide commodity purchasing network we have been able to delay and contain the impact of some of the sharp price hikes in the commodity markets.

Very important in this context is our ongoing Nestle Continuous Excellence (NCE) initiative which continuously strives to improve the efficiency of our operations while eliminating losses with the ultimate goal of zero waste. These activities have again generated considerable operational savings and together with the strengthening of the Ringgit have provided some relief against the negative price trend on our key raw materials. Another important initiative has been to review, streamline and strengthen our generating demand operations.

We have reorganised our sales operation from a geography to a channel focus, expanded our shopper, customer and channel teams, refocused our brand management organisation and clarified the roles and responsibilities of each unit. With this reorganisation we are closer to our consumers, shoppers and customers thus increasing the quality of our marketing activities and the speed to market. Over the past twelve months we have also reduced the stock level in the distribution channels by approximately 10 days resulting in fresher stock at store level and lower financing cost for our distributors. 20 Nestle (Malaysia) Berhad 110925-W The Group's strategic decision over the past three years to invest in its manufacturing capacity has

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yielded positive results. Thanks to major investments (new production lines for soluble coffee and coffee creamers) the export business has expanded and we have been able to capture strong demand from key overseas markets, particularly from Southeast Asia. This contributed positively to the robust double-digit growth of the export business. through the participation of children in sports activities.

Activities during the one-day camps comprised of coaching clinics followed by a mini tournament. Six camps were organised nationwide by the respective neighbourhood Rukun Tetangga Committee members and fully supported by MILO. Active participation from the Rukun Tetangga Committee members, made up of parents in the respective neighborhoods, led to the successful organisation and high participation of kids in these camps.

NESCAFE performed well in 2010 driven by product re-launches of NESCAFE CLASSIC coffee and NESCAFE 3in1 premix coffee, which were reformulated using the upgraded coffee manufacturing technology.

Both campaigns were heavily supported through the media and in-stores nationwide with positive feedback from consumers, which translated into strong sales. Another key growth driver was the positive consumer response to the innovative NESCAFE MENU product range. Launched in October 2009, the brand was the first in the market to offer consumers a range of local coffee shop favourites - Ipoh White Coffee, Tarik and NESLO - in a convenient format. The launch was supported by a strong integrated campaign. FOOD 010 was a demanding year for the Food business, with higher operational costs among the key challenges. MAGGI Noodles managed to protect its position with the cup segment expanding further, and

we continued to invest aggressively in the MAGGI Flavour World category. There was an upward trend towards the last quarter of 2010 for the sauces category after an initial slow start. A new communication campaign “HAPPINESS IS HOMEMADE” was launched in July 2010 and was strongly supported in the electronic media.

On the innovation side we launched MAGGI Atta Noodles, a healthier option of instant noodles made from whole wheat and lower in fat. We also introduced MAGGI Kreatif a multi-purpose cooking sauce, which is highly versatile. We also continued with our contract chili farming to deliver the best and freshest chilies for our Culinary Sauces, while ensuring the sustainability of our initiatives with local farmers. COFFEE & BEVERAGES On the back of the strong economic recovery, MILO continued to strengthen its market position.

The market share of MILO powder increased whilst MILO FUZE recorded double-digit growth. We further strengthened the MILO proposition of Nutrition, Health and Wellness in the minds of Malaysians with the MILO with PROTOMALT campaign. The benefits of PROTOMALT, a proprietary malt extract made from the wholesome goodness of barley, was consistently highlighted at every consumer touch point, further building on the nutrition credentials of MILO. Meanwhile, the MILO PLAY MORE LEARN MORE campaign was taken to the next level during the period under review.

The objective during the year was to create engagement amongst parents, with the MILO Camp PLAY MORE LEARN MORE bringing to life values such as determination, leadership and teamwork Total export volume surged by 27%

registering an all time high. This has contributed significantly to the Group's overall sales. Nestle (Malaysia) Berhad 110925-W 21 MILKS During the year under review, managing the volatility in the cost of milk solids, a key ingredient in many of our products was a challenge. However, continuous improvements in internal operational efficiencies through Nestle Continuous Excellence initiatives helped to mitigate some of the input cost increases. We undertook continuous consumer immersion initiatives to further our understanding of consumers' needs. This resulted in several consumer engagement activities, which include NESTLE OMEGA PLUS with ACTICOL Cholesterol Challenge campaign; Revitalise Your Vitality with NESVITA 3in1 nutritious cereal milk drink; COFFEE-MATE Customise Your Perfect Cup of Coffee in-store activation; and NESPRAY Growing Up Milk Check The Label campaign.

All these activities expanded our consumer base as well as strengthened our position in the respective categories. CONFECTIONERY The Confectionery business enjoyed another year of commendable growth led by the KIT KAT brand, which recorded significant growth in both our domestic Malaysian sales and exports to Thailand. This growth was largely driven by our engagement with consumers through social media sites such as Facebook, and strongly supported by media investments focusing on a contemporary interpretation of our long standing campaign "Have a Break, Have a KIT KAT".

In line with our commitment to deliver great tasting food balanced by consumer needs for more nutritional responsibility, we have introduced Guideline Daily Amounts (GDA) information for Energy delivery on the front

of our confectionery packs, allowing consumers to easily make informed decisions for their daily nutritional and energy requirements. In conjunction with World Digestive Health Day on May 29, we launched the NESTLE BLISS Yogurt Drink 14-day Challenge, aimed at educating the public on the importance of having a good digestive system. Consumer reaction was very positive resulting in a strong growth for our BLISS brand.

NESTLE BLISS Yogurt Drink is the only yogurt drink in Malaysia that contains Inulin (? bre) and live cultures, and the campaign encourages consumers to take 2 servings of NESTLE BLISS Yogurt Drink daily to improve their digestion. NESTLE ICE CREAM In the ice cream product category Nestle continued to face stiff competition from a variety of brands. Despite the challenge, Nestle Ice Cream recorded growth in Take Home tub, Out-of-Home, Multipack and Impulse segments. Highlights for the year were the successful launch of LA CREMERIA Strawberry Dream Ice Cream, DRUMSTICK Blackforest and MAT KOOL ASTEROID frozen confection.

Nestle Ice Cream maintained its position as the market leader in both the affordable and premium range categories. NESTLE LA CREMERIA - the No. 1 premium ice cream brand - continued to gain market share with its combination of quality, taste, variety and affordability and with the latest addition to the LA CREMERIA range - Strawberry Dream. CHILLED DAIRY Nestle's Chilled Dairy products, which embody the Company's focus on Nutrition, Health and Wellness delivered excellent double-digit growth across its range.

In line with our commitment to deliver great tasting food balanced by consumer needs for more nutritional responsibility, all products now carry Guideline Daily Amounts (GDA) information for energy delivery. 22 Nestle (Malaysia) Berhad 110925-W NESTLE PROFESSIONAL Nestle Professional became a globally managed business in 2009 and posted strong growth in the last two years. As the market leader in the out-of-home (OOH) industry, Nestle Professional will continue to grow the business further by providing innovative and creative system solutions and products to its customers in both the food and beverages categories.

Key highlights for the year included innovative product and beverage system launches as well as activities, which fostered strong affiliation and relationships within the industry. For beverages, SJORA, a unique refreshing drink that contains non-fat milk and real fruit juice, was launched to key customers, opening up an exciting new beverage category in the out-of-home segment. We also introduced the NESCAFE Milano system with a range of proprietary products that deliver an upscale premium beverages menu to selected partners.

In the food category, our highlight was the innovative MAGGI Hainanese Chicken Rice Paste, a complete product made with fresh ginger and garlic with no added MSG that provides a base for food operators to prepare authentic chicken rice conveniently. Our relationship with the OOH industry reached another milestone in 2010 with the sponsorships of the Nestle Culinary Arts Award; 4th Penang Chefs Challenge; World Golden Chinese Chef Competition and Sabah Hospitality Fiesta, aimed at further uplifting the standards of culinary arts in Malaysia.

We also worked very closely with the Malaysia Singapore Coffee Shop Proprietors Association to create awareness on food and personal hygiene for food and beverage handlers amongst the association members. NUTRITION Infant Nutrition continued its focus in helping build a happier, healthier generation through science-based, stageappropriate nutrition from infancy through early childhood, to make sure infants start healthy and stay healthy throughout life. A major milestone for Infant Nutrition in 2010 saw the rebranding of NESTLE Infant Cereal to NESTLE CERELAC.

The union of the CERELAC brand with NESTLE, the nutrition expert with a key focus on quality has resulted in a strong growth for this range. The Nestle Nutrition Institute (NNI) is the medical and scientific communication arm of Nestle Nutrition. With its motto of Science for Better Nutrition, the NNI's activities aim to contribute to proper nutrition information and education of healthcare professionals as well as partner them by providing enhanced access to the latest knowledge in nutritional sciences.

This translated in the organisation of two key events: the second edition of the NNI Symposium for Health Professionals as well as the first CME workshop on maternal and paediatric nutrition for doctors of public hospitals in Kuala Lumpur. The Nestle HealthCare Nutrition division, which was recognised for its good business performance in the past years, continued to build on its strong foundation and good growth momentum. Our science based nutritional products are specially formulated for people with specific nutritional needs.



Amongst the nutritional beverage products available to consumers includes NUTREN UNTUK DIABETIK, NUTREN Optimum, NUTREN Fibre and NUTREN Junior. In addition, PEPTAMEN nutritional beverage is specially formulated to feed the most challenging patients in critical care. As part of our commitment in sharing knowledge and nutritional expertise, Nestle HealthCare Nutrition provides continuous medical education to the health care professionals. MD's Business Review Nestle (Malaysia) Berhad 110925-W 23 MD's Business Review

For Nestle Performance Nutrition, our commitment is to deliver scientifically proven product systems and programmes to help athletes and sportsmen achieve peak performance. The POWERBAR Performance System has been proven to be an effective part of an athlete's training regime. We engaged with our athletes directly during sports event and built our team of ambassadors via Team Elite. The total export volume surged by 27%, registering an all time high. This has contributed significantly to the Group's overall sales, representing about 24% of the total turnover. 2010 also saw operational processes being put in place to further improve the delivery system of export services to Nestle customers around the world. Key initiatives aimed at boosting the exports sector, particularly with regard to the promotion of the Halal range of products, are continuing to deliver results with the realignment of the importer and distributor channel strategy for the European markets. Nestle Malaysia is working closely with a global affiliate, Nestrade S. A. based in Switzerland, to promote Halal and ethnic product ranges within specialty channels as well as certain key accounts in Europe.

With the significant growth of Muslim communities around the world and Nestle Malaysia recognised as a category leader for the production of Halal products within the Group, continued export promotion activities have been incorporated to sustain the growth of this segment. EXPORTS The soft economic conditions prior to 2010 provided Nestle Malaysia with opportunity to consolidate its business and re-focus its strategies. The earlier investments with the installation of the Coffee Creamer plant and capacity expansion of the Coffee extraction facility resulted in a significant boost in our export volumes during the year under review. In line with the Nestle Group's global direction of Winning with Customers everywhere, we also focused on various key initiatives to improve customer service levels and on-shelf availability of our products. 24 Nestle (Malaysia) Berhad 110925-W SALES In 2010, the sales team continued to drive the speed of distribution, merchandising and execution of various promotional activities in the market. This was reiterated at the 2010 Sales Convention with the theme of "Accelerate towards Excellence".

In line with the Nestle Group's global direction of Winning with Customers everywhere, we also focused on various key initiatives to improve customer service levels and on-shelf availability of our products. Some of these key initiatives included joint business planning, top-totop engagement reviews, and category management with our key customers and retailers. We also embarked on our journey on Winning with Shoppers by strengthening the capabilities of our Channel Category Sales Development (CCSD) team.

Various shopper insight research and point-of-purchase studies were undertaken to deliver category growth with our shoppers. Nestle Malaysia

was one of the first markets in the Nestle world to rollout a Hot Beverage Category Management initiative in 2010. Nestle Malaysia was also the first Nestle market to successfully launch a new Distributor Management tool, DMSone, to all our Peninsular Malaysia Distributors in 2010. The tool will enable our sales and distributor teams to be more effective and efficient, and will further drive speed of execution in the market.

We continue to develop our sales teams with various on-the-job and classroom training sessions such as Key Account Management (KAM), Field Management Best Practices (FMBP) and Distributor Management Best Practices (DMBP). We also continue our work with the Open University of Malaysia (OUM) - 15 employees graduated from the Nestle Sales College in 2010. As part of a company-wide Nestle Continuous Excellence (NCE) initiative of reviewing the Generating Demand functions, we also restructured our sales organisation from a geographical focused structure to a channel focused structure.

This has enabled us to respond with greater agility to the changing retail landscape, service our customers more efficiently and effectively, and continue to drive growth in both the Modern and Traditional Trade in Malaysia. As the largest MNC in the Food and Beverage sector, we have benefited from the global approach in talent management and development rolled out by the Nestle Group worldwide. We also conducted in-house and overseas training based on our employees' current and future job requirements and individual development needs.

In an effort to engage better with our employees we conduct regular surveys. One such initiative is the ' Nestle & I' survey that was conducted by the HAY Group in 2010. The feedback was highly encouraging as there was a strong participation rate of 98%. The survey findings indicated that our key strengths include our strong commitment to the quality of our products and meeting our customer needs, our ability to ensure clarity to our employees and the strong sense of pride and commitment inculcated across the Group. Areas of improvement were also identified and action plans have been established.

**HUMAN RESOURCE** During the year under review Nestle continued its efforts to develop talents through continuous focus on human resource development. As part of the Human Resource Roadmap to create a high performing organisation, Nestle is using a structured process and system called " TPMS: Talent Performance Management Solutions" which consists of 4 key processes: 1. Performance Evaluation - team-based objectives setting and evaluation 2. Talent Assessment - assessment of our employees' sustained performance and potential to grow in the organisation. 3. Succession Planning - plans for potential successors of key positions. 4. Progress Development Guide Process - discussion and planning between the manager and employee on the latter's development action plans.

**FINANCE AND CONTROL** In 2010, the Finance and Control (F&C) function continued to support the creation of long term shareholder value by leading the Group's strategic planning and forecasting processes, by acting as a co pilot through partnering with the businesses to influence decision making and by ensuring the highest standards for stewardship and governance throughout the Company.

To achieve the Group's financial goals, the F&C team partnered with the respective Business Units and Support Functions to execute the business strategies planned for the year. This involved setting clear and measurable targets, providing transparency on performance, assessing risks and opportunities, identifying gaps and developing specific action plans to deliver on the company's objectives. Nestle (Malaysia) Berhad 110925-W 25

The year under review also saw the F&C community involved in several key projects and initiatives to support Nestle Malaysia's overall business.

One key project pertained to the preparation for the impending introduction of the Goods and Service Tax (GST). The Group supports the Government's plan to introduce the GST and believes that it is an integral part of the Economic Transformation Plan to turn Malaysia into a high-income economy. We have already commenced the impact study and assessed the necessary work flows in preparation of the implementation of the GST. As one of the country's business leaders, we will continue to work closely with the Government and provide the necessary feedback to ensure a smooth implementation process. In demand for our 3in1 mixes, we have invested in additional capacity for the beverage mixes stick pack filling. Further investments were made to increase our capacity at the KIT KAT confectionery plant with the extension of the Wafer Baking Process and Chilled Dairy filling capacity. As in previous years we have also made investments to ensure better quality assurance and enhance our cost saving initiatives. An important capital investment that was completed and successfully commissioned was the new Batching Plant at the Petaling Jaya Factory.

The plant forms an important process in the manufacturing of MILO. This investment will continue to assure the high quality of our products as well as the necessary process reliability and stability. Another key capital investment in 2010 was the acquisition of an additional factory site. Situated adjacent to our Batu Tiga Factory, this 40, 000 sq meter site with industrial buildings will enable us to further expand our production facilities in Shah Alam as well as improve our internal infrastructure. The year under review has seen a strong drive towards further reducing our Energy and Water consumption.

Investments were realised in all factories, aimed at successfully reducing our Electricity and Steam consumption and further decrease the utilisation of drinking water for our processes. Between 2009 and 2010, Nestle achieved a 9% reduction in energy at constant volumes of 2009, which is significant considering the breadth of our operations. SUPPLY CHAIN In 2010, the Group handled over 28 million cases of products, delivering to 87 Distributors through 11 warehouses operated by Nestle and other external parties.

Our overall Customer Service Level (CSL) was 96% in 2010 despite some typical operational issues affecting stock availability such as unplanned manufacturing stoppages, raw material shortages, and uneven sales trends. To meet the needs of our customers, we have taken steps to improve the business planning process, closely monitored the supply of key ingredients and implemented training programmes to enhance the capabilities of our staff. Our Customers in International Accounts continue to rate us as a top supplier with a CSL of 98~99%.

For Export or Inter-market Supply (IMS) to other Nestle markets, we dispatched 13, 000 containers to 66 countries across the world.

**PRODUCTION - CAPITAL EXPENDITURE** Total capital expenditure for the period under review was about RM145 million, down from RM267 million registered in the previous financial year. The reduction was largely a result of the successful completion and financial closure of major capital investment projects in the Shah Alam Complex that took place over the 2009/2010 period.

Capital expenditures consisting of Manufacturing as well as Sales, Administration and Distribution were carried out in line with the increase in local market demand and the growing export volumes. Additional processing capacity has also been installed for the production of Liquid Drinks Products. Also, to meet the growth PROSPECTS Key economic indicators remain positive for the year and the implementation of the Economic Transformation Plan by the Government will help support the country's growth projected to be around 5%. We are confident that the momentum which we have gained in 2010 combined with strong marketing plans for our key brands Nestle (Malaysia) Berhad 110925-W will enable us to deliver accelerated growth in 2011. Our innovation focus will be both on affordable products with our Popularly Positioned Products (PPP) range offering nutritional benefits in a simple format at the right price point, as well as on premium products offering superior taste and nutrition in convenient formats at competitive prices. The biggest challenge that we are facing today continues to be the inflation of food prices.

The cost of our key raw materials are expected to rise further and to remain at a historically high level, as the increasing demand in emerging markets is exacerbating the supply shortage of agricultural commodities. This may be further compounded by increasingly unpredictable weather patterns resulting in a more volatile agricultural output. We will therefore continue focusing on internal cost saving initiatives while closely monitoring the development of commodity prices and adjusting our pricing policy accordingly. Wherever possible the Group will leverage on its operational efficiencies and cost savings initiatives to minimize passing on price increases to consumers. We have again earmarked a comprehensive capital expenditure budget for upgrading, capacity expansion and investments in product innovations to meet the growing demand from domestic and overseas markets. In line with our motto " GOOD FOOD, GOOD LIFE", we are committed to enhance the quality of life of our consumers by continuously improving our range of food and beverages. Our goal is to create shared value for our shareholders and for the Malaysian society as a whole.

MD's Business Review ACKNOWLEDGEMENTS I would like to put on record my sincere appreciation and gratitude to the entire Nestle team for their efforts in 2010. The commitment, determination and passion of the people we have is what sets us apart from our competitors. I am proud to be part of this team. In line with our motto " GOOD FOOD, GOOD LIFE", we are committed to enhance the quality of life of our consumers by continuously improving our range of food and beverages. Nestle (Malaysia) Berhad  
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As the leading Nutrition, Health and Wellness company, we continue on our journey of innovation and renovation in 2010 across our product portfolio.

**NESTLE Smooth & Fruity Yogurt** The NESTLE Smooth & Fruity Yogurt is low in fat and infused with live cultures, which allows the extra smooth texture and fruity ? avour to be enjoyed without feeling guilt. **LA CREMERIA Strawberry Dream** FOX'S CRYSTAL CLEAR AR Available in four fruity ? avours - St ours Strawberry, Lemon, Blackcurrant and Orange - FOX'S CRYSTAL CLEAR is made with natural colours extracted from selected plants.

Indulge your senses with NESTLE Ice Cream **LA CREMERIA Strawberry Dream** - a smooth and creamy strawberry and vanilla ? avoured ice cream with luscious strawberry pieces in each tantalizing spoonful that will bring you to a state of bliss. **NESCAFE 3in1** The NESCAFE 3in1 coffee range now entices consumers with its improved taste and a smooth layer of foam, created using new proprietary technology. **MAT KOOL ASTEROID STERIOD** Made from natural colours, MAT KOOL ASTEROID is a delicious ROID creamy chocolate ice confection which is high in Calcium, coated with alcium, chocolate and crunchy rice crispies. nchy TM

**Nurturing Togetherness with MAGGI Sajian Keluarga** MAGGI continues to deliver eating pleasure, sound nutrition and wellness to generations of Malaysians with the introduction of its economical and family-oriented **MAGGI Sajian Keluarga (Family Meal)** instant noodles pack. Extra goodness comes from the added Iron in the noodle and iodised salt in the tastemaker. The **MAGGI Sajian Keluarga** instant noodles are currently available in the East Malaysian market only. **MAGGI TASTYLITE Atta Wholewheat Noodles**

MAGGI, Malaysia's favourite instant noodles introduced the new MAGGI TASTYLITE Atta Wholewheat Noodles range for health conscious individuals.

Available in two local flavours - Mi Rebus and Chapati Kheema, the noodles which are served with gravy are a source of fibre and are lower in fat with no added MSG. Packed in the familiar multi-packs of 74gx4 for the Mi Rebus and Chapati Kheema flavours, they are available at selected supermarkets and hypermarkets nationwide. Nestle (Malaysia) Berhad 110925-W 29 What's New NESCAFE Ice Revamped - Creamier & Richer Coffee Taste Nestle Professional launched the improved NESCAFE Ice Coffee which received positive feedback from consumers who liked its creamier taste and richer coffee aroma.

MAGGI KREATIF Multi-purpose Cooking Sauce Made from a special combination of onion, garlic, chilli, pepper and soy sauce, the MAGGI KREATIF Multi-purpose Cooking Sauce is a scrumptious source of delight for both amateur and professional cooks, which can transform ordinary dishes into culinary masterpieces. MAT KOOL Jolly Jelly 50ml A delicious and creamy vanilla frozen confection that comes with yummy strawberry jelly core, MAT KOOL Jolly Jelly contains natural colouring and is high in Calcium. NESTLE DRUMSTICK

Blackforest Bites The yummy new NESTLE DRUMSTICK Blackforest Bites is a smooth vanilla and chocolate frozen confection, topped with chocolate rice crispies and a centre of raspberry sauce throughout its unique black cone which is made with natural colouring. NESCAFE CLASSIC Relunched in April 2010, the NESCAFE CLASSIC coffee is now made using coffee extraction

technology which slowly and carefully captures the true essence of coffee that delivers a whole new coffee experience with purer aroma and smoother taste to consumers.

NESTLE BLISS 0% Fat Peach Mango 700g NESTLE BLISS 0% Fat Yogurt Drink now comes in a new flavour made from tropical mangos and summer peaches. This yogurt drink is also cholesterol-free and contains only natural colouring. Its extra goodness comes from Inulin (prebiotic), live cultures and real fruit juice. Natural colouring extracted from selected plants and fruits are used in a number of our products. Nestle (Malaysia) Berhad 110925-W 31

What's New NESTLE Multi Grain CHEERIOS NESTLE Multi Grain CHEERIOS contains the goodness of wholegrains, 10 essential vitamins, minerals and fibre which aids digestion. The great tasting combination of corn, rice, wheat, oats and barley makes a bowl of CHEERIOS cereal the perfect way to start the day. NESCAFE MENU Ipoh White Coffee in a Can The NESCAFE MENU range of Malaysian coffee now includes NESCAFE MENU Ipoh White Coffee in a convenient, ready-to-drink can format. POWERBAR Gel comes in three new flavours POWERBAR Gel offers instant power and immediate energy for athletes in need of a rapid boost during an intense activity. In addition to the existing caffeine and decaffeinated variants, POWERBAR Gel now comes in three new flavours - POWERBAR Gel Green Apple, POWERBAR Gel Raspberry Cream and POWERBAR Gel Vanilla. SJORA Tropical Pineapple & SJORA Mango Peach Nestle Professional opened up an exciting new beverage category in the out-of-home segment with the launch of its SJORA (pronounced as Se-jora) fruit drink. Introduced in major foodcourts in KL and Klang Valley, the SJORA fruit drink is a unique and refreshing 99.9% fat free drink made with

real fruit juice and non-fat milk. MAGGI Hot n' Sweet Chilli Sauce Made from selected fresh chillies, the MAGGI Hot n' Sweet Chilli Sauce will win over the hearts and tastebuds of all in the family.

It makes a delightful complement for any dish by adding zest to fried chicken, as well as a heavenly dip for prawn fritters, nuggets and fries.

NESTLE Fat Free Blueberry, Apple & Nata De Coco Yogurt The NESTLE Fat Free Blueberry, Apple & Nata De Coco Yogurt contains triple goodness of real fruit pieces, Calcium to help develop strong bones and teeth, and live cultures to maintain a good digestive system. Blueberries provide thirty percent of the daily requirements of Vitamin C and are also a source of Vitamin E, dietary fibre and antioxidants.

Through innovation and renovation, we will continue to provide consumers with a choice of healthier and more nutritious products that contain less salt, less sugar and are low in fat. Nestle (Malaysia) Berhad 110925-W 33 NESTLE PARTICIPATES IN BUSINESS AGENDA FORUM ON WATER A The Association of Chartered Certified Accountants (ACCA), together with the Institute of Corporate Responsibility Malaysia and the Malaysian Water Association (MWA) jointly organised a forum on " Business and Water: Should We Be Concerned? " at the Securities Commission, Kuala Lumpur on 7 January 2010.

The forum was aimed at raising the importance of water on the business agenda and supporting the discussions of water impact on business and possible solutions. Nestle Malaysia Executive Director, Technical and Production, Mr. Detlef Krost participated in the panel discussion to share the

Company's views on the importance of water management in the food industry as well as the impact of water scarcity on the future of global food security. Mr. Krost highlighted the various initiatives the Company is taking globally in managing our natural resources both downstream and upstream of our operations.

He also advocated the sharing of best practices of water sustainability efforts so that businesses can learn from one another. In conclusion, the business forum recognised that there is an expectation gap between consumers and the water provider, and that the management of water is a joint responsibility to be shared between the Government, businesses, water authorities and consumers. Other panelists include ACCA's Director for ASEAN and Australasia Mr. Tay Kay Luan, MWA's President Mr. Ahmad Zahdi Jamil, Suruhanjaya Perkhidmatan Air Negara's Chief Executive Officer Dato' Teoh Yen Hua and Deputy Dean and Director of Sustainability, Faculty of Law and Management at Australia's La Trobe University, Professor Carol Adams.

A Highlights 34 Nestle (Malaysia) Berhad 110925-W FULL SCALE

COMMERCIALISATION OF RED RICE FARMING IN SARAWAK B Local farmers toiling on rural farmland in Sarawak's 1st Division have been given the opportunity to be part of Nestle supply chain via a full contract farming scheme aimed at Creating Shared Value for all parties involved in the project. A full scale commercialisation programme was launched after 7 years of collaborative efforts by Nestle (Malaysia) Berhad, the Malaysian Agricultural Research & Development Institute (MARDI), the Agricultural Research Centre (ARC) Sarawak and the Sarawak Department of Agriculture. Under the contract farming scheme, more than 500 farmers covering some

350ha of rural farmland have been given the task to plant and produce traditional red rice – a key raw material needed for the manufacture of Nestle range of infant cereals – which the Company produces for the ASEAN region. Nestle Malaysia Executive Director, Technical and Production Mr.

Detlef Krost launched the programme on 8 March 2010 at Tebedu in Serian, Sarawak together with Deputy Chief Minister (II), Minister of Modernisation of Agriculture and Minister of Rural Development of Sarawak Datuk Patinggi Tan Sri (Dr. ) Alfred Jabu Numpang. MANAGEMENT ENGAGEMENT MEETING C Nestle Malaysia organised the Management Engagement Meeting (MEM) on 15 March 2010 with the objective of providing key information on the Company's business performance, priorities, challenges and setting clear directions moving forward.

The meeting was attended by more than 160 of Nestle Malaysia's senior managers at The Saujana KL. One of the main agenda points of the meeting was the Group Engagement Session, whereby participants were divided into groups to discuss selected topics that were related to the theme of this year's MEM, Creating Shared Value (CSV). Other topics include key messages from the Managing Director of Nestle Malaysia Mr. Peter Vogt on overall CSV, presentations on Brand CSV and on ' Achieving High Performance' as well as a " Hard Talk" session.

Nestle was also honoured to have a distinguished external speaker, Head of Consumers International, Kuala Lumpur, Dato' Indrani Thuraisingham to address the attendees with a presentation entitled ' The Call for Social Responsibility'. B C 2010 Nestle (Malaysia) Berhad 110925-W 35 Highlights

2010 E NESTLE MALAYSIA HOSTS WINA D E NESTLE NOURISHING MALAYSIA SHOWCASE D Nestle held the NESTLE NOURISHING MALAYSIA Showcase in two different states to educate the public in support of the Government's efforts to encourage healthier diets and active lifestyles amongst Malaysians.

The 4th NESTLE NOURISHING MALAYSIA Showcase was held from 2 - 4 April 2010 at the 1 Utama Shopping Centre in Bandar Utama, whereas the 5th edition of the Showcase was held from 2 - 4 July 2010 at AEON Bukit Indah in Johor Bahru. The Showcase demonstrated to visitors how Nestle has evolved in its journey to become the world's leading and trusted Nutrition, Health and Wellness company. The Showcase has grown in importance for Nestle as we appreciate the value of face-to-face engagement with our stakeholders and consumers.

The Showcase is a platform to share our product innovation and educate our consumers to adopt a healthy and active lifestyle, complementing the Ministry of Health's 10-Year Nutrition Action Plan. Thousands of visitors thronged the Showcases which also include a fun-filled activities for the family, such as healthy cooking demonstrations, free health screenings (BMI, blood sugar and cholesterol checks), talentime contests, a colouring competition for the young ones, exercise and line dancing sessions, as well as product sampling.

Nestle Malaysia, one of the World Instant Noodle Association (WINA) Governing Country representatives, successfully organised the 7th World Instant Noodles Summit. Held for the first time in Malaysia from 20 - 22 April 2010, the event saw the participation of more than 300 delegates

representing 47 instant noodle manufacturers from 18 countries such as China, Japan, Brazil, Russia, Thailand, Vietnam, South Korea, India, Taiwan, the Philippines and Indonesia.

Themed ' Earth Food: Making It Happen', the Summit was aimed at discussing what the instant noodle industry could do collectively to serve the dietary well-being of the global population in an effort to gain recognition for instant noodles as a dietary staple. WINA members also made a Kuala Lumpur Declaration pledge to renew their commitment to assist victims of natural disasters and the needy through the supply of food rations. They also pledged to help facilitate consumers make informed decisions on product choices with consideration for health and environmental aspects. 6 Nestle (Malaysia) Berhad 110925-W F SUSTAINABLE PALM OIL FORUM F Executive Vice President, Operations of Nestle S. A. Mr. Jose Lopez participated in a forum with key stakeholders in the palm oil industry on 17 May 2010 at One World Hotel, Petaling Jaya. The panel at the forum entitled " Committed Towards Sustainable Palm Oil and Diversity" featured distinguished speakers, including the Secretary-General of Roundtable for Sustainable Palm Oil Dr. Vengeta Rao, CEO of Malaysian Palm Oil Council (MPOC) Tan Sri Dr.

Yusof Basiron, Chief Technical Officer of WWF-Malaysia Mr. Surin Sukswan and Group Manager, Human Resources and Environment, Safety and Health of United Plantations Berhad Mr. C. Mathews. Moderated by En. Kamarul Bahrin Haron, the session saw Mr. Lopez urging for a coalition between key stakeholders and encouraged all parties to work together to ensure the



sustainability of this key raw material. He also challenged Malaysia to take the lead in this matter as one of the biggest palm oil producers in the world.

Mr. Lopez also announced that Nestle has entered into a partnership with The Forest Trust (TFT) to further strengthen its commitment to combat the major issue of deforestation. TFT, a global non-profit organisation, will help Nestle to build responsible supply chains by identifying and addressing social and environmental issues. Nestle (Malaysia) Berhad 110925-W 37 Highlights 2010 NESTLE STAKEHOLDER CONVENING G Nestle Malaysia hosted two Stakeholder Convening sessions on 15 June and 9 December 2010.

The objectives of these sessions were to update stakeholders on Nestle activities, following the feedback and suggestions received from them during the previous sessions. Nestle also shared with the stakeholders updates on the global Creating Shared Value Forums, held in London and Geneva respectively. Vital topics on Creating Shared Value's three focus areas of Nutrition, Water and Rural Development were also discussed during the session. The Stakeholder Convening sessions are part of Nestle ongoing efforts to have a two-way dialogue with its key stakeholders. NESTLE AT WORLD HALAL FORUM AND MIHAS 2010 H

Nestle Malaysia participated in the World Halal Forum (WHF) and the 7th Malaysia International Halal Showcase (MIHAS) 2010 during the Malaysia Halal Week held from 21-27 June. As the Silver Sponsor for the World Halal Forum, Nestle hosted the Gala Dinner on 21 June 2010 which was attended by the former Prime Minister of Malaysia, Tun Abdullah Ahmad Badawi. MIHAS is an annual international trade fair with the largest gathering of Halal

industry players hosted by the Ministry of International Trade and Industry and organised by the Malaysia International Trade Development Corporation (MATRADE).

Inaugurated in 2004, the Showcase, themed 'The Spreading Influence of Halal', saw more than 600 participants from 32 countries. The Prime Minister of Malaysia, Dato' Seri Mohd. Najib Tun Hj Abdul Razak and Minister of International Trade and Industry Dato' Sri Mustapa Mohamed visited the Nestle booth at MIHAS during the official opening. G H 38 Nestle (Malaysia) Berhad 110925-W NESTLE HEALTHY KIDS PROGRAMME LAUNCHED TO ADDRESS UNDER NUTRITION AND OBESITY | The Nestle Healthy Kids (NHK) Programme in Malaysia was launched on 7 August 2010 at Royale Bintang Hotel, Petaling Jaya by the Ministry of Education's Deputy Director General of Education (Education Operations), Dato' Hjh. Noor Rezan bt. Bapoo Hashim, together with Executive Director, Human Resource and Group Corporate Affairs of Nestle Malaysia, Pn. Zainun Nur Abdul Rauf and President of the Nutrition Society of Malaysia (NSM) Dr. Tee E. Siong. Themed "Let's Be Healthy!", the Programme in collaboration with NSM aims to improve the nutrition knowledge and promote healthy lifestyles among school children aged between 7-12 years old, while empowering them to lead healthier lifestyles through better eating habits, exercise and taking other key health measures such as hygiene. Designed in collaboration with health and nutrition professional bodies, national health authorities, child nutrition experts and educational foundations of the respective countries, the NHK Programme hopes to educate children, parents and teachers as well as

canteen operators through Parent-Child Workshops, the NHK website, school roadshows and collaterals.

Globally, the NHK Programme has been running for several years and has reached approximately four million children and will be extended to all countries where Nestle has operations by the end of 2011. PERDANA LEADERSHIP FOUNDATION CEO FORUM 2010 J Nestle Malaysia's Managing Director Mr. Peter Vogt was invited to be one of the panelists for the Perdana Leadership Foundation CEO Forum 2010, which featured a large gathering of leading corporate minds and industry insiders in Malaysia. Other panelists that shared the rostrum with Mr.

Vogt discussing the topic of ' What Makes a Corporation Exceptional" were Executive Chairman of Westports (M) Sdn. Bhd. , Tan Sri G. Gnanalingam and CEO of Symphony House, Dato' Azman Yahya. Themed ' Approaching 2020: Malaysia's Decade for Growth? ', the Forum was also attended by former Prime Minister Tun Dr. Mahathir Mohamad who gave the Closing Keynote Address. I J Nestle (Malaysia) Berhad 110925-W 39 Highlights 2010 L K NESTLE-TETRA PAK-TESCO LAUNCHES ' PROTECT THE RAINFOREST' CAMPAIGN K Nestle Liquid Drinks, together with Tesco Stores (Malaysia) Sdn. Bhd. , and Tetra Pak (Malaysia) Sdn Bhd came together for the " Protect the Rainforest" campaign, a community project to enhance the awareness about the importance of preserving our natural rainforest through recycling of beverage packet drinks. From 1 till 31 October 2010, consumers brought their used beverage packets of all brands, shapes and sizes to any of the 14 participating Tesco Hypermarkets in Klang Valley for recycling in support of

the Malaysian Nature Society's (MNS) efforts to protect the Belum-Temengor Rainforest.

VISIT OF NESTLE EXECUTIVE VICE PRESIDENT AND HEAD OF ZONE ASIA, OCEANIA, AFRICA AND MIDDLE EAST TO MALAYSIA L Executive Vice President and Head of Zone Asia, Oceania, Africa and Middle East, Dato' Frits van Dijk visited Nestle Malaysia in November 2010 where he was warmly welcomed on his first visit to Nestle Malaysia's new Head Office in Surian Tower. During his market visit, Dato' Frits took the opportunity to meet with some trade customers. He also spent some time with the senior managers at the Head Office, where he participated in a dialogue session to discuss business direction, opportunities and challenges, as well as the Zone's priorities. The campaign was launched by Nestle Malaysia Managing Director, Mr. Peter Vogt together with Tesco Malaysia Government Relations and Legal Affairs Director, Mr. Azlam Shah Alias, Managing Director of Tetra Pak Malaysia, Singapore and Philippines, Mr. Anders Wester and Ministry of Housing and Local Government's Director General of the Department of National Solid Waste Management, Dato' Dr. Nadzri Yahaya on 30 September 2010 at Tesco Kepong Village Mall. 40

Nestle (Malaysia) Berhad 110925-W M 10, 000 PEOPLE WALKED ON WORLD WALKING DAY M The dawn of 21 November 2010 saw 10, 000 Malaysians from all walks of life coming together to celebrate World Walking Day. It was staged off simultaneously at six different locations - Kuala Lumpur, Penang, Kuantan, Johor Bahru, Penampang and Kuching. World Walking Day gave everyone the opportunity to get together with family and friends, to activate their bodies and enjoy the wonders of walking. The participants

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walked 3, 000 steps that morning, which is equivalent to 30% of the 10, 000 steps recommended for a day by the Ministry of Health.

After the walk, participants were treated to Nestle nutritious breakfast products, stage performances and lucky draws. Going beyond 21 November 2010, Nestle encourages the public to have Walking Days with their neighbours and friends throughout the year, leading up to the annual World Walking Day event, which will be held on the third Sunday of November each year. Nestle (Malaysia) Berhad 110925-W 41 Nestle in the News 42 Nestle (Malaysia) Berhad 110925-W Nestle (Malaysia) Berhad 110925-W 43

CREATING SHARED VALUE Nutrition, Water, Rural Development

Nestle was founded on the principle of social responsibility, when our founder Henri Nestle, a Swiss chemist by profession, developed a product for an infant who was unable to be fed on his mother's milk. Thus began the journey and commitment to improve the lives of the communities whom we touch. Nestle recognises that our success depends on creating value for all our stakeholders - from the farmers, who supply the raw materials required for our products, and our consumers to our biggest asset - our people. We call this commitment Creating Shared Value (CSV).

Creating Shared Value is our concept of Corporate Social Responsibility. The concept brings us beyond compliance and sustainability, as the basic business principle advocates that for a business to SUSTAINABILITY Environmental Stewardship: Acting today in a way that protects the earth for the future COMPLIANCE Laws, Business Principles, Code of Management Conduct The Nestle Creating Shared Value Model Nestle recognises that our

success depends on creating value for all our stakeholders - from the farmers, who supply the raw materials required for our products, and our consumers to our biggest asset - our people.

What Creating Shared Value Means to Us 44 Nestle (Malaysia) Berhad 110925-W be successful and sustainable over the long term, it must bring value to both the shareholders and society. A fundamental part of our way of doing business, CSV focuses on specific areas of the Company's core business activities where value can best be created both for society and shareholders. We believe that any business that thinks long-term and follows sound business principles creates value for its shareholders and for society through its activities.

CSV is also a motivating principle for our employees and is anchored to our culture, values and principles. Its relevance to our corporate initiatives, products and brands drives us to embed this strategy further across our value chain and throughout our business operations. OUR THREE FOCUS AREAS IN CSV At Nestle, we have analysed our value chain and determined that the areas of greatest potential for joint value optimisation with society are Nutrition, Water and Rural Development.

These areas are core to our global business strategy and operations, as they are key societal challenges, where we feel we can play a positive role:

- Nutrition: because food and nutrition are the basis of health, our expertise and of our business - it is the reason why we exist.
- Water: because the ongoing quality and availability of it is critical to life, the production of food and to our operations. We also believe it to be the key environmental issue

today. • Rural development: because the overall well-being of the farmers and their rural communities are intrinsic to the sustainability of our business.

These three areas are fundamental to the Nestle value chain and business success, and are the basis of our competitive advantage. By embedding CSV ? rmly in our business, we are able to embark on results-oriented initiatives that have a longterm impact on society. From addressing health-related issues including undernutrition, over-nutrition and malnutrition, sedentary lifestyles, aging populations and increasing health costs; to agriculture and rural poverty; water, energy and climate change, we aim to create a thriving and sustainable society.

These areas are fundamental to our overall business goal, which is “ To become the recognised leader in Nutrition, Health and Wellness, trusted by all stakeholders”. Note: For further information on the Creating Shared Value initiatives of Nestle Malaysia, please refer to our Creating Shared Value Report 2010 which can be downloaded from our corporate website: [www.nestle.com.my](http://www.nestle.com.my). More information on Creating Shared Value can be obtained from: • [www.nestle.com](http://www.nestle.com) • [www.creatingsharedvalue.org](http://www.creatingsharedvalue.org) • [www.community.nestle.com](http://www.community.nestle.com) SEATED, FROM LEFT:

Peter Vogt Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail STANDING, FROM LEFT: Mohd. Shah Bin Hashim [Company Secretary] Marc Seiler Datuk Ra? ah Binti Salim Dato' Frits van Dijk Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff Dato' Mohd. Ra? k Bin Shah Mohamad 46 Nestle (Malaysia) Berhad 110925-W Board of Directors BOARD OF DIRECTORS Tan Sri Dato' Seri Syed Zainol Anwar Jamalullail Independent, Non-Executive Director Chairman of the

Board of Directors Chairman of the Audit Committee Chairman of the  
Nomination Committee AUDIT COMMITTEE Tan Sri Dato' Seri Syed Zainol  
Anwar Jamalullail Chairman

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[email protected] nestle. com Tengku Tan Sri Dr. Mahaleel Bin Tengku Ariff M