



FrieslandCampina 
nourishing by nature

60
— YEARS —
DUTCH LADY
NOURISHING
OUR NATION

**Nourishing
Our Planet
and People
in Every
Stage of Life**

Integrated
Annual Report 2023



60 YEARS OF NOURISHING OUR NATION

Nation building is a collective responsibility that spans across generations. This is in line with our purpose of 'Nourishing Our Nation' since our inception in 1963. As an early Malaysian brand and a leading dairy manufacturer, we have grown in tandem with the country's development whilst embracing her values, people and progress. We have rediscovered and transformed our business over the years to address the nutritional needs of all Malaysians. Our focus remains on positively contributing to the wellbeing of the rakyat of Malaysia. Through the decades, we have continued Nourishing Our Planet and People in Every Stage of Life.

Today, we take pride in who we are and everything that we represent, both, as a business and as a corporate citizen of Malaysia. Our ways of working are aligned with the national MADANI values.

keMampanan (Sustainability)

At the core of our purpose is our social agenda to address the triple burden of malnutrition amongst Malaysians, while also managing our environmental impact

kesejahteraan (Prosperity)

In Nourishing Our Nation, we are shaping a healthy, productive human capital that is critical for prosperity and prosperous communities

Daya cipta (Innovation)

We remain committed to improving the nutritional value of our products, while also catering to the varied nutritional needs of Malaysians of all ages

hormat (Respect)

We are respectful of our ecosystem, people, stakeholders and the rule of business while continuing to establish credibility and good governance

keyakinan (Trust)

We trust in the ability and potential of our people as well as our business to continually provide access to safe, quality, Halal, affordable and healthy nutrition

Ihsan (Compassion)

We believe in inclusive ways of working, where our people can participate and contribute to their personal and professional journey of growth with us





DUTCH LADY
Signature
CHOCOLATE

DUTCH LADY
Signature
CHOCOLATE



— YEARS —
NOURISHING
OUR NATION





Delivering Goodness, Spreading Happiness



KEY MILESTONES: 1963-2023

Today, we are more committed than ever as we build our legacy at Bandar Enstek – a new state-of-the-art IR4.0 enabled, Halal manufacturing facility. In 2024, as we transition to double our current capacity, we will be well-positioned to cater to the growing nutritional needs of Malaysians. Our 60 years of trust and commitment has given us a solid platform to foster better innovative efficiencies, boost intergenerational equity to better cultivate a brand synonymous with Malaysia's health and prosperity.



1963

Sweetened Condensed Milk Plant was built and Pacific Milk Industries Bhd was formed

1968

Became first milk company to be listed on local Stock Exchange

1975

Started UHT and Modified Baby Food production. Company's name changed to Dutch Baby Milk Industries

1983

Dutch Lady Milk Industries Berhad (DLMI) partnered with the Ministry of Education for the inaugural School Milk Programme

1988

An adjacent piece of land was acquired to further expand the factory's capacity

DLMI is the first to introduce Formulated Milk Powder for children in Malaysia

1986

Entered pasteurised milk market segmentation

1984



Dutch Baby brand name changed to Dutch Lady

2008

Began production of 0% Fat Drink Yoghurt and Ready To Eat Yoghurt

DLMI established the Dairy Development Programme (DDP) to improve productivity and ensure the sustainability of the dairy industry

2009



Introduction of DLMI logo

2010

FrieslandCampina initiated the Southeast Asia Nutrition Survey (SEANUTS) to gain insight into the nutritional status and dietary intake of children between the ages of 6 months to 12 years in 4 countries including Malaysia



2013



Celebrated DLM's 50th Anniversary

DLM established the Farmer2Farmer Programme (F2F) to help local farmers to improve the sustainability of milk supply

DLM is the first Company to install a SIG Combiloc Malaysia Sdn. Bhd. (SIG) Aseptic Beverage Filling Machine CFA 124 in Malaysia with speed of 24,000 packs or 1,000 cartons per hour

2012

Launch of Dutch Lady Chocolate Drink



2011

DLM relaunched its Growing Up Milk with 5xDHA

DLM joined FrieslandCampina to celebrate World Milk Day to recognise the importance of milk as part of a healthy and balanced diet

2014

In partnership with the Ministry of Education, DLM celebrated World School Milk Day for the very first time in Malaysia to highlight the importance of drinking milk among school children

2018

Introduced 16 products under the Healthy Choice Logo (HCL) initiative by the Ministry of Health

2019

A year of innovation: Launch of +Protein, Kurma, Juicy Milk Strawberry & Orange and RM1 pack

DLM collaborated with YB Ahmad Fahmi bin Mohamed Fadzil to launch the "Program Cakna Susu" to address the issue of malnutrition amongst the urban poor in the Lembah Pantai constituency

DLM purchased the fastest Aseptic 1 litre Beverage Filling Machine CFA 312 in Malaysia from SIG with the capability of 12,000 packs or 1,000 cartons per hour

2021

DLM signed a Memorandum of Collaboration (MoC) with the Department of Veterinary Services Malaysia (DVS)

Site visit by Negeri Sembilan Chief Minister at DLM's under construction facility at Bandar Enstek

DLM celebrated FrieslandCampina's 150th Anniversary

2020

Acquired 32.59 acres of industrial land in Bandar Enstek for RM59.79 million

Improved recipes with the latest revised requirements under the Healthy Choice Logo standard and refreshed new pack designs

Launch of Dutch Lady MaxGro and Juicy Milk Pomegranate

2022

Appointed Seremban Engineering Berhad (SEB) as the main contractor to build DLM@Enstek

Launch of Juicy Milk Lychee, Vanilla & Cookies & Cream 180ml and Signature Dutch Lady Can

The results of the second South East Asian Nutrition Surveys (SEANUTS II) were announced and highlighted the triple burden of malnutrition amongst Malaysian children

2023



Celebrated DLM's 60th Anniversary

A Global Reorganisation to Shape a Fit-for-Purpose, Responsible (creating value), Resilient (preserving value) and Rewarding (enhancing value) Business – preparing DLM to become a robust and future-ready organisation

Optimisation of DLM's dairy product operations with milk powder products being sourced from Frisian Flag Indonesia and within the FrieslandCampina network

The Legacy Continues...



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ANNUAL GENERAL MEETING

61st



Tuesday,
28 May 2024



10:00 a.m.



ABOUT THIS REPORT

OUR PURPOSE

At Dutch Lady Milk Industries Berhad (DLMI), we strive to fulfil our purpose of **Nourishing Our Planet and People in Every Stage of Life**. All our efforts are focused on channeling the right combination of resources to deliver quality, affordable and healthy nutrition to the people of Malaysia. In Nourishing Our Nation, we are positively contributing to the wellbeing of Malaysians, making them stronger to overcome the triple burden of malnutrition. In the long-term, we aim to create a positive impact on our Planet and People via our business model, strategy and purpose.

INTEGRATED THINKING

In setting the right context for our stakeholders on our performance, we strive to promote a better understanding of the interactions and inter-relationships between various aspects of business and performance. From economic and political landscape to extraneous factors such as climate change, malnutrition, and aging population; from international affairs and foreign exchange fluctuations to local market dynamics; from diversity of people to fight for talent and succession planning; from learning and development to growth; from near-term returns to long-term resilience – there is merit in analysing the interdependencies among these and factors that could potentially have financial and non-financial implications.

The insights therefrom help us identify and focus on our material matters. The material matters included and discussed in this Integrated Report are determined based on our stakeholders’ expectations, real and potential risks associated with both internal and external factors of our business, and most importantly, the strategic direction set by the Board of Directors in fulfilling our purpose.

INTEGRATED REPORTING PROCESS

Reporting Frameworks

We are on a journey to align our Integrated Report with the following local and international statutory and reporting frameworks:

- International Integrated Reporting <IR> Framework*
- Bursa Malaysia Main Market Listing Requirements (MMLR)
- Companies Act 2016
- Malaysian Code on Corporate Governance (MCCG) by Securities Commission Malaysia
- Malaysian Financial Reporting Standards (MFRS)
- Financial Services Act 2013
- Task Force on Climate-Related Financial Disclosures (TCFD)*
- IFRS S1 and S2*

Please note that the structure and format of this report has been planned to support:

* Our 3-year journey starting 2022 to improve quality of reporting and enhance the level of compliance to <IR> Framework

* Our 4-year journey starting 2024 on alignment with Taskforce on Climate-Related Financial Disclosures (TCFD) in line with Bursa’s sustainability reporting requirements and IFRS S1 and S2.

REPORTING INTEGRITY

The information in the Annual Report is presented by the respective functional teams with utmost care to maintain the integrity of the narratives to the best possible extent. The key sections of the report have been reviewed by our external auditor, PwC. In particular, the Statement on Risk Management and Internal Control (“SORMIC”) for the financial year ended 31 December 2022 is reviewed by PwC for the purposes of expressing a conclusion whether the SORMIC is prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Audited Financial Statements, SORMIC and Audit & Risk Committee report are then reviewed and approved by the Audit & Risk Committee for recommendation to the Board of Directors. These reports, together with the other reports for inclusion in the Annual Report are then reviewed and approved by the Board of Directors.


The contents of this report have been reviewed by independent auditors:

| Activity | Review Body |
|---|-------------|
| Consolidated Financial Statements Audit | PwC |
| SORMIC | PwC |
| Audit & Risk Committee Report | PwC |
| 5 Year Financial Summary | PwC |

DLMI'S INTEGRATED ANNUAL REPORT 2023

Scope and Boundary

DLMI’s Integrated Report 2023 covers our financial and non-financial performance for the period of 1 January 2023 to 31 December 2023, unless stated otherwise. This reporting boundary covers all our operations and activities in Malaysia. Our intention through this report is to provide our stakeholders a complete, fair and balanced assessment of our financial and non-financial performance; near-term to long-term strategic priorities, material matters, and key risks and opportunities – all of which catalyse our efforts to create value for our multiple stakeholders.

 Refer to pages 009-012 of this report.

ABOUT THIS REPORT

INTEGRATED ENTERPRISE RISKS

We take a holistic view of risks to consider our dependence and influence on various economic, environmental, social and governance (EES&G) factors in our key operating market i.e. Malaysia. Guided by our global policies and local priorities, our approach is to focus on near-term risks, without losing visibility of long-term risks that are critical to shaping resilient business and growth plans. In keeping with this, our attempt has been to map our risk management approaches to various material matters and strategies included throughout this report.

FORWARD-LOOKING STATEMENTS

We may have included limited forward-looking statements related to our emerging focus areas, future priorities, strategies and growth opportunities. However, these may be challenged based on our emerging focus areas, evolving business and regulatory landscape, and factors that may be external to our business and beyond our direct control. The intent of any forward-looking statements included in this report is to apprise our stakeholders our appetite and potential for meaningful growth. Hence, these should not be taken as conclusive or as statements reviewed by auditors.

 Refer to page 050 of this report

NAVIGATION TOOLS

| Our Key Capital | Material Matters | Our Stakeholders |
|---|--|---|
|  Financial Strength |  Nutrition & Product Responsibility |  Customers & Consumers |
|  Talented People |  Innovation & Technology |  Regulators |
|  Resilient Infrastructure |  Responsible Supply Chain |  Shareholders & Investors |
|  Strong Relationships |  Energy, Water, Waste & Emissions |  Customers |
|  Intellectual Capital |  Recovery & Circularity |  Community/Farmers |
|  Natural Capital |  Employee Experience |  Employees |
| Key Risks |  Diversity & Inclusion |  Stakeholders |
|  Market & External |  Wellbeing & Growth |  Suppliers |
|  People Performance & Productivity |  Farmers & Communities |  Customers & Business Partners |
|  Internal Policy |  Social & Economic Continuity | |
|  Fraud & Anti-Bribery | | |
|  Regulatory & Legal | | |
|  Supply Chain & Procurement | | |
|  Product Technology & Innovation | | |
|  Financial | | |
|  Water, Waste & Emissions Management | | |

United Nations Sustainable Development Goals Adopted















 Go to page within document
 Access additional information on the web

STATEMENT FROM THE BOARD OF DIRECTORS OF DUTCH LADY MILK INDUSTRIES BERHAD

The Board of Directors takes full accountability for the integrity of DLMI's Integrated Report 2023. We acknowledge that attempts have been made to ensure this report addresses most critical material matters and fairly presents DLMI's performance for the year under review.

Datin Seri Sunita Mei-Lin Rajakumar

Chairperson of the Board (on behalf of the Board of Directors)

VALUE CREATION @ DLMI

At **DLMI**, our efforts are continually focused on improving efficiencies and creating intergenerational equity in a manner that delivers value to all our stakeholders. Our four key strategic pillars which allow us to understand and catalyse value creation include the following.

- Our **PURPOSE** of Nourishing Our Planet and People in Every Stage of Life, helps create **intergenerational equity**, where we strive to leave our business as well as our ecosystem in a better shape for our future generations of stakeholders.
- Our focus on **PEOPLE** in terms of expanding opportunities for learning and development to **make our growth inclusive, purposive and meaningful**.
- Our **PERFORMANCE** that is accelerated through improving **economic efficiencies** in production process with optimal combination of outputs based on most responsible and efficient combination of inputs.
- Our **POTENTIAL** to continually create and **enhance shared value** for all the stakeholders associated with our business as well as those in our ecosystem.

In the short, medium and long-term, the critical decisions concerning our business and stakeholders are guided by both our Intent and the desired Impact. With the right intent, we can deliver impact that is meaningful to our stakeholders. Similarly, with clarity on the kind of impact we want to create, our intent will motivate the right kind of action.

MANAGING FOOTPRINT & HANDPRINT



Our **INTENT** is to address systemic breakdowns along our value chain and transition to a better, thriving business ecosystem.



Our **IMPACT** is measured in terms of the value we create for and share with both business and stakeholders.



STAKEHOLDER ENGAGEMENT & MATERIAL MATTERS

Stakeholders' expectations and interests are always at the core of any value creation process. Mechanisms to effectively engaging stakeholders are necessary. What is more critical is our response mechanism, where we meaningfully address issues that are most material for our stakeholders as well as are in alignment with our business priorities.

There was no independent stakeholder engagement exercise undertaken in 2023. The stakeholder issues and concerns remained the same. Some of the material matters have been aligned and renamed to reflect our global priorities and focus areas (Refer to pages 056-057 on Material Matters). We have also included or expanded the indicators of value creation in some cases to better demonstrate/reflect stakeholder value.



CONSUMERS

ENGAGEMENT PLATFORM

- Annual Focus Groups & Surveys
- Customer Service Desk (Careline, Social Media)

MATERIAL TOPICS

NPR Nutrition & Product Responsibility

- Safety
- Quality
- Nutrition
- Accessibility
- Affordability
- Waste


HOW WE CREATE VALUE

- Undertake R&D to continuously improve product formulations to address nutritional needs and issues
- Portfolio of affordable products and ensure a strong trade network for better reach


KEY DRIVERS OF SHARED VALUE

- R&D
- Product development
- Product advocacy

VALUE CREATED FOR DLMI 2023



RM79,588 contributed to local communities, benefitting **35,716** children and B40 community members



92.6% Compliance with Global Nutritional Standards (GNS)



CUSTOMERS & BUSINESS PARTNERS

ENGAGEMENT PLATFORM

- Quarterly Customer / Distributors Top to Top Business Review
- Annually Distributors Conference & Retailers Joint Business Plan or JBP

MATERIAL TOPICS

NPR Nutrition and Product Responsibility

RSC Responsible Supply Chain

- Quality
- Profitability
- Price Pressure
- Differentiation


HOW WE CREATE VALUE

- Share insights by brainstorming together
- Share our common strategy to maximise impact for Win-Win proposals

KEY DRIVERS OF SHARED VALUE

- Distribution
- Sales
- Profitability

VALUE CREATED FOR DLMI 2023



65% of our eligible products have received the HCL logo, indicating that they are healthier choices that support a well-balanced diet.

STAKEHOLDER ENGAGEMENT & MATERIAL MATTERS



EMPLOYEES

ENGAGEMENT PLATFORM

- Annual Employee Engagement Surveys
- Half-Yearly Pulse Surveys
- Bi-monthly Townhalls
- Monthly and Quarterly Management Check-Ins

MATERIAL TOPICS

- D&I** Diversity & Inclusion
- EE** Employee Experience
- WG** Wellbeing & Growth

ISSUES & CONCERNS

- Vertical and horizontal growth opportunities
- Occupational Safety, Health & Wellbeing
- Elevating employee experience

HOW WE CREATE VALUE

- Ensure robust talent management process
- Create awareness on psychological safety and mental health
- Ensure employees have equitable medical benefits
- Drive employee engagement and communication

KEY DRIVERS OF SHARED VALUE

- Career and development coaching skills management
- Performance and talent management guidelines
- Wellbeing and employee benefits benchmarking/best practices
- Employee engagement initiatives/events
- Free on-site health check-up for employees

VALUE CREATED FOR DLMI 2023



75% Score on engagement index vs 81% in 2022 and 76 External Benchmark



32.75 Average training hours per employee vs 20.8 Hours per employee in 2022



0.11 Total Recordable Frequency Rate (TRFR)



73 Employees' Growth Score vs 72 Glint External Benchmark



Company-wide Roll-out of Compass toolkits to promote awareness and adoption of key policies



8.55% Voluntary Attrition Rate vs. 11.24% in 2022 and 11.8% Mercer industry average

STAKEHOLDER ENGAGEMENT & MATERIAL MATTERS



SUPPLIERS

ENGAGEMENT PLATFORM

- Annual Supplier Performance Evaluations
- Monthly Supplier Project Interactions

MATERIAL TOPICS

RSC Responsible Supply Chain

ISSUES & CONCERNS

- Opportunities for Local Suppliers
- Fair Terms of Engagement and Payment

HOW WE CREATE VALUE

- Ensure we prioritise local suppliers where possible
- Ensure we are fair and transparent in our dealings with suppliers
- Ensure we pass on the price benefit to suppliers

KEY DRIVERS OF SHARED VALUE

- Supplier Engagement
- Fair and Transparent Supplier Contracts

VALUE CREATED FOR DLMI 2023



80% of top spend suppliers completed the EES&G Due Diligence



RM533.2 million in Annual Spends on Local Suppliers



MEDIA

ENGAGEMENT PLATFORM

- Media Engagement and Outreach

MATERIAL TOPICS

NPR Nutrition & Product Responsibility

ISSUES & CONCERNS

- Continuous and Reliable information pertaining to DLMI and the local dairy industry

HOW WE CREATE VALUE

- Channel value information to media regularly
- Drive greater awareness on the goodness of dairy and DLMI's role in nourishing Malaysians

KEY DRIVERS OF SHARED VALUE

- Positive Engagement
- Information Integrity

VALUE CREATED FOR DLMI 2023



Media coverage valued at over **RM2 million**



Built strong rapport with editors and journalists

STAKEHOLDER ENGAGEMENT & MATERIAL MATTERS



REGULATORS & POLICYMAKERS

ENGAGEMENT PLATFORM

- Annual Stakeholders Consultations
- Monthly and Quarterly Feedback and Advisory
- Annual Round Table Discussions
- Annual Consultation Sessions

MATERIAL TOPICS

- NPR** Nutrition & Product Responsibility
- FC** Farmers & Communities
- SE** Social & Economic Continuity

ISSUES & CONCERNS

- Food Safety, Quality & Nutrition
- Sustainable local dairy farms development
- Socio-economic wellbeing and welfare of local dairy farmers and its communities
- Good Governance
- Halal Assurance System & Management
- Fiscal policies to address Non-Communicable Diseases

HOW WE CREATE VALUE

- Undertake R&D to continuously improve product formulations to address nutritional needs and issues whilst ensuring compliance
- Introduce subsidised products and ensure a strong trade network for better reach
- Develop local dairy farmers through dairy farming knowledge and skills transfer
- Establish internal governance of Halal practices, policy and awareness in accordance to JAKIM and requirements from relevant authorities
- Provide platform for local dairy farmers to sell their raw fresh milk thus enable them to focus on upstream dairy farming business.
- Operate to principles of good governance including our focus on integrity, anti-corruption, and business resilience
- Drive greater awareness on the goodness of milk through advocacy and sharing of key information, evidence and best practices

KEY DRIVERS OF SHARED VALUE

- Skills and knowledge transfer to local dairy farmers on good dairy farming practices
- Purchase raw fresh milk from local dairy farms
- Compliance to fiscal policy, and new food regulations, amendments, legislations and guidelines

VALUE CREATED FOR DLMI 2023



653 Farmers benefitted from **Farmer2Farmer** programme to advance sustainable farming practices since 2013



42.3 million litres of milk sourced from local farms



Company-wide Communication and Training on anti-bribery and corruption which took into consideration the provisions of the Malaysian Anti-Corruption Commission Act 2009 (Corporate Liability Provision)



86% of Directors,
90% of Senior Managers,
98% of Managers/Professionals,
97% of Executives/Para-Professionals and
68% of Union members have completed training on anti-bribery and corruption which took into consideration the provisions of the Malaysian Anti-Corruption Commission Act 2009



Zero confirmed incidents of corruption recorded for the year

OUR INTEGRATED APPROACH TO VALUE CREATION

We are in the business of providing the critical nutrition that Malaysia and Malaysians need. In Nourishing Our Nation, we need to continually assess our position, our capacity and capability to respond to various global market trends and fluctuations, socio political climate, evolving consumer needs and stakeholder expectations. This requires us to align our strategies, our resource inputs in the form of different capitals, our risk approaches, and our ways of working.

What is essential in the process is to take an integrated approach or strike a perfect balance between our Purpose, People, Performance and Potential (our 4P Strategy Framework). With a clear purpose and 'doing right by our people,' we build the right foundation to catalyse performance. With the right level of performance, we can support our aspirations, helping both, people and the business to optimise and reach our full potential. This in turn contributes to shaping a more Responsible (creating value), Resilient (preserving value), Rewarding (enhancing value) Business.






















For 2023, we have mapped the material matters, the value creation indicators and capitals to our 4P Strategy Framework. We have also expanded on our indicators in keeping with various disclosure requirements as well as our long-term business plans and roadmaps. Some of the indicators included in 2022 Annual Report have been excluded this year to keep the focus, while we will continue to track those internally. We will strive to improve our integrated approach by establishing the most relevant measures of both performance and value creation. Ultimately, our objective is to ensure consistency and comparability across reporting years.

Starting 2023, we will primarily report on our set targets for 2030 (and thereafter progress on year-on-year basis), the mandatory Bursa's Common Material Matters and selectively report on other additional indicators that we will continue to track internally.


The table below establishes the relationships between our 4P Strategy Framework and the impact indicators that contribute to DLMI's financial and non-financial performance. Our approach is to track and report on comprehensive set of impact indicators but also focus more on specific targets that are important for both business and stakeholders.








OUR INTEGRATED APPROACH TO VALUE CREATION

| Purpose | | |
|---|--|--|
| Impact Indicators We Track | | Target/s 2030 |
| <ul style="list-style-type: none"> Global Nutritional Standards (GNS) Healthy Choice Logo (HCL) Halal Product Safety | <p>Material Matters</p> <p> </p> | 95% of Product Volume Sold Meets Global Nutritional Standards |
| <p>Sustainability Focus Area</p> <ul style="list-style-type: none"> Better Nutrition Better Packaging | <p>Capitals Affected</p> <p>   </p> | <p>Stakeholders Who Care</p> <p> </p> |
| <ul style="list-style-type: none"> Total energy consumption Total volume of water used Scope 1 emissions in tonnes of CO₂e Scope 2 emissions in tonnes of CO₂e Scope 3 emissions in tonnes of CO₂e (only business travel and commuting) Total waste generated, and a breakdown of the following: total waste diverted from disposal Total waste generated, and a breakdown of the following: total waste directed to disposal | <p>Material Matters</p> <p></p> | 30% Reduction in Energy Intensity & Water Intensity vs. 2022 baseline |
| <p>Sustainability Focus Area</p> <p>Better Climate</p> | <p>Capitals Affected</p> <p> </p> | <p>Stakeholders Who Care</p> <p> </p> |
| <ul style="list-style-type: none"> % Packaging Materials Designed for Recycling or Reuse vs Target | <p>Material Matters</p> <p></p> | 95% of all Packaging Material Designed for Recycling or Reuse |
| <p>Sustainability Focus Area</p> <p>Better Packaging</p> | <p>Capitals Affected</p> <p> </p> | <p>Stakeholders Who Care</p> <p></p> |
| <ul style="list-style-type: none"> Total number of schoolchildren and farmers (beneficiaries) benefited from our investment in communities Total amount invested in the community (farmers capacity building) Volume of Raw Milk Purchased from Local Farmers | <p>Material Matters</p> <p></p> | 1mn Children Nurtured to Fight Malnutrition and 100% of Our Farmers Nurtured for Better Livelihoods |
| <p>Sustainability Focus Area</p> <p>Better Society</p> | <p>Capitals Affected</p> <p> </p> | <p>Stakeholders Who Care</p> <p></p> |

OUR INTEGRATED APPROACH TO VALUE CREATION

| People | | Target/s 2030 |
|--|--|--|
| Impact Indicators We Track | | |
| <ul style="list-style-type: none"> • Pay Equity • Increasing % of representation of women on Board and Senior Management Team • % of employees by gender and age group, for each employee category • % of directors by gender and age group • Number of substantiated complaints concerning human rights violations | <p>Material Matters</p> <p>D&I</p> <p>Capitals Affected</p>  | <p>Top Quartile Score on Top Employers Benchmark</p> <p>Top Quartile Score on Net Promoter Score for Employee Experience</p> <p>Stakeholders Who Care</p> <p>E</p> |
| <ul style="list-style-type: none"> • Total number of regrettable and non-regrettable employee turnover by employee category vs. Industry benchmark • Employee engagement score • Internal Fulfillment Rate at Hay Grade 18 and above | <p>Material Matters</p> <p>EE</p> <p>Capitals Affected</p>  | <p>Top Quartile Score on Top Employers Benchmark</p> <p>Top Quartile Score on Net Promoter Score for Employee Experience</p> <p>Stakeholders Who Care</p> <p>E</p> |
| <ul style="list-style-type: none"> • Coverage for Health Check-ups and Mental Wellbeing Assessment • Coaching and Mentoring Programs deployed building a Coaching culture | <p>Material Matters</p> <p>WG</p> <p>Capitals Affected</p>  | <p>Top Quartile Score on Top Employers Benchmark</p> <p>Top Quartile Score on Net Promoter Score for Employee Experience</p> <p>Stakeholders Who Care</p> <p>E</p> |

OUR INTEGRATED APPROACH TO VALUE CREATION

| Performance | | Target/s 2030 |
|---|---|--|
| Impact Indicators We Track | Material Matters  Capitals Affected   | Alignment with AA1000 Accountability Principles Stakeholders Who Care   |
| <ul style="list-style-type: none"> Clearly defined governance framework with robust mechanisms in place Proper rollout of Compass, FC's code of business conduct % of employees who have received training on anti-corruption by employee category % of operations assessed for corruption-related risks Confirmed incidents of corruption and action taken Number of substantiated complaints concerning breaches of customer privacy and losses of customer data Identification and management of EES&G risks EES&G capability of Senior Management and Board members | | |
| Sustainability Focus Area Better Governance | | |

| Potential | | Target/s 2030 |
|--|---|--|
| Impact Indicators We Track | Material Matters  Capitals Affected    | Top Quartile Scores on Suppliers' EES&G Due Diligence & Engagement Index 100% Self Sufficiency Level for Fresh Domestic Milk Stakeholders Who Care   |
| <ul style="list-style-type: none"> Proportion of spending on local suppliers Supplier engagement index Quality Performance Number of work-related fatalities Lost time incident rate Number of employees trained on health and safety standards Volume of Milk Purchased Locally # of Agricultural Raw materials Responsibly Sources | | |
| Sustainability Focus Area <ul style="list-style-type: none"> Better Sourcing Better People | | |

HOW WE DEFINE CAPITALS

We recognise the importance of understanding the different forms of capitals that serve as inputs to deliver our business and people outcomes. In keeping with the principles of <IR>, we define the six capitals that are strategic and anchor our financial and non-financial value creation process.



Financial Strength

Funds that are available for use in the production of goods or the provision of services and investment in other capitals toward future growth. These are raised through business and operations, through debt, equity, and investments.



Resilient Infrastructure

Our physical infrastructure that allows seamless production of goods or the provision of services, including our factory, office building, equipment and infrastructure.



Strong Relationships

Our existing and potential relationships with critical stakeholders and the trust we share with them. These are multiple stakeholders to include employees, consumers, business partners, suppliers, regulators, policymakers, local communities and others with and for whom we drive our purpose of Nourishing Our Planet and People in Every Stage of Life.



Natural Capital

Our dependency on natural resources such as water, biodiversity, and ecosystem health to deliver our products while creating a symbiotic relationship between business and nature, preserving and conserving environmental integrity.



Talented People

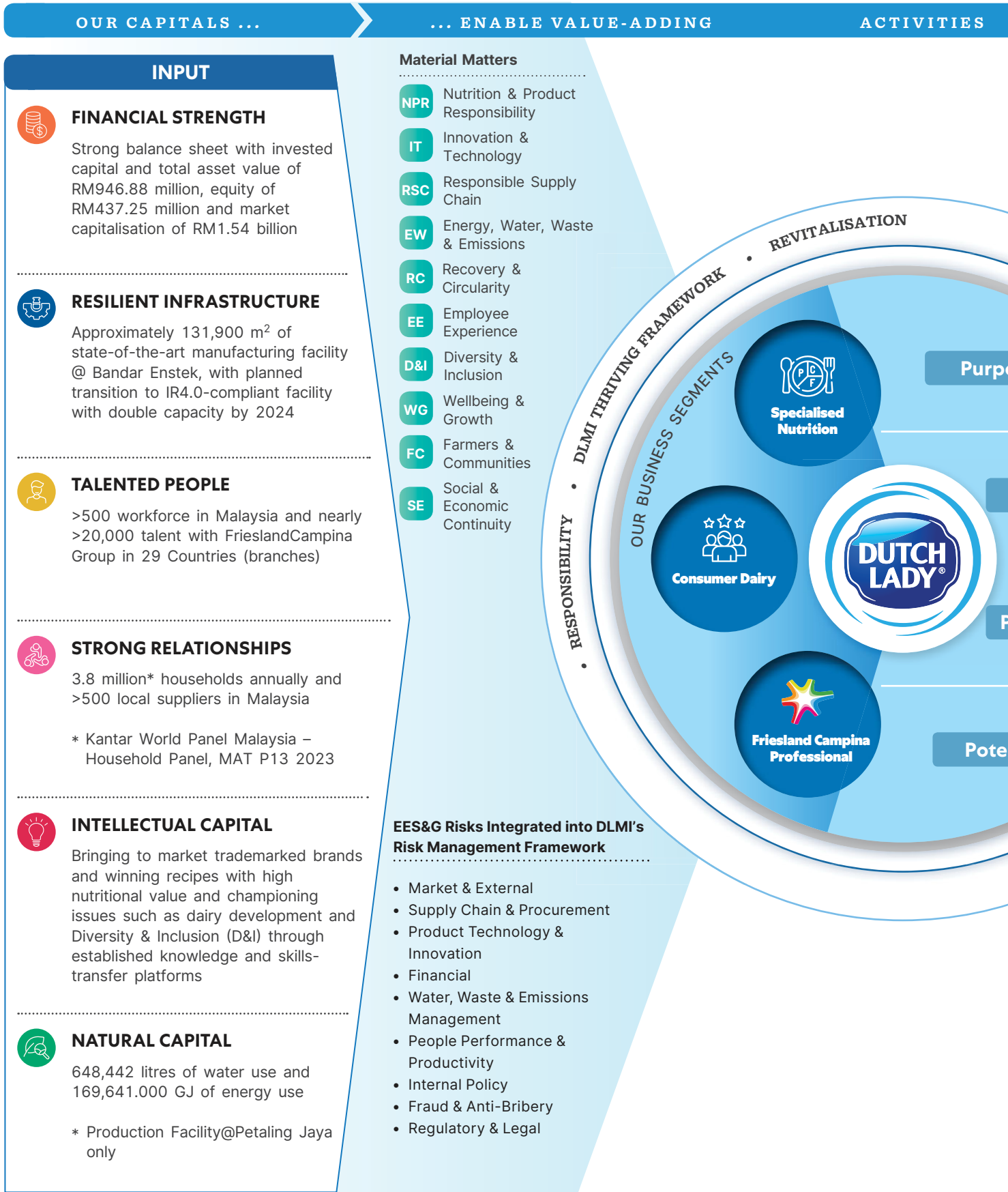
Our more than 600 strong workforce in Malaysia and nearly 21,000 global talents from FrieslandCampina network, who form the backbone of our business, our performance as well as our potential to achieve and do more. With a Win-Win culture, anchored by values such as agility, accountability, and appreciation, our focus is to respect and grow our people's competencies, capabilities, experience as well as their motivation. Our aspiration is to be among the 'Best Places to Work' in Malaysia.



Intellectual Capital

Our continuous emphasis on research and development (R&D) and product formulations, supported by over 150 years of global dairy expertise from FrieslandCampina and credible systems, help us to future-proof our market position as well as assure our stakeholders of relevant and value creating solutions.

OUR VALUE CREATION BUSINESS MODEL



OUR CAPITALS ...

... ENABLE VALUE-ADDING

ACTIVITIES

INPUT



FINANCIAL STRENGTH

Strong balance sheet with invested capital and total asset value of RM946.88 million, equity of RM437.25 million and market capitalisation of RM1.54 billion



RESILIENT INFRASTRUCTURE

Approximately 131,900 m² of state-of-the-art manufacturing facility @ Bandar Enstek, with planned transition to IR4.0-compliant facility with double capacity by 2024



TALENTED PEOPLE

>500 workforce in Malaysia and nearly >20,000 talent with FrieslandCampina Group in 29 Countries (branches)



STRONG RELATIONSHIPS

3.8 million* households annually and >500 local suppliers in Malaysia

* Kantar World Panel Malaysia – Household Panel, MAT P13 2023



INTELLECTUAL CAPITAL

Bringing to market trademarked brands and winning recipes with high nutritional value and championing issues such as dairy development and Diversity & Inclusion (D&I) through established knowledge and skills-transfer platforms



NATURAL CAPITAL

648,442 litres of water use and 169,641.000 GJ of energy use

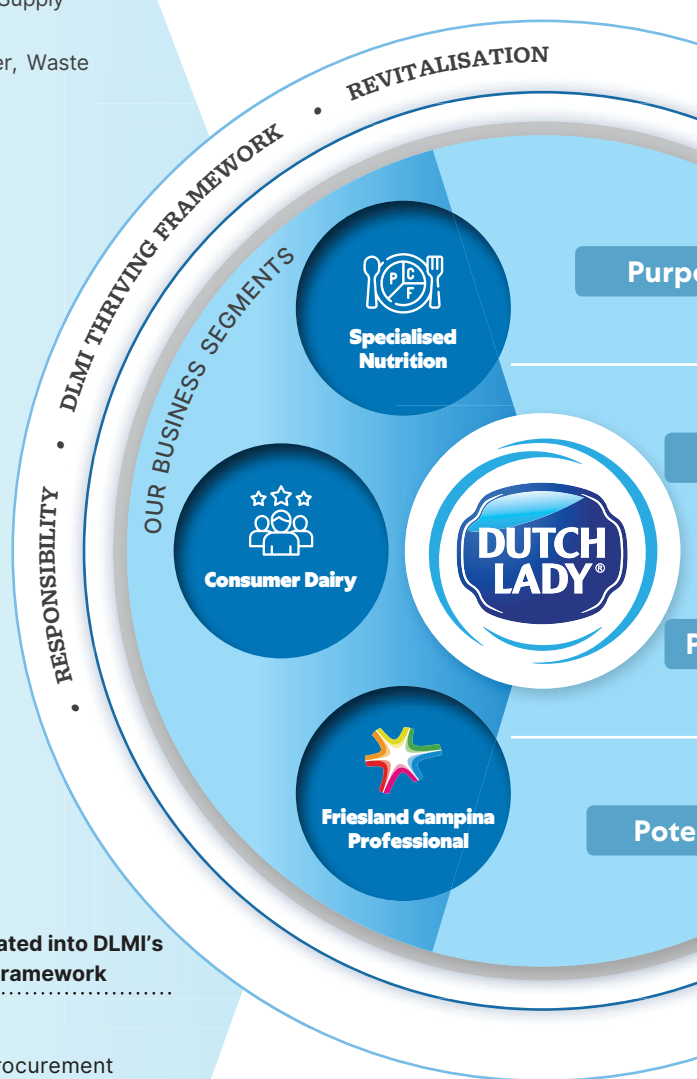
* Production Facility@Petaling Jaya only

Material Matters

- NPR** Nutrition & Product Responsibility
- IT** Innovation & Technology
- RSC** Responsible Supply Chain
- EW** Energy, Water, Waste & Emissions
- RC** Recovery & Circularity
- EE** Employee Experience
- D&I** Diversity & Inclusion
- WG** Wellbeing & Growth
- FC** Farmers & Communities
- SE** Social & Economic Continuity

EES&G Risks Integrated into DLMi's Risk Management Framework

- Market & External
- Supply Chain & Procurement
- Product Technology & Innovation
- Financial
- Water, Waste & Emissions Management
- People Performance & Productivity
- Internal Policy
- Fraud & Anti-Bribery
- Regulatory & Legal



OUR VALUE CREATION BUSINESS MODEL

THAT CREATE . . .

. . . VALUE FOR OUR STAKEHOLDERS.

OUR STAKEHOLDER PROPOSITIONS

CUSTOMER VALUE PROPOSITION

Fulfil nutritional needs and expectations, contributing to a healthy and thriving society

EMPLOYEE VALUE PROPOSITION

Catalyse people growth, welfare and wellbeing through principles of diversity and inclusion

SUPPLIER VALUE PROPOSITION

Establish a symbolic relationship to support mutual aspirations and growth

INVESTOR VALUE PROPOSITION

Build a sustainable business with strong resilience, positive returns, and shared responsibility

SOCIETY VALUE PROPOSITION

Share knowledge, skills, and solutions that will help farmers and communities lead thriving lives

ACCOUNTABILITY

OUR INTERNAL CONTROLS

GOVERNANCE & LEADERSHIP

- **Focus:** Review operational effectiveness and strategic relevance of internal controls and risk management mechanisms
- **Accountability:** Board of Directors, Management team
- **Controls:** Internal and external audits

KPIs & SCORECARDS

- **Focus:** Ensure adequate measures to identify, monitor, measure, and report short to medium to long term business and people priorities and outcomes
- **Accountability:** Board of Directors, Managing Director, Management team
- **Controls:** Internal business reviews

CORE VALUES

- **Focus:** Promote Win-Win culture & AAA values (Agility, Accountability, & Appreciation)
- **Accountability:** Functional teams
- **Controls:** Organisational health index and people engagement

KEY POLICIES

- **Focus:** Embrace COMPASS – our guide to operating in alignment with core values and business objectives, with integrity and for efficiencies beyond compliance
- **Accountability:** Functional teams
- **Controls:** Internal reviews and people engagement

IMPACT

OUR FOCUS AREAS 2023



Better Nutrition



Refer to pages 066-071 of this report



Better Sourcing



Refer to pages 072-073 of this report



Better Climate



Refer to pages 074-076 of this report



Better Packaging



Refer to pages 078-079 of this report



Better People



Refer to pages 080-095 of this report



Better Society



Refer to pages 096-101 of this report



Better Governance



Refer to pages 102-104 of this report

OVERVIEW OF DLMI

Established in 1963, DLMI is a subsidiary of FrieslandCampina, one of the world’s largest dairy cooperatives. Together with member dairy farmers, FrieslandCampina manages the entire value chain: from grass to glass. DLMI is a multinational company with a strong local advantage, constantly evolving to strengthen our position as the leading dairy company in Malaysia.

LOCAL LEADERSHIP

60 YEARS

of established credibility and consumer mindshare in Malaysia

>50 YEARS

of implementation of Halal Compliance System

#1

Leading dairy company in Malaysia by Market Value (Nielsen Retail Audit Dec 2023)

RM1.4 billion
in Revenue

Brand of the Decade (KANTAR’s Brand Footprint 2022) & **No.1 Most Chosen Brand in the Dairy Category*** (Kantar’s Brand Footprint 2023)

14.4 million
estimated annual consumers

OUR PURPOSE



Nourishing Our Planet and People in Every Stage of Life

As Malaysia’s leading dairy company, we are committed to **Nourishing our Nation** with trusted, sustainable and Halal dairy nutrition for now and generations to come. We continue to **support the national health** agenda, whilst striving to improve the nutritional status of Malaysians.

48 million
litres of fresh milk produced (by DDP) from 2011-2023

131 million
packs sold in 2023

92.5% consumer dairy products
packaging recyclable – all materials

217 million
packs distributed under the School Milk Programme since 2011

Partnering with **>400** Local Farms and **>500** Local Suppliers

>500 (Full Time Employees Malaysia)

DLMI BRANDS IN MALAYSIA



Market Value Share 2023 as per Nielsen Retail Audit December 2023

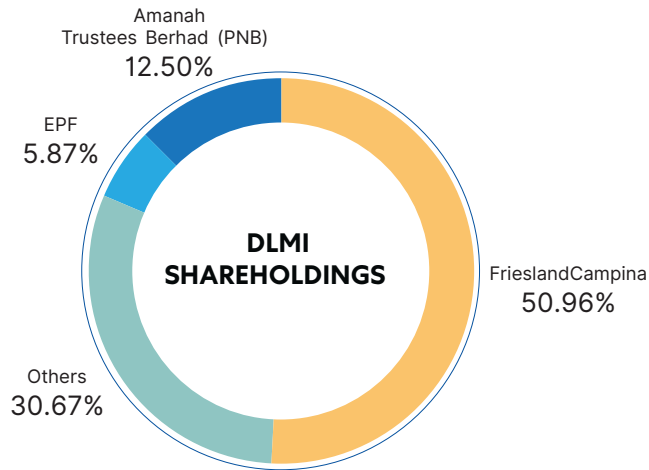
Liquid milk
DLMI 42.7%

Formula & toddler nutrition
DLMI 24.7%

CORPORATE STRUCTURE & DLMI SHAREHOLDINGS



Royal FrieslandCampina N.V.



OUR PRESENCE

Headquarters

Dutch Lady Milk Industries Berhad
 (196301000165/5063-V)
 Level 5, Quill 9,
 112 Jalan Prof. Khoo Kay Kim,
 46300 Petaling Jaya,
 Selangor Darul Ehsan.

Factory

Dutch Lady Milk Industries Berhad
 (196301000165/5063-V)
 13, Jalan Prof. Khoo Kay Kim,
 46200 Petaling Jaya,
 Selangor Darul Ehsan.

Established in
1963

Factory

Dutch Lady Milk Industries Berhad
 (196301000165/5063-V)
 PT 1585,
 Persiaran Teknologi 6,
 Taman Teknologi 2,
 @ Bandar Enstek,
 71760 Nilai,
 Negeri Sembilan Darul Khusus.

PERFORMANCE HIGHLIGHTS



Better Nutrition

92.6%

Compliance with Global Nutritional Standards (GNS)

65%*

Products with Healthier Choice Logo

* Malaysia Only | Total Consumer Dairy

100%*

Halal Certified Products

*Total DLMI (MY, SG & Brunei) | In Scope: CD, MIFT, Friso, & FCP



Better Sourcing

100%

Responsibly Sourced/RSPO-Certified Palm Oil

100%

Responsibly Sourced Cocoa

100%

FSC/PEFC Certified Paper for all Product Packaging

80%

of top spend suppliers completed the EES&G Due Diligence

RM533.2 million

in Annual Spends on Local Suppliers



Better Climate

0.138[^]
tCO₂ emissions/
tonne of product

Total energy
consumption
(MW)

47,112.51

1.19
Energy (GJ/tonne)

Scope 1
5,957.4
emissions in tonnes of
CO₂e

Scope 2
13,747
emissions in tonnes of
CO₂e

Scope 3
1,291.14
emissions in tonnes of
CO₂e (only business
travel and commuting)

3.64
(m³/tonne)
Water Intensity
Reduction

684,442 m³
Total
volume
of water used

ZERO
Waste to Landfill

* Boundary Defined: DLMI Production Facility @ Petaling Jaya, Malaysia

PERFORMANCE HIGHLIGHTS



Better Packaging

Consumer Dairy Products

92.5%*

Packaging recyclable-all materials

69.9%*

Packaging recyclable-plastics

Specialised Nutrition Products

77.8%*

Packaging recyclable-all materials

20.3%*

Packaging recyclable-plastics

* Includes primary, secondary and tertiary packaging.



Better People

75%

of Board Positions and 44% of Executive Positions (Top Management) held by women

75%

Score on engagement index vs 81% in 2022 and 76 External Benchmark

32.75

Average training hours per employee Vs 20.8 Hours per employee in 2022

0.11*

Total Recordable Frequency Rate (TRFR)

73

Employees' Growth Score vs 72 Glint External Benchmark

8.55%

Voluntary Attrition Rate vs. 11.24% in 2022 and 11.8% Mercer industry average

36 days

Average time to fill (Closed Positions only) vs 65 days in 2022 and 90 days industry benchmark

3%

of employees that are contractors or temporary staff

ZERO

Number of work-related fatalities

68.5%

of employees trained on health and safety standards

* Lost Time Accident Rate (LTAR) OR Lost Time Incident Rate (LTIR) as a metric has been replaced with TRFR as a better indicator of safety and wellbeing, also in alignment with our Global office.

PERFORMANCE HIGHLIGHTS



Better Society

42.3 million litres

of milk sourced from local farms

653

Farmers benefitted from

Farmer2Farmer

programme to advance sustainable farming practices since 2013

RM79,588

contributed to local communities, benefitting 35,716 children and B40 community members.

4.3 million

Students benefitted from

distribution of **217 million**

packs under School Milk Programme since 2011



Financial Highlights 2023

Revenue

RM1,442.8 million

2022: RM1,339.4 million

Operating Profit

RM100.0 million

2022: RM56.4 million

Net Profit

RM72.4 million

2022: RM46.3 million

Market Value Share

28.2%

(NielsenIQ)

2022: 26.7%

PERFORMANCE HIGHLIGHTS



Better Governance

Company-wide Communication and Training

on anti-bribery and corruption which took into consideration the provisions of the Malaysian Anti-Corruption Commission Act 2009 (Corporate Liability Provision)

Company-wide Communication

on Grievance and Whistle Blowing Platform, Speak-Up

Company-wide Roll-out of Compass toolkits

to promote awareness and adoption of key policies

Briefing Materials on Doing Honest Business Policy and MACC Corporate Liability Provision

86% of Directors,
90% of Senior Managers,
98% of Managers/ Professionals,
97% of Executives/ Para-Professionals and
68% of Union members have completed training on anti-bribery and corruption which took into consideration the provisions of the Malaysian Anti-Corruption Commission Act 2009

100% of operations assessed for corruption-related risks

ZERO confirmed incidents of corruption recorded for the year

ZERO substantiated complaints concerning breaches of customer privacy and losses of customer data recorded for the year

AWARDS & RECOGNITION

CORPORATE AWARDS

2014

- Awarded Company of the Year 2014 by The Edge Billion Ringgit Club

2020

- Awarded Anugerah Rakan Industri 2020 by Universiti Kebangsaan Malaysia

2023

- Won 2023 Graduates' Choice Award in the FMCG Category
- Recognised by the Malaysian Dutch Business Council MISA 2023 in the Best Flexible Work Arrangements Program Category
- Became the first-ever dairy company to be certified as the Top Employer in Malaysia



AWARDS & RECOGNITION

BRAND/PRODUCT AWARDS

2019:

- Won Gold in Putra Brand Awards
- Won The Loyalty & Engagement Award 2019 for Friso Gold
- Clinched Malaysia Media Award 2019
- Won Putra Brand Award 2019 (Gold)
- Won Marketing Excellence Award Malaysia 2019

2020:

- Won The APPIES Award 2020
- Won Silver in Putra Brand Awards

2021:

- Won Silver in Putra Brand Awards
- Awarded Motherhood Choice 2021-Best Premium Cow's Milk Formula
- Won The Asian Parent Award 2021-Best Growing Up Formula Stage 3 Friso

2022:

- Won Gold in Putra Brand Awards
- Won KANTAR's Brand Footprint 2022: Brand of the Decade & No. 1 Most Chosen Brand in the Dairy Category

2023:

- Won as No.1 Most Chosen Brand in the Dairy Category at Kantar Brand Footprint 2023
- Won Gold award in the "Beverage-Dairy" Category at Putra Brand Awards 2023



“

As we celebrated our 60th anniversary in Malaysia, DLMI remained more focused than ever on its purpose of Nourishing our Planet and People in Every Stage of Life. Despite the challenging operating environment, we delivered a winning and profitable year, strengthened our fundamentals and continued our efforts to future-proof our business and people. We also aligned with our global focus on shaping a responsible, resilient and rewarding business through a well-concerted reorganisation exercise.”

DATIN SERI SUNITA MEI-LIN RAJAKUMAR
Chairperson

CHAIRPERSON'S Perspective

Dear Shareholders and Stakeholders,

At Dutch Lady Milk Industries Berhad (DLMI), our continued efforts are focused on Nourishing Our Nation with quality, safe and affordable healthy nutrition, whilst taking our responsibility of leaving a sustainable impact – from grass to glass.

Throughout this report, you will find an account of our progress and ongoing towards this as well as the audited financial statements for the financial year ended 31 December 2023.

RESILIENT LEADERSHIP

The year 2023 posed significant challenges within a complex landscape marked by geopolitical tensions, commodity price fluctuations, and the ongoing global recovery from the COVID-19 pandemic. With demonstrated leadership, we have successfully navigated through the challenges, maintaining profitability despite the inflationary pressures, raw material costs and a competitive market. We also leveraged on the opportunities from the shifting consumer preferences, a heightened focus on sustainability, and a rising demand for high-quality dairy products. In short, our priority was on seamless implementation of our strategic priorities, while operating with resilience to deliver quality, safe and affordable healthy dairy nutrition.

DLMI continued to align its strategies with FrieslandCampina's global focus on people, primary processes and sustainability, and made responsible choices to future-proof our business and promote meaningful growth for both our business and people.

CHAIRPERSON'S PERSPECTIVE



Our priority during the year was on implementation of our strategic priorities, while operating with resilience”

RESPONSIBLE BUSINESS

DLMI is committed to strong corporate governance, robust risk management practices, and a conducive culture, enabling us to operate a profitable and sustainable business over the long run. As Chairperson, I am dedicated to upholding sound principles of governance and an efficient Board. Our responsibilities include driving difficult conversations to help prudent business and people decisions, maintaining transparent communication with stakeholders, and ensuring timely information flow. We consistently review and update policies, with a particular focus on enhancing practices related to risk management. In 2023, we enhanced our Compass Toolkits to include Cybersecurity policies for our production location as well as the policy on ‘Doing Honest Business’ which safeguards us against the risks of corruption. We also documented and secured Board approval for Sustainability Policy and Guidelines (for roll-out in early 2024), which is focused on DLMI’s local approach to managing economic, environmental, social, and governance (EES&G) priorities.

The Sustainability Policy and Guidelines will support implementation of our strategies in seven key focus areas: Better Nutrition, Better Packaging, Better Sourcing, Better Climate, Better People, Better Society, and Better Governance. These focus areas reflect our Grass to Glass philosophy and support 7 out of the 17 UN Sustainable Development Goals: SDG2, SDG3, SDG5, SDG6, SDG8, SDG12, SDG13. These SDGs have been prioritised based on a preliminary assessment done in 2022 of our direct impact and material areas where we may have a certain degree of control and influence to move the needle.

During the year, the Board reviewed and approved DLMI’s first-level ambition with interim mid-term 2030 targets for each of the focus areas. We will continuously re-assess our direction in light of the progress made, issues addressed as well as the evolving policy and regulatory landscape. By 2030, we will have the next set of interim targets again.

All sustainability focus areas and strategies are deliberated by the Sustainability Steering Committee (SSC). Critical ESG risks and strategies are tabled to the Board by the SSC every quarter. Meanwhile, sustainability KPIs are part of Managing Director and Management Team’s annual targets.

Our three-year journey towards transition and adoption of Integrated Reporting principles, which commenced from the reporting cycle of 2022, is currently ongoing. The intent is to take a more interconnected approach to reporting performance. This means, we are committed to a four-year journey starting 2024 to align with the Taskforce on Climate-Related Financial Disclosures (TCFD) in line with Bursa’s sustainability reporting requirements and the new IFRS S1 and S2.

SHAREHOLDER AND STAKEHOLDER VALUE

DLMI strives to maximise value for both shareholders and stakeholders through a dedicated and balanced approach to risk and performance. Our emphasis is also on engagement and fostering valuable relationships with our employees, consumers, suppliers, industry and the government.

Shareholders: We remain committed to delivering shareholder returns and to creating value for all stakeholders. On the back of a 7.7% revenue growth, DLMI generated an adjusted operating profit of RM159.1 million (excluding accelerated depreciation and one-offs). For the fiscal year ended 31 December 2023, a total of RM32.0 million was disbursed as standard interim dividends to shareholders, representing a 44.2% distribution of the Company’s net profit attributable to shareholders.

Employees: DLMI remained committed to people welfare and wellbeing, enabling our talent and catalysing both performance and growth. We also continued our focus on embracing diversity as a powerful differentiator that contributes to real value. Being a multinational company, it is important to gain insights and leverage on our people who come from various backgrounds, respect their strengths and integrate their values into our culture as we embark on our journey to become a truly diverse, equitable, inclusive and purposive global organisation.

I also take pride in the fact that as at 31 December 2023, we have 75% female representation on Board and 44% in top management.

Consumers: Our priority for our consumers is on ensuring the accessibility and affordability of our products. Annually, we engage with over 3.8 million households (Kantar Worldpanel Malaysia – Household Panel, MAT P13 2023). Through the year, we focused on ensuring we reached

CHAIRPERSON'S PERSPECTIVE

more households with our different tailored offerings for all lifestyle choices and stages, from tailored nutrition for toddlers to convenient preferences for young adults and families. Our commitment remains steadfast in connecting with consumers to align with their evolving needs and expectations, encompassing both improved quality and enhanced nutritional value. Year on year, Dutch Lady takes pride as the No.1 Most Chosen Brand in the Dairy Category (Kantar Brand Footprint 2023), and a brand loved by Malaysians (Gold winner in the Putra Brand Awards).

Suppliers: As part of our sustainability focus, we continued to adopt and integrate social and environmental responsibility criteria into procurement processes and decisions. In delivering value for suppliers, we also maintain transparent communication and avoid withholding any pertinent information that may impact them. We continuously support sustainable and responsible sourcing of palm oil and cocoa powder. Furthermore, we ensure that our primary packaging materials are sourced from suppliers using Forest Stewardship Council (FSC)/Programme for the Endorsement of Forest Certification (PEFC) certified paper. This certification ensures adherence to environmentally responsible and socially beneficial forestry practices and standards.

Industry: We proactively disclose information and share knowledge, expertise, and resources to advance purpose-led institutions such as the Malaysian Recycling Alliance Berhad (MAREA) and the CEO Action Network (CAN). Our collaboration with MAREA is centred on boosting the circular economy value chain and significantly improve collection and recycling of post-consumer packaging through a multi-stakeholder approach. This initiative aims to significantly contribute to the necessary systemic change required to divert waste from landfills. With CAN, we continue to support the workstream focused on Diversity, Equity, and Inclusion (DEI). Our objective is to develop an implementation guide for Malaysia on DEI, which includes specific interventions for adoption by members and the industry as a whole. The emphasis extends beyond gender diversity, aiming to promote the business case for principles of equity and inclusion. These principles are deemed critical from both organisational and social justice perspectives.

Government: In “Nourishing our Nation”, we actively support national endeavours to stimulate dairy development and broaden access to nutrition. In our efforts to broaden access to nutrition, DLMI partnered with the Ministry of Education to supply our milk products to primary schools in Malaysia through the School Milk Programme. DLMI's involvement in the Programme did not merely result in the increased consumption of milk among schoolchildren, but also provided access to 1,000 government officials,

parents and teachers to nutrition education. Through a series of nutritional talks conducted by DLMI from July until August 2023, the public was educated on the rising issues of stunting and malnutrition among children and the importance of consuming dairy to address said issues. This is a novel addition provided by DLMI exclusively in 2023 via the Programme.

Through a Memorandum of Collaboration (MoC) with the Department of Veterinary Services, we address and advocate for sectoral issues while fostering the growth of farms, farmers, and other ecosystem stakeholders. The scope of MoC includes the exchanging and sharing of resources, facilities, data, knowledge, and skills to further mutual interest and agenda; and increasing knowledge and skills of local dairy farmers through a flagship programme. Our bespoke Farmer2Farmer programme, for one, aims at improving the quality and quantity of raw milk of dairy cows by equipping farmers with sustainable farming practices.

2024 OUTLOOK & ACKNOWLEDGEMENTS

The 2024 economic outlook is mixed, marked by slower growth, monetary policy impacts, and concerns about inflation and geopolitical tensions. Against this backdrop, Malaysia's milk market is projected to experience robust growth, with an anticipated expansion of +5.1% in 2024. As we transition to our new manufacturing facility DLMI@Enstek, which will be fully operational within 2024, we remain positive and confident of our ability to meet the growing nutritional dairy needs of Malaysians.

Meanwhile, on behalf of the Board of Directors, I wish to express our sincere appreciation to the Management Team, employees and business partners for their demonstrated resilience and strong support throughout FY2023.

I express my appreciation to the esteemed members of the Board for their insightful business expertise, which played a crucial role in steering us through the challenges of the year and achieving positive financial results.

With our collaborative efforts as a unified team, I am optimistic about DLMI's ability to move forward and achieve even greater milestones in the years to come.

MANAGING DIRECTOR'S Report

Dear Shareholders and Stakeholders,

60 YEARS OF BUILDING TRUST & DAIRY LEADERSHIP

2023 marked our 60 years of strong dairy leadership in Malaysia. For generations, we have delivered our promise of quality, healthy, Halal, accessible and affordable nutrition. Over the years, we earned the trust of our consumers, customers, regulators as well as the government. We partnered with them to shape the dairy industry landscape in the country and we continue to support the national agenda of developing Malaysia's capacity and capability in sustainable dairy.

I take great pride in my association with Dutch Lady Milk Industries Berhad (DLMI), which I see as a Malaysian company, with international roots; committed to local nutritional needs through global nutritional standards; working to create local impact through cross-market best practices and global sustainable development goals.

STAYING STRONG TO EXTERNAL HEADWINDS

Market recovery in the post-COVID era, even in 2023, has been uneven. Exasperated by the turmoil in the global markets due to geo-political tensions, war and social chaos, markets were plagued by uncertainty. This includes the highly volatile monetary regime in Europe and other parts of the world while foreign exchange exposure remained high, which affected the costs of sourcing dairy raw materials. This in turn meant higher consumer prices and reduced margins. Growing emphasis on ESG integration efforts, especially from critical shareholders, regulators and investors, put additional pressure on limited and constrained resources. Shifting power and positions in local politics has had its own impact on the overall business ecosystem and its continuing performance as well as future prospects. While navigating these challenges, DLMI remained well on track with our current performance and future growth plans. Most importantly, as a business, we remained strong in responding to the external headwinds.



“

2023 was an important milestone for DLMI. As a leading dairy company committed to fulfilling the nutritional needs of Malaysians, we celebrated our 60th anniversary. We also demonstrated our resilient leadership by staying strong to external headwinds and delivered a profitable year. We remained on track to transition to our new state-of-the-art, Halal manufacturing facility in Bandar Enstek. Our new facility will enable us to double our current capacity with immense potential for future innovations. We also embarked on a critical journey to shape a fit-for-purpose operating model and a fit-for-purpose cost structure to fuel our future growth in a sustainable manner.”

RAMJEET KAUR VIRIK
Managing Director

MANAGING DIRECTOR’S REPORT

Our focus during the year and in early 2024 has been on two critical aspects. First was to successfully transition our manufacturing facility DLMI@PJ with minimal disruption. The next was to ensure our new IR 4.0 manufacturing facility, DLMI@Enstek was being shaped into a full-capacity, efficient set-up. This required a careful balancing of priorities, resource planning and deployment of well-integrated strategies. In the last two quarters, we shifted our focus to future-proof our people and business by

actively planning and implementing our sustainability roadmaps as well as the global reorganisation exercise focused on shaping a fit-for-purpose operating model.

Overall, due to positive consumer demand, our product performance and prudent management strategies, we maintained our market position as No.1 dairy producer and remained the largest purchaser of fresh milk in Malaysia.

Our Purpose, People, Performance & Potential



Purpose

In shaping our sustainability agenda, at DLMI, we remain committed to our purpose: Nourishing Our Planet and People in Every Stage of Life. We also believe that Sustainability is Business and Business is Sustainability.

In 2023, as part of DLMI’s Sustainability 2030 Roadmap, we have defined our first-level sustainability ambition with interim mid-term 2030 targets for each of our seven key focus areas: Better Nutrition; Better Sourcing; Better Climate; Better Packaging; Better People, Better Society, and Better Governance. For instance, with our transition to our new manufacturing facility DLMI@Enstek in 2023, we aspire to

achieve a 30% reduction in carbon intensity and water intensity by 2030 against 2022 baseline.

We will continuously re-assess our direction considering the progress made in our key focus areas, issues addressed as well as the evolving policy and regulatory landscape. By 2030, we will have the next set of interim targets again. Our ultimate objective is to plan and deliver towards accelerated Net Climate Neutral and #1 Nutrition Brand in Malaysia.

For more information on how we are aligning our performance with our purpose, please refer to Sustainability Statement on pages 054-104 of this Integrated Annual Report.



People

People growth leads to business growth. We maintain our emphasis on human capital as critical reinforcement into business to drive financial performance and reputational equity. Identifying, employing, and developing talent is what we do best and we continued to accelerate our efforts on building our people strength and capability.

In 2023, DLMI became the first-ever dairy company to be certified as the Top Employer in Malaysia. The global authority, Top Employers Institute, assesses 20 Topics & 350 People Best Practices helping organisations to prioritise changes beyond processes, controls and operations. 70% of the assessment topics such as people strategy, Digital HR, work environment,

wellbeing, employee listening, rewards and recognition, ethics and integrity etc. are also critical for “Better People” focus area of DLMI’s Sustainability 2030 Roadmap.

DLMI was assessed and placed in the 2nd Quartile reinforcing our commitment to achieve excellence in people practices. Our aspiration is to demonstrate continuous improvement and achieve Top Quartile Score by focusing on employee experience, wellbeing, capability and leadership development and growth founded on D&I.

For more information on how we are committed to people and people development, please refer to Better People section of our Sustainability Statement on pages 080-095 of this Integrated Annual Report.

MANAGING DIRECTOR'S REPORT



Performance

We believe as an organisation, if we are clear with our purpose and have strength in our people, we can drive positive performance. At DLMI, performance is about 'Winning Profitably' in a manner that it is meaningful for both our shareholders and stakeholders. Performance in 2023 can be assessed in two key areas:

a. Product Performance:

Nutrition: DLMI has demonstrated multi-sectoral initiatives to advocate the crucial role of milk as one of the solutions to addressing nutrition deficiencies amongst Malaysian children. These include but not limited to Nutritional Symposium advocating healthy nutritional value; Continuous Medical Education Programme (CME) with key authorities; Roundtable Discussions and Dialogue Sessions recommending policy interventions; and Breakfast Campaigns to promote milk consumption for healthy nutrition.

DLMI also launched the School Milk Programme in September 2023. The School Milk Programme, introduced by the Ministry of Education, focuses on primary schools in Selangor, Wilayah Persekutuan Kuala Lumpur and Wilayah Persekutuan Putrajaya where 75,000 primary schoolchildren are targeted to be nourished with high quality, Halal Dutch Lady milk products.

By the end of this programme in 2024, DLMI would have supplied close to 14 million packs of milk products to nourish primary schoolchildren in Malaysia. Since 2011, DLMI has distributed over 217 million packs of milk to primary schoolchildren in Malaysia via the School Milk Programme.

These avenues have helped to set the stage for the Government, professional bodies, academicians as well as DLMI to collaborate and work together to address the nutritional challenges to improve the health of the future generation of Malaysia.

Competition: Dutch Lady has extended its leadership in the dairy market in Malaysia and realised significant volume and revenue growth. We are always looking at competitive developments and other players in the dairy market in Malaysia, as it is one of the many drivers behind product performance. We believe, the more the competition, the more we can collectively create greater awareness on issues such as malnutrition and obesity in Malaysia. In short, our performance on the mission to Nourishing Our Nation is catalysed by competition and accelerated by our continuous efforts to improve the nutritional content as well as formats of our products.

b. Financial Performance:

Revenue: DLMI continued to report positive growth in revenue with over RM1.4 billion, an increase of 7.7% compared to the previous year. On the back of sustained strong demand for our brands, we witnessed consistent market share gains across all market segments. This growth reinforces our strong brand equity among Malaysian households that we have earned over 60 years of dairy excellence.

Capital Spending: DLMI maintained its investments towards sustainable future growth. In 2023, we invested RM186.8 million toward the buildings, machines and new equipment of our new manufacturing facility in Bandar Enstek. As this facility will be equipped with state-of the art IR4.0 technology, RM14.6 million was invested in technology that drives efficiency, cost reductions and insights into processing performance.

For more information on how we are creating value for our shareholders and stakeholders, please refer to Financial Director's Analysis as well as Economic Value Created and Distributed on pages 038-045 of this Integrated Annual Report.

MANAGING DIRECTOR'S REPORT



Potential

We believe that performance cannot be measured or assessed in isolation for a given fiscal year. Aspects such as value creation in terms of enhanced capacity, capability and new opportunities for growth determine the true potential of a business to continue delivering its core purpose as well as profits.

DLMI's RM540 million investment in the country, business and people through our new manufacturing facility DLMI@Enstek reinforces the immense potential that will help us to continue producing high-quality, sustainable and Halal dairy nutrition for Malaysia and

beyond. With the implementation of Industry 4.0 technology, we will drive integration and collaboration as we strive for operational excellence and efficiency.

As at 31 December 2023, with <5% remaining work to bring the new facility to full operational capacity, our growth potential in 2024 and beyond is amplified. Our new hub will allow us to continue to win in the market as we meet the increasing demands of our consumers today and for years to come, reduce carbon footprint whilst working together with our valued partners (employees, government, business partners, shareholders, farmers, neighbours, consumers).

FUTURE-PROOFING BUSINESS & PEOPLE

2023 was a landmark year as we celebrated our 60 years of "Nourishing Our Nation" positively contributing to the health and wellbeing of Malaysia and Malaysians. 2023 was also a critical year when our global company, FrieslandCampina, embarked on a fact-finding process for our business in various markets, including Malaysia. As a result, we saw the roll-out of a global reorganisation exercise to help devise a fit-for-purpose operating model and fit-for-purpose cost structure.

The end objective of the strategy is to improve profitability, drive sustainable, future growth while we focus on our purpose, 'Nourishing Our Planet and People in Every Stage of Life'. The reorganisation will keep us focused on our mission, 'To grow Access to Nutrition to as many people as possible in Asia.' The nutritional status of our children, including Malaysia is alarming. With the triple burden of stunting, lack of nutrition and obesity, we at DLMI together with our colleagues in Asia, have a significant role to play to reverse this alarming nutritional situation.

Our underlying commitment is to continue increasing the penetration of milk to improve the health status of Malaysians. In doing so, we will strive to find a perfect balance between pricing, economic conditions, growing consumption whilst managing the interest of our shareholders and stakeholders alike. Our priorities next year will be to:

- Invest in our new Halal manufacturing facility DLMI@Enstek and the transition that continues to change our mindset to one of growth with multiple opportunities ahead.
- Accelerate operational efficiencies, product innovations, and cost optimisation to achieve higher revenue targets.
- Roll-out targeted strategies that will help us grow stronger as the number 1 player in Dairy Nutrition.
- Integrate EES&G principles i.e. Economic, Environment, Social & Governance into all business decision taking the Efficiency & Impact approach.

MANAGING DIRECTOR'S REPORT

ACKNOWLEDGMENTS

I take this opportunity to specially extend our sincere appreciation to Anjali Menon, HR Director and Hadi Abdullah, Corporate Affairs Director who have made career moves outside the Group. Their contributions to DLMI have been significant and invaluable. I welcome Edalyn Hadjula-Legarde and Ezmir Hazizi Azhar who are overlooking HR and Corporate Affairs, respectively, to the Management Team. We look forward to collaborating and championing innovative ideas and new growth for DLMI.

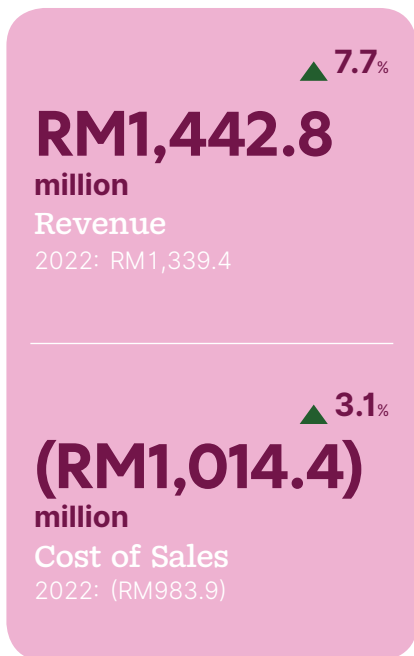
Last but not the least, I thank all our stakeholders including our employees and frontliners, our suppliers and partners, as well as members of the Board and Management for believing in our purpose as well as our potential to consistently deliver positive performance.

With 60 years of dairy excellence in Malaysia, we must continue to persevere, especially with increasing volatility of external environment, stiff competition, and ever-changing consumer behaviour. We want to continue winning as we remain guided by our purpose Nourishing our Planet and People in Every Stage of Life. This means evolving as an organisation to become robust and future-ready.



FINANCE DIRECTOR'S Analysis

Dutch Lady Milk Industries Berhad (DLMI) witnessed solid topline and profit growth in the fiscal year 2023, amidst the escalating inflationary pressure, geopolitical tensions, high exchange rate volatility, and persistent uncertainties in global supply chains.



Revenues surged beyond RM1.4 billion, marking a 7.7% increase compared to 2022. This growth was attributed to both volume expansion and the implementation of Revenue Growth Management initiatives.

Our proactive approach to revenue growth management necessitated the adjustment of product prices to offset the inflationary pressures. This delicate balancing act was undertaken with a commitment to keeping DLMI products affordable and accessible, aligning with our mission of Nourishing Our Nation. It underscores DLMI's dedication to maintaining an equilibrium between economic challenges and our commitment to providing quality products to our valued consumers.



“

Our 2023 performance reinforced our continuing resilience as a business, while reflecting our ability to deliver both shareholder and stakeholder value through focused and responsible growth. Despite headwinds in the global and local operating environments, DLMI realised further revenue and profit growth as well as growth in cash from operations. This helped to back our investments in our new manufacturing facility to secure future progress of the company.”

KAI DE KLERK
Finance Director

FINANCE DIRECTOR'S ANALYSIS

The effectiveness of Revenue Growth Management initiatives, including pricing strategies have played a prominent role in restoring margins, and bolstered our overall financial performance in 2023. Operating Profit increased by 77.2% to RM100.0 million despite having to grapple with challenges stemming from rising energy costs and the depreciation of the Malaysian Ringgit against the US Dollar, driven by top-line growth and softening Dairy Raw Material prices.

ANALYSIS OF INCOME

Revenues

Revenues in 2023 soared to over RM1.4 billion, showcasing an increase of 7.7% compared to the previous year.

Volume grew by 3.0% as a result of sustained strong demand for our brands, coupled with market share gains across our diverse market segments. This growth serves as a testament to the robust brand equity of both Dutch Lady and Friso brands among Malaysian households, reflecting the enduring impact of our 60-year heritage in Malaysia.

The volume growth extended across DLMI's Dutch Lady portfolio, encompassing liquid milk and Formula & Toddler Nutrition, and across both the retail and professional channels. Additionally, growth was observed in the distributed Friso and Debic ranges, with positive impact.

Profitability Metrics

Gross Profit Margins exhibited a positive trajectory, climbing from 26.5% in 2022 to 29.7% in 2023. The Gross Profit reached RM428.4 million, reflecting a substantial 20.5% increase from RM355.5 million in 2022.

The gross profit of DLMI showed a positive development. In the first half of the year, margins were impacted by latent effects of increasing raw material prices, resulting in a gross margin of 27.6%. However, in the second half, the softening of raw material prices had a more favourable impact, leading to a significant improvement in gross margin to 31.7%.

Adjusted Operating Margins, excluding accelerated depreciation and one-off costs increased from 8.5% to 11.0% in 2023. This improvement was primarily driven by the higher gross margins achieved during the year. Adjusted Operating Profit (excluding accelerated depreciation and one-offs) witnessed a surge of 39.3%, reaching RM159.1 million, up from RM114.2 million in 2022. This growth was primarily fuelled by improvements in Gross Profit.

The unadjusted Operating Profit saw a remarkable uptick of 77.2%, reaching RM100.0 million from RM56.4 million in 2022 with operating margins increasing from 4.2% in 2022 to 6.9% in 2023.

Profit before tax demonstrated a substantial improvement, reaching RM96.5 million, a surge of 76.9% compared to the previous year's RM54.6 million.

In tandem with the positive trajectory of gross margins and operating margins, net profit increased by 56.5% from RM46.3 million in 2022 to RM72.4 million, with net profit margins rising from 3.5% to 5.0%.

Cost Structure

The dairy raw material market experienced a softening trend in the course of 2023, a welcome deviation from the record-high prices witnessed in 2022. The crisis in Ukraine had cast a significant impact on various commodities, including Skimmed Milk Powder (SMP), Anhydrous Milk Fat (AMF), and Whole Milk Powder (WMP) in the previous year. The softening trend in 2023 represented a positive shift, offering relief from the heightened prices observed in the aftermath of the crisis.

Despite the favourable trend in raw material prices, the weakening Malaysian Ringgit (MYR) against the US Dollar (USD) partially dampened the positive impact. Since raw materials are predominantly procured on the world market in USD, the currency depreciation presented a challenge by offsetting some of the benefits derived from the softening raw material prices.

Furthermore, other input costs contributed to the overall cost dynamics. Energy costs increased as Malaysia reduced subsidies on energy, reflecting a broader trend of rising energy expenses. Concurrently, labour costs experienced an upward trajectory in 2023, impacting both production costs and general administrative expenses. This dual increase in energy and labour costs added to the overall production expenses, the volatility of raw material and commodity pricing as well as the MYR against other currencies. Such was the complexity and multifaceted nature of the economic landscape faced by DLMI during the year.

To optimise costs and improve operational efficiencies, we implemented some strategic initiatives in 2023. One key focus area was achieving a balanced investment in advertising and promotion expenditures, ensuring that resources were allocated carefully to maximise their impact on brand equity and market presence.

We also pursued an optimisation strategy to create a fit-for-purpose organisational structure, aligning the company's business operations with its parent company in the Netherlands. This restructuring also reduces the company's cost base in the long term, for which a restructuring provision was taken in December 2023.

FINANCE DIRECTOR'S ANALYSIS

ANALYSIS OF STATEMENT ON FINANCIAL POSITION

Balance Sheet and Working Capital

The company's asset composition reflects a substantial investment in its new facility at Bandar Enstek in Negeri Sembilan, a state-of-the-art IR 4.0 manufacturing facility set to go live in 2024. The construction costs are reflected in the increase in capitalisation of property, plant, and equipment, reaching RM503.2 million from RM344.2 million. With investments in IR4.0 technology as integral part of the transition from the Petaling Jaya plant to our production facility in Enstek intangible assets rose by RM14.3 million.

Working capital management continues to be a focus, with an emphasis on optimising cash flow amidst inflationary challenges. While inventory increased due to the transition from milk powder production and stock build-up for Enstek, trade receivables were controlled, and prepayments decreased significantly.

Inventory balance increased by RM12.2 million, partially influenced by discontinuation of milk powder production in Petaling Jaya, and sourcing of these products from FrieslandCampina's subsidiary in Indonesia for resale in the Malaysian market. This move reduced raw material but increased finished goods. In addition, we relied on stock build-up of finished goods towards a seamless market transition during the Enstek move.

Receivables were managed tightly to preserve working capital. The trade and other receivables balance reduced by 3.4%, whereas revenue went up by 7.7%.

Trade and other payables increased by 17% to RM482.1 million, driven by higher purchases of finished goods and expenditures related to the investments in our new production facility.

Thus far DLMI has not employed any long-term debt as we continued to focus on cash preservation and financed the Enstek facility investments through internal funds.

The change in provision for restructuring costs, from RM17.9 million to RM13.1 million, reflects the utilisation and release of the provision taken up in 2022 for the restructuring related to the closure of some production lines in the PJ manufacturing facility. In December 2023 a provision taken to implement the fit-for-purpose commercial and administrative organisational design going forward.

RM428.4 ▲ 20.5%
million

Gross profit

2022: RM355.5

RM159.1 ▲ 39.3%
million

Adjusted Operating Profit

2022: RM114.2

RM100.0 ▲ 77.2%
million

Operating Profit

2022: RM56.4

RM96.5 ▲ 76.9%
million

Profit Before Tax

2022: RM54.6

RM72.4 ▲ 56.5%
million

Net profit

2022: RM46.3

FINANCE DIRECTOR'S ANALYSIS

315 Basis Point

29.7%

Gross Profit Margin

2022: 26.5%

250 Basis Point

11.0%

Adjusted Operating Profit Margin

2022: 8.5%

272 Basis Point

6.9%

Operating Profit Margin

2022: 4.2%

156 Basis Point

5.0%

Net Profit Margin

2022: 3.5%

Cash Flow

Net cash generated from operating activities increased significantly to RM206.6 million, RM53.0 million more than the prior financial year, when cash generated was RM153.6 million. The solid growth in cash flow from operations follows revenue growth and margin improvement, and is testament to the strong working capital management employed by DLMI.

Net cash outflows from investing activities stood at RM200.8 million, an increase of RM78 million from the previous year's RM122.8 million. Almost all investments are towards the buildings, infrastructure, production lines and operations technology for our brand new manufacturing facility in Bandar Enstek. This increase is a reflection of the strong progress made on the construction in 2023. The facility will be ready for commercial production in 2024.

Cash flows from financing activities remained consistent at RM44.6 million in 2023, compared to the RM44.2 million in the previous year. This stability was maintained as the company kept dividend payments constant and refrained from attracting any external debt during the period.

As a result, cash balances at the financial year end amounted to RM66.2 million a reduction of RM38.8 million from RM104.9 million in 2022.

Shareholder Equity

Shareholder equity increased by RM40.4 million, attributed to retained profits used for investments in the new manufacturing facility.

The company paid dividends amounting to RM32 million to shareholders in 2023, consistent with the previous year. This constitutes 44.2% of the company's net profit attributable to shareholders of RM72.4 million. An amount of RM40.4 million was retained and added to the shareholder fund (equity). Return on equity improved significantly from 14.2% to 22.9% upon better operating results.

Basic earnings per share recorded a substantial increase, climbing from 72.3 Sen in 2022 to 113.1 Sen in 2023. This surge of 56.4% underscores the company's strong commitment to delivering value to its shareholders.

REVIEW OF TRENDS AND IMPACT

Business Landscape

DLMI's financial performance has been subject to the nuanced influence of various market and industry trends. The ongoing growth in demand for high-quality nutritional products at an affordable price has positively contributed

FINANCE DIRECTOR'S ANALYSIS

to DLMI's revenues. The company remains aligned with the national health agenda, resulting in increased sales of our products.

In contrast, continued uncertainty in global markets, marked by geopolitical tensions, has affected both consumers and producers. This uncertainty has particularly influenced demand in the Hotels, Restaurants and Catering (HoReCa) channel. Renewed tensions in the Middle East have also led to supply chain uncertainties as some shipping companies avoid sailing through the Red Sea. DLMI is closely monitoring the situation and assessing the potential impact on our supply chain. While some shipping carriers have opted for alternative routes, it is currently not expected to impact the delivery of finished goods to the Malaysian market.

The softening trend in dairy raw material prices had a positive impact compared to the previous year. However, prices remain historically high, and geopolitical tensions may influence commodity prices and shipping rates in the future.

The USD exchange rate continued to strengthen against the MYR, impacting the purchase of commodities and goods on the world market traded in USD. An evolving regulatory landscape, such as the reduction of subsidies on energy purchased by companies, also affects the company's cost base.

DLMI closely monitors all trends and adjusts its short-term approach as needed to ensure the availability of its products in the market. Simultaneously, we optimise costs across the board to preserve value for our shareholders as well as other stakeholders.

2024 Journey/Prospects

2024 promises to be a transformative period for DLMI as it embarks on a new and exciting journey that ensures we can continue Nourishing Our Nation for generations to come. Central to this initiative is the planned opening of our state-of-the-art IR4.0 manufacturing facility in 2024, a pivotal move that not only facilitates DLMI's continued growth but also opens up new opportunities to solidify our position as the leader in the Malaysian dairy industry.

The transition to the IR4.0 manufacturing facility entails a temporary investment in additional resources to facilitate the seamless continuation of our operations. This strategic move encompasses a successful transfer of assets and ensures the continuous availability of our brands and products in the market. DLMI remains committed to its mission of nourishing our people and planet, and this transition is a testament to our dedication to meeting the evolving needs of our consumers.

Amidst these promising developments, it is essential to acknowledge and address potential challenges that may impact our financial landscape in the upcoming year. Ongoing geopolitical tensions continue to introduce volatility in the prices of raw materials, potentially leading to fluctuations and an upward trend in the costs of these commodities, particularly in the dairy sector. Simultaneously, the MYR's volatility amidst global and domestic uncertainties, coupled with regulatory changes and updates to the tax regime, poses challenges that could result in higher input costs.

DLMI recognises the importance of continued investment in its brands, which enjoy high penetration among Malaysian households. A cautious and balanced approach will continue to be adopted, balancing the need for cost control with the imperative to invest in brand building. The outlook for the coming year is cautiously optimistic, we anticipate moderate growth in both volume and top-line performance.

DLMI anticipates operating within a dynamically evolving regulatory and economic environment in Malaysia. In 2023, we observed an increase in energy prices due to the reduction in subsidies. Meanwhile, the government's announcement on the sales and service tax (SST) hike from 6% to 8%, along with an expanded range of services covered by the regulation, is expected to lead to heightened input costs for services acquired by the company. However, the increase in sugar tax is foreseen to have no short-term impact on the company as our products remain exempt.

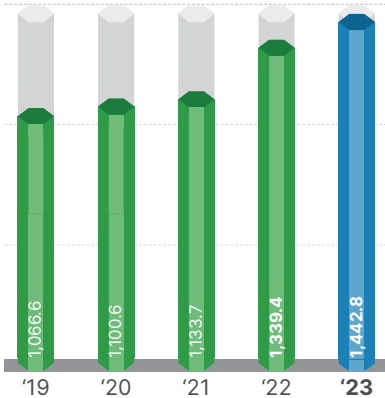
DLMI remains steadfast in its commitment to environmental, social, and governance (ESG) considerations. The integration of state-of-the-art IR4.0 technology at the manufacturing site in Enstek is set to revolutionise operations, and will not only drive cost efficiencies but also aligns with sustainability goals, targeting a 30% reduction in carbon and water intensity by 2030 compared to the 2022 baseline.

Moreover, our focus on Research and Development (R&D) ensures continuous advancements in product formulations. This commitment ensures that our products consistently meet the evolving nutritional needs and expectations of customers and bolster our competitive edge in the market.

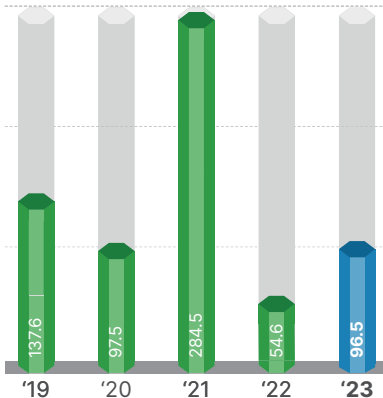
DLMI will continue to uphold our purpose, facilitate the transition to Bandar Enstek, establish a robust financial foundation for growth, and align with our dedicated strategic journey towards achieving self-sufficiency in domestic fresh milk by the year 2030.

5-YEAR FINANCIAL SUMMARY

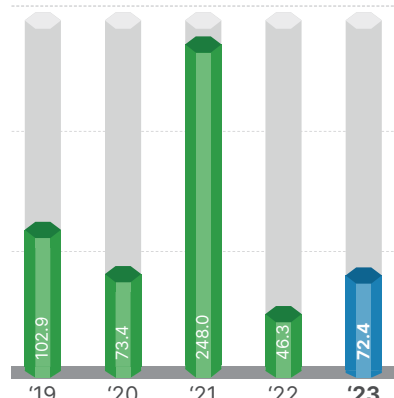
Revenue
(RM 'million)



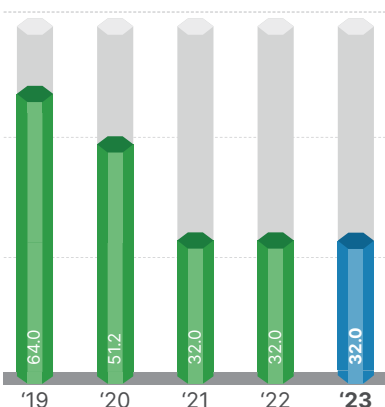
Profit before tax
(RM 'million)



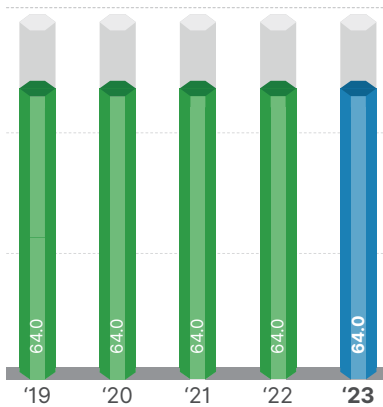
Net profit for the year
(RM 'million)



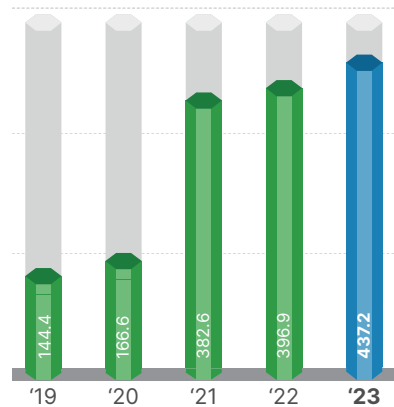
Net dividend paid
(RM 'million)



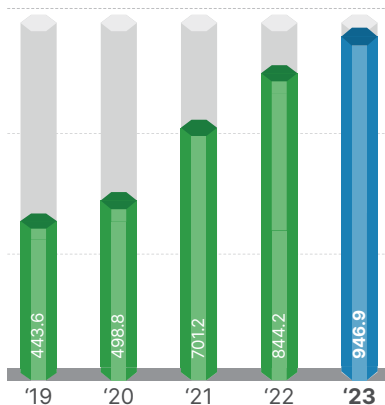
Paid-up share capital
(RM 'million)



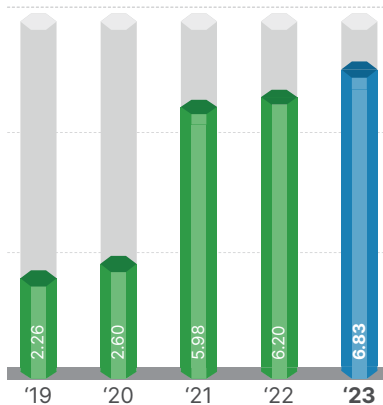
Shareholders fund
(RM 'million)



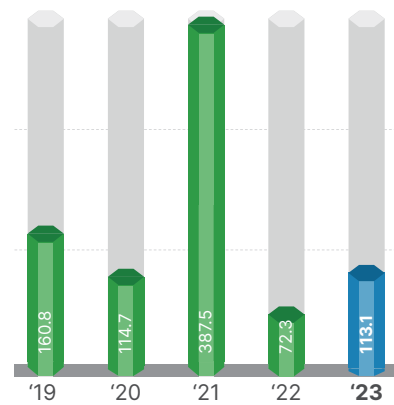
Total assets
(RM 'million)



Net asset backing per share
(RM)



Earnings per share
(Sen)



VALUE ADDED STATEMENT & VALUE DISTRIBUTED

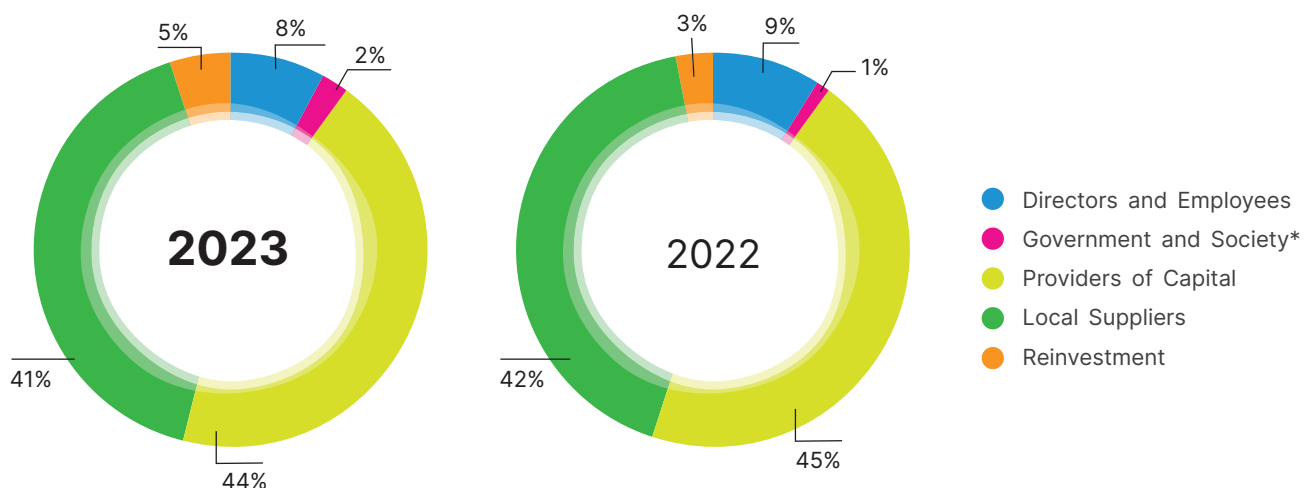
VALUE ADDED STATEMENT

| In RM Million | FY2023 | FY2022 |
|--|------------|------------|
| Revenue* | 1,443 | 1,339 |
| Operating expenses excluding directors and employee expenses, depreciation & amortisation, spends on local suppliers and societal contributions* | (697) | (611) |
| Other operating income, other gains and losses and finance income | 12 | 9 |
| Total | 758 | 737 |

VALUE DISTRIBUTED

| In RM Million | FY2023 | FY2022 |
|-------------------------|------------|------------|
| Directors and employees | 106 | 114 |
| Government and society* | 26 | 10 |
| Providers of capital | 570 | 578 |
| Dividends | 32 | 32 |
| Finance costs | 5 | 4 |
| Local suppliers | 533 | 542 |
| Reinvestment | 58 | 35 |
| Total | 758 | 737 |

* Income Tax and CSR Contributions



ECONOMIC LANDSCAPE & OUTLOOK

The economic landscape in 2023 presented a mix of challenges and opportunities for Dutch Lady Milk Industries Berhad (DLMI). The ongoing global economic uncertainties, driven by geopolitical tensions and trade fluctuations, posed challenges that required resilient strategies. However, many new opportunities emerged in the form of evolving consumer preferences, increased focus on sustainability, and a growing demand for quality, affordable and nutritious dairy products. At the domestic level, Malaysia's GDP growth also played a pivotal role in shaping consumer purchasing power and continued demand for dairy products, providing a stable foundation for Dutch Lady's performance.

Global Economic Conditions

The global economic landscape witnessed a broad-based and sharper-than-expected slowdown, significantly impacting various sectors. This deceleration stemmed from a confluence of factors, including the cost-of-living crisis, tightened financial conditions, Russia's invasion of Ukraine, and the slow but gradual recovery from COVID-19 pandemic.

Inflation, amongst others in the food category, puts pressure on Malaysian households. We see this back in the consumption patterns of consumers in certain categories. On the other hand, consumers still look for good nutrition for the whole family and our strong brand and nutritious product line contributes to a nutritional diet, so we are positioned well.

In 2023, we saw input costs moderating, but the weakening Ringgit Malaysia against the USD and Euro offset this effect. The dual dilemma we continued to face during the year was about balancing the affordability of our products while also continuing to generate healthy underlying profit margins. We therefore kept our focus on optimising our costs and investing where we generate the best returns. Additionally, we implemented prudent cost management strategies, ensuring controlled expenses without compromising product quality or market competitiveness.

To address the anticipated global slowdown, emphasising innovation and optimising the product portfolio aligns DLMI with evolving consumer preferences and market demands, ensuring sustained relevance and competitiveness.

A nuanced focus on key priorities, with tailored marketing strategies and product offerings aligning with consumer preferences, acts as a buffer against uncertainties in the global economic landscape.

Pace of Domestic Economic Recovery

The Malaysian economy showed some recovery in 2023 following the health and economic crisis. The resurgence was underpinned by substantial policy support, solid

macroeconomic fundamentals, and a resilient financial system. The buffers established in the pre-pandemic period played a crucial role in helping the economy navigate the crisis successfully.

The inflationary pressures heightened due to the war in Ukraine, impacted the prices of fertilisers, animal feed, and agricultural produce, as well as food imports. Although inflation moderated throughout 2023, it remained elevated compared to pre-pandemic levels, reflecting Malaysia's significant food import bill and ongoing food security concerns.

Despite these challenges, the Malaysian economy maintained its growth in the fourth quarter of 2023, supported by strong domestic demand and stable labour market conditions. But the year-on-year growth momentum for 2023 overall decelerated due to weak external demand stemming from global economic uncertainties, declining commodity prices, geopolitical tensions, and sluggishness in the global semiconductor markets.

Foreign Exchange

The foreign exchange trends in 2023 presented both challenges and opportunities for DLMI. Fluctuations in currency values impact the cost of DLMI imported raw materials, thereby influencing production costs, and shaping pricing strategies. Conversely, a favourable exchange rate can boost DLMI's competitiveness in international markets, opening avenues for export growth.

DLMI responded to currency market volatility with robust risk management strategies to increase predictability by employing various financial instruments such as forward contracts. Our continuing effort is to ensure a more stable financial foundation amid uncertainties.

Supply Chain Resilience

Supply chain disruptions continued to persist, stemming from a variety of factors such as existing or emerging geopolitical conflicts, inflationary pressures, the recessionary environment, climate change-induced weather events, and potential unforeseen challenges. These disruptions have the potential to impact the accessibility of goods and contribute to surging prices, among other concerns.

Employing a multifaceted approach, DLMI ensures the stability of its operations and guards against potential disruptions. Actively diversifying sourcing strategies stands out as a proactive measure, aimed at reducing dependency on a single source and mitigating risks associated with geopolitical and economic uncertainties. This strategic diversification contributes to creating a more resilient and adaptable supply chain.

ECONOMIC LANDSCAPE & OUTLOOK

Additionally, our supply chain resilience strategy included an increased focus on exploring local suppliers, aligning with sustainability principles, and operationalising our new manufacturing facility @ Bandar Enstek to full capacity. These collectively assured business continuity, minimising external impacts on the supply chain.

We also adopt a forward-looking stance by negotiating long-term contracts with key suppliers, providing predictability in the flow of raw materials over an extended period.

KEY MARKET TRENDS

Nutritional Status of Malaysia

The announcement of the Southeast Asian Nutrition Surveys II (SEANUTS II) results commissioned by FrieslandCampina and conducted by Universiti Kebangsaan Malaysia in Peninsular Malaysia had the following key findings:

- 84% and 70% of children do not meet the average needs of vitamin D and calcium respectively.
- 1 in 3 children do not consume breakfast daily.
- 40% of children under 4 years of age have anemia. (Anemia can impact children’s cognitive development, physical growth and immunity.)

The results also indicate low dairy consumption:

- 1 in 4 children consumes a portion size of less than 100 ml of dairy, fewer than five times a week.
- Only 37% of children consume milk and dairy at breakfast, with median intake of 0.9 servings.
- 83% of children who consume breakfast did not meet the recommended dairy intake of 2 servings per day.
- Children who consume dairy at breakfast had 3-fold and 6-fold higher intake of Calcium and Vitamin D compared to those who did not.

The National Health & Morbidity Survey (NHMS) 2022 conducted by National Institutes of Health, Ministry of Health Malaysia further reveals that children below the age of 5 suffer from:

- Stunting (too short for their age): 21.2%
- Underweight (too thin for their age): 15.3%
- Anaemia: 46.5%

These alarming results from SEANUTS II and NHMS draw our attention and focus on developing better and affordable products that meet nutritional needs of children and in setting up programmes that promote a well-balanced diet and active lifestyle in collaboration with the local authorities, health professionals and schools.

New Regulatory Landscape

A new regulatory landscape emerged in 2023 as Malaysia undertakes the initiative to update regulations governing the dairy sector, which have remained largely unchanged for four decades. The proposed regulatory updates aim to address contemporary concerns related to food safety and fraud in the milk industry.

The regulatory changes are driven by a proactive approach to ensure the integrity and safety of dairy products in the market. As a prominent player in the Malaysian dairy industry, we closely monitor and adapt to the evolving regulatory landscape, aligning our operations with the updated standards and requirements. This may involve implementing new quality control measures, enhancing traceability in the supply chain, and ensuring compliance with the latest safety protocols.

Our proactive engagement with regulatory authorities and commitment to meeting or exceeding these standards can be instrumental in maintaining consumer trust and safeguarding the reputation of DLMI's products.

Packaging Innovations

Packaging innovations reflect shifting consumer preferences towards eco-friendly and sustainable solutions. We are actively responding to this trend by incorporating innovative packaging designs that not only reduce environmental impact but also highlight the company's commitment to environmental stewardship.

Our emphasis on innovative packaging serves as a proactive response to meet the increasing demand for sustainable practices from environmentally conscious consumers. Our packaging innovations may include the use of recyclable materials, reduced packaging waste, and the implementation of eco-friendly technologies. These measures not only contribute to our sustainability goals but also resonate positively with consumers who prioritise environmentally responsible products.

In short, at DLMI, in delivering responsible and accessible nutrition, we also promote responsible consumption. While we are targeting to design all our packaging materials for recycling or reuse, we advocate that consumers and customers also consciously and proactively channel their waste to the recycling system – even when the recycling infrastructure is evolving and not optimal.

With more responsibility, we believe, consumers and customers can join us in driving better efficiencies (doing more with less) and better equity (leaving our business, our planet in a better shape for future generation of stakeholders).

ECONOMIC LANDSCAPE & OUTLOOK

Self-Sufficiency in Milk Production by 2030

In 2023, the pursuit of self-sufficiency in milk production by 2030 has emerged as a pivotal trend, and Dutch Lady Milk Industries Berhad (DLMI) is actively aligning itself with this transformative movement. In accordance with the National Agrofood Policy 2021-2030 (NAP 2.0), DLMI has embarked on a strategic journey dedicated to achieving self-sufficiency in domestic fresh milk by the year 2030.

Our commitment to this ambitious goal involves substantial investments in various key areas. First, we have prioritised the adoption of sustainable farming practices through our Farmer2Farmer initiative. By promoting and helping our farming partners to integrate

environmentally friendly and resource-efficient methods, we aim to enhance the overall sustainability of our milk production, contributing to both national and global sustainability objectives.

Technology adoption is another integral component of DLMI's future-proof strategies. We will explore partnerships that support innovative agricultural technologies and innovations allowing our partners to optimise production efficiency, improve yield, and ensure the quality of our dairy products. This technological integration aligns with DLMI's forward-looking strategy, positioning us as a leader in the modernisation of the dairy industry.

OUTLOOK

According to industry projections (Euromonitor), the dairy market in Malaysia is expected to experience robust growth, with an anticipated expansion of +5.1% in 2024. This growth signifies an upward trajectory for the dairy sector, and DLMI, as a key player in the Malaysian dairy market, is well-positioned to capitalise on this positive trend.

Drinking/liquid milk (including plant based) continues to have the largest growth potential, whilst consumers continue to seek healthier and sustainable options. DLMI will continue to explore opportunities within growing dairy segments, aligning its product offerings with the growing consumer demand for healthier and environmentally conscious choices.

Global factors, such as sluggish milk supply growth and improving dairy prices, are expected to characterise the dairy industry in 2024. As a participant in the global dairy landscape, we should navigate these dynamics strategically. Managing supply chains efficiently and adapting to market fluctuations will be crucial for sustained growth.

Additionally, insights into the fluid milk market for the years 2024-2031 suggest ongoing demand and regional variations. DLMI can leverage its market expertise to tailor its products to meet specific regional preferences, ensuring continued relevance in diverse markets.

The 2024 outlook also presents a mixed economic landscape globally, characterised by a slower growth pace, lingering impacts from tight monetary policies, and concerns about inflation and geopolitical tensions.

As indicated by the International Monetary Fund (IMF), the 2024 economic outlook reflects a resilient but challenging global economic recovery. While the recovery endures, the path ahead is characterised by increasing challenges.

As the global economy anticipates a slower growth trajectory in 2024, DLMI should remain vigilant about potential challenges stemming from tight monetary policies and heightened inflation. Fluctuations in commodity prices pose a clear upside risk, impacting the cost of raw materials for the dairy industry.

The outlook for Malaysia highlights the importance of resilient domestic demand in supporting economic growth. DLMI can benefit from steady growth in household spending, driven by employment and wage growth. Additionally, the expected improvements in tourist arrivals and spending provide opportunities for us to cater to the local market.

The implementation of Budget 2024 measures is expected to provide additional impetus to economic activity, potentially creating avenues for the dairy industry to expand its market reach.

While the growth outlook is positive, DLMI must remain cautious of downside risks, including weaker-than-expected external demand and challenges in commodity production. However, we can capitalise on upside potential, such as a stronger recovery from the electrical & electronics (E&E) downcycle and robust tourism activity. Aligning products with evolving consumer preferences remains critical for realising growth opportunities.

Strong Start for a Stronger Day



KEY RISKS & MITIGATION ACTION

At Dutch Lady Milk Industries Berhad (DLMI), our efforts are focussed on integrating enterprise risk management practices throughout our operating entity to accelerate growth and enhance performance. We work towards timely identification, ranking, and effective mitigation of risks that could impact not just our local operations in Malaysia but also the position and strategic objectives of our parent company, FrieslandCampina (FC). In doing so, we aspire to embed risk management in both mindset and behaviour, strengthen risk management capabilities and methods, and continuously improve risk mitigation. In the process, we unlock expertise/synergies to support (local) business and build resilience by keeping things simple and achieving the needed speed, focus, and pragmatism. The table below shares our overall approach to monitoring and managing enterprise-level risks.

| Risk Category | Internal Risks | Mitigation |
|---|--|---|
|  <p>Financial Risk</p> | <p>Foreign exchange risk (FOREX)</p> <p>Ringgit continue to decline against major currencies around the world particularly the USD, this drives the cost of doing business. Mitigation plans were developed to address the risk and minimise any impact to our customers and consumers</p> | <p>With strong hedging strategies in place for our primary commodities, we successfully minimised the effects of input cost challenges, allowing us to strike a favourable balance between input costs and product pricing. Furthermore, our operational recovery plan effectively mitigated the rise in input costs, ensuring sustained resilience</p> |
|  <p>Economic Risk</p> | <p>Operating margin pressure</p> <p>Combination of cost inflation and foreign exchange impact is driving input cost. Business mitigation plans were carried out to address the risk diligently and minimise any impact to profitability as well as our customers and consumers</p> | <p>We addressed the challenges posed by rising input costs through the implementation of an operational recovery plan and the reassessment of our revenue-generating activities, which included adjustments to promotional and trading terms. Furthermore, we are establishing a Fit-for-Purpose Organisation aimed at fostering synergy and enhancing the company's efficiency</p> |
|  <p>Compliance Risk</p> | <p>ESG Reporting</p> <p>The evolving landscape of regulatory requirements and stakeholder expectations presents a heightened risk of non-compliance with ESG regulations or agreements. This risk includes the potential for inaccurate or incomplete reporting, which could lead to reputational damage, liabilities, penalties, sanctions, and obstacles to future business growth or financial losses for the organisation</p> | <p>The implementation of a clear roadmap, along with a materiality exercise, has facilitated the effective identification of key priorities within the organisation. Additionally, a robust governance structure has been established, and a capability-building exercise has been undertaken to realign and reinforce the importance of EESG to both the organisation and its stakeholders</p> |

KEY RISKS & MITIGATION ACTION

| Risk Category | Internal Risks | Mitigation |
|--|---|---|
|  <p>Strategic Risk</p> | <p>Project Management Our major CAPEX investment is constantly reviewed to ensure the project is delivered within the right timeline and budget allocated. Steering Committees are established to review the progress and provide direction for management</p> | <p>Continuous strategic approach of reviewing the project, encompassing expenditure and construction management, communication and collaboration with project contractors and government regulators has helped the organisation in navigating uncertainties due to COVID Lockdown, reduced availability of foreign labours and increase in construction cost. This strategic approach allowed for simultaneous project tasks, ultimately boosting project output</p> |
| | <p>Climate Change Risks Such risks are triggered from mismanagement or inefficient use of resource inputs, creating a negative carbon, water, and waste footprint that can be detrimental to both business resilience and reputation</p> | <p>Our focus remains on ‘reduction at source’ by improving operational efficiencies in a manner that optimises the use of energy and water, minimises wastage and reduces our overall carbon footprint. During the year, we completed our preliminary carbon assessment for Scope 1 and Scope 2 and established clear mid-term targets. We will be reassessing these alongside our targets on sustainable packaging as we progress to accelerate our contribution to a better climate</p> |
| | <p>Talent & People Management These risks stem from challenges in attracting and retaining talent, as well as in developing critical capabilities for the future. Factors contributing to these risks include poor motivation, unfair and non-transparent policies, low engagement, misalignment of culture and values, and weak management practices</p> | <p>Continuously invest in people to propel business growth, emphasising capacity and capability building, which encompasses Employee Wellbeing Programs, fostering Psychological Safety awareness, and driving awareness of Key Policies such as Compass and SpeakUp initiatives</p> |

OUR PRODUCTS & WINNING BRANDS



Despite the challenges of market uncertainty and price movements in 2023, exasperated by the turmoil in the global markets due to the geo-political tensions, war and social chaos, we have continued our focus on our mission of Nourishing Our Nation. We continue to focus on bringing value through tailored nutrition to cater across consumer lifestyles and life stages in innovative formats and/or flavours. We target our communication to encourage milk nutrition and consumption to address the issues of malnutrition and obesity in Malaysia. Through these continuous efforts and focus, we have driven volume growth by +5.6% vs. last year, despite the category being flat at -0.2%. With the right portfolio and channel mix, along with our activities, we grew value double of category +10.8% vs. last year (category is at +4.9%). We extended our leadership in the dairy market in Malaysia, where our market share improved to 28.2%, making us the No. 1 most chosen dairy brand in Malaysia, reaching 3.8 million Malaysian households consuming Dutch Lady products annually.

OUR PRODUCTS & WINNING BRANDS

KEY PRODUCT HIGHLIGHTS

Dutch Lady further strengthened our leadership position within the liquid milk segment with a 42.7% value share. This growth is contributed by our focus on hero focused assortment within the right channels, coupled with impactful consumer-centric campaigns such as our Dutch Lady 'Berkat Ramadan Dan Susu' & Morning Campaigns. Dutch Lady Milk Industries Berhad (DLMI) also extended its leadership position in the total infant and toddler nutrition (IFT) segment with 24.7% value share with both Dutch Lady and Friso. Despite a declining category volume of -0.6% vs. last year, DLMI grew volume by +4.6% vs. last year. Furthermore, Dutch Lady IFT and MaxGro delivered both a positive volume and value growth compared to previous year with +5.4% volume & +8.9% value growth vs. last year. This is due to the multiple consumer activities both on-air and on-ground when Dutch Lady launched its 'Sepenuh Nutrisi, Sepenuh Potensi' campaign to encourage parents to care for their child's nutrition in their progression in life. We continued our focus on Dutch Lady MaxGro to support the Optimal Growth of Malaysian children in our efforts to minimise the Stunting issue faced in Malaysia. Along with our communication highlight on the need for milk consumption as part of a balanced diet, sharing the benefits of milk nutrition, we continue to be a much-loved dairy brand by Malaysians – winning the Gold Award in the Putra Brand Awards.

Friso Gold grew value too in 2023 in the IFT premium segment through the continued focus on Novas Signature Milk which contains small molecules & soft structure, quality checked milk produced by our farms in the Netherlands to enable 'Good Digestion for Stronger Inside'. This year, we strengthened our pool of advocates with Friso Gold DadMombassadors with the addition of working with Eyra Hazali and Mira Filzah, to bring strong social and positive word-of-mouth for the brand. We increased our activities in-store and on-ground this year with our Nutri Advisors and multiple baby exhibitions, integrated across mediums and channels to drive awareness and engagement of Friso Gold.





SUSTAINABILITY STATEMENT

STRATEGY THAT DELIVERS BOTH SUSTAINABILITY & GROWTH RAMJEET VIRIK KAUR, MANAGING DIRECTOR

The United Nations (UN) Climate Change Executive Secretary at COP28 closing said, “At every stage, climate action must stride forward side-by-side with human development, dignity and opportunity”. This resonates well with our approach to understanding and managing the impact especially of our business on both our planet as well as our people. While bold climate action is non-negotiable, we also need to critically assess its costs and risks against the delivered impact. Similarly, it is also important to prioritise matters where leaders can achieve a balance between people welfare and environmental wellbeing, without compromising the long-term resilience and performance of the business.

At Dutch Lady Milk Industries Berhad (DLMI), we do not view sustainability or climate action or social justice in isolation as issues outside of business or as a responsibility beyond profits. We see them as critical considerations when taking any mission-critical decisions impacting people, performance or planet. Hence, our key focus areas of sustainability are not managed by an independent sustainability function, but are Key Performance Indicators (KPIs) of respective functions where economic,

environmental, social and governance risks are typically observed. This also means that all strategies devised by functions such as manufacturing, packaging, human resources, procurement, risk and legal, and finance etc. are aligned with our efficiency and equity principles that help deliver both sustainability and growth.

Meanwhile, the Malaysian landscape as far as sustainability is concerned is less than certain. The many sustainability frameworks, standards, and even principles continue to evolve. Definitions and scope are inconsistent. The solutions and expected response seem inadequate. The need of the hour is to build evidence with appropriate governance. Utmost clarity on intent and impact is a pre-condition. Priorities must be established, and our priority at DLMI in 2023 and beyond continues to be on at-source interventions to avoid, reduce, and mitigate negative impacts first. We want to give ourselves a fair chance and time on this to be able to make systemic changes where necessary and move the needle on real impact. The DLMI sustainability policy and guidelines, which has been made public in 2023, sets the tone and strategic direction for us.



With this policy in place, we have a clear direction and approach to implementing DLMI’s Sustainability Roadmap 2030, which was drawn in 2023 under the leadership of our management team members, who are also the leads of mission critical functions of business. The Board approved key components of the roadmap to include the focus areas, topline strategies, interim targets towards 2030 and our long-term ambition towards accelerated Net Climate Neutral and #1 Nutrition Brand in Malaysia.

The Sustainability Steering Committee (SSC) deliberate all sustainability focus areas and strategies. Critical ESG risks and strategies are tabled to the Board by the SSC every quarter. Meanwhile, sustainability KPIs are part of Managing Director and Management Team’s annual targets. We will also aim to continuously re-assess our direction considering the progress made, issues addressed as well as the evolving policy and regulatory landscape.

Meanwhile, we will remain committed to our purpose: Nourishing our Planet and People in Every Stage of Life. Our continuing efforts are focused on nourishing a growing world population with good, safe and affordable nutrition, whilst taking our responsibility of leaving a sustainable impact - from grass to glass.

This document is our sincere report on sustainability strategies, initiatives, and impact under each of our key focus areas – Better Nutrition; Better Sourcing; Better Climate; Better Packaging; Better People; Better Society; and Better Governance. While we strive to improve the quality of reporting beyond compliance and mandated disclosures, we welcome any feedback or comments from our valuable stakeholders.

 Please email sustainabilityMY@frieslandcampina.com

SUSTAINABILITY STATEMENT

1. ABOUT SUSTAINABILITY PROGRESS REPORT

Introduction

At Dutch Lady Milk Industries Berhad (DLMI), we aim to create long-term value by holistically addressing systemic issues facing the environment, society and the economy through our business practices and initiatives.

In line with our purpose of “Nourishing Our Planet and People in Every Stage of Life”, this Sustainability Report 2023 (SR2023 or this Report) presents our sustainability efforts and their impact during the reporting period of 1 January 2023 to 31 December 2023 (FY2023) across the key pillars of Economic, Environmental, Social and Governance (EESG).

Scope: Reporting Boundary and Principles

SR2023 covers all business operations and manufacturing activities of DLMI and excludes all outsourced activities and/or operations of our parent company and its operating companies in other locations across Asia and beyond, except where it impacts DLMI.

Our boundaries are defined within each sustainability material matter presented within this report and our approach to reporting is governed based on sound principles geared towards preserving content accuracy and quality.

All data contained within this Report has been internally sourced, verified and validated by data owners from relevant business departments. Wherever possible, 3-year historical data is presented to highlight key trends and disclose our year-on-year progress, and we are actively working to implement more effective mechanisms to address gaps that exist in our data collection processes.

Material Matters: Re-Assessment & Alignment

During FY2023, we did not undertake an independent assessment of our sustainability material matters. However, in striving to ensure the continued relevance of our efforts, we carried out an alignment exercise that considered global sustainability focus areas and local priorities. As a result, the following changes were made:

- “Purpose and Culture” has been renamed “Diversity & Inclusion”, in alignment with FrieslandCampina’s nomenclature
- “Employee Experience and Growth”, which was reported on our in Integrated Report 2022, has been split into two separate matters for better focus – “Employee Experience” and “Wellbeing & Growth”

The table below outlines the definition and scope of our sustainability material matters:

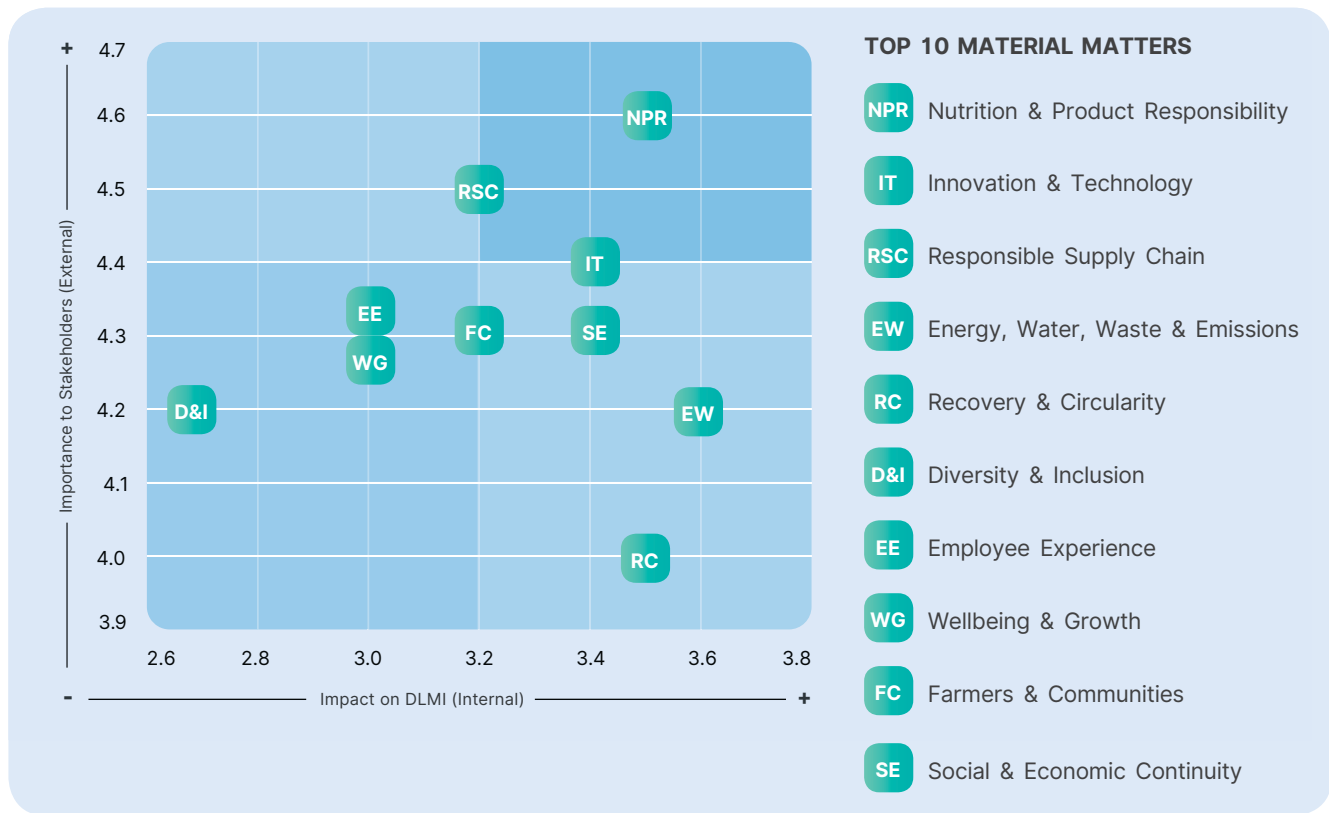
| | What is material? | How do we define it? | What it covers? |
|------------|------------------------------------|---|--|
| NPR | Nutrition & Product Responsibility | Ensuring our products are of high quality, safe for all consumers, high in nutritional value, and are marketed without any false claims within the frameworks of the law and regulations. | <ul style="list-style-type: none"> – Product quality and safety – Nutritional values – Responsible marketing and advertising – Consumer health and safety – Consumer satisfaction – Product traceability and labelling |
| IT | Innovation & Technology | Adopting new processes and technologies or undertaking research and development (“R&D”) to ensure our products remain relevant to consumers, while producing them efficiently with the lowest possible resource footprint. | <ul style="list-style-type: none"> – Innovations for improved farm sustainability – Innovations that increase efficiency in dairy production |
| RSC | Responsible Supply Chain | Ensuring we manage our supplier contracts and relationships in a fair and transparent manner, with this commitment covering our suppliers’ terms of contract, their payments and capacity building on material matters that are important to our business and people. | <ul style="list-style-type: none"> – Supply chain management – Supplier education – Supplier environmental and social impacts – Supplier welfare and wellbeing – Supplier contracts – Supplier integrity |

SUSTAINABILITY STATEMENT

| | What is material? | How do we define it? | What it covers? |
|----------------|--|--|--|
| EW | Energy, Water, Waste & Emissions | Ensuring we are aware of negative environmental impacts from our direct operations and supply chain, and remaining committed to take necessary actions to minimise such impacts and where possible, eliminate all kinds of harm. | <ul style="list-style-type: none"> - Energy management - Emissions management - Water management - Waste management (including effluents, air quality and pollution) |
| RC | Recovery & Circularity | Ensuring we acknowledge the impact packaging waste on the environment and are taking necessary steps to identify and deploy recovery and circular solutions. | <ul style="list-style-type: none"> - Waste infrastructure - Alternative packaging materials - Circular approaches and solutions |
| D&I | Diversity & Inclusion (own work force) (Renamed from Purpose and Culture as reported in our Integrated Report 2022 to align with FrieslandCampina) | Constantly reinforcing our purpose and culture across our workforce to inspire behavioural change and positive action, while ensuring we are sensitive to the agenda of Diversity and Inclusion ("D&I"). | <ul style="list-style-type: none"> - Pay parity - Representation of women in board and key decision-making positions - Feedback mechanisms - Engagement and leadership |
| EE | Employee Experience (Employee Experience and Growth as reported in Integrated Report 2022 have been split into two separate matters for better focus) | <p>Continuously improving the employee experience through enhanced primary processes, hybrid working arrangements, competitive rewards and recognition, towards remaining an employer of choice that is ideally positioned to attract and retain high quality talent.</p> <p>Also delivering value by maintaining a performance-oriented win-win culture that promotes an engaged organisation with healthy competition.</p> | <ul style="list-style-type: none"> - Values - Labour practices and standards - Diversity and inclusive leadership - Inclusive people practices - Compliance |
| WG | Wellbeing & Growth | Nourishing our talents to be future-ready for the next leap in DLM's business growth. | <ul style="list-style-type: none"> - Occupational safety, health and wellbeing - Employee learning and growth - Coaching and mentoring - Staff benefits and programmes |
| SE | Social & Economic Continuity | <p>Ensuring our business and people are resilient, supported by robust business continuity plans/policies, ethical conduct policies, anti-corruption mechanisms and data privacy and security practices.</p> <p>Delivering value by maintaining a performance-oriented win-win culture that promotes an engaged organisation and healthy competition.</p> | <ul style="list-style-type: none"> - Access to nutrition - Initiatives that support community and societal development - Farmer welfare |
| FC | Farmers & Communities | Ensuring our people and communities are clear beneficiaries of the value flowing from our pricing strategies, products, financial performance and growth, have consistent access to our products, are gaining new skills and opportunities for their growth and prosperity. | <ul style="list-style-type: none"> - Access to nutrition - Community/society support and community-based initiatives - Farmer welfare |

SUSTAINABILITY STATEMENT

Our materiality matrix, as depicted below, remains unchanged from SR2022.



Standards: Compliance and Alignment

In developing this Report, we have taken into account various internal and internationally recognised frameworks and guidelines including:

- Main Market Listing Requirements relating to Sustainability Statement in Annual Report of Listed Issuers (“Guidelines”), issued by Bursa Malaysia Securities Berhad
- FrieslandCampina’s Reporting Guidelines
- International Financial Reporting Standards (IFRS) S1 and S2 Standards
- United Nations’ Sustainable Development Goals (UN SDGs)

Further to this, the structure and format of this Report is designed to effectively address:

- Our 3-year journey (starting in 2022) to improve our quality of reporting and enhance our level of compliance with the <IR> Framework
- Our 4-year journey (starting in 2023) to achieve alignment with the recommendations and reporting requirements of the Task Force on Climate-related Financial Disclosures (TCFD) and IFRS S1 and S2.

In line with these compliance and alignment requirements, the Board of Directors (Board) of DLMI, as the highest decision-making body of the Group, acknowledges its duty to uphold the integrity of this Report which, in its assessment, has been prepared in reference to Bursa Malaysia Securities Berhad’s Standards.

Assurance: Internal Review & External Audit

Our Internal Audit department have conducted a review of our disclosures in SR2023 against Bursa Malaysia’s common sustainability matters. Further to this, our external auditor, PwC, has assured the financial data presented in our Integrated Report 2023. PwC did not carry out assurance activities for SR2023. However, our Management Team and respective data owners have internally reviewed all non-financial data presented. Moving forward, we plan to progressively move towards external assurance our non-financial data.

SUSTAINABILITY STATEMENT

Feedback: Commitment to Continuous Improvement

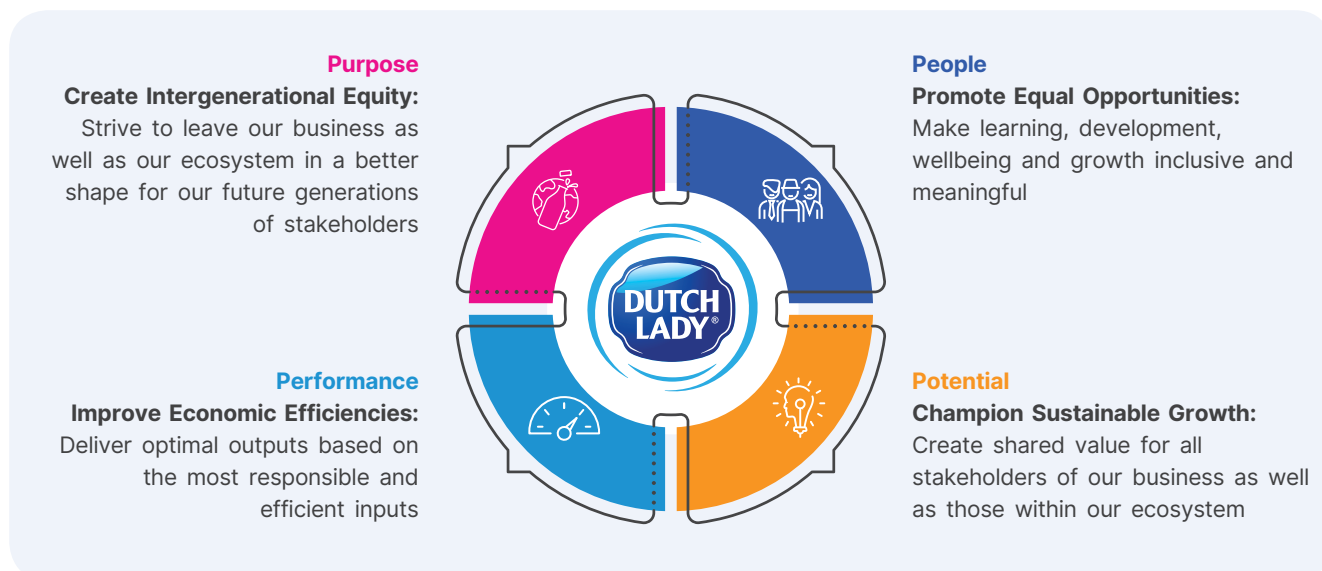
We value the input of our stakeholders and strive to address any concerns raised pertaining to our reporting. Kindly address feedback to our Investor Relations team at finance.dept@frieslandcampina.com. In addition, our sustainability team may be contacted at sustainabilityMY@frieslandcampina.com.

2. OUR SUSTAINABILITY PRINCIPLES

The escalating climate crisis threatens not only our planet’s health but the wellbeing of its people and the long-term vitality of our business. With this in mind, our sustainability agenda is shaped by our purpose: **Nourishing Our Planet and People in Every Stage of Life.**

We also believe *Sustainability is Business and Business is Sustainability.* This means integrating sustainability within our practices with the aim of nourishing a growing world population with good, safe and affordable nutrition while living up to our responsibility of leaving a sustainable impact across our whole value chain - from grass to glass.

Our differentiated position on sustainability allows us to apply the two principles of efficiency and equity in the context of our Purpose, People, Performance and Potential.



In striving to achieve these outcomes through our business, our sustainability material matters are identified across seven focus areas: Better Nutrition, Better Packaging, Better Sourcing, Better Climate, Better People, Better Society, and Better Governance. This promotes broad coverage of all issues where we can champion sustainable business practices.

As a whole, our sustainability orientation is in keeping with FrieslandCampina’s purpose of Nourishing by Nature, where our focus is delivering better nutrition for the world’s consumers and a good living for our farmers - now and for generations to come.

3. DLMI THRIVING FRAMEWORK

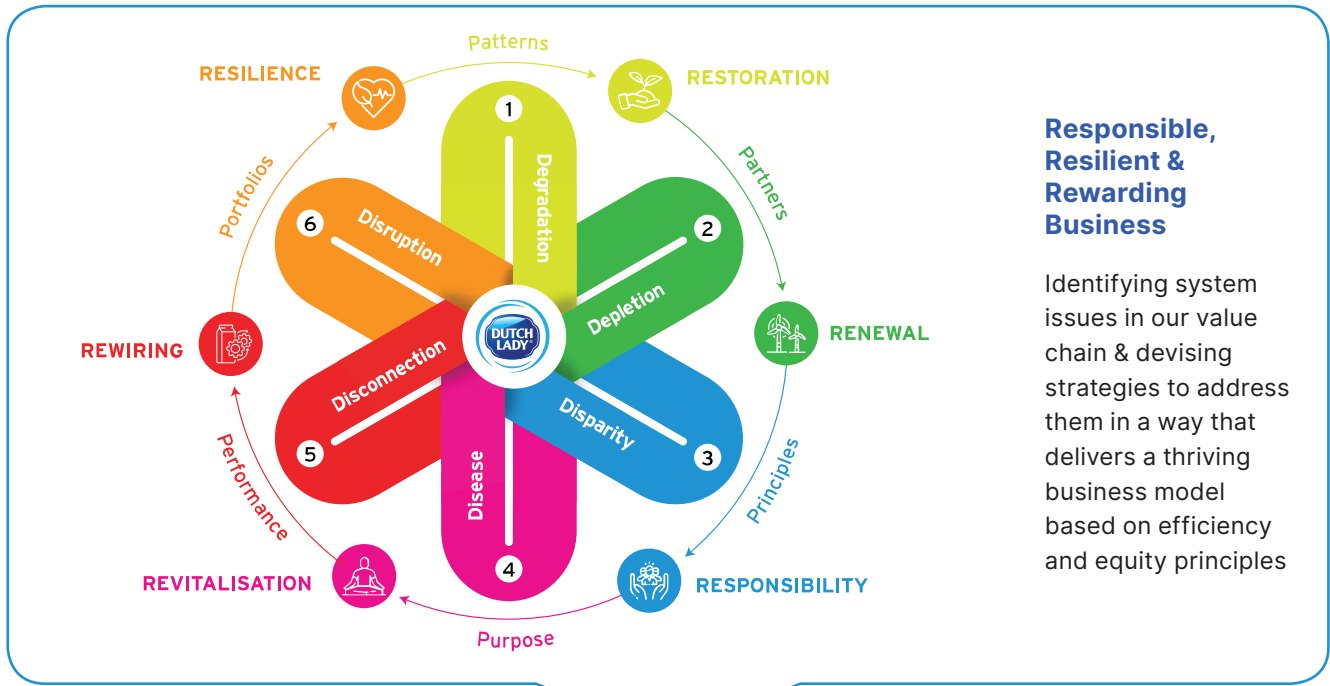
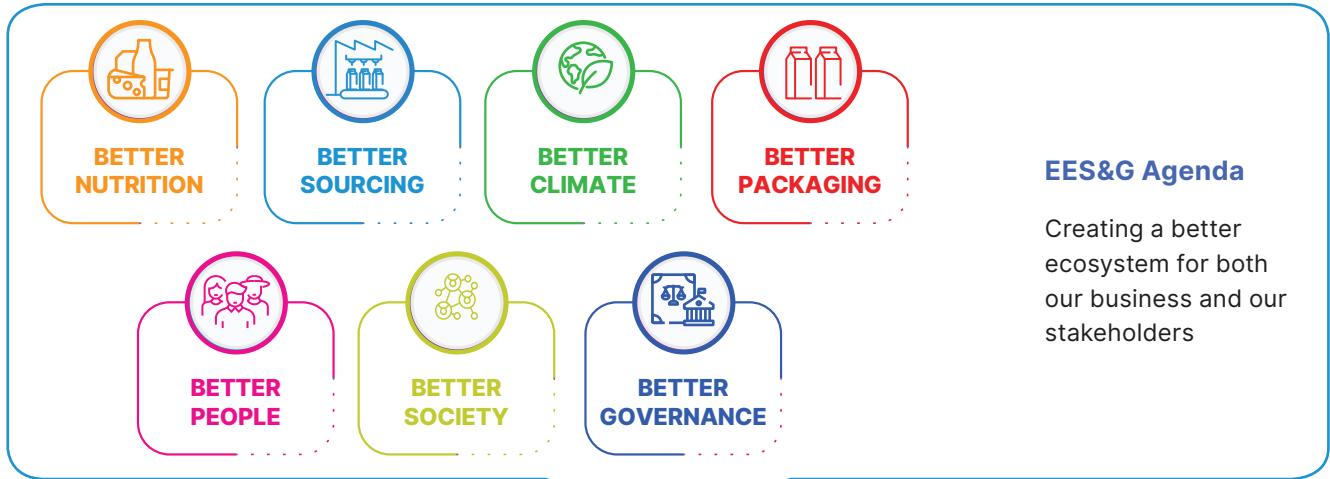
Our Thriving Framework provides guiding principles that enable our business to achieve the Six Great Transitions outlined in *Thriving: The Breakthrough Movement to Regenerate Nature, Society and the Economy* by Dr Wayne Visser.

The framework empowers us to adopt an evidence-based approach towards determining and prioritising our sustainability focus areas. By identifying systemic issues – either real or potential – that occur across our value chain, we formulated the seven focus areas outlined in “Our Sustainability Principles” above, wherein our strategies and initiatives are geared towards achieving necessary breakthroughs that benefit the planet, people and our business. This creates new opportunities for DLMI and our stakeholders, driving long-term value creation.




















SUSTAINABILITY STATEMENT

In 2023, we mapped our focus areas to relevant SDGs and re-prioritised them based on a preliminary assessment of our direct impact and material areas where we may have a certain degree of influence to deliver greater positive impact. The key focus areas, as detailed below, support seven SDGs and more closely reflect our grass to glass philosophy.

Figure 1 (below): DLMI's Thriving Framework



SUSTAINABILITY STATEMENT

| Key Focus Areas | Material Matters | Addressing Systemic Issues | Global Goals | |
|---|--|---|---|---|
|  Better Nutrition | <p>NPR Nutrition & Product Responsibility</p> <p>IT Innovation & Technology</p> | <p>Degradation of Environment & Depletion of Resources</p> <p>(Desired Transition to Restoration & Renewal)</p> |    | |
|  Better Sourcing | RSC Responsible Supply Chain | | <p>Disparity & Disease in workplace and communities</p> <p>(Desired Transition to Responsibility & Revitalisation)</p> |   |
|  Better Climate | EW Energy, Water, Waste & Emissions | | |   |
|  Better Packaging | RC Recovery & Circularity | | |    |
|  Better People | <p>EE Employee Experience</p> <p>WG Wellbeing & Growth</p> <p>D&I Diversity & Inclusion</p> | <p>Disconnection from Technology and Disruption of Operations</p> <p>(Desired Transition to Rewiring & Resilience)</p> |  | |
|  Better Society | FC Farmers & Communities | |  | |
|  Better Governance | SE Social & Economic Continuity | | | |

4. SUSTAINABILITY GOVERNANCE

Board Charter

Our Board Charter acknowledges the role of sustainability as key enabler of our business ambitions. It prescribes the continuous monitoring of EES&G risks in order to protect the interests of our shareholders and other stakeholders.

 It may be accessed at www.dutchlady.com.my/investors/board-charter.

Sustainability Policy and Guidelines

In 2023, we took a step forward on our sustainability governance journey by documenting our Sustainability Policy and Guidelines, with the aim of:

- Articulating what sustainability means at DLMI and demonstrating our strong commitment to responsible business practices
- Enhancing the understanding of our stakeholders – including our investors and shareholders, employees, distributors and partners, customers, regulators and policymakers, and civil society – on our sustainability framework and approaches
- Achieving the compliance of our business practices and the behaviour of our stakeholders with the Policy

Through the Policy, our ultimate objective is to establish key minimum requirements in identifying, managing, monitoring and reporting our EES&G risks and mitigation strategies, and thus shape a more sustainable business that delivers greater long-term value.

SUSTAINABILITY STATEMENT

Integrated Risk Management Framework

In order to secure a sustainable future for our business and our stakeholders, it is vital that we remain abreast of and responsive to evolving financial and non-financial risks which may arise in the course of carrying out our roles as a dairy manufacturer, investor, purchaser, corporate donor, employer and industry/business partner. Failure to adequately address risks can lead to significant legal, financial and reputational consequences, in addition to long-term impacts on our competitiveness as a business.

In adopting a proactive approach to risk management, we have integrated key EES&G risks within our Enterprise Risk Management Framework. Under each risk category, we continue to adhere to policies and commitments that enable these risks to be more effectively managed and mitigated.

| EES&G Risk Integrated into DLMI's Enterprise Risk Management Framework | | | |
|---|--|---|--|
| Economic Risks | Environmental Risks | Social Risks | Governance Risks |
| <p>Market & External Risks (Resource crunch, pricing fluctuations and consumer activism)</p> <p>Product, Technology and Innovation Risks (Product development, quality and consumer activism)</p> <p>Supply Chain & Procurement Risks (Procurement irregularities, supplier disruptions)</p> | <p>Energy, Waste Emissions, Water, and Waste Emissions Management risks (Evolving regulations, corporate liability and compliance rules)</p> <p>Climate Change Risks (Financial and non-financial implications from Physical and Transition Risks)</p> | <p>People Performance & Productivity Risks (Welfare/wellbeing and D&I of employees/workers, including risks related to human rights and safety and health)</p> | <p>Internal Policy Risks (Grievance mechanisms, policy breaches; monitoring, evaluation and learning processes)</p> <p>Fraud & Corruption Risks</p> <p>Regulatory & Legal Risks</p> |

| Policy Support and Commitments | | | |
|--|--|--|---|
| <ul style="list-style-type: none"> Golden Purchasing Rules Silver Purchasing Rules Fair Competition Policy Policy on Marketing of Infant Foods Golden Quality Rules | <ul style="list-style-type: none"> FrieslandCampina's Sustainability Policy DLMI Sustainability Policy | <ul style="list-style-type: none"> Human Rights Policy Life-Saving Rules Data Protection/Privacy Policy | <ul style="list-style-type: none"> Policy on Preventing Fraud Policy on Responsible Advocacy Doing Honest Business Policy Conflicts of Interest Policy Speak Up Policy |

SUSTAINABILITY STATEMENT

The Sustainability Steering Committee

Established in 2022 and fully operational from 2023, the Sustainability Steering Committee (SSC) plays a key role in ensuring the smooth execution of our sustainability agenda and integrating sustainability as a consideration across our business. Its roles and responsibilities include:

- 01** Promoting accountability in mindset, behaviour and action across our workforce towards driving meaningful sustainability action
- 02** Providing necessary oversight and counsel in the processes of devising, implementing, monitoring and reporting on our sustainability framework, strategies, policies and programmes, including climate action and social justice
- 03** Pre-empting and deliberating on various sustainability risks and their related governance considerations
- 04** Reviewing sustainability strategies proposed by the Sustainability Lead of Malaysia and making recommendations to the Board, represented by the Chairman/Managing Director of DLMI
- 05** Reviewing and approving sustainability-related policies and programmes
- 06** Reviewing and approving external reporting frameworks, disclosures and assurance processes in alignment with relevant local legislation and regulatory requirements and the global values and strategies of FrieslandCampina

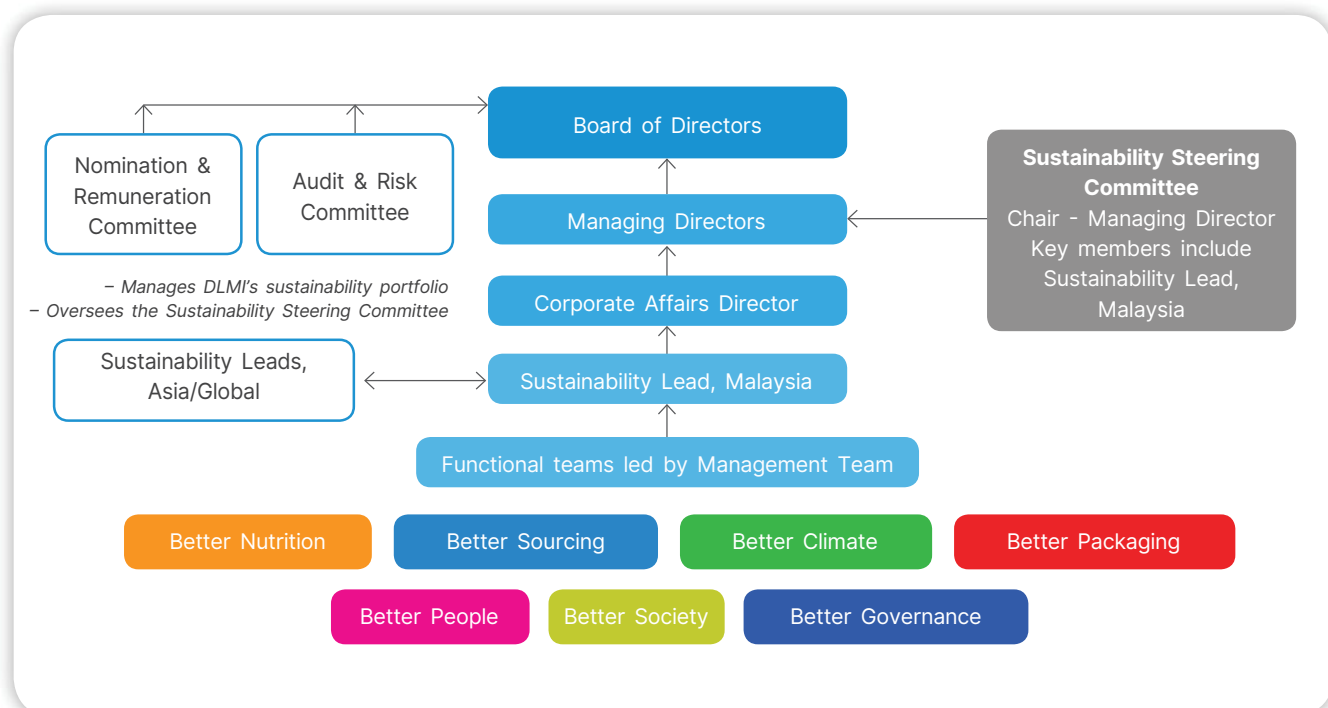
In 2023, the Board approved a revised structure for the SSC to ensure alignment with the global structure of FrieslandCampina, whereby:

The Corporate Affairs Director is responsible for managing our entire sustainability portfolio, reporting directly to the Managing Director

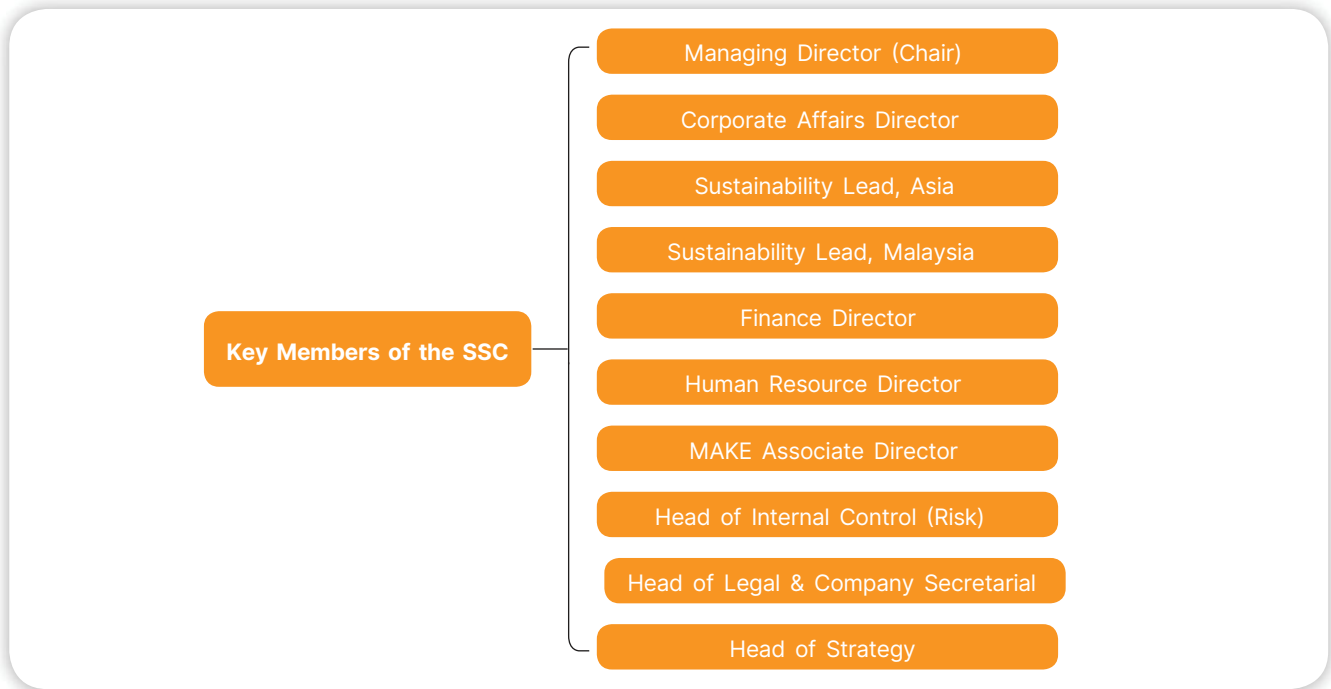
The Sustainability Lead of Malaysia, who is one of the key members of the SSC, is responsible for recommending specific strategies around sustainability issues, overseeing key risks, processes and roadmap implementation across all key functions of business

The Malaysia Lead for Sustainability also sits in regional sustainability working groups and is responsible for aligning local priorities with FrieslandCampina’s Asia and Global offices.

This revised structure is illustrated below.



SUSTAINABILITY STATEMENT



Specifically, key parties within our sustainability governance structure assume the following responsibilities:

- Functional heads apprise the Malaysia Lead for Sustainability on our performance across their respective areas of responsibility (sustainability KPIs), in addition to raising any issues and proposed solutions.
- The Director of Corporate Affairs and/or Malaysia Lead for Sustainability apprise the SSC on policies and programmes related to DLMI’s sustainability material matters on a quarterly basis.
- The Managing Director reports to the Board of DLMI on the progress of initiatives across DLMI’s sustainability material matters on a quarterly basis.

The agenda of the SSC forms part of the agenda of Management Team meetings, with key decisions specific to SSC members only disseminated through email circulations initiated by the Director of Corporate Affairs or Malaysia Lead for Sustainability.

5. INDUSTRY LEADERSHIP

LEADING THE CIRCULAR AGENDA FOR THE INDUSTRY

AS A FOUNDING MEMBER OF THE COUNTRY’S FIRST EXTENDED PRODUCER RESPONSIBILITY ALLIANCE – MALAYSIAN RECYCLING ALLIANCE (MAREA)

As a Founding Member of the Malaysian Recycling Alliance (MAREA), we actively participate in the alliance’s Board of Members, Steering Committee and Working Committee groups. Through these contributions, we strive to promote Extended Producer Responsibility (EPR) across the industry and champion the adoption of environmentally friendly packaging end-of-life practices.

In 2023, MAREA was involved in the following:

- Partnered with the Ministry of Local Government Development Malaysia (KPKT) to kick-off the pilot EPR implementation study in Langkawi that will drive continual collaboration in the design of a sustainable national EPR framework for Malaysia.
- Collaborated with the then-named Ministry of Natural Resources, Environment and Climate Change (NRECC) through their agency, the Malaysian Green Technology and Climate Change Corporation (MGTC), to develop standards and norms for circular economy practices in packaging while entrenching circular practices within their Low Carbon Cities Framework.
- Commenced a project for the collection of recyclables in selected high rise residential buildings within the area of Ampang Jaya Municipal Council (MPAJ).

SUSTAINABILITY STATEMENT

- Collaborated with Perbadanan Pengurusan Sisa Pepejal dan Pembersihan Awam (SWCorp) Federal Territory to facilitate the enforcement of Act 672 within Kuala Lumpur.
- Assessed the feasibility of the privatisation of the collection of recyclables in jurisdictions of Seberang Perai City Council (MBSP).
- Assessed the feasibility of kerbside collection of recyclables within the Greater Kuching area in collaboration with the Ministry of Public Health, Local Government and Housing Sarawak.

In addition, MAREA continues to influence policymaking and action on the circular economy through its participation in various international, national and state-level working groups.

ABOUT THE MALAYSIAN RECYCLING ALLIANCE

The Malaysian Recycling Alliance is Malaysia's first voluntary, industry-led EPR alliance and was established to enhance the country's recycling value chain and circular economy by significantly increasing the collection and recovery of post-consumer packaging. MAREA is committed to collaborating with the Malaysian Government and other stakeholders including consumers, waste collectors, recyclers and industry players to drive the singular goal of a greener Malaysia through circular economy solutions.



For more information, please visit MAREA's website at <https://www.marea.com.my>.

SUPPORTING THE D&I AGENDA FOR THE INDUSTRY

AS A MEMBER OF CEO ACTION NETWORK (CAN) AND DIVERSITY, EQUITY & INCLUSION (DEI) WORKSTREAM

Since 2021, DLMI has been one of the 70 Members of CAN. We have also confirmed our active participation in its workstream. As a member, we are committed to engage with various stakeholders including our supply chain, regulators and policy makers, government, as well as our peers across various sectors to forge partnerships that are committed to responsible business practices and sustainable development. In the process, we will not only exchange industry best practices, but also share proven strategies and future-proof ideas with CAN participants.

In 2023, we continued to support the DEI Workstream/Working Group. Our main objective is to raise awareness on the principles of and business case for DEI. We will leverage our global experience and expertise to support CAN member companies to strengthen their own DEI policies and introduce strategic interventions towards meaningful outcomes. As of December 2023, we have worked with DEI workstream members to review and draft a model DEI Implementation Guide for further inputs, socialisation and roll-out in 2023-24. In stage two of the project, we are targeting to collaborate with CAN members to also engage the government sector to promote integration of DEI principles in public procurement.

We have also agreed to join other CAN members to pledge and publicly announce 14 Collective Commitments to be achieved under three categories, namely environment, people and governance within 3 years of signing up with CAN. DLMI is well on track to meet its collective commitments as at 31 December 2023.

ABOUT CEO ACTION NETWORK

CEO Action Network or CAN is a closed-door peer-to-peer informal network of CEOs and Board members focused on sustainability advocacy, capacity building, action and performance. Through a dedicated Working Group, Workstreams and active members driving bespoke initiatives, CAN aspires to catalyse its members towards shaping future-ready and ESG-integrated business models and ecosystems.



For more information, please visit the website, www.ceoactionnetwork.com or contact the Secretariat Chong Kok Wai at kokwai.chong@ghl.com.

SUSTAINABILITY STATEMENT



BETTER NUTRITION

Expanding Accessibility to Healthy Nutrition

We aim to comply with the FrieslandCampina Global Nutritional Standards (GNS) Next Level and address the issue of malnutrition in Malaysia.

UN SDGs



Thriving Framework: Our Long-term Value Creation

- Contribute to Wellbeing economy by ensuring physical and mental health of our people and communities we serve
- Contribute to Digital economy by deploying technology to improve efficiencies, innovation and tackle social and environmental challenges

Bursa Malaysia Sector-specific Sustainability Matters Indicators

- Customer Health & Safety/Product Responsibility

NPR NUTRITION & PRODUCT RESPONSIBILITY

Why It Matters

According to the National Health & Morbidity Survey 2022, one in three adolescents are overweight or obese, while children under five years old face a variety of issues due to malnutrition, such as stunted growth. Further to this, research data from the South East Asian Nutrition Surveys (SEANUTS) II, which studied the nutritional status, dietary intake and lifestyle behaviours of more than 13,000 children aged 6 months to 12 years, showed that Malaysian children currently face a triple burden of malnutrition, with a high prevalence of children who are underweight, overweight or suffering from micronutrient deficiencies. This is in addition to the existing issue of obesity and nutritional deficiency, which afflicts Malaysians of all ages. Overweight and obesity, undernutrition and micronutrient deficiencies represent a heavy burden to economic development globally with high material and immaterial costs.

SUSTAINABILITY STATEMENT

As a leading dairy company, we have a responsibility to address this issue by delivering products that meet the nutritional needs of consumers and providing useful product information at point-of-sale and on our packaging so that consumers can make informed, healthy food choices.

Our Management Approach

In line with our goal to Nourish the Nation, we aim to ensure that 95% of our consumer dairy sold meets the FrieslandCampina’s GNS by 2030. Beyond the products we sell, we commit equally to improving the availability and affordability of nutritious dairy and raising awareness on nutrition and its related issues, while upholding our strict product quality and safety standards. We also adhere to rigorous guidelines to minimise risks associated with false labelling or marketing.

Our Focus Areas

Adhering to FrieslandCampina’s GNS

Through the GNS, FrieslandCampina aims to take the lead in preventing undernutrition and micronutrient deficiencies in lower-income countries. Supporting this, we pledge to drive change through action at the product, communication and community levels, beginning by:

01

Increasing the level of micronutrients in our products

FrieslandCampina’s GNS-driven activities benchmark our actions and progress against the standards of the Access to Nutrition Initiatives’s (ATNI) Global Index and World Benchmarking Alliance, with the aim of earmarking ourselves as a leader in transparent business practices.

DLMI commit equally to ensuring that clear, consistent and transparent nutritional information is provided on the labels and packaging of our products, in line with our responsible marketing practices, thus facilitating more informed and healthier food choices. Furthermore, we undertake efforts to encourage a healthy diet and physical activity amongst the general public through ongoing campaigns and community-based activations, which are detailed below.

Beyond our GNS commitments, we shall continue to prioritise the maintenance of a balanced product portfolio that provides a balanced mix of nourishing options for daily consumption and indulgent treats for occasional enjoyment, with our progress in this regard continuously monitored and regularly reported.

This quest is supported by our implementation of the Healthier Choices Logo (HCL), which provides transparent information on the nutritional value of products at point-of-sale, in line with the National Plan of Action for Nutrition of Malaysia (NPANM) III (2016-2025), which aims to promote healthier lifestyles across the Malaysian populace.

02

Reducing levels of nutrients associated with adverse health effects

In 2022, 100% of DLMI’s products that were eligible for HCL certification met HCL guidelines. In 2023, we improved the accuracy of our reporting and reviewed the boundaries of our HCL certified products against all available products, regardless of whether they are HCL eligible, and found 65% of our total products are HCL certified.

We are equally committed to delivering Halal-certified products to our consumers, and uphold stringent Halal requirements that encompass standards for hygiene, quality, safety and sanitary conditions, in full compliance with the regulations outlined by Jabatan Kemajuan Islam Malaysia (JAKIM), Jabatan Agama Islam Negeri (JAIN) and other authorised Islamic Certification Bodies.



SUSTAINABILITY STATEMENT

Driving Education on Nutrition



We have undertaken wide-ranging efforts to educate healthcare professionals (HCPs), parents and the general public on nutrition and the important role that our products can play.

In 2023, we ran the second edition of the Paediatric Growth Academy, a continuous medical education (CME) programme that provided HCPs with valuable information on the importance of appropriate nutrition for growth, immunity and brain development in children, with the aim of arming these HCPs with the knowledge and tools to make a difference in the fight against child undernutrition. In addition to expert-led insights, the event prominently featured marketing collaterals that created awareness of the scientifically-backed benefits of our Maxgro and Dutch Lady Formulated Milk Powder for Children product ranges, positioning them as important components of a nutritious diet.

A total of 681 HCPs from private and government healthcare institutions registered for the event, with 393 participating and 90 attending physically – 94% of our targeted attendance.



SUSTAINABILITY STATEMENT



During the year, we also collaborated with Masjid Tun Abdul Aziz to organise Karnival Nourish PJ, a fun-filled and educational event to promote the benefits of milk and dairy products for health and wellness, as well as to foster social harmony and cohesion among the diverse communities of Petaling Jaya. The event started with an invigorating morning walk to encourage physical mental fitness as well as an educational talk by a DLMI nutritionist on the importance of dairy nutrition and ways to incorporate milk and dairy products into a balanced diet and lifestyle. These activities were followed by a free body composition analysis where participants benefitted from an assessment of their body fat percentage, muscle mass and metabolic rate, enabling them to gain a holistic picture of their health. Various interactive games were also held throughout the day with attractive prizes given away to winners.

SUSTAINABILITY STATEMENT

Further to these programmes, we extended the reach of our educational efforts in 2023 through various collaborations with NGOs, government agencies and community-based organisations. These included:

01

A breakfast programme held in collaboration with Petaling Jaya City Council

02

A nutrition programme held in collaboration with Jabatan Kemajuan Masyarakat (KEMAS) under KEMAS National Potential Day, where we delivered a talk on nutrition to parents of pre-school aged children

03

An engagement with over 800 teachers to educate them on the importance of school milk in a nutritious and balanced diet, as part of our work with the Ministry of Education’s School Milk Programme (PSS)

04

Our participation in the NSM Conference 2023, where a nutritional expert from FrieslandCampina delivered a presentation on the topic: “Sustainability Healthy Diet – Nourishing a Better Planet”

Through these engagements, we sought to change mindsets and behaviour towards the adoption of healthier and more nutritious diets while strengthening our credibility as an expert on dairy-based nutrition at the national level.

Our Performance

92.6%

of consumer dairy products are compliant with Global Nutritional Standards (GNS) (2022: 96.4%)

65%

of our products are HCL certified. In 2022, the 100% measurement is against total HCL-eligible products of 31 SKUs.

100%

of products are Halal-certified (2022: 100%)

SUSTAINABILITY STATEMENT

IT INNOVATION & TECHNOLOGY

Why It Matters

In an evolving industry, innovation plays a critical role in ensuring our long-term strength as a business. By adopting new technologies and approaches, we can produce high quality dairy more efficiently and at lower resource footprints. Furthermore, by continuously exploring and introducing new product varieties, we can adapt to evolving consumer trends and demands - especially in relation to dietary preferences and sustainably produced goods. In totality, our proactive approach to innovation enables us to maintain our competitive advantage and protect the sustainability of our business.

Our Management Approach

While our innovation efforts span the dimensions of product, process and environmental impact, our core focus lies in unlocking improved cost and time-efficiencies through the targeted application of digital technologies and solutions. An example of this is our World Class Operations Management (WCOM) programme, which aims to increase focus, maximise impact and drive sustainability in our production processes manufacturing facility. We also strive to Industrial Revolution (IR) 4.0 technologies such as the Internet of Things (IoT), big data analytics, cloud computing and augmented reality to improve operational efficiencies, with these technologies converging at our new Bandar Enstek manufacturing facility to create a modern, future-proof production environment.

Our Focus Areas

In 2023, the preliminary phase of the WCOM programme – where we identified areas of improvement and capital investment– was concluded. Thus, our energies shifted toward the deployment of the operational improvement strategies identified, with this process set to continue moving forward.

Meanwhile, at our Bandar Enstek manufacturing facility, we continued to implement the Industrial Revolution (IR) 4.0 technologies mentioned above, with the aim of creating a future-ready production environment that maximises efficiency and minimises use of natural resources through data-driven decision-making. Some of the benefits unleashed by the deployments include:

| | | | |
|--|---|---|--|
| <p>01</p> <p>On-time and first-time right production</p> | <p>02</p> <p>Production with no material losses</p> | <p>03</p> <p>Reduced chemical, waste and energy usage in production</p> | <p>04</p> <p>Continuous performance improvements through data-based insights</p> |
|--|---|---|--|

Our Performance

Completed the WCOM programme, with deep-dive initiatives deployed from 2023 onwards

Continued to deploy solutions at our Bandar Enstek manufacturing facility

SUSTAINABILITY STATEMENT



BETTER SOURCING

Contribute to Nation Building with Local and Responsible Sourcing

We aim to ensure that our raw materials are sustainably sourced and to maintain responsible supply chain management practices.

UN SDGs



Thriving Framework: Our Long-term Value Creation

- Contribute to supply chain resiliency by building our capabilities and capacity to prevent, adapt to and recover from all kinds of crises across our supply chain.

Bursa Malaysia Common Sustainability Matters Indicators

- Proportion of spending on local suppliers

RSC RESPONSIBLE SUPPLY CHAIN

Why It Matters

The standards we adhere to in the sourcing of raw materials and inputs has a direct impact on the quality of our end products and aids us in unlocking greater cost-efficiencies in production. Furthermore, by maintaining sustainable sourcing practices that support responsible resource extraction and the circular economy, we can help protect valuable natural environments.

Responsible supply chain management also means sourcing locally whenever possible and maintaining fair and transparent procurement practices. This enables the economic value we generate to circulate within the Malaysian business ecosystem and supports the government’s goal of achieving food security and self-sufficiency in nutrition.

SUSTAINABILITY STATEMENT

Our Management Approach

In line with the Malaysian Government’s local dairy development agenda, we aspire to ensure 100% self-sufficiency of local fresh milk by 2030. To achieve this, we are actively appraising risks and opportunities across our supply chain and driving the compliance of our suppliers to our ESG impact criteria while taking steps to upskill our suppliers with the capabilities they need to improve the volume and quality of the milk they provide. Doing so enhances the resilience of our supply chain, positioning us to meet the expected growth in demand for dairy products – sustainability and locally.

Our Focus Areas

In support of the local business ecosystem, we are working to increase spending on local suppliers as a percentage of our annual budget. In addition, we continuously monitor the percentage of contracts with our suppliers covered by DLMI procurement agreements, which currently stands at 88%.

When sourcing inputs in environmentally sensitive categories, we ensure that our requirements are met through sustainability managed and internationally certified resources. Examples include our use of RSPO-certified palm oil, responsibly sourced cocoa and FSC/PEFC-certified paper. In 2023, we took a further step by categorising and identifying all raw agricultural materials used as inputs in our production processes. We are now tracking these inputs to ensure that they meet our environmental standards.

Meanwhile, with the aim of ensuring that our quality and sustainability standards are reflected across our supply chain, we monitor the performance of our suppliers on an ongoing basis through our Supplier Performance Evaluation. In 2023, we assessed the environmental and social impacts of our top 80% of suppliers by spend, with the assessment carried out by sending forms to these suppliers and collating their responses. This enabled us to identify issues that may affect the stability of our supply or incur significant social or environmental risks.

Our proactive approach to supplier ESG impacts reflects the fact that their performance in this area impacts our reputation and competitiveness as an organisation. In line with this, 100% of our suppliers have signed the DLMI Compass, committing them to upholding good business conduct in all business activities involving the Group. In 2023, we also implemented a grievance mechanism for our suppliers which they may use to report any suspected misconduct or unethical business practices involving DLMI and our supply chain.

In addition, we undertook a preliminary assessment of the impact of our procurement activities on our Scope 3 emissions during 2023, in line with our Group-wide emissions reduction efforts.

Our Performance

100%

responsibly sourced/
RSPO-certified palm oil
(2022: 100%)

100%

responsibly sourced cocoa
(2022: 100%)

100%

FSC/PEFC-certified paper
used across all product
packaging
(2022: 100%)

39% or **RM533.2** million in spending in FY2023 was on local suppliers
(Include FrieslandCampina intercompany suppliers)

(2022: 44% or RM541.9 million in spending on local suppliers; include FrieslandCampina intercompany suppliers)

SUSTAINABILITY STATEMENT



BETTER CLIMATE

Nourishing The Planet

In line with FrieslandCampina’s global aspiration, we are progressing on our journey towards net-climate-neutral dairy by 2050. To get there, our focus lies in decreasing energy, emissions and water intensity while maintaining “zero to landfill” for our production waste.

UN SDGs



Thriving Framework: Our Long-term Value Creation

- Contribute to environmental sustainability by protecting, conserving and regenerating natural capital and managing how we use natural resources, both directly and indirectly.

Bursa Malaysia Common Sustainability Matters Indicators

- Total energy consumption
- Total volume of water used
- Scope 1 emissions in tonnes of CO₂e
- Scope 2 emissions in tonnes of CO₂e
- Scope 3 emissions in tonnes of CO₂e (business travel and employee commuting only)
- Total waste generated, and a breakdown by
 - Total waste diverted from disposal
 - Total waste directed to disposal



ENERGY, WATER, WASTE & EMISSIONS

Why It Matters

The effects of the global climate crisis are already being seen in the form of extreme weather events, increased water scarcity, declining biodiversity and more frequent and intense droughts, amongst other impacts. These environmental changes threaten not only natural ecosystems but also the people and businesses who depend on them. For us, the crisis equates to greater uncertainty around livestock productivity and our ability to secure inputs as well as the potential for more frequent logistical disruptions.

These interconnected impacts make concerted action on environmental issues an imperative for our business, our local communities and our reputation as a progressive, future-oriented company.

SUSTAINABILITY STATEMENT

Our Management Approach

In keeping with our global sustainability strategy – Nourishing a Better Planet – we are committed to achieving a 30% reduction in our energy and water intensity by 2030 against 2022 baseline.

Our key strategies to this end include deploying technological and engineering solutions and improving production capacity and efficiencies. In addition, we utilise circular waste management approaches that enable us to achieve zero waste-to-landfill. Through innovation, we can tread lighter on the planet and its natural resources without sacrificing our ability to meet our production targets and the growing demand for dairy.

Our Focus Areas

During 2023, we have continued to invest in various initiatives to reduce our emissions, energy and water intensity at our new production facility in Bandar Enstek and our existing facility at Petaling Jaya while striving to reduce our disposal of non-recyclable waste at both of our production sites.

With the projected date to move to the new manufacturing facility drawing nearer (we expect the facility to be fully operational during 2024), we kick started our transition process while retaining full operational capacity at our Petaling Jaya facility, leading to a temporary increase in Group-wide resource use and emissions. Meanwhile, due to the resources required, to manage manpower constraints and minimise disruptions to the transition process, some of the ongoing energy, water and emissions reduction initiatives at our Petaling Jaya facility had to be reduced.

Nevertheless, we did make significant progress on our environmental initiatives during the year. At our Petaling Jaya manufacturing facility, we eliminated the use of single-use plastics in the factory canteen through a “No Plastic” campaign run in collaboration with the canteen operator, reducing non-recyclable waste and costs related to plastic use. Meanwhile, we continued to rigorously monitor our daily steam-to-fuel ratio of our gas boilers, eliciting insights that our specialists can use to optimise our consumption of natural gas in this process, as well as monitor water usage across our operations, with our performance shared during daily meetings to drive adoption of best practices.

In upholding responsible wastewater treatment practices, our wastewater treatment plant (WWTP) achieved 100% compliance to the guidelines outlined in the Environmental Quality (Industrial Effluent) Regulations 2009 (Standard B) established by Malaysia’s Department of Environment (DOE). In addition, we managed to reduce the electricity consumption of the blowers used in our WWTP by monitoring dissolved oxygen readings.

Meanwhile, we kicked off the first phase of our carbon assessment exercise in partnership with Malaysian Green Technology and Climate Change Corporation (MGTC) and Climatera Consulting. The assessment provided us with a clearer picture of our emissions and highlight areas where we can achieve sustainable reductions, in line with our climate action ambitions.

Looking forward, our state-of-the-art, IR4.0-enabled production facility in Bandar Enstek will unlock significant long-term gains in resource-efficiency and emissions reductions while allowing us to undertake continuous monitoring of environmental parameters across our operations. Specifically, through IoT and automation technologies, we will be able to detect when inverters and electronic sensors need to be changed, driving improved plant reliability and long-term energy savings.

SUSTAINABILITY STATEMENT

Our Performance



YTD (2023)

Total energy (MW)

47,112.5

Total energy (MJ)

169,641,035.2

0.138
Carbon Intensity
(2022: 0.127)

+8.66%
against target CO₂ emissions reduction
(2022: -5.8%)



Energy Intensity

1.1

(2022: 1.1)

Scope 1 Emissions

5,957.4

tCO₂eq
(2022: 6,842 tCO₂eq)



Total volume of water used

684,442 m³

(2022: N.A.)

Scope 2 Emissions

13,747

tCO₂eq
(2022: 14,412 tCO₂eq)



Water intensity

3.6

(2022: 3.4)

Scope 3 Emissions

Business Travel Employee commuting

767

tCO₂eq

524

tCO₂eq

Total waste generated

1080.2 tonnes

Total waste diverted from disposal

Zero waste to landfill, with **100%** of waste directed from disposal

(2022: Zero waste to landfill)

Total recycle waste generated (tonne)

931.7

Waste to Energy (tonne)

148.4

Total landfill waste (tonne)

0

Friso
GOLD

NATURAL
SMALL
MOLECULES

WITH
SOFT
STRUCTURE



Can Natural Small Molecules & Soft Structure Provide *Easy Digestion?*

Ask your Doctor about Upgraded Friso® Gold with **NOVAS™ Signature Milk** and discover the Importance of Good Digestion to Support **Nutrient Absorption**.

Essential Nutrients & No Added Sucrose/Flavour



*As of year to date 20th Jan 2021 on Friso® Gold Official Store at Shopee.

Website
www.frisogold.com.my

Facebook
www.facebook.com/FrisoGoldMY

Instagram
www.instagram.com/frisogoldmy

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100% Made in the Netherlands



SUSTAINABILITY STATEMENT



BETTER PACKAGING

Optimise Our Packaging and Our Own Waste

We aim to achieve our global goal of 100% recyclability of packaging across all product categories by 2030. We will get there by exploring and implementing innovative packaging approaches and alternative solutions.

UN SDGs



Thriving Framework: Our Long-term Value Creation

- Contribute to Circular economy through innovation and by implementing alternative solutions that help to close the loop on materials

Bursa Malaysia Common Sustainability Matters Indicators

- N/A

RC RECOVERY & CIRCULARITY

Why It Matters

The packaging that we use for our products generates a substantial volume of potential waste each year, and it is our responsibility to advance circular solutions that maximise the volume of our used beverage cartons (UBCs) that is recycled at end-of-life. Specifically, we must take the lead by introducing recyclable packaging solutions and inculcating environmentally responsible habits amongst consumers.

With Malaysia currently the third biggest ocean plastic polluting country in the world according to Science Advances, the imperative of taking action in this vital issue is even greater.

SUSTAINABILITY STATEMENT

Our Management Approach

Our approach to better packaging is two-pronged: reducing the amount of materials we use and taking steps to encourage their recycling once consumed.

We are committed to ensuring that 95% of our packaging is designed for recycling or reuse. Our key strategies include investing in sustainable packaging technologies and solutions, and where possible maximizing the use of materials that can be optimally recycled. Our efforts are bolstered by FrieslandCampina’s RESPAKKT, a science-based assessment tool that we use to measure, compare and monitor the environmental performance of our packaging.

Our Focus Areas

First and foremost, we strive to minimise the usage of materials in our packaging while retaining their essential barrier, hygiene and food safety qualities. In 2022, we embarked on a project to reduce the length of our product pouches and the thickness of shrink films used in our Ultra Heat Treatment (UHT) milk packaging, while also adopting thinner stretch films for use in transporting our products, with these initiatives continuing as planned in 2023. These new approaches deliver two key benefits for the environment – reducing our use of natural resources and our waste impact at end-of-life – while also driving cost savings for our business.

As we move towards 95% packaging recyclability, we are also taking steps to ensure that our recyclable packaging is, indeed, recycled once used. As a Founding Member of MAREA, Malaysia’s first Extended Producer Responsibility (EPR) alliance, we are building a roadmap to own our own waste in the post-consumption phase. This involves collaborating with other ecosystem players to create the infrastructure for waste collection and driving public awareness of the importance of recycling.

In 2023, we participated in extensive engagements with local councils, government agencies and ministries through MAREA to drive the development of the Extended Producer Responsibility (EPR) ecosystem in Malaysia. Through MAREA, we also contributed to a pilot EPR implementation project in Langkawi, in collaboration with the Ministry of Local Government Development (KPKT) and Solid Waste Management and Public Cleaning Corporation (SWCorp), and played an active role in several technical working groups on key recycling-related topics.



Our Performance

Consumer Dairy Products

92.5%*

Packaging
recyclable-all
materials

69.9%*

Packaging
recyclable-
plastics

Specialised Nutrition Products

77.8%*

Packaging
recyclable-all
materials

20.3%*

Packaging
recyclable-
plastics

* Includes primary, secondary and tertiary packaging.

SUSTAINABILITY STATEMENT



BETTER PEOPLE

Top Employer in Malaysia

In an ever-evolving world, our ability to create value as an organisation is directly influenced by the agility and capabilities of our workforce. For this reason, our social sustainability agenda focuses on people, striving to empower and support our employees and create sustainable outcomes for local communities and others who are affected by our business.

By 2030, we aspire to be in the top quartile of the Top Employers Benchmark by Top Employers Institute. To achieve this, our key strategies include delivering an above-industry benchmark employee experience, championing capability building, development and growth across various dimensions of wellbeing and shaping a diverse, equitable and inclusive culture to meet global diversity and inclusion (D&I) benchmarks and positively impact our employees' lives.

UN SDGs



Thriving Framework: Our Long-term Value Creation

- Contribute to Wellbeing economy by catalysing personal and professional growth and leadership and ensuring both physical and psychological health of our people and communities we serve

Bursa Malaysia Common Sustainability Matters Indicators

- Percentage of employees by gender and age group, for each employee category
- Percentage of directors by gender and age group
- Number of substantiated complaints concerning human rights violations
- Total number of employee turnover by employee category
- Total hours of training by employee category
- Percentage of employees that are contractors or temporary staff
- Number of work-related fatalities
- Lost time incident rate
- Number of employees trained on health and safety standards

SUSTAINABILITY STATEMENT

EE EMPLOYEE EXPERIENCE

Why It Matters

According to an article published by Forbes Human Resources Council, employee experience is a collection of the moments that matter to employees. As such, it is vital that we deliver moments that make our employees feel valued, engaged and driven to achieve success.

By creating an environment that enables such moments to happen on a regular basis, we can in turn unlock increased workforce productivity, build the agility of our employees and encourage innovative thinking, bolstering our ability to adapt and thrive amidst change.

At the same time, by building workplaces that prize diversity, equity and inclusion, we can earmark ourselves as a leading, progressive employer and through this, enhance the talent pool at our disposal.

Our Management Approach

At DLMI, we believe in our people. We collaborate with our critical assets to inspire a high-performance and inclusive workspace. In the process, we nurture our talents, providing continuous opportunities for learning and growth. Towards this, a consistent and seamless employee experience is instrumental to building people loyalty as well as to drive productivity and performance. We achieve this through continuously looking at opportunities to improve processes, various platforms that enable employees with data and analysis, systems that help with execution excellence and help manage the transition through quality engagement and feedback loops.

Our Focus Areas

Being Recognised as a Top Employer

In 2023, we continued to be recognised as one of Malaysia's leading employers by the Top Employers Institute, with DLMI being the only dairy company named amongst its list of 19 organisations. We kept up this momentum by working with the institute to assess and improve our employment and people-focused practices, prioritising changes that go beyond processes, controls and operations alone. The priorities identified this year covered a wide range of focus areas including the alignment of our business and people strategies, employee listening, rewards and recognition, ethics and integrity, employee performance and sustainability. Our efforts in these areas reinforce our commitment to create supportive workplaces that value wellbeing, professional growth, D&I and overall employee satisfaction.

Evolving our Approach to Human Capital

In December 2023, we commenced the process of transitioning to a new fit-for-purpose business model that will holistically support our growth and people aspirations. Conducted in alignment with the global redesign of FrieslandCampina's organisation structure, this exercise required us to critically examine our ways of working and embrace positive changes to future-proof our people, processes and business, with the entire transformation process set to continue over the next two years.

During this time, our task at hand will be to deliver a positive employee experience throughout the process and conduct quality engagements and dialogues at various levels of the organisation, thus inspiring our employees about the exciting possibilities that the transformation brings about for their growth and development. At the same time, we remain committed to providing steadfast support to employees whose jobs or circumstances are evolving due to the changes taking place.

As a whole, our transformation positions us to fully capitalise on the full operationalisation of our new manufacturing facility at Bandar Enstek, which will enable us to adopt innovative ways of working that contribute to our long-term resilience and growth. In this, our people will play a vital role, powering our continued evolution as we take further strides in nourishing the nation.

SUSTAINABILITY STATEMENT



Listening to Employee Feedback

In striving to improve the employee experience and drive retention, we conduct regular surveys to canvas feedback from our workforce.

In November 2023, we conducted our latest Over2You Employee Feedback Survey, garnering a strong 81% response rate and a 75% employee engagement index score, which is above external benchmark.

Through the survey, employees identified “Action Taking”, “Continuous Improvement” and “Decision-making” as key strengths of our approach to employee management, while “Prospects”, “Empowerment” and “Respectful Treatment” were found to be areas where we can still improve. As a follow-up, our Senior Leadership and Management are exploring ways that we can more effectively champion respectful treatment as a key value while taking steps to promote the good behaviours outlined in our Compass values and enhance transparency within teams.



I've thoroughly enjoyed the hybrid work environment at DLMI, finding the perfect blend of autonomy and collaboration. My colleagues have come to trust me as a reliable team member, knowing that I consistently deliver high-quality work and contribute positively to our projects, regardless of the location.”

Lee Xin Ru
Human Resources Intern



I take great pride in cultivating meaningful connections with colleagues, recognising the importance of inclusivity in achieving our shared goals. Inclusivity is at the heart of our company culture, celebrating diverse perspectives and creating a positive work environment. With a cheerful and positive approach, I strive to radiate positivity, elevating the collective spirit, and fostering a collaborative environment characterised by respect and support.”

Lydia Lim
Tax Manager



SUSTAINABILITY STATEMENT



“

My passion lies in testing new ideas and rapid learning, and being part of a company that champions this mindset has been a driving force for me. I’ve witnessed first hand how our company consistently prioritises and invests in groundbreaking ideas as part of our everyday practices. What truly sets us apart is our closely-knit, open-minded team, fostering an environment where ideas flow freely and comfortably. This is more than just a workplace; it’s a culture that celebrates innovation and encourages every team member to push boundaries, nurturing an ecosystem where creativity thrives.”

Jaskireth
Assistant Brand Manager

“

Collaboration drives my every action. Leading the day-to-day operations of the UHT plant and spearheading process improvements, I forge strong partnerships with many departments. Together, we optimise productivity, address product concerns, conduct root cause analyses, and establish standard operating procedures - all while upholding stringent quality standards.”

Naim
Production Team Lead



Supporting Union Representation

During the year, we also signed our first collective agreement with Food Industry Executive Staff Union (FIESU), a testament to the firm commitment and commendable industrial relations displayed by both parties. The collective agreement helps forge better understanding between DLMI and our employees, encouraging cooperation and mutual support towards driving our purpose of “Nourishing Our Planet and People in Every Stage of Life”, and marks a vital step in ensuring a successful transition to our Bandar Enstek manufacturing facility.

As at 31 December 2023, 33.3% of our employees are unionised and governed by collective bargaining agreements.



The signing ceremony for the collective agreement took place in the presence of Mr Mohd Hellmy bin Ajis, President of FIESU, Mr Suhazni @ Sazli bin Rahim, Secretary of FIESU, Mr Ruzaki bin Mamat, Treasurer of FIESU, Mr Muhamad Fuad bin Abdullah, President of the Worksite Committee, and Mr Muhamad Shahrul bin Sawarukan, Secretary of the Worksite Committee.

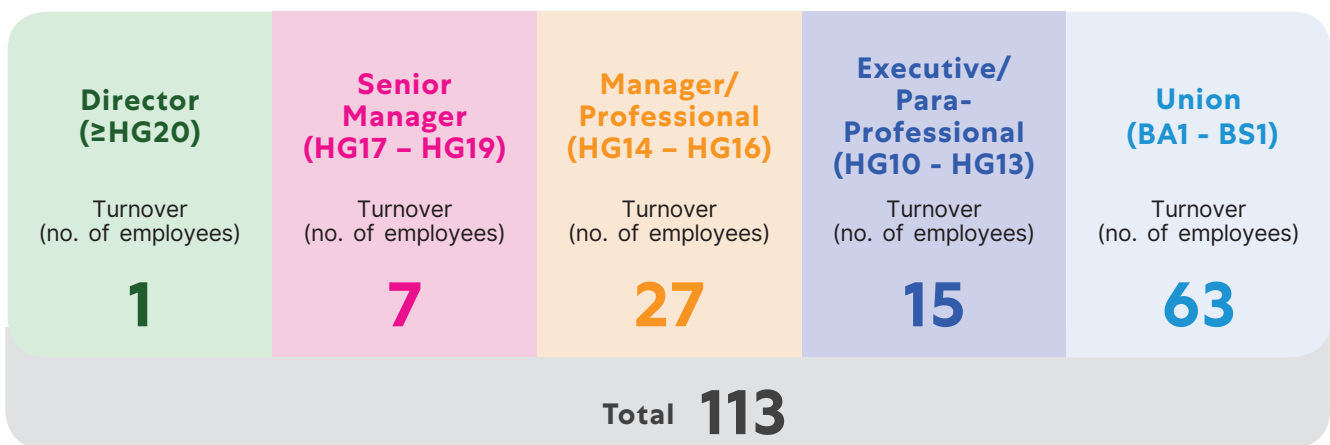
SUSTAINABILITY STATEMENT

As a whole, we have made strong progress in our employee engagement and development efforts during the past year, supporting our mission to build a high-performance culture, improve productivity and nurture a sense of pride amongst our employees. Our achievements in this area are reflected by a reduced voluntary attrition rate of 8.55% in 2023, a commendable improvement compared to 11.24% in 2022 that stands below the Mercer industry average of 11.8%. Moving forward, we will continue to develop initiatives to address material matter 6 and build a compelling long-term proposition for our people, enshrining the key role they play in fulfilling our purpose as an organisation.

Employee Engagement

In 2023, we conducted 30 employee engagement sessions, compared to 29 in 2022, and received a 75% employee engagement index score, compared to 81% in 2022.

Employee Turnover by Employee Category



WG WELLBEING & GROWTH

Why It Matters

Gallup’s latest analytics underscore the fundamental role of a fulfilling job and engaging work in a thriving life. The highest performing organisations are driven by individuals who not only respect one another but also draw motivation from their career paths. These individuals cultivate a profound sense of belonging and exhibit leadership at every level, thereby aligning personal, professional, and organisational aspirations. In turn, this synergy creates a dynamic environment where every individual’s potential can flourish.

Our Management Approach

At DLMI, we believe that our people are our greatest asset. That’s why we prioritise their wellbeing and growth, making DLMI the best place to work. This means, our people are presented with opportunities to address some of the key components that contribute to their wellbeing and growth. These include career fulfillment, financial stability, professional and respectful relationships, good physical and psychological health, and community engagement among others. All these in turn contribute to creating a culture of ideas, innovation, and continuous improvement.

SUSTAINABILITY STATEMENT

Our Focus Areas

Listening to and Supporting Our Employees

We maintain several channels through which our people can raise work-related concerns and discuss personal issues, with their input enabling us to take proactive measures that protect their wellbeing.

In line with our efforts to cultivate psychological safety, our people managers actively engage in conversations with our employees. These discussions provide a platform to address the day-to-day challenges they face, assuring them that we are dedicated to supporting their wellbeing.

Meanwhile, more than 77 employees benefited from our on-site psychological counselling services in 2023. Facilitated by an external expert, these sessions are designed to help our employees identify and navigate their emotional needs, empowering them to be their most authentic selves. All discussions are treated with utmost confidentiality.

Moreover, we encourage our employees to raise any work-related issues through our SpeakUp channel. In 2023, we received a total of five SpeakUp reports, compared to just one in the previous year, indicating that our employees feel safe in voicing their concerns. Each reported case underwent thorough investigation, following our established procedures, and was resolved in a respectful manner.

Promoting Health and Safety at Work

Health and safety are vital aspects of our approach to employee wellbeing.

In 2023, we conducted our annual on-site health screenings at our corporate office and manufacturing facility in Petaling Jaya, with 129 employees participating in the two-day event. These screenings provide our employees with the means to continuously monitor their health and make progress towards their health goals. By being aware of their physical and psychological wellbeing, we believe our people can optimise their potential and create greater value for the business and in their own lives.

We promote workplace safety through our Safety First culture, encouraging every employee to champion safe work practices and drive positive change amongst their peers. Our aim is to achieve beyond regulatory standards and embody best practices in this vital area of focus, with the wellbeing of our employees and the protection of company assets a top priority. This in line with FrieslandCampina's global aspiration to build workplaces where safety is ingrained across all business processes, supported by cooperative efforts to drive improvement through innovation.

Supporting our ambition in workplace safety, we continued to deliver training programmes and other initiatives throughout the year to reinforce our Safety First culture – not only within our workforce but also amongst our contractors, who are committed to upholding our safety standards and obligations.

Empowering Learning and Development

Amidst the transition to our new Bandar Enstek manufacturing facility, we remained committed to supporting the continuous development of our employees. Our approach here is to drive their vertical and horizontal growth via capacity and capability-building programmes, building their competency in new skill areas while providing them with development opportunities in technical and non-technical areas that are mission critical to our business.

Upholding Human Rights

Safeguarding the wellbeing of our employees means protecting their fundamental human rights, strictly, in everything we do. To this end, FrieslandCampina's and our organisation-level Human Rights Policy are aligned with international principles, including the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. This comprehensive policy framework aids us in nurturing stronger relationships with our employees, driving improved performance and fostering a sense of pride in working at DLMI.

SUSTAINABILITY STATEMENT

Our Performance

Work-related Fatalities

In 2023, we recorded zero cases of work-related fatalities among employees and subcontractors working under our supervision for at least 12 months, as per the scope of this indicator.

However, in April 2023, during the construction of our Bandar Enstek manufacturing facility and under the supervision of our main contractor, a fatality occurred following an accident. The accident was thoroughly investigated in close cooperation with the Malaysian government, confirming that we were in compliance with all necessary measures and procedures at the time of the accident's occurrence.

Lost Time Incident Rate

We recorded a 0.11 Lost Time Incident Rate* in 2023, reflecting a minor injury suffered by an employee due to an accident at our manufacturing facility in Petaling Jaya.

* Based on global safety standards, our Lost Time Incident (LTI) indicator term is called Total Recordable Frequency Rate (TRFR). This scope of this metric encompasses accidents, restricted work cases and incidents that require medical attention. Reporting is conducted only for direct employees and supervised contractors.

Total and Average Hours of Employee Training

In 2023, we delivered 20,432 hours of training. This equates to an average of 37.8 hours of training per employee, a sharp increase compared to 20.8 hours in 2022.

Our continued efforts to enhance our employee training programmes contributed to an employee growth score of 75%, surpassing the GLINT employee engagement survey's external benchmark of 72.

Employee Category (Hay Grade)



SUSTAINABILITY STATEMENT

Employees who Received Training on Safety and Health Standards



In line with our efforts to foster a Safety First culture,

68.5% of our employees received training on our rigorous health and safety standards in 2023.

Human Rights Violations



In 2023, there were five (5) substantiated cases reported concerning human rights issues at DLMI, with each case involving a third-party contractor. In accordance with our governance procedures, we conducted independent investigations into each case, taking all necessary steps to address and resolve the issue and implement recommendations to prevent further occurrences in the future.



SUSTAINABILITY STATEMENT



DIVERSITY & INCLUSION

Why It Matters

According to Great Place to Work, diverse and inclusive workplaces not only foster a sense of belonging but also drive tangible benefits. These include higher revenue growth, greater readiness to innovate and an increased ability to attract and retain top talent. In fact, diverse and inclusive workplaces are shown to have about 5.4 times higher employee retention rates compared to less inclusive counterparts.

At DLMI, diversity is not just about representation; it is also about leveraging unique perspectives and experiences to drive innovation and growth. In turn, inclusion is the key to retaining diverse talent as inclusive environments ensure that employees feel valued for their contributions and feel empowered to bring their best selves to work. This not only enhances job satisfaction but also drives personal and professional growth.

Our Management Approach

Diversity and inclusion are values that are inherent to our organisational culture. We strive to build effective teams that benefit from a wide range of personalities, cultures, ethnicities, skills, knowledge areas and experiences. Such diversity contributes to insightful dialogue, drives continuous learning, enhances talent development and helps to create work environments where our employees feel a true sense of belonging.

To enable these positive outcomes to occur, we focus on providing our people with equitable career development opportunities while maintaining avenues for them share their input or raise any issues they encounter. This is pillared on a respectful culture that stands against discrimination and supports new ideas and innovation.

Our Focus Areas

Fostering Supportive Workplaces

Recognising the power of diversity and inclusion, we are committed to maintaining workplaces where everyone has the opportunity to thrive, with a particular focus on gender diversity and male allyship.

Research indicates that women are often over-mentored and under-sponsored compared to their male counterparts. To address this, our advocacy efforts aim to promote equity by cultivating supportive personal relationships and advocating for women's advancement through public acts of sponsorship. This approach supports our efforts to drive greater representation of women at the Senior Management and Board levels.

In 2023, we collaborated with 30% Club to organise a panel discussion on male allyship at our corporate office in Petaling Jaya. With more than 40 members of the 30% Club – from various companies and industries – in attendance, we shared best practices that may help other organisations take further steps in promoting gender equity and allyship in their workplaces.

SUSTAINABILITY STATEMENT



Ramjeet Kaur Virik, Managing Director of DLMI, sharing the platform with industry experts and practitioners at the panel discussion, where they exchanged their experiences, views and aspirations on gender equity and male allyship.

Further to this, we continue to serve as a Co-Lead and Member of the Diversity, Equity & Inclusion (DEI) workstream of CEO Action Network (CAN), where we partner with business leaders across a variety of sectors to promote a more unified comprehension of D&I across the Malaysian corporate landscape, thus strengthening our position as a leader in this area. As part of our contribution to CAN, we also conducted a workshop that focused on reviewing the Model D&I Policy, with the objective of determining appropriate D&I guidelines and interventions for businesses.

We also continued to serve our role as a Co-Lead and as a Member of the DEI workstream of CAN, where we partnered with multi-sectoral business leaders to promote a unified comprehension of DEI and strengthen our position as leaders in championing DEI best practices. During the year, we conducted a workshop focused on reviewing the Model DEI policy, with an objective to determine DEI Guidelines and Interventions for businesses.



Our team at the discussion of the DEI workstream of CEO Action Network, where they engaged in purposeful discussions with fellow industry players to drive shared understanding and commitment towards implementing model D&I principles.

As of December 2023, 75% of our Board positions and 44% of our Top Management positions were held by women. These figures reflect the importance ascribed to gender diversity across the organisation and our concerted efforts to create a more inclusive and equitable workplace for all.

In addition to being gender-diverse, our workforce contains a multitude of cultural influences, with nine (9) different nationalities represented as of 31 December 2023. Working in this international environment exposes our employees to different ways of working, business processes and people dynamics, fostering a culture of collaboration and continuous learning.

SUSTAINABILITY STATEMENT

Celebrating Diversity and Culture at DLMI

We take pride in celebrating the many cultures and ethnicities that make Malaysia unique. To this end, we held various festive events during 2023 including:

Ringling in the Year of the Rabbit



We ushered in the Year of the Rabbit in 2023 with lively lion dance performances and a raucous “Lou Sang” session. As we celebrated, we shared well wishes towards a prosperous year ahead and looked forward to our upcoming move to our new manufacturing facility, which offers our employees many more exciting opportunities for growth and transformation.

Celebrating Hari Raya Aidilfitri in our Newly Renovated Office



We held a special celebration to mark Hari Raya Aidilfitri, bringing together our employees to savour delicious festive cuisine. The gathering also commemorated the redesign of our office space, including the introduction of our dedicated Focus, Collaborate and Connect zones which were developed to increase productivity, promote collaboration and enhance creativity. We believe that the new office design, coupled with a positive work culture, will help us achieve greater success as a team and look forward to holding more employee gatherings in its engaging and energising spaces.

SUSTAINABILITY STATEMENT

Commemorating 60 Years of Nourishing Our Nation

The DLMI team got dressed to the nines as we celebrated our 60th anniversary on 26 May 2023. A fun-filled, entertaining evening ensued as we took the opportunity to celebrate our many achievements and honour the unwavering support and passion of the entire DLMI family towards Nourishing Our Nation.



SUSTAINABILITY STATEMENT

Coming Together Hari Kebangsaan and Hari Malaysia

Echoing its deeply-held message of togetherness, our teams celebrated Hari Kebangsaan and Hari Malaysia by sharing a balanced meal that was paired perfectly with a pack of Dutch Lady Full Cream Milk. Together, we toasted to fostering unity and health in every bite and sip.



Welcoming Our Newbies

New joiners were provided with a detailed induction programme during DLMI Newbies Day, gaining detailed insight into our practices, processes and purpose of "Nourishing Our Planet and People at Every Stage of Life".



SUSTAINABILITY STATEMENT

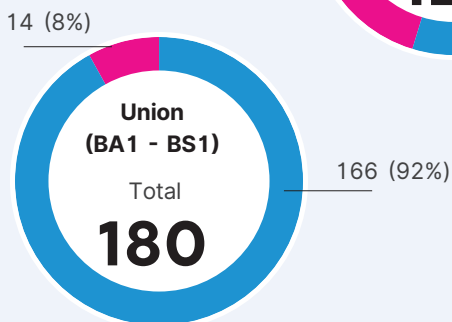
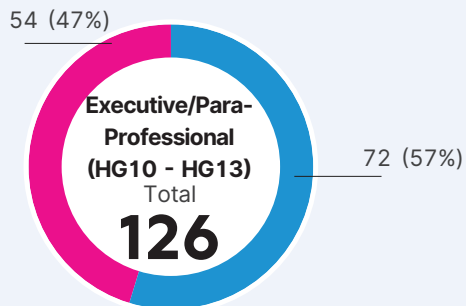
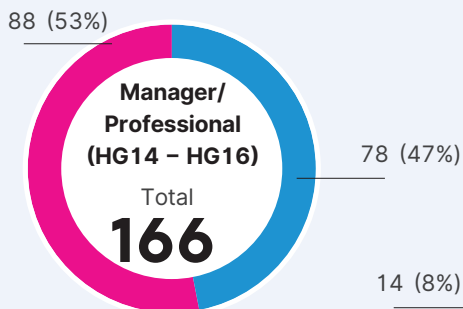
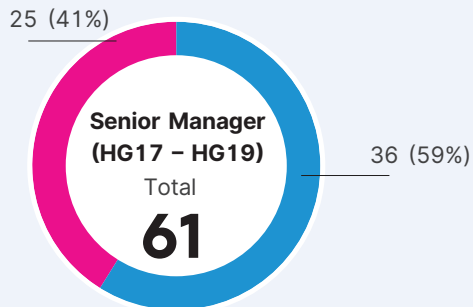
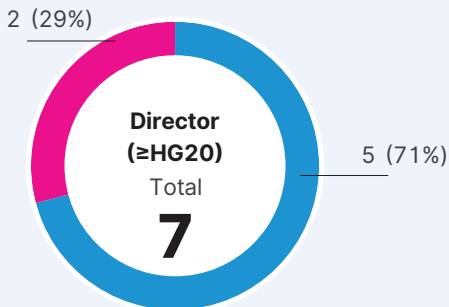
Sharing the Colour and Light of Deepavali

Our teams embraced Deepavali all its colour, decorating and brightening our offices to commemorate the “Festival of Lights”.



Our Performance

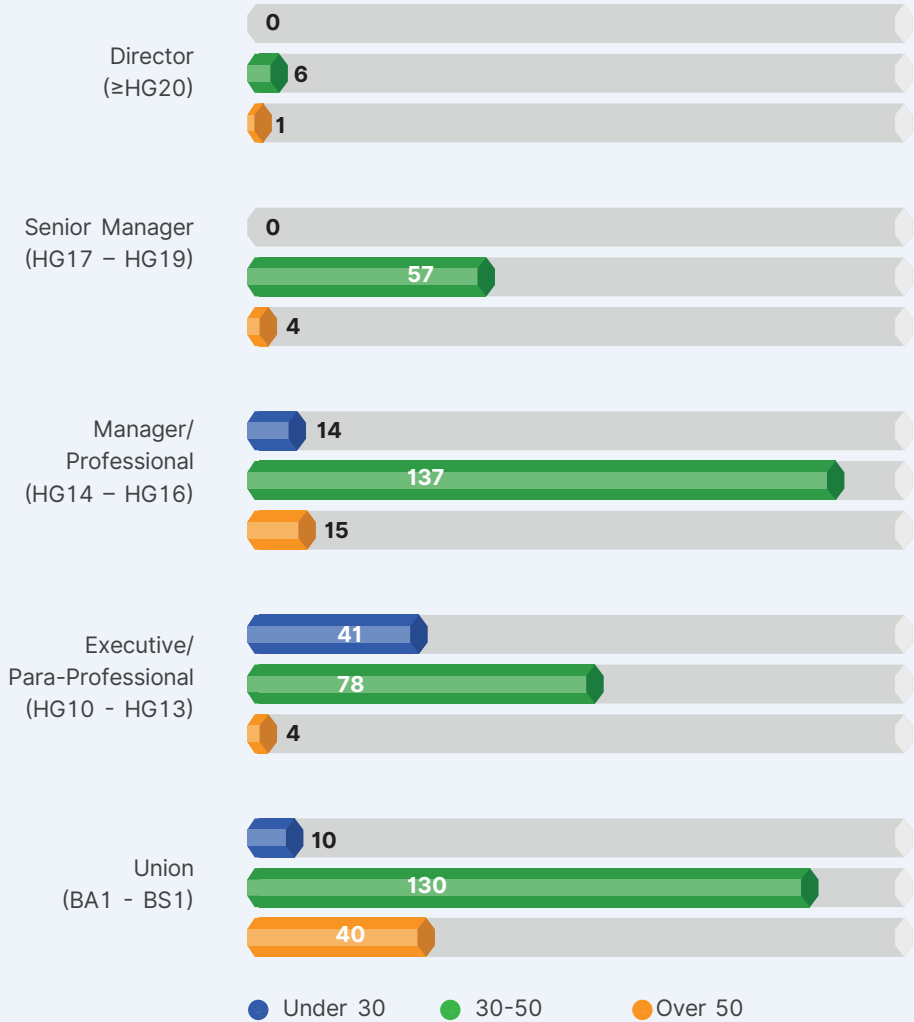
Employee Diversity by Gender, for Each Employee Category



Female
Male

SUSTAINABILITY STATEMENT

Employee Diversity by Age Group, for Each Employee Category



Board Diversity by Gender



Male

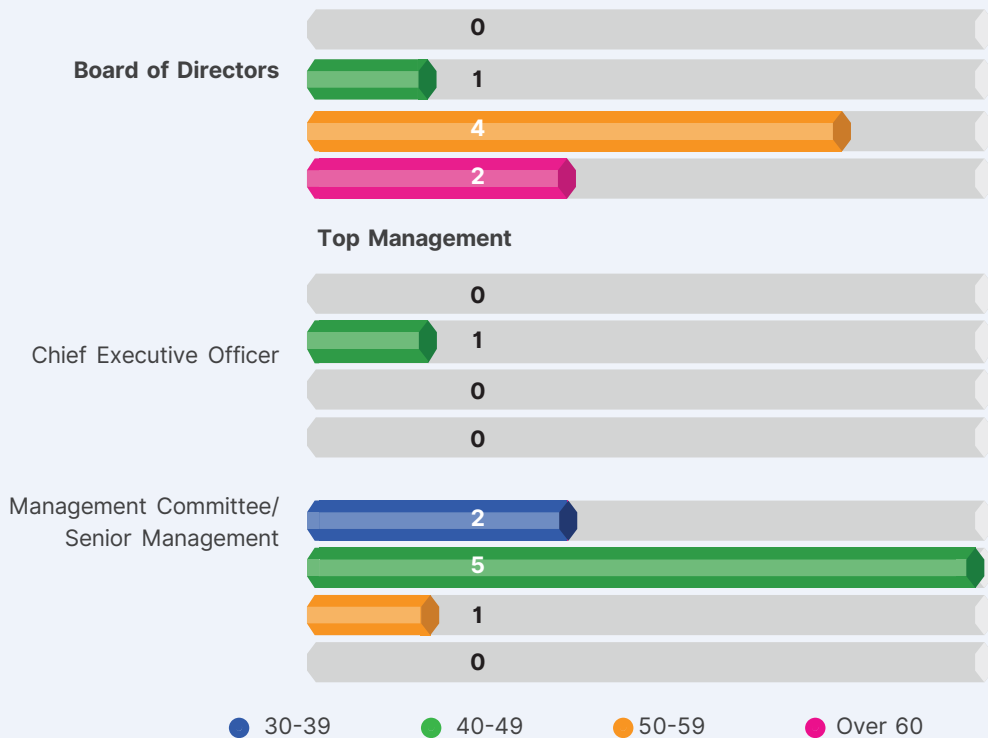


Female

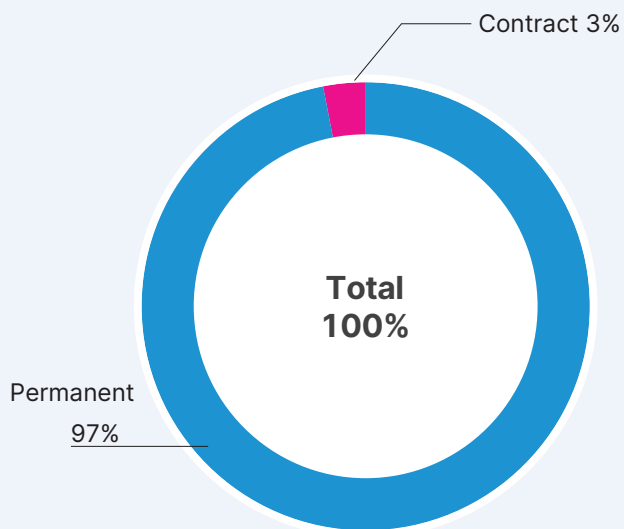
| Gender | Board of Directors | Top Management |
|--------|--|----------------|
| Male | 2 | 0 |
| Female | 5 | 1 |
| | Management Committee/ Senior Management | 3 |

SUSTAINABILITY STATEMENT

Board Diversity by Age Group



Percentage of Employees that are Temporary or Contract Staff



SUSTAINABILITY STATEMENT



BETTER SOCIETY

We aim to provide the best performance price for our partner farmers and enable the transfer of knowledge and skills towards improving their sustainable farming practices. This enables us to increase the quality of our milk while minimising the environmental footprint of our dairy supplies.

Contributing to a better society also means making our nutritional products accessible and affordable for underserved communities and working collaboratively to address important environmental and social issues that matter to them.

All the while, we have a responsibility to minimise the impact of our business activities on surrounding natural environments as this has a direct impact on the ability of local community members to generate economic value and improve their livelihood.

UN SDGs



Thriving Framework: Our Long-term Value Creation

Contribute to Access economy through the transfer of knowledge, skills and resources to partner farmers and local communities while furthering the inclusion of marginalised, disadvantaged and underserved groups within our value chain.

Bursa Malaysia Common Sustainability Matters Indicators

- Total amount invested in the community where the target beneficiaries are external to the listed issuer/listed corporation
- Total number of beneficiaries of the investment in communities

SUSTAINABILITY STATEMENT

FC FARMERS & COMMUNITIES

Why It Matters

As part of our aim to be a responsible business and member of society, we collaborate with productive dairy farms across Malaysia, striving to improve their farming practices while purchasing their raw milk at a fair price.

These collaborations hold immense importance in the realm of sustainable agriculture for several compelling reasons. Firstly, they provide us with a stable source of raw milk that meets the stringent quality, safety and nutritional standards of our business and our consumers. Secondly, through a shared focus on optimising milk yield per cow while simultaneously reducing the carbon footprint associated with production, these partnerships contribute significantly to environmental sustainability, aiding in the preservation of natural resources and mitigating climate change. Thirdly, by generating increased milk production, we not only enhance the economic viability of dairy farming but contribute to improving food security by ensuring a stable and reliable supply of dairy products to meet the nutritional needs of growing populations. Moreover, these collaborations uplift the livelihoods of dairy farmers, fostering economic growth in rural communities and promoting social wellbeing.

Overall, the importance of these long-term collaborations lie in their ability to address multifaceted challenges, ranging from environmental sustainability to food security, while simultaneously bolstering economic development and fostering resilience within agricultural systems.

Our Management Approach

Through our Farmer2Farmer programme (F2F), we introduce innovative techniques and modern technologies that empower partner farmers to improve the quality, volume and profitability of their milk while incurring a lower ecological footprint. This creates shared value for stakeholders across the value chain: while consumers benefit from high quality dairy, the increased productivity unlocked by farmers improves their livelihoods and creates positive knock-on effects for their communities through job creation, improved supply of food and greater food security. Our ultimate aim here is to nurture 100% of our farmers to secure better livelihoods through the programme.

In addition to empowering local farmers, we play an active role in community development through environmental protection activities and by supporting government-led programmes that address the nutritional deficit faced by students from underserved backgrounds, with the goal of nurturing 1 million children to fight malnutrition.

Our Focus Areas

The F2F Programme

We continue to work closely with our partner farmers under the F2F programme, introducing impactful technologies and approaches to increase the efficiency of their practices and enhance their capacity to produce high quality, nutritious dairy. In 2023, we partnered with dairy farmers from the Netherlands to take the programme further, driving knowledge and skills sharing through special sessions held at local dairy farms, with the latest of such sessions held at Agro Dairy Farm, NS Dairy Farm and Touch Milk Dairy Farm on 15 May 2023.

Moving forward, we will seek to introduce further collaborations of this nature to empower the continued advancement of our valued partner farmers, who in turn have a vital role to play in ensuring Malaysia's long-term food security and supporting the national health agenda.

SUSTAINABILITY STATEMENT



Partnership with Global Environment Centre (GEC)

In line with our environmental protection efforts, we continued our partnership with the Global Environment Centre (GEC) in 2023. Through the partnership, we are participating in the River Adoption & Monitoring Project, a three-year undertaking (from 2022 to 2024) wherein we are assisting in monitoring the pollution of the Penchala River and undertaking other initiatives to enhance the health of the river basin. We also worked with officers from the Department of Irrigation and Drainage (DID) to carry out a clean-up of the Penchala River trail and create a pollinator garden to foster biodiversity by the riverbank.

SUSTAINABILITY STATEMENT

The overall aims of the partnership are to:

- 01**
Educate and create awareness among selected communities on the importance of conserving water resources
- 02**
Secure alternative water supplies and conserve water resources
- 03**
Address river pollution and waste generation issues at the grassroots level through river monitoring and citizen scientist initiatives
- 04**
Develop effective, nature-based river monitoring and pollution management mechanisms to regenerate the river's aquatic ecosystem
- 05**
Engage and connect with like-minded organisations to establish a strong network and commitment towards river monitoring, restoration, conservation and waste management



In support of our shared goals, GEC also helped to drive awareness on the importance of river conservation amongst our workforce through insightful workshops that leveraged their rich knowledge in the field.

SUSTAINABILITY STATEMENT

Ministry of Education's School Milk Programme

During the past year, we continued to play our part in addressing nutritional deficiencies amongst schoolchildren through the Ministry of Education's School Milk Programme (PSS).

Under the programme, we successfully distributed 13 million packs of milk to 75,000 students in Selangor, Wilayah Persekutuan Kuala Lumpur and Wilayah Persekutuan Putrajaya in 2023 alone. We also contributed to the programme's sub-initiatives, such as World School Milk Day, furthering awareness and actionable knowledge amongst schoolchildren and teachers on nutrition.



SUSTAINABILITY STATEMENT

Our Performance

42.3 million
litres of milk sourced from local farms since 2010

653 farmers
have benefitted from sustainable farming practices through our Farmer2Farmer programme since 2013

217 million
milk packs distributed to **4.3 million** students under the School Milk Programme since 2011

RM79,588
contributed to local communities, benefitting 35,716 children and B40 community members (2022: RM403,774, benefitting 64,959 children and B40 community members)



SUSTAINABILITY STATEMENT



FrieslandCampina



BETTER GOVERNANCE

Operate with Integrity, Respect and Transparency

We aim to adopt sustainable business practices to ensure we are acting in the best interest of our people, partners and all other stakeholders. Our singular purpose is all about Nourishing Our Planet and People in Every Stage of Life and we can only serve this purpose by being resilient and responsible.

UN SDGs



Thriving Framework: Our Long-term Value Creation

Contribute to Risk economy by shaping a resilient business through capability and capacity building, thus enabling us to prevent, adapt to and recover from all kinds of crises

Bursa Malaysia Common Sustainability Matters Indicators

- Percentage of employees who have received training on anti-corruption by employee category
- Percentage of operations assessed for corruption-related risks
- Confirmed incidents of corruption and action taken
- Number of substantiated complaints concerning breaches of customer privacy and losses of customer data

SUSTAINABILITY STATEMENT

SE SOCIAL & ECONOMIC CONTINUITY

Why It Matters

Integrity, respect and transparency are the foundations upon which our business is built. Any instance of unethical business practices or non-compliance with relevant laws or regulations could deal irreparable damage to our reputation, result in significant legal and financial consequences and lead to loss of access to key markets or growth opportunities. This would in turn lead to negative consequences for the people, partners and communities that we work with.

Our Management Approach

We strive to conduct business in a socially and ethically responsible manner, cognisant that our practices have a direct impact on local communities and people through the products we sell, suppliers we support and employees we hire.

In seeking to drive ethical conduct across our business, we are guided by our robust governance framework and FrieslandCampina’s Compass, which is a repository of policies and procedures that cover anti-bribery and corruption, integrity, respect and transparent business behaviour, amongst other areas. Compass applies to all our employees and is clearly communicated upon their induction as a member of staff.

Moving forward, we will further integrate sustainable development considerations within our governance practices by aligning with the AA1000 AccountAbility Principles by 2030. The AA1000 AccountAbility Principles are an internationally accepted framework that aids organisations in identifying, prioritising and responding to sustainability challenges. To achieve alignment, we will progressively strengthen our governance mechanism and develop additional sustainability capabilities at both the Board and Management levels.

Our Focus Areas

In 2023, we continued to fortify our governance practices by providing our Board and Management with capability building programmes covering what sustainability means to us and the dairy sector, insights on the global sustainability narrative, our focus areas and the key considerations when building sustainability roadmaps. In addition, we further infused sustainability considerations within our overall governance framework by introducing sustainability-related KPIs, thus incentivising the active monitoring and management of social and environmental impacts across the highest levels of our business.

Our Performance

Delivered company-wide communication and training on anti-bribery and corruption, in alignment with the provisions of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Corporate Liability Provision)

Delivered company-wide communication on our Speak Up grievance and whistleblowing platform

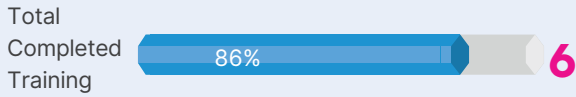
Rolled out Compass toolkits across our workforce to promote awareness and alignment with key policies

Shared briefing materials on our Doing Honest Business Policy and MACC’s Corporate Liability Provision via our company website to drive awareness across our stakeholder groups

SUSTAINABILITY STATEMENT

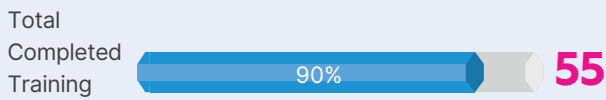
Training on Anti-Corruption (by employee category)

Director (≥HG20)



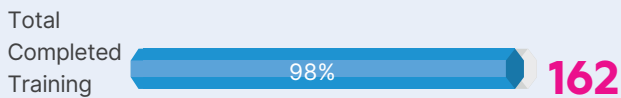
Total Number of Employees **7**

Senior Manager (HG17 – HG19)



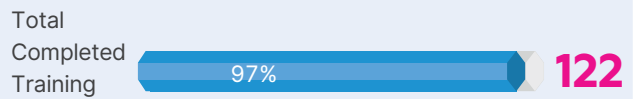
Total Number of Employees **61**

Manager/Professional (HG14 – HG16)



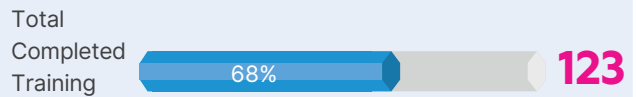
Total Number of Employees **166**

Executive/Para-Professional (HG10 - HG13)



Total Number of Employees **126**

Union (BA1 - BS1)



Total Number of Employees **180**



Operations Assessed for Corruption-related Risks

In 2023, 100% of our operations were assessed for corruption-related risks.

Confirmed Incidents of Corruption and Actions Taken

There were zero reported cases of corruption involving DLMI in 2023.

Complaints Concerning Breaches of Customer Privacy and Losses of Customer Data

In 2023, there were zero reported cases of breaches of customer privacy or losses of customer data.

SUSTAINABILITY PERFORMANCE REPORT

| Indicator | Measurement Unit | 2023 |
|---|------------------|-----------|
| Bursa (Anti-corruption) | | |
| Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category | | |
| Director (eHG20) | Percentage | 86.00 |
| Senior Manager (HG17 - HG19) | Percentage | 90.00 |
| Manager/Professional (HG14 - HG16) | Percentage | 98.00 |
| Executive/Para-Professional (HG10 - HG13) | Percentage | 97.00 |
| Union (BA1 - BS1) | Percentage | 68.00 |
| Bursa C1(b) Percentage of operations assessed for corruption-related risks | Percentage | 100.00 |
| Bursa C1(c) Confirmed incidents of corruption and action taken | Number | 0 |
| Bursa (Community/Society) | | |
| Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer | MYR | 79,558.86 |
| Bursa C2(b) Total number of beneficiaries of the investment in communities | Number | 45,016 |
| Bursa (Diversity) | | |
| Bursa C3(a) Percentage of employees by gender and age group, for each employee category | | |
| Age Group by Employee Category | | |
| Director (eHG20) Under 30 | Percentage | 0.00 |
| Director (eHG20) Between 30-50 | Percentage | 1.11 |
| Director (eHG20) Above 50 | Percentage | 0.19 |
| Senior Manager (HG17 - HG19) Under 30 | Percentage | 0.00 |
| Senior Manager (HG17 - HG19) Between 30-50 | Percentage | 10.56 |
| Senior Manager (HG17 - HG19) Above 50 | Percentage | 0.74 |
| Manager/Professional (HG14 - HG16) Under 30 | Percentage | 2.59 |
| Manager/Professional (HG14 - HG16) Between 30-50 | Percentage | 25.37 |
| Manager/Professional (HG14 - HG16) Above 50 | Percentage | 2.78 |
| Executive/Para-Professional (HG10 - HG13) Under 30 | Percentage | 7.59 |
| Executive/Para-Professional (HG10 - HG13) Between 30-50 | Percentage | 14.44 |
| Executive/Para-Professional (HG10 - HG13) Above 50 | Percentage | 1.30 |
| Union (BA1 - BS1) Under 30 | Percentage | 1.85 |
| Union (BA1 - BS1) Between 30-50 | Percentage | 24.07 |
| Union (BA1 - BS1) Above 50 | Percentage | 7.41 |
| Gender Group by Employee Category | | |
| Director (eHG20) Male | Percentage | 0.92 |
| Director (eHG20) Female | Percentage | 0.37 |
| Senior Manager (HG17 - HG19) Male | Percentage | 6.67 |
| Senior Manager (HG17 - HG19) Female | Percentage | 4.63 |
| Manager/Professional (HG14 - HG16) Male | Percentage | 14.44 |
| Manager/Professional (HG14 - HG16) Female | Percentage | 16.30 |
| Executive/Para-Professional (HG10 - HG13) Male | Percentage | 10.00 |
| Executive/Para-Professional (HG10 - HG13) Female | Percentage | 13.33 |
| Union (BA1 - BS1) Male | Percentage | 30.74 |
| Union (BA1 - BS1) Female | Percentage | 2.59 |
| Bursa C3(b) Percentage of directors by gender and age group | | |
| Male | Percentage | 25.00 |
| Female | Percentage | 75.00 |
| Under 30 | Percentage | 0.00 |
| Between 30-50 | Percentage | 25.00 |
| Above 50 | Percentage | 75.00 |

Internal assurance

External assurance

No assurance

(*)Restated

SUSTAINABILITY PERFORMANCE REPORT

| Indicator | Measurement Unit | 2023 |
|--|------------------|------------|
| Bursa (Energy management) | | |
| Bursa C4(a) Total energy consumption | Megawatt | 47,122.51 |
| Bursa (Health and safety) | | |
| Bursa C5(a) Number of work-related fatalities | Number | 0 * |
| Bursa C5(b) Lost time incident rate ("LTIR") | Rate | 0.11 |
| Bursa C5(c) Number of employees trained on health and safety standards | Number | 354 |
| Bursa (Labour practices and standards) | | |
| Bursa C6(a) Total hours of training by employee category | | |
| Director (eHG20) | Hours | 418 |
| Senior Manager (HG17 - HG19) | Hours | 4,105 |
| Manager/Professional (HG14 - HG16) | Hours | 8,560 |
| Executive/Para-Professional (HG10 - HG13) | Hours | 5,118 |
| Union (BA1 - BS1) | Hours | 2,231 |
| Bursa C6(b) Percentage of employees that are contractors or temporary staff | Percentage | 3.00 |
| Bursa C6(c) Total number of employee turnover by employee category | | |
| Director (e HG20) | Number | 1 |
| Senior Manager (HG17 - HG19) | Number | 7 |
| Manager/Professional (HG14 - HG16) | Number | 27 |
| Executive/Para-Professional (HG10 - HG13) | Number | 15 |
| Union (BA1 - BS1) | Number | 63 |
| Bursa C6(d) Number of substantiated complaints concerning human rights violations | Number | 5 |
| Bursa (Supply chain management) | | |
| Bursa C7(a) Proportion of spending on local suppliers | Percentage | 39.00 |
| Bursa (Data privacy and security) | | |
| Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | Number | 0 |
| Bursa (Water) | | |
| Bursa C9(a) Total volume of water used | Megalitres | 684.442000 |

Internal assurance External assurance No assurance

(*) Restated



CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRPERSON

Datin Seri Sunita Mei-Lin Rajakumar
Independent Non-Executive Director
(appointed 27.02.2019)

DIRECTORS

Ramjeet Kaur Virik
Non-Independent Executive Director
Managing Director
(appointed 02.07.2021)

Saw Chooi Lee
Senior Independent Non-Executive Director
(appointed on 01.01.2014 and re-designated to Independent Non-Executive Director on 15.01.2020)

Corine Danielle Tap
Non-Independent Non-Executive Director
(appointed 01.01.2023)

Dato' Dr. Rosini binti Alias
Non-Independent Non-Executive Director
(appointed 16.03.2018)

Tengku Nurul Azian binti Tengku Shahrman
Independent Non-Executive Director
(appointed 25.06.2018)

Jean Serge Krol
Non-Independent Non-Executive Director
(appointed 19.07.2019)

Darren Kong Kam Seong
Independent Non-Executive Director
(appointed 14.04.2021)

COMPANY SECRETARY

Katina Nurani binti Abd Rahim
Licensed Secretary
(L.S. No. 9652)

SSM Practising Certificate No. 201908001190

AUDIT & RISK COMMITTEE

CHAIRPERSON

Tengku Nurul Azian binti Tengku Shahrman

MEMBERS

Saw Chooi Lee
Darren Kong Kam Seong
Dato' Dr. Rosini binti Alias
Jean Serge Krol

NOMINATING & REMUNERATION COMMITTEE

CHAIRPERSON

Saw Chooi Lee

MEMBERS

Tengku Nurul Azian binti Tengku Shahrman
Darren Kong Kam Seong
Corine Danielle Tap

REGISTERED OFFICE

Level 5, Quill 9
112, Jalan Prof. Khoo Kay Kim
46300 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7953 2600
Facsimile : 03-7953 2700

REGISTRAR

BOARDROOM SHARE REGISTRARS SDN BHD

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone : 03-7890 4800
Facsimile : 03-7841 8151

WEBSITE

www.dutchlady.com.my

INVESTOR RELATIONS & ENQUIRIES

Kai de Klerk
Finance Director
finance.dept@frieslandcampina.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Code: DLADY 3026

AUDITORS

PRICEWATERHOUSECOOPERS PLT

(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia

PRINCIPAL BANKERS

PUBLIC BANK BERHAD

12, Jalan 14/14
46100 Petaling Jaya
Selangor Darul Ehsan

CITIBANK BERHAD

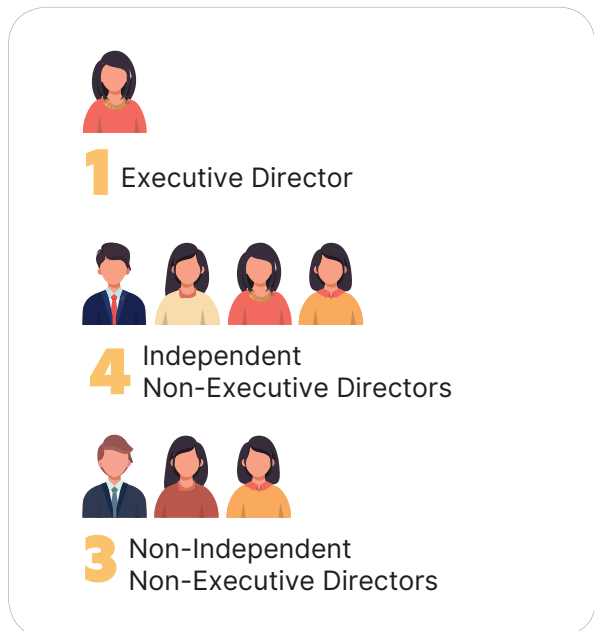
Level 45, Menara Citibank
No. 165 Jalan Ampang
50450 Kuala Lumpur

MALAYAN BANKING BERHAD

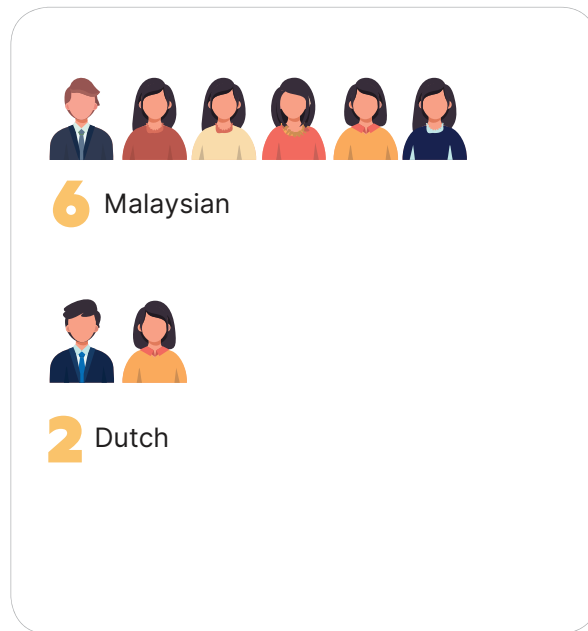
18A, Jalan 14/14
46100 Petaling Jaya
Selangor Darul Ehsan

BOARD AT A GLANCE

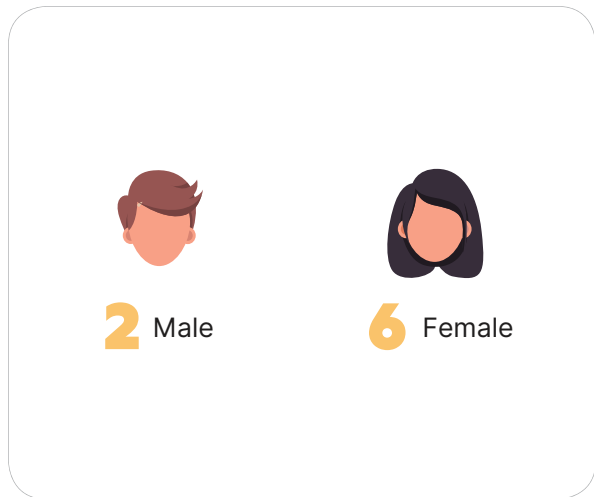
COMPOSITION



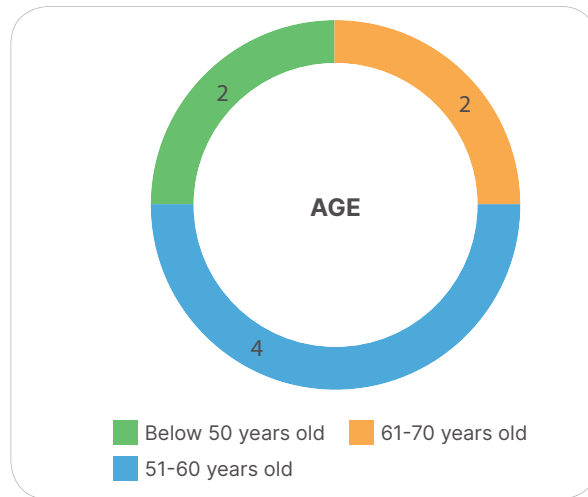
NATIONALITY



GENDER



AGE GROUP



COMMITTEE MEMBER KEY

- ARC** Audit & Risk Committee
- NRC** Nominating & Remuneration Committee
- Solid background** signifies Committee Chair

PROFILES OF DIRECTORS & COMPANY SECRETARY

DATIN SERI SUNITA MEI-LIN RAJAKUMAR

Chairperson and Independent Non-Executive Director

Date of Appointment

27 February 2019

Tenure of Directorship

5 years 1 month

Membership of Board Committee

- None

Datin Seri Sunita was a member of Dutch Lady Milk Industries Berhad's board committees up to 27 September 2021 when she relinquished her positions in all board committees.

Present Directorship in Other Public Companies and Listed Issuers

- Petronas Chemicals Group Berhad
- HSBC Bank Malaysia Berhad

Non-listed public company

- MCIS Insurance Berhad
- Zurich General Insurance Malaysia Berhad
- Climate Governance Malaysia Berhad

Academic/Professional Qualification(s)

- LLB (Honours), Bristol University
- Qualified as Member of the Institute of Chartered Accountants of England & Wales in 1994

Working Experience

Datin Seri Sunita's career began at the Audit and Insolvency Divisions of Ernst & Young in London. Thereafter she was attached to the Corporate Finance Department of RHB Investment Bank Berhad in Kuala Lumpur before becoming a consultant at MIMOS Berhad, where she was invited to manage a foreign technology venture capital fund. She is appointed to the board of trustees of several charities and is involved in a spectrum of community-based activities. She has a cumulative 20 years of experience sitting on boards ranging from technology start-up companies to listed companies, and is a strong advocate of climate governance, having founded the country chapter of the World Economic Forum's climate governance initiative.



Age 55

Malaysian

Female

4/4

Board Meeting
Attendance in 2023

PROFILES OF DIRECTORS & COMPANY SECRETARY**RAMJEET KAUR VIRIK**

Managing Director

Date of Appointment

2 July 2021

Tenure of Directorship

2 years 8 months

Membership of Board Committee

- None

Present Directorship in Other Public Companies and Listed Issuers

- Nil

Academic/Professional Qualification(s)

Bachelor of Science Degree in Economics, Banking and Finance, London School of Economics, United Kingdom.

Working Experience

Ms. Ramjeet has been with FrieslandCampina for over 12 years. Prior to her current appointment, Ramjeet was the Marketing Director for the Consumer Dairy Business of the Company since 2018. Before that, she was the International Marketing Manager at FrieslandCampina Asia based in Singapore, and Marketing Manager at PT Frisian Flag Indonesia.

She has more than 20 years of experience in various commercial roles, namely in marketing, sales and shopper functions. Her career started in other leading fast-moving consumer goods organisations such as British American Tobacco (M) Sdn Bhd and Heineken Malaysia Berhad (previously known as Guinness Anchor Berhad).

Age 47

Malaysian

Female

4/4

Board Meeting
Attendance in 2023

PROFILES OF DIRECTORS & COMPANY SECRETARY



SAW CHOOI LEE

Senior Independent Non-Executive Director

Date of Appointment

1 January 2014

Re-designation to Independent Director

15 January 2020

Tenure of Directorship as Independent Director

4 years 2 months

Membership of Board Committee

- Nominating & Remuneration Committee (Chairperson)
- Audit & Risk Committee

Present Directorship in Other Public Companies and Listed Issuers

- Nil

Academic/Professional Qualification(s)

- Bachelor of Science in Business Administration and MBA from the University of Nebraska-Lincoln, USA

Working Experience

Ms. Saw was formerly the Managing Director for Dutch Lady Milk Malaysia and Singapore from 2015 to 2017. She was then re-designated as a Non-Independent Non-Executive Director in January 2018.

Ms. Saw started her marketing career by joining the Unilever management training programme and since then, she has held various senior managerial positions within the fast-moving consumer goods industry. She first joined the Company in March 2003 as its Commercial Director. From March 2008 to 2010, she was appointed as the General Manager for FrieslandCampina Hong Kong. She was then promoted to become the Managing Director for FrieslandCampina Mainland China from 2011 to 2014.

She was appointed as the Adjunct Professor for Graduate Business School – MBA Program, University Kebangsaan Malaysia (UKM) in 2018. Currently, she is actively involved in various mentoring program for young leaders with Lead-Women Malaysia and USAid Women Directors Organisations.

Age 60 Malaysian Female

4/4 Board Meeting
Attendance in 2023

ARC NRC

PROFILES OF DIRECTORS & COMPANY SECRETARY



CORINE DANIELLE TAP

Non-Independent Non-Executive Director

Date of Appointment

1 January 2023

Tenure of Directorship

1 year and 3 months

Membership of Board Committee

- Nominating & Remuneration Committee

Present Directorship in Other Public Companies and Listed Issuers

- Nil

Academic/Professional Qualification(s)

- Master of Econometrics/Operations Research, University of Amsterdam
- Postgraduate Controllers degree (CMA equivalent), University of Amsterdam-University of Maastricht

Working Experience

Ms. Tap is the President for the CD Asia Business Group of FrieslandCampina since October 2023. She joined FrieslandCampina in November 2022 as the Senior Vice President of CD Asia.

Ms. Tap first started her career in 1996 at Unilever in Indonesia. After having held roles in Finance, Category Management, Marketing and Sales, she move to China in 2002 to build Lipton business. In 2005, she came back to Indonesia where her last role was Managing Director at Unilever Food Solutions.

Ms. Tap then joined Danone in 2010 as Sales Director PT Sari Husada, Indonesia (Early Life Nutrition). Between 2012 and 2013 she served as Regional Sales Manager for Early Life Nutrition SAPAC. In 2013, she was appointed as the General Manager ELN Australia & New Zealand. In 2017, she moved to Aqua Indonesia as General Manager.

In July 2019, Ms. Tap became Senior Vice-President, Waters Indonesia and South East Asia. Under her leadership, Aqua Indonesia has obtained the B Corp certification, becoming the largest B Corp in Asia.

Prior to joining FrieslandCampina, Ms. Tap was Danone's President of AMEA (Asia Middle East Africa) and a Member of the Executive Committee (COMEX).

Age 51

Dutch

Female

4/4 Board Meeting Attendance in 2023

NRC

PROFILES OF DIRECTORS & COMPANY SECRETARY



DATO' DR. ROSINI BINTI ALIAS

Non-Independent Non-Executive Director

Date of Appointment

16 March 2018

Tenure of Directorship

6 years

Membership of Board Committee

- Audit & Risk Committee

Present Directorship in Other Public Companies and Listed Issuers

- MYMBN Berhad

Academic/Professional Qualification(s)

- Doctor of Veterinary Medicine, DVM, Universiti Pertanian Malaysia

Working Experience

Dato' Dr. Rosini was formerly the Deputy Director-General of the Department of Veterinary Services (DVS), Malaysia. Her career in the veterinary and agricultural sector spans over 30 years, and her contribution and service to the veterinary sector has been recognised through state honours and by industry patrons in 2015 and 2017.

Age 66 Malaysian Female

3/4 Board Meeting Attendance in 2023

ARC

PROFILES OF DIRECTORS & COMPANY SECRETARY**TENGGU NURUL AZIAN BINTI TENGGU SHAHRIMAN**

Independent Non-Executive Director

Date of Appointment

25 June 2018

Tenure of Directorship

5 years 9 months

Membership of Board Committee

- Audit & Risk Committee (Chairperson)
- Nominating & Remuneration Committee

Present Directorship in Other Public Companies and Listed Issuers

- PPB Group Berhad
- FM Global Logistics Holdings Berhad (formerly known as Freight Management Holdings Berhad)
- Sunway Reit Management Sdn Bhd

Academic/Professional Qualification(s)

- Advocate and Solicitor of the High Court of Malaya
- Barrister-at-Law - The Honourable Society of Inner Temple
- School of Oriental & African Studies, London University, LLB (Hons)

Working Experience

Tengku Nurul Azian was formerly the Executive Vice President & Partner of PEMANDU Associates Sdn Bhd, a management consulting firm focused on public sector transformation and business turnaround with global experience.

She started her career in 1988 as an Advocate and Solicitor with Messrs. Shook Lin & Bok before pursuing a career in investment banking in 1992. She has over 18 years of broad experience in investment banking and corporate finance, the last position held as Head of Corporate Finance in RHB Investment Bank Berhad, a member of RHB Banking Group, an integrated financial services group in Malaysia.

In 2010, she was appointed as the Director of Education and Human Capital Development in the Performance Management and Delivery Unit (PEMANDU) and held this position until 2017. She was the Executive Vice President and Partner of PEMANDU Associates Sdn Bhd, a management consultancy firm until June 2020.

She is also a Board member of Pemimpin GSL, Malaysia, affiliated with the Global School Leaders network, an organisation that focuses on strengthening leadership in schools across Malaysia. Pemimpin GSL is also the organiser of the Malaysia Teacher Prize. She sits on the Board of Governors of her alma mater, Convent Bukit Nanas.

Age 61

Malaysian

Female

4/4 Board Meeting
Attendance in 2023

ARC

NRC

PROFILES OF DIRECTORS & COMPANY SECRETARY

JEAN SERGE KROL

Non-Independent Non-Executive Director

Date of Appointment

19 July 2019

Tenure of Directorship

4 years 8 months

Membership of Board Committee

- Audit & Risk Committee

Present Directorship in Other Public Companies and Listed Issuers

- Nil

Academic/Professional Qualification(s)

- Post-master Degree Certified Controller (RC), Vrije Universiteit, Amsterdam
- Post-master Degree Certified Public Accountant (RA), Rijksuniversiteit Groningen (RUG), Groningen
- Master of Economics (Drs.), Auditing variant, Rijksuniversiteit Groningen (RUG), Groningen

Working Experience

Mr. Krol joined FrieslandCampina in 2002 as Commercial Controller Friesland Foods Cheese, Wolvega. He then held the position as a Finance Director at FrieslandCampina Thailand, Bangkok from 2006 to 2010 and as Finance Director at FrieslandCampina DOMO, Amersfoort from 2010 to 2015 before assuming the position as Finance Director of FrieslandCampina China, Shanghai in May 2015. In July 2019, he was appointed as the Director of Finance for FrieslandCampina's Specialised Nutrition Business Group and in 2023, he assumed the position of Director of Finance Consumer Dairy Asia.



Age 53

Dutch

Male

4/4 Board Meeting Attendance in 2023

ARC

NRC

PROFILES OF DIRECTORS & COMPANY SECRETARY**DARREN KONG KAM SEONG**

Independent Non-Executive Director

Date of Appointment

14 April 2021

Tenure of Directorship

2 years 11 months

Membership of Board Committee

- Audit & Risk Committee
- Nominating & Remuneration Committee

Present Directorship in Other Public Companies and Listed Issuers

- Nil

Academic/Professional Qualification(s)

- Fellow Member of the Association of Chartered Certified Accountants (ACCA)
- Member of the Malaysian Institute of Accountants (MIA)
- Associate member of the Association of Certified Fraud Examiners (ACFE)
- Member of the Certified Practising Accountants, Australia (CPA)
- Member of the Institute of Corporate Directors Malaysia (ICDM)
- Member of the Singapore Institute of Directors (SID)
- Member of the Institute of Advisors (IOA)
- BSc (Hons) in Applied Accounting, Oxford Brookes University, United Kingdom

Working Experience

Mr. Darren Kong is currently Chief Operating Officer of AutoCraver Trading Sdn. Bhd., a private company providing automotive technology solutions and also Programme Director for the Institute of Advisors - Malaysia Chapter. Previously, he was Managing Director, Corporate Strategy & Alliance of a data technology company that specialises in Analytics, Big Data, Machine Learning and Artificial Intelligence. Mr. Darren Kong has held senior management and finance positions in industries covering property development, property management and the automotive industry. His area of work involves various organisations from enterprises to small businesses, establishing partnership with trade and industrial associations and government agencies. Currently, he is an Independent Non-Executive Director of the Company and member of its Audit & Risk Committee and Nominating & Remuneration Committee. Prior to this, he held directorships of several private and public companies.

Mr. Darren Kong is a fellow member of the Association of Chartered Certified Accountants (ACCA), a member of the Malaysian Institute of Accountants (MIA), a member of Certified Practising Accountant (CPA) Australia, a member of Institute of Corporate Directors Malaysia (ICDM), a global associate member of Singapore Institute of Directors (SID), a member of the Institute of Advisors (IOA) Australia and an associate member of the Association of Certified Fraud Examiners (ACFE). He graduated from Oxford Brookes University, United Kingdom with a BSc (Hons) in Applied Accounting and a professional qualification from the Association of Chartered Certified Accountants. He also holds a Certificate in Data Analytics (CertDA) from ACCA, a Certificate in Digital Marketing Specialist from Malaysian Institute of Management, a Certified Digital Transformation Professional (International Program) from CASUGOL and a Certificate in Google Cloud Big Data & Machine Learning and a Certified Professional Business Advisor (CPBA) from the Institute of Advisors, Australia.

Age 46 | Malaysian | Male

4/4 Board Meeting Attendance in 2023

ARC | NRC

PROFILES OF DIRECTORS & COMPANY SECRETARY



KATINA NURANI BINTI ABD RAHIM

Company Secretary

Date of Appointment

6 April 2018

Directorship in Public Listed Companies

- Nil

Academic/Professional Qualification(s)

- LLB (Honours), University of Nottingham, United Kingdom
- Bar Vocational Course, University of Wales, Cardiff, United Kingdom
- Barrister-at-Law of England & Wales (Lincoln's Inn)
- Advocate & Solicitor of the High Court of Malaya
- Licensed Company Secretary

Working Experience

Ms. Katina was admitted as an Advocate & Solicitor of the High Court of Malaya in 1999 after which she practiced in several law firms in Kuala Lumpur before joining the Usaha Tegas Group as Legal Counsel in 2005. Subsequently, she was attached to Lafarge Malaysia Berhad from March 2011 to March 2018 where she was the Head Counsel for Cement and Drymix businesses and the Company Secretary. She then joined the Company on 15 March 2018 as the Legal & Company Secretarial head. She is a licensed company secretary under Section 20(G) of the Companies Commission of Malaysia Act 2001.

Age 49

Malaysian

Female

4/4

Board Meeting
Attendance in 2023

Save as disclosed, the Directors and the Company Secretary do not have any family relationship with any Director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V., do not have any conflict of interest with the Company, has not been convicted of any offence within the past five years, has not been imposed any penalty by the relevant regulatory bodies during the financial year 2023.

MANAGEMENT TEAM PROFILES



RAMJEET KAUR VIRIK

Managing Director

Appointed: July 2021

| | | |
|--------|-----------|--------|
| Age 47 | Malaysian | Female |
|--------|-----------|--------|

Academic/Professional Qualification(s)

Bachelor of Science Degree in Economics, Banking and Finance, London School of Economics, United Kingdom.

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Ramjeet has been with Friesland Campina for over 12 years. Prior to her current appointment, Ramjeet was the Marketing Director for the Consumer Dairy Business of the Company since 2018. Before that, she was the International Marketing Manager at FrieslandCampina Asia based in Singapore, and Marketing Manager at PT Frisian Flag Indonesia.

She has more than 20 years of experience in various commercial roles, namely in marketing, sales and shopper functions. Her career started in other leading fast-moving consumer goods organisations such as British American Tobacco (M) Sdn Bhd and Heineken Malaysia Berhad (previously known as Guinness Anchor Berhad).

KAI DE KLERK

Finance Director

Appointed: January 2023

| | | |
|--------|-------|------|
| Age 40 | Dutch | Male |
|--------|-------|------|

Academic/Professional Qualification(s)

- Bachelor's Degree in Business Studies, Tilburg University
- Master's Degree in Marketing Management, Tilburg University
- Master's Degree in Finance & Control, Maastricht University
- Dare to Lead Program, Vlerick Business School, Ghent, Belgium
- Certified Environmental, Social and Governance Analyst (CESGA), European Federation of Financial Analysts Societies (EFFAS)

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Prior to his current role as Finance Director at DLMI, Kai was Finance Director for FrieslandCampina Hong Kong since September 2020. Before that, he has held various positions in FrieslandCampina since 2015, starting in FC Netherlands as Manager, Controlling and Reporting followed by Head of Finance, Growth Markets for the Specialised Nutrition Business Group.

Prior to joining FrieslandCampina, Kai worked in multiple finance, business and product roles in SABIC, a petrochemical manufacturer in Netherlands, USA and Saudi Arabia for over 7 years.

IMUN LIM

Marketing Director

Appointed: July 2022

| | | |
|--------|-----------|--------|
| Age 48 | Malaysian | Female |
|--------|-----------|--------|

Academic/Professional Qualification(s)

BA (Hons) Economics & International Studies, University of Warwick, U.K.

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Imun has more than 20 years of experience mainly in the food and beverage industry, focused on both, brand and product marketing with commercial experience in recent years, having worked with companies such as Procter & Gamble, Coca-Cola, Fonterra, Samsung, Munchworld Marketing and Campbell's. Imun is also no stranger to the DLMI family, having previously worked for FrieslandCampina Business Development Unit Sdn Bhd as an International Marketing Manager.

MANAGEMENT TEAM PROFILES



EZMIR HAZIZI BIN AZHAR

Corporate Affairs Director

Appointed: January 2024

| | | |
|--------|-----------|------|
| Age 41 | Malaysian | Male |
|--------|-----------|------|

Academic/Professional Qualification(s)

- Bachelor of Economics (Honours), International Islamic University of Malaysia
- Dare to lead program, Vlerick Business School, Ghent, Belgium

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Ezmir has more than 15 years of experience in various roles of government and external affairs, with multidisciplinary specialisation including regulatory and fiscal affairs, international trade, public campaigning, communication and stakeholder management.

Ezmir started his career with DLMI as Public Affairs Manager in 2019. Prior to this, Ezmir worked with British American Tobacco (Malaysia) Berhad for more than 10 years where he held various managerial positions, including in global headquarters at the Centre of Expertise.

As the Public Affairs Manager for DLMI, Ezmir has been involved in key deliverables and achievements in the last few years which include management of government relations to ensure continued licence to operate during the COVID-19 pandemic and he re-established DLMI's position as a supplier of choice by the Ministry of Education for the Government's School Milk Programme.

These achievements were realised through professionalising the Corporate Affairs agenda and enhancing the company's reputation among key Government stakeholders.

EDALYN D. HADJULA-LEGARDE

Human Resources Director

Appointed: January 2024

| | | |
|--------|-------------|--------|
| Age 47 | Philippines | Female |
|--------|-------------|--------|

Academic/Professional Qualification(s)

- Certified in Strategic Human Resource Transformation and Organization Development from Pennsylvania State University
- Certified in Organization Development and Talent and Career Management from Ateneo de Manila University
- Diploma in Industrial Relations as a Barangay Scholar from the University of the Philippines-Diliman
- Juris Doctor Program (units) from Ateneo de Manila University
- Bachelor of Science in Management, Major in Legal Management from Ateneo de Manila University

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Prior to Edalyn's current role, she has accumulated more than 25 years of solid HR experience focusing on People, Culture Strategy and Management in large multinational organisations.

Edalyn has worked for well-known brands and led organisational transformations in companies such as AMA Group of Companies, Emerson Electric Asia Ltd, Red Ribbon Bakeshop Inc. (a company by the Jollibee group), Philip Morris HR Shared Services, Philip Morris Asia Ltd and Alaska Milk Corporation under Royal Friesland Campina.

Edalyn is also an Adjunct Professor and Program Director of the Centre for Executive Education of the Asian Institute of Management in Manila, Philippines, a premiere Business School in Asia.

SANDER JANMAAT

Program Director

Appointed: October 2018

| | | |
|--------|-------|------|
| Age 48 | Dutch | Male |
|--------|-------|------|

Academic/Professional Qualification(s)

- Lead to Win Programme, London Business School, UK
- Management Development Program, Ashridge Business School, UK
- Food Economics (MSc), Wageningen University, The Netherlands
- Dairy Process Technology, HAS University, The Netherlands
- Business Administration, Fulton Montgomery Community College, USA

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Before assuming his current role, Sander was the Operations Director at DLMI. He also held different roles within Asia, amongst others, Performance Excellence Manager with Frisian Flag Indonesia and prior to that, Plant Manager and later Site Manager at Alaska Milk Corporation in the Philippines.

He started his career in 2000 with Calvé Delft, a part of Unilever N.V. and joined FrieslandCampina in 2001. He has over 23 years of experience in operations, continuous improvement, project management and supply chain and has held various management positions in the Netherlands, France, USA, Philippines and Indonesia.

MANAGEMENT TEAM PROFILES



WILSON CHUA

Sales Director

Appointed: January 2022

| | | |
|--------|-----------|------|
| Age 39 | Malaysian | Male |
|--------|-----------|------|

Academic/Professional Qualification(s)

- Dare to lead program, Vlerick Business School, Ghent, Belgium
- Bachelor of Business in Information Technology University of Coventry, England

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Prior to his current role as Sales Director, Wilson was the National Customer Development Manager - Modern Trade & GT Chilled at DLMI. Wilson has 14 years of sales experience and joined the company in April 2016. Prior to joining DLMI, he worked in Reckitt Benckiser, Unilever and local company Nibong Tebal Enterprise, all in various sales capacity. At DLMI, he has been involved in multiple sales transformation projects and was a part of the Future Leader Cohort 2018.

TAN POH LIAN

Customer Supply Chain Associate Director

Appointed: April 2021

| | | |
|--------|-----------|--------|
| Age 47 | Malaysian | Female |
|--------|-----------|--------|

Academic/Professional Qualification(s)

- Advanced Diploma in Business Administration (Association of Business Executive, ABE UK)
- Master of Business Administration (MBA), UNITAR International University

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Poh Lian has more than 20 years' experience in FMCG, with the last 16 years fully within Supply Chain. She joined FrieslandCampina in 2013 as Supply Planning Manager. In 2019, she took on additional role in logistics management as Plan & Deliver Manager.

With inclusion of demand, customer service, commercialisation, and QA CSC she now leads the expanded team in her current role as Customer Supply Chain Associate Director.

Her experience includes leadership roles with Unilever, and Beiersdorf Malaysia. During her past tenure, Poh Lian had also been part of Finance, GL reporting and had led an outsourcing transformation in Finance before moving back to Supply Chain.

PAUL CELEN

MAKE Associate Director

Appointed: July 2022

| | | |
|--------|-------|------|
| Age 39 | Dutch | Male |
|--------|-------|------|

Academic/Professional Qualification(s)

- Master Strategic Management, Tilburg University
- Master exchange program, Prague University of Economics & Business
- Bachelor Business Economics, Tilburg University
- Green Belt Six Sigma certified

Present Directorship in Other Public Companies and Listed Issuers

Nil

Working Experience

Paul started his career as Supply Chain Coordinator at Philips Lighting Netherlands in 2010. After 2.5 years, he was tasked with the responsibility of Supply Chain Manager at the E2E supply chain of an outdoor lighting factory of Philips in Spain.

In 2016, Paul made his move to the Fast Moving Consumer Goods (FMCG) industry by joining FrieslandCampina Maasdam as Production Manager. After 1 year, he was promoted to Operations Manager of Rotterdam factory and later spent 2.5 years as Plant Manager of Den Bosch factory. Paul was appointed as Make Associate Director at DLMI in July 2022.


Paul has 13 years of experience in several Supply Chain and Operations leadership roles in different factories and countries and has a track record of achieving results by building a high engagement culture with his people.

Save as disclosed, the members of the Management Team do not have any family relationship with any Director and/or major shareholder of the Company other than as nominee director of Royal FrieslandCampina N.V., do not have any conflict of interest with the Company, has not been convicted of any offence within the past five years, has not been imposed any penalty by the relevant regulatory bodies during the financial year 2023, and do not hold any shares in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT


PRINCIPLE A

BOARD LEADERSHIP & EFFECTIVENESS

 Refer to pages 123-139 of this report


PRINCIPLE B

EFFECTIVE AUDIT & RISK MANAGEMENT

 Refer to pages 139-141 of this report

PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

 Refer to pages 142-143 of this report

Introduction

The Board of Directors (“Board”) of Dutch Lady Milk Industries Berhad (“DLMI” or “Company”) is fully committed to maintaining a high standard of Corporate Governance within the Company through its support and application of the principles and practices as set out in the Malaysian Code on Corporate Governance 2021 (“Code”). DLMI’s Corporate Governance framework lays down the structure, processes and lines of authority that governs how its businesses are directed, managed and controlled while ensuring compliance with the applicable laws, rules and regulations, the Company’s Constitution and adherence to good Corporate Governance practices. The Board believes that a sound Corporate Governance structure is essential for the mitigation of risks, the cultivation of good business ethics, and is vital to ensure sustainability and progressive business growth. The Board shall continue to evaluate its governance practices in response to evolving best practices and changing requirements.

Compliance with the Code

The Board is pleased to report on governance compliance activities adopted in line with the Principles as set out in the Code that were applied throughout the financial year ended 31 December 2023 (“FY2023”) in this Corporate Governance Overview Statement (“CG Overview Statement”). The Principles have, in all material respects, been applied to achieve their intended outcomes, to the extent that they were found to be suitable and appropriate to the Company’s circumstances. Where appropriate, this CG Overview Statement also seeks to disclose all information that is required pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), relevant developments in market practice and regulations and any other requirements.

The application of the Practices set out in the Code throughout FY2023 will also be disclosed to Bursa Malaysia Securities Berhad in a prescribed format (“CG Report”) which will be published together with the Company’s Annual Report. In the CG Report, the Company has also provided a timeline for the Practice that has been adopted, apart from providing an explanation for the departure.

 The CG Report may be downloaded from the Company’s corporate website (www.dutchlady.com.my).

CORPORATE GOVERNANCE OVERVIEW STATEMENT**PRINCIPLE A – BOARD LEADERSHIP & EFFECTIVENESS****Our Governance Framework**

The Company believes that a healthy corporate culture and robust governance framework shall ensure that the organization will continue to run smoothly and efficiently. The Board discharges its responsibilities within a clearly defined governance framework with robust mechanisms in place. Through this framework, the Board responsibly delegates its governance responsibilities to the Board Committees and Management. The Board retains ultimate accountability and responsibility for the performance and affairs of the Company and adheres to high standards of ethical behaviour. The Board embraces transparency and accountability in the boardroom and promotes these critical components of governance throughout the Company.

The governance framework, its structures and processes, are built upon the Board Charter and the Terms of Reference of the Board Committees which are supported by the Company's Management and its internal policies and procedures. Effective operation of the Board relies on clarity of the various roles and responsibilities and therefore there is a clear division of responsibilities between leadership of the Board and the Company's Management Team in line with the principles of the Code.

Board's Roles and Responsibilities *(Practice 1 to 4)*

The Board is accountable to shareholders to create and deliver sustainable value through oversight of the management of the Company's business, approving strategic plans, monitoring the implementation and providing the necessary support for their successful implementation. The Board met regularly throughout the year to approve the strategic objectives of the Company, to lead the Company within a framework of effective controls which enable risk to be assessed and managed, and to ensure that sufficient resources are available to meet the objectives set. In particular, the Board reviewed and approved the Company's 2030 Growth Strategy, long term supply strategy, and the Sustainability Roadmap 2030.

The Board reserves full decision-making powers, after taking into consideration the policies, procedures and guidelines of the Royal FrieslandCampina N.V. ("RFC") Group, on the following matters:

- | | |
|--|--|
| <p>1 Conflict of interest relating to a substantial shareholder or a Director or person connected to such substantial shareholder or Director</p> | <p>5 Treasury policies</p> |
| <p>2 Material acquisitions and disposition of assets not in the ordinary course of business</p> | <p>6 Risk management policies</p> |
| <p>3 Investment in capital expenditure projects</p> | <p>7 Key human resource issues</p> |
| <p>4 Authority levels</p> | <p>8 Related party transactions</p> |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Chairperson and Managing Director

The roles of the Chairperson and the Managing Director (“MD”) are separately held, and the division of their responsibilities is clearly defined. The MD is an appointee of the major shareholder and heads the Company’s Management Team. She is responsible for leading and managing the Company’s business within a set of authorities delegated by the Board. She is also responsible for the implementation of the Company’s strategy and policy. The Chairperson is an independent director who has never assumed an executive position in the Company.

The Chairperson is responsible for the operation and leadership of the Board. She ensures that the Board is effective and that the Company is guided by good corporate governance practices. She facilitates robust dialogue during Board meetings and draws out diverse perspectives from the Board members. She also ensures that there is a good balance between the time allocated to governance matters and discussions on business performance and strategies at board meetings. The Chairperson is not a member of any of the Board committees and the Chairperson does not attend or otherwise participate in any of these committee meetings.

In FY2023, to further enhance discussions between the Board members, the Chairperson has routinely held meetings with the Non-Executive Directors without the presence of Management, as well as meetings only with the Directors who do not represent RFC. This allows for a frank exchange of views amongst the non-executive directors where all non-executive directors can share their views on the issues discussed at the Board meetings and align on any direction they wish to share with the other Directors and Management.

Independent Directors

The primary responsibility of Independent Non-Executive Directors is to protect and safeguard the interest of minority shareholders and other stakeholders. The effective participation of Independent Non-Executive Directors serves to promote greater transparency, accountability and balance in the Board’s decision-making process. Ms. Saw Chooi Lee is the Board’s Senior Independent Director.

Non-Independent Non- Executive Directors

The Non-Independent Non-Executive Directors each occupy, or have occupied, senior positions in industry, bringing valuable external perspectives to the Board’s deliberations through their working experience and business insight from other sectors enabling them to contribute significantly to Board decision-making process.

Company Secretary

The Company Secretary is a licensed secretary qualified to act as Company Secretary under Section 235 of the Companies Act 2016 and has a secretarial practicing certificate from the Companies Commission of Malaysia under Section 241(4) of the Companies Act 2016. She is a qualified lawyer and provides legal and company secretarial advice to the Company’s Management Team and the Board as a whole. All Board members have access to the advice and services of the Company Secretary in carrying out their duties. The Company Secretary facilitates overall compliance and adherence with the Listing Requirements, the Companies Act 2016 and the recommendations in the Malaysian Code on Corporate Governance (as amended from time to time).

Board Meetings

The Board practices active and open discussions at Board meetings so that opportunities are given to all Directors to participate and contribute to the decision-making process. Robust discussions and vigorous deliberations at Board and Board Committee meetings ensure the process of constructive and healthy dialogue is achieved. Members of the Management Team have also been invited to attend selected Board meetings to support the Board with further and additional information on the matters being deliberated.

The Directors have direct access to the Management Team and access to any information relating to the Company to enable them to discharge their duties. The Directors may, when necessary, obtain independent professional advice at the Company’s expense in the furtherance of their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT**Board Meeting Materials**

Board meeting papers for all meetings are generally provided to Directors at least seven days in advance of the date of the proposed meetings. All proceedings of Board meetings are minuted and circulated to the Board members in advance of the next Board meeting including with follow up action items duly updated.

Board Meeting Attendance

The Board convenes at least four (4) scheduled Board meetings during each financial year. More meetings will be scheduled depending on business requirements, where appropriate. In FY2023, four (4) scheduled Board meetings were held in total. In addition to the scheduled Board meetings, all of the Board members also attended the Company's Annual General Meeting ("AGM").

The Directors' attendance at Board meetings and the Annual General Meeting for the year ended 31 December 2023 are as follows:-

Board Members

| | Board Meetings | % | AGM |
|--|-----------------------|----------|------------|
| Datin Seri Sunita Mei-Lin Rajakumar (Chairperson, Independent Non-Executive Director) | 4/4 | 100 | 1/1 |
| Ms. Ramjeet Kaur Virik (Executive Director) | 4/4 | 100 | 1/1 |
| Ms. Saw Chooi Lee (Senior Independent Non-Executive Director) | 4/4 | 100 | 1/1 |
| Dato' Dr. Rosini binti Alias (Non-Independent Non-Executive Director) | 3/4 | 75 | 1/1 |
| Tengku Nurul Azian binti Tengku Shahrman (Independent Non-Executive Director) | 4/4 | 100 | 1/1 |
| Mr. Jean Serge Krol (Non-Independent Non-Executive Director) | 4/4 | 100 | 1/1 |
| Mr. Darren Kong Kam Seong (Independent Non-Executive Director) | 4/4 | 100 | 1/1 |
| Ms. Corine Danielle Tap (Non-Independent Non-Executive Director) | 4/4 | 100 | 1/1 |
| Company Secretary | | | |
| Ms. Katina Nurani Abd Rahim | 4/4 | 100 | 1/1 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

All Directors complied with the minimum attendance requirement of at least 50% of Board meetings pursuant to the Listing Requirements. The Board is satisfied with the level of commitment given by the Directors toward fulfilling their roles and responsibilities.

Key activities and focus areas


During the year, key activities and focus areas of the Board include:

- ▶ Reviewing and approving the 4th quarter and full year financial results for the financial year ended 31 December 2022
- ▶ Reviewing and approving the Director's Report and Audited Accounts for the financial year ended 31 December 2022
- ▶ Reviewing and approving the quarterly financial results up to the 3rd quarter for the financial year ended 31 December 2023
- ▶ Reviewing the financial report on the Company's quarterly performance and outlook for the year
- ▶ Approving dividend payments and reviewing the solvency position of the Company
- ▶ Reviewing and approving the Company's strategy and business plans
- ▶ Receiving updates on risk management status
- ▶ Receiving updates from the Company's Sustainability Steering Committee ("SSC") on critical and material Economic, Environmental, Social and Governance ("EES&G") matters
- ▶ Reviewing and approving the Company's Sustainability Roadmap 2030
- ▶ Reviewing and approving the Company's Sustainability Policy for roll out in FY2024
- ▶ Reviewing and approving the Company's 2030 Growth Strategy and long-term supply strategy
- ▶ Receiving and approving the Company's Annual Budget and Capex Budget for FY2024
- ▶ Reviewing and approving the Company's Recurrent Related Party Transactions, subject to the approval of the shareholders
- ▶ Receiving updates on the Recurrent Related Party Transactions by the Company
- ▶ Reviewing and approving the Related Party Transactions entered into by the Company
- ▶ Reviewing the audit report findings of the Internal Audit, its recommendations and Management responses
- ▶ Reviewing the audit reports of the External Auditor
- ▶ Reviewing the term of office and assess the retirement of Directors by rotation, the retention of Directors and eligibility for re-election or retention
- ▶ Reaffirming and ratifying the Circular Resolutions passed by the Board
- ▶ Reviewing, approving and noting the Company's announcements released to Bursa
- ▶ Assessing and recommending the re-appointment of the Company's External Auditor for the financial year ending 31 December 2023 and for the Directors to fix their remuneration
- ▶ Reviewing and approving the draft Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandates for Recurrent Related Party Transaction of revenue or trading nature
- ▶ Reviewing and approving the Statement on Internal Control and Risk Management for the Annual Report 2022
- ▶ Preparing for and attending the 2023 AGM

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Charter


The Board Charter sets out the Board's strategic intent, authority and terms of reference, and serves as a primary source of reference and introductory information for the Board members. The Board Charter clearly specifies the roles and responsibilities of the Board, the Board Committees, and individual directors. The Board reviews and updates the Charter periodically wherein the latest update was approved by the Board in November 2022.

 The Charter is available on the Company's website at www.dutchlady.com.my.

The Company's Code of Conduct

The Board is guided by the RFC code for good business conduct which is known as Compass. Compass is designed to set a certain standard for all employees and officers of the Company. It promotes integrity in the workplace with focus on safety, rights of employees and human rights, sustainability and avoidance of conflicts of interest. Compass also promotes integrity in business practices with focus on anti-bribery and anti-corruption, gifts and hospitality, fair competition, and fair communication. Finally, Compass focusses on the protection of the Company's interests with focus on protection of confidential information, data protection, integrity of financial reporting and the prevention of fraud. Compass plays an important role in the management of compliance risks and sets out the values, principles and guidelines as to how the Company conducts its business to ensure integrity, transparency and accountability.

Compass has, under its purview, underlying policies which includes topics such as Avoiding Conflicts of Interest, Protection of Confidential Information, Privacy, Doing Honest Business (Anti-Bribery and Corruption) and Fair Competition. Compass is embedded in the Company's working culture and encapsulated in the Company's Employee handbook.


 A copy of Compass is available on the Company's website at www.dutchlady.com.my.

Doing Honest Business – the Company's Anti-Bribery & Corruption Policy

The Company has adopted RFC's anti-bribery and corruption policy which is known as the "Doing Honest Business" policy. This policy, which must always be observed by all of the Company's directors and employees, is a policy to

conduct business in an honest and ethical manner. The policy has been localized to set out values in Malaysian Ringgit for easier application by the Company's employees and stakeholders. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. A Gift and Internal Events and Corporate Sponsorship Policy is also contained within this topic which clearly and prohibits any form of bribery, gratification or facilitation payments. Employees will be guided by these policies in their day-to-day dealings. To ensure that adequate monitoring of all anti-corruption compliance matters is carried out, the Company's Legal Counsel has been charged with the responsibility to review and monitor all procedures, advise, and report to Management and the Board of Directors on these matters.

To further enforce the Company's zero-tolerance approach to bribery and corruption, the Company also requires its business partners to conduct business dealings fairly and honestly by requiring them to carry out business in the manner set out in the Business Practices for Business Partners Policy.

 A copy of the Doing Honest Business – Gifts Policy and Business Practices for Business Partners are available on the Company's website at www.dutchlady.com.my.

MACC Corporate Liability

The Company has taken steps to ensure that it is in compliance with Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Section 17A) which introduces, amongst others, new corporate liability for companies, arising from corrupt acts committed by employees or person associated with the company. The Company continuously takes steps to ensure that its existing anti-bribery and corruption policies and procedures are adequate and meets the Guidelines for Adequate Procedures as prescribed by Section 17A.

In FY2023, the Company's employees were provided with training on anti-bribery and corruption which took into consideration the provisions of the Malaysian Anti-Corruption Commission Act 2009 ("MACC provisions"). Further, the Company's entire operations were assessed for corruption related risks through a fraud risk assessment. The Board is pleased to confirm that there were no incidents of corruption by the Company or its employees which took place during the year under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In addition to the training, to ensure that the importance and significance of the MACC provision was not overlooked, communication on the topic of anti-bribery and corruption which includes the MACC provision was also provided to employees. Further, briefing materials on the topic was made available to all stakeholders on the Company's website at www.dutchlady.com.my.

Whistleblowing – the Speak Up Procedure

All the Company's employees and other stakeholders are strongly encouraged to and have access to its whistleblowing procedure known as the "Speak-Up". The Speak-Up procedure serves as an avenue for employees and other stakeholders to voice out their concerns on matters relating to Compass and to raise any suspicions of wrongdoing, malpractice or impropriety in the management of the Company's business and affairs. The Speak-Up procedure clearly sets out a well-defined process upon which Compass-related matters can be raised in confidence and anonymity (if requested) in good faith, and without fear of reprisal. The Speak-Up phone and web service which is managed by an independent third party is available on any day of the year and at any time. Details of the methods to raise Speak-Up Reports is made available to employees via internal communication. This information is also made available to all stakeholders on the Company's website along with a copy of the Speak Up Procedure at www.dutchlady.com.my.

Personal Data Protection

The Company handles and uses personal data in accordance with the Personal Data Protection Act 2010 ("PDPA"). The Company has adopted the Friesland Campina Privacy Policy which outlines the requirements for the Company and its employees in handling personal data. Management also tracks complaints concerning breaches of customer privacy and losses of customer data. The Board is pleased to confirm that there were no substantiated complaints regarding breaches of privacy or loss of data in FY2023.

Sustainability

Management is conscious and serious about the Company's responsibility towards sustainability issues and its role in the Company's long-term strategic plans. The Company's Sustainability Steering Committee ("SSC") consists of various functional teams and leads sustainability strategy formulation as well as EES&G integration approaches. The Company also has a Sustainability Lead who manages EES&G topics strategically and integrates EES&G considerations in the operations of the Company.

The Board and Management are committed towards ensuring responsible corporate conduct is demonstrated and practiced in the Company's daily activities across all aspects of the Company's operations. The governance, management, and reporting on DLMI's sustainability agenda is led by the Managing Director who chairs the SSC and is overseen by the Board. In the performance evaluation of the Board and the Management Team for FY2023, the performance of their respective roles in addressing material EES&G risks and opportunities was taken into account.

In FY2023, the Board received quarterly updates from the SSC on critical and material EES&G matters. The Board also reviewed and approved the Company's Sustainability Policy which shall be rolled out to the Company in FY2024, and the Sustainability Roadmap 2030.

Further information about the Company's approach to sustainability are disclosed in the Sustainability Report in this Annual Report.

Board Composition *(Practice 5 to 6)*

The Nominating & Remuneration Committee ("NRC") ensures that the composition of the Board is refreshed periodically. To ensure that this is achieved, the Board has adopted a policy to limit the tenure of an independent director to 9 years without further extension. The policy is available on www.dutchlady.com.my. Accordingly, there shall be no further annual re-election of directors apart from those re-elected due to retirement by rotation or retirement of those who were appointed during the year.

Currently the Board comprises 8 members, one of whom holds an executive position as the Managing Director, while the other 7 are Non-Executive Directors. Out of the 8 members, 4 are independent and 4 are non-independent directors. The composition exceeds the requirements of Paragraph 15.02 of the Listing Requirements as more than one third of the Board are Independent Non-Executive Directors ("INED"). Of the 4 non-independent directors, 3 are nominees of Royal FrieslandCampina N.V, and 1 is a nominee of Permodalan Nasional Berhad. As such, a majority (5 out of 8) of the Board members represents the Company's minority shareholders.

The Company's major shareholder is a foreign co-operative of farmers. The Board considers that the current composition fairly reflects the foreign direct investment and the investment of the minority shareholders. The proportion of independent directors ensures effective checks and balances on the Board and the independent directors effectively safeguard the interest of the minority shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company's Board consists of qualified individuals with a good mix of operational and commercial experience. Members of the Board have both local and international experience and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience.

Details of all Directors and their biographies are provided in the Annual Report.

Board Conduct

All Directors commit themselves to ethical business and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. All Directors discharge their duties and responsibilities at all times as fiduciaries in the best interest of the Company. They are expected to act with integrity, led by example, keep abreast of their responsibilities as Directors and of the conduct, business and development of the Company. In directing or managing the Company's business and affairs, they exercise reasonable care, skill and diligence by applying their knowledge, skill and experience. The Board ensures that key transactions or critical decisions are deliberated and decided on by the Board in a meeting. The Board also ensures that decisions and basis for those decisions, including any dissenting views are made known and properly minuted.

The Appointment Process

In respect of the appointment of all directors, appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board. The Directors are selected based on their individual merits and experience. The current composition of Directors has a blend of skills, experience and knowledge enabling them to provide an effective oversight, strategic guidance and constructive challenge, examine, review and decide on Management's proposals and empower the MD to implement strategies approved by the Board. The Board continuously strives to ensure that Directors have a collective mix of skills, experience, expertise and diversity to add value to Board processes and decisions. In line with the Listing Requirements, none of the members of the Board holds more than five directorships in listed companies.

In respect of the appointment of all Directors:

1 Appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board;

2 The Nominating & Remuneration Committee considers shortlisted candidates based on their profiles, professional achievements, and personality assessments, with the needs of the Board in mind; and

3 The Nominating & Remuneration Committee then ensures that the candidates are suitable and of sufficient caliber for recommendation to and approval of the Board.

Election and Re-Election of Directors

In compliance with the Company's Constitution, one third of the Directors shall retire by rotation at each AGM. Directors who are appointed during the year shall also retire at the next AGM. The Company's Constitution further provides that all Directors shall retire from office at least once in every three years.

In the forthcoming AGM, Datin Seri Sunita Mei-Lin Rajakumar, Tengku Nurul Azian binti Tengku Shahriman and Mr. Darren Kong Kam Seong will retire by rotation in accordance with Rule 105 of the Company's Constitution (collectively, the "Retiring Directors").

The Board had, through its NRC, assessed each of the Retiring Directors, and considered the following: (i) If there is any evidence of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, the Directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole; and (ii) the Retiring Directors' performance and contribution based on the Directors' Peer Assessment results for FY2023.

For item (i) the NRC have considered and have found that the Retiring Directors each meet the criteria for appointment and re-appointment of directors as set out in the Directors' Fit and Proper Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

For item (ii), the NRC reviewed and assessed the performance of the Retiring Directors on the following criteria:-



Integrity & Ethics – they behave with honesty and honourably at all times



Strategic Perspective – they understand the implications of issues, trends and events on the organisation and its capabilities



Judgement and Decision Making – they are able to understand principal issues and use experience to offer sound advice



Teamwork – they work constructively with fellow board members and contributes to board activities and discussions



Communication – they are able to express himself clearly and effectively

The NRC found that the Retiring Directors have performed well based on the above performance criteria.

In light of the above, the NRC submitted its recommendation to the Board and the Board has approved and supports the re-election of Datin Seri Sunita Mei-Lin Rajakumar, Tengku Nurul Azian binti Tengku Shahrman and Mr. Darren Kong Kam Seong to the shareholders for approval.

Board Diversity

The Board acknowledges the importance of gender diversity and recognizes the benefits that it can bring. The Board's prime focus is on the strength of the Board and therefore the overriding aim in any new appointments must always be to select the best candidate available. With this in mind, the Board shall at all times make best endeavors to have at least 30% women Directors on the Board. Currently, out of the 8 members on the Board, 6 are women. As such the Board comprises of 75% women directors.

The Company also seeks to maintain strong women representation in its Management Team. Currently, out of the 9 members on the Management Team, 4 are women. As such the Management Team comprises of 44% women.

Board Independence

Board decisions are made taking into account the views of the INED which carry substantial weight. The INED fulfil their roles in ensuring that strategies proposed by Management are deliberated and examined taking into account the interests of the shareholders and stakeholders. Their role is also particularly critical for related party transactions as these require independence of judgement and objective impartiality to protect the interests of minority shareholders.

The Board also believes that each INED has retained his/her independence throughout his/her tenure and had not under any circumstances formed any association with Management that might compromise his/her ability to exercise independent judgement that could ultimately affect the interest of stakeholders. Based on the outcome of the Board Evaluation for the year under review, which was conducted internally, all the INEDs had scored highly and there were no conflicts of interest that could have affected their independent judgement.


CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Nominating & Remuneration Committee

The NRC establishes for itself the procedure and frequency of its meetings but shall meet at least once annually. The quorum for the meeting shall consist of any two independent non-executive Directors appointed to the NRC. The Managing Director, other Board members and any other persons may be invited to attend the meetings as necessary.

The activities of the NRC during the financial year were as follows:

- a) Leading the process for Board appointments and making recommendations of new members to the Board;
- b) Reviewing and recommending to the Board for the Independent Directors to provide an annual Declaration of Independence;
- c) Review the composition of the Board and Board Committees;
- d) Review and make recommendations to the Board on the remuneration of the Non-Executive Directors;
- e) Nominate the directors who are due for retirement and eligible to stand for re-election at the AGM;
- f) Assess the effectiveness of the Board as a whole, the Committees of the Board and the individual directors on an on-going basis; and
- g) Review the required skills and core competencies of the Managing Director.

 The terms of reference of the NRC are available on the Company's website, www.dutchlady.com.my.

The Committee met two (2) times in FY2023 and the attendance of each individual is set out below:

| Members | Attendance | % |
|---|------------|-----|
| Current Members | | |
| Ms. Saw Chooi Lee (<i>Chairperson, Senior Independent Non-Executive Director</i>) | 2/2 | 100 |
| Tengku Nurul Azian binti Tengku Shahriman (<i>Member, Independent Non-Executive Director</i>) | 2/2 | 100 |
| Mr. Darren Kong Kam Seong (<i>Member, Independent Non-Executive Director</i>) | 2/2 | 100 |
| Ms. Corine Danielle Tap (<i>Member, Non-Independent Non-Executive Director</i>) | 2/2 | 100 |
| Secretary | | |
| Ms. Katina Nurani Binti Abd Rahim (<i>Company Secretary</i>) | 2/2 | 100 |

Training and Development

Induction programmes are conducted for newly appointed Directors, which include briefings by members of Management and the Company Secretary. The Directors will be provided with the necessary information to assist them in understanding the operations of the Company, current issues and corporate strategies as well as the management structure of the Company and the RFC Group. All Directors have attended and successfully completed the Mandatory Accreditation Programme as required under the Listing Requirements. The Directors have also begun attending the Mandatory Accreditation Programme Part II: Leading for Impact in FY2023 and all the Directors are committed to complete this training before August 2025.

In addition, the Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge and to ensure that they are kept abreast with new developments in the business environment, corporate governance and enhance their skills and knowledge. In view of the diverse skills held by each of the Board members, at the meetings, a session was also held for each of the Independent Directors to provide sharings on their area of expertise for the benefit of the other Board members and members of Management. A sharing on transformation methodology, and updates on the performance and business strategy of the Friesland Campina group were shared by the Directors in FY2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors attended the following training programs in FY2023 to further enhance their knowledge and to enable them to discharge their duties and responsibilities more effectively:

| Date of Training | Course Details | Organiser |
|--|--|---|
| DATIN SERI SUNITA MEI-LIN RAJAKUMAR | | |
| <i>*Datin Seri Sunita attended 97 courses in FY2023, some of which are as follows:</i> | | |
| 11 January | BHC Climate Roundtable: Celebrating Success and Looking Ahead | British High Commission |
| 13 January | Nature and Business – How to Accelerate Business Action to Reverse Nature Loss | PETRONAS |
| 31 January | Closed-Door Discussion: Navigating the Green Transition in the Indo-Pacific Region | ISIS |
| 16 February | Carbon Pricing and the Business Case for Emissions Reductions and Nature Conservation in Malaysia | CGM, ISIS, The Asia Foundation |
| 16 February | Demystifying ESG: Overview, Concepts and Trends | Oxford and Cambridge Society of Malaysia |
| 20 February | A New Era for the World – Opportunities and Risks for Malaysia | McKinsey |
| 24 February | Applying the 8-Step National Transformation Methodology by Tengku Nurul Azian | Dutch Lady Milk Industries Berhad |
| 1 March | Indo-Pacific Chambers of Commerce & Industry Business Forum “A New Framework for Regional Economic Engagement” | KL Business Club |
| 2 March | Malaysia Economic Outlook & Post-Budget 2023 | British-Malaysia Chamber of Commerce |
| 7 March | Energy Transition towards Net-Zero GHG Emissions by 2050 | Ministry of Natural Resources, Environment and Climate Change |
| 20 March | Palm Oil Plantations Sector Roundtable | CGM & CEO Action Network |
| 28 March | Why ESG: A Governance Perspective | The Star |
| 17 March | Conversations on a Smooth Transition: Mainstreaming Renewables | CGM & Australian High Commission |
| 6 April | EY C-Suite Forum 2023 | EY Malaysia |
| 18 April | Supply, Demand and Inflation – A Deep Dive for Boards | Deloitte Global Boardroom Program |
| 2 May | Climate Change and Just Transition | British High Commission |
| 7 June | Climate Action & Planetary Health: Reimagining GloCal Multistakeholder Collaborations | University Malaysia |
| 5 July | Pricing a Negative Externality: Carbon | CGM & European Roundtable on Climate Change |
| 27 July | PNB Knowledge Forum 2023 | PNB |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Date of Training | Course Details | Organiser |
|--|---|--|
| DATIN SERI SUNITA MEI-LIN RAJAKUMAR | | |
| <i>*Datin Seri Sunita attended 97 courses in FY2023, some of which are as follows:</i> | | |
| 3 August | Concept of Double Materiality | CGM |
| 10 August | Beyond ESG | S&P Global |
| 25 August | Strategy Workshop | Dutch Lady Milk Industries Berhad |
| 30 August | Sustainability, Transparency and Disclosure | PETRONAS |
| 5 September | National Climate Governance Summit 2023 | CGM |
| 26 September | Solving ESG Challenges Today, Seizing Opportunities Tomorrow | AON Insights |
| 18 October | The Times and Sunday Times Earth Summit 2023 | Times of London |
| 18 October | 100% Electrified Communities – Empowering Sustainable Communities | CGM |
| 27 October | PETRONAS In-House Training on Conflict of Interest and Governance | Petronas Chemicals |
| 28 October | Climate Governance | Malaysia Chapter of the Institute of Chartered Accounts of India |
| 8 November | Chairperson’s Series “Carbon Pricing” | CGM |
| 14 November | Refresher Induction for Non-RFC Directors | Dutch Lady Milk Industries Berhad |
| 23 November | Addressing Climate Change as a Business Risk | Kexxel |
| 28 November | Climate Risks | HSBC |
| 28 November | Digital Assets Training | HSBC |
| 1 December | Green Growth: Just Energy Transition for ASEAN | COP28 Malaysia Pavillion |
| 2 December | ASEAN Leadership in Addressing Climate Change | COP28 Malaysia Pavillion |
| 3 December | Climate Governance | BCG, Instead & Heidrich & Struggles |
| RAMJEET KAUR VIRIK | | |
| 24 February | Applying the 8-Step National Transformation Methodology by Tengku Nurul Azian | Dutch Lady Milk Industries Berhad |
| 2 March | Certified Psychological Safety First Aider Training | Dutch Lady Milk Industries Berhad |
| 16 April | Marketing of Infant Foods | Dutch Lady Milk Industries Berhad |
| 21 May | Cybersecurity Awareness for Office Protect your Devices | Dutch Lady Milk Industries Berhad |
| 30 June | License to Recruit Part I (Recruitment in Dutch Lady Milk Industries Berhad) | Dutch Lady Milk Industries Berhad |
| 25 August | Strategy Workshop | Dutch Lady Milk Industries Berhad |
| 27 August | Crisis Management | Dutch Lady Milk Industries Berhad |
| 11 September | Halal Awareness | Dutch Lady Milk Industries Berhad |
| 28 November | Anti Bribery and Corruption e-Learning | Dutch Lady Milk Industries Berhad |
| 3 December | Purchasing Policy | Dutch Lady Milk Industries Berhad |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Date of Training | Course Details | Organiser |
|-------------------------------|---|---|
| SAW CHOOI LEE | | |
| 18 January | Self Awareness Group Board Mentoring | USAid Responsible Investment & Trade Activity |
| 24 February | Applying the 8-Step National Transformation Methodology by Tengku Nurul Azian | Dutch Lady Milk Industries Berhad |
| 28 February | ICDM Power Talk Sustainability Series: Re(building) Board for Innovation | Institute Corporate Directors Malaysia (ICDM) |
| 28 February | Women Leadership in Risk Management | Lead Women Sdn Bhd |
| 1 March | Brainstorming "Getting One Woman on Board" (as Panelist) | Lead Women Sdn Bhd |
| 21 March | Navigating ESG Data into Decisions with Dr. Daniel Kier | Institute Corporate Directors Malaysia (ICDM) |
| 15 June | Speed Mentoring for Female Executives (as Panelist) | 30% Club Malaysia |
| 12 July | Becoming an Effective Board Member: Improving Board Decision Making Through Diversity | Lead Women Sdn Bhd |
| 3 August | Conversation on Sustainability | Dutch Lady Milk Industries Berhad |
| 22 & 23 August | MAP Part II Leading for Impact | Institute Corporate Directors Malaysia (ICDM) |
| 25 August | Strategy Workshop | Dutch Lady Milk Industries Berhad |
| 7 November | What does the Board need to know about Cybersecurity with Nokia & Axiata | Lead Women Sdn Bhd |
| 14 November | Refresher Induction Session for Non-RFC Directors | Dutch Lady Milk Industries Berhad |
| DATO' DR. ROSINI ALIAS | | |
| 24 February | Applying the 8-Step National Transformation Methodology by Tengku Nurul Azian | Dutch Lady Milk Industries Berhad |
| 23 May | Resilient Agriculture: Value Chain Collaboration for a Climate-Smart Food System | Regrow UK |
| 27 July | Harnessing Innovation and Technology for Business Sustainability and Resilience | PNB |
| 3 August | Sustainability Workshop | Dutch Lady Milk Industries Berhad |
| 25 August | Strategy Workshop | Dutch Lady Milk Industries Berhad |
| 14 November | Refresher Induction Session for Non-RFC Directors | Dutch Lady Milk Industries Berhad |
| 15 November | Education Reimagined | PNB |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Date of Training | Course Details | Organiser |
|--|--|------------------------------------|
| TENGGU NURUL AZIAN TENGGU SHAHRIMAN | | |
| 9 January | Sunway Leadership Conference | Sunway Berhad |
| 16 February | Board's At-A-Glance – Bursa Malaysia's Enhanced Sustainability Reporting Framework | ICDM |
| 24 February | Applying the 8-Step National Transformation Methodology | Dutch Lady Milk Industries Berhad |
| 14 April | A Dialogue with Bursa Malaysia – FTSE4Good ESG Rating for all PLCs | ICDM |
| 2 May | 30th Tunku Abdul Rahman (TAR) Lecture Series: Will ASEAN and Malaysia be torn or prosper from US-China geopolitical contest? | Malaysian Institute of Management |
| 3 May | A Specialist Talk by Knight Frank Malaysia – Real Estate Investment in Malaysia: The Landscape and Opportunities Ahead | Sunway REIT |
| 7 June | Cybersecurity Risk – What Boards need to Know | TRICOR/Axcelasia |
| 25 August | Strategy Workshop | Dutch Lady Milk Industries Berhad |
| 6 September | Blowing the Whistle on Corporate Wrongdoing – A Director's Responsibility | Malaysian Institute of Accountants |
| 12 September | Advocacy Sessions for Directors and CEOs of Main Market Listed Issuers | Bursa Malaysia Berhad |
| 16 – 17 October | Mandatory Accreditation Programme Part II – Leading for Impact (LIP) | ICDM |
| 14 November | Refresher Induction Session for Non-RFC Directors | Dutch Lady Milk Industries Berhad |
| 16 November | A Specialist Talk by DBS Singapore – Net Zero & Sustainable Finance: Relevance for Real Estate | Sunway REIT |
| JEAN SERGE KROL | | |
| 21 February | Marketing of Infant Foods | FrieslandCampina Learning |
| 22 February | Privacy within FrieslandCampina (Basic) | FrieslandCampina Learning |
| 24 February | Applying the 8-Step National Transformation Methodology by Tengku Nurul Azian | Dutch Lady Milk Industries Berhad |
| 21 March | Basic Training Power BI | LinkedIn Learning |
| 29 April | PowerBI Basic Track Training | FrieslandCampina & Microsoft |
| 16 June | Crisis Management | FrieslandCampina Learning |
| 30 June | Cyber Security Awareness for Office: Protect your Devices | FrieslandCampina Learning |
| 25 August | Strategy Workshop | Dutch Lady Milk Industries Berhad |
| 5 December | Privacy within FrieslandCampina (Advanced) | FrieslandCampina Learning |
| 20 December | Golden Quality Rules | FrieslandCampina Learning |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Date of Training | Course Details | Organiser |
|------------------------------|---|-----------------------------------|
| JEAN SERGE KROL | | |
| 20 December | Life Saving Rules (General) + Safety at Work | FrieslandCampina Learning |
| 22 December | Compass Module 1 | FrieslandCampina Learning |
| 22 December | Compass Module 2 | FrieslandCampina Learning |
| 22 December | Life-Saving Rule – Road Safety | FrieslandCampina Learning |
| 26 December | ACE Programme Essentials | FrieslandCampina Learning |
| 26 December | How Brands Grow Essentials | FrieslandCampina Learning |
| 27 December | Revenue Growth Management Essentials | FrieslandCampina Learning |
| 27 December | Data-Driven Decision Making Essentials | FrieslandCampina Learning |
| DARREN KONG KAM SEONG | | |
| 24 February | Applying the 8-Step National Transformation Methodology by Tengku Nurul Azian | Dutch Lady Milk Industries Berhad |
| 21 March | Navigating ESG Data into Decisions | ICDM |
| 12 June | Modernising Data Governance – What Should Boards Focus on Now? | ICDM |
| 30 June | Scaling up the Circular Economy | Climate Governance Malaysia |
| 20 July | Generative AI – An Opportunity or Risk | ICDM |
| 25 August | Strategy Workshop | Dutch Lady Milk Industries Berhad |
| 8 September | Navigating the Rising Tide of Financial Crime & Technology | ICDM |
| 11 October | Integrating Sustainability into Financial Planning and Decision-Making | ACCA Malaysia |
| 1 December | Climate Change & Carbon Footprint – Getting the Right Financial Risk & Reporting Perspectives | ICDM |
| 4 December | Reporting under the TCFD Framework | Climate Governance Malaysia |
| CORINE DANIELLE TAP | | |
| 24 February | Applying the 8-Step National Transformation Methodology | Dutch Lady Milk Industries Berhad |
| 4-6 April | Mandatory Accreditation Program (MAP) | ICDM |
| 25 August | Strategy Workshop | Dutch Lady Milk Industries Berhad |

Board Evaluation

The Board believes that effectiveness of the Board is imperative to the success of the Company. An effective Board can steer the Company both in the present and the future. The Board conducts a thorough evaluation each year through the Board Evaluation to assess how well the Board, its Committees and each individual Director are performing. The objective of the Board Evaluation is to enhance the Board's effectiveness and the Company's overall performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

In FY2023, the Board undertook an internal annual evaluation of the Board's effectiveness. The internal evaluation was led by the NRC Chairperson and facilitated by the Company Secretary. The evaluation was conducted on the Board, the Nominating & Remuneration Committee, the Audit & Risk Committee, the Managing Director and on each individual Board member through a peer evaluation.

Key findings in relation to the effectiveness of the Board are that the Board and the Board Committees have foundational good practices in place. More particularly, the Board scored especially well on items relating to Board Discussions and Time Commitment of the Members. This feedback positively assures that Board members:

- are able to have open and robust discussions whereby the NEDs can act effectively as check and balance to Management
- are open in their communication with Management
- commits a sufficient amount of time to the Company
- make themselves available for meetings, discussions and events which are organized by and/or relevant to the Company

As such there is generally, low priority for concern on the effectiveness of the Board and the Board Committees. Nevertheless, it was agreed that focus shall be spent on improving the following areas in FY2024:

- Use of Experts by the Board
- Review of the performance of the External Auditors by the Audit & Risk Committee

Further, pursuant to the evaluation which was carried out in FY2022, it was agreed that focus would be spent on the following areas in FY2023:

- Enhancing discussions on strategic initiatives and for Board Agenda periodically include reviews on the strategic initiatives of the Company which results in robust discussions.
- For the Board to deliberate on both near-term and long-term risks affecting financial and non-financial performance.
- For the Board to have conversations on Economic, Environmental, Social and Governance (EES&G) to be held at every meeting and to enhance the monitoring of sustainability initiatives.

In respect of these areas, the NRC and the Board found that there was clear improvement in all 3 of the areas identified which indicates that proper attention has been given to the points raised and that adequate time, attention, and effort has been made to improve performance in those areas. With this, the Board is satisfied that the Board Evaluation has achieved the objective of enhancing the Board's effectiveness.

Remuneration *(Practice 7 and 8)*


The DLMI Board's remuneration policy was last reviewed in November 2021. The policy provides that the NRC will take into account all factors which it deems necessary in order to attract, retain and motivate Non-Executive Directors of high caliber who are able to provide the necessary skills and experience as required. The level of remuneration shall be commensurate with the responsibilities of the Non-Executive Directors and should also be in alignment with the business strategy and long-term objectives of the Company.

Remuneration for the Managing Director of the Company is approved by the Board in consultation with the RFC Group. The remuneration for the Managing Director follows the performance appraisal system and compensation and benefits scheme of the RFC Group which is based on the human resource policies and procedures of the RFC Group. Corporate and individual performance, market competitiveness, business results and individual performance are considered by the RFC Group in evaluating the Managing Director's remuneration. The Managing Director is not paid meeting attendance allowance or Directors' fees by the Company. The RFC nominee directors are also not paid Directors' fees or meeting attendance allowance by the Company. The Directors' fees for the RFC nominee directors are paid as corporate management service fees to the RFC group which, being a recurrent related party transaction, is part of the shareholders' mandate for recurrent related party transactions sought from the minority shareholders at each Annual General Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The other Non-Executive Directors are paid fixed annual Directors' fees as members of the Board, and these are approved by shareholders at the Annual General Meeting. The Chairperson of the Board Committees receives additional Board Committee Chairperson fees, and the members of the Audit & Risk Committee also receives an additional fee. All Non-Executive Directors receive benefits by way of a meeting allowance for each meeting that they attend.

The NRC reviews the fees periodically by considering the performance of the Company and benchmarking with other companies in the same industry and of similar size. The responsibilities and duties of the directors are also considered when reviewing the fees.

 The Terms of Reference for the NRC and the Board's Remuneration Policy are available on the Company's website www.dutchlady.com.my

Remuneration of Directors and Top Senior Management

The aggregate remuneration of Directors of the Company for the financial year ended 31 December 2023 is as follows:

| | Executive Directors RM | Non-Executive Directors RM |
|---|------------------------------|----------------------------------|
| Directors' Fees and Committee Member Allowances | – | 454,339 |
| Benefits | – | 61,100 |
| Salaries and other emoluments | 1,523,640 | – |
| Benefits in kind | – | – |

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2023 are as follows:

| Name | Directors' Fees RM | Directors' Benefits RM | Salaries and other emoluments RM | Benefits in kind RM | Total RM |
|--|--------------------------|------------------------------|---|---------------------------|------------------|
| Datin Seri Sunita Mei-Lin Rajakumar | 129,865 | 6,500 | – | – | 136,365 |
| Ramjeet Kaur Virik | – | – | 1,523,640 | – | 1,523,640 |
| Saw Chooi Lee | 80,600 | 14,300 | – | – | 94,900 |
| Corine Tap | – | – | – | – | – |
| Dato' Dr. Rosini binti Alias | 80,104 | 11,700 | – | – | 91,804 |
| Tengku Nurul Azian binti Tengku Shahrman | 83,666 | 14,300 | – | – | 97,966 |
| Jean Serge Krol | – | – | – | – | – |
| Darren Kong Kam Seong | 80,104 | 14,300 | – | – | 94,404 |
| Total | 454,339 | 61,100 | 1,523,640 | – | 2,039,079 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

For the top remaining senior management personnel, the aggregate remuneration wages, salaries, benefits and contributions to state plans) paid for FY2023 is approximately RM5.4 million. The most senior member of management is an Executive Director of the Company and her remuneration is disclosed above. As such, details of the remaining members of senior management are shared on general terms and on an aggregated basis only as the Board is of the view that it would not be in the best interest of the Company to disclose these details given the competitiveness in the market for good senior managers in the consumer goods industry. The Board is of the view that the disclosure of remuneration details may be detrimental to its business interests, given the competitive landscape for key personnel with the requisite knowledge, technical expertise and working experience in the Company's business activities, where intense headhunting is a common industry challenge. Accordingly, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. The Board feels that the details provided are sufficiently transparent and allows stakeholders to assess the reasonableness of remuneration paid to members of senior management.

PRINCIPLE B - EFFECTIVE AUDIT & RISK MANAGEMENT

Financial Control and Reporting

The Board is responsible for ensuring that the Company maintains adequate and accurate records for timely reporting of the financial position of the Company and the results of its activities to enable stakeholders to make informed assessments of the Company's performance and prospects. To assist the Board in effectively discharging this duty, the Company has in place financial reporting procedures and processes. As at the date of this statement, the Board is not aware of any circumstances which have not been dealt with in the financial reports or financial statements, which would render any amount in the financial statements misleading.

Directors' Responsibility Statement in Respect of the Preparation of the Audited Financial Statement

As required by the Companies Act 2016, the Board hereby provides its opinion that the Company's financial statements for FY2023 were drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, Main Market Listing Requirements (MMLR) of Bursa Securities and the Companies Act 2016 so as to provide a true and fair view of the Company's financial position and the performance and cash flow for the financial year. Towards this, the Board has ensured that relevant accounting policies have been used and applied consistently and that reasonable and prudent judgments and estimates have been made, in the preparation of financial statements. The Board also ensured that applicable approved accounting standards have been followed and that proper accounting records were kept so as to enable disclosure of the Company's financial position in compliance with laws and regulations.

The Audit & Risk Committee *(Practice 9)*


Chairperson of the Audit & Risk Committee

The Audit & Risk Committee consists of a majority of independent directors. The Committee is chaired by Tengku Nurul Azian binti Tengku Shahrman who is an Independent Non-Executive Director. She is not the Chairperson of the Board. Currently, the Committee comprised 5 members consisting of 3 independent directors and 2 non-independent directors. However, one of the non-independent directors, Dato' Dr. Rosini binti Alias, is a nominee director of Permodalan Nasional Berhad. As such, 4 out of 5 of the Audit & Risk Committee members represents the Company's minority shareholders. The members of the Audit & Risk Committee are all financially literate and have a full understanding of the financial reporting process and the financial matters discussed. The members also attend training on new rules or standards relating to the accounting standards, tax rulings or corporate governance changes. Details on the members of the Audit & Risk Committee are contained in the Report of the Audit & Risk Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board has not appointed any of the Company's former key audit partners as a member of the Audit & Risk Committee. The Audit & Risk Committee will observe a minimum three (3) year cooling-off period before any former key audit partner can be appointed as a member of the Audit & Risk Committee. This requirement is set out in the Audit & Risk Committee's Terms of Reference.

In August 2023 the Audit & Risk Committee had a meeting with the Company's External Auditor, Messrs. PricewaterHouse Coopers ("PwC"), where PwC presented the annual audit plan for FY2023. In that meeting, PwC highlighted the key focus areas, methodology and new accounting standards. The External Auditor also briefed the Audit & Risk Committee on their team members and the resources allocated to the Company. After discussion and deliberation, the Audit & Risk Committee approved the audit plan. The Company also sought the confirmation of independence from PwC. The Company has in place a process to consider the appointment/re-appointment of External Auditors. The process requires the Audit & Risk Committee to assess the External Auditors' compliance with the qualification criteria including, evaluating the independence, objectivity and performance of the External Auditors. As part of its remit, the Audit & Risk Committee must ensure that the objectivity, independence and effectiveness of the External Auditors are maintained.

 The written terms of reference for the Audit & Risk Committee are available on the Company's website www.dutchlady.com.my

Risk Management And Internal Control Framework *(Practice 10 and 11)*

In the discharge of its responsibility to effectively manage risks across the Company, determining its risk appetite and ensuring the implementation of adequate and appropriate controls, the Board reviews its risk management processes and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Company.

Apart from having oversight of the Company's risk management, internal control and financial reporting, the Audit & Risk Committee also ensures the required in-depth review of specific financial, operational and regulatory areas of the Company's business.

The Company adopts the Enterprise Risk Management program based on the framework that was developed and issued by RFC, which in turn is based on COSO framework (developed by the Committee of Sponsoring Organizations of the Treadway Commission for evaluating internal controls), of which the International Institute of Internal Auditors is a sponsoring organisation. The program establishes an enterprise risk assessment ("ERA") for identifying, evaluating, monitoring, reporting and managing significant business risks. The Internal Audit function also carries out activities under the ERA.

The Company's Management team and Internal Audit team meets periodically to assess whether any conditions associated with a particular risk have changed, and to ensure that action and risk mitigation plans have been implemented. Progress and status of the mitigation action plans are presented to the Audit & Risk Committee quarterly or new critical risks are escalated immediately for deliberation.

The ERA categorises the risk in the following way:

- Strategic, which are risks that affect the overall direction of the business.
- Operational, which are risks that impact the delivery of the Company's products.
- Financial, which are risks associated with financial processes and reporting.
- Compliance, which are risks associated in relation to legal, statutory and corporate governance.

The risk profile of the Company is established during the annual risk assessment session facilitated by the Internal Audit team (IA). Risks identified are categorised and rated based on the impact on the relevant business objectives, likelihood of the risks occurring, and the potential for improvement of the way the risk is being managed, taking into account the existing internal control framework and risk management measures implemented.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Internal Audit

The Internal Audit function is performed in-house and reports directly to the Audit & Risk Committee. It assists the Audit & Risk Committee and the Management in the effective discharge of their responsibilities and its principal role is to undertake independent and systematic reviews of the Company's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Company's risk management, internal controls and the overall governance processes.

The Internal Audit function carried out its activities based on the Internal Audit Plan approved by the Audit & Risk Committee. The Internal Audit Plan is developed based on the risk profiles identified in accordance with the Company's risk register as well as consultation from relevant Management team and historical and inherent risk to the business. The Audit & Risk Committee reviews the extent of the audit scope and coverage of the Company's activities; and the adequacy, competency and the internal audit resources to support the completion of the plan. At the quarterly Audit & Risk Committee meetings, the Committee reviews the progress of activities and the resource requirements, including interim changes and the impact of resource limitations. The Audit & Risk Committee also reviews significant risk and control issues, including investigation reports and special reviews conducted by the Internal Audit team at the request of Management.

Findings from the audits were highlighted to Management who are responsible for ensuring that the agreed action plans to address the reported weaknesses are implemented within the required timeframe. On a regular basis, the Internal Audit function reviewed the status of implementation of the recommended actions and preventive measures. The audit findings, audit opinion or conclusion and the status of implementation of the action plan were presented to the Audit & Risk Committee for review at their respective quarterly meetings

The Audit & Risk Committee had evaluated the performance of the Internal Audit function for FY2023 and was satisfied with the overall performance of the function as it had been effective in performing its duties. The Internal Audit function also provided value added recommendations to the organisation, strengthening its internal controls, and was able to function independently.

The Company has an in-house Internal Audit and Internal Control Department which reports directly to the Audit & Risk Committee and assists the Audit & Risk Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance of the adequacy and the effectiveness of the risk management, internal control and governance process as well as to carry out investigations on any complaints received. The investigation findings and audit recommendations and measures are reported by the Internal Audit Manager to the Audit & Risk Committee at each meeting.

The Company's Internal Audit is headed by Mr. Inderjit Singh who has over 10 years of experience in various finance functions including internal audit. Mr. Inderjit holds a Bachelor's Degree of Accounting (Honours) from Multimedia University (MMU) and is a member of the Institute of Internal Auditors Malaysia (IIA). He is supported by a Senior Internal Controls Specialist and Internal Control Specialist. Further information on the Internal Audit function is set out in the Statement of Internal Control and Risk Management and the Report of the Audit & Risk Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

Engagement With Stakeholders

(Practice 12 and 13)

Ongoing engagement and communication with shareholders are vital in fostering a healthy relationship between the Company and its stakeholders and are critical for the sustainable growth of our business as this gives stakeholders a much better insight of the Company and facilitates mutual understanding of each other's expectations.

The Board takes steps to ensure, as far as is practicable, that there is effective, transparent and regular communication between the Company and its stakeholders. The Company disseminates information to its stakeholders utilizing the following methods:

Website: The Company's corporate website provides quick access to information about the Company. The information on the corporate websites includes the corporate overview, information on the Board of Directors and the Management team, Compass and other Company policies, the Board Charter and Board Committee Terms of References, financial results, announcements to Bursa, minutes of general meetings, the Company's Annual Reports and Circulars to shareholders, the Company's products, media releases, and other corporate news.

Annual Report: The Annual Report provides a comprehensive report on the Company's operations and financial performance. An online version of the full Annual Report is available and downloadable from the Company's website www.dutchlady.com.my.

General Meetings: The Board shares information to its shareholders during general meetings and encourages shareholders to ask questions which are addressed during the meeting. Minutes of the general meetings, together with a summary of the questions discussed during the meeting are shared on the Company's website within one month of the date of the meeting.

Analyst briefings: The Company also meets up with investment analysts and fund managers periodically. The Company also actively responds to requests for discussions with institutional shareholders and analysts, locally and abroad, to provide them better insights into the Company. In FY2023, the Company held an investor relations meeting in November. The presentation shared during the meeting is available on the Company's website at www.dutchlady.com.my

Annual General Meetings

The Company's Notice of AGM is published in a local newspaper and is issued to shareholders at least 28 days prior to the date of the AGM. The Company's AGM in May 2023 was fully virtual. All Malaysian resident Directors were physically present at the Broadcast Venue of the meeting whilst the Directors who are based overseas joined the meeting virtually. The Chairperson, who chaired the proceedings provided fair opportunity and time to all shareholders to exercise their rights to raise questions and make recommendations.

The Company has leveraged technology to facilitate greater shareholders' participation and enhance the proceedings of the AGM. Resolutions during the AGM were arrived at via online electronic poll voting to enable all shareholders to cast their votes. The Share Registrar, Boardroom Share Registrars Sdn Bhd acted as the Poll Administrator to conduct the online electronic polling process. Sky Corporate Services Sdn was appointed as the Independent Scrutineer to verify the poll results.

Since FY2020, the Company's general meetings have been held virtually through live streaming and online remote voting. In FY2023, it was decided to have a virtual meeting as a physical AGM would require use of more energy and resources, also contributing to more emissions and waste compared to a virtual meeting. With a virtual AGM the Company sought to reduce the potential environmental impact by using a small meeting venue in the offices of the poll administrator as a broadcast venue, minimising the need for travel to the meeting venue, and significantly cut-down the amount of physical materials to be generated for the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

For virtual meetings, only shareholders who have registered and who have been verified by the poll administrator were allowed to participate in the meetings. The meeting and online voting was conducted using a system which contains data privacy and security features. Information on how the shareholders can register, participate and vote during the virtual meeting was provided in the notice of meetings which were delivered to each shareholder in accordance with the terms of the Company's Constitution.

Shareholders are always encouraged to provide questions on the resolutions being proposed or on the Company's operations and performance in general via email before the meeting and via the Q&A portal during the meeting. Answers to questions received beforehand will be dealt with during the Managing Director's presentation or answered verbally during the meeting. Questions received from MSWG are also presented and answered during the meetings. The broadcast of the virtual general meeting held in FY2023 ran smoothly and shareholders were able to see and hear the meeting proceedings clearly. Shareholders were also able to participate in the meetings by asking questions via the Q&A portal. These questions were either answered via the portal which was visible to the shareholders or were answered verbally by the Managing Director and the Finance Director during the meeting. The Board finds that virtual meetings are not only convenient for the shareholders as they allow all shareholders to participate in the meeting from the comfort of their home or office, but that they are also more environmentally friendly as virtual meetings help to reduce the carbon footprint from such meetings by amongst others, using a smaller meeting venue, reducing the number of attendees travelling to the meeting venue, and reducing the amount of physical materials to be generated for the meeting. The Company will continue endeavour to reduce the carbon footprint generated from its general meetings by utilizing such environmentally friendly methods.

The full minutes of the meetings which includes the answers to the shareholders' questions were available on the Company website within 30 days after the general meetings.

A virtual meeting will be held for the 61st AGM on 28 May 2024. The Broadcast Venue will be held at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia.

Compliance Statement by the Board of Directors on Corporate Governance Statement

(a) Utilisation of Proceeds

The Company did not carry out any corporate exercise to raise funds during the financial year.

(b) Audit Fees

(i) Audit Fees for the Company:

The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit and Internal Control. The total cost incurred by the Internal Audit and Internal Control Department in relation to the conduct of its functions for FY2023 was RM656,800. The amount of audit fees paid to External Auditors by the Company for FY2023 was RM109,256.

(ii) Non-Audit Fees

The amount of non-audit fees paid to External Auditors by the Company for the FY2023 was RM48,000 for the review of Statement of Risk Management & Internal Control and the verification of condition of SST exemption for the period between 1 September 2018 to 5 August 2021.

(c) Material Contracts Involving Substantial Shareholders

Save and except for the recurrent related party transactions entered into pursuant to the shareholders' mandate, there were no material contracts either still subsisting at or entered into since the end of FY2023 by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest.

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 20 February 2024.

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee (“Committee”) provides critical oversight of the Company’s financial reporting process, monitoring the external and internal auditing process, compliance with relevant legal and statutory matters and other matters delegated by the Board.

The primary purpose of the Committee is to assist the Board of Directors to:

- (i) discharge its statutory and fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within the Company;
- (ii) review the quality of the Company’s accounting function, financial reporting and internal controls;
- (iii) enhance the independence of the External and Internal Audit functions by providing direction to and oversight of these functions.

A. COMPOSITION

Chairperson

Tengku Nurul Azian binti Tengku Shahrman – Independent Non-Executive Director

Members

Ms. Saw Chooi Lee – Senior Independent Non-Executive Director

Mr. Darren Kong Kam Seong – Independent Non-Executive Director

Dato’ Dr. Rosini binti Alias – Non-Independent Non-Executive Director

Mr. Jean Serge Krol – Non-Independent Non-Executive Director

The Committee is chaired by Tengku Nurul Azian binti Tengku Shahrman who is an Advocate and Solicitor of the High Court in Malaya, a Barrister of Law of the Honourable Society of Inner Temple and has an LLB (Hons) from the School of Oriental & African Studies, University of London. She has over 18 years of broad experience in investment banking and corporate finance and was previously the Executive Vice President & Partner of PEMANDU Associates Sdn Bhd, a management consulting firm which is focused on public sector transformation and business turnaround with global experience. She sits on the Boards and Audit and Risk Committees of other listed companies in Malaysia.

Ms. Saw Chooi Lee has a Bachelor of Science in Business Administration and an MBA from the University of Nebraska-Lincoln, USA. She first joined the Company in March 2003 as its Commercial Director after which she held various leadership positions in the FrieslandCampina Group including the role of the Company’s Managing Director from 2015 to 2017. She was appointed as the Adjunct Professor for Graduate Business School – MBA Program for Universiti Kebangsaan Malaysia in 2018 and mentors in the Women in Leadership (WIL) programme by Lead-Women Malaysia Organisation.

Mr. Darren Kong has a BSc (Hons) in Applied Accounting, Oxford Brookes University, United Kingdom. He is a Fellow Member of the Association of Chartered Certified Accountants (ACCA), a Member of the Malaysian Institute of Accountants (MIA) Associate, and a member of the Association of Certified Fraud Examiners (ACFE). He is currently the Chief Operating Officer of AutoCraver Trading Sdn Bhd, a company providing automotive technology solutions and he is also the Programme Director for the Institute of Advisors - Malaysia Chapter. He was previously the Managing Director, Corporate Strategy & Alliance of a data technology company that specialises in Analytics, Big Data, Machine Learning and Artificial Intelligence.

Dato’ Dr. Rosini Binti Alias is Doctor of Veterinary Medicine, DVM, from Universiti Pertanian Malaysia. She was formerly the Deputy Director-General of the Department of Veterinary Services (“DVS”), Malaysia and has vast experience in the veterinary and agricultural sector with a career spanning over 30 years.

AUDIT & RISK COMMITTEE REPORT

Mr. Jean Serge Krol has a Master's of Economics as well as a Post-Master's Degree for Certified Public Accountants from the Rijksuniversiteit in Groningen. He also has as a Post-Master's Degree for Certified Controllers from the Vrije Universiteit in Amsterdam. He has held various senior finance managerial positions within the FrieslandCampina group from 2002 to 2019. In July 2019, he was appointed as the Director of Finance for FrieslandCampina's Specialized Nutrition Business Group and in 2023, he assumed the position of Director of Finance Consumer Dairy Asia.

B. TERMS OF REFERENCE

Structure of the Audit & Risk Committee

The Committee is appointed by the Board and shall comprise of at least 3 directors. All members should be Non-Executive Directors with Independent Non-Executive Directors making up the majority. At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or have at least 3 years' working experience and be a member of one of the Associations of Accountants specified in Part II of the First Schedule of the Accountants Act 1967. The Chairperson of the Committee shall be an Independent Non-Executive Director and be elected from amongst the members of the Committee. All members of the Committee, including the Chairperson, will hold office until otherwise determined by the Board.

Authority

The Committee has authority to carry out the following:

- (i) investigate any matter within its terms of reference;
- (ii) has full and unrestricted access to any information, records and documents pertaining to the Company;
- (iii) has the resources which are required to perform its duties;
- (iv) has direct communication channels with both the External and Internal Auditors;
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

Functions

1. The functions of the Committee are as follows:

In relation to External Auditors

- (i) To consider and recommend to the Board the appointment or re-appointment of the External Auditors and fix their audit fee, and to consider any issues regarding their resignation or dismissal and the reasons thereof; In considering the appointment or re-appointment of the external auditors, to consider among others:-
 - (a) the adequacy of the experience and resources of the accounting firm;
 - (b) the persons assigned to the audit;
 - (c) the accounting firm's audit engagements;
 - (d) the size and complexity of the Group being audited;
 - (e) the number and experience of supervisory and professional staff assigned to the particular audit; and
 - (f) the performance of the external auditors and its independence inter-alia:
 - i. communication with the management;
 - ii. the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - iii. the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - iv. the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and
 - v. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors.

In making the assessment on the External Auditor's performance and independence, the Committee should consider the information presented in the Annual Transparency Report of the audit firm, to the extent that it is applicable.

AUDIT & RISK COMMITTEE REPORT

- (ii) To take note and be informed of the audit tender process that is run by FrieslandCampina globally including ensuring that an objective criterion is established when assessing the appointment of External Auditors.
- (iii) To review and discuss with the External Auditors their audit plan, the nature and scope of audit, evaluation of the Company's systems of internal controls and their audit report on the annual financial statements, including Key Audit Matters, and report the same to the Board;
- (iv) Ensure External Auditors have sufficient understanding of business, operations and risk areas, that senior audit team members are sufficiently involved throughout the audit process, and that the team has the capacity and ability to work in different geographical regions;
- (v) To assess the External Audit firm's measures to uphold audit quality and manage risks including adopting indicators of audit quality;
- (vi) To discuss issues and reservations arising from the interim and final audits with the External Auditors, and any other matters the External Auditors or other consultants may wish to discuss, in the absence of Executive Directors and Management, where necessary and in any case at least twice a year;
- (vii) To review the External Auditors' Management letter and Management's response thereon and ensure Management provides information and records in a timely manner;
- (viii) Obtain assurance from the External Auditors that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, and that following such annual assessment review and the assurance obtained, the Committee to remain confident of the External Auditor's independence and suitability.
- (ix) Ensure that advance approval by the Board of Directors is required for non-audit services provided by the External Auditor, on recommendation of the Committee;
- (x) Review all non-audit services performed by the External Auditors to reinforce the independence and objectivity of the External Auditors. In the event the non-audit fees paid to External Auditors or a firm or corporation affiliated to the External Auditors are significant i.e. constitutes 50% of the total audit fees paid to the External Auditors, the Committee is required to state the details on the nature of the non-audit services rendered in the Committee's report.

In relation to the Financial Statements

- (i) To review the quarterly and annual financial statements of the Company before submission to the Board of Directors, focusing particularly on:-
 - (a) Public announcement of the results and dividend payment;
 - (b) Any changes in accounting policies and practices;
 - (c) The going concern assumption;
 - (d) Compliance with approved accounting standards;
 - (e) Compliance with Bursa Securities and legal requirements;
 - (f) Significant adjustments arising from the audit;
 - (g) Significant matters highlighted including financial reporting issues; and
 - (h) Significant judgements made by management, significant and unusual events or transactions and how these matters are addressed.
- (ii) Review the Company's dividend proposals including considering the quantum, timing and cash flow of dividend payments, and recommending the same to the Board for approval;
- (iii) To consider and review the appropriateness of any related party transaction and conflict of interest situations that may arise within the Company including ensuring compliance with applicable laws and regulations to ensure:
 - (a) internal control procedures with regards to such transactions are sufficient and have been complied with;
 - (b) transactions are fair, reasonable and undertaken on the Company's normal commercial terms; and
 - (c) transactions are not detrimental to the interest of minority shareholders;

AUDIT & RISK COMMITTEE REPORT

- (iv) Review the Company's annual report prior to submission to the Board for their perusal and approval, to ensure compliance in accordance with the provisions of the Companies Act 2016 and Bursa Securities Main Market Listing Requirements, the applicable approved accounting standards as per MASB Standards and any other laws or regulations which might apply;
- (v) Review major audit findings and Management's response during the year with Management, External Auditors and Internal Auditors, including the status of previous audit recommendations;
- (vi) Review the assistance given by the Company's officers to the External Auditors and any issues encountered in the course of the audit work, including restrictions on the scope of activities or access to required information.
- (iii) Ensure the Company adopts the Standards and Principles outlined in the International Professional Practices Framework (IPPF) of The Institute of Internal Auditors;
- (iv) Review and appraise the performance of the Internal Audit Department on an annual basis;
- (v) Approve any appointment and termination of senior staff members of the Internal Audit Department; and
- (vi) Takes cognizance of resignations of internal audit staff members.

In relation to Internal Audit

- (i) To do the following, in relation to the Internal Audit Department:
 - (a) Review the adequacy of the scope, functions, competency and resources of the Internal Audit Department, and that it has the necessary authority and resources to carry out its work, including training programs for the staff;
 - (b) Consider whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
 - (c) Review the internal audit plan for the year and findings of the internal audit assessment and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department by Management;
 - (d) Ensure the Head of Internal Audit reports functionally to the Committee directly and that the Committee reviews the performance of the Internal Audit function annually. The Head of Internal Audit should have the relevant qualifications and be responsible for providing assurance to the Committee that the internal controls are operating effectively. The Head of internal Audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal controls and governance processes of the Company.
- (ii) Ensure that the Company has an Internal Control Framework, and periodically reviews the controls, organizes self-assessments and ensures effectiveness of the system;
- (iii) To review and assess the adequacy of the Enterprise Risk Management framework and controls on a quarterly basis to mitigate identified business risks which enables the Company to update key risks direction, identify material economic, environmental, social or governance (EES&G) risks and other emerging risks and to define an adequate and practical mitigation action plan where necessary;
- (ii) To review and assess the effectiveness and adequacy of the business continuity plan and monitoring its implementation;
- (iii) To ensure that the Enterprise Risk Management Framework focuses on the Company's core business operations and it allows the Company to:
 - (a) Establish clear functional responsibilities and accountabilities within the Company's structures for management of risks;
 - (b) Enhance and improve corporate governance with a clear, concise and comprehensive structure for the Company;
 - (c) Put in place policies and procedures on business ethics and good business conduct which includes focus on anti-bribery and corruption;
 - (d) Promote an effective risk awareness where risk management is an integral aspect of the Company's business plan and project portfolio;
 - (e) Ensure appropriate skills and resources are applied to risk management;
 - (f) Review periodic reports from the management on risk exposure, risk portfolio composition and risk management activities;
 - (g) Review and recommend new policies or changes to policies and to consider risk implications including the procedures put in place by management to prevent and detect fraud including cyber fraud.

AUDIT & RISK COMMITTEE REPORT

Other Scope of Work

- (i) To consider major findings of any internal investigations and Management's response thereon;
- (ii) To review the draft circulars with respect to obtaining shareholders' mandate on any Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors; and
- (iii) To consider any other topics, as defined by the Board.

The Committee's Terms of Reference can be found on the Company's website www.dutchlady.com.my.

C. MEETINGS AND MINUTES

The Committee shall meet at least 4 times a year and the quorum for any meeting shall be 2 members, consisting of Independent Directors. The Managing Director, Finance Director and the Internal Auditor will be invited to attend all meetings of the Committee. There shall be at least 2 meetings a year with External Auditors as well as 2 meetings without the members of Management. External Auditors will be invited to attend additional meetings when appropriate and they may request a meeting with the Committee if they consider it necessary. Other Board members may attend meetings upon the invitation of the Committee.

The Company Secretary shall be the Secretary of the Committee and as a reporting procedure, the minutes of each Committee meeting shall be circulated to all members of the Board.

A total of 4 meetings were held during the financial year 2023. The membership status and attendance record of each of the members are as follows:-

| | Attendance |
|--|------------|
| Members | |
| Tengku Nurul Azian binti Tengku Shahrman <i>(Chairperson, Independent Non-Executive Director)</i> | 4/4 |
| Ms. Saw Chooi Lee <i>(Member, Senior Independent Non-Executive Director)</i> | 4/4 |
| Mr. Darren Kong Kam Seong <i>(Member, Independent Non-Executive Director)</i> | 4/4 |
| Dato' Dr. Rosini binti Alias <i>(Member, Non-Independent Non-Executive Director)</i> | 3/4 |
| Mr. Jean Serge Krol <i>(Member, Non-Independent Non-Executive Director)</i> | 4/4 |

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

A summary of the key activities carried out by the Committee during the financial year is listed below:

(a) Financial Reporting and Compliance

The Company's quarterly and annual financial statements as well as announcements made to Bursa Securities were reviewed by the Committee before submission to the Board for its subsequent approval. In doing so, the Committee deliberated and focused on changes in major accounting policies and practices as well as any adjustments and/or issues affecting audit related matters to ensure compliance with Main Market Listing Requirements, the approved Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act and other relevant legal and regulatory requirements with regards to the quarterly and year-end financial statements.

As part of their accounting oversight duties, the Committee also reviewed the External Auditors' ("PricewaterhouseCoopers PLT", or "PwC") annual and interim audit reports, together with accompanying Management responses.

AUDIT & RISK COMMITTEE REPORT**(b) Assessing Independence, Suitability, Objectivity and Cost Effectiveness of the External Auditors**

The Committee carried out an annual review of the independence, suitability, objectivity and cost effectiveness of PwC before approving their remuneration and recommending their re-appointment to the shareholders. The factors considered include the competency, and the adequacy of experience and resources of the firm and professional staff assigned to perform the audit.

In February 2023, PwC shared its Transparency Report for 2022 with the Committee. The Transparency Report is provided as part of an initiative by the Securities Commission's Audit Oversight Board to enhance transparency and audit quality. The Transparency Report spells out PwC's audit methodology, describes what they do to maintain the right culture, equip their employees with the right training and invest in cutting edge audit tools.

As part of the annual audit exercise, the Committee obtained assurance from PwC confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Following the annual assessment review and the assurance obtained, the Committee remains confident of PwC's independence and suitability.

(c) Risk Management and Internal Controls

The Committee took note of the Company's risk management and the control environment guidelines as implemented using the RFC Internal Control Framework and the Enterprise Risk Management programme. In November 2023, the Committee reviewed and accepted the Enterprise Risk Assessment which was carried out to help Management obtain a complete risk overview including strategic, compliance, operational and financial risks. The Committee also reviewed the Fraud Risk Assessment which was conducted to identify potential areas of concerns within the organization and to comply with Bursa Sustainability Requirements.

The Committee also received Risk Management progress reports from Management quarterly whereby the Committee took note of the mitigating controls and action plans taken to mitigate the identified business risks.

(d) Going Concern assessment

The Committee reviewed the going concern basis for preparing the Company's financial statements, including the assumptions underlying the going concern statement and the period of assessment.

(e) External Audit

Throughout the financial year, the Committee had three meetings with External Auditors and two meetings with them without the presence of Management. The Committee is pleased to report that there was no significant matter of disagreement that arose between the External Auditors and Management.

To reinforce the independence and objectivity of the External Auditors, the Committee reviewed all non-audit services performed by the External Auditors.

During the financial year, the fees incurred in respect of non-audit related matters amounted to RM48,000 for the review of Statement of Risk Management & Internal Control and the verification of condition of SST exemption for the period between 1 September 2018 to 5 August 2021. The amount of audit fees paid to External Auditors by the Company for FY2023 was RM109,256. As such the non-audit fees make up 31% of the total fees paid to the External Auditors.

(f) Internal Audit

During FY2023, the Committee had four meetings with the Internal Auditor. During the engagements, the Committee discussed the results arising from the Internal Audit findings and recommendations by the Internal Auditor on the controls environment and operational weaknesses and verified that timely corrective actions were taken by Management.

(g) Governance

The Committee reviewed the Audit & Committee Report and the Statement of Internal Control and Risk Management and recommended to the Board for inclusion in the 2022 Annual Report.

AUDIT & RISK COMMITTEE REPORT

(h) Other Matters

During the financial year, the Committee also carried out the following activities:

- reviewed the Company's dividend proposals
- considered the quantum, timing and cash flow of dividend payments, and recommended the same to the Board for approval
- reviewed the related party transactions entered into by the Company during the year
- reviewed the recurrent related party transactions, and any conflict-of-interest situations during the year
- reviewed its report for the year under review to ensure that they were in compliance with the relevant requirements and guidelines
- reviewed the Circular on the Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and recommended the same to the Board for shareholders' approval
- discussed with the External Auditors on Key Audit Matters and any issues arising from the audit (in the absence of the Management)

E. INTERNAL AUDIT FUNCTION

The Committee is supported by the Internal Audit function in discharging its duties and responsibilities. The Internal Audit function is an integral part of the assurance framework, and its principal role is to undertake independent and systematic reviews of the Company's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Company's overall governance, risk management and internal control processes.

The Internal Audit function is performed in-house and is led by the Head of Internal Audit who reports functionally to the Committee and administratively to the Finance Director. It assists the Committee and Management in the effective discharge of their responsibilities and its principal role is to undertake independent and systematic reviews of the Company's internal control system so as to provide objective assurance on the adequacy, integrity and effectiveness of the Company's risk management, internal controls and the overall governance processes. The Internal Auditors are empowered with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the Company's records, physical properties, to carrying out any internal audit or investigation engagement.

The Internal Audit function is independent from the activities of other operating departments and undertakes to review key processes of the Company and its relationships with third parties. It also carries out risk management activities under the Enterprise Risk Management programme developed by the RFC Group. The programme incorporates a process to facilitate risk identification, assessment, reporting as well as review and mitigation risks that affect the achievement of the Company's objectives and policies.

The Head of Internal Audit, Mr Inderjit Singh, is a holder of a Bachelor's Degree of Accounting (Honours) from Multimedia University (MMU). He is a member of the Institute of Internal Auditors Malaysia (IIA). The Head of Internal Audit has over 10 years of experience in various finance functions including internal audit. The Head of Internal Audit is currently supported by an Internal Control Specialist.

The activities of the Internal Audit function are carried out based on the Internal Audit Plan approved by the Committee. The Committee reviews the extent of the audit scope and coverage of the IA activities; and the adequacy and competency and the internal audit resources to support the completion of the plan. At the quarterly Committee meetings, the Head of Internal Audit reports to the Committee on the progress of Internal Audit activities and the resource requirements, including interim changes and the impact of resource limitations. The report to the Committee also covers significant risk and control issues, including fraud risks, governance issues and other matters that require the Committee's attention.

During the financial year, the Internal Auditors undertook the following activities:

1 Prepared the internal audit plan for the year, which is reviewed and approved annually by the Committee, and updated where necessary by the Committee

2 Carried out all internal audit activities in accordance with the audit plan and adopts the Standards and Principles outlined in the International Professional Practices Framework (IPPF) of The Institute of Internal Auditors and best practices in COSO Framework

3 Prepared the internal audit programme based on the internal audit plan, for each activity or process to be audited

AUDIT & RISK COMMITTEE REPORT

- 4 Maintained the Company's Internal Control Framework, including periodically reviewing controls, organising self-assessments and ensured effectiveness of the system
- 5 Discussed with auditees, process owners and Management on the results of the audit for each activity or process, root cause analysis will be assessed prior any recommendations in order to mitigate the identified risk or control work flow improvements
- 6 On a quarterly basis, reviewed the Enterprise Risk Assessment updates, which enables the Company to update key risks direction, identify emerging risks and to define an adequate and practical mitigation action plan where necessary
- 7 Carried out a review on the EES&G common material matters
- 8 Reported to the Committee on a quarterly basis, the results from the internal audit and governance issues identified together with Management Team's response and action plans
- 9 Followed up on all the action plans agreed from the previous internal audit reports to ensure that all matters arising are adequate addressed by the Management

Costs amounting to RM656,800 were incurred in relation to the internal audit function for the financial year ended 31 December 2023.

Further details of the activities of the Internal Audit and Internal Control Department are set out in the Statement on Risk Management and Internal Control of this Annual Report.

F. ANNUAL REVIEW AND PERFORMANCE EVALUATION

An annual performance evaluation was carried out on the Committee in an effort to enhance and improve its processes of the control environment.

The Committee's responsibility is to monitor and review the practices and processes performed by Management and the External Auditors. It is not the Committee's duty or responsibility to conduct auditing or accounting reviews. The Committee members are not employees of the Company. Therefore, the Committee has relied, without independent verification, on Management's representation that the financial statements have been prepared with integrity and objectivity, in conformity with approved accounting principles and standards generally accepted in Malaysia and on the representations of the External Auditors included in its reports on the Company's financial statements and internal control over financial reporting.

STATEMENT OF RISK MANAGEMENT & INTERNAL CONTROL

The Board of Directors affirms its responsibility for maintaining a sound and effective system of risk management and internal control and outlines the nature of risk management procedures and internal control system within Dutch Lady Milk Industries Berhad for the year under review.

Responsibility and Accountability

The Board is responsible and accountable for the Company's systems of risk management and internal control and for reviewing the effectiveness, adequacy, and integrity of the system. In this regard, the Board is assisted by the Audit & Risk Committee ("ARC") who is responsible for ensuring that appropriate methods and procedures are adopted in the risk management and internal control activities and to obtain the level of assurance required by the Board.

The Audit Committee assists the Board, in overseeing the following operations and processes:-

1

Periodic reviews of key business risks, and control measures to mitigate or reduce such risks

2

Periodic reviews of the strengths and weaknesses of the overall internal controls system and action plans to address the risk of the weaknesses or key improvement opportunities

3

Periodic reviews of the business's internal process and operations as reported by the IA team, including action plans to address the identified control weaknesses and monitor the implementation of its recommendations

4

Review any key findings highlighted by the external auditors on control issues identified via their audit-related and non-audit-related work and the scope of their respective reviews and findings

The Board maintains full control over strategic, financial, organisational and compliance matters and has put in place an organisational structure with formal lines of responsibility and delegation of authority. The board has received assurance from the Managing Director and the Finance Director via the bi-annual Management Statement process, that the Company's risk management and internal control system is adequate and operating effectively, in all material respect. The Board and the Audit & Risk Committee have delegated to Management the implementation risk management system and internal controls within an established governance framework throughout the Company.

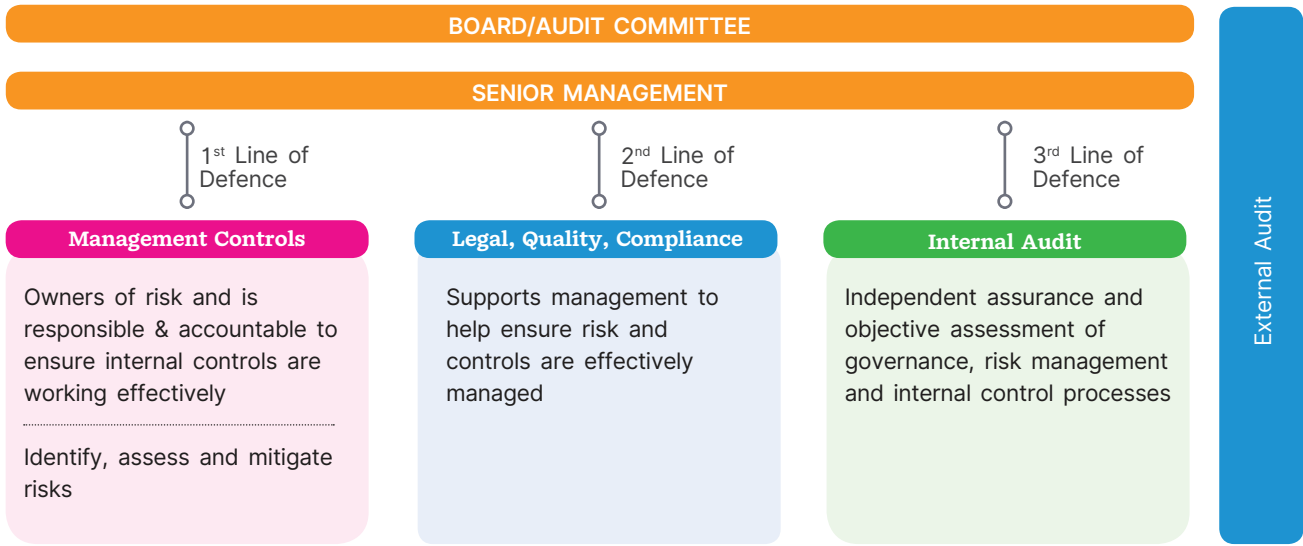
Risk Management Framework

The Company aims for transparency in identifying, evaluating and mitigating risks by adopting the Enterprise Risk Management ("ERM") programme that was developed and issued by Royal Frieslandcampina ("RFC") based on internationally recognised COSO framework. This framework describes the management's risk appetite, structure, responsibilities, processes and governance reporting procedures. It has been developed to provide a reasonable degree of certainty that strategic objectives are achieved by creating focus, integrating control measures into the Company's activities, ensuring compliance with applicable laws and regulations, and by safeguarding the reliability of financial and non-financial reporting.

Integration of the Enterprise Risk Management ("ERA") practices throughout the organisation enables the Company to accelerate its growth and enhance its performance. This success is built upon by timely identifying, evaluating and effectively mitigating risks that could prevent the organisation from realising its strategic objectives.

In order to facilitate an effective risk management process, a governance process has also been established. The Three Lines Model is developed to ensure a structured approach is used and clear roles and responsibility is defined between the different roles.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL



The above is supported by assurance activities carried out by the external auditors who are responsible to evaluate and provide independent and reasonable assurance on the organisation's financial reports.

The Company's risk management programme is led by the Managing Director and supported by the Management Team and Business Leaders from all functional units of the Company.

The ERM framework focuses on the Company's core business operations and it allows the Company to:

- Establish clear functional responsibilities and accountabilities within the Company's structures for management of risks;
- Enhance and improve corporate governance with a clear, concise and comprehensive structure for the Company;
- Promote an effective risk awareness where risk management is an integral aspect of the Company's business plan and project portfolio; and
- Ensure appropriate skills and resources are applied to risk management.

The Company stimulates a culture in which employee risk awareness is continuously addressed through targeted communication and periodic (mandatory) training, while weak areas in its risk management programmes or control measures can be transparently reported and effectively dealt with, for example through the specific dashboards and KPIs and the Company's Speak Up process.

In providing assurance to the Board of Directors on the Company's adequacy and effectiveness of risk management, the Internal Audit team coordinates a continuous risk dialogue session with all the risk owners and functional heads, these helps the Company in:

- Embedding risk management in the mindset and behaviour of employees
- Strengthen risk management capabilities and methods
- Continuously improve risk mitigation
- Unlock expertise/synergies to support business
- Keep things simple (speed, focus, pragmatism)

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Enterprise Risk Management (“ERM”) Process

The ERM process involves a systematic application of the risk management methodology to facilitate risk identification, assessment, reporting as well as monitoring and review as described below;

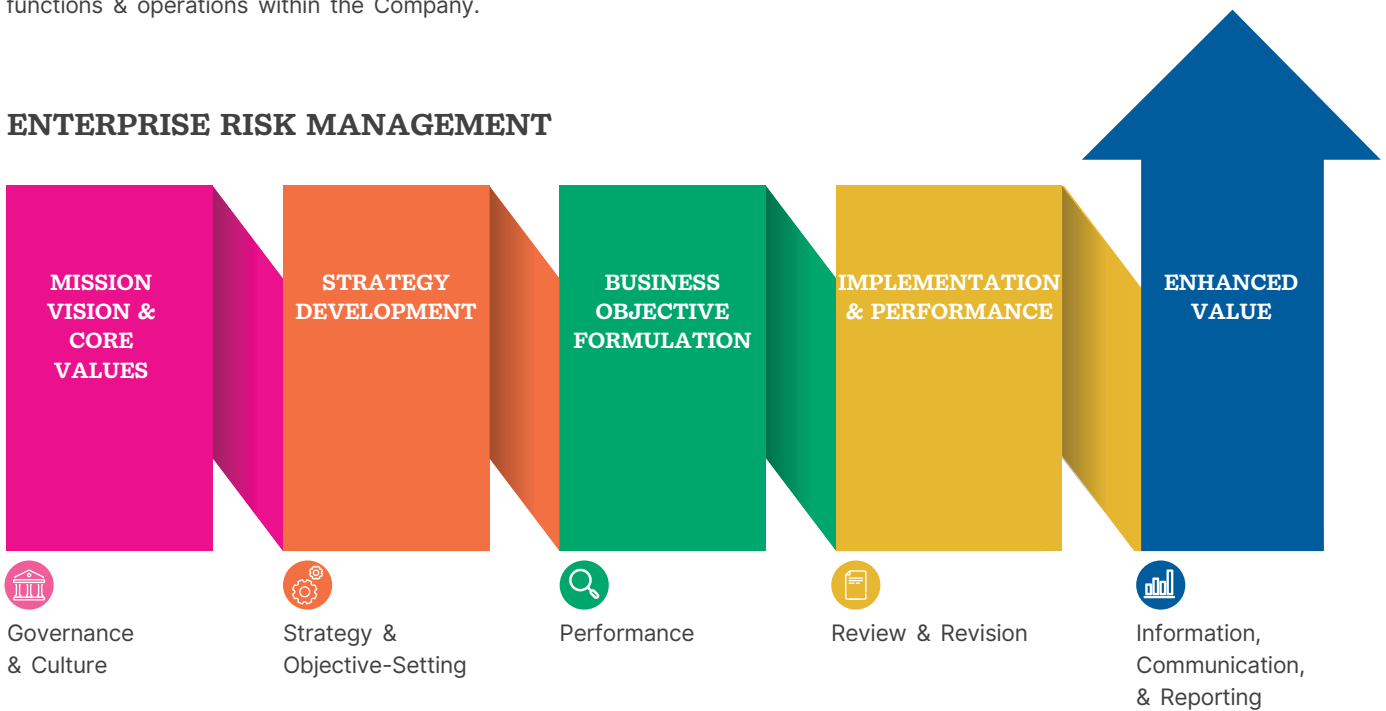
Risk Identification & Assessment

The ERM process begins with the business strategies and objectives setting which is aligned to the Company’s vision and mission. Subsequently, risks arising from the business strategies and objectives to be pursued are identified.

The risks identified are assessed as part of the Risk Assessment Criteria and categorised based on the level of probability and likelihood to reflect the risk appetite approved by the Board.

The outcome of the risk assessment process at respective functional levels will then be consolidated at the Company level. Deliberations and discussions are held with the Management Team and Business Leaders. In 2023, the Company supplemented the ERM exercise by also conducting a comprehensive Fraud Risk Assessment (“FRA”) covering all the functions & operations within the Company.

ENTERPRISE RISK MANAGEMENT



Risk Reporting & Review

Risk appetite sets out the nature and extent of risks that the Company is willing to accept or retain in pursuit of its goals and objectives.



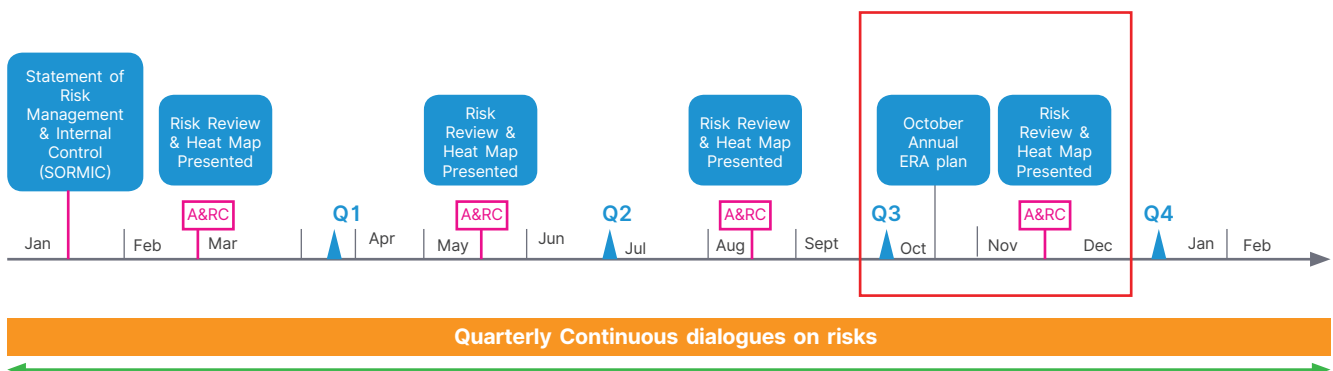
STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Company's general risk appetite depends on the risk categories, is set out in the table below.

Risk Category and Risk Appetite

| Risk Category | General Risk Appetite |
|---------------|--|
| Strategic | The Company is prepared to take a certain degree of calculated risks relating to the realisation of its performance objectives and long-term goals. |
| Operational | The Company attempts to minimise the impact of unforeseen disruption on its operating activities. |
| Financial | The Company has a conservative and sound framework of financial policies and procedures to prevent risks that could have a significant impact on the financial results and material misstatements in its financial statements reporting. |
| Compliance | The Company applies a zero-tolerance policy. |

Quarterly, the risk profiles are updated by the Management Team and Business Leaders. The updated risk profiles are then tabulated into a heat map, which sets out the priority and focus for risk mitigation strategies based on risk ratings at net levels. The net risk level is determined after taking into consideration the effectiveness of existing controls and risk mitigation plans. This exercise is facilitated by Internal Audit ("IA") team and is part of the continuous risk dialogue session.



ERA planning and Quarterly Continuous Risk Updates.

The finalised risk profiles and heat maps are identified and promptly brought to the attention of the ARC.

Internal Control Structure and Processes

The system of internal controls is designed to safeguard the assets of the Company, to ensure the maintenance of proper accounting records and to provide reliable financial and non-financial information for use within the business and for publication. However, these controls provide only reasonable and not absolute assurance against material error, misstatement, loss or breach of set regulations.

The principal features of the Company's internal control structure are summarised as follows:

- Board Committees**

The functions and responsibilities of the various committees of the Board of Directors are defined in the terms of reference. These include the Audit & Risk Committee and the Nominating and Remuneration Committee.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

As part of the Risk Management Framework, and in line with the MCCG, the Board has an organisational structure with clearly defined lines of accountability and responsibilities and delegated authority to the Board Committees and the Management to ensure they discharge their duties. Matters concerning risk management and internal controls are under the purview of the ARC which is chaired by the Senior Independent Director.

• Organisational Structure and Responsibility Levels

The Company has an organisational structure with formal lines of responsibility and authorisation procedures within which senior management operates with clear defined accountability.

• Authority Levels, Acquisitions and Disposals

There are authorisation procedures and delegated authority levels for major tenders, major capital expenditure projects, acquisitions and disposal of businesses and other significant transactions.

Investment decisions are made in accordance with authority limits which include approval from Board. Appraisal and monitoring procedures are applied to all major investment decisions, and at times external consultants are used for advisory services.

Board of Directors' approval is required for key treasury matters including equity and loan financing, material acquisitions and disposals of assets not in the ordinary course of business, investment in capital projects, cheque signatories, and the opening of bank accounts.

On top of this, the FrieslandCampina Corporate Manual includes the procedures and guidelines in which responsibilities and authorisations are stipulated and are applicable for the day-to-day management of the Company.

• Procedure and Control Environment

In addition to internal controls, the Directors have ensured that health and safety regulations, environmental controls and economic risks have been considered, and relevant laws and regulations complied with. The quality of the Company's products is paramount. Quality Assurance, Quality Control and meeting customers' requirements are prime considerations, and these are achieved by the Company being FSSC 22000 certified. Ultimately, the Company aims to deliver safe food to consumers, whilst demonstrating compliance with the prevailing laws and regulations.

In addition, strong emphasis is also given to food safety with Good Manufacturing Practices and Hazard Analysis and Critical Control Point ("HACCP") System that cover all plants.

The Company has in place the ISO 14001 Environment Management System (EMS), a systematic management approach to the environmental concerns of the Company, and ISO 45001, the Occupational Health and Safety Management System (OSHMS) for the protection of employees from hazards and the mitigation of work-related injuries and health-related issues.

The Company is also subjected to an internal maturity assessment called One Audit. One Audit covers the following key areas within the supply chain department;-

- (a) Safety Health and Environment Management System
- (b) Food Safety and Quality Management System
- (c) Proper Maintenance
- (d) Continuous Improvement

ONE audit is carried out by the global team every two years, the last assessment was conducted in 2022. The objective of the audit is to ensure that products produced by the Company and the way in which they are being produced meet the necessary high standards on food safety, quality, labour safety and environment.

The Company has formal guidelines on safety, health and environment which apply to all employees and third-party contractors.

The integrity and competence of personnel are continuously assessed through the Performance Management System, talent assessment program, management organisation development and Hay Reward Management System.

• Standards of Business Ethics

Employees are contractually bound to observe prescribed standards of business ethics when conducting themselves at work and in their relationship with external parties, such as customers and suppliers.

The Company's code for good business conduct, Compass, is pivotal in managing compliance risk by fostering honest, respectful, and transparent business conduct among employees and third parties. It encompasses guidelines like the Speak-Up Procedure, Fair Competition Policy, and Doing Honest Business Policy. These standards are disseminated to all employees through a robust communication and training program via an internal learning platform. Moreover, the

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

appointment of local trusted representatives across various departments provides an alternative platform for employees to raise concerns effectively.

Compass is supported globally by RFC Corporate Headquarters with an established Integrity Committee and a reporting platform (SpeakUp) that is available to employees 24 hours a day, seven days a week so they can, in confidence, express their concerns regarding a suspected infringement of the code or a guideline.

In line with this, the Company has an Employee Handbook that guides the Company's employees in their day-to-day conduct. Employees are expected to conduct themselves with integrity and objectivity and not be placed in a position of conflict of interest.

Suppliers are also bound by the "RFC Business Practices for Suppliers" to ensure honest conduct of business is being practiced within the Company's business operations.

• Formalised Strategic Planning and Operating Plan Processes

The Strategic Planning process is led by Royal FrieslandCampina ("RFC") and is focused on the long-term strategic direction of the Company, prioritizing future investments and resources. The Company performs business planning and budgeting process each year, to establish plans and targets against which performance is monitored on a monthly basis by Management.

The annual planning process involves respective functions preparing and reviewing their strategies and activity plans including budgets before a new financial year commences. The annual plan which embeds the budget is reviewed by the Management Team and approved by the Board and the Business Group. Monthly review of performance and expenditure versus the plan is carried out by the Management Team to ensure effectiveness of execution and spends are managed in line with the strategic and financial objectives of the organization. Performance gaps or key variances, if any, are followed up and addressed by respective functions.

The Company formulated a Sales & Operations Planning process to align product demand and supply together with financial resources in order to provide the Company with defined business strategies and priorities. In addition, the process also aims to continuously improve business performance, improving customer service levels, forecasting accuracy and inventory turnover management.

• Reporting and Review

The Company's Management Team meets on a monthly basis to review business performance, identify, discuss and resolve operational, financial and key management issues. This is then followed by monthly Business Leadership Team ("BPT") process where key KPIs of the organisation are tracked and reviewed with the Leadership Team of the Company. Last but not least on a quarterly basis results are communicated to employees at the Company's town hall sessions.

The Managing Director reports on a quarterly basis to the Audit & Risk Committee and the Board of Directors on significant changes in the business and external environment in which the Company operates including its key business performance.

On behalf of the Management Team, the Managing Director and the Finance Director sign off on a bi-annual Management Statement to the Business Group as well as the Audit & Risk Committee. By signing off on the Management Statement, it demonstrates the management's accountability over financial and non-financial reporting disclosures including;

- (a) sustainability-related controls and assessments
- (b) adequacy of the Internal Control Framework ("ICF")
- (c) responsibility for proper Segregation of Duty ("SOD") and
- (d) ensuring full and transparent disclosure is made on any fraud and non-compliance with laws and regulations.

• Financial Performance

The preparation of quarterly and full-year financial results and the state of affairs, as published to shareholders, are reviewed by the Audit & Risk Committee and later approved by the Board.

• Assurance Compliance

The Board, Audit & Risk Committee and Management review the Internal Audit reports on a quarterly basis and monitor the status of implementation of corrective actions that are prepared by the Internal Audit team to address internal control weaknesses.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

• Employee Competency and Awareness

On an annual basis, all employees are required to complete the following online courses as part of the Company’s efforts to drive awareness and assess their understanding of the respective codes and the underlying principles, the results from the online courses assessment are closely monitored by the HR team.

-  **Compass**
-  **Human Rights**
-  **Anti-Bribery**
-  **Responsible Marketing Code (Selected Employees)**
-  **Cyber-Security Awareness**
-  **Fraud Awareness**
-  **Silver & Golden Purchasing Rules**
-  **Safety at Work Icon**

Training and development programmes such as health and safety, psychological safety at work, technical knowledge training, coaching and leadership capability building are organized for employees to ensure that they are equipped with necessary knowledge/skills and kept up to date with the necessary competencies to carry out their responsibilities towards achieving the Company’s objectives. The Company leverages on RFC’s integrated learning platform for employees to access a vast selection of courses ranging from cross functional business skills and digital trends to self-development.

The Company relies on the IT systems to support its operations via data, analysis and reports essential for business decision making. As part of the measures to raise awareness on cyber security, mandatory trainings were conducted for all employees through an online learning platform. A simulated phishing email exercise was also carried out during the year to enhance awareness on phishing and its methods of attack.

• Internal Control Framework (ICF)

The Company has adopted RFC’s Internal Control Framework (ICF) compliance programme that emphasises on key controls surrounding the financial

reporting process, the Company’s compliance with applicable laws and internal policies, and the effectiveness of the internal processes.

In an effort to drive the importance and awareness of internal controls, the Internal Audit (IA) team also conducted training on the principles of Internal Control Framework (ICF) with the relevant control owners and control performers.

On an annual basis, a Control Design Assessment (CDA) exercise is performed to evaluate and review the control design of key internal controls within the Company. This is followed by a Control Self-Assessment (CSA) exercise as well as an Independent Testing (IT) mechanism to evaluate the effectiveness of the control execution activity. The IA team coordinates both the CDA & the CSA exercise which is performed at different frequencies throughout the year.

The IA Team discusses non-compliance areas, if any, and control deficiencies with relevant process owners and reports it via an internal monitoring tool whilst ensuring the necessary remediation action plan is in place. Completed action plans are then retested to ensure adequate remediation is in place. Assessment results, deficiencies and controls requiring improvement are regularly reported and updated to the Audit & Risk Committee during their quarterly meetings.

• Update on Developments

Quarterly reporting is made to the Board on legal, regulatory, accounting, and sustainability developments where applicable. Briefings are also conducted to keep employees informed of changes to legislation or local by-laws that are expected to affect the Company’s operations or the way the Company conducts its business, where relevant.

In 2023, the Company has also taken the opportunity to update key policies and procedures relating to functions of the business: Finance, Sales & Legal. The policies and procedures are reviewed and updated every 2 years by the business owners in consultation with the IA team to gather inputs in areas concerning internal controls and risk. The relevant policy would then be approved by the respective management team members. Furthermore, the Company has also developed a SharePoint site where all approved policies and procedures would be published, and all employees have been given access to the site. Data privacy trainings are also conducted for all employees, the trainings conducted are supplemented by communication and appointment of Local Privacy Officers (LPO’s). This communication is done on a yearly basis via the Townhall process.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

The Internal Audit function is performed in-house with its primary function to provide an independent and objective assessment on the adequacy and effectiveness of the governance, risk management and internal control processes established by the Management and the Board. The Internal Audit function has an independent reporting line to the ARC and its performance is reviewed by the ARC annually. It focuses on key areas of the business and operations risk based on the audit plan approved annually by the Audit & Risk Committee. The audit plan is developed based on the risk profiles identified in accordance with the Company's Risk Management Framework and in consultation with the Management Team. Internal audit reports are presented every quarter to the Audit & Risk Committee.

• Summary of Work Performed by Internal Audit

During 2023, the Internal Audit function completed the audit assignments as approved by the Audit & Risk Committee. The audit assignments were inclusive of special reviews and investigative audits as requested by the Management.

The Internal Audit team highlights, to the Audit & Risk Committee and Management, areas for improvement and follows-up on the progress of implementation of the agreed actions arising from the internal audit report. The Management is responsible for ensuring all agreed action plans are addressed within the required timeframe.

The Audit & Risk Committee in turn reviews the effectiveness of the system of internal controls in operation and reports the results thereon to the Board.

Adequacy and effectiveness of Risk Management and Internal Control System

The Directors have reviewed the effectiveness, adequacy and integrity of the system of risk management and internal controls in operation during the financial year through the monitoring process set out above.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. Management continues to take measures to strengthen the control environment.

Taking into account the limitations that are inevitably inherent in any risk management and internal control system, and the possibilities for improving the system, the Company's risk management and internal control systems provide a reasonable degree of assurance that:

- The Board will be informed quarterly of the degree to which the Company's strategic, operational, financial and compliance objectives are being achieved;
- The internal and external financial reporting do not contain any material misstatement and that the risk management and internal control systems functioned effectively during 2023; and
- The Company has complied with the relevant legislation and regulations.

This Statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (Guidelines) with an effective date of 31 December 2012, in line with the Paragraph 15.26(b) of the Bursa Malaysia Listing Requirements and Principle B of the Malaysian Code of Corporate Governance 2017 as issued by the Securities Commission Malaysia.

The Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3, issued by the Malaysian Institute of Accountants ("MIA").

AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

The statement was approved by the Board on the 20 February 2024.

DIRECTORS' REPORT

for the financial year ended 31 December 2023

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2023.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

| | |
|--------------------------------------|---------------------------------|
| Saw Chooi Lee | |
| Dato' Dr Rosini binti Alias | |
| Tengku Nurul Azian Tengku Shahrman | |
| Datin Seri Sunita Mei-Lin Rajakumar | |
| Jean Serge Krol | |
| Darren Kong Kam Seong | |
| Ramjeet Kaur Virik A/P Bhagwan Singh | |
| Corine Danielle Tap | (Appointed on 1st January 2023) |
| Bernardus Hermannus Maria Kodden | (Resigned on 1st January 2023) |

In accordance with Article 105 of the Company's Constitution, Tengku Nurul Azian Tengku Shahrman, Datin Seri Sunita Mei-Lin Rajakumar and Darren Kong Kam Seong shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

PRINCIPAL ACTIVITIES

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. The Company markets these products under various brand names such as Dutch Lady, Dutch Baby, Frisolac, Friso Gold and Dutch Lady PureFarm. There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

| | RM'000 |
|-------------------------|--------|
| Net profit for the year | 72,394 |

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

DIRECTORS' REPORT

for the financial year ended 31 December 2023

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits for certain Directors shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year. Under the Company's Constitution, the Directors are not required to hold any shares in the Company.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a first interim ordinary dividend of 25.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM16,000,000 in respect of the financial year ended 31 December 2023 on 22 June 2023; and
- ii) a second interim ordinary dividend of 25.00 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM16,000,000 in respect of the financial year ended 31 December 2023 on 13 December 2023.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2023.

DIRECTORS' REMUNERATION

Directors' remuneration for the financial year as set out in Note 16 to the financial statements are as follows:

| | 2023 RM'000 |
|--------------|----------------|
| Fees | 515 |
| Remuneration | 1,524 |
| | 2,039 |

INSURANCE EFFECTED FOR DIRECTORS

During the financial year, the total cost of insurance effected for Directors of the Company is RM19,359 (2022: RM18,553).

HOLDING COMPANIES

The immediate and ultimate holding companies are FrieslandCampina DLMI Malaysia Holding BV and Royal FrieslandCampina NV respectively. Both companies are incorporated in the Netherlands.

DIRECTORS' REPORT

for the financial year ended 31 December 2023

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (c) At the date of this report:
- (i) there are no charges on the assets of the Company which have arisen since the end of the financial year which secure the liabilities of any other person; and
 - (ii) there are no contingent liabilities in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS' REPORT
for the financial year ended 31 December 2023

AUDITORS' REMUNERATION

The auditors' remuneration for the financial year amounted to RM109,256.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 27 February 2024.

Signed on behalf of the Board of Directors:

.....
Ramjeet Kaur Virik A/P Bhagwan Singh

.....
Jean Serge Krol

27 February 2024

STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|--------------------------------------|------|----------------|----------------|
| Assets | | | |
| Property, plant and equipment | 3 | 503,206 | 344,202 |
| Right-of-use assets | 4 | 8,473 | 3,046 |
| Intangible assets | 5 | 27,492 | 13,181 |
| Other receivables | 6 | 1,987 | – |
| Deferred tax assets | 7 | 2,220 | – |
| Total non-current assets | | 543,378 | 360,429 |
| Inventories | 8 | 241,098 | 228,882 |
| Trade and other receivables | 6 | 94,343 | 97,708 |
| Prepayments | 9 | 1,310 | 45,887 |
| Tax recoverable | | – | 6,327 |
| Cash and bank balances | 10 | 66,152 | 104,941 |
| Derivative financial assets | 11 | 595 | – |
| Total current assets | | 403,498 | 483,745 |
| Total assets | | 946,876 | 844,174 |
| Equity | | | |
| Share capital | 12 | 64,000 | 64,000 |
| Retained earnings | | 373,245 | 332,851 |
| Total equity | | 437,245 | 396,851 |
| Liabilities | | | |
| Lease liabilities | 4 | 3,994 | 2,093 |
| Deferred tax liabilities | 7 | – | 2,322 |
| Provision | 13 | 375 | 9,201 |
| Total non-current liabilities | | 4,369 | 13,616 |
| Trade and other payables | 14 | 482,094 | 413,688 |
| Provision | 13 | 12,689 | 8,710 |
| Current tax liabilities | | 1,123 | – |
| Lease liabilities | 4 | 6,961 | 6,498 |
| Derivative financial liabilities | 11 | 2,395 | 4,811 |
| Total current liabilities | | 505,262 | 433,707 |
| Total liabilities | | 509,631 | 447,323 |
| Total equity and liabilities | | 946,876 | 844,174 |

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 |
|--|------|--------------------|----------------|
| Revenue from contracts with customers – sales of goods recognised point in time | | 1,442,823 | 1,339,410 |
| Cost of sales | | (1,014,426) | (983,893) |
| Gross profit | | 428,397 | 355,517 |
| Other income | | 18,620 | 4,562 |
| Distribution expenses | | (170,160) | (164,363) |
| Administrative expenses | | (42,324) | (50,068) |
| Other expenses | | (134,536) | (89,223) |
| Results from operating activities | | 99,997 | 56,425 |
| Interest income | | 1,024 | 1,794 |
| Finance costs | | (4,528) | (3,660) |
| Profit before tax | 15 | 96,493 | 54,559 |
| Tax expense | 17 | (24,099) | (8,288) |
| Net profit for the financial year/Total comprehensive income for the financial year | | 72,394 | 46,271 |
| Basic and diluted earnings per ordinary share (sen) | 18 | 113.1 | 72.3 |

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2023

| | Note | Share capital RM'000 | Distributable | Total Equity RM'000 |
|--|------|-------------------------|-----------------------------|------------------------|
| | | | Retained earnings RM'000 | |
| At 31 December 2022/1 January 2023 | | 64,000 | 332,851 | 396,851 |
| Net profit/Total comprehensive income for the financial year | | - | 72,394 | 72,394 |
| Dividends to owners of the Company | 19 | - | (32,000) | (32,000) |
| At 31 December 2023 | | 64,000 | 373,245 | 437,245 |
| | | Note 12 | | |
| At 31 December 2021/1 January 2022 | | 64,000 | 318,580 | 382,580 |
| Net profit/Total comprehensive income for the financial year | | - | 46,271 | 46,271 |
| Dividends to owners of the Company | 19 | - | (32,000) | (32,000) |
| At 31 December 2022 | | 64,000 | 332,851 | 396,851 |

Note 12

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2023

| | Note | 2023 RM'000 | 2022 RM'000 (Restated) |
|---|------|----------------|------------------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers and other receivables | | 1,443,606 | 1,318,342 |
| Cash paid to suppliers and employees* | | (1,215,808) | (1,132,014) |
| Cash generated from operations | | 227,798 | 186,328 |
| Income tax paid | | (21,191) | (32,747) |
| Net cash from operating activities | | 206,607 | 153,581 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3(b) | (189,308) | (119,531) |
| Purchase of intangible assets | 5(a) | (12,958) | (5,020) |
| Proceeds from disposal of property, plant and equipment | | 476 | - |
| Interest received | | 1,024 | 1,794 |
| Net cash used in investing activities | | (200,766) | (122,757) |
| Cash flows from financing activities | | | |
| Interest paid | | (4,041) | (3,405) |
| Dividends paid | 19 | (32,000) | (32,000) |
| Payment for lease liabilities | 4 | (8,589) | (8,778) |
| Net cash used in financing activities | | (44,630) | (44,183) |
| Net decrease in cash and cash equivalents | | (38,789) | (13,359) |
| Cash and cash equivalents at 1 January | | 104,941 | 118,300 |
| Cash and cash equivalents at 31 December | 10 | 66,152 | 104,941 |

* In the prior years, included in cash paid to suppliers and employees is prepayment to related company amounted to RM44.8 million (Note 9).

Note to the statement of cash flows

The reconciliation of movement of lease liabilities to cash flows arising from financing activities is disclosed in Note 4.

Interest paid shown in cash flows from financing activities arose from interest paid to a licensed financial institution to enable certain trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Dutch Lady Milk Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business/Registered office

Level 5, Quill 9
No 112, Jalan Prof Khoo Kay Kim
46300 Petaling Jaya, Selangor Darul Ehsan

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. The Company markets these products under various brand names such as Dutch Lady, Dutch Baby, Frisolac, Friso Gold and Dutch Lady PureFarm.

These financial statements were authorised for issue by the Board of Directors on 27 February 2024.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- (i) Standards, amendments to published standards and interpretations that are effective
- The Company has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2023:
- Amendments to MFRS 101 and MFRS Practice Statement 2 'Disclosure of Accounting Policies'
 - Amendments to MFRS 108 'Definition of Accounting Estimates'
 - Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
 - Amendments to MFRS 112 'International Tax Reform—Pillar Two Model Rules'

The adoption of the above standard and amendments to standards issued by Malaysian Accounting Standards Board ("MASB") listed above did not have any material impact in the current financial year or any prior period and is not likely to affect future periods.

- (ii) Standards, amendments to published standards and interpretations that have been issued but not yet effective:

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2024. None of these is expected to have a significant effect on the financial statements of the Company:

- Amendments to MFRS 16 'Lease Liability in Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) Standards, amendments to published standards and interpretations that have been issued but not yet effective (continued):

- There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

The amendments shall be applied retrospectively.

- Amendments to MFRS 107 and MFRS 7 'Supplier Finance Arrangements' (effective 1 January 2024) require entities to disclose information about the supplier finance arrangements ('SFA') that enable the users to understand the effects of SFA on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments require the following information about SFA to be disclosed in the annual period in which the amendments are first applied:

- the terms and conditions of SFAs;
 - the carrying amount of financial liabilities that are part of SFAs and the line items in which those liabilities are presented;
 - the carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers;
 - the range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements;
 - the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of SFAs; and
 - liquidity risk information (e.g. concentration of risks; access to SFA facilities for liquidity requirement).
- Amendments to MFRS 121 'Lack of Exchangeability' (effective 1 January 2025) clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

The amendments do not specify how an entity estimates the spot exchange rate, but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective for estimating the spot exchange rate set out in the amendments.

None of these is expected to have a significant effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed in Note 2(f)(iii).

2. Material accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, import duties and any non-refundable purchase taxes and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS**2. Material accounting policies (continued)****(a) Property, plant and equipment (continued)****(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Freehold land is not depreciated as it has an infinite life.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---------------------------|----------------|
| • buildings | 10 – 25 years* |
| • plant and machinery | 5 – 33 years* |
| • motor vehicles | 5 years |
| • furniture and equipment | 5 – 10 years |

* As part of the Company's plan to move the operations to the new facilities in Bandar Baru Enstek, the Company has revised the useful lives of the plant and machinery and furniture and equipment in the existing facilities to reflect the economic useful lives of these assets which are non-transferrable to the new facilities.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted as appropriate.

(iv) Impairment

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(c) on impairment of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

2. Material accounting policies (continued)

(a) Property, plant and equipment (continued)

(v) Change in useful life

The useful life and residual value of an item of property, plant and equipment is reviewed regularly and, if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods should be adjusted. A change in the useful life or depreciation method is accounted for prospectively as a change in accounting estimate.

(b) Leases – Accounting by lessee

Leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(ii) Sale and leaseback transactions (seller-lessee)

In a sale and leaseback transaction, the requirements of MFRS 15 ‘Revenue from Contracts with Customers’ are applied to ascertain whether the transfer of an asset to the buyer-lessor qualifies as a sale.

If the transfer of an asset does not satisfy the requirements of MFRS 15 to be accounted for as a sale of the asset, the Company continues to recognise the asset. The consideration received for the transfer of the asset is recognised as a financial liability in accordance with MFRS 9 ‘Financial Instruments’.

If the transfer of an asset is accounted for as a sale, the Company derecognises the underlying asset and applies lessee accounting requirements to the sold asset if the Company leases it back from the buyer. A right-of-use asset measured at the proportion of the previous carrying amount that relates to the right of use retained is recognised and any gain or loss that relates to the rights transferred to the buyer-lessor is recognised.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Company makes the following adjustments to measure the sale proceeds at fair value:

- (a) any below-market terms shall be accounted for as a prepayment of lease payments; and
- (b) any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee.

NOTES TO THE FINANCIAL STATEMENTS

2. Material accounting policies (continued)

(c) Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(d) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

NOTES TO THE FINANCIAL STATEMENTS

2. Material accounting policies (continued)

(d) Current and deferred income tax (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(e) Trade payables

Trade payables represent liabilities for goods or services provided to the Company prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs incurred, which include transfer taxes and duties. Trade payables are subsequently measured at amortised cost using the effective interest method.

The Company has implemented a supply chain financing program aimed at optimising working capital efficiency and enhancing relationships with key suppliers. Under this program, the Company collaborates with financial institutions to provide financing options to its suppliers, allowing them to receive early payment for invoices at a discounted rate. This initiative facilitates improved cash flow management for suppliers while extending payment terms for the Company.

The Company has not derecognised the trade payables that are part of the supplier finance arrangement because neither a legal release was obtained nor the original liability was substantially modified on entering into the arrangement.

The arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Company does not incur any additional security towards the bank on the amounts due to the suppliers.

Consequently, the Company presents the amounts factored to bank within trade payables because the nature and function of the financial liability remain the same as those of other trade payables that are not part of the arrangement. The cash flows associated with the arrangement are included within operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS**2. Material accounting policies (continued)****(f) Revenue from contracts with customers****(i) Goods sold**

The Company manufactures and distributes a wide range of dairy products, such as specialised powders for infant and growing up children, liquid milk in different packaging formats and yoghurts. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The dairy products are often sold with trade discounts and volume rebates based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated trade discounts and volume rebates. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term ranging from 1 to 60 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Accounting for refunds

The Company is obliged to refund the purchase price of the product sold in situations where the customer has a contractual right to return the product within a given period. The Company recognised refund liability for returns which was measured based on the sales consideration and the corresponding entry to revenue.

Under MFRS 15, a refund liability for the expected refunds to customers is recognised as an adjustment to revenue and classified as part of the 'trade and other payable' balances.

(iii) Trade spend accruals

Trade spend accruals of RM90.9 million (2022: RM78.6 million), which consists primarily of conditional rebates and promotional discounts, are based on agreed trading terms and promotional activities with trade customers and distributors. Trade spend accruals are recognised under the terms of these agreements, to reflect the expected rebates, promotional activities and historical experience based on estimated sales volume. These accruals are reported within Trade and Other Payables (Note 14). The estimates for these accruals are regularly reviewed by senior management of the Company.

A 5% (2022: 5%) increase in sales volume would have increase the trade spend accrual and decrease post-tax profit by RM4.5 million (2022: RM3.9 million) and RM3.5 million (2022: RM3.0 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment

| | Freehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Furniture and equipment RM'000 | Capital work-in progress RM'000 | Total RM'000 |
|---|-------------------------|---------------------|-------------------------------|--------------------------|-----------------------------------|------------------------------------|-----------------|
| Cost | | | | | | | |
| At 1 January 2022 | 60,311 | 3,773 | 186,845 | 170 | 50,037 | 55,089 | 356,225 |
| Additions | - | - | - | - | - | 168,789 | 168,789 |
| Transfers | - | - | 2,220 | - | 537 | (2,757) | - |
| Transfers to intangible assets | - | - | - | - | - | (19) | (19) |
| At 31 December 2022/ 1 January 2023 | 60,311 | 3,773 | 189,065 | 170 | 50,574 | 221,102 | 524,995 |
| Additions | - | - | - | - | - | 186,819 | 186,819 |
| Written off | - | - | (5,237) | - | (7,343) | - | (12,580) |
| Disposal | - | - | (21,348) | (4) | (332) | (6,893) | (28,577) |
| Transfers | - | 380 | 1,135 | - | 929 | (2,444) | - |
| At 31 December 2023 | 60,311 | 4,153 | 163,615 | 166 | 43,828 | 398,584 | 670,657 |
| Depreciation and impairment loss | | | | | | | |
| At 1 January 2022 | | | | | | | |
| Accumulated depreciation | - | 3,748 | 104,317 | 170 | 32,642 | - | 140,877 |
| Accumulated impairment loss | - | - | 2,427 | - | - | 6,893 | 9,320 |
| | - | 3,748 | 106,744 | 170 | 32,642 | 6,893 | 150,197 |
| Depreciation for the year | - | 2 | 22,639 | - | 7,955 | - | 30,596 |
| At 31 December 2022/ 1 January 2023 | | | | | | | |
| Accumulated depreciation | - | 3,750 | 126,956 | 170 | 40,597 | - | 171,473 |
| Accumulated impairment loss | - | - | 2,427 | - | - | 6,893 | 9,320 |
| | - | 3,750 | 129,383 | 170 | 40,597 | 6,893 | 180,793 |
| Depreciation for the year | - | 24 | 20,735 | - | 5,997 | - | 26,756 |
| Impairment | - | - | 177 | - | - | - | 177 |
| Written off | - | - | (5,046) | - | (7,216) | - | (12,262) |
| Disposal | - | - | (20,784) | (4) | (332) | (6,893) | (28,013) |
| At 31 December 2023 | | | | | | | |
| Accumulated depreciation | - | 3,774 | 124,465 | 166 | 39,046 | - | 167,451 |
| Accumulated impairment loss | - | - | - | - | - | - | - |
| | - | 3,774 | 124,465 | 166 | 39,046 | - | 167,451 |
| Carrying amounts | | | | | | | |
| At 31 December 2022 | 60,311 | 23 | 59,682 | - | 9,977 | 214,209 | 344,202 |
| At 31 December 2023 | 60,311 | 379 | 39,150 | - | 4,782 | 398,584 | 503,206 |

NOTES TO THE FINANCIAL STATEMENTS**3. Property, plant and equipment (continued)**

- (a) Included in property, plant and equipment of the Company are fully depreciated assets, which are still in use, with an aggregate cost of approximately RM86,578,453 (2022: RM87,969,024).
- (b) Payment for purchase of property, plant and equipment

| | 2023 RM'000 | 2022 RM'000 |
|--|-----------------|----------------|
| Additions during the year | 186,819 | 168,789 |
| Add: Unpaid purchase as of prior year | 69,624 | 20,366 |
| Less: Unpaid and included under accrued expenses | (46,086) | (35,273) |
| Unpaid and included under other payables | (21,049) | (34,351) |
| Payment during the year (Note 24) | 189,308 | 119,531 |

Contractual commitments

Contractual commitments for acquisition of property, plant and equipment not yet recognised in the financial statements amounted to RM98.5 million (2022: RM195.6 million).

4. Right-of-use assets**The Company as a lessee**

- (i) **Information about ROU assets, lease liabilities, expenses and cash flows related to leases:**

ROU assets

| | Leasehold land and buildings RM'000 | Motor vehicles RM'000 | Plant and equipment RM'000 | Total RM'000 |
|------------------------------------|--|-----------------------------|----------------------------------|-----------------|
| Cost | | | | |
| At 1 January 2022 | 5,465 | 347 | 4,297 | 10,109 |
| Additions | 124 | - | - | 124 |
| Derecognition | (122) | - | (1,240) | (1,362) |
| Modification | 1,845 | - | - | 1,845 |
| At 31 December 2022/1 January 2023 | 7,312 | 347 | 3,057 | 10,716 |
| Additions | 4,626 | - | 3,523 | 8,149 |
| Derecognition | (3,951) | - | (3,057) | (7,008) |
| Modification | 2,399 | - | - | 2,399 |
| At 31 December 2023 | 10,386 | 347 | 3,523 | 14,256 |

NOTES TO THE FINANCIAL STATEMENTS

4. Right-of-use assets (continued)

The Company as a lessee (continued)

(i) Information about ROU assets, lease liabilities, expenses and cash flows related to leases (continued):

ROU assets (continued)

| | Leasehold land and buildings RM'000 | Motor vehicles RM'000 | Plant and equipment RM'000 | Total RM'000 |
|--|--|-----------------------------|----------------------------------|-----------------|
| Accumulated depreciation charge | | | | |
| At 1 January 2022 | 2,625 | 82 | 2,818 | 5,525 |
| Depreciation for the year | 2,189 | 115 | 1,203 | 3,507 |
| Derecognition | (122) | – | (1,240) | (1,362) |
| At 31 December 2022/1 January 2023 | 4,692 | 197 | 2,781 | 7,670 |
| Depreciation for the year | 4,069 | 116 | 936 | 5,121 |
| Derecognition | (3,951) | – | (3,057) | (7,008) |
| At 31 December 2023 | 4,810 | 313 | 660 | 5,783 |
| Carrying amounts | | | | |
| At 31 December 2022 | 2,620 | 150 | 276 | 3,046 |
| At 31 December 2023 | 5,576 | 34 | 2,863 | 8,473 |

Lease liabilities

| | 2023 RM'000 | 2022 RM'000 |
|---|----------------|----------------|
| Balance at 1 January | 8,591 | 15,139 |
| Additions | 8,067 | 120 |
| Interest charged during the year | 487 | 255 |
| Repayment of lease liabilities (included in cash flows from financing activities) | (8,589) | (8,778) |
| Unrealised exchange rate loss | – | 10 |
| Modification | 2,399 | 1,845 |
| | 10,955 | 8,591 |

Lease liabilities are presented in the statement of financial position as follows:

| | 2023 RM'000 | 2022 RM'000 |
|-------------------------|----------------|----------------|
| Current liabilities | 6,961 | 6,498 |
| Non-current liabilities | 3,994 | 2,093 |
| | 10,955 | 8,591 |

NOTES TO THE FINANCIAL STATEMENTS

4. Right-of-use assets (continued)

The Company as a lessee (continued)

(i) Information about ROU assets, lease liabilities, expenses and cash flows related to leases (continued):

Charged to statement of profit or loss and other comprehensive income

Expenses related to leases are disclosed in Note 15.

| | 2023 RM'000 | 2022 RM'000 |
|---|----------------|----------------|
| Lease payments not recognised as liabilities: | | |
| Expense related to low value leases | 4,126 | 3,060 |
| Expense related to short-term leases | 277 | 134 |
| Expense related to variable leases | 3 | 10 |
| Non-lease components | 525 | 488 |

(ii) The Company's leasing activities and how these are accounted for

In 2021, the Company completed the disposal of its existing manufacturing land and buildings and subsequently the land and buildings were leaseback and recorded as right-of-use assets expiring in September 2023 with option to renew for two further terms of 6 months. The Company recognised right-of-use assets and lease liabilities for 27 months representing 24 months initial term plus anticipated extension of 3 months. Subsequently in 2022, the lease term was modified from the initial expiry date of 31 December 2023 to 30 April 2024. In the current year, the Company further modified the lease term for 5 months to 30 September 2024.

The Company leases other offices, motor vehicles, plant and equipment, and office equipment. Rental contracts are typically made for fixed periods of 1 to 7 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(iii) Variable lease payment

Variable lease payments relate to payments made for the lease of pallets which are based on the actual usage of the pallets.

(iv) Extension and termination options

Extension and termination options are included in a number of equipment and property leases across the Company. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Extension and termination options are included, when possible, to provide the Company with greater flexibility to align its need for access to equipment with the fulfilment of customer contracts.

As of 31 December 2023, there is no potential future (undiscounted) cash outflows that have not been included in lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

5. Intangible assets

| | Computer software RM'000 | Capital work-in progress RM'000 | Total RM'000 |
|--|-----------------------------|------------------------------------|-----------------|
| Cost | | | |
| At 1 January 2022 | 17,342 | 7,470 | 24,812 |
| Additions | – | 5,020 | 5,020 |
| Transfers | 32 | (32) | – |
| Transfers from property, plant and equipment | 19 | – | 19 |
| At 31 December 2022/1 January 2023 | 17,393 | 12,458 | 29,851 |
| Additions | – | 14,583 | 14,583 |
| Transfers | 85 | (85) | – |
| At 31 December 2023 | 17,478 | 26,956 | 44,434 |
| Accumulated amortisation | | | |
| At 1 January 2022 | 16,343 | – | 16,343 |
| Amortisation for the year | 327 | – | 327 |
| At 31 December 2022/1 January 2023 | 16,670 | – | 16,670 |
| Amortisation for the year | 272 | – | 272 |
| At 31 December 2023 | 16,942 | – | 16,942 |
| Carrying amounts | | | |
| At 31 December 2022 | 723 | 12,458 | 13,181 |
| At 31 December 2023 | 536 | 26,956 | 27,492 |

(a) Payment for purchase of intangible assets

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| Additions during the year | 14,583 | 5,020 |
| Less: | | |
| Unpaid and included under accrued expenses | (882) | – |
| Unpaid and included under other payables | (743) | – |
| Payment during the year | 12,958 | 5,020 |

NOTES TO THE FINANCIAL STATEMENTS**6. Trade and other receivables**

| | Note | 2023 RM'000 | 2022 RM'000 |
|------------------------------------|------|----------------|----------------|
| Trade | | | |
| Trade receivables | | 90,096 | 88,832 |
| Less: Loss allowance | 6.1 | (2,279) | (116) |
| Net trade receivables | | 87,817 | 88,716 |
| Amounts owing by related companies | 6.2 | 2,537 | 3,459 |
| | | 90,354 | 92,175 |
| Non-trade | | | |
| Other receivables | | 2,146 | 2,345 |
| Deposits | | 3,830 | 3,188 |
| | | 5,976 | 5,533 |
| | | 96,330 | 97,708 |

Trade and other receivables are presented in the statement of financial position as follows:

| | 2023 RM'000 | 2022 RM'000 |
|--------------------|----------------|----------------|
| Current assets | 94,343 | 97,708 |
| Non-current assets | 1,987 | – |
| | 96,330 | 97,708 |

6.1 The movements in the loss allowance of trade receivables during the financial year are disclosed in Note 22.4.

6.2 The credit terms of amounts owing by related companies ranged from 0 to 30 days (2022: 0 to 30 days).

NOTES TO THE FINANCIAL STATEMENTS

7. Deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Property, plant and equipment | - | - | (6,841) | (11,764) | (6,841) | (11,764) |
| Right-of-use assets | - | - | (2,034) | (731) | (2,034) | (731) |
| Inventories | 635 | 282 | - | - | 635 | 282 |
| Receivables | 558 | 28 | - | - | 558 | 28 |
| Payables | 6,841 | 6,646 | - | - | 6,841 | 6,646 |
| Lease liabilities | 2,629 | 2,062 | - | - | 2,629 | 2,062 |
| Derivatives | 432 | 1,155 | - | - | 432 | 1,155 |
| Deferred tax assets/ (liabilities) | 11,095 | 10,173 | (8,875) | (12,495) | 2,220 | (2,322) |

Movement in temporary differences during the year

| | At 1.1.2022 RM'000 | Recognised in profit or loss RM'000 | At 31.12.2022/ 1.1.2023 RM'000 | Recognised in profit or loss RM'000 | At 31.12.2023 RM'000 |
|-------------------------------|--------------------------|--|---|--|----------------------------|
| Property, plant and equipment | (14,330) | 2,566 | (11,764) | 4,923 | (6,841) |
| Right-of-use assets | (1,100) | 369 | (731) | (1,303) | (2,034) |
| Inventories | 577 | (295) | 282 | 353 | 635 |
| Receivables | 26 | 2 | 28 | 530 | 558 |
| Payables | 5,188 | 1,458 | 6,646 | 195 | 6,841 |
| Lease liabilities | 3,633 | (1,571) | 2,062 | 567 | 2,629 |
| Derivatives | 38 | 1,117 | 1,155 | (723) | 432 |
| | (5,968) | 3,646 | (2,322) | 4,542 | 2,220 |

Note 17

Note 17

NOTES TO THE FINANCIAL STATEMENTS**8. Inventories**

| | 2023 RM'000 | 2022 RM'000 |
|---|----------------|----------------|
| Finished goods | 166,013 | 128,398 |
| Raw materials | 58,357 | 85,421 |
| Packaging materials | 16,940 | 14,697 |
| Spare parts | 2,434 | 1,543 |
| | 243,744 | 230,059 |
| Provision for obsolescence of inventories | (2,646) | (1,177) |
| | 241,098 | 228,882 |

9. Prepayments

| | Note | 2023 RM'000 | 2022 RM'000 |
|-------------------------------|------|----------------|----------------|
| Prepayment to related company | 9.1 | – | 44,771 |
| Others | | 1,310 | 1,116 |
| | | 1,310 | 45,887 |

9.1 In the prior year, prepayment to related company represents advance payments made for future raw materials purchases.

10. Cash and bank balances

| | 2023 RM'000 | 2022 RM'000 |
|--------------------------------------|----------------|----------------|
| Cash and bank balances | 66,152 | 34,941 |
| Deposits placed with a licensed bank | – | 70,000 |
| Cash and cash equivalents | 66,152 | 104,941 |

In the prior year, the deposits were placed with a licensed bank have a maturity period of 6 days with interest rate of 2.20% per annum.

Bank balances are held at call with licensed banks.

NOTES TO THE FINANCIAL STATEMENTS

11. Derivative financial asset/(liabilities)

| | 2023 | | | 2022 | | |
|---|-------------------------|------------------|-----------------------|-------------------------|------------------|-----------------------|
| | Nominal value RM'000 | Assets RM'000 | Liabilities RM'000 | Nominal value RM'000 | Assets RM'000 | Liabilities RM'000 |
| Derivatives held for trading at fair value through profit or loss | | | | | | |
| – Forward exchange contracts | 184,765 | 595 | (2,395) | 109,765 | – | (4,811) |

Forward exchange contracts are used to manage the foreign currency exposures arising from the Company's payables denominated in currencies other than the functional currency of the Company. All the forward exchange contracts have maturities of less than one year after the end of the reporting period.

12. Share capital

| | Amount 2023 RM'000 | Number of shares 2023 '000 | Amount 2022 RM'000 | Number of shares 2022 '000 |
|-----------------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| Issued and fully paid: | | | | |
| Ordinary shares with no par value | 64,000 | 64,000 | 64,000 | 64,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with regard to the Company's residual assets.

13. Provision

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| Employees' pension contribution | | |
| At 1 January | 164 | 106 |
| Addition during the year | 50 | 58 |
| At 31 December | 214 | 164 |
| Restructuring provision | | |
| At 1 January | 17,747 | – |
| Addition during the year | 4,523 | 17,747 |
| Reversal during the year | (3,263) | – |
| Utilisation during the year | (6,157) | – |
| At 31 December | 12,850 | 17,747 |

NOTES TO THE FINANCIAL STATEMENTS**13. Provision (continued)**

Provision is presented in the statement of financial position as follows:

| | 2023 RM'000 | 2022 RM'000 |
|-------------------------|----------------|----------------|
| Current liabilities | 12,689 | 8,710 |
| Non-current liabilities | 375 | 9,201 |
| | 13,064 | 17,911 |

Employees' pension contribution

Provision for employees' pension contribution reflects provisions made for additional contributions to be made to the statutory Employees Provident Fund that would vest upon unionised staff having completed five years of service. The provision has been made on the assumption that all relevant staff will complete their five year term and that therefore their benefits will vest in its entirety.

Restructuring provision

In the prior year, restructuring cost of RM17.7 million recognised in relation to the discontinuation of milk powder operations in Petaling Jaya factory and the Company's focuses on production of Ready to Drink in the new manufacturing facilities in Bandar Enstek. In the current year, the Company recognised restructuring costs amounting to RM4.5 million in line with the strategy characterised by a specific focus for business groups and aimed at improving the profitability and driving sustainable, future growth.

14. Trade and other payables

| | Note | 2023 RM'000 | 2022 RM'000 |
|------------------------------------|------------------|----------------|----------------|
| Trade | | | |
| Amounts owing to related companies | 14.1 | 100,035 | 69,083 |
| Trade payables | 14.2, 14.3, 14.4 | 125,129 | 128,629 |
| Trade spend accrual | | 90,852 | 78,630 |
| | | 316,016 | 276,342 |
| Non-trade | | | |
| Amounts owing to related companies | 14.1 | 11,360 | 10,391 |
| Accrued expenses | 14.4 | 116,810 | 69,481 |
| Payroll liabilities | | 14,540 | 13,351 |
| Other payables | 14.4 | 23,368 | 44,123 |
| | | 166,078 | 137,346 |
| | | 482,094 | 413,688 |

14.1 The credit terms of amounts owing to related companies ranged from 0 to 30 days (2022: 0 to 30 days).

14.2 Included in trade payables is refund liability in respect of market returns of RM2.6 million (2022: RM2.6 million).

14.3 Included in this amount is RM40.7 million (2022: RM47.3 million) of trade payables under a supply chain finance programme. The credit terms for payment to the supply chain finance programme service provider is similar as that of the trade payables.

14.4 The analysis of the comparative has been reclassified to reflect the nature of the payables and accruals.

NOTES TO THE FINANCIAL STATEMENTS

15. Profit before tax

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| Profit before tax is arrived at after charging/(crediting): | | |
| Amortisation of intangible assets | 272 | 327 |
| Auditors' remuneration: | | |
| – Statutory audit – current year | 109 | 102 |
| – Other services | 48 | 22 |
| Depreciation of property, plant and equipment* | 26,756 | 30,596 |
| Depreciation of ROU assets | 5,121 | 3,507 |
| Finance costs: | | |
| – Interest expense | 4,041 | 3,405 |
| – Finance charge arising from lease liabilities | 487 | 255 |
| Interest income | (1,024) | (1,794) |
| Inventories recognised as cost of sales | 918,547 | 824,759 |
| Property, plant and equipment: | | |
| – Loss on disposal | 88 | – |
| – Written off | 318 | – |
| – Impairment | 177 | – |
| Marketing expenses | 123,684 | 120,588 |
| Net (gain)/loss on derivatives | (3,011) | 4,911 |
| Net gain on foreign exchange: | | |
| – Realised | (6,568) | (3,672) |
| – Unrealised | (1,640) | (887) |
| Personnel expenses (including key management personnel): | | |
| – Wages, salaries and others | 68,272 | 65,619 |
| – Contributions to state plans | 11,056 | 10,357 |
| Provision for/(Reversal of) obsolescence of inventories | 1,469 | (1,229) |
| Rental in respect of (Note 4): | 317 | 526 |
| – Premises | 4,506 | 3,059 |
| – Equipment | 108 | 107 |
| – Vehicles | 2,163 | 7 |
| Provision for loss allowance of trade receivables | | |
| Impact from Bilateral Advance Pricing Arrangement (“BAPA”)** | – | 39,040 |
| Restructuring provision | 1,260 | 17,747 |

* Included in the depreciation of property, plant and equipment is the accelerated depreciation of RM15.2 million (2022: RM13.9 million).

** DLMI initiated an application for BAPA with the tax authorities of Malaysia and Netherlands to ascertain the prospective arm's length transfer prices on certain related party transactions for the period from 1 January 2019 to 31 December 2022, and includes a rollback period from 1 January 2018 to 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS**16. Key management personnel compensation**

The key management personnel compensations are as follows:

| | 2023 RM'000 | 2022 RM'000 |
|---------------------------------|----------------|----------------|
| Directors: | | |
| – Fees | 515 | 503 |
| – Remuneration | 1,524 | 1,143 |
| | 2,039 | 1,646 |
| Other key management personnel: | | |
| – Wages, salaries and others | 4,934 | 3,739 |
| – Contributions to state plans | 479 | 416 |
| | 5,413 | 4,155 |
| | 7,452 | 5,801 |

Directors' remuneration includes salaries, allowance and all other Directors related expenses.

Other key management personnel comprise persons other than Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

17. Tax expense**Recognised in profit or loss**

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|------|----------------|----------------|
| Current tax expense | | | |
| – current year | | 28,316 | 23,332 |
| – under/(over) provision in prior years | | 325 | (11,398) |
| | | 28,641 | 11,934 |
| Deferred tax expense | | | |
| Origination and reversal of temporary differences | 7 | (4,542) | (3,646) |
| Total income tax expense | | 24,099 | 8,288 |
| Reconciliation of tax expense | | | |
| Profit before tax | | 96,493 | 54,559 |
| Income tax calculated using Malaysian tax rate of 24% (2022: 24%) | | 23,158 | 13,094 |
| Non-deductible expenses | | 638 | 7,449 |
| Income not subject to tax | | (22) | (35) |
| Over provision in prior year | | (1,136) | (4,728) |
| Prior year tax impact from BAPA | | 1,461 | (7,492) |
| | | 24,099 | 8,288 |

NOTES TO THE FINANCIAL STATEMENTS

18. Earnings per ordinary share

Basic and diluted earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| | 2023 | 2022 |
|---|--------|--------|
| Net profit for the year (RM'000) | 72,394 | 46,271 |
| Average number of ordinary shares in issue ('000) | 64,000 | 64,000 |
| Basic and diluted earnings per ordinary share (sen) | 113.1 | 72.3 |

There are no potential dilutive ordinary shares in issue as at 31 December 2023 and 2022, and therefore, diluted earnings per share equal basic earnings per share.

19. Dividends

Dividends paid by the Company:

| | Sen per share | Total amount RM'000 | Date of payment |
|--|---------------|---------------------|-----------------|
| 2023 | | | |
| Single tier first interim 2023 ordinary | 25.00 | 16,000 | 22.06.2023 |
| Single tier second interim 2023 ordinary | 25.00 | 16,000 | 13.12.2023 |
| Total amount | | 32,000 | |
| 2022 | | | |
| Single tier first interim 2022 ordinary | 25.00 | 16,000 | 22.06.2022 |
| Single tier second interim 2022 ordinary | 25.00 | 16,000 | 13.12.2022 |
| Total amount | | 32,000 | |

20. Operating segments

The Company operates principally in Malaysia and in one major business segment being manufacturing and distribution of a wide range of dairy products. The Company's Board of Directors (the chief operating decision maker) reviews internal management reports in respect of this segment at least on a quarterly basis.

Accordingly, no segment information is provided as the financial position and performance are as already shown in the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

At the end of the financial year, there were no significant concentrations of revenue other than three major customers with net revenues of approximately RM606.1 million (2022: three major customers with net revenues of approximately RM514.2 million). These customers contribute to approximately 42% (2022: 38%) of the net revenues in the financial statements or 20%, 11% and 11% respectively (2022: 16%, 12% and 11% respectively).

NOTES TO THE FINANCIAL STATEMENTS**21. Related parties****Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel include all the Directors of the Company, and certain members of senior management of the Company. The key management personnel compensation is shown in Note 16.

The immediate and ultimate holding companies are FrieslandCampina DLMI Malaysia Holding BV and Royal FrieslandCampina NV respectively. Both companies are incorporated in the Netherlands.

Related party transactions and balances

The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 6, Note 9 and Note 14.

| | 2023 RM'000 | 2022 RM'000 |
|--|------------------|----------------|
| Management fee paid to fellow subsidiary – Koninklijke FrieslandCampina NV (Comp) | (148) | (145) |
| Purchases of fully packed dairy products and raw materials from fellow subsidiaries | | |
| – FrieslandCampina Nederland B.V. | (257,980) | (568,044) |
| – P.T. Frisian Flag Indonesia | (237,929) | (174,238) |
| – FrieslandCampina Domo B.V. | (107,425) | (42,163) |
| – FrieslandCampina Thailand | (3,522) | – |
| Sales of fully packed dairy products to fellow subsidiaries | | |
| – FrieslandCampina Domo B.V. | 1,850 | 2,809 |
| – FrieslandCampina (Singapore) Pte Ltd | 408 | 10,309 |
| – FrieslandCampina Amea Pte. Ltd | 2,616 | 11,281 |
| Know-how, trademark license and management support fees paid to fellow subsidiary – FrieslandCampina Nederland B.V. | (42,010) | (71,328) |

NOTES TO THE FINANCIAL STATEMENTS

21. Related parties (continued)

Related party transactions and balances (continued)

The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Note 6, Note 9 and Note 14 (continued).

| | 2023 RM'000 | 2022 RM'000 |
|---|-----------------|----------------|
| Information, communication and technology services paid to fellow subsidiary – FrieslandCampina Nederland B.V. | (16,363) | (16,007) |
| Advance payment to fellow subsidiary – FrieslandCampina Nederland B.V. | – | (44,771) |
| Finance shared services paid to fellow subsidiary – FrieslandCampina Service Centre Asia Pacific Sdn Bhd | (1,914) | (2,325) |
| Shared services fee received from fellow subsidiary – FrieslandCampina Service Centre Asia Pacific Sdn Bhd | 231 | 220 |

22. Financial instruments

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- Amortised costs (“AC”); and
- Fair value through profit or loss (“FVTPL”):

| | Carrying amount 2023 RM'000 | AC 2023 RM'000 | FVTPL 2023 RM'000 | Carrying amount 2022 RM'000 | AC 2022 RM'000 | FVTPL 2022 RM'000 |
|----------------------------------|--------------------------------------|----------------------|-------------------------|--------------------------------------|----------------------|-------------------------|
| Financial assets | | | | | | |
| Trade and other receivables | 96,330 | 96,330 | – | 97,708 | 97,708 | – |
| Derivative financial assets | 595 | – | 595 | – | – | – |
| Cash and bank balances | 66,152 | 66,152 | – | 104,941 | 104,941 | – |
| | 163,077 | 162,482 | 595 | 202,649 | 202,649 | – |
| Financial liabilities | | | | | | |
| Trade and other payables | (479,524) | (479,524) | – | (411,118) | (411,118) | – |
| Derivative financial liabilities | (2,395) | – | (2,395) | (4,811) | – | (4,811) |
| | (481,919) | (479,524) | (2,395) | (415,929) | (411,118) | (4,811) |

NOTES TO THE FINANCIAL STATEMENTS**22. Financial instruments (continued)****22.2 Net gains and losses arising from financial instruments**

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| Net gains/(losses) from: | | |
| Fair value through profit or loss | 3,011 | (4,911) |
| Financial assets measured at amortised costs | (4,239) | 3,163 |
| Financial liabilities measured at amortised cost | 6,750 | (477) |
| | 5,522 | (2,225) |

22.3 Financial risk management

The Company has exposure to the following risks relating to financial instruments:

- Credit risk
- Funding and liquidity risk
- Market risk

22.4 Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has adopted a policy of only dealing with creditworthy customers, based on evaluation of the customers' financial condition and credit history, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risk arises principally from its receivables from customers and related companies and deposits placed with licensed banks.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company performs credit evaluations on customers requiring credit over a certain amount.

The Company has entered into an arrangement with a licensed financial institution to enable certain trade customers to pay goods invoiced through a corporate purchasing card issued by the financial institution. This has resulted in the financial institution assuming the debts to the Company and credit risk is effectively transferred to the financial institution.

A significant portion of these trade receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 60 days which are deemed to have higher credit risk, are monitored individually.

The Company's approach to the expected loss rates are based on the payment profiles of sales over a period of 60 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and retail volume growth to be the most relevant factors.

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments (continued)

22.4 Credit risk (continued)

Trade receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The expected loss rate is depicted in the table below:

| Age profile | Not past due | Past due 1 - 7 days | Past due 7 - 14 days | Past due 14 - 30 days | Past due 31 - 90 days | Past due more than 90 days |
|-------------|--------------|---------------------|----------------------|-----------------------|-----------------------|----------------------------|
| % | 0.01 | 0.10 | 1.00 | 1.50 | 2.5 | 10.00 |

No significant changes to estimation techniques or assumptions were made during the reporting period.

Changes to loss allowance

The movements in the loss allowance of trade receivables during the financial year were:

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| At 1 January | 116 | 109 |
| Increase in loss allowance recognised in profit and loss during the year | 2,163 | 7 |
| At 31 December | 2,279 | 116 |

There were no significant changes to the gross carrying amount that contributed to changes in loss allowances. The allowance account in respect of trade receivables is used to record expected credit losses and individual impairment losses. Unless the Company is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivable directly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the gross carrying amounts in the statement of financial position. The following table contains an analysis of the credit risks exposure for which expected credit loss is recognised:

| | Gross RM'000 | Individual impairment RM'000 | Expected credit loss RM'000 | Net RM'000 |
|-----------------------|-----------------|------------------------------------|-----------------------------------|---------------|
| 2023 | | | | |
| Not past due | 75,619 | - | (6) | 75,613 |
| Past due 1 - 7 days | 4,869 | - | - | 4,869 |
| Past due 7 - 14 days | 3,525 | - | (15) | 3,510 |
| Past due 14 - 30 days | 1,127 | - | (2) | 1,125 |
| Past due 31 - 90 days | 2,411 | - | (27) | 2,384 |
| Past due over 90 days | 2,545 | (2,204) | (25) | 316 |
| | 90,096 | (2,204) | (75) | 87,817 |

NOTES TO THE FINANCIAL STATEMENTS**22. Financial instruments (continued)****22.4 Credit risk (continued)****Trade receivables (continued)***Exposure to credit risk, credit quality and collateral (continued)*

| | Gross RM'000 | Individual impairment RM'000 | Expected credit loss RM'000 | Net RM'000 |
|-----------------------|-------------------------|---|--|-----------------------|
| 2022 | | | | |
| Not past due | 71,562 | – | (5) | 71,557 |
| Past due 1 – 7 days | 14,817 | – | – | 14,817 |
| Past due 7 – 14 days | 1,191 | – | (10) | 1,181 |
| Past due 14 – 30 days | 669 | – | (28) | 641 |
| Past due 31 – 90 days | 498 | – | (35) | 463 |
| Past due over 90 days | 95 | (32) | (6) | 57 |
| | 88,832 | (32) | (84) | 88,716 |

The individually impaired receivables relate to customers who are under ongoing litigation.

Other receivables and deposits*Exposure to credit risk, credit quality and collateral*

Other receivables and deposits are neither past due nor impaired. The Company believes that generally no loss allowance is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

Related company balances*Risk management objectives, policies and processes for managing the risk*

The Company undertakes trade and non-trade transactions with a number of related companies. The Company monitors the repayment from its related companies on a regular basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. The Company regularly follows up on timely settlement of the amount owing by related companies. The related companies are not required to place any collateral with the Company.

As at the end of the reporting period, there was no indication that the amounts owing by related companies are not recoverable as substantially all of these amounts are aged less than a year.

Deposits placed with licensed banks*Risk management objectives, policies and processes for managing the risk*

Credit risk arises from deposits with licensed banks and financial institutions. The deposits are placed with credit-worthy financial institutions with high credit rating. The Company considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments (continued)

22.4 Credit risk (continued)

Deposits placed with licensed banks (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Company has only placed deposits with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

As deposits are only placed with licensed banks, management does not expect the banks to fail to meet their obligations.

The deposits placed with licensed banks are unsecured.

22.5 Funding and liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables.

The Company maintains a level of cash and cash equivalents including intercompany loan and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

In the current financial year, the Company is in a net current liabilities position of RM101.8 million in which the Company has reassessed the cash flow and funding requirements for the upcoming 12 months. This reassessment ensures the Company's capability to fulfil financial obligations and utilise available facilities efficiently. The Company is employing cash generated from its operations and working capital to fund the Property, Plant & Equipment investments into the new production facility at Bandar Enstek. Should there be any short-term shortfall in working capital, the Company has sufficient committed undrawn overdraft facilities and an inter-company credit facility that can be utilised.

The Company has intercompany loan facility arrangement of USD26 million (approximately RM122.2 million) as part of its financial infrastructure to obtain loans internally when the need arises. The intercompany revolving credit facility expires September 2024. The ultimate holding company has confirmed that it is committed to review, extend and increase the facility if and when required. The purpose of these arrangements is to ensure that, when necessary, the Company can access funds from other entities within its corporate structure, fostering financial stability and strategic resource allocation.

Additionally, the Company has undrawn overdraft facility of RM19.2 million (2022: RM19.2 million) that can be used to finance short term obligations, capital expenditure and general working capital requirements.

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| Undrawn committed credit facilities | | |
| Expiring within one year | 122,200 | – |
| Expiring beyond one year | 19,200 | 19,200 |
| | 141,400 | 19,200 |

It is not expected that the cash flows included in the maturity analysis below could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments (continued)

22.5 Funding and liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

| | Carrying amount RM'000 | Contractual interest rate/ coupon RM'000 | Contractual cash flows RM'000 | Under 1 year RM'000 | Over 1 year but not later than 5 years RM'000 |
|---|---------------------------|--|----------------------------------|------------------------|--|
| 2023 | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | |
| Trade and other payables | 479,524 | – | 479,524 | 479,524 | – |
| Lease liabilities | 10,955 | 1,171 | 12,126 | 7,752 | 4,374 |
| <i>Derivative financial liabilities</i> | | | | | |
| Forward exchange contracts | 2,395 | – | 2,395 | 2,395 | – |
| | 492,874 | 1,171 | 494,045 | 489,671 | 4,374 |
| 2022 | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | |
| Trade and other payables | 411,118 | – | 411,118 | 411,118 | – |
| Lease liabilities | 8,591 | 929 | 9,520 | 6,902 | 2,618 |
| | – | | | | |
| <i>Derivative financial liabilities</i> | | | | | |
| Forward exchange contracts | 4,811 | – | 4,811 | 4,811 | – |
| | 424,520 | 929 | 425,449 | 422,831 | 2,618 |

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments (continued)

22.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

22.6.1 Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The main currencies giving rise to this risk are United States Dollar ("USD"), Euro ("EUR") and Thai Baht ("THB").

Risk management objectives, policies and processes for managing the risk

The Company uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

| | USD RM'000 | Denominated in | |
|------------------------------------|------------------|-----------------|-----------------|
| | | EUR RM'000 | THB RM'000 |
| 2023 | | | |
| Amounts owing by related companies | 2,511 | 71 | - |
| Cash at bank | 5,764 | - | - |
| Trade payables | (10,330) | (27,908) | - |
| Amounts owing to related companies | (98,924) | (6,613) | - |
| | (100,979) | (34,450) | - |
| 2022 | | | |
| Amounts owing by related companies | 531 | - | - |
| Cash at bank | 1,210 | - | - |
| Trade payables | (8,680) | (18,730) | (12,417) |
| Amounts owing to related companies | (84,299) | (9,681) | - |
| | (91,238) | (28,411) | (12,417) |

NOTES TO THE FINANCIAL STATEMENTS**22. Financial instruments (continued)****22.6 Market risk (continued)****22.6.1 Currency risk (continued)*****Currency risk sensitivity analysis***

A 10% (2022: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased equity and post-tax profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

| | Increase/(Decrease) | | | |
|-----|---------------------|----------------|----------------|----------------|
| | Equity | | Profit | |
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| USD | 7,674 | 6,934 | 7,674 | 6,934 |
| EUR | 2,618 | 2,159 | 2,618 | 2,159 |
| THB | - | 944 | - | 944 |

A 10% (2022: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant. The movements in other currency exchange rates are not expected to have any significant effect on the profit or loss.

22.6.2 Interest rate risk

The Company does not have fixed rate borrowings. The Company's variable rate borrowings which is primarily its overdraft facility is exposed to a risk of change in cash flows due to fluctuation in market interest rate. The Company places short term deposits with licensed banks which are not significantly exposed to risk of changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

22.6.3 Other price risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk comprises equity price risk and commodity price risk.

The Company is exposed to fluctuation in milk price (2023: decreased 23%; 2022 increased 6%). The Company fixed the price for milk purchases with its related company 5 months in advance using the prevailing market price.

The Company is not exposed to any other price risk.

NOTES TO THE FINANCIAL STATEMENTS

22. Financial instruments (continued)

22.6 Market risk (continued)

22.6.4 Fair value information

The carrying amounts of cash and cash equivalents and short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of non-current lease liabilities reasonably approximate their fair value.

The table below analyses financial instruments carried at fair value together with their carrying amounts shown in the statement of financial position.

| | Fair value of financial instruments carried at fair value | | | | Carrying amount RM'000 |
|------------------------------|---|-------------------|-------------------|-----------------|---------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | |
| 2023 | | | | | |
| Financial assets | | | | | |
| Forward exchange contracts | – | 595 | – | 595 | 595 |
| Financial liabilities | | | | | |
| Forward exchange contracts | – | (2,395) | – | (2,395) | (2,395) |
| 2022 | | | | | |
| Financial assets | | | | | |
| Forward exchange contracts | – | – | – | – | – |
| Financial liabilities | | | | | |
| Forward exchange contracts | – | (4,811) | – | (4,811) | (4,811) |

Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the asset or liability.

Derivatives

The fair value of forward exchange contracts is based on the quoted price provided by the licensed banks with which the foreign exchange contracts are entered into.

NOTES TO THE FINANCIAL STATEMENTS**23. Capital management**

The Company defines capital as share capital (Note 12) and this is unchanged from the prior year.

The Company's objectives when managing capital are to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as results from operating activities divided by total equity attributable to owners of the Company. The Board of Directors also monitors the level of dividends to shareholders.

The return on capital at 31 December 2023 and 31 December 2022 were as follows:

| | 2023 | 2022 |
|---|---------|---------|
| Results from operating activities (RM'000) | 99,997 | 56,425 |
| Total equity attributable to owners of the Company (RM'000) | 437,245 | 396,851 |
| Return on capital (%) | 22.9 | 14.2 |

The Company monitors and maintains a prudent level of total equity attributable to the owners of the Company to ensure it is adequate to balance the support for future development of the business and the payment of dividends to owners of the Company.

24. Prior year reclassifications

In the prior financial year, the net cash used in investing activities included the unpaid portion of additions to property, plant and equipment. This has been adjusted in the comparative statement of cash flows. A corresponding adjustment is made to the cash paid to suppliers and employees included in the net cash from operating activities.

The prior year reclassification has no impact on the statement of financial position and statement of profit or loss and other comprehensive income in the current or prior financial year.

Statement of cash flows for the financial year ended 31 December 2022

| | As previously reported RM'000 | Reclassification RM'000 | Restated RM'000 |
|--|----------------------------------|----------------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers and other receivables | 1,318,342 | – | 1,318,342 |
| Cash paid to suppliers and employees | (1,082,756) | (49,258) | (1,132,014) |
| Cash generated from operations | 235,586 | (49,258) | 186,328 |
| Income tax paid | (32,747) | – | (32,747) |
| Net cash from operating activities | 202,839 | (49,258) | 153,581 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (168,789) | 49,258 | (119,531) |
| Purchase of intangibles assets | (5,020) | – | (5,020) |
| Interest received | 1,794 | – | 1,794 |
| Net cash used in investing activities | (172,015) | 49,258 | (122,757) |

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

We, Ramjeet Kaur Virik A/P Bhagwan Singh and Jean Serge Krol, two of the Directors of Dutch Lady Milk Industries Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 164 to 199 are drawn up so as to give a true and fair view of the financial position and financial performance of the Company for the financial year ended 31 December 2023 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Ramjeet Kaur Virik A/P Bhagwan Singh

.....
Jean Serge Krol

27 February 2024

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Kai Roelof Maria Henricus De Klerk, the Officer primarily responsible for the financial management of Dutch Lady Milk Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 164 to 199 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Petaling Jaya, Selangor Darul Ehsan on 27 February 2024.

.....
Kai Roelof Maria Henricus De Klerk

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUTCH LADY MILK INDUSTRIES BERHAD
(Incorporated in Malaysia)
Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Dutch Lady Milk Industries Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, comprising material accounting policy information and other explanatory information, as set out on pages 164 to 199.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUTCH LADY MILK INDUSTRIES BERHAD
(Incorporated in Malaysia)
Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Use of estimates in revenue recognition arising from rebates and discounts given to customers.</p> <p>Revenue is recognised net of rebates and discounts. Rebates and discounts recognised are based on the expected entitlement earned up to reporting date under each customer trading agreement and promotions run.</p> <p>The Company has two categories of rebates and discounts where estimates are used:</p> <ul style="list-style-type: none"> - Conditional rebates - Promotional discounts <p>Conditional rebates and promotional discounts are triggered when certain conditions are met. The amount payable is based on conditions achieved, multiplied by rates contracted with each customer in their trading agreements.</p> <p>During the financial year, the Company incurred rebates and promotional discounts totalling RM302.8 million. A total of RM90.9 million of these rebates and discounts were included in accruals as at 31 December 2023.</p> <p>We focused on this area because of the high volume of transactions incurred during the financial year and estimation involved in determining the appropriate amount of accruals as at financial year end and especially in relation to those promotions and campaigns that were still ongoing at the financial year end and those in which the actual data with regards the conditions to be met have not been confirmed.</p> <p>Refer to Note 1(d) (Use of estimates and judgements) and Note 2(f)(iii).</p> | <p>We evaluated and tested the operating effectiveness of controls in relation to the authorisation of rebates and promotional activities and the determination of year end accruals.</p> <p>We traced samples of rebates and discounts incurred during the year to customers' claims.</p> <p>We evaluated the reasonableness of management's estimates on meeting volume or sales targets in relation to conditional rebates and promotional discounts. For selected samples we have performed the following:</p> <ul style="list-style-type: none"> (a) comparison of actual sales volume and values achieved by the customer against the sales volume and values recorded, or (b) traced sample of accruals made to customers' contracts and relevant supporting documents. <p>There were no material exceptions noted from our procedures.</p> |

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF DUTCH LADY MILK INDUSTRIES BERHAD
(Incorporated in Malaysia)
Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and the 2023 Annual Report, which we obtained prior to the date of this auditors' report, and Management Discussion & Analysis, Sustainability Statement, Analysis of Shareholdings and Recurrent Related Party Transaction of A Revenue or Trading Nature, which is expected to be made available to us after that date. Other information does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DUTCH LADY MILK INDUSTRIES BERHAD
(Incorporated in Malaysia)
Registration No. 196301000165 (5063-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ANG GUAT IM
03515/08/2024 J
Chartered Accountant

Kuala Lumpur
27 February 2024

ANALYSIS OF SHAREHOLDINGS

Analysis of Shareholdings as at 14 March 2024

| | | | |
|-----------------|------------------|---|----------------------------|
| Class of Shares | Ordinary shares | | |
| Voting Rights | On show of hands | : | 1 vote |
| | On a poll | : | 1 vote for each share held |

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

| Size of Holdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Shareholding |
|--------------------------|---------------------|-------------------|---------------|-------------------|
| Less than 100 shares | 447 | 6.73 | 2,415 | 0.0 |
| 100 to 1,000 shares | 4,270 | 64.33 | 2,010,761 | 3.1 |
| 1,001 to 10,000 shares | 1,693 | 25.50 | 5,590,580 | 8.7 |
| 10,001 to 100,000 shares | 207 | 3.12 | 5,799,844 | 9.1 |
| 100,001 to 3,199,999(*) | 19 | 0.29 | 13,315,000 | 20.8 |
| 3,200,000 & above(**) | 2 | 0.03 | 37,281,400 | 58.3 |
| | 6,638 | 100.00 | 64,000,000 | 100.0 |

Note:

* – Less than 5% of Issued Holdings

** – 5% and above of Issued Holdings

| Name of 30 Largest Shareholders | No. of Shares | % of Holdings |
|--|---------------|---------------|
| 1. FrieslandCampina DLMI Malaysia Holding B.V. ** | 32,614,800 | 50.96 |
| 2. Amanahraya Trustees Berhad ** Amanah Saham Bumiputera | 4,666,600 | 7.29 |
| 3. Citigroup Nominees (Tempatan) Sdn Bhd ** Employees Provident Fund Board | 3,103,662 | 4.85 |
| 4. Amanahraya Trustees Berhad ** Amanah Saham Malaysia | 2,565,000 | 4.01 |
| 5. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100) | 1,970,800 | 3.08 |
| 6. Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Siva Kumar A/L M Jeyapalan (PB) | 888,800 | 1.39 |
| 7. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aun Huat & Brothers Sdn Bhd (E-IMO/BCM) | 763,400 | 1.19 |
| 8. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Islamic) | 651,738 | 1.02 |
| 9. Yong Siew Lee | 568,000 | 0.89 |
| 10. Amanahraya Trustees Berhad ASN Umbrella for ASN Equity 3 | 567,200 | 0.89 |
| 11. Yeo Khee Bee | 442,900 | 0.69 |

ANALYSIS OF SHAREHOLDINGS

| Name of 30 Largest Shareholders | | No. of Shares | % of Holdings |
|---------------------------------|---|-------------------|---------------|
| 12. | Kumpulan Wang Persaraan (Diperbadankan) | 384,200 | 0.60 |
| 13. | Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Sharon A/P S I Josop (PB) | 210,000 | 0.33 |
| 14. | Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 – Didik | 200,000 | 0.31 |
| 15. | Amanahraya Trustees Berhad Public Islamic Treasures Growth Fund | 167,500 | 0.26 |
| 16. | Chow Kok Meng | 160,000 | 0.25 |
| 17. | Yayasan Guru Tun Hussein Onn | 156,300 | 0.24 |
| 18. | Amanahraya Trustees Berhad Public Islamic Select Treasures Fund | 150,600 | 0.24 |
| 19. | HSBC Nominees (Asing) Sdn Bhd Exempt an for Bank Julius Baer & Co. Ltd. (Singapore BCH) | 140,900 | 0.22 |
| 20. | AAHA Management (M) Sdn Bhd | 120,000 | 0.19 |
| 21. | HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Siva Kumar A/L M Jeyapalan | 104,000 | 0.16 |
| 22. | Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Khoon Hoo (E-TMI) | 100,000 | 0.16 |
| 23. | Er Koon Chuan | 90,000 | 0.14 |
| 24. | Tan Kim Onm | 89,900 | 0.14 |
| 25. | Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC | 88,000 | 0.14 |
| 26. | Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-R ES) | 87,300 | 0.14 |
| 27. | Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Muthukumar A/L Jeyapalan (PB) | 86,400 | 0.14 |
| 28. | UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients) | 84,400 | 0.13 |
| 29. | Tan Lee Hwa | 84,000 | 0.13 |
| 30. | Yee Anne | 81,200 | 0.13 |
| Total | | 51,387,600 | 80.29 |

ANALYSIS OF SHAREHOLDINGS**SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS**

| Name | Direct | % | Indirect | % |
|--|------------|-------|----------|---|
| 1. FrieslandCampina DLMI Malaysia Holdings B.V. | 32,614,800 | 50.96 | 0 | 0 |
| 2. Amanahraya Trustees Berhad Amanah Saham Bumiputera | 4,666,600 | 7.292 | 0 | 0 |
| 3. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board | 3,755,400 | 5.87 | 0 | 0 |
| 4. Amanahraya Trustees Berhad Amanah Saham Malaysia | 2,565,000 | 4.01 | 0 | 0 |

DIRECTORS SHAREHOLDINGS

| Name | Direct | % | Indirect | % |
|---|--------|------|----------|------|
| 1. Datin Seri Sunita Mei-Lin Rajakumar | 2,000 | 0.00 | — | 0.00 |
| 2. Ramjeet Kaur Virik | — | — | — | — |
| 3. Saw Chooi Lee | — | — | — | — |
| 4. Corine Danielle Tap | — | — | — | — |
| 5. Dato' Dr. Rosini binti Alias | — | — | — | — |
| 6. Tengku Nurul Azian binti Tengku Shahrman | — | — | — | — |
| 7. Jean Serge Krol | — | — | — | — |
| 8. Darren Kong Kam Seong | — | — | — | — |

PARTICULARS OF PROPERTIES AS AT 31 DECEMBER 2023

| | |
|------------------------------|---|
| Location of Property | PT 1585 & PT 1586, Mukim Bandar Baru Enstek, Daerah Seremban, Negeri Sembilan |
| Brief description | Factory buildings, office complex and warehouse |
| Approximate land area | 1,419,759 sq ft. |
| Tenure leasehold land | Freehold land |
| Date of acquisition | 17.12.2020 |
| Age of property | N/A |
| Net Book Value (RM) | 60.311 million |

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

| Related Party | Nature of Transaction | Value of Transactions |
|---|--|--|
| | | from 26 May 2023 to 31 Dec 2023 RM'000 |
| FrieslandCampina Nederland B.V., and/or FrieslandCampina Domo B.V., the Netherlands | Purchase by DLMI of fully packed dairy products and raw materials | 215,270 |
| P.T. Frisian Flag Indonesia, Indonesia | Purchase by DLMI of fully packed dairy products including products and raw materials | 187,316 |
| FrieslandCampina Foremost (Thailand) Pte Ltd, Thailand | Purchase by DLMI of fully packed dairy products and raw materials | 3,522 |
| FrieslandCampina Nederland B.V., the Netherlands and/or FrieslandCampina Domo B.V., the Netherlands | Sale by DLMI of fully packed dairy products | 904 |
| FrieslandCampina Foremost (Thailand) Pte Ltd, Thailand | Sale by DLMI of fully packed dairy products | – |
| FrieslandCampina Nederland B.V., the Netherlands | Payment of fees by DLMI for know-how, Trademark licence and Management support | 19,126 |
| FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands | Payment of fees by DLMI for corporate management fees | 112 |
| FrieslandCampina B.V., the Netherlands | Payment of fees by DLMI for shared ICT and communication services | 10,432 |
| FrieslandCampina Service Centre Asia Pacific Sdn. Bhd. Malaysia | Payment of fees by DLMI for shared finance and procurement services | 1,042 |
| FrieslandCampina Service Centre Asia Pacific Sdn. Bhd. Malaysia | Receipt of fees by DLMI for the provision of shared corporate services | 289 |
| Royal FrieslandCampina N.V., the Netherlands | Interest on inter-company credit facility | – |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-First Annual General Meeting (“61st AGM”) of the Company will be carried out virtually through live streaming and online remote voting from the Broadcast Venue at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia on Tuesday, 28 May 2024 at 10.00 a.m. for the purpose of transacting the following purposes:

AGENDA

AS ORDINARY BUSINESS

- | | | |
|----|--|-------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2023, together with the Reports of the Directors and Auditors thereon (Please refer to Explanatory Note to the Agenda (i)). | |
| 2. | To approve the payment of Directors’ fees of up to RM500,000 for the financial year ending 31 December 2024, to be made payable quarterly (Please refer to Explanatory Note to the Agenda (ii)). | Resolution 1 |
| 3. | To approve the payment of Directors’ benefits of up to RM100,000 to Non-Executive Directors for the financial year ending 31 December 2024 (Please refer to Explanatory Note to the Agenda (ii)). | Resolution 2 |
| 4. | To re-elect the following Directors who retire by rotation pursuant to Rule 105 of the Constitution of the Company: (a) Datin Seri Sunita Mei-Lin Rajakumar; (b) Tengku Nurul Azian Binti Tengku Shahrman; and (c) Mr. Darren Kong Kam Seong. | Resolutions 3, 4 and 5 |
| 5. | To re-appoint PricewaterhouseCoopers PLT (LLP0014401-LCA & AF: 1146) as the Company’s auditors and to authorise the Directors to fix their remuneration. | Resolution 6 |

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions:

- | | | |
|----|---|---------------------|
| 6. | PROPOSED NEW AND RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”) | Resolution 7 |
| | <p>“THAT approval be and is hereby given to the Company to enter into and to give effect to the Recurrent Related Party Transactions of a Revenue or Trading Nature with the specified classes of Related Parties as stated in Sections 2.4 and 2.3 of the Circular to Shareholders dated 25 April 2024 which are necessary for the Company’s day-to-day operations subject to the following:-</p> <p>(i) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and</p> <p>(ii) the aggregate value of such transactions conducted pursuant to the Shareholders’ Mandate during the financial year will be disclosed in the Annual Report for the said financial year;</p> | |

NOTICE OF ANNUAL GENERAL MEETING

AND THAT such approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at the Meeting the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by the Proposed Shareholders’ Mandate.”

- 7. To transact any other business of which due notice shall have been given in accordance with the Constitution of the Company and the Companies Act, 2016.

By Order of the Board

KATINA NURANI BINTI ABD RAHIM

(L.S. No. 9652)

SSM Practising Certificate No. 201908001190

Company Secretary

Petaling Jaya

25 April 2024

NOTICE OF ANNUAL GENERAL MEETING**NOTES**

1. The Sixty-First Annual General Meeting (“61st AGM”) will be conducted virtually through live streaming and online remote voting via Remote Participation and Electronic Voting (“RPEV”) facilities which are available on the meeting platform at <https://meeting.boardroomlimited.my>. With RPEV facilities, members may exercise their rights to participate and vote at the 61st AGM through the following modes of communication: i) Typed text in the Meeting Platform ii) E-mail questions to finance.dept@frieslandcampina.com prior to the Virtual Meeting iii) You may submit questions in advance on the AGM resolutions and Annual Report 2023 not later than 10.00 a.m. on Monday, 27 May 2024 via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, and select “SUBMIT QUESTION” to pose questions (“Pre-AGM Meeting Questions”). The Company has appointed Boardroom Share Registrars Sdn Bhd (“Boardroom”) as the Poll Administrator for the 61st AGM to facilitate the Virtual Meeting. Please follow the procedures set out in the Administrative Guide for the 61st AGM below to register, participate and vote remotely via RPEV facilities.
2. The Broadcast Venue of the 61st AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue of the 61st AGM. Members will not be allowed to attend the 61st AGM in person at the Broadcast Venue on the day of the 61st AGM.
3. A Member entitled to attend and vote at the 61st AGM of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.
4. Save for an Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.
5. The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointer is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.
6. For the purpose of determining members who shall be entitled to attend the 61st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **21 May 2024** (“General Meeting Record of Depositors”). Only depositors whose names appear on the Record of Depositors as at **21 May 2024** shall be entitled to attend the said meeting or appoint proxies to attend and vote on their behalf.
7. To be valid, the original instrument appointing a proxy, duly completed (and if applicable, the power of attorney or other authority under which it is originally signed or notarially certified copy of that power of authority) must be deposited at the office of Boardroom Share Registrars Sdn Bhd at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof (or in the case of poll, not less than 24 hours before the time appointed for the taking of the poll); or by electronic means using the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> not later than 48 hours before the time set for holding the Meeting or any adjournment thereof. Please refer to the Administrative Guide below.
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 61st AGM will be put to vote by way of poll.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES TO THE AGENDA

(i) First item of the Agenda

This item of the Agenda is meant for discussion only in accordance with the provision of Section 340(1)(a) of the Companies Act, 2016. As such this item on the Agenda is not put forward for voting.

(ii) Resolutions 1 and 2:

The Company is seeking for shareholders' approval for payment of the Directors' fees and the payment of benefits for the financial year ending 31 December 2024. There will be no change from the amount of Fees and Benefits paid in FY2023, as follows:

| Directors' Fees and Benefits | 2024 (per annum) |
|--|---------------------|
| Chairperson's Fees | RM129,865 |
| Non-Executive Directors' fees (other than FC DLMI's Nominee Directors) | RM74,026 |
| Chairperson of Audit & Risk Committee fees | RM9,117 |
| Member of Audit & Risk Committee fees (other than FC DLMI's Nominee Directors) | RM6,078 |
| Chairperson of Nominating & Remuneration Committee fees | RM1,824 |
| Meeting Attendance allowance | RM1,300 per meeting |

The calculation is based on the estimated number of scheduled and/or special Board and Board Committees' Meetings and on the assumption that all the Directors will remain in office until the financial year ending 31 December 2024.

(iii) Resolutions 3, 4 and 5

The Board through its Nominating & Remuneration Committee ("NRC") had assessed each of the retiring Directors and considered the following: (i) If the retiring Directors meet the criteria for appointment and re-appointment of directors as set out in the Directors' Fit and Proper Policy; and (ii) The retiring Director's performance and contribution based on the Directors' Peer Assessment results.

For item (i), the NRC considered and found that the retiring Directors each met the criteria for appointment and re-appointment of directors set out in the policy.

For item (ii), the NRC found that Datin Seri Sunita Mei-Lin Rajakumar, Tengku Nurul Azian binti Tengku Shahrman, and Mr. Darren Kong Kam Seong had performed well based on the performance criteria evaluated.

In addition, the NRC also considered the declaration of independence given by the retiring Directors in January 2024.

Based on the above, the Board approved the NRC's recommendation and supports the re-election of Datin Seri Sunita Mei-Lin Rajakumar, Tengku Nurul Azian binti Tengku Shahrman, and Mr. Darren Kong Kam Seong who retire in accordance with Rule 105 of the Company's Constitution.

(iv) Resolution 7: Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Please refer to the Circular to Shareholders dated 25 April 2024.

NOTICE OF ANNUAL GENERAL MEETING

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Details of individuals who are standing for election as Directors

(Pursuant to Paragraph 8.27(2) of the Bursa Securities Listing Requirements)

No individual is seeking election as a Director at the forthcoming 61st AGM of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

No general mandate to issue securities in the Company is being sought at the forthcoming 61st AGM of the Company.

Personal Data Privacy:

By registering for the remote participation and electronic voting meeting and/or submitting an instrument appointing a proxy(ies) and/or representative(s) to participate, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the processing of the member's personal data by the Company (or its agents) for the Meeting and matters related thereto, including but not limited to: (a) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof); (b) for preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof); and (c) for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) undertakes and warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the Company (or its agents) processing of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will fully indemnify the Company in respect of any penalties, liabilities, legal suits, claims, demands, losses and damages as a result of the member's failure to provide accurate and correct information of the personal data or breach of the member's undertaking and/or warranty as set out herein.

ADMINISTRATIVE GUIDE FOR THE SIXTY-FIRST ANNUAL GENERAL MEETING ("61ST AGM")

| | |
|-----------------------|---|
| Meeting Platform | : https://meeting.boardroomlimited.my |
| Day and Date | : Tuesday, 28 May 2024 |
| Time | : 10.00 a.m. |
| Broadcast Venue | : 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia |
| Mode of Communication | : 1) Typed text in the Meeting Platform 2) E-mail questions to finance.dept@frieslandcampina.com prior to the Meeting 3) Submit question via Boardroom Smart Investor Portal at https://investor.boardroomlimited.com prior to the meeting |

Broadcast Venue

1. Shareholders/proxies are not allowed to present and participate at Dutch Lady Milk Industries Berhad's 61st AGM via the Broadcast Venue as the venue is only meant to facilitate the conduct of the Virtual Meeting.

NOTICE OF ANNUAL GENERAL MEETING




Annual Report 2023

1. Members are encouraged to download a digital copy of the Annual Report 2023 from the Company's website in the interest of preserving the environment. The Annual Report 2023 can be downloaded from the Company's website www.dutchlady.com.my.
2. If you need a copy of the printed Annual Report 2023, kindly complete the enclosed Request Slip and send the same to the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd.
3. Any request for the Annual Report 2023 would be forwarded to the requestor within four (4) market days from the date of receipt of the written request.

Proxy

1. Shareholders who are unable to participate remotely in Dutch Lady Milk Industries Berhad's 61st AGM are encouraged to appoint the Chairperson of the Meeting to vote on their behalf.
2. You may deposit the Proxy Form electronically with the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd using Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> not later than 48 hours before the time set for holding the Meeting or any adjournment thereof. Kindly follow the link at <https://investor.boardroomlimited.com> to login and select "E-PROXY LODGEMENT" to deposit your Proxy Form electronically.
3. If you wish to participate remotely in the Virtual Meeting by yourself, please do not submit any Proxy Form. You will not be allowed to participate in the Virtual Meeting together with a proxy appointed by you.
4. If you have submitted the Proxy Form prior to the Virtual Meeting and subsequently decide to appoint another person or wish to participate in the Virtual Meeting by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy forty-eight (48) hours before the Meeting.

Poll Voting (For Virtual Meeting)

1. The voting will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company has appointed Boardroom Share Registrars Sdn Bhd as the Poll Administrator to conduct the poll by way of electronic voting (e-Voting).
2. For the purposes of this AGM, the remote participation and e-Voting will be carried out via the following voting devices:-
 - a. Personal smart mobile phones ,
 - b. Tablets or 
 - c. Laptops 
3. There are 2 methods for members and proxies who wish to use their personal voting device to vote as follows:-
 - a. Using QR Scanner Code given in the email to you **OR**
 - b. Using website URL <https://meeting.boardroomlimited.my>
4. The polling will only commence after the announcement of poll voting session open by the Chairperson and until such time when the Chairperson announces the closure of poll.
5. The Scrutineers will verify the poll result reports upon closing of the poll session by the Chairperson. Scrutineers will announce the results thereafter and the Chairperson will declare whether the resolutions put to vote were successfully carried or not.

NOTICE OF ANNUAL GENERAL MEETING**Remote Participation and Electronic Voting**

6. Please note that this option is available to **(i) individual members; (ii) corporate shareholders; (iii) Authorised Nominees; and (iv) Exempt Authorised Nominees.**
7. If you choose to participate in the meeting online, you will be able to view a live webcast of the Meeting, post questions to the Board and submit your votes in real time whilst the meeting is in progress.
8. Kindly follow the steps below on how to request for login ID and password.

Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only)

[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2. Submit request for Remote Participation user ID and password.]

- a. Access website <https://investor.boardroomlimited.com>
- b. Click <<Login>> and click <<Register>> to sign up as a user.
- c. Please select the correct account type i.e. sign up as “Shareholder” or “Corporate Shareholder”.
- d. Complete registration and upload softcopy of MyKAD (front and back) or Passport in JPEG, PNG or PDF format. Upload the authorisation letter if for Corporate Shareholder.
- e. Please enter a valid email address and wait for Boardroom’s email verification.
- f. Once your email address is verified, you will be re-directed to Boardroom Smart Investor Portal for verification of mobile number. Click on <<Request OTP Code>> and an OTP code will be sent to the registered mobile number. You will need to enter the OTP code and click <<Enter>> to complete the process.
- g. Your registration will be verified and approved within one (1) business day and an email notification will be provided.

Step 2 – Submit Request for Remote Participation User ID and Password

[Note: The registration for remote access will be opened on 28 April 2024]

Individual Members

- Login to <https://investor.boardroomlimited.com> using your user ID and password above.
- Select “Meeting Event(s)” from main menu and select the correct Corporate Event “Dutch Lady Milk Industries Berhad 61st Annual General Meeting.”
- Read and agree to the terms and conditions.
- Enter your CDS account and thereafter submit your request.

Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees**1) Via email**

- Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.
- Please also provide a copy of Corporate Representative’s MyKad (Front and Back) in JPEG, PNG or PDF format or Passport as well as his/her email address.

2) Via Boardroom Smart Investor Portal

- Login to <https://investor.boardroomlimited.com> using your user ID and password from Step 1 above.
- Select “Dutch Lady Milk Industries Berhad 61st Annual General Meeting” from the list of Meeting Event and click “Enter”.
- Click on “Submit eProxy Form”.
- Select the company you would like to represent.
- Proceed to download the file format for “Submission of Proxy Form” from the investor portal.
- Prepare the file for the appointment of proxies by inserting the required data.
- Proceed to upload the duly completed proxy appointment file.
- Review and confirm your proxy appointment and click “Submit”.
- Download or print the eProxy form as acknowledgement.

NOTICE OF ANNUAL GENERAL MEETING

Step 3 – Login to Virtual Meeting Portal

[Please note that the quality of the connectivity to Virtual Meeting Portal for live web cast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

- a. The Virtual Meeting portal will be open for login starting one (1) hour before the commencement of Virtual Meeting at 10:00 a.m. on 28 May 2024.
- b. Follow the steps given to you in the email along with your remote access user ID and password to login to the Virtual Meeting portal. (Refer to Step 2 above)
- c. The steps will also guide you how to view live web cast, ask questions and vote.
- d. The live web cast will end and the Messaging window will be disabled the moment the Chairperson announces the closure of the Virtual Meeting.
- e. You can now logout from the Virtual Meeting Portal.

Live Webcast, Question and Voting at the Virtual Meeting

The Login User Guide for participation, posing questions and voting at the 61st AGM, will be emailed to the shareholders together with the remote access user ID and password once their registration have been approved.

Shareholders who participate in the Virtual Meeting are able to view the Company's presentation or slides via the live web-streaming.

The Chairperson and the Board of Directors will endeavour their best to respond to the questions submitted by shareholders which are related to the resolutions to be tabled at the 61st AGM, as well as financial performance/prospect of the Company.

Shareholders may proceed to cast votes on each of the proposed resolutions, to be tabled at the 61st AGM, after the Chairman has opened the poll voting session on the resolutions. Shareholders are reminded to cast their votes before the poll is closed.

No recording or photography of the virtual AGM proceedings is allowed without the prior written permission of the Company.

Shareholders/Proxies must ensure that they are connected to the internet at all times in order to participate and vote when the virtual AGM has commenced. Therefore, it is their responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.

Enquiry

Please email to the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd at bsr.helpdesk@boardroomlimited.com if you have queries pertaining to the remote participation and electronic voting, prior to the virtual Meeting.



PROXY FORM

| | |
|--------------------|--|
| CDS Account | |
| No. of shares held | |

DUTCH LADY MILK INDUSTRIES BERHAD

(Registration No. 196301000165 (5063-V))

(Incorporated in Malaysia under the then Companies Ordinances, 1940 – 1946)

I/We _____
(full name in block letters, NRIC No / Company No)

of _____

being a member/members of DUTCH LADY MILK INDUSTRIES BERHAD hereby appoint:-

| Full name (in block letters) | NRIC / Passport No. | Proportion of Shareholdings | |
|------------------------------|---------------------|-----------------------------|---|
| | | No of Shares | % |
| | | | |
| Email Address | | | |

And/or (delete as appropriate)

| Full name (in block letters) | NRIC / Passport No. | Proportion of Shareholdings | |
|------------------------------|---------------------|-----------------------------|---|
| | | No of Shares | % |
| | | | |
| Email Address | | | |

or failing him/her, the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Sixty-First Annual General Meeting of the Company which will be held virtually through live streaming and online remote voting from the Broadcast Venue, 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia on Tuesday, 28 May 2024 at 10 a.m. and any adjournment thereof, in respect of my/our shareholding in the manner indicated below:-

| RESOLUTION NO. | RESOLUTION | FOR | AGAINST |
|----------------|---|-----|---------|
| Resolution 1 | Proposed payment of Directors' fees for the financial year ending 31 December 2024, to be paid quarterly | | |
| Resolution 2 | Proposed payment of Directors' benefits (other than Directors' fees) for the financial year ending 31 December 2024 | | |
| Resolution 3 | Re-election of Datin Seri Sunita Mei-Lin Rajakumar | | |
| Resolution 4 | Re-election of Tengku Nurul Azian binti Tengku Shahrman | | |
| Resolution 5 | Re-election of Mr. Darren Kong Kam Seong | | |
| Resolution 6 | Re-appointment of PricewaterhouseCoopers PLT as the Company's Auditors | | |
| Resolution 7 | Proposed New and Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | | |

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instruction, your proxy will vote or abstain as he/she thinks fit.

Signed this day of 2024

.....
Signatures(s) of Shareholder/Attorney
(if Shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)

Notes:-

1. The Sixty-First Annual General Meeting ("61st AGM") will be conducted virtually through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities which are available on the meeting platform at <https://meeting.boardroomlimited.my>. With RPEV facilities, members may exercise their rights to participate and vote at the 61st AGM through the following modes of communication: i) Typed text in the Meeting Platform ii) E-mail questions to finance.dept@frieslandcampina.com prior to the Virtual Meeting iii) You may submit questions in advance on the AGM resolutions and Annual Report 2023 not later than 10.00 a.m. on Monday, 27 May 2024 via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, and select "SUBMIT QUESTION" to pose questions ("Pre-AGM Meeting Questions"). The Company has appointed Boardroom Share Registrars Sdn Bhd ("Boardroom") as the Poll Administrator for the 61st AGM to facilitate the Virtual Meeting. Please follow the procedures set out in the Administrative Guide for the 61st AGM below to register, participate and vote remotely via RPEV facilities.
2. The Broadcast Venue of the 61st AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the Chairman shall be at the main venue of the 61st AGM. **Members will not be allowed to attend the 61st AGM in person at the Broadcast Venue on the day of the 61st AGM.**
3. A Member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him. A proxy need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as a Member to speak at the Meeting.
4. Save for an Exempt Authorised Nominee as defined under the Central Depositories Act which may appoint multiple proxies in respect of each Omnibus Account it holds with ordinary shares of the Company standing to the credit of the said securities account, a Member (including an authorised nominee) shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting. In any case, where more than one (1) proxy is appointed, such appointment shall not be valid unless the proportion of the holdings represented by each proxy is specified.
5. The instrument appointing the proxy must be signed by the Member or his attorney duly authorised in writing, or if the appointer is a corporation, the instrument must be executed under its common seal or under the hand of its officer or attorney duly authorised.
6. For the purpose of determining members who shall be entitled to attend the 61st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **21 May 2024** ("General Meeting Record of Depositors"). Only depositors whose names appear on the Record of Depositors as at **21 May 2024** shall be entitled to attend the said meeting or appoint proxies to attend and vote on their behalf.
7. To be valid, the original instrument appointing a proxy, duly completed (and if applicable, the power of attorney or other authority under which it is originally signed or notarially certified copy of that power of authority) must be deposited at the office of Boardroom Share Registrars Sdn Bhd at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 48 hours before the time set for holding the Meeting or any adjournment thereof (or in the case of poll, not less than 24 hours before the time appointed for the taking of the poll); or by electronic means using the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> not later than 48 hours before the time set for holding the Meeting or any adjournment thereof. Please refer to Administrative Guide.
8. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the Sixty-first AGM will be put to vote by way of poll.

Please fold here to seal

DUTCH LADY MILK INDUSTRIES BERHAD

(Registration No. 196301000165 (5063-V))

c/o Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Affix
Stamp

Please fold here to seal



DUTCH LADY MILK INDUSTRIES BERHAD

(196301000165 / 5063-V)

Level 5, Quill 9, 112, Jalan Prof. Khoo Kay Kim
46300 Petaling Jaya
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