

DUTCH LADY MILK INDUSTRIES BERHAD INTEGRATED ANNUAL REPORT 2022



Nourishing Our Planet and People
in Every Stage of Life

INSIDE THIS REPORT

NOURISHING OUR PLANET AND PEOPLE IN EVERY STAGE OF LIFE

We remain focused on providing Malaysians of all ages with dairy products that are rich in nutrients from milk. Producing good and healthy dairy products for nourishing people is at the core of what we do as a business.

We assume greater responsibility towards our planet, by operating with efficiency. We strive to do more and achieve more with less resources. We also aspire to create intergenerational equity by making things better today and for tomorrow's generations of stakeholders.

During the year 2022, despite challenging economic conditions, we continued to provide healthy nutrition to Malaysians of all ages, while accelerating our journey in shaping sustainable business practices and agenda.

2-3

ABOUT DLMI INTEGRATED ANNUAL REPORT 2022

6-15

VALUE CREATION @ DLMI

| | |
|--------------------------------------|----|
| How We Define Capitals | 6 |
| Our Stakeholders' Value Propositions | 7 |
| DLMI Value Creation Business Model | 14 |

18-23

OVERVIEW OF DLMI

| | |
|------------------------------------|----|
| Our Business & People | 18 |
| Our Journey - Corporate Milestones | 20 |
| Corporate Information | 22 |
| Organisational Structure | 23 |
| DLMI Shareholdings | 23 |

26-27

2022 PERFORMANCE HIGHLIGHTS

QR FEATURE IN THIS INTEGRATED ANNUAL REPORT

Follow the steps to scan the QR code reader in 2 easy steps



Run the QR Code Reader app and point your camera to the QR Code



Get access to the soft copy of our reports and contact information



Soft copy version of Dutch Lady Milk Industries Berhad Integrated Annual Report 2022

30-49

MANAGEMENT DISCUSSION & ANALYSIS

Strategic Review

| | |
|-----------------------------|----|
| Chairperson's Perspective | 30 |
| Managing Director's Report | 34 |
| Finance Director's Analysis | 40 |

Market Review & Strategy

| | |
|---------------------------------|----|
| Economic Landscape & Outlook | 44 |
| Key Risks and Mitigation Action | 46 |
| DLMI Strategy Framework | 47 |

Business Review

| | |
|------------------------|----|
| Key Product Highlights | 48 |
|------------------------|----|

52-79

SUSTAINABILITY STATEMENT

| | |
|-----------------|----|
| Progress Report | 52 |
|-----------------|----|

82-135

FINANCIAL STATEMENTS

| | |
|--|-----|
| Directors' Report | 82 |
| Statement of Financial Position | 86 |
| Statement of Profit or Loss and Other Comprehensive Income | 87 |
| Statement of Changes in Equity | 88 |
| Statement of Cash Flows | 89 |
| Notes to the Financial Statements | 90 |
| Statement by Directors | 131 |
| Statutory Declaration | 131 |
| Independent Auditors' Report | 132 |

138-147

BOD, COMPANY SECRETARY & MT PROFILES

| | |
|--|-----|
| Profiles of Board of Directors and Company Secretary | 138 |
| Management Team Profiles | 143 |

148-187

CORPORATE GOVERNANCE

| | |
|---|-----|
| Corporate Governance Overview Statement | 148 |
| Audit & Risk Committee Report | 170 |
| Statement of Risk Management and Internal Control | 179 |

188-197

ADDITIONAL INFORMATION

| | |
|---|-----|
| Notice of Annual General Meeting | 188 |
| Recurrent Related Party Transactions of a Revenue or Trading Nature | 194 |
| Analysis of Shareholdings | 195 |
| Proxy Form | |

60TH ANNUAL GENERAL MEETING

26 May 2023

Friday

10.00 a.m.

Broadcast Venue:

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor, Malaysia



ABOUT DLMI INTEGRATED ANNUAL REPORT 2022

OUR PURPOSE: CREATING SHARED VALUE

At Dutch Lady Milk Industries Berhad (DLMI), we are driven by our purpose of **Nourishing Our Planet and People in Every Stage of Life**. We remain committed to long-term value creation for all our stakeholders while deploying our six capital inputs: Financial, Manufacturing, Social and Relationship, Natural, Human and Intellectual Capitals to champion responsible business. 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

The concept of integrated thinking at DLMI is all about ensuring all decisions related to our core business as well as people, have taken into consideration our global policies and local priorities; key Economic, Environmental, Social and Governance (EES&G) factors; and both financial and non-financial aspects of business performance. This integrated thinking approach is also supported by the principle of materiality, which ensures we are aligned in our resolve across functions to identify and manage most mission-critical issues, leverage opportunities where possible and overcome challenges in the process. The ultimate objective is to address material matters that most impact our business and ability to create shared value.

The material matters included and discussed in this Integrated Annual 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

This maiden Integrated Annual Report is aligned with the following local and international statutory and reporting frameworks:

- ✔ International Integrated Annual Report <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
- ✔ Global Reporting Initiative (GRI) Standards*
- ✔ Sustainability Accounting Standards Board or SASB Standards*

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

- Our 3-year journey to improve quality of reporting and enhance the level of compliance to <IR> Framework as well as alignment with Taskforce on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board or SASB and GRI Standards.

Reporting Integrity

The information in the Integrated 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. After their final review of all the relevant reports, the Board of Directors provided their final approval.

The contents of this report have been reviewed by the following independent auditors and verification companies:

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

DLMI'S MAIDEN INTEGRATED ANNUAL REPORT 2022

Scope and Boundary

DLMI's Maiden Integrated Annual Report 2022 covers our financial and non-financial performance for the period of 1 January 2022 to 31 December 2022, 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 7-12 of this report.

ABOUT DLMI INTEGRATED ANNUAL REPORT 2022

Integrated Enterprise Risks

We take a holistic view of risks to consider our dependence and influence on various EES&G factors in our key operating market 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.

 Refer to page 46 of this report.

Forward-Looking Statements

We may have included limited forward-looking statements in relation to our emerging focus areas, future priorities, strategies and growth opportunities. However, these may be challenged based on our 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 on our appetite and potential for meaningful growth. Hence, these should not be taken as conclusive or as statements reviewed by auditors.

NAVIGATION TOOLS

Capitals



Financial Strength



Intellectual Capital



Strong Relationships



Talented People



Resilient Infrastructure



Natural Capital

DLMI's Priority United Nations (UN) Sustainable Development Goals (SDGs)



Cross References



Find more information inside this report



Link to our website

Material Matters

- M1** Nutrition & Product Responsibility
- M2** Innovation & Technology
- M3** Responsible Supply Chain
- M4** Energy, Water, Waste & Emissions
- M5** Recovery & Circularity
- M6** Purpose & Culture
- M7** Employee Experience
- M8** Growth
- M9** Farmers & Communities
- M10** 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

Statement from the Board of Directors of Dutch Lady Milk Industries Berhad

The Board of Directors take full accountability for the integrity of DLMI's Maiden Integrated Annual Report 2022. 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)

Mmm Ahh Sy



*Helps maintain a good intestinal environment

Yuk nyer!!!



MS 1500
1069-01/2004

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 whom 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 eco-system 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 STAKEHOLDERS' VALUE PROPOSITIONS

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



CONSUMERS

Engagement Platform

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

Material Topics

- **M1** Nutrition & Product Responsibility

Issues & Concerns

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

How We Create Value

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

Key Drivers of Shared Value

- R&D
- Product Development
- Product Advocacy

How We Measure Value

- Compliance with Global Nutritional Standards (GNS)
- Household Penetration

Highlights 2022



64,959 packs distributed towards benefitting children and B40 community members



96.4% of consumer dairy products compliant with GNS

OUR STAKEHOLDERS' VALUE PROPOSITIONS



CUSTOMERS & BUSINESS PARTNERS

Engagement Platform

- Quarterly Customer/ Distributors Top to Top Business Review
- Annual Distributors Conference & Retailers Joint Business Plan (JBP)

Material Topics

- **M1** Nutrition & Product Responsibility
- **M3** Responsible Supply Chain

Issues & Concerns

- Quality
- Profitability
- Price Pressure
- Differentiation
- Waste

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

How We Measure Value

- Retailer Dashboard
- Distributors Scorecard

Highlights 2022



100%
of distributors* achieved
80% performance score

* Ambient products in non-chilled format category only



EMPLOYEES

| | | |
|--|---|--|
| <p>Engagement Platform</p> <ul style="list-style-type: none"> Annual Employee Engagement Surveys Half-Yearly Pulse Surveys Bi-monthly Townhalls Monthly and Quarterly Management Check-Ins Quarterly Focus Group Discussions New Ways of Work: Continued hybrid work arrangements | <p>Material Topics</p> <ul style="list-style-type: none"> M6 Purpose & Culture M7 Employee Experience M8 Growth | <p>Issues & Concerns</p> <ul style="list-style-type: none"> Vertical and Horizontal Growth Opportunities Occupational Safety, Health & Wellbeing |
| <p>How We Create Value</p> <ul style="list-style-type: none"> Ensure robust talent management process Create awareness on psychological safety and mental health Ensure employees have equitable medical benefits Drive employee engagement and communication Promote DLMI's "I AM SAFE" policy and create a culture of safety and wellbeing | <p>Key Drivers of Shared Value</p> <ul style="list-style-type: none"> Career and Development Coaching Skills Management Performance and Talent Management Guidelines Well-Being and Employee Benefits Benchmarking and Best Practices Employee Engagement Initiatives and Events Free On-Site Health Check-Up for Employees | <p>How We Measure Value</p> <ul style="list-style-type: none"> Psychological Safety Awareness Sessions Career Coaching Workshops Employee Benefit Review Quality of Personal Development Plan Employee Engagement and Feedback Score |

Highlights 2022



>97% line managers trained on psychological safety



81% fulfilled quality development plans (middle management)



>90% line managers trained on career coaching



81% employee engagement index



8 certified psychological safety first aiders



29 employee engagement activities



Launch of **digital employee handbook**



113 employees went through on-site medical health screening

OUR STAKEHOLDERS' VALUE PROPOSITIONS



SUPPLIERS

| | | |
|--|--|---|
| <p>Engagement Platform</p> <ul style="list-style-type: none"> Annual Supplier Performance Evaluations Monthly Supplier Project Interactions | <p>Material Topics</p> <p>M3 Responsible Supply Chain</p> | <p>Issues & Concerns</p> <ul style="list-style-type: none"> Opportunities for Local Suppliers Fair Terms of Engagement and Payment |
| <p>How We Create Value</p> <ul style="list-style-type: none"> Ensure we prioritise local suppliers where possible Ensure we are fair and transparent in our dealings with suppliers | <p>Key Drivers of Shared Value</p> <ul style="list-style-type: none"> Supplier Engagement Fair and Transparent Supplier Contracts | <p>How We Measure Value</p> <ul style="list-style-type: none"> Contractual Agreements with Local Suppliers % Spends on Local Suppliers |

Highlights 2022



80% of DLMI suppliers have contractual agreements



82% or **RM539.4 million** in annual spends on local suppliers*

* % of annual spend excluding FrieslandCampina network suppliers



REGULATORS & POLICYMAKERS

Engagement Platform

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

Material Topics

- **M1** Nutrition & Product Responsibility
- **M9** Farmers & Communities
- **M10** 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 whilst ensuring compliance
- Introduce affordable products and ensure a strong trade network for better reach
- Develop local dairy farmers through dairy farming knowledge and skills transfer
- Provide platform for local dairy farmers to sell their raw fresh milk
- Operate to principles of good governance, integrity, anti-corruption and business resilience
- Establish internal governance of Halal practices, policy and awareness

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.

How We Measure Value

- Number of Farmers Trained
- Volume of Raw Milk Purchased from Local Farms
- Compliance with No Major Complaints

Highlights 2022



237 farmers trained through Farmer2Farmer programme and local dairy development team



100% compliance to applicable fiscal policies in 2022



4.35 million litres of raw fresh milk purchased from local farms



Zero major complaints towards DLMI products, promotional material and activities

OUR STAKEHOLDERS' VALUE PROPOSITIONS



MEDIA

Engagement Platform

- Media Engagement and Outreach

Material Topics

- MI** 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

How We Measure Value

- Quality of Coverage on DLMI and Issues Related to the Dairy Industry
- Quality of Coverage on Nutrition and Goodness of Milk

Highlights 2022



Media coverage valued at over **RM4 million**



Built strong rapport with editors and journalists

DLMI VALUE CREATION BUSINESS MODEL

OUR RESOURCES...

OUR PURPOSE: NOURISHING OUR PLANET AND PEOPLE IN EVERY STAGE OF LIFE

INPUTS

IN TO OUR BUSINESS & PEOPLE

FINANCIAL STRENGTH
Strong balance sheet with invested capitals and total asset value of RM844.2 million, equity of RM397 million and market capitalisation of RM1.9 billion

RESILIENT INFRASTRUCTURE
Approx. 131,900 m² of state-of-the-art Production Facility @ Bandar Enstek, with planned transition to IR4.0-compliant facility with double capacity by 2024

TALENTED PEOPLE
>600 workforce in Malaysia and nearly 21,000 talent with FrieslandCampina Group in 32 Countries (branches)

STRONG RELATIONSHIPS
3.7 million* households annually and >700 local suppliers in Malaysia
* Kantar Worldpanel Malaysia - Household Panel, MAT P13 2022

INTELLECTUAL CAPITAL
Bringing to market trademarked brands and winning recipes with high nutritional value and championing issues such as dairy development and Diversity, Equity and Inclusion (DEI) through established knowledge and skills-transfer platforms

NATURAL CAPITAL
512,497 litres of water use and 66,537 GJ of energy use
* Production Facility @ Petaling Jaya only

Material Matters:

- M1 Nutrition & Product Responsibility
- M2 Innovation & Technology
- M3 Responsible Supply Chain
- M4 Energy, Water, Waste & Emissions
- M5 Recovery & Circularity
- M6 Purpose & Culture
- M7 Employee Experience
- M8 Growth
- M9 Farmers & Communities
- M10 Social & Economic Continuity

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

- Market & External
- Supply Chain & Procurement
- Product Technology & Innovation
- Financial



Underpinned by our Robust Risk Management Framework (with annual appraisal of near-term risks & visibility of long-term risks)

...OUR VALUE CREATION

OUR STAKEHOLDER PROPOSITIONS

CUSTOMER VALUE PROPOSITION

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

EMPLOYEE VALUE PROPOSITION

Catalyse people growth, welfare and well-being through principles of diversity, equity, and inclusion

SUPPLIER VALUE PROPOSITION

Establish a symbiotic 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:** 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 2022

Better Nutrition

Refer to pages 63-65 of this report.

Better Sourcing

Refer to pages 66-67 of this report.

Better Climate

Refer to pages 68-69 of this report.

Better Packaging

Refer to pages 70-71 of this report.

Better People

Refer to pages 72-75 of this report.

Better Society

Refer to pages 76-77 of this report.

Better Governance

Refer to pages 78-79 of this report.

OUR IMPACT...

Water, Waste & Emissions Management

People Performance & Productivity

Internal Policy

Fraud & Anti-Bribery

Regulatory & Legal



STRONG START

PROTEIN & CAL





**T WITH
L CIUM**



**STRONG ME,
STRONGER US**



OUR BUSINESS & PEOPLE

OVERVIEW OF DLMI

DLMI is a subsidiary of Royal FrieslandCampina, one of the world's largest dairy cooperatives. Together with member dairy farmers, Royal 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.

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.



RM1.3 billion
2022 revenue



Brand of the Decade & No. 1 Most Chosen Brand
in the Dairy Category*

* KANTAR's Brand Footprint 2022



14 million
estimated annual consumers



DDP has produced **42 million** litres of fresh milk from 2011 - 2022

LOCAL LEADERSHIP

59

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 2022)

73%*

of liquid milk category shoppers buy Dutch Lady

* Kantar Worldpanel Malaysia - Household Panel, MAT P13 2022

Partnering with

>400
Local Farms

>700
Local Suppliers

>600
Full-Time Employees (Malaysia)



Established in
1963



131 million
packs sold in
2022



92.5%
consumer dairy products
packaging recyclable-all
materials



214 million
packs distributed under the
School Milk Programme since
2011

STEWARDSHIP

DLMI Brands
in Malaysia



Market Volume Share 2022
as per Nielsen Retail Audit December 2022



Liquid milk
DLMI **40.2%**



Formula & toddler
nutrition
DLMI **18.1%**

Our Journey – Corporate Milestones



1963





2022

The Legacy Continues...



Our Journey – Corporate Milestones



~ OUR AWARDS ~

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

1984

Dutch Baby brand name changed to Dutch Lady



1986

Entered pasteurised milk market segmentation

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



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 insights into the nutritional status and dietary intake of children between the ages of 6 months to 12 years in 4 countries including Malaysia



2011

DLMI relaunched its Growing Up Milk with 5xDHA



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



2012

Launch of Dutch Lady Chocolate Drink



2013

Celebrated DLMI's 50th Anniversary



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

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



2014

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

In partnership with the Ministry of Education, DLMI 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



Awarded Graduate's Choice Award 2018

2019

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

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

DLMI 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

DLMI 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



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

Won The APPIES Award 2020

Awarded Anugerah Rakan Industri 2020 by Universiti Kebangsaan Malaysia

2021

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



Awarded Motherhood Choice 2021-Best Premium Cow's Milk Formula

Won The Asian Parent Award 2021-Best Growing Up Formula Stage 3 Friso

Won Employee Experience Awards Malaysia 2021



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

DLMI celebrated FrieslandCampina's 150th Anniversary



2022

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

Launch of Juicy Milk Lychee, Vanilla & Cookies & Cream 180ml and Signature CANS

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

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



The Legacy Continues...



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 redesignated 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 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

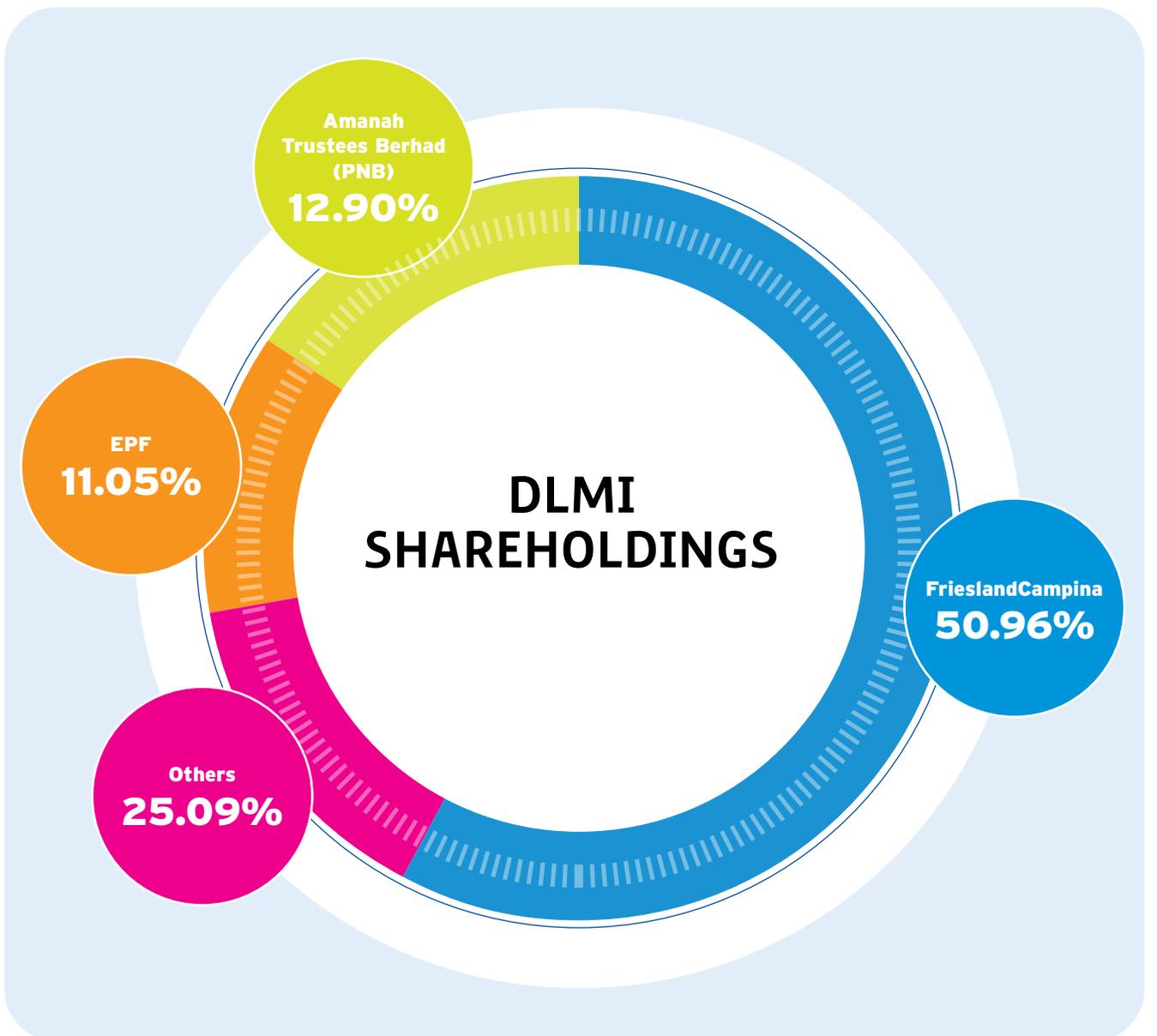
MALAYAN BANKING BERHAD

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

ORGANISATIONAL STRUCTURE



Royal FrieslandCampina N.V.





THE SMA CHOICE

The image shows two packages of Dutch Lady milk powder. The left package features a girl pointing to a '4' in a blue heart, a '5' in a green heart, and a '6' in a red heart. Text on the package includes 'DUTCH LADY', 'MAE', '0% SUGAR', '4-6 TAHUN', and '5X DHA'. The right package features a boy pointing to a '1' in a red heart, a '2' in a yellow heart, and a '3' in a blue heart. Text on the package includes 'DUTCH LADY', 'SUSU TERUNG PUMUSAN UNTUK BAKAR KANAK-KANAK', and '850g'. Both packages also feature a '5X DHA' badge with '✓ PROTEIN' and '✓ 20 VITAMIN & MINERAL'.



MS 1500:2009
1069-01/2004

SUSU TERUNG PUMUSAN
UNTUK BAKAR KANAK-KANAK 850g

SUSU TERUNG PUMUSAN
UNTUK BAKAR KANAK-KANAK

RTER

High
in
Protein

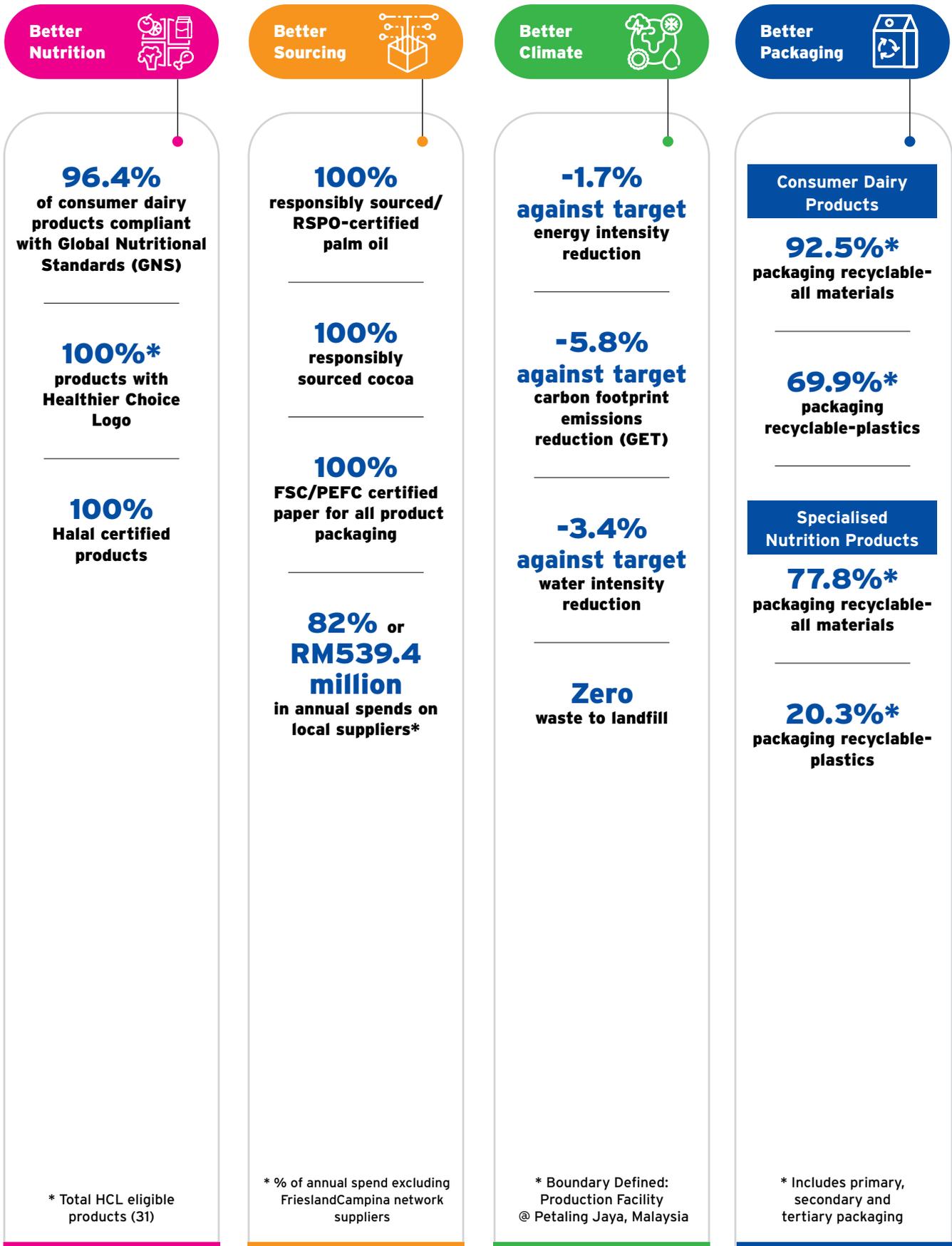
5X
DHA*

High in
Vitamins
A, C, D, E



*5X DHA: Compared to previous formulated milk powder for children formulation (Year 2009)

2022 PERFORMANCE HIGHLIGHTS



Better People



63%
of board positions,
44% management
team & 51% executive
positions held by
women

81%
score on engagement
index vs 77% in 2021
and 76% external
benchmark

20.8
average training
hours per employee
vs 12.3 hours per
employee in 2021

0.12
lost time
accident rate

29
employee
engagement activities

97%
line managers trained
on psychological safety

81%
fulfilled quality
development plans
(middle management)

11.2%
attrition vs industry
average 13%

Better Society



4.35 million
litres of raw fresh milk
purchased from
local farms

237
farmers benefitted
from Farmer2Farmer
programme to advance
sustainable farming
practices

64,959 packs
distributed
towards benefitting
children and B40
community members

214 million
packs distributed
under the School Milk
Programme since 2011

Better Governance



**Company-wide
refresher & 3
training sessions**
for new hires
on MACC 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

**Compass training
for business
partners**
- main greenfield
contractors with focus
on anti-corruption,
safety and human
rights



**Financial
Highlights
2022**



**Revenue
RM1.3
billion**



**Adjusted
operating profit
RM114.2
million**

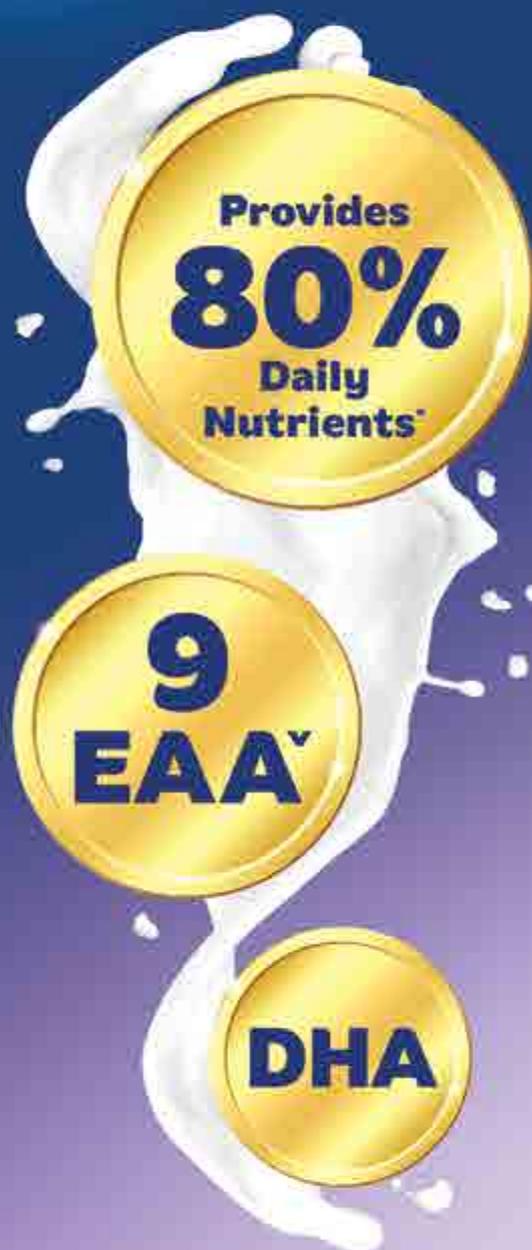


**Net profit
RM46.3
million**



MaxGro

High Optimal



*High In Nutrients: High Protein, Calcium, Iron, Magnesium, Vitamin A, D₃, E, B₁, B₂, B₃, B₆, B₁₂ and C content.

*80% Daily Nutrients: Meeting at least 80% of Malaysia Recommended Daily Nutrient Intake (Malaysia RNI 2017) for selected nutrients such as Calcium, Phosphorus, Iron, Magnesium, Zinc, Vitamins A, D₃, E, K₁, B₁, B₂, B₃, B₆, B₁₂, and C.

^v9EAA: 9 Essential Amino Acids

#1 In Nutrients

Optimal Growth For Your Child



Scan for more info

CHAIRPERSON'S PERSPECTIVE

We continued to be guided by FrieslandCampina's global focus on **people safety, primary processes, and sustainability**



We remained committed to driving principles of **responsibility, accountability, awareness, resilience, and transparency**



Our continuous efforts are to **provide accessible, affordable, quality, Halal, and sustainable dairy nutrition**



Dear Shareholders & Stakeholders,

On behalf of the Board of Directors, I am pleased to share the Company's maiden Integrated Annual Report and Audited Financial Statements for the financial year ended 31 December 2022.

**DATIN SERI SUNITA
MEI-LIN RAJAKUMAR**

Chairperson



During the year, we emerged stronger, more resilient, and more focused than ever. Despite the unfavourable market dynamics, including inflationary pressures, we strived to deliver positive performance on the back of strong demand and our agile ways of work. We continued to strengthen our sustainability risk and governance frameworks, while planning our 2030 implementation roadmap. The year was about resilience and responsibility as we retained our leading market position.



RESILIENT LEADERSHIP

The macro-economic environment was less than favourable in 2022. The supply chain disruptions, the global hike in inflation and of course, the fast-evolving regulatory landscape in relation to sustainability posed new challenges. As a business, we had to take some difficult and prudent decisions to keep our products accessible and affordable, our people motivated and in good health, and our stakeholders informed of our planned growth and responsible choices. With our agile ways of work, we were able to leverage our FrieslandCampina network to streamline supply, shift our focus to psychological health of our employees, and demonstrate resilient leadership to deliver the planned growth.

We continued to be guided by FrieslandCampina's global focus on people safety, primary processes, and sustainability, while making responsible choices that will not only future-proof but also deliver meaningful growth for both our business and people.

GOOD GOVERNANCE

Governance goes beyond the rules of compliance and code of conduct. At DLMI, we remained committed to driving principles of responsibility, accountability, awareness, resilience, and transparency. These are crucial in steering prudent and effective risk management practices, both near- and long-term, that will preserve and enhance enterprise value.

In 2022, the Board of Directors (BoD) deliberated and approved an Integrated Risk Management Framework. This is premised on an annual appraisal of near-term risks that must be prioritised, while ensuring full visibility of long-term EES&G risks that could compromise our position and ability to continuously deliver shareholder and stakeholder value.

At FrieslandCampina, the Board Charter refers to a very important aspect of business - long-term value creation, and in this context, in 2022, we revisited and revised our Board Charter at DLMI. We are now more explicit on what long-term value creation means, also with regards to EES&G risk monitoring and management, which will drive value for both shareholders and multiple stakeholders to the business. Setting the tone at the Board-level is the first of many critical steps to getting our business case and sustainability governance right.



We revisited and revised our Board Charter to be more explicit on what long-term value creation means to us and our stakeholders at DLMI

CHAIRPERSON'S PERSPECTIVE

RESPONSIBLE BUSINESS

As a leading dairy company with nearly six decades of proven track record in Malaysia, our continuous efforts are to provide accessible, affordable, quality, Halal, and sustainable dairy nutrition. In doing so, one of the critical aspects to examine is the life cycle as well as the ecological footprint of our milk products. The challenge however is to address the perception or inaccurate assumption that animal products have higher carbon footprint compared to plant-based.

At FrieslandCampina, we believe that the focus should not be on carbon footprint alone. Dairy, when produced responsibly, will always make a tremendous contribution to the necessary, affordable nutrients for a growing world population. We believe that dairy is 'the gold standard' from the perspective of nutritional value and affordability, which should be important considerations. Our role in Nourishing the Nation is also our positive handprint and should be juxtaposed against the carbon footprint.

These conversations supported with scientific evidence are critical for the dairy sector and we take such deliberations seriously to accelerate our EES&G integration efforts. For the first time at the global level, a Board Member, Berndt Kodden has assumed the role of our Global Chief Sustainability Officer. With nearly 3 decades of experience with FrieslandCampina, Berndt will also be steering DLMI's sustainability journey - one that is aligned to our global commitments and local priorities.

During the year, we also reassessed and revalidated our material matters and aligned DLMI's sustainability focus areas with global pillars of Better Nutrition, Better Sourcing, Better Climate, and Better Packaging, with additional pillars of Better

People, Better Society, and Better Governance. This alignment is critical to determine targets, aggregate our positive impact, as well as to address market-specific risks while meeting global sustainable development goals.

We also established a Sustainability Steering Committee that has been operationalised with effect from January 2023. The primary purpose is to lead strategy formulation as well as EES&G integration approaches by supporting various functional teams. The committee is chaired by the Managing Director, with quarterly updates to the Board on key developments and potential risks and opportunities for meaningful deliberations and decisions.

Starting from the 2022 reporting cycle, we have embarked on a 3-year journey to transition and adopt Integrated Reporting principles. This would include a more connected approach to reporting sustainability performance in keeping with Bursa's Sustainability Guidelines as well as our 3-year journey to align with GRI and SASB standards.

 For more information on our sustainability focus areas and performance, refer to pages 52-79 of this report.

SHAREHOLDER AND STAKEHOLDER VALUE

As a business, we are as committed to creating stakeholder value as we are in delivering shareholder returns.

Despite the many challenges, DLMI posted a 18% revenue growth to RM1.3 billion, resulting in adjusted operating profit of 114.2 million. For the year ending 31 December 2022, a total of RM32 million was paid out as standard interim dividends to shareholders. This represents a 69% distribution of the Company's net profit attributable to shareholders.

For our **employees**, we invested in a Psychological Safety programme to enhanced trust and connectedness for our people. Our aspiration is to create a safe space to speak up, discuss, and resolve aspects that affect the morale, mental health, and motivation of our people to remain productive and deliver high performance. Beyond participation in the programme, we aspire to create a pool of certified Psychological First Aiders among our employees and introduce holistic well-being assessment. We also maintained flexible and remote working arrangements to allow work-life balance and improve focus and agility at work.



We established a Sustainability Steering Committee in 2022, effective from January 2023



We reach out to more than 3.7 million* households annually

* Kantar Worldpanel Malaysia - Household Panel, MAT P13 2022



We introduced a new can format for young adults to meet their lifestyle choices and convenience

For our **consumers**, our priority was to keep the products accessible and affordable. We reach out to more than 3.7 million households annually (Kantar Worldpanel Malaysia - Household Panel, MAT P13 2022). During the year, we also looked at introducing a new can format for young adults to meet their lifestyle choices and convenience. We will continue to connect with our consumers and customers to ensure we are meeting their evolving needs and expectations - both in terms of better quality and better nutrition.

For the **industry**, we continued to contribute our knowledge, expertise and resources to promote purpose-led institutions such as the Malaysian Recycling Alliance Berhad or MAREA and CEO Action Network (CAN). With MAREA, we are currently focusing on curb-side waste collection programmes as well as incentivisation of both consumers and recyclers in Malaysia. This will go a long way into addressing the much-needed systemic change to divert waste from landfills. With CAN, we are leading the workstream focused on Diversity, Equity, and Inclusion (DEI), where the effort is to devise a model DEI policy and interventions for member and industry adoption. The idea is to promote the business case beyond gender diversity, with emphasis on principles of equity and inclusion that are critical from organisational and social justice perspectives.

For the **Government**, we continued to serve our mission of "Nourishing our Nation" and supporting national efforts to catalyse dairy development. Through a Memorandum of Collaboration with the Department of Veterinary Services, at DLMI, we continued to engage and champion sectoral issues and promote development of farms, farmers and the ecosystem stakeholders. The scope of the MoC includes 1) exchange and sharing of resources, facilities, data, knowledge, and skills to further mutual interest and agenda and 2) increase knowledge and skills of local dairy farmers through a flagship programme



such as our bespoke Farmer2Farmer, which aims to improve the quality and quantity of raw milk of dairy cows by equipping farmers with sustainable farming practices.

For **suppliers**, we continued supporting sustainable/responsible sourcing of key ingredients such as palm oil and cocoa powder. Besides, we are also making sure to source our primary packaging material from suppliers who source FSC (Forest Stewardship Council)/PEFC (Programme for the Endorsement of Forest Certification) certified paper, which is an assurance of environmentally responsible and socially beneficial forestry practices/standards. Additionally, we championed a Supplier's Contingency Programme which aimed to minimise the risk associated with disruption of supply of materials to allow us to plan ahead and take appropriate steps towards seamless production and continuous access to our products in the marketplace. In 2022, we organised a focus group to engage and understand various challenges faced by our critical suppliers in working with us. Our plan is to strengthen our supplier network and relationships by addressing their topline concerns and improving our terms of engagement and business.

Overall for DLMI and its **partners**, alongside financial performance, we continued to identify opportunities to not just reduce our footprint but also create a positive handprint. For instance, we have initiated plans to improve operational efficiencies

which will reduce our water footprint significantly per litre of milk. Similarly, we are investing in technologies that will optimise features such as rainwater harvesting at our production facility to reduce our water use and water waste.

BOARD APPOINTMENTS

There were no changes to the Board in FY2022. Corine Danielle Tap was appointed as Non-Independent Non-Executive Director with effect from 1 January 2023. Corine comes with rich industry and sectoral experience and we are confident of the immense value she will bring to Board as well as the business. She replaces Berndt Kodden who resigned as Non-Independent Non-Executive Director of the Board on the same day.

ACKNOWLEDGEMENTS

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 FY2022.

I offer my gratitude to my esteemed Board members for their astute business acumen to help navigate the year's many challenges and deliver another year of positive financial performance.

Working together as one cohesive unit, I am confident of DLMI forging ahead and charting greater milestones in the years ahead.

MANAGING DIRECTOR'S REPORT



RAMJEET KAUR VIRIK
Managing Director

DUAL DILEMMA & DAIRY LEADERSHIP

The dynamics of business have changed over the last three years. In 2022, the market continued to perform but with uncertainty. There was no stability in price movements and trade behaviour. Supply chain disruptions affected incoming raw materials and their prices. As a result, supply chain and procurement from business continuity and resilience perspectives

were in the limelight replacing the traditional lead role of commercial. Local and international political and policy contexts made markets even more fragile. Regulatory landscape kept evolving, especially in relation to responsible business conduct and sustainability. Against this backdrop, in our position and approach, we remained cautiously optimistic.



During the year, we continued to focus on fulfilling the nutritional needs of Malaysians, while striving to build resilient communities and business. With our undivided focus on efficiency and equity principles, our mid- to long-term goal has been to build a sustainable ecosystem. 2022 was all about creating positive value for both our shareholders and critical stakeholders.



At Dutch Lady Milk Industries Berhad (DLMI), we faced the dual dilemma. First was to keep our products accessible and affordable even with an increase in the price points, mainly due to the unprecedented inflation rate that stood at 8.9% (Euromonitor 2022) globally and 3.3% (Dept. of Statistics Malaysia, FY2022) in Malaysia. Second was related to our survival and winning profitably amid supply chain disruptions and while meeting the consumer demand. We successfully addressed these by:

CRITICAL CHALLENGE & COLLABORATION

During the year, we saw the transition of physical environment to digital solutions. This meant, more active consumers in e-commerce space, more technologically empowered and adept systems and processes, and of course, more analytics and digitalisation at play for building a robust business.



absorbing the inflationary costs through optimisation measures to ensure the burden of price increase is only partially transferred to consumers.

At DLMI, in 2022, digitalisation was and will remain one of our priority challenges to tackle. The journey would require us to shift to alternative retail formats and tap new growth from acceleration of digital adoption. During the year, we also focused on deploying IR4.0 (fourth industrial revolution) digital transformation strategies of our manufacturing at our new greenfield factory in Bandar Enstek, which is scheduled to be completed by 2024.



tapping the potential of our critical mass of over 400 local farms and FrieslandCampina's regional and global network to ensure supply of raw materials to meet the demand.

The upgraded technology will bring new skills and opportunity for growth in terms of innovation, improved efficiencies, and overall, sustainability. In developing our state-of-the-art green-field production facility, we are working with experts in the field to improve dairy processing capabilities and energy as well as water efficiencies. For instance, when we fully transition to the new facility, we will be able to reduce water use per litre of milk by 42% and energy by 19% by 2030.

With these agile ways of work, our dairy leadership in Malaysia since 1963 is supported by our brand loyalists across generations. In 2022, we retained our market position as No.1 dairy producer and remained the largest purchaser of local fresh milk.



#1 In 2022, we retained our market position as **no.1 dairy producer and remained the largest purchaser of local fresh milk**

OUR PURPOSE, PEOPLE, PERFORMANCE & POTENTIAL

PURPOSE



Nourishing Our Planet and People in Every Stage of Life. This purpose defines our reason for being. It guides our actions and behaviour. This means we aspire to keep our total portfolio nutritious, helping Malaysia and Malaysians meet their nutritional needs whilst also nourishing our employees, suppliers, and rakyat who are critical in driving growth and positioning DLMI as a responsible manufacturing hub in the region.

In 2022, we saw a step change in our defined and operational approach to sustainability that is closer to our purpose. We examined efficiency and equity as two principles which will steer our EES&G performance. We also adopted the Thriving Framework (Wayne Visser 2020) to examine the systemic issues in our value chain and how our sustainability strategies are positioned to address them in the near to medium to long-term. This is a key milestone that will help us define our planet and people ambitions over the next one year, with clear measurable Board and Management KPIs and a robust business case.



We examined efficiency and equity as two principles which will steer our EES&G performance

 For more information on how we are aligning our performance with our purpose, please refer to Sustainability Statement on pages 52-79 of this Integrated Annual Report.

PEOPLE



People growth leads to business growth. We have seen over the last three years, how the pandemic exposed vulnerability of organisations that fail to prioritise people welfare and wellbeing. The Great Resignation or the Great Reshuffle served as a wakeup call for businesses to pay higher attention to matters such as exploitative and hostile work environments, wage and growth stagnation, and job dissatisfaction amongst other people issues. In this context, it is important to acknowledge that human capital is not just a critical input into business, but it is imminent to drive financial performance and reputational equity.

At DLMI, people come first. Our efforts in 2022 focused on enhancing flexible remote-work policy and introducing initiatives to create awareness on importance of psychological safety and mental well-being among our people. Our future plans in these two areas are supported by the need to improve work-life balance, contribute to positive physical and mental well-being, improve the morale and overall, productivity and performance of our people. Towards this, engagement is key, and we recorded an engagement index of 81 through Over2You engagement platform and 5 points above the external benchmark. This is encouraging, given our ambitious plan to nurture our people.

In addition, we also joined industry initiatives such as the 30% Club and CEO Action Network to expand our focus as well as support from diversity to the principles of equity and inclusion. In the long-term, our aspiration is to embed DEI in philosophy and in practice across all processes that govern our relationships at workplace as well as in the marketplace.

 For more information on how we are committed to accelerating our people agenda, please refer to Sustainability Statement on pages 52-79 of this Integrated Annual Report.

PERFORMANCE



With such a singular focus on purpose and people, we believe performance follows. At DLMI, performance is about 'Winning Profitably' in a manner that it is meaningful for both our shareholders and stakeholders. In other words, we can map our performance in two contexts:

a. Product & Market Performance:

Nutrition

Our product performance can be attributed to the role of dairy in addressing undernourishment and issues such as stunting. Research indicates that the nutritional status of children in Malaysia is alarming. According to the South East Asian Nutrition Surveys II (SEANUTS II) results, commissioned by FrieslandCampina and conducted by Universiti Kebangsaan Malaysia, 84% and 70% of children do not meet the average needs of Vitamin D and Calcium, respectively. In addition to that, 40% of children under 4 years of age have anemia.

As a result, stunting amongst children is becoming more common due to deficiencies of Vitamin D and Calcium. The National Health and Morbidity Survey (NHMS) 2019 showed a rise in the prevalence of stunting with 21.8% of children under 5 years of age being stunted.

In 2022, we saw an uptake in Dutch Lady Growing Up Milk and Friso Growing Up Milk products, which have been clinically and en masse proven effective to fulfil nutritional needs of stunted children and promote healthy growth. We will continue to invest in innovation and trademark technologies to improve our product performance that is key to our purpose of Nourishing Our Planet and People in Every Stage of Life.

Competition

One of the many triggers of product performance is competition, which we welcome. 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 Nourish our Nation is catalysed by competition and accelerated by our continuous efforts to improve the nutritional content as well as formats of our products.

As at 31 December 2022, 96.4% of our consumer dairy products were compliant with Global Nutritional Standards. We also introduced new Can format in line with consumer demand for convenient and smaller portions. As a result, we continued to retain our No.1 position by Market Value Share. We were also awarded Brand of the Decade by KANTAR - amongst all the brands in Malaysia, DLMI was chosen for 10 consecutive years. These is a testimony to the strength and resilience of our brands, with a proven track record of nearly 6 decades that continues to provide a competitive edge to our products and DLMI.

| | | | |
|---|---|--|--|
|  <p>96.4% of our consumer dairy products were compliant with Global Nutritional Standards</p> |  <p>18% increase in revenue</p> |  <p>Chosen BRAND OF THE DECADE by KANTAR - amongst all the brands in Malaysia, 10 consecutive years</p> |  <p>RM54.6 million profit before tax</p> |
|---|---|--|--|

PERFORMANCE (continued)



b. Profit Performance:

Amid a challenging market with inflationary pressures, we saw a strong demand. This can be attributed to greater consciousness amongst consumers on their nutritional needs and preference for our brand. As a result, the volume for the year ending 31 December 2022 saw a 12% increase over 2021. This contributed to a positive 18% increase in Revenue, RM114.2 Adjusted Operating Profit and RM54.6 million profit before tax (PBT). The positive revenue performance can be assigned to continued strong in-home consumption of our three main product categories - Dutch Lady Liquid Milk, Dutch Lady Growing Up Milk and Friso Growing Up Milk. The inflationary costs for raw materials went up by 10-15% and could not be fully offset through product price increase. However, a cost optimisation exercise across the board helped to mitigate a substantial portion of the impact of higher raw material costs. One-off impacts of RM43 million negatively impacted profit before tax, whereas in 2021 an exceptional upside was realised from the sale of land under the current Production Facility @ Petaling Jaya.

Profit from Expansion of Operations Profit before tax Capital spending in 2022 includes costs related to the transition from our Production Facility @ Petaling Jaya to Bandar Enstek of RM166 million. These are predominantly accelerated depreciation of Plant and Equipment (from construction of the future Production Facility @ Bandar Enstek).

 For more information on how we are creating value for our shareholders, please refer to Financial Director's Analysis as well as Financial Statements on pages 40-43 and pages 82-135 this Integrated Annual Report.

POTENTIAL



Our current year's focus and performance are also a reflection of our potential. We understand the need to keep an eye on what lies ahead; explore new opportunities for learning and growth; and above all, future-proof our business, our people and our ecosystem.

Key milestones in 2022 for our Production Facility @ Bandar Enstek

January 2022

Piling completed

February 2022

Site mobilisation and commencement of construction

September 2022

Recorded 350,000 working hours with zero incidents

December 2022

Started installation of utilities

FUTURE-PROOFING BUSINESS & PEOPLE

Given the volatility and the changing paradigm of business and responsibility, in 2023 and beyond, we will remain cautiously optimistic. While disruptions will continue to impede the pace of growth, strong consumer confidence in our brand and consistently growing demand will propel our performance.

2023 will mark 60th anniversary for DLMI in Malaysia. We will be as old (or young) as Malaysia and our commitment to Nourishing our Nation. Our priorities next year will be:

| | | | | |
|--|--|--|---|---|
| <p>Improve Nutritional Status of Malaysians</p> | <p>Support National Agenda of Dairy Development</p> | <p>Accelerate Sustainability Agenda</p> | <p>Further Digitalisation and Innovation</p> | <p>Create Value for Shareholders and Stakeholders</p> |
| <p>To play a catalytic role in improving the nutritional status of Malaysians and Malaysia, and specially address the alarming nutritional status of children.</p> | <p>To continue supporting the national agenda and contribute to dairy development as well as sustainable farming practices through transfer of our global expertise and knowledge.</p> | <p>To accelerate sustainability agenda through robust governance, focussed targets and alignment with global goals and local priorities.</p> | <p>To further our digitalisation and innovation journey towards strategic transformation and expansion.</p> | <p>To continue reporting positive financial performance, while creating value for all stakeholders.</p> |

ACKNOWLEDGMENTS

I take this opportunity to specially extend our sincere appreciation to Arent Naber, Finance Director, who has now moved on to take the next challenging role with FrieslandCampina China. His contributions to DLMI have been invaluable. I also welcome new additions to the Management Team covering functions of Finance, Sales, HR, Marketing and Manufacturing, who will be critical in championing new 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. We will continue to strive towards shaping thriving communities in Malaysia. Meanwhile, we will move as one strong DLMI Team. Strong Me, Stronger Us.



FINANCE DIRECTOR'S ANALYSIS



KAI DE KLERK
Finance Director

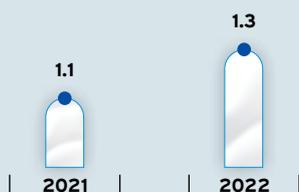


The year 2022 proved to be unprecedented in many ways on a macro-economic level mainly due to the growing inflationary pressure already witnessed in 2021 and bolstered by global geopolitical disturbances. These disturbances, volatility, and upward pressure on commodity pricing and unfavourable exchange rate effects had their impact on the costs of doing business. Overall costs for raw materials went up by 10-15%. Despite the gradual recovery from the impacts of the COVID-19 pandemic, disruptions and uncertainties in logistics and the supply chain also continued to pose challenges. By striking a balance between these pressures and keeping our products affordable and accessible to our consumers, DLMI was able to firmly continue on our mission of “Nourishing our Nation”.

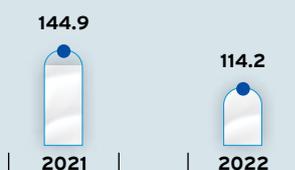
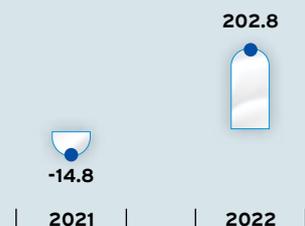


Despite all the challenges, Revenues increased by 18% from over RM1.1 billion in 2021 to more than RM1.3 billion in 2022, an upside of RM206 million. For DLMI, breaking through the RM1.3 billion mark for the first time in history is an important milestone.

Some of the inflationary pressure on the purchasing price of raw materials needed to be translated into the pricing of our products to avoid unsustainable profitability impact. At the same time, volume growth of 12% was an important contributor to the revenue upside, as our consumers remained choiceful with strong in-home consumption of our three main product categories - Dutch Lady Liquid Milk, Dutch Lady Growing Up Milk and Friso Growing Up Milk.

Revenue (RM 'billion)**RM1.3 billion****Adjusted operating profit**

(RM 'million)

RM114.2 million**Cashflow from operating activities (RM 'million)****RM202.8 million**

Net Profit for the year landed at RM46.3 million in 2022, a decline of 81% versus 2021 when a Net Profit of RM248 million was realised. The exceptional upside in 2021 was related to the sale of the land underlying the current Production Facility @ Petaling Jaya. A number of one-off results in 2022 contributed further to the reduction in Net Profit, which will be more elaborately addressed in the Analysis of Income.

Strong cash management is at the heart of our financial strategy and a key enabler for funding our growth strategy and the building of our new Production Facility @ Bandar Enstek, which is progressing well. DLMI continued to invest in our Future Legacy as we announced to increase investments to RM540 million to build our new production facility. DLMI will continue to focus on optimising the company's cashflow to battle inflationary headwinds and secure internal financing for the new manufacturing facilities.

Cashflow from operating activities has increased by more than RM200 million versus 2022 from a negative RM14.8 million to RM202.8 million. The improvement is driven by revenue increase from robust demand for liquid milk as well as a strong focus on the management of trade working capital and lower prepayment to a related company.

As DLMI keeps investing in sustainable future growth with significant investments in Property, Plant, and Equipment; Net Cash was at a negative RM13.4 million. A total of RM166 million has been channelled towards the construction of our new Production Facility @ Bandar Enstek.

After reconciliation, DLMI paid to its shareholders a total of RM32 million in interim dividends consisting of two standards dividends of RM0.25 each. This represents a distribution of 69% of the profits attributable to shareholders.

ANALYSIS OF INCOME

Our reported Revenue increased 18% versus the prior year from RM1,134 million to RM1,339 million driven by a 12% upside in volume, positive product mix, as well as price increases necessitated by the inflationary pressure from increasing costs of dairy raw materials as well as increases in other raw materials and logistics.

Cost of sales increased in line with volume, but accelerated due to a 10 to 15% higher average price of raw materials in 2022 as compared to 2021. This increase is caused by global inflationary pressure on the costs of dairy and other raw materials, and due to foreign exchange headwinds during the year. This surge in the cost of raw materials impacted Gross Profit Margins, which declined from 35% to 27% as costs could only partially be reflected in the price of our dairy products. One-off impacts further impacted Gross Margins. With a strong focus on costs, overhead expenses were controlled with very limited increases compared to revenue growth.

Operating Profit declined by 80.3% from RM286.5 million to RM56.4 million. This decline is largely attributable to the gain of RM155 million in 2021 related to the disposal of manufacturing land and buildings and lease-back of our current Production Facility @ Petaling Jaya. In 2022 one-off restructuring costs related to the discontinuation of milk powder operations in Petaling Jaya in 2023 and other lines in 2024 of RM17.9 million were incurred. In addition, the first Bilateral Advanced Pricing Arrangement ("BAPA") between the competent authorities of Malaysia and The Netherlands with regards to certain related party transactions was finalised in 2022. This arrangement covers the years 2018 to 2022. Hence, in 2022, DLMI has booked the impact from 2018 to 2021 which amounts to RM24.9 million. Additionally, accelerated depreciation was implemented in 2021 for assets in our Production Facility @ Petaling Jaya not transferring to the new Production Facility @ Bandar Enstek. A limited amount of OPEX costs have also been made related to the construction project. Adjusted Operating Profit (excluding accelerated depreciation and one-off items) is RM114.2 million, from RM144.9 million in 2021. This like-for-like decline of 21.2% versus 2021 was mainly driven by the unprecedented increase in the cost of raw materials and exchange rate headwinds.

With the aforementioned one-off results, Profit Before Tax in 2022 landed at RM54.6 million, from RM284.5 million in 2021, a decline of 81%.

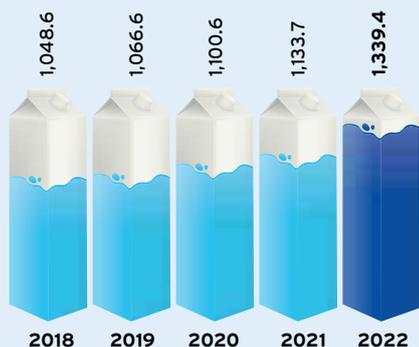
A Net Profit of RM46.3 million was booked for the year ending 31 December 2022; this includes an income tax benefit of RM7.5 million, related to the above mentioned prior year impact of the BAPA agreement.

FINANCE DIRECTOR'S ANALYSIS

5-YEAR FINANCIAL SUMMARY

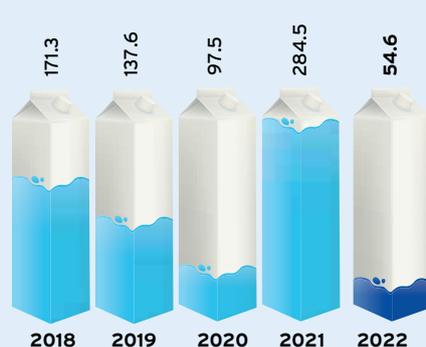
Revenue (RM 'million)

RM1,339.4 million



Profit before tax (RM 'million)

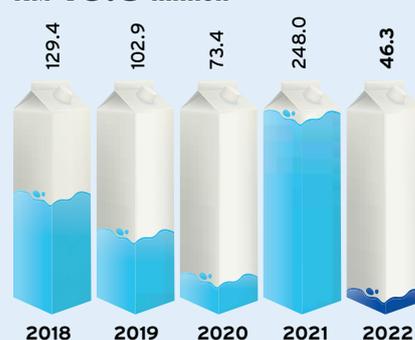
RM54.6 million



Net profit for the year (RM 'million)

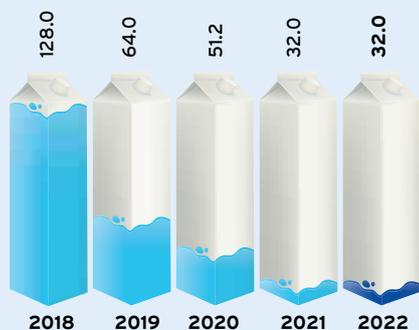
(RM 'million)

RM46.3 million



Net dividend paid (RM 'million)

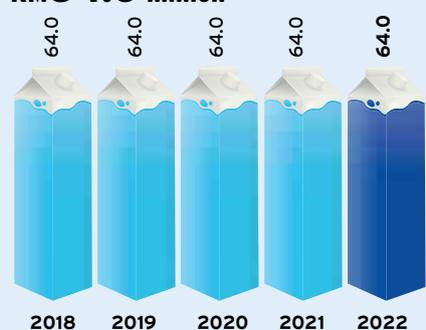
RM32.0 million



Paid-up share capital (RM 'million)

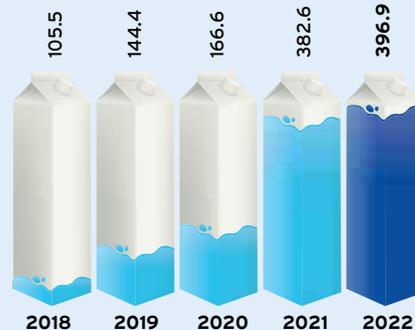
(RM 'million)

RM64.0 million



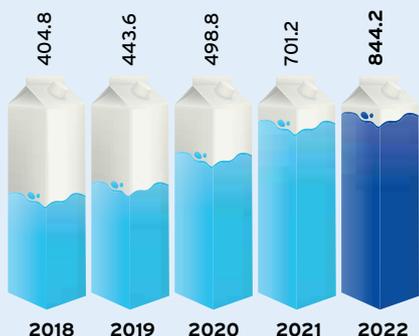
Shareholders fund (RM 'million)

RM396.9 million



Total assets (RM 'million)

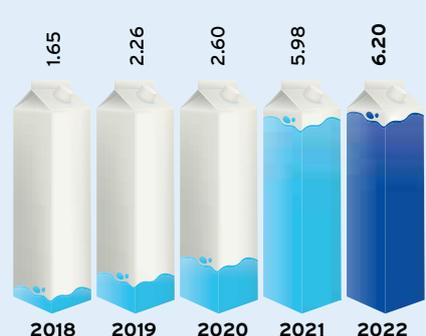
RM844.2 million



Net asset backing per share (RM)

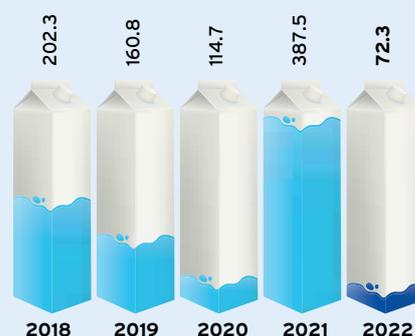
(RM)

RM6.20



Earnings per share (sen)

72.3 sen





**Non-current assets
increased by
RM141.3 million**



**Current assets
increased by
RM1.6 million**



**Net cash
decreased by
RM13.4 million**

ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Non-current Assets increased by RM141.3 million to RM360.4 million driven largely by an increase in property, plant and equipment related to our ongoing construction of the new Production Facility @ Bandar Enstek, in which RM166 million was invested in the course of 2022. The construction is progressing well and the manufacturing site is expected to be fully operational in 2024.

Current Assets remained stable (increasing by RM1.6 million to RM483.7 million). Increasing Inventory costs as a result of higher costs of raw materials and adverse exchange rates impacted the inventory balance which increased from RM161.1 million to RM228.9 million. At the same time our Accounts Receivable position increased from RM76.4 million to RM97.7 million on the back of higher sales revenue, whereas receivables turnover days have remained relatively stable even in volatile times. The increases in Inventory and Accounts Receivable are offset by lower prepayments (reducing from RM126.2 million to RM45.9 million), mainly to a related party company for future raw materials purchases.

Current Liabilities increased by RM127.7 million, largely driven by the increased Trade and Other Payables position, due to ongoing capital expenditures for the construction of our new production facility, as well as the one-off payment related to BAPA, and increased trade spend accruals related to higher sales. Another increase is related to the current part of the provision (RM8.7 million out of RM17.9 million) related to the announced optimisation of dairy production operations in the Production Facility @ Petaling Jaya.

Non-current liabilities showed a slight increase of RM1 million mainly due to the non-current part of the above mentioned provision (RM9.2 million) for the discontinuation of the powder line, whereas deferred tax receivables and lease liabilities decreased.

Net Cash decreased slightly by RM13.4 million as the positive cashflow result from operating activities was utilised to fund growth through investing activities toward our future manufacturing site.

RETURNS TO SHAREHOLDERS

During the financial year ended 31 December 2022, a total of RM32 million was paid out as standard interim dividends to shareholders.

This represents a 69% distribution of the Company's Net Profit attributable to shareholders of RM46.3 million. Therefore RM14.2

million was retained and added to the shareholder fund (equity), which totalled RM396.9 million. This leads to an increase in our Net Asset Backing per share of RM5.98 to RM6.20. Basic and diluted earnings per ordinary share for the year are 72.3 sen versus 387.5 sen in prior year. Please note that the distribution of dividends is based on the company's profitability, as well as the need for business and operational continuity, and in light of building our future legacy the needs to fund the company's future expansion.

OUTLOOK

The market remains volatile and is subject to various domestic and global uncertainties and challenges, foreign exchange rate fluctuations and potential regulatory changes. Although global dairy prices are expected to show a decline they remain at historically high levels. At the same time, an uncertain geopolitical environment and volatile exchange rates will make it hard to predict input costs, whilst inflation is expected to remain a significant factor in the costs of doing business in 2023.

DLMI will stay focused on its purpose of 'Nourishing Our Planet and People in Every Stage of Life'. In order to deliver on this purpose, healthy gross margins are essential in order to continue to invest behind our people and brands. These assets will drive long term engagement with DLMI as an employer of choice and continue to increase penetration of milk in Malaysia.

DLMI is determined to invest in Malaysia even in these trying times. DLMI plans to invest RM540 million between the years 2021 and 2025 for our future manufacturing activities, which is progressing well. Furthermore, DLMI will continue to focus on optimising the company's costs and cashflow to battle the inflationary headwinds and secure internal financing for our Future Legacy with continued investments in the industry 4.0 (IR4.0)-compliant Production Facility @ Bandar Enstek, Negeri Sembilan, where we target to double our production capacity and aim to run commercially in 2024.

DLMI expects moderate growth in top line, whereas fluctuations in exchange rates could negatively affect our operating profit, therefore it is crucial to continue to be focused on costs and sustainable revenue growth.

Over the long term, the outlook for DLMI remains positive due to the strength of its brands, and the increasing need and recognition of the goodness and nutritional value of milk amongst Malaysians. The company will continue to support local dairy farmers and increase the quantity and quality of local fresh milk.

ECONOMIC LANDSCAPE & OUTLOOK



Malaysia is aiming for a 100% self-sufficiency level (SSL) in local fresh milk production by 2025. In 2021, fresh milk self-sufficiency ratio was 56.7% (Department of Statistics Malaysia, Sept 2022)



Department of Veterinary Services Malaysia (DVS) is representing the government to achieve this target to expand and improve milk production in the country in collaboration with DLMI to train local dairy farmers to increase the volume and quality of milk.

OVERVIEW

The global economy entered 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spread, some countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies.

According to the International Monetary Fund (IMF), global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy already weakened by the pandemic; higher-than-expected inflation worldwide, especially in the United States and major European economies, which has triggered tighter financial conditions; a worse-than-anticipated slowdown in China due to COVID-19 outbreaks and lockdowns; and further negative impacts from the war in Ukraine. The third quarter of 2022 saw an unexpected robust real GDP in numerous developed, developing, and emerging market economies. The sources of these surprises in many cases were stronger-than-expected domestic private consumption, fulfilling repressed demand. In the final quarter of 2022 however, this uptick is estimated to have faded in most economies. At this point, high-frequency activity indicators (such as business and consumer sentiment, purchasing manager surveys, and mobility indicators) generally indicate a slowdown. Global growth, estimated at 3.4 percent in 2022, is projected to fall to 2.9 percent in 2023 before rising to 3.1 percent in 2024.

The Food and Agriculture Organization (FAO) reports that the dairy market remains robust and resilient as the effect of the COVID-19 pandemic on the dairy sector was relatively modest, amid initial concerns that it was particularly vulnerable. In 2021 the FAO Dairy Price Index value increased by 17% with increases across all dairy products. Strong global demand, especially from Asia drove those price increases. The sector adapted quickly to the disruptions and mitigated many of the severe effects seen in the earlier months of the pandemic, witnessing dairy exports rebounding in 2021.

On the domestic front, the pace of economic recovery has gained momentum, with a rebound in growth of 3.1% in 2021 compared to a contraction of 5.5% in 2020. The growing trend of the economy has continued into 2022 with a growth of 5% and 8.9% in the first and second quarters, respectively, as reported in the Ministry of Finance's 'Economic Outlook 2023'. The opening of international borders in April 2022 has resulted in a further easing of the nation's economic recovery. Food prices in Malaysia increased by 6.8 percent year-on-year in December 2022, the least in three months, after a record high of 7.3 percent in November 2022. Cost pressures slowed for food at home (4.9% vs 5.8% in November), meat (7.8% vs 8.2%). Milk, cheese & eggs (7.1% vs 8.9%). Milk is not a controlled priced item, but due to the unprecedented global inflation and raw material price volatility – it is a challenge for DLMI to keep its products affordable for consumers.

Malaysia is aiming for a 100% self-sufficiency level (SSL) in local fresh milk production by 2025 and according to the latest statistics from DOSM, the level stood at 56.7% in 2021. The Department of Veterinary Services Malaysia (DVS) is representing the Government to achieve this target to expand and improve milk production in the country in collaboration with DLMI to train local dairy farmers in order to increase the volume and quality of milk.

MARKET DYNAMICS & RISKS:**Markets & External Risks**

As the global economy is contracting and prices of raw materials are increasing due to inflation and war in the Ukraine, DLMI retains our position as the no. 1 dairy company in Malaysia due to our strong and trusted brands, superior nutritious products, and targeted marketing/packaging for each of the life stages of Malaysians.

Supply Chain & Procurement Risks

Disrupted supply chains and port closures that have been going on since the pandemic began two years ago are slowly mending. DLMI has addressed these risks head on with many quick pivots, and by leveraging our global network for seamless sourcing and keeping our products accessible to our consumers.

Competitive Analysis

DLMI has 26.7%* market share ranking it the #1 dairy company in Malaysia according to AC Nielsen. The ranking excludes product categories such as Sweetened Condensed Milk, Family Milk Powder and Health Food Drink.

OUTLOOK

In its 'World Economic Outlook' report for October 2022, the IMF projected the global economy to expand, although at a more restrained rate of 2.7% in 2023. Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook.

In Malaysia, the economy is forecast to grow moderately between 4.0% and 5.0% in 2023, in line with the IMF's global forecast, according to the 'Economic Outlook 2023' published by the Finance Ministry in October 2022, at the tabling of Budget 2023.

According to Kenanga Research, Malaysia's economy will be impacted by the global economic slowdown and have predicted GDP growth for 2023 at 4.3% (2022: 8.6%), mainly attributed to weaker external demand and waning discretionary spending as cost of living rises. Kenanga said headline and core inflation are forecast to average at 2.5% (2022: 3.4%) and 2.3% (2022: 3.0%) respectively in 2023 due to the Government's cost of living initiatives, a stronger ringgit, slowing global demand, and an improvement in the global supply chain.

DLMI looks forward to increasing local market demand as data has shown that there is market growth potential, as the Malaysian halal dairy market is valued at RM4 billion and milk consumption per capita in the country is about one litre compared with 40 litres in developed regions, such as in Europe. The Group's outlook for 2023 remains cautiously optimistic amid the continuing uncertainty due to unprecedented inflationary headwinds, negative foreign exchange results and continued global supply chain challenges. Amid the raw material price volatility, the DLMI Board will continue to evaluate and balance between product prices and cost structure.

* Nielsen Retail Audit Dec 2022

KEY RISKS AND MITIGATION ACTION

At DLMI, our efforts are focussed on integrating enterprise risk management practices throughout our operating entity to accelerate growth and enhance performance. 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 RFC based on internationally recognised COSO framework. In doing so, we aspire to embed risk management in the mindset and behaviour of our employees, strengthen risk management capabilities and methods, continuously improve risk mitigation. In FY2022, the Company had faced a number of risks and uncertainties that could have both short-term and long-term implications, identified in the areas of:- foreign exchange, supply chain, project management, health & safety, commercial & competition, governance, reputation and people & performance.

Of all these risks, the three risks reported below were the most material:-

Further details on the risk management activities performed can be found in the Statement of Risk Management and Internal Controls on pages 179-187 of this Report.

| Risk Category | Internal Risks | Mitigation |
|--|--|--|
|  <p>Financial Risk</p> | <p>Foreign exchange risk (FOREX) 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>Being well-hedged in our major commodities, we managed to reduce the impacts of the input cost headwind, which enabled us to determine the right balance between input cost and product price. In addition, our operational recovery plan was able to recoup the increase in input cost</p> |
|  <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>Continuously and actively engaging project contractors as well as government regulators to reduce the impact of COVID lockdowns and reduce foreign labour capacity, this enabled us to conduct parallel work which increased project output</p> |
|  <p>Economic Risk</p> | <p>Operating margin pressure 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>Being aware of rising input cost, we managed to reduce the impacts of the input cost headwinds by driving an operational recovery plan and reviewing our revenue generating activities including our promotional and trading terms</p> |

DLMI STRATEGY FRAMEWORK

The lingering threat of new COVID-19 variants, rising inflation, negative foreign exchange effects, global supply chain disruptions and rising costs of raw material has directly impacted DLMI's strategy and required quick, targeted decisions making in several key operational areas. Various strategies have been employed to uphold the Company's 4 P's; Purpose, People, Performance, and Potential and this has consistently resulted in a winning outcome.

DLMI has maintained its no.1 position by Market Value Share, coupled with a 12% year on year increase of sales volume and an 18% increase in revenue with RM54.6 million profit before tax. DLMI continues to act with agility and preserve cash and cost wherever possible.



As 'Nourishing our Planet and People in Every Stage of Life' is the Company's guiding purpose, continuous efforts have been made to ensure a nutritious product portfolio, one of them being the Dairy Development Program (DDP), a collaboration with the Department of Veterinary Services and the Embassy of the Netherlands, where local dairy farmers have been helped to improve and adapt their farming techniques to increase the quality and quantity of local fresh milk. With the drive to be a responsible manufacturing hub in the Region, DLMI has intentionally changed its operational approach to sustainability, by measuring efficiency and equity as separate principles, which will steer its EES&G performance.

The negative impact of the pandemic over the last two years on employees has been well noted and DLMI strives to make operational policies that favour employee working conditions, as human capital is critical input that drives financial performance. Efforts in 2022 have been focused on implementing the flexible remote-work policy and checking up on staff physical and mental health.

DLMI is addressing undernourishment and stunting issues in the population with the provision of nutritional dairy products and continues to invest in innovation and trademark production technologies to improve product performance. The Dutch Lady Growing Up Milk and Friso Growing Up Milk products which have been proven effective to fulfil nutritional needs of stunted children has seen positive market reception in 2022.

Despite the economic headwinds with inflationary pressures in 2022, as at 31 December 2022, DLMI saw an increase in volume of production by 12% over the previous year, with a positive 18% increase revenue, and RM54.6 million profit before tax, this has been due to the exceptional demand of nutritious Dutch Lady products.

Whilst expecting inflation to rise over the next year, DLMI is facing the challenges head on, buoyed by increasing demand and the potential for growth. In preparation for growth and future-proofing the business, DLMI has embarked on a RM540 million expansion plan to build a new Industry 4.0 (IR4.0)-compliant factory in Bandar Enstek, Negeri Sembilan, to be built via internally generated funds, aiming to run commercially in 2024, with a target to double its current manufacturing capacity by then. The factory will be equipped with advanced technologies, including automation, big data, cloud computing and the Internet of Things to increase its production efficiency.

KEY PRODUCT HIGHLIGHTS



We became a stronger **#1 dairy player in Malaysia**



Dutch Lady IFT and MaxGro delivered a **positive value growth of +1.5%**



We strengthened our pool of advocates with adding fathers into the program, named **Friso Gold DadMombassadors**

Despite the challenges of price movements and/or trade behaviour, we continued to focus on our mission of Nourishing our Nation in 2022. We do that by driving value for our consumers with innovative formats and/or flavours and targeted communication on the need for milk nutrition. This has led to us to hold our volume in the liquid milk category, despite the category declining at -4.2%*. Through the right portfolio and channel mix, and consumer-centric activities, we grew in value by +8.9% vs. last year* in the liquid milk category vs. the market at -3.4%. Hence, within the total Dairy category, our market share improved to 26.7%*, where we became a stronger #1 Dairy Player in Malaysia, reinforcing the trust and connection we have with our consumers and that our products are much loved by Malaysians. Overall, our brand has a high household penetration of 3.7 million Malaysian households (57.7%) consuming Dutch Lady products annually**.

Within the liquid milk segment, Dutch Lady further strengthened our leadership position with a 40.2% value share*. The growth is contributed by impactful consumer campaigns such as Ramadan & Morning Campaigns, successful flavour innovations such as Dutch Lady Cookies & Cream & Vanilla Ice-Cream portion packs, festive flavour Lychee Juicy Milk, and the Kurma & Banana Flavored Milk range during Ramadhan/Raya. We also had a successful launch with Dutch Lady in can format, riding on the wave of growth in out-of-home consumption once all COVID-19 restrictions were fully lifted.

Dutch Lady also continued its leadership position in the total infant and toddler nutrition (IFT) segment with 18.1% share. Dutch Lady IFT and MaxGro delivered a positive value growth compared to previous year* however, faced a volume decline with the decreasing birth rates and overall shrinking of the consumers' pocket due to inflation and post-pandemic impact. Despite the declining volume, the penetration for Dutch Lady IFT remained stable vs. previous year at 27.7%**.

Some of the key highlights for the year are: The Ramadan campaign "Berkat Ramadan Dan Susu" and the national promotion campaign "Koleksi

Si Cerdik". The continued efforts on Dutch Lady MaxGro in the Specialised Child Nutrition segment have more than doubled the business both in terms of value and volume. We will continue our focus on MaxGro to support the Optimal Growth of Malaysian children in our efforts to minimise the Stunting issue faced in Malaysia.

Friso Gold grew in 2022 with +9.5% value and +2.1% volume in the IFT premium segment through continued focus on Novas Signature Milk which contains small molecules & soft structure, high-quality milk produced by our farms in the Netherlands to enable Good Digestion for Stronger Inside. This year, we strengthened our pool of advocates with adding fathers into the program, named Friso Gold DadMombassadors, bringing strong social and positive word-of-mouth for the brand. This garnered the highest share of engagement amongst other premium IFT brands, with second placement in share of voice. The multiple activities integrated across mediums, channels and departments have brought the growth such as the 'Grow Stronger for the Tiger Year' festive campaign, Friso Gold Global Symposium with face-to-face interaction with healthcare professionals and global speakers, and our support in-store from our Nutri Advisors.



* Nielsen Retail Audit Dec 2022

** Kantar Worldpanel Malaysia - Household Panel, MAT P13 2022

ENJOY THE FLAVOUR FOR A STRONG ME, A STRONGER US



PACKED WITH PROTEIN AND EVEN MORE CALCIUM

*Increase in value of Calcium is only applicable to Dutch Lady UHT Full Cream and milk powder variants of plain, honey flavoured and chocolate flavoured.



RS

M*



SUSTAINABILITY STATEMENT

BUSINESS CASE FOR SUSTAINABILITY: BEYOND AN APOCALYPTIC NARRATIVE

Dr. Kishore Ravuri,
Head, Sustainability

The global sustainability debates intensified during the year. The Annual Conference of the Parties of the UNFCCC, commonly known as COP, was held for the 27th time in November 2022 in Sharm El Sheikh, Egypt. COP27 reinforced the need for urgent climate action and social justice to avoid reaching a point of no-return for both businesses and humanity. In Malaysia, we have seen much progress.

Institutional investors, regulators, and policymakers went to market with EES&G guidelines, disclosure requirements, and mandates on various standards and frameworks. The emphasis has been on the need for businesses to monitor and manage their EES&G risks as well as performance.

Amid the fast maturing conversations on sustainability, at DLMI, we continued to examine it as a business imperative. For us, it is about improving our efficiencies and doing more with less. It is about growing equity and making business better for now and for future generations of all stakeholders. It is about creating value for all - from our mission "Nourishing Our Planet and People in Every Stage of Life", to building a resilient business. It is about making possible a win-win co-existence of business, economy, society and nature. It is about operating with greater accountability towards the systemic relationships between these. This philosophy and approach to sustainability, far from an apocalyptic narrative, strengthens our business case.

We do not look at sustainability as a mere compliance risk. It is an enterprise risk. This means, alongside economic performance risks, we take into consideration environmental, social and governance risks that could potentially compromise our financial position, people productivity, operational integrity, stakeholders'

interests and market reputation. When devising strategies or steering business performance, such risks must be in full visibility of the Board of Directors and Management. Therefore, in 2022, we revisited our Board Charter. We now are more explicit on what long-term value creation means also in the sense of EES&G risks monitoring and management, which will drive value for both shareholders and multiple stakeholders to business. Setting the right tone at Board-level is the first of many critical steps to getting the business case and sustainability governance right.

During the year, we also took a critical assessment of our sustainability material matters and realigned them to meet our global priorities and local market expectations. We also took stock of various gaps and challenges, which will give us a sound foundation to strategise a Sustainability Roadmap 2030 for DLMI Malaysia, with specific commitments and targets. We will continue to engage all critical stakeholders in our value chain in making our journey collaborative and meaningful in both intent and outcomes. Our future report/s will include comprehensive EES&G disclosures.

Meanwhile, as the leading dairy company in Malaysia, we remain committed to our purpose of "Nourishing Our Planet and People in Every Stage of Life".

ABOUT SUSTAINABILITY PROGRESS REPORT

Introduction

Sustainability is about accountability at Dutch Lady Milk Industries Berhad (“DLMI”). As a leading dairy company, we remain committed to responsible business practices and long-term value creation while fulfilling our purpose of “Nourishing Our Planet and People in Every Stage of Life”.

This Sustainability Report 2022 (“SR2022”) presents our consistent efforts to address material sustainability matters across the key pillars of EES&G.

The reporting period of SR2022 is from 1 January 2022 to 31 December 2022 (“FY2022”), unless otherwise stated. Where applicable and where possible, a 2-year historical data for certain disclosures may have been included to highlight important trends and DLMI’s year on year progress.

Scope: Reporting Boundary and Principles

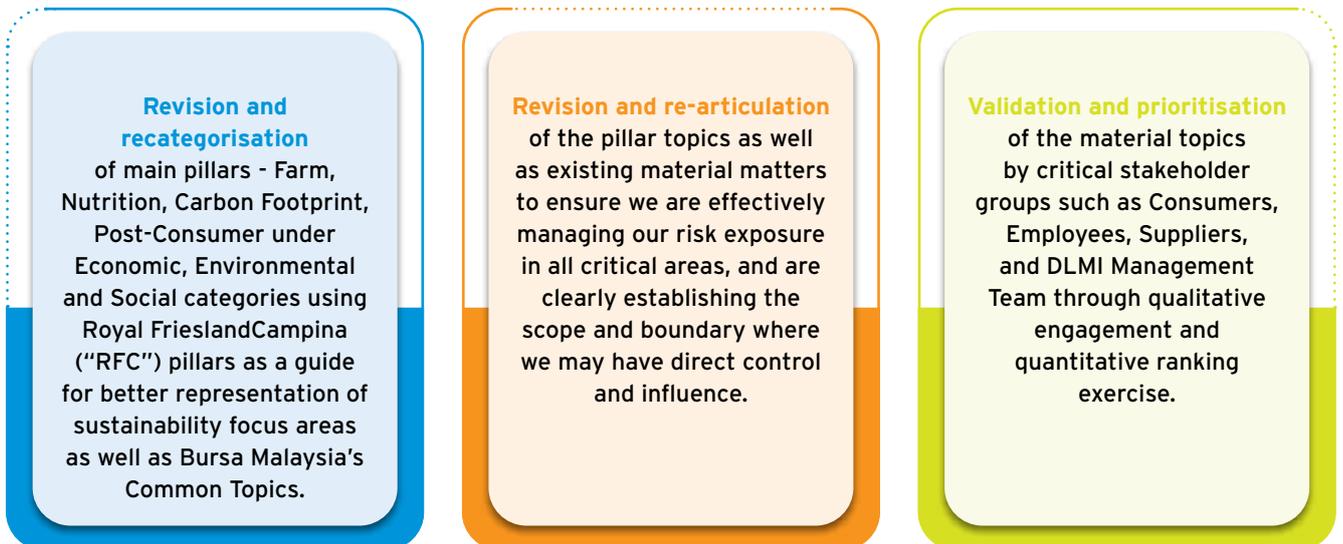
The scope of SR2022 includes business operations and manufacturing activities of DLMI as specified. Unless otherwise mentioned, SR2022 excludes all outsourced activities and/or operations of our parent company and its operating companies elsewhere in Asia and beyond.

DLMI’s boundaries are defined based on the established materiality topics as well as sound reporting principles that preserve report content and quality. Data for SR2022 has been sourced, verified and validated internally by the respective data owners from the relevant business departments.

We are aware of certain data collection challenges persisting for some indicators, and we are continuously working internally to implement stronger data tracking and gathering mechanisms for enhanced reporting going forward.

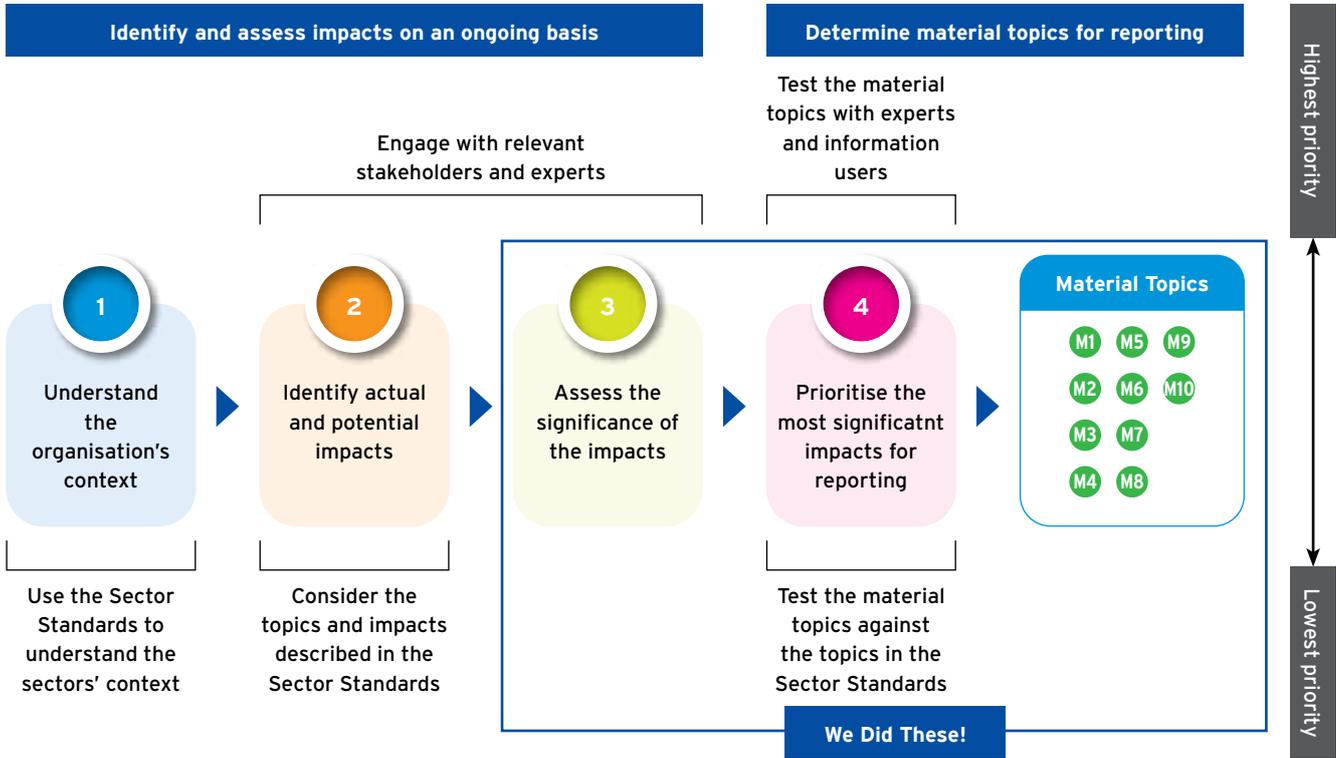
Material Matters: Re-Assessment & Alignment

In the year under review, we have undertaken a re-assessment and alignment exercise for better clarity and in keeping with best industry practices.

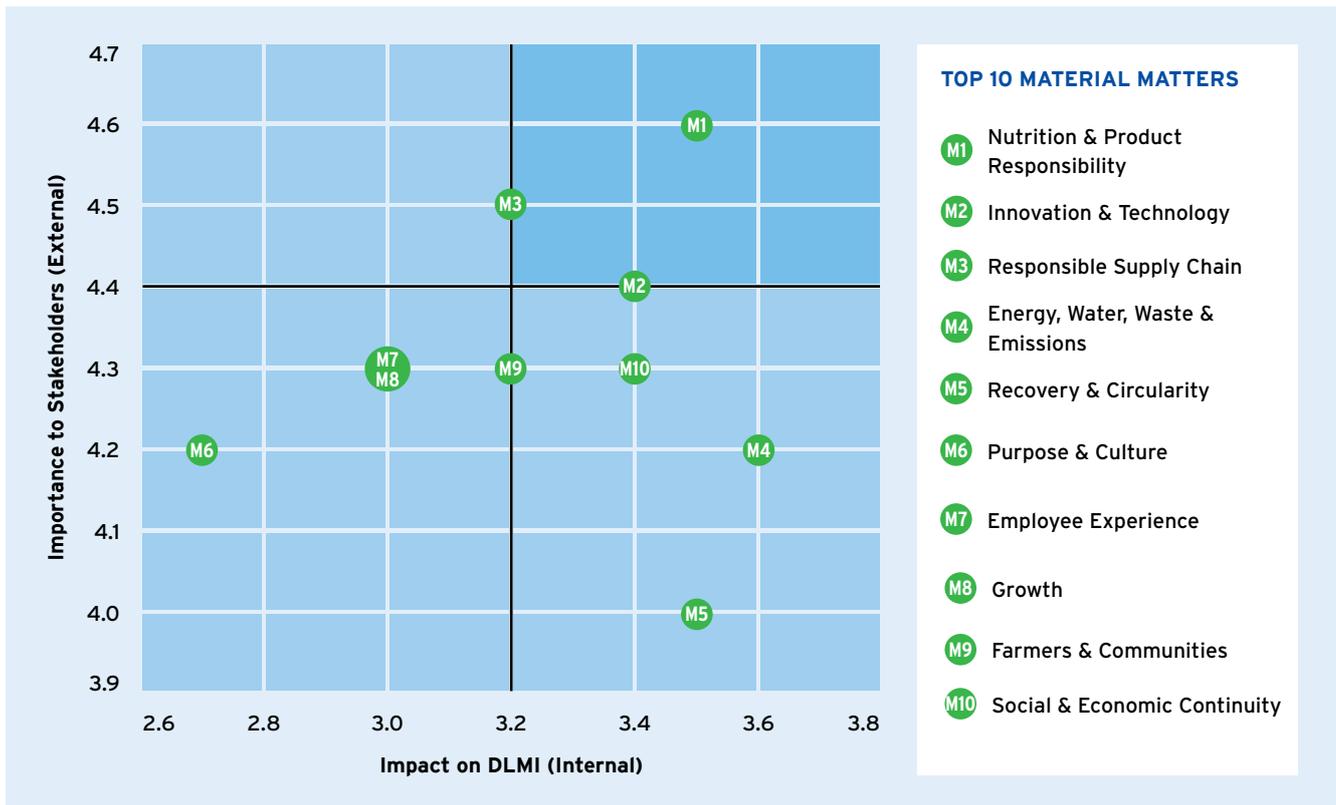


SUSTAINABILITY STATEMENT

Based on the prescribed process by Global Reporting Initiative (GRI) Standards, we have covered the highlighted sections below.



Below is our revised materiality matrix:



Standards: Compliance and Alignment

The SR2022 has taken into consideration various frameworks and guidelines in documenting DLMI’s ambition and progress:



The Board of Directors (“Board”) of DLMI is the highest decision-making body in the Group and therefore acknowledges responsibility for this statement of use:

“The information reported by DLMI for the financial year ended 31 December 2022 has been prepared in reference to the GRI Standards and Bursa Malaysia Securities Berhad’s Standards”.

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

- Our 3-year journey to improve quality of reporting and enhance the level of compliance to <IR> Framework as well as alignment with Taskforce on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board or SASB and GRI Standards.

Assurance: Internal Review & External Audit

The financial data presented in SR2022 has been independently audited and assured by an external auditor, PwC. Non-financial data has been internally assured by the Management Team and the respective data owners. While DLMI has not sought external assurance for its non-financial data presented in SR2022, it plans to garner this external assurance for non-financial data in the near future.

Feedback: Commitment to Continuous Improvement

🌐 SR2022 as part of DLMI Integrated Annual Report 2022 can be downloaded from our official website at <https://www.dutchlady.com.my/investors/>.

DLMI remains open to inquiries and feedback from its valued stakeholders on its sustainability focus areas and performance. DLMI’s Investor Relations contact is finance.dept@frieslandcampina.com. DLMI’s Sustainability contact is sustainabilityMY@frieslandcampina.com.

SUSTAINABILITY STATEMENT

DLMI SUSTAINABILITY PRINCIPLES

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” United Nations, Our Common Future, 1987

At **Dutch Lady Milk Industries (DLMI) Berhad**, our interpretation of the definition of sustainability as per the United Nations, Burtland Commission (Our Common Future, 1987) can be applied in the context of:



Our **PURPOSE** of creating 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 **PEOPLE**, in terms of expanding opportunities for learning and development to make our growth inclusive and meaningful



Our **PERFORMANCE**, by way of improving economic efficiencies in production processes, with optimal combination of outputs based on the most responsible and efficient combination of inputs



Our **POTENTIAL** to create shared value for all the stakeholders associated with our business as well as those in our ecosystem while planning and achieving new growth

Our sustainability orientation is in keeping with FrieslandCampina’s commitment to **‘Nourishing by Nature’**, where our focus is on better nutrition for the world’s consumers, a good living for our farmers, now, and for generations to come.

We are committed to Nourishing Our Planet and People in Every Stage of Life, creating a Thriving Future for all, because we believe in the motto ‘Stronger Me, Stronger Us’.

This also means demonstrating greater accountability towards the welfare and wellbeing of our planet and people. Our mantra of create a Thriving Future is to inspire responsible business practices in ecosystems where we operate, mobilising our multiple stakeholders to participate, contribute, and benefit from their relationship with DLMI.

DLMI THRIVING FRAMEWORK

Inspired by *Thriving: The Breakthrough Movement to Regenerate Nature, Society and the Economy* (Dr. Wayne Visser, 2022), **DLMI’s Thriving Framework** provides guiding principles that will catalyse our business to make Six Great Transitions, positively impacting EES&G footprint.

The framework allows us to take an evidence-based approach to determining and prioritising our sustainability focus areas. The approach examines systemic breakdowns (real and potential) along our value chain and informs various aspects of integration towards necessary breakthroughs. The transitions from various breakdowns to breakthroughs will create new opportunities for both DLMI and its stakeholders.

Figure 1 (below): DLMI's Thriving Framework



SUSTAINABILITY STATEMENT

| Priorities/Pillars | Material Matters | Addressing Systemic Issues | Global Goals |
|---|---------------------------------------|--|---|
| Better Nutrition  | M1 Nutrition & Product Responsibility | Degradation of Environment & Depletion of Resources (Desired Transition to Restoration & Renewal) |   |
| | M2 Innovation & Technology | |  |
| | M3 Responsible Supply Chain | |   |
| | M4 Energy, Water, Waste & Emissions | |   |
| | M5 Recovery & Circularity | | |
| Better People  | M6 Purpose & Culture | Disparity & Disease in workplace and communities (Desired Transition to Responsibility & Revitalisation) |   |
| | M7 Employee Experience | |  |
| | M8 Growth | | |
| Better Society  | M9 Farmers & Communities |  | |
| Better Governance  | M10 Social & Economic Continuity | Disconnection from Technology and Disruption of Operations (Desired Transition to Rewiring & Resilience) |  |

SUSTAINABILITY GOVERNANCE

Board Charter

Sustainability is a real risk to business and its resilience, and its thriving future. The Board acknowledges this alongside the importance of taking a long-term view on both shareholder and stakeholder value creation by managing material EES&G risks.

In 2022, we revisited and revised our Board Charter at Dutch Lady Milk Industries Berhad. We are now more explicit on what long-term value creation means also in the sense of EES&G risks monitoring and management, which will drive value for both shareholders and multiple stakeholders to business. This clarity on sustainability at Board-level is the first of many critical steps to getting our business case and sustainability governance right.

🌐 Access our Board Charter on <https://www.dutchlady.com.my/investors/board-charter/>.

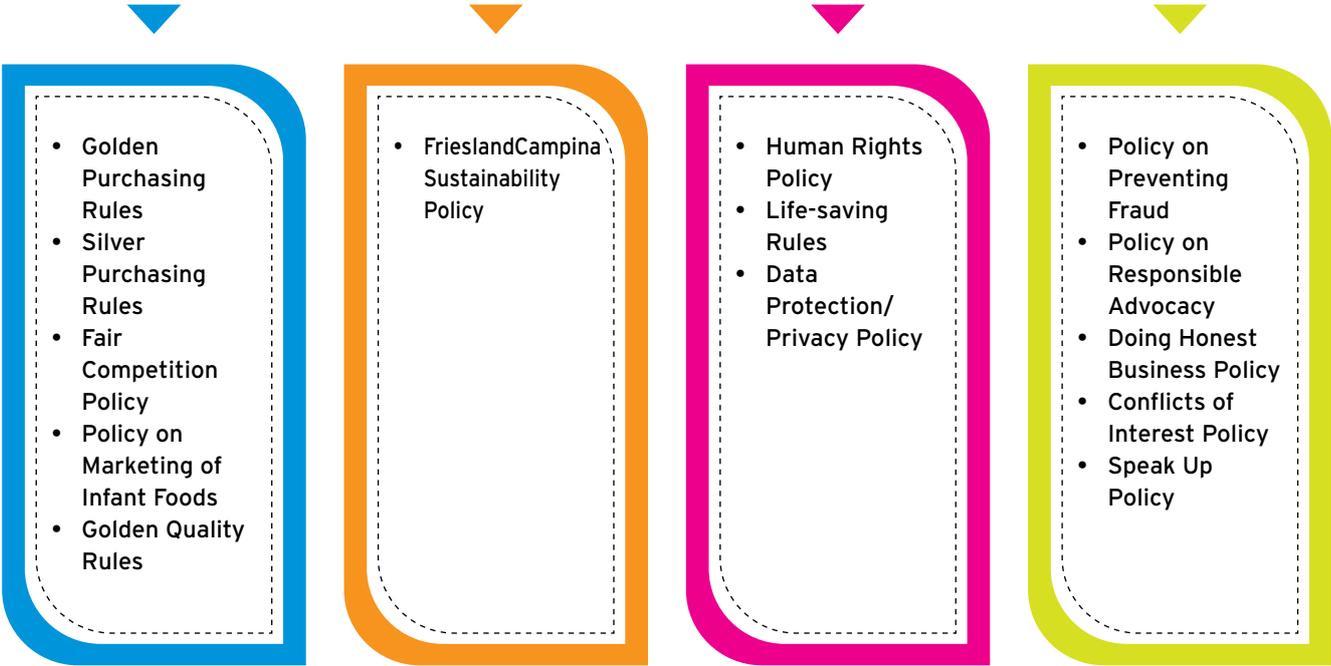
Risk Management Framework

Critical to shaping a sustainable business is our preparedness, capability, and capacity to identify and address both financial and non-financial risks arising from EES&G impacts on our business, operations, and growth. These risks may arise in the process of fulfilling DLMI's multiple roles as dairy manufacturer, investor, purchaser, corporate donor, employer and industry/business partner. Such risks may have serious consequences in terms of DLMI's market position and reputation, financial losses, legal implications, and stakeholders' perceptions.

DLMI's Risk Management Framework has integrated EES&G risks and our management approaches.

| EES&G Risks Integrated into DLMI's 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 & Innovation Risks (Product development, quality, and consumer activism)</p> <p>Supply Chain & Procurement Risks (Procurement irregularities and supplier disruptions)</p> | <p>Water, Waste & Emissions Management Risks (Evolving regulations, corporate liability, and compliance rules)</p> | <p>People Performance & Productivity Risks (Welfare/wellbeing and DEI of employees/workers, including risks related to human rights, and safety and health)</p> | <p>Internal Policy Risks (greivance mechanisms, policy breaches, monitoring, evaluation, and learning processes)</p> <p>Fraud & Anti-Bribery Risks</p> <p>Regulatory & Legal Risks</p> |

Policy Support and Commitments

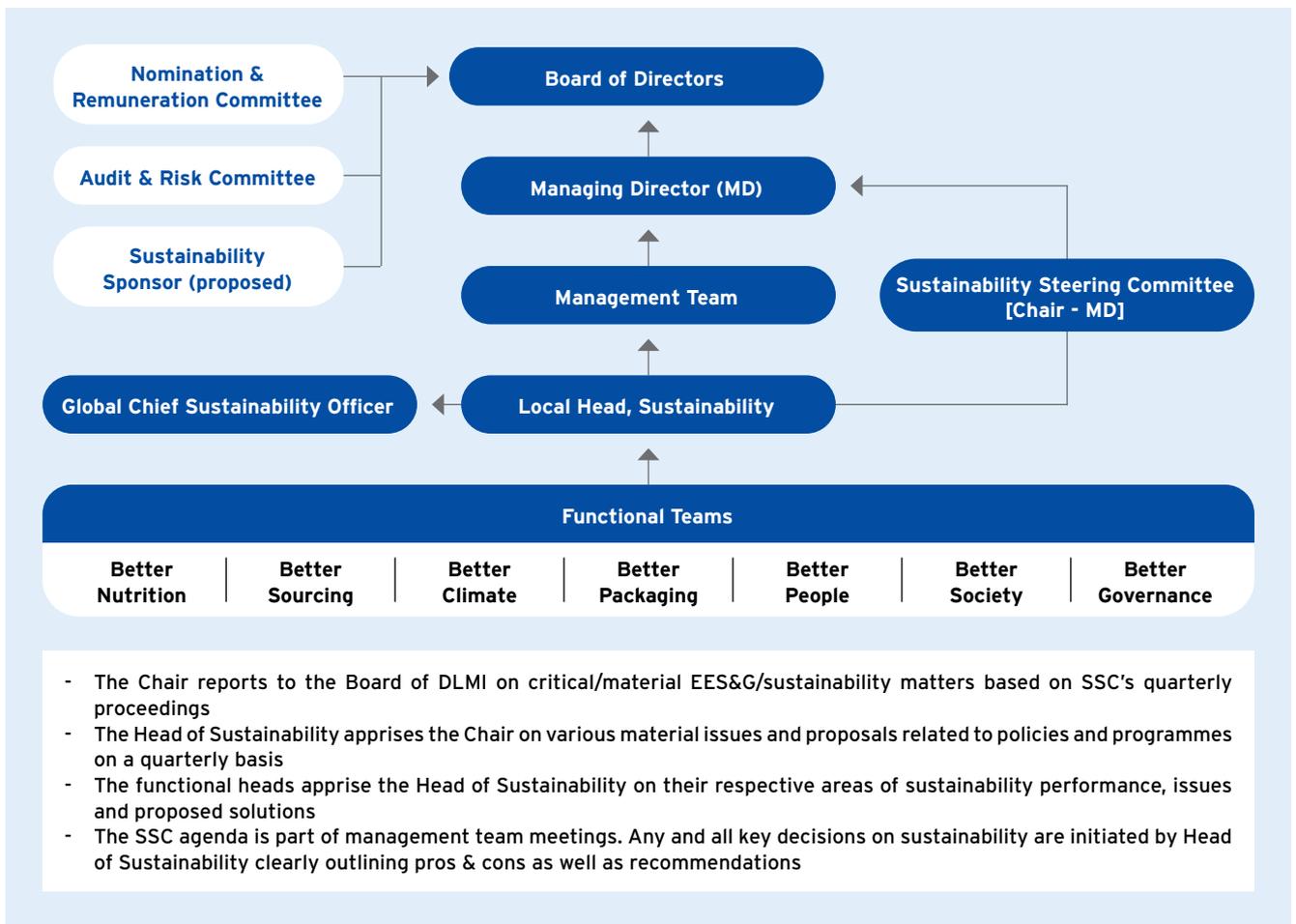


SUSTAINABILITY STATEMENT

Sustainability Steering Committee

Established in 2022 for operationalisation with effect from 2023, the main purpose of the Sustainability Steering Committee (SSC) is to lead sustainability strategy formulation as well as EES&G integration approaches by supporting various functional teams. Chaired by the Managing Director, SSC assumes the following roles and responsibilities:

| | | | |
|---|------------------|---|------------------|
| <p>Promoting the value of accountability in mindset, behaviour, and action motivating meaningful sustainability action</p> | <p>01</p> | <p>Reviewing sustainability strategies proposed by the Head of Sustainability and recommending to the Board of DLMI represented by the Chair/Managing Director</p> | <p>04</p> |
| <p>Providing necessary oversight and counsel for devising, implementing, monitoring and reporting on sustainability framework, strategies, policies, and programmes including climate action and social justice</p> | <p>02</p> | <p>Reviewing and approving of various sustainability-related policies and programmes</p> | <p>05</p> |
| <p>Pre-empting and deliberating on various sustainability risks as well as related governance</p> | <p>03</p> | <p>Reviewing and approving external reporting frameworks, disclosures, and assurance processes in keeping with relevant local legislation and regulatory requirements as well as global values/strategies of FrieslandCampina</p> | <p>06</p> |



INDUSTRY LEADERSHIP

Leading the Circular Agenda for the Industry as the Founding Member of the Country's First Extended Producer Responsibility (EPR) - Malaysian Recycling Alliance (MAREA).

As one of the founding member of MAREA since 2021, DLMI is dedicated to the circular economy and in supporting Extended Producer Responsibility (EPR). DLMI actively supports, guides, and participates in overseeing the direction of MAREA through its participation in the Board of Members, Steering Committee and Working Committee groups.

In July 2022, MAREA published its position paper on "Recommendation for An Effective Extended Producer Responsibility Implementation and Policy in Malaysia". In August 2022, MAREA signed an MOU with The Ministry of Development And Local Government of Malaysia (KPKT) to pilot EPR implementation methods in Langkawi that will ultimately form the basis of a sustainable national EPR framework for Malaysia. The study will be structured in three phases to be implemented over the next 15 months.



ABOUT MAREA:

The Malaysian Recycling Alliance Berhad (MAREA) is Malaysia's first voluntary, industry-led Extended Producer Responsibility (EPR) alliance 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 the website, <https://www.marea.com.my>.



SUSTAINABILITY STATEMENT

Leading the Diversity, Equity and Inclusion (DEI) Agenda for the Industry as a Member of CEO Action Network (CAN) and the Lead for DEI Workstream.

Since 2021, Dutch Lady Milk Industries Berhad has been one of the 63 Members of CAN. We have also confirmed our active participation in its workstream/s. 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 not only exchange industry best practices, but also share proven strategies and future-proof ideas with CAN participants.

We are currently leading the DEI Workstream/Working Group. Our main objective is to raise awareness on the principles of, and the business case for DEI. We 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 2022, we have worked with DEI workstream members to review and draft a model DEI Policy and Interventions 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 principle 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 by 2023 or within 3 years of signing up with CAN. In our next sustainability report, we will outline our progress as well as the specific initiatives rolled-out to drive tangible outcomes from our collaborative efforts.



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 dedicated Working Groups, Workstreams, and active members driving bespoke initiatives, CAN aspires to catalyse its members towards shaping future-ready and EES&G-integrated business models and ecosystems.

With over 60 CEOs and senior decision makers representing over 20 sectors in Malaysia, CAN members have made 14 commitments to be achieved by the member organisations under three categories, namely the environment, people, and governance; with three progressive levels of commitment for each category. With a high participation rate of more than 90%, all 100% of the members have committed to at least one set of goals within a year of joining CAN, depending on the size of the organisation and their current level of progress on sustainability adoption and integration. Newer members will also commit within 12 months of joining the Network.

In the last two years, CAN members have worked to deliver 21 roundtable sessions covering sustainability related issues and policy recommendations for 7 critical industry sectors; helped build capacity of nearly 1,000 sustainability practitioners; launched 10 digital learning assets for SMEs in the supply chains of member organisations, and have initiated the process to devise a model policy with interventions to support members on Diversity, Equity and Inclusion (DEI) agenda.

For more information, please visit the website, www.ceoactionnetwork.com or contact the Secretariat Dr. Kishore Ravuri at kish@impacto.my.

SUSTAINABILITY PERFORMANCE



BETTER NUTRITION

We aim to comply with FrieslandCampina’s Global Nutritional Standards Next Level and to address the issue of malnutrition in the nation.

Priority UN SDGs:



Thriving Framework: Our Long-term Value Creation

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

M1 Nutrition & Product Responsibility

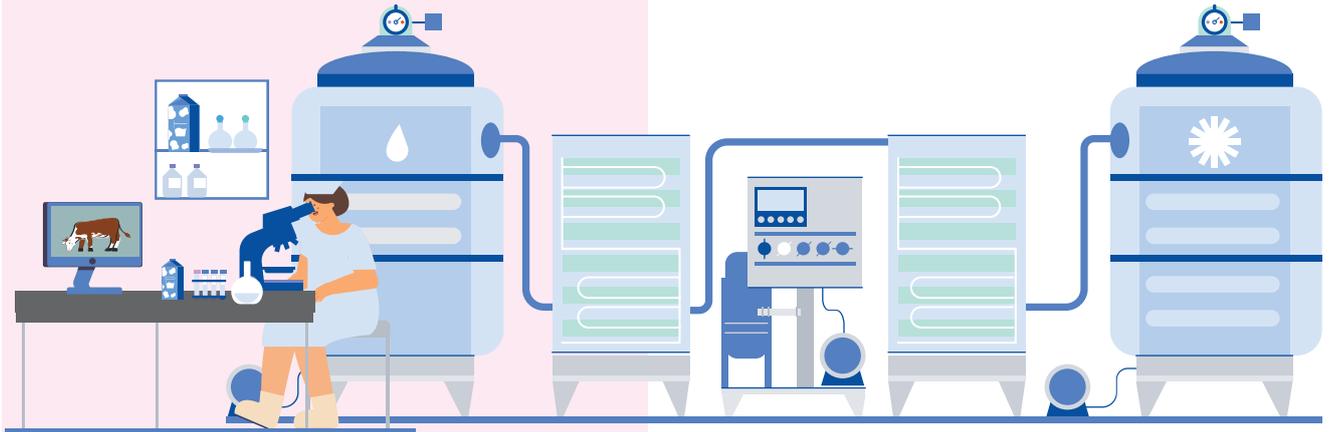
What is our position and/or management approach?

We ensure our products are of high quality, safe for all consumers, high in nutritional value, and are marketed without any false claims and within the frameworks of the law and regulations. Since 2015, at FrieslandCampina, an 18% rise in the sales volume of consumer products that meet the Global Nutritional Standards has been achieved. This proves the immense importance of responsible product quality and nutrition management in the market, which DLMI continues to ensure excellent compliance.

Why is this important?

The Massachusetts Institute of Technology found that having fewer defects or field failures resulted in lower manufacturing and service costs which can result in profitability as long as these gains exceed product quality expenditures. For DLMI, the return of investment of responsible product quality is not just for consumers, but for the business too.

The United Nations Nutrition believes that undernutrition, the tendency to be overweight and obese, will currently continue to burden all countries and hinder social and economic development post 2030. This motivates DLMI to ensure good nutrition is highly accessible on a local level by continuing to provide the responsibly manufactured products that effectively tackle Malaysia’s issues of malnutrition and nutrient deficiency.



SUSTAINABILITY STATEMENT

What were our focus areas?

At Dutch Lady Milk Industries Berhad (DLMI), we are continuously improving the nutritional value of our products. To guide this, we apply the FrieslandCampina Global Nutritional Standards (GNS). The GNS are nutritional criteria aimed at retaining the natural nutrients in milk and reducing the amounts of calories, fat, sugar and salt in all our products. Additionally we make sure that our product portfolio has a good balance between the number of nourishing products intended for daily use and indulgence products for occasional use. We actively monitor and report our progression. DLMI is committed to providing Halal products to its consumers by adhering to Halal requirements which set standards for hygiene, quality, safety and sanitary conditions in compliance with the requirements of Jabatan Kemajuan Islam Malaysia

(JAKIM) and/or other authorised Islamic Certification Bodies. The implementation of Healthier Choices Logo (HCL) is an initiative by the Ministry of Health Malaysia which DLMI supports. This initiative is in line with the strategy of the National Plan of Action for Nutrition of Malaysia (NPANM) III (2016-2025) to promote healthy eating and active living for all. The HCL is intended to provide point-of-sale information to the consumer in order to make informed food choices. Food products may carry the Healthier Choice Logo if they meet the nutrient criteria specified by the Ministry of Health Malaysia. In 2022 HCL revised the certification requirements and DLMI will continue to upgrade our formulation to meet the enhanced criteria.

What did we achieve in 2022?

96.4%

of consumer dairy products compliant with Global Nutritional Standards (GNS)

100%*

products with Healthier Choice Logo

* Total HCL eligible products (31)

100%

Halal certified products



M2 Innovation & Technology

What is our position and/or management approach?

We remain committed to continuous improvement by exploring new and innovative ideas, processes, and products.

Harvard Business School defines innovation as a product, service, business model, or strategy that's both novel and useful, and that while it is important for a company to maintain its existing position in the market, pursuing growth is essential to being competitive. This fundamental notion constantly drives DLMI to sustain its business model by committing towards deploying new dairy technologies for continuous efficiency improvements as well as for undertaking innovation to keep our products relevant to consumers.

Why is this important?

Business cycles continue to increase in speed to meet everchanging consumer demands, a notion supported by McKinsey & Company who has reported that 84% of CEOs believe that innovation is critical to future growth. Synchronising innovative technologies with its product development is therefore paramount in delivering quality milk products to attract and retain more consumers to drink our milk. DLMI's sustainable innovation scope continues to include timely business adaptations via improving responsible manufacturing and packaging, materials usage etc.

What were our focus areas?

DLMI continues to increase efficiency by investing in value add initiatives and programmes. In 2022, DLMI focused its efforts on World Class Operations Management (WCOM) programme to increase focus, maximise impact and sustainability in production. We also invested in refurbishments to increase machine efficiency in our existing factory.

Additionally, at our planned new Production Facility @ Bandar Enstek, we accelerated our plan to deploy IR4.0 solutions, with focus on the following:

- 1) Digitalisation to ensure on-time and first-time right production
- 2) Production with no material losses
- 3) Minimal chemical, water and energy usage for production
- 4) Most efficient management of production by providing accurate information; and
- 5) Continuous improvement and technologies to improve performance of the factory.

The idea is to integrate the latest technologies to manage production efficiently and become future ready. Some of these new technologies include the Internet of Things (IoT), big data analytics, cyber security, cloud computing, and augmented reality.

What did we achieve in 2022?

Completed the World Class Operations Management Programme

deepdive to be deployed from 2023 onwards

Deploying IR4.0 Solutions

in our new Production Facility @ Bandar Enstek



BETTER SOURCING

We aim for sustainably sourced raw materials and responsible supply chain management practices.

Priority UN SDGs:



Thriving Framework: Our Long-term Value Creation

Contribute to **Risk** economy by building our capability and capacity to prevent, adapt to, and recover from all kinds of crises along our supply chain.

M3 Responsible Supply Chain

What is our position and/or management approach?

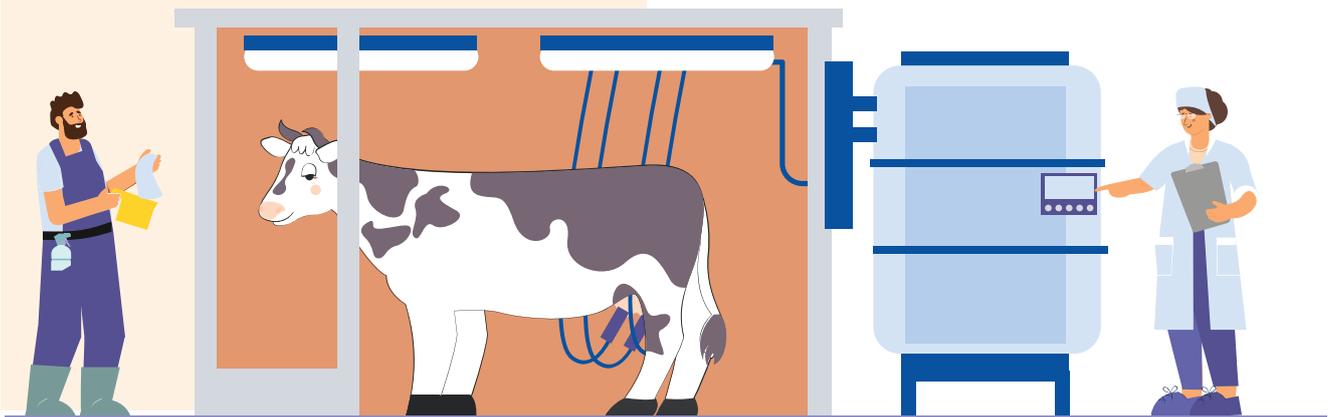
We channel efforts to ensure we are managing our supplier contracts and relationships in all fairness and transparency, including addressing matters that are important to our business and suppliers.

Given how pertinent solid sustainable supply chain partners are in producing quality products, DLMI ensures that it manages its supplier relationships in the most efficient manner possible.

Why is this important?

An intelligent supply chain management system can help a company be more efficient and reduce costs while remaining compliant with a variety of ever-changing legal mandates.

DLMI is motivated by the continued implementation of sustainable corporate standards in its supply chain that can identify and mitigate relevant risks as well as improve cash flow through reduced costs and inventory, leading to an efficient and profitable supply chain.



What were our focus areas?

We continued to support stakeholders in our business eco-system and catalyse the local economy. By design, we allocated and spent 70% of our total yearly budgets on local suppliers. We also constantly review and monitor the percentage of contract coverage with our suppliers, whereby around 80% of our spend on suppliers are governed by Legal Agreements. Besides, we continued to monitor the performance of suppliers on an annual basis, whereby we embedded the Supplier Performance Evaluation process internally.

What did we achieve in 2022?





BETTER CLIMATE

We aim to consistently reduce our greenhouse gas emissions against our baseline, with clear mitigation strategies to contribute to our global goal of climate neutral by 2050.

Priority UN SDGs:



Thriving Framework: Our Long-term Value Creation

Contribute to the **Ecoservices** economy by protecting, conserving and regenerating natural capital as well as managing how we use natural resources (directly or indirectly).

M4 Energy, Water, Waste & Emissions

What is our position and/or management approach?

The United Nations sees the nature of global food demand strongly influencing GHG emissions; as the higher consumption of dairy and meat products subsequently heightens demand for land and resources, leading to increased GHG emissions. To sustainably meet the needs of feeding a growing population, the United Nations believes a reform of food production is needed to provide healthier, nutritional food whilst reducing the environmental impact. In view of this, not only is DLMI striving to cut and manage its emissions; climate change adaptation and risk management is also under the purview of the Group alongside the holistic management of our energy resources and waste products.

Why is this important?

As the United Nations explains, climate change consequences include, among others, intense droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, catastrophic storms, and declining biodiversity. These consequences would deteriorate the effectiveness of DLMI's operational landscape and competitive strength by negatively affecting its milk production ability, due to livestock and logistical complexities. Investing in environmental mitigation strategies is therefore paramount to DLMI's business performance.

In short, carbon footprint mitigation initiatives not only benefit the business but serve to boost our customers' support of our sustainable branding, reinforcing our business model's resilience.



What were our focus areas?

In 2022, DLMI focused various efforts on enhancing the factory's energy, water and waste usage.

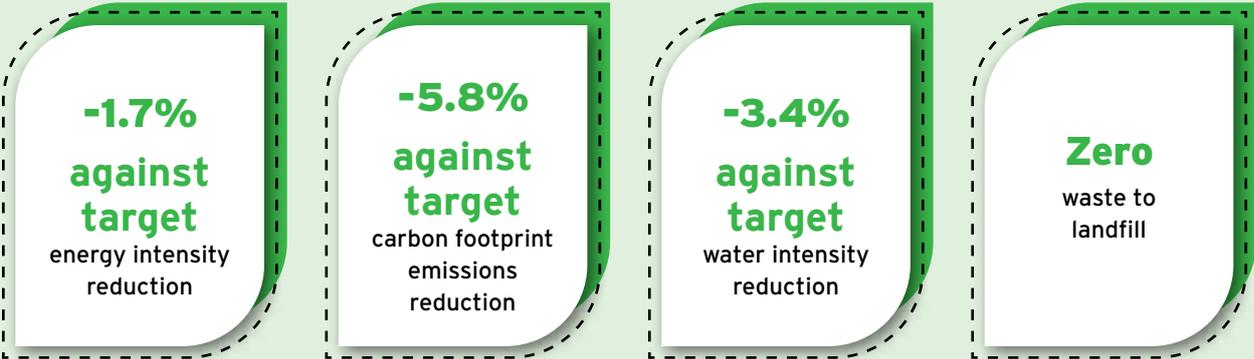
Energy: Improve plant reliability from automation to optimise power energy by continuous change/replacement of inverter and electronic sensor. This ensured the accuracy of reading from electronic sensor and power usage from older/obsolete inverters. Daily steam to fuel ratio monitoring was also conducted to optimise natural gas consumption by boiler in generating steam and power optimisation for WWTP blowers.

Water: Daily monitoring of the water usage was also conducted and shared during routine meetings everyday for close tracking.

Waste water treatment plant (WWTP)'s control system, digitalised WWTP control system, and re-submitting DLMI's application to increase effluent discharge volume from 1,217m³/day to 3,200m³/day.

Landfill waste: DLMI targeted 95% factory waste diverted from landfill in 2022. We have however, exceeded target by achieving 100% diversion of waste from landfill.

What did we achieve in 2022?





BETTER PACKAGING

We aim to explore innovative and alternative solutions to effectively contribute to our global goal of achieving 100% recyclability for our packaging across product categories and reusing 99% of the waste materials by 2025.

Priority UN SDGs:



Thriving Framework: Our Long-term Value Creation

Contribute to the **Circular** economy through innovation and alternative solutions of the future towards closing the loop on materials.



M5 Recovery & Circularity

What is our position and/or management approach?

The World Economic Forum explains that a circular economy primarily endeavours to enhance resource productivity by keeping products and resources in use for as long as possible via recovery, reuse, repair, remanufacturing, and recycling. It is recuperative in nature. Our understanding of circular principles allows DLMI to decouple economic growth from materials consumptions, which can help us achieve our global recyclability and reusability goals.

Why is this important?

Circular economy strategies that reduce our use of resources can cut global greenhouse gas emissions by 39%, according to the World Economic Forum and global impact organisation, Circle Economy. Moreover, the International Labour Organisation predicts that 6 million jobs could be created by transitioning towards a circular economy. Accenture also found that the Circular Economy could generate USD4.5 trillion of additional economic output by 2030.

These findings reinforce the positive impact of effectively adopting circular solutions on both the environment, and society. DLMI remains on the right path of exploring innovation and alternative solutions towards contributing to building a circular economy.

What were our focus areas?

DLMI focused on maximising the recyclability of all our packaging materials. In FY2022, we continued to minimise the usage of packaging materials by reducing the length of the product pouches and the thickness of shrink films used in the packaging on our UHT milk. We have also reduced the thickness of stretch film and optimised the usage of stretch film for product transport. These contributed to the reduction of plastic and aluminium usage in our packaging, while also achieving significant cost savings.

What did we achieve in 2022?

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

We aim to create a win-win culture by promoting values of agility, accountability, and appreciation that will help improve the employee experience, accelerate meaningful growth, and ultimately, fulfill our purpose of Nourishing Our Planet and People in Every Stage of Life.

Priority UN SDGs:



Thriving Framework: Our Long-term Value Creation

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



M6 Purpose & Culture

What is our position and/or management approach?

Culture drives organisations, but people drive culture. At DLMI, our continuous efforts are to create a win-win workplace. This means a symbiotic relationship that fosters mutual learning and growth. A collaborative culture motivates a growth mindset. This in turn, inspires positive behavior that is good for both business and people.

DLMI's focus on Diversity, Equity and Inclusion (DEI) and Occupational safety and health (OSH) is instrumental in shaping our approach to anchoring our people and business strategies on our strong foundation, supported by purpose and culture. For instance, DEI is an integral facet of our dignified human capital management to help our people achieve their full potential at all employment levels, whilst instilling a strong sense of belonging, participation and unity amid DLMI's workforce. Similarly, through our focus on OSH, we recognise that both the physical conditions and mental demands of the workplace are equally important to promote workers' health, safety, welfare, and well-being.

Why is this important?

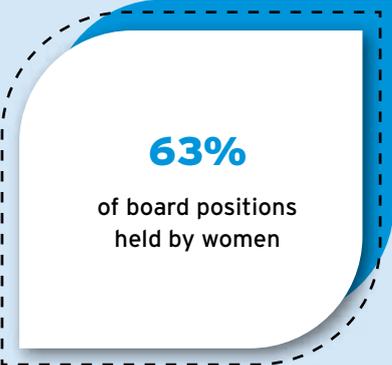
Purpose and culture play a huge part in decision making processes, as well as our motivation to do our best. Purpose-driven businesses attract the best talent, work with a great sense of responsibility, inspire innovation, promote inclusive decisions, foster trust, capture bigger mind space and market share, and above all, grow faster on average than their competitors.

In short, through DEI and OSH, DLMI's approach has always been to foster a win-win workplace to ensure we constantly reinforce and inspire our purpose and culture in behaviour and action.

What were our focus areas?

An organisation-wide culture survey was conducted in 2022 to check the climate of opinion. From the baseline findings, we initiated our plan to align ourselves with our global Win-Win philosophy and “We Care” culture in Malaysia. Through various well-being, career development, and growth initiatives, our efforts were focused on promoting values of appreciation, agility, and accountability. Employees were inspired to nurture win-win relationships in fulfilling their roles and extend appreciation to stakeholders who were instrumental in furthering their own roles and responsibilities. Similarly, our intent has always been to drive agility through our business performance teams and related processes. Ultimately, we advocate greater accountability where people take care of their own career development as well as the outcomes of their fulfilled roles.

What did we achieve in 2022?



M7 Employee Experience

What is our position and/or management approach?

Global case studies and evidence suggest that engaged employees are more productive and innovative, leading to higher profits, revenue growth, customer satisfaction, employee retention and more.

We, at DLMI, believe that good employee experience relies on our deep understanding of what employees need and want, putting our people and their needs first. DLMI is continuously working to improve its employee experience through enhanced primary processes, hybrid working, and competitive rewards and recognition for its employees.

Why is this important?

Dissatisfied employees or those with poor experience lack motivation to give their best, or optimise their learning and growth potential. This in turn affects the team dynamics as well as the overall productivity and performance of employees and the organisation.

The proactive prioritisation of employee experience for any company is therefore necessary, to build a sense of pride in association as well as belonging. DLMI aims to create a positive employee experience focussed on strong talent engagement, satisfaction, and retention.

What were our focus areas?

As an inclusive workplace, DLMI aspires to cultivate psychological safety to encourage employee engagement, morale, and retention. We invested in mental well-being initiatives to foster trust, connectedness, and belonging amongst our diverse workforce. Partnering closely with the facilitators, Malaysian Urgent Care (MUC) and Mental Health Practitioners, these sessions enabled employees to identify the Red Flags and 12 Emotional Needs, primarily enabling our employees to be their honest, most authentic selves, without fear of retribution.

In addition, DLMI partnered with MUC to conduct on-site health screenings at our Corporate Office and Production Facility @ Petaling Jaya. The idea has been to encourage our employees to take that important first step towards achieving their health goals. By knowing where they stand on the health chart, they can take better care of themselves and start the year 2023 by finding the right work-life balance, ways to reduce stress, and prioritising their well-being for a healthier lifestyle. DLMI will continue to organise various engagement activities, which serve as opportunities for collaboration and relationship-building as well as to foster a sense of belonging among DLMI employees across all business units.

What did we achieve in 2022?

81%
score on
engagement
index
vs 77 in 2021 and 76
external benchmark

113
employees went
through on-site
medical health
screening
vs 2 employees through
medical scheme in 2021

29
employee engagement
activities

M8 Growth

What is our position and/or management approach?

Professional development unlocks value and growth potential at every level. For employees, this could mean opportunities to improve their skills, learn new tools, and mature as a professional. By gaining new capabilities, employees are better positioned to demonstrate leadership that contribute to both personal and organisational growth.

According to a McKinsey Global Survey, skills building is more prevalent now than it was prior to the pandemic. At DLMI too, we accelerated our efforts in equipping our employees with better knowledge and skills, nourishing our talents to be future-ready for their next leap to personal and professional success.

Why is this important?

Global business and employment-focused networking platform LinkedIn, in one of its Workplace Learning Reports asserted that employees largely would stay at a company longer if their employer invested in their careers. Similarly, Gallup, the global research and analytics firm, also found that strength-based learning can result in up to 23% higher employee engagement, 18% higher performance, and 73% lower attrition.

Given how employee growth can strengthen people and organisational performance, DLMI continued to bolster employee learning and development where possible while also supplementing our efforts with competitive employee benefits and programmes that further contribute towards holistic growth of DLMI employees.

What were our focus areas?

2022 has been a pivotal year for preparing our people as we plan our growth journey and transition to an IR4.0 Production Facility @ Bandar Enstek. Our focus has been on change management and capability building within the organisation and across our business leadership teams, while ensuring zero disruptions without compromising on compliance, and mission-critical aspects of people and business.

We focussed on enhancing the commercial team capabilities through our global Agile Commercial Execution (ACE) programme of FrieslandCampina, which included enhanced focus on digital tools and analytics to drive business growth. ACE plays a pivotal role in our way of working to deliver our purpose, strengthen the power of our brands by accelerating our capabilities, and build our teams with the right mindset and skills to catalyse sustainable growth. The initiatives were planned and delivered in phases throughout the year to ensure that our business processes were running optimally to deliver performance. On the compliance side, we initiated mandatory trainings on Compass (our guide to key organisational policies), human rights and cyber security to set the right foundation.

Meanwhile, we remained sensitive to the career and growth aspirations of our employees. Through Personal Development Plans, DLMI employees were empowered to self-assess and identify focus areas, skills, or capabilities that would help them achieve their career aspirations. Employees also outline specific actions that will accelerate their growth journey. This process was supported by line managers through regular dialogue and reviews at least once every quarter. The objective has been to strengthen trust and collaboration as well as instil a win-win culture that achieves growth for all. During the year, we also launched a programme to equip our line managers with coaching and career discussion capabilities, to further support employees in achieving their career goals.

What did we achieve in 2022?

20.8
average
training
hours per
employee

vs 12.3 hours per
employee in 2021

>90%

line managers
trained
on career
coaching

81%

fulfilled quality
development
plans
(middle
management)

11.2%
attrition

vs industry
average 13%



BETTER SOCIETY

We aim to always have the best performance price for our partner farmers, as well as enable transfer of knowledge and skills towards improving sustainable farming practices. We not only devise strategies to make our nutritional products accessible and affordable to communities at large, but also work with them to address environmental and social issues that matter to them most.

Priority UN SDGs:



Thriving Framework: Our Long-term Value Creation

Contribute to the **Access** economy through transfer of knowledge, skills, and resources, enabling inclusion of marginal and/or disadvantaged and/or underserved groups in our value chain.

M9 Farmers & Communities

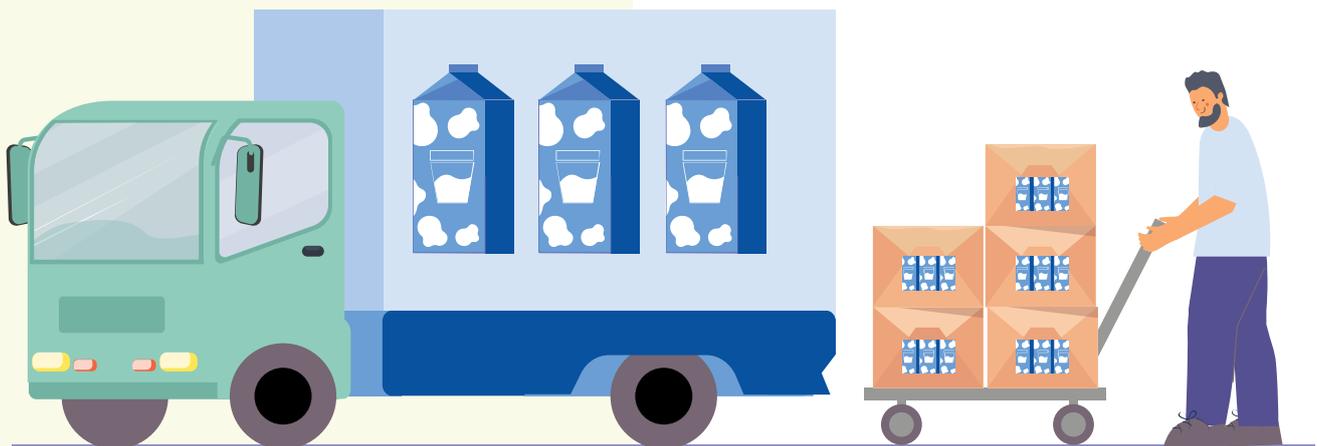
What is our position and/or management approach?

Millions of farmers worldwide tend approximately 270 million dairy cows to produce milk, according to the World Wildlife Fund. With world milk production projected to grow at 1.8% per annum over the next decade (to 1,060 Mt in 2031), faster than most other main agricultural commodities, DLMI is dedicated to helping its partner farmers to sustainably farm for the long term via skill and knowledge transfer.

This dedication extends to our communities. As the Food and Agriculture Organisation of the United Nations denotes, capacity development for nutrition-sensitive value chains support national and local actors in finding their own way to create inclusive markets which are accessible to all producers and consumers. In view of this, DLMI as an industry leader in dairy and nutrition, aims to do its part to strengthen food security and nutrition, in order to cultivate healthy and nourished communities.

Why is this important?

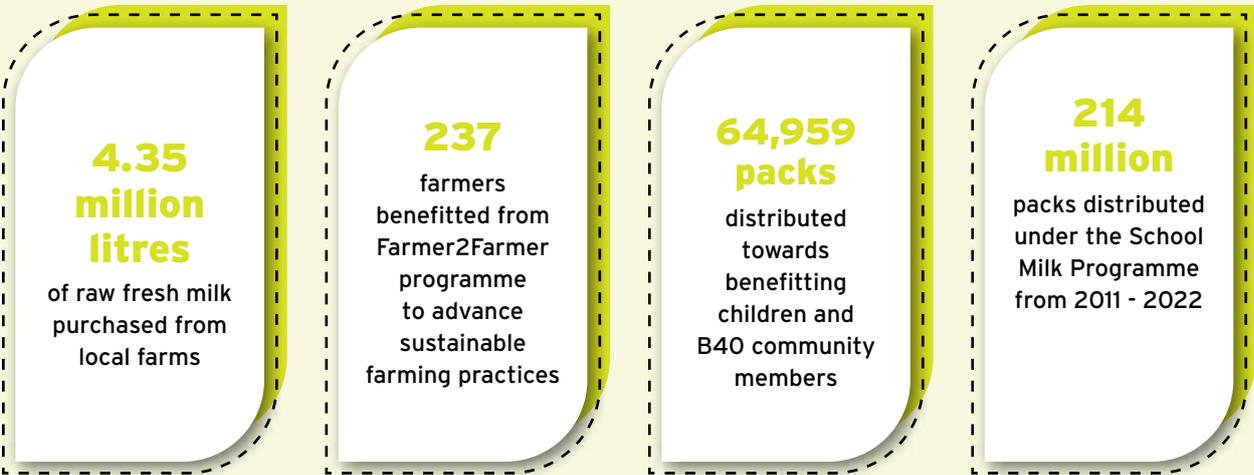
The Food and Agriculture Organisation of the United Nations believes that adopting sustainable food value chains approaches is critical to improve nutrition through agriculture and food systems. This involves making nutritious and diversified foods available, accessible, affordable, and desirable to people and communities. Empowering communities and farmers through this accessibility of knowledge, skill, and resource sharing, bolsters market vitality, which in turn can improve the Group's competitive edge and longevity in serving the needs of its partners and consumers.



What were our focus areas?

DLMI focuses on accelerating dairy development and maximising our impact on our farmers. In 2022, we collaborated with the Malaysian Department of Veterinary Services (DVS) to train local farmers on best practices and improving the quality of milk production. DLMI also contributed 64,959 packs of milk to children and B40 communities and 189 million packs of milk under its school milk programme to 19.5 million students.

What did we achieve in 2022?





BETTER GOVERNANCE

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.

Priority UN SDGs:



Thriving Framework: Our Long-term Value Creation

Contribute to Risk economy by shaping a resilient business through capability and capacity building for preventing, adapting to, and recovering from all kinds of crises.



M10 Social & Economic Continuity

What is our position and/or management approach?

The United Nations Development Programme cautions that without urgent socio-economic responses, global suffering will escalate, jeopardizing lives and livelihoods for years to come. Therefore, immediate development responses in this crisis must be undertaken with an eye to the future.

This is what DLMI aims for in building resilience and responsibility of our operations which involves conducting our business in a socially and ethically responsible manner to ensure continuous economic growth that benefit present and future generations.

Why is this important?

According to the UN Global Compact, various forms of corruption in companies hinders business growth, impedes long-term investments, escalates costs, and poses serious legal and reputational risks. This supports DLMI's strong fundamentals in good corporate governance to reinforce business viability and risk management.

DLMI's dedicated ethical pursuit is also guided by RFC's global COMPASS as a code for good business conduct to further champion principles of anti-bribery, integrity, respect, and transparent business behaviour of DLMI and its employees.

What were our focus areas?

At DLMI, we are guided by Compass, which is a repository of key policies and procedures that help us manage business and relationships responsibly. One of the key areas covered is "Doing Honest Business", which outlines our position on and approach to Anti-Bribery and Corruption.

Meanwhile, we also conducted our annual review and assessment of corruption risks mainly to ensure we have the most efficient and effective mechanisms in place. Based on the risks identified, we prepared implementable action plans for mitigation as well as to strengthen business resilience.

During the year, we organised briefings on Doing Honest Business Policy for all our employees. The sessions included practical knowledge on the application of Section 17A of the Malaysian Anti-Corruption Act. We remain committed to taking appropriate measures and ensuring adequate governance procedures. As at 31 December 2022, there were ZERO incidents of corruption.

What did we achieve in 2022?

Steps taken in respect of anti-corruption and good business conduct in general:

| | | | |
|---|--|--|--|
| <p>Company-wide refresher & 3 training sessions</p> <p>for new hires on MACC corporate liability provision</p> | <p>Company-wide communication</p> <p>on grievance and whistle blowing platform know as "Speak Up"</p> | <p>Company-wide roll-out of Compass toolkits</p> <p>to promote awareness and adoption of key policies</p> | <p>Compass training for business partners</p> <p>for main greenfield contractors with focus on anti-corruption, safety and human rights</p> |
|---|--|--|--|



PERMULAAN LEBIH KUAT DENGAN DUTCH LADY +PROTEIN

PROTEIN UNTUK OTOT YANG KUAT | TULANG YANG KUAT DENGAN KALSIMUM

BIH

BAHARU

**40%
KEPERLUAN
PROTEIN***
DENGAN 2 SAJIAN

+PROTEIN

High
Quality
Protein

High
in
Calcium

**40%
PROTEIN
REQUIREMENT***
WITH 2 SERVINGS

**LOW FAT
HIGH CALCIUM MILK**

**SUSU RENDAH LEMAK KALSIMUM
TINGGI BERKHASIAH**

Susu Campuran Semula UHT
UHT Recombined Milk
Kandungan/Content: 1L

Isi setiap sajian
135kcal
7%

IG



DIRECTORS' REPORT

for the financial year ended 31 December 2022

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2022.

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 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 1 January 2023)

Bernardus Hermannus Maria Kodden

(Resigned on 1 January 2023)

In accordance with Article 105 of the Company's Constitution, Jean Serge Krol and Dato' Dr. Rosini binti Alias shall retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

In accordance with Article 86.3 of the Company's Constitution, Corine Danielle Tap who was appointed since the date of the last report, shall retire at the forthcoming Annual General Meeting of the Company and being eligible, offers herself 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 | 46,271 |

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' 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 2022 on 22 June 2022; 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 2022 on 13 December 2022.

The Directors do not recommend any final dividend to be paid for the financial year ended 31 December 2022.

DIRECTORS' REMUNERATION

Directors' remuneration for the financial year as set out in Note 16 to the financial statements are as follows:

| | 2022 RM'000 |
|--------------|------------------------------|
| Fees | 503 |
| Remuneration | 1,143 |
| | <hr/> 1,646 <hr/> |

INSURANCE EFFECTED FOR DIRECTORS

During the financial year, the total cost of insurance effected for Directors of the Company is RM18,553 (2021: RM19,380).

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 2022

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 secures 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.

AUDITORS' REMUNERATION

The auditors' remuneration for the financial year amounted to RM101,604.

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 24 February 2023.

Signed on behalf of the Board of Directors:

.....
Ramjeet Kaur Virik A/P Bhagwan Singh

.....
Jean Serge Krol

24 February 2023

STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|--------------------------------------|------|----------------|----------------|
| Assets | | | |
| Property, plant and equipment | 3 | 344,202 | 206,028 |
| Right-of-use assets | 4 | 3,046 | 4,584 |
| Intangible assets | 5 | 13,181 | 8,469 |
| Total non-current assets | | 360,429 | 219,081 |
| Inventories | 6 | 228,882 | 161,055 |
| Trade and other receivables | 7 | 97,708 | 76,381 |
| Prepayments | 8 | 45,887 | 126,157 |
| Tax recoverable | | 6,327 | - |
| Cash and bank balances | 9 | 104,941 | 118,300 |
| Derivative financial assets | 10 | - | 258 |
| Total current assets | | 483,745 | 482,151 |
| Total assets | | 844,174 | 701,232 |
| Equity | | | |
| Share capital | 11 | 64,000 | 64,000 |
| Retained earnings | | 332,851 | 318,580 |
| Total equity | | 396,851 | 382,580 |
| Liabilities | | | |
| Lease liabilities | 4 | 2,093 | 6,652 |
| Deferred tax liabilities | 12 | 2,322 | 5,968 |
| Provision | 14 | 9,201 | - |
| Total non-current liabilities | | 13,616 | 12,620 |
| Trade and other payables | 13 | 413,688 | 282,795 |
| Provision | 14 | 8,710 | 106 |
| Current tax liabilities | | - | 14,486 |
| Lease liabilities | 4 | 6,498 | 8,487 |
| Derivative financial liabilities | 10 | 4,811 | 158 |
| Total current liabilities | | 433,707 | 306,032 |
| Total liabilities | | 447,323 | 318,652 |
| Total equity and liabilities | | 844,174 | 701,232 |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|--|------|------------------|----------------|
| Revenue from contracts with customers - sales of goods recognised point in time | | 1,339,410 | 1,133,733 |
| Cost of sales | | (983,893) | (734,030) |
| Gross profit | | 355,517 | 399,703 |
| Other income | | 4,562 | 162,612 |
| Distribution expenses | | (164,363) | (159,273) |
| Administrative expenses | | (50,068) | (28,030) |
| Other expenses | | (89,223) | (88,530) |
| Results from operating activities | | 56,425 | 286,482 |
| Interest income | | 1,794 | 1,417 |
| Finance costs | | (3,660) | (3,374) |
| Profit before tax | 15 | 54,559 | 284,525 |
| Tax expense | 17 | (8,288) | (36,525) |
| Net profit for the financial year/Total comprehensive income for the financial year | | 46,271 | 248,000 |
| Basic and diluted earnings per ordinary share (sen) | 18 | 72.30 | 387.50 |

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2022

| | | <i>Distributable</i> | | |
|--|------|-------------------------|-----------------------------|------------------------|
| | Note | Share capital RM'000 | Retained earnings RM'000 | Total Equity RM'000 |
| 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 11 | | |
| At 31 December 2020/1 January 2021 | | 64,000 | 102,580 | 166,580 |
| Net profit/Total comprehensive income for the financial year | | - | 248,000 | 248,000 |
| Dividends to owners of the Company | 19 | - | (32,000) | (32,000) |
| At 31 December 2021 | | 64,000 | 318,580 | 382,580 |
| | | Note 11 | | |

STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|------|------------------|----------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers and other receivables | | 1,318,342 | 1,138,597 |
| Cash paid to suppliers and employees* | | (1,082,756) | (1,126,132) |
| Cash generated from operations | | 235,586 | 12,465 |
| Income tax paid | | (32,747) | (27,288) |
| Net cash from/(used in) operating activities | | 202,839 | (14,823) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3 | (168,789) | (53,922) |
| Purchase of intangible assets | 5 | (5,020) | (7,770) |
| Proceeds from disposal of property, plant and equipment | 3 | - | 194,001 |
| Interest received | | 1,794 | 1,417 |
| Net cash (used in)/from investing activities | | (172,015) | 133,726 |
| Cash flows from financing activities | | | |
| Interest paid | | (3,405) | (2,853) |
| Dividends paid | 19 | (32,000) | (32,000) |
| Payment for lease liabilities | 4 | (8,778) | (4,650) |
| Net cash used in financing activities | | (44,183) | (39,503) |
| Net (decrease)/increase in cash and cash equivalents | | (13,359) | 79,400 |
| Cash and cash equivalents at 1 January | | 118,300 | 38,900 |
| Cash and cash equivalents at 31 December | 9 | 104,941 | 118,300 |

* Included in cash paid to suppliers and employees is prepayment to related company amounted to RM44.8 million (2021: RM125.7 million) (Note 8).

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.

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 24 February 2023.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), 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 2022:

- Amendment to MFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to MFRS 116 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Amendments to MFRS 3 'Reference to the Conceptual Framework'

The adoption of the amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

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:

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2023. None of these is expected to have a significant effect on the financial statements of the Company, except the following:

- Amendments to MFRS 101 and MFRS Practice Statement 2 'Disclosure of accounting policies' (effective 1 January 2023) require entities to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- Amendments to MFRS 108 'Definition of accounting estimates' (effective 1 January 2023) redefine accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period.
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.
- 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.

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)

- Amendments to MFRS 16 'Lease Liability in a 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.

None of these is expected to have a significant effect on the financial statements of the Company.

(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 MFRSs 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 below.

(i) Trade spend accruals

Trade spend accruals of RM78.6 million (2021: RM51.4 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 13). The estimates for these accruals are regularly reviewed by senior management of the Company.

A 5% (2021: 5%) increase in sales volume would have increase the trade spend accrual and decrease post-tax profit by RM3.9 million (2021: RM2.6 million) and RM3.0 million (2021: RM2.0 million) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss,
- and those to be measured at amortised cost.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Initial Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets (continued)

Subsequent measurement

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(expenses) in the period in which it arises

Impairment

The Company assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has the following debt instrument that is subject to the ECL model:

- Trade receivables
- Other receivables and deposits
- Intercompany receivables

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the Company applies the simplified approach permitted by MFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, deposits and non-trade intercompany receivables, the Company applies the general three-stage approach to determine the ECL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets (continued)

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Company defines a financial instrument as default, when the counterparty fails to make contractual payment, as per the credit terms ranging from 1 to 60 days, when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Company considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial assets (continued)

Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(ii) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

Write-off

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments. Assessment on debtor's recoverability will be performed by management on a case by case basis.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables, deposits and non-trade intercompany receivables

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(d) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

(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.

Gain or losses on disposal are determined by comparing proceeds with carrying amount and are included in profit or loss.

(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 |

* In the prior year, as part of the Company's plan to move their operations to the new facilities in Bandar Baru Enstek, the Company has revised the useful lives of the plant and machinery and furniture and equipments 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(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(g) on impairment of non-current assets.

(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.

(e) 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) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to 2 (e)(iv) below).

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases – Accounting by lessee (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

(iv) 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.

(v) Short-term leases and leases of low-value assets

The Company has elected not to recognise a lease liability for short term leases (leases expected term of 12 months or less) or for lease of low value assets. Payment made under such leases are expensed on a straight-line basis in profit or loss.

In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases - Accounting by lessee (continued)

(vi) 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.

(f) Intangible assets

(i) Computer software

Computer software that is acquired by the Company, which has finite useful life, is measured at cost less any accumulated amortisation and any accumulated impairment losses.

Costs that are directly associated with identifiable computer software and that will probably generate economic benefits exceeding cost beyond one year or cost savings to the Company and are not integral to other equipment are recognised as intangible assets. These costs include the employee costs of software development and an appropriate portion of relevant overheads.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful life of computer software for the current and comparative period is 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) 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.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Share capital

Classification

Ordinary shares with discretionary dividends are classified as equity.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

(k) 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.

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.

(l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(l) Trade payables (continued)**

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.

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Company expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(n) Revenue from contracts with customers and other income**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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue from contracts with customers and other income (continued)

Revenue from contracts with customers (continued)

(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.

Other income

(i) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(p) Earnings per ordinary share

The Company presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(q) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique.

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 2021 | - | 66,462 | 154,096 | 496 | 42,392 | 104,007 | 367,453 |
| Additions | - | - | - | - | - | 53,922 | 53,922 |
| Written off | - | - | (528) | (326) | (1,607) | - | (2,461) |
| Disposal | - | (62,689) | - | - | - | - | (62,689) |
| Transfers | 60,311 | - | 33,277 | - | 9,252 | (102,840) | - |
| At 31 December 2021/ 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 | 60,311 | 3,773 | 189,065 | 170 | 50,574 | 221,102 | 524,995 |

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | 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 |
|---|----------------------------|---------------------|----------------------------------|-----------------------------|---|--|-----------------|
| Depreciation and impairment loss | | | | | | | |
| At 1 January 2021 | | | | | | | |
| Accumulated depreciation | - | 46,694 | 84,571 | 496 | 26,651 | - | 158,412 |
| Accumulated impairment loss | - | - | 2,427 | - | - | 6,893 | 9,320 |
| | - | 46,694 | 86,998 | 496 | 26,651 | 6,893 | 167,732 |
| Depreciation for the year | - | 5,621 | 20,274 | - | 7,598 | - | 33,493 |
| Written off | - | - | (528) | (326) | (1,607) | - | (2,461) |
| Disposal | - | (48,567) | - | - | - | - | (48,567) |
| At 31 December 2021/1 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 | | | | | | | |
| 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 |
| Carrying amounts | | | | | | | |
| At 31 December 2021 | 60,311 | 25 | 80,101 | - | 17,395 | 48,196 | 206,028 |
| At 31 December 2022 | 60,311 | 23 | 59,682 | - | 9,977 | 214,209 | 344,202 |

- (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 RM87,969,024 (2021: RM86,660,269).

Contractual commitments

Contractual commitments for acquisition of property, plant and equipment not yet recognised in the financial statements amounted to RM195.6 million (2021: RM87.9 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 and Buildings RM'000 | Motor vehicles RM'000 | Plant and equipment RM'000 | Total RM'000 |
|--|--------------------------------------|-----------------------------|----------------------------------|-----------------|
| Cost | | | | |
| At 1 January 2021 | 9,765 | - | 5,546 | 15,311 |
| Additions | | | | |
| - Sales and leaseback | 1,393 | - | - | 1,393 |
| - Others | 35 | 347 | - | 382 |
| | 1,428 | 347 | - | 1,775 |
| Derecognition | (89) | - | (444) | (533) |
| Modification | - | - | (805) | (805) |
| Disposal arising from sales and leaseback | (5,639) | - | - | (5,639) |
| At 31 December 2021/1 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 | 7,312 | 347 | 3,057 | 10,716 |
| Accumulated depreciation charge | | | | |
| At 1 January 2021 | 3,986 | - | 1,593 | 5,579 |
| Depreciation for the year | 1,544 | 82 | 1,669 | 3,295 |
| Derecognition | (89) | - | (444) | (533) |
| Disposal arising from sales and leaseback | (2,816) | - | - | (2,816) |
| At 31 December 2021/1 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 | 4,692 | 197 | 2,781 | 7,670 |
| Carrying amounts | | | | |
| At 31 December 2021 | 2,840 | 265 | 1,479 | 4,584 |
| At 31 December 2022 | 2,620 | 150 | 276 | 3,046 |

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)

Lease liabilities

| | 2022 RM'000 | 2021 RM'000 |
|---|----------------|----------------|
| Balance at 1 January | 15,139 | 6,483 |
| Additions | | |
| - sales and leaseback | - | 13,302 |
| - others | 120 | 282 |
| Interest charged during the year | 255 | 521 |
| Repayment of lease liabilities (included in cash flows from financing activities) | (8,778) | (4,650) |
| Unrealised exchange rate loss | 10 | 6 |
| Modification | 1,845 | (805) |
| | 8,591 | 15,139 |

Lease liabilities are presented in the statement of financial position as follows:

| | 2022 RM'000 | 2021 RM'000 |
|-------------------------|----------------|----------------|
| Current liabilities | 6,498 | 8,487 |
| Non-current liabilities | 2,093 | 6,652 |
| | 8,591 | 15,139 |

Charged to statement of profit or loss and other comprehensive income

Expenses/(Income) related to leases are disclosed in Note 15.

| | 2022 RM'000 | 2021 RM'000 |
|--|----------------|----------------|
| Lease payments not recognised as liabilities: | | |
| Expense related to low value leases | 3,060 | 1,596 |
| Expense related to short-term leases | 134 | 133 |
| Expense related to variable leases | 10 | 490 |
| Non-lease components | 488 | 536 |
| Gain arising from sale and leaseback transaction | - | (129,725) |

4. RIGHT-OF-USE ASSETS (CONTINUED)

The Company as a lessee (continued)

(ii) The Company's leasing activities and how these are accounted for

In the prior year, 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 with 2 months' notice of termination. The Company recognised right-of-use assets and lease liabilities for 27 months representing 24 months initial term plus anticipated extension of 3 months. In the current year, the lease term was modified from the initial expiry date of 31 December 2023 to 30 April 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.

In cases in which the Company is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. The financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities of RM2.4 million (2021: RM3.8 million).

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 2021 | 16,879 | 290 | 17,169 |
| Additions | - | 7,770 | 7,770 |
| Transfers | 590 | (590) | - |
| Written off | (127) | - | (127) |
| At 31 December 2021/1 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 | 17,393 | 12,458 | 29,851 |
| Accumulated amortisation | | | |
| At 1 January 2021 | 16,212 | - | 16,212 |
| Amortisation for the year | 258 | - | 258 |
| Written off | (127) | - | (127) |
| At 31 December 2021/1 January 2022 | 16,343 | - | 16,343 |
| Amortisation for the year | 327 | - | 327 |
| At 31 December 2022 | 16,670 | - | 16,670 |
| Carrying amounts | | | |
| At 31 December 2021 | 999 | 7,470 | 8,469 |
| At 31 December 2022 | 723 | 12,458 | 13,181 |

6. INVENTORIES

| | 2022 | 2021 |
|---|----------------|---------------|
| | RM'000 | RM'000 |
| Finished goods | 128,398 | 87,758 |
| Raw materials | 85,421 | 60,950 |
| Packaging materials | 14,697 | 13,568 |
| Spare parts | 1,543 | 1,185 |
| | 230,059 | 163,461 |
| Provision for obsolescence of inventories | (1,177) | (2,406) |
| | 228,882 | 161,055 |

7. TRADE AND OTHER RECEIVABLES

| | Note | 2022 | 2021 |
|------------------------------------|-------------|---------------|---------------|
| | | RM'000 | RM'000 |
| Trade | | | |
| Trade receivables | | 88,832 | 67,836 |
| Less: Loss allowance | 7.1 | (116) | (109) |
| Net trade receivables | | 88,716 | 67,727 |
| Amounts owing by related companies | 7.2 | 3,459 | 285 |
| | | 92,175 | 68,012 |
| Non-trade | | | |
| Other receivables | | 2,345 | 5,337 |
| Amount owing by related company | 7.2 | - | 479 |
| Deposits | | 3,188 | 2,553 |
| | | 5,533 | 8,369 |
| | | 97,708 | 76,381 |

7.1 The movements in the loss allowance of trade receivables during the financial year are disclosed in Note 22.4.

7.2 The credit terms of amounts owing by related companies ranged from 0 to 30 days (2021: 0 to 30 days).

NOTES TO THE FINANCIAL STATEMENTS

8. PREPAYMENT

| | Note | 2022 RM'000 | 2021 RM'000 |
|-------------------------------|------|----------------|----------------|
| Prepayment to related company | 8.1 | 44,771 | 125,670 |
| Others | | 1,116 | 487 |
| | | 45,887 | 126,157 |

8.1 Prepayment to related company represents advance payments made for future raw materials purchases.

9. CASH AND BANK BALANCES

| | 2022 RM'000 | 2021 RM'000 |
|--------------------------------------|----------------|----------------|
| Cash and bank balances | 34,941 | 118,300 |
| Deposits placed with a licensed bank | 70,000 | - |
| | 104,941 | 118,300 |

The deposits placed with a licensed bank have a maturity period of 6 days (2021: Nil) with interest rate of 2.20% per annum (2021: Nil).

Bank balances are held at call with licensed banks.

10. DERIVATIVE FINANCIAL ASSET/(LIABILITIES)

| | 2022 | | | 2021 | | |
|---|----------------------------|------------------|-----------------------|----------------------------|------------------|-----------------------|
| | 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 | 109,765 | - | (4,811) | (100) | 258 | (158) |

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.

11. SHARE CAPITAL

| | Amount 2022 RM'000 | Number of shares 2022 '000 | Amount 2021 RM'000 | Number of shares 2021 '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.

12. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|-----------------------------------|----------------|----------------|-----------------|----------------|-----------------|----------------|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Property, plant and equipment | - | - | (11,764) | (14,330) | (11,764) | (14,330) |
| Right-of-use assets | - | - | (731) | (1,100) | (731) | (1,100) |
| Inventories | 282 | 577 | - | - | 282 | 577 |
| Receivables | 28 | 26 | - | - | 28 | 26 |
| Payables | 6,646 | 5,188 | - | - | 6,646 | 5,188 |
| Lease liabilities | 2,062 | 3,633 | - | - | 2,062 | 3,633 |
| Derivatives | 1,155 | 38 | - | - | 1,155 | 38 |
| Deferred tax assets/(liabilities) | 10,173 | 9,462 | (12,495) | (15,430) | (2,322) | (5,968) |

Movement in temporary differences during the year

| | At 1.1.2021 RM'000 | Recognised in profit or loss RM'000 | At 31.12.2021/ 1.1.2022 RM'000 | Recognised in profit or loss RM'000 | At 31.12.2022 RM'000 |
|-------------------------------|--------------------------|--|---|--|----------------------------|
| Property, plant and equipment | (9,364) | (4,966) | (14,330) | 2,566 | (11,764) |
| Right-of-use assets | (1,644) | 544 | (1,100) | 369 | (731) |
| Inventories | 299 | 278 | 577 | (295) | 282 |
| Receivables | 64 | (38) | 26 | 2 | 28 |
| Payables | 4,082 | 1,106 | 5,188 | 1,458 | 6,646 |
| Lease liabilities | 1,556 | 2,077 | 3,633 | (1,571) | 2,062 |
| Derivatives | 513 | (475) | 38 | 1,117 | 1,155 |
| | (4,494) | (1,474) | (5,968) | 3,646 | (2,322) |

Note 17

Note 17

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

| | Note | 2022 RM'000 | 2021 RM'000 |
|------------------------------------|------------|----------------|----------------|
| Trade | | | |
| Amounts owing to related companies | 13.1 | 69,083 | 36,836 |
| Trade payables | 13.2, 13.3 | 198,253 | 144,565 |
| Trade spend accrual | | 78,630 | 51,419 |
| | | 345,966 | 232,820 |
| Non-trade | | | |
| Amounts owing to related companies | 13.1 | 10,391 | 2,025 |
| Accrued expenses | | 34,208 | 26,684 |
| Payroll liabilities | | 13,351 | 11,107 |
| Other payables | | 9,772 | 10,159 |
| | | 67,722 | 49,975 |
| | | 413,688 | 282,795 |

13.1 The credit terms of amounts owing to related companies ranged from 0 to 30 days (2021: 0 to 30 days).

13.2 Included in trade payables is refund liability in respect of market returns of RM2.6 million (2021: RM3.4 million).

13.3 Included in this amount is RM47.3 million (2021: RM7.9 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. PROVISION

| | 2022 RM'000 | 2021 RM'000 |
|--|----------------|----------------|
| Employees' pension contribution | | |
| At 1 January | 106 | 228 |
| Addition during the year | 58 | 45 |
| Reversal during the year | - | (167) |
| At 31 December | 164 | 106 |
| Restructuring provision | | |
| At 1 January | - | - |
| Addition during the year | 17,747 | - |
| At 31 December | 17,747 | - |

14. PROVISION (CONTINUED)

Provision is presented in the statement of financial position as follows:

| | 2022 RM'000 | 2021 RM'000 |
|-------------------------|------------------------------|------------------------------|
| Current liabilities | 8,710 | 106 |
| Non-current liabilities | 9,201 | - |
| | 17,911 | 106 |

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

Restructuring cost recognised in the year amounting to RM17.7 million 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. As a result of this restructuring, about 118 jobs will be lost upon the completion of new manufacturing facilities, with 72 jobs lost after the discontinuation of the milk powder operations on 31 May 2023 and 46 jobs lost by 30 April 2024 due to discontinuation of other production lines. The company has also offered Early Retirement Opportunity to eligible personnel, which 14 staffs have accepted the offer and will retire by 30 April 2024. Hence, a total of 132 jobs will be impacted.

NOTES TO THE FINANCIAL STATEMENTS

15. PROFIT BEFORE TAX

| | 2022 RM'000 | 2021 RM'000 |
|--|----------------|----------------|
| Profit before tax is arrived at after charging/(crediting): | | |
| Amortisation of intangible assets | 327 | 258 |
| Auditors' remuneration: | | |
| - Statutory audit - current year | 102 | 92 |
| - Other services | 22 | 100 |
| Depreciation of property, plant and equipment* | 30,596 | 33,493 |
| Depreciation of ROU assets | 3,507 | 3,295 |
| Finance costs | | |
| - Interest expense | 3,405 | 2,853 |
| - Finance charge arising from lease liabilities | 255 | 521 |
| Interest income | (1,794) | (1,417) |
| Inventories recognised as cost of sales | 824,759 | 637,580 |
| Gain on disposal of property, plant and equipment | - | (24,159) |
| Gain arising from sale and leaseback transaction | - | (129,725) |
| Marketing expenses | 120,588 | 114,748 |
| Net loss/(gain) on derivatives | 4,911 | (1,814) |
| Net gain on foreign exchange: | | |
| - Realised | (3,672) | (760) |
| - Unrealised | (887) | (514) |
| Personnel expenses (including key management personnel): | | |
| - Wages, salaries and others | 65,619 | 64,332 |
| - Contributions to state plans | 10,357 | 9,393 |
| (Reversal of)/Provision for obsolescence of inventories | (1,229) | 1,163 |
| Rental in respect of (Note 4): | | |
| - Premises | 526 | 571 |
| - Equipment | 3,059 | 2,093 |
| - Vehicles | 107 | 91 |
| Provision for/(Reversal of) loss allowance of trade receivables | 7 | (157) |
| Impact from Bilateral Advance Pricing Arrangement ("BAPA")** | 39,040 | |
| Restructuring provision | 17,747 | - |

* Included in the depreciation of property, plant and equipment is the accelerated depreciation of RM13.9 million (2021: RM15.0 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.

16. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

| | 2022 RM'000 | 2021 RM'000 |
|---------------------------------|----------------|----------------|
| Directors: | | |
| - Fees | 503 | 524 |
| - Remuneration | 1,143 | 1,639 |
| - Benefits-in-kind | - | 145 |
| | 1,646 | 2,308 |
| Other key management personnel: | | |
| - Wages, salaries and others | 3,739 | 4,549 |
| - Contributions to state plans | 416 | 504 |
| | 4,155 | 5,053 |
| | 5,801 | 7,361 |

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 | 2022 RM'000 | 2021 RM'000 |
|---|------|----------------|----------------|
| Current tax expense | | | |
| - current year | | 23,332 | 41,526 |
| - over provision in prior year | | (11,398) | (6,475) |
| | | 11,934 | 35,051 |
| Deferred tax expense | | | |
| Origination and reversal of temporary differences | 12 | (3,646) | 1,474 |
| Total income tax expense | | 8,288 | 36,525 |

NOTES TO THE FINANCIAL STATEMENTS

17. TAX EXPENSE (CONTINUED)

| | 2022 RM'000 | 2021 RM'000 |
|---|----------------|----------------|
| Reconciliation of tax expense | | |
| Profit before tax | 54,559 | 284,525 |
| Income tax calculated using Malaysian tax rate of 24% (2021: 24%) | 13,094 | 68,286 |
| Non-deductible expenses | 7,449 | 613 |
| Income not subject to tax | (35) | - |
| Income subject to different tax rate | - | (29,595) |
| Under/(Over) provision in prior year | (4,728) | (2,779) |
| Prior year tax impact from BAPA | (7,492) | - |
| | 8,288 | 36,525 |

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:

| | 2022 | 2021 |
|---|--------|---------|
| Net profit for the year (RM'000) | 46,271 | 248,000 |
| Average number of ordinary shares in issue ('000) | 64,000 | 64,000 |
| Basic and diluted earnings per ordinary share (sen) | 72.3 | 387.5 |

There are no potential dilutive ordinary shares in issue as at 31 December 2022 and 2021, 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 |
|--|------------------|---------------------------|--------------------|
| 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 | |
| 2021 | | | |
| Single tier first interim 2021 ordinary | 25.00 | 16,000 | 11.06.2021 |
| Single tier second interim 2021 ordinary | 25.00 | 16,000 | 10.12.2021 |
| 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 RM514.2 million (2021: two major customers with net revenues of approximately RM322.6 million). These customers contribute to approximately 38% (2021: 28%) of the net revenues in the financial statements or 16%, 12% and 11% respectively (2021: 17% and 11% respectively).

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 are 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.

NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTIES (CONTINUED)

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 7 and Note 13.

| | 2022 RM'000 | 2021 RM'000 |
|---|----------------|----------------|
| Management fee paid to immediate holding company | | |
| - FrieslandCampina DLMI Malaysia Holding B.V. | - | (68) |
| Management fee paid to fellow subsidiary | | |
| - Koninklijke FrieslandCampina NV (Comp) | (145) | (75) |
| Purchases of fully packed dairy products and raw materials from fellow subsidiaries | | |
| - FrieslandCampina Nederland B.V. | (568,044) | (318,641) |
| - P.T. Frisian Flag Indonesia | (174,238) | (116,161) |
| - FrieslandCampina Domo B.V. | (42,163) | - |
| Sales of fully packed dairy products to fellow subsidiaries | | |
| - FrieslandCampina Domo B.V. | 2,809 | 1,387 |
| - FrieslandCampina (Singapore) Pte Ltd | 10,309 | 18,483 |
| - FrieslandCampina Amea Pte. Ltd | 11,281 | - |
| Know-how, trademark license and management support fees paid to fellow subsidiary | | |
| - FrieslandCampina Nederland B.V. | (71,328) | (26,963) |
| Information, communication and technology services paid to fellow subsidiary | | |
| - FrieslandCampina Nederland B.V. | (16,007) | (15,781) |
| Advance payment to fellow subsidiary | | |
| - FrieslandCampina Nederland B.V. | (44,771) | (125,670) |
| Finance shared services paid to fellow subsidiary | | |
| - FrieslandCampina Service Centre Asia Pacific Sdn Bhd | (2,325) | (3,334) |
| Shared services fee received from fellow subsidiary | | |
| - FrieslandCampina Service Centre Asia Pacific Sdn Bhd | 220 | 220 |

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised costs ("AC"); and
(b) Fair value through profit or loss ("FVTPL"):

| | Carrying amount 2022 RM'000 | AC 2022 RM'000 | FVTPL 2022 RM'000 | Carrying amount 2021 RM'000 | AC 2021 RM'000 | FVTPL 2021 RM'000 |
|-------------------------------------|--------------------------------------|----------------------|-------------------------|--------------------------------------|----------------------|-------------------------|
| Financial assets | | | | | | |
| Trade and other receivables | 97,708 | 97,708 | - | 76,381 | 76,381 | - |
| Derivative financial assets | - | - | - | 258 | - | 258 |
| Cash and bank balances | 104,941 | 104,941 | - | 118,300 | 118,300 | - |
| | 202,649 | 202,649 | - | 194,939 | 194,681 | 258 |
| Financial liabilities | | | | | | |
| Trade and other payables | (411,118) | (411,118) | - | (279,355) | (279,355) | - |
| Derivative financial liabilities | (4,811) | - | (4,811) | (158) | - | (158) |
| | (415,929) | (411,118) | (4,811) | (279,513) | (279,355) | (158) |

22.2 Net gains and losses arising from financial instruments

| | 2022 RM'000 | 2021 RM'000 |
|--|----------------|----------------|
| Net gains/(losses) from: | | |
| Fair value through profit or loss | (4,911) | 1,814 |
| Financial assets measured at amortised costs | 3,163 | (708) |
| Financial liabilities measured at amortised cost | (477) | 182 |
| | (2,225) | 1,288 |

22.3 Financial risk management

The Company has exposure to the following risks relating to financial instruments:

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

22. FINANCIAL INSTRUMENTS (CONTINUED)**22.4 Credit risk (continued)****Trade receivables (continued)***Changes to loss allowance*

The movements in the loss allowance of trade receivables during the financial year were:

| | 2022 RM'000 | 2021 RM'000 |
|---|------------------------------|------------------------------|
| At 1 January | 109 | 266 |
| Increase/(Decrease) in loss allowance recognised in profit and loss during the year | 7 | (157) |
| At 31 December | 116 | 109 |

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 |
|-----------------------|-------------------------------|---|--|-----------------------------|
| 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 |

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 |
|-----------------------|-----------------|------------------------------------|-----------------------------------|---------------|
| 2021 | | | | |
| Not past due | 59,207 | - | (7) | 59,200 |
| Past due 1 - 7 days | 6,878 | - | (11) | 6,867 |
| Past due 7 - 14 days | 951 | - | (7) | 944 |
| Past due 14 - 30 days | 525 | - | (18) | 507 |
| Past due 31 - 90 days | 114 | - | (3) | 111 |
| Past due over 90 days | 161 | (47) | (16) | 98 |
| | 67,836 | (47) | (62) | 67,727 |

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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.4 Credit risk (continued)

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.

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 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 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.

The Company has available undrawn overdraft facilities of RM19.2 million (2021: RM18.3 million) that can be used to finance short term obligations, capital expenditure and general working capital requirements.

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 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 |
|---|---------------------------|--|----------------------------------|------------------------|--|
| 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 |
| 2021 | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | |
| Trade and other payables | 279,355 | - | 279,355 | 279,355 | - |
| Lease liabilities | 15,139 | 286 | 15,425 | 8,524 | 6,901 |
| <i>Derivative financial liabilities</i> | | | | | |
| Forward exchange contracts | 158 | - | 158 | 158 | - |
| | 294,652 | 286 | 294,938 | 288,037 | 6,901 |

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).

22. FINANCIAL INSTRUMENTS (CONTINUED)**22.6 Market risk (continued)****22.6.1 Currency risk (continued)**

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:

| | Denominated in | | |
|------------------------------------|-----------------|-----------------|-----------------|
| | USD RM'000 | EUR RM'000 | THB RM'000 |
| 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) |
| 2021 | | | |
| Amounts owing by related companies | 158 | 109 | - |
| Cash at bank | 11,465 | - | - |
| Trade payables | (8,556) | (1,075) | (12,026) |
| Amounts owing to related companies | (32,436) | (1,786) | - |
| | (29,369) | (2,752) | (12,026) |

Currency risk sensitivity analysis

A 10% (2021: 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.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL INSTRUMENTS (CONTINUED)

22.6 Market risk (continued)

22.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

| | Increase/(Decrease) | | | |
|-----|---------------------|----------------|----------------|----------------|
| | Equity | | Profit | |
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| USD | 6,934 | 2,232 | 6,934 | 2,232 |
| EUR | 2,159 | 209 | 2,159 | 209 |
| THB | 944 | 914 | 944 | 914 |

A 10% (2021: 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 not exposed to any other price risk.

22.7 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.

22. FINANCIAL INSTRUMENTS (CONTINUED)**22.7 Fair value information (continued)**

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 |
|------------------------------|--|-------------------|-------------------|-----------------|--------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | RM'000 |
| 2022 | | | | | |
| Financial liabilities | | | | | |
| Forward exchange contracts | - | (4,811) | - | (4,811) | (4,811) |
| 2021 | | | | | |
| Financial assets | | | | | |
| Forward exchange contracts | - | 258 | - | 258 | 258 |
| Financial liabilities | | | | | |
| Forward exchange contracts | - | (158) | - | (158) | (158) |

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 11) 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 2022 and 31 December 2021 were as follows:

| | 2022 | 2021 |
|---|---------|---------|
| Results from operating activities (RM'000) | 56,425 | 286,482 |
| Total equity attributable to owners of the Company (RM'000) | 396,851 | 382,580 |
| Return on capital (%) | 14.2 | 74.9 |

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.

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 86 to 130 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 2022 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

24 February 2023

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 86 to 130 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 24 February 2023.

.....
Kai Roelof Maria Henricus De Klerk

Before me:

COMMISSIONER FOR OATH

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 2022, 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 2022, 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, including a summary of significant accounting policies, as set out on pages 86 to 130.

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.

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 RM284 million. A total of RM78.6 million of these rebates and discounts were included in accruals as at 31 December 2022.</p> <p>We focused on this area because of the 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)(i) (Use of estimates and judgements) and Note 2(n).</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; and</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) 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> |

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 complete 2022 Annual Report, but does not include the financial statements of the Company and our auditors' report thereon.

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)

Our opinion on the financial statements of the Company does not cover the other information and we do 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, 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.
- (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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (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

Kuala Lumpur
24 February 2023

GAN WEE FONG
03253/01/2025 J
Chartered Accountant



Debic

DAIRY CREAM WITH SUGAR

Kremowy cukier
Crème sucrée
Bala mornada con
Kola Lurruvea

Debic

PRIMA BLANCA

Strojige patisazierne
agregat kvaspen
Crème ferme pour patis-
serie
Specjalne fermentowanie
zapewnia doskonałą
i niezwykłą trwałość

Debic

ROAST & FRY



Debic

Debic

CULINAIRE ORIGINAL 30%



Debic

Culinaire

Debic



Debic

CREAM 35%

Debic

CREME BRÛLÉE

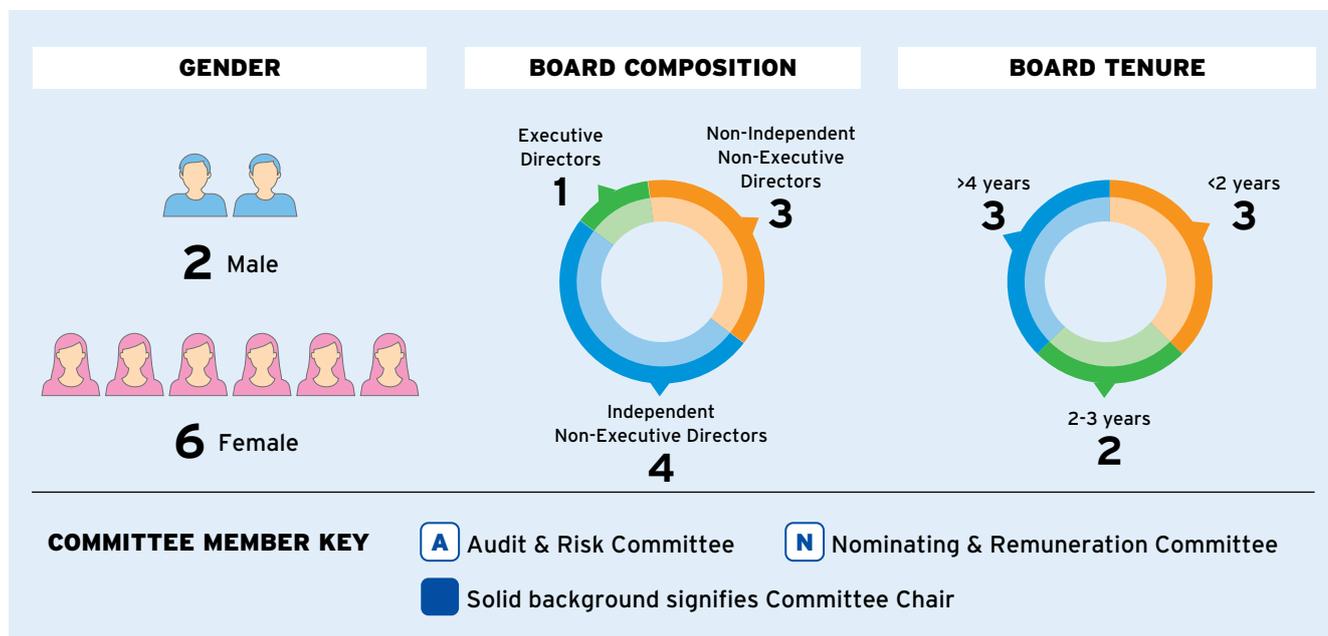
Debic

RAMOU

Debic

Debic

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



| | |
|----------------------------------|-------------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 54 |
| Date of Appointment | 27 February 2019 |
| Tenure of Directorship | 4 years 1 month |
| Board Meeting Attendance in 2022 | 4/4 |
| Membership of Board Committee | Nil |

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

Non-listed public company:

- HSBC Bank Malaysia Berhad
- 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 in which she was first appointed on the board of a start-up company in April 2002 and of a listed company in January 2009. She is a strong advocate of climate governance, having founded the country chapter of the World Economic Forum’s climate governance initiative. Recently, Datin Seri Sunita has been appointed as an Adjunct Professor in Climate Governance and Sustainability at UNITAR International University.

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



| | |
|----------------------------------|------------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 46 |
| Date of Appointment | 2 July 2021 |
| Tenure of Directorship | 1 year 8 months |
| Board Meeting Attendance in 2022 | 4/4 |
| Membership of Board Committee | Nil |

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 11 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).



| | |
|--|-------------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 59 |
| Date of Appointment | 1 January 2014 |
| Re-designation to Independent Director | 15 January 2020 |
| Tenure of Directorship as Independent Director | 3 years 2 months |
| Board Meeting Attendance in 2022 | 4/4 |
| Membership of Board Committee | A N |

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 the Managing Director of Dutch Lady Milk Industries Berhad, Malaysia and Dutch Lady 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 actively involves in various mentoring program for young leaders with Lead-Women Malaysia and USAid Women Directors Organisations.

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



| | |
|----------------------------------|-------------------------|
| Nationality | Dutch |
| Gender | Male |
| Age | 52 |
| Date of Appointment | 19 July 2019 |
| Tenure of Directorship | 3 years 8 months |
| Board Meeting Attendance in 2022 | 4/4 |
| Membership of Board Committee | A |

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 Finance Director at FrieslandCampina Thailand, Bangkok from 2006 to 2010 and Finance Director at FrieslandCampina DOMO, Amersfoort from 2010 to 2015 before assuming the Finance Director position at FrieslandCampina China, Shanghai in May 2015. In July 2019, he was appointed as the Director of Finance for FrieslandCampina's Specialised Nutrition Business Group.



| | |
|----------------------------------|----------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 65 |
| Date of Appointment | 16 March 2018 |
| Tenure of Directorship | 5 years |
| Board Meeting Attendance in 2022 | 4/4 |
| Membership of Board Committee | A |

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.

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



| | |
|----------------------------------|-------------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 60 |
| Date of Appointment | 25 June 2018 |
| Tenure of Directorship | 4 years 9 months |
| Board Meeting Attendance in 2022 | 4/4 |
| Membership of Board Committee | A N |

Present Directorship in Other Public Companies and Listed Issuers:

- PPB Group Berhad
- FM Global Logistics Holdings Berhad (formerly known as Freight Management Holdings Berhad)

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, a member of the Global School Leaders network, an organisation involved in providing school leadership programs for 200 government schools and sits on the Board of Governors of her alma mater, Convent Bukit Nanas.



| | |
|----------------------------------|-------------------------|
| Nationality | Malaysian |
| Gender | Male |
| Age | 45 |
| Date of Appointment | 14 April 2021 |
| Tenure of Directorship | 1 year 11 months |
| Board Meeting Attendance in 2022 | 4/4 |
| Membership of Board Committee | A N |

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. Kong is currently Managing Director, Corporate Strategy & Alliance of Fusionex Group, an established multi-award winning data technology provider that specialises in Analytics, Big Data, Machine Learning and Artificial Intelligence. Prior to venturing into the ICT sector, he 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 had held directorships of several private and public companies.

Mr. 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.

PROFILES OF BOARD OF DIRECTORS AND COMPANY SECRETARY



| | |
|----------------------------------|-----------------------|
| Nationality | Dutch |
| Gender | Female |
| Age | 50 |
| Date of Appointment | 1 January 2023 |
| Tenure of Directorship | 3 months |
| Board Meeting Attendance in 2022 | Nil |
| Membership of Board Committee | N |

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 assumed the position of Senior Vice President in Royal FrieslandCampina in November 2022.

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 the 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 Early Life Nutrition 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 obtained the B Corp certification, becoming the largest B Corp in Asia.

Ms. Tap was subsequently appointed as the President of Asia, Middle East and Africa from January 2021 until April 2022. Ms. Tap was also a member of the executive of Danone.

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.



| | |
|----------------------------------|---------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 48 |
| Date of Appointment | 6 April 2018 |
| Board Meeting Attendance in 2022 | 4/4 |

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 2022.

MANAGEMENT TEAM PROFILES



| | |
|-------------|------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 46 |
| Appointed | July 2021 |

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 FrieslandCampina for over 11 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).



| | |
|-------------|---------------------|
| Nationality | Dutch |
| Gender | Male |
| Age | 39 |
| Appointed | January 2023 |

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.

MANAGEMENT TEAM PROFILES



| | |
|-------------|------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 47 |
| Appointed | July 2022 |

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 Proctor & 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.



| | |
|-------------|-----------------------|
| Nationality | Malaysian |
| Gender | Male |
| Age | 55 |
| Appointed | September 2018 |

Academic/Professional Qualification(s):

- Bachelor of Communications (Honours), University Science of Malaysia
- Leaders of the Future Programme, Ashridge Business School, Hertfordshire, United Kingdom

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

In addition to his role as Corporate Affairs Director for the Company, Hadi is also FrieslandCampina's Public Affairs Coordinator for AMEA Region.

Hadi has over 30 years of experience in various roles in the areas of government and external relations, regulatory affairs, corporate communications, public relations, CSR and corporate branding. He previously held positions at Communication Resource Group Public Relations Sdn Bhd, Kuala Lumpur Sentral Sdn Bhd (a member of the Malaysian Resources Corporation Berhad Group of Companies), Malaysian Resources Corporation Berhad, Dialog Group Berhad and Japan Tobacco International Berhad.

As FrieslandCampina's Public Affairs Coordinator for the AMEA Region, Hadi will take a seat in the most important regional bodies and partner the local teams within Asia, Middle East and Africa region, acting as a sparring business partner for regional public affairs.



ANJALI VELAYUDHAN MENON
Human Resources Director

| | |
|-------------|---------------------|
| Nationality | Indian |
| Gender | Female |
| Age | 41 |
| Appointed | January 2022 |

Academic/Professional Qualification(s):

- Leadership Program, Executive Education, London Business School, United Kingdom
- Certified Master Performance Coach, JMC Academy, Malaysia
- Hallos Relationship Practitioner, Hallos Relationship Community, Spain
- The Change Cycle Practitioner, The Change Cycle Series, USA
- 360 Degree Profiler Practitioner, Korn Ferry, India
- Thomas Emotional Intelligence Certified Practitioner, Thomas International, United Kingdom
- Post Graduate Diploma in Management, Human Resources (Major) & Marketing (Minor), Symbiosis Center for Management and Human Resource Development, India
- Bachelor of Engineering, Computer Engineering, North Maharashtra University, India

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Prior to her current role as Human Resources Director, Anjali was the Regional Head of Talent, for Nestlé in Asia Pacific and Sub-Saharan Africa Region, based in Kuala Lumpur since 2018. Prior to that, Anjali has held various positions in Nestlé since 2006, including Corporate People Development and Employee Communications Lead for South Asia (based in India), and Change, Organisation Design and Communications Lead for Indochina (based in Thailand) between 2013 - 2018.



SANDER JANMAAT
Program Director

| | |
|-------------|---------------------|
| Nationality | Dutch |
| Gender | Male |
| Age | 47 |
| Appointed | October 2018 |

Academic/Professional Qualification(s):

- 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 22 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

| | |
|-------------|---------------------|
| Nationality | Malaysian |
| Gender | Male |
| Age | 38 |
| Appointed | January 2022 |

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

| | |
|-------------|-------------------|
| Nationality | Malaysian |
| Gender | Female |
| Age | 47 |
| Appointed | April 2021 |

Academic/Professional Qualification(s):

- Advanced Diploma in Business Administration (Association of Business Executive, ABE UK)

Present Directorship in Other Public Companies and Listed Issuers:

Nil

Working Experience:

Poh Lian started her career with FrieslandCampina in 2013 when she joined as Supply Planning Manager.

Since then, she progressively expanded her role to encompass Shipping, Logistics and then Warehousing as Plan & Deliver Manager prior to her current role as Customer Supply Chain Associate Director.

She started her Supply Chain career with Unilever. During her tenure, Poh Lian had also been part of Finance, GL reporting and was tasked to lead outsourcing transformation of the Accounts Payable function before moving back to Supply Chain as Demand and Supply Manager.

She has more than 13 years of experience in various managerial positions, managing different parts of supply chain.



| | |
|-------------|------------------|
| Nationality | Dutch |
| Gender | Male |
| Age | 38 |
| Appointed | July 2022 |

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 in 2010, where he introduced a new factory production capacity model which was implemented worldwide. After only 2.5 years, he was tasked with the role of Supply Chain Manager, managing the end to end process of an outdoor lighting factory at Philips in Spain.

In 2016 he joined FrieslandCampina as Production Manager in Maasdam. He was then promoted to Plant Manager of Den Bosch, after which he 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 2022, and do not hold any shares in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| | | |
|--|---|--|
| <p>PRINCIPLE</p> <p>A</p> <p>Board Leadership and Effectiveness</p> <p> Refer to pages 149-165 of this report.</p> | <p>PRINCIPLE</p> <p>B</p> <p>Effective Audit and Risk Management</p> <p> Refer to pages 166-167 of this report.</p> | <p>PRINCIPLE</p> <p>C</p> <p>Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</p> <p> Refer to pages 168-169 of this report.</p> |
|--|---|--|

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.

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 2022 (“**FY2022**”) 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**”) and any other requirements.

The application of the Practices set out in the Code throughout FY2022 will also be disclosed to Bursa Malaysia Securities Berhad in a prescribed format (“**CG Report**”) which will be published together with the Company’s Integrated Annual Report. The CG Report may be downloaded from the Company’s corporate website (www.dutchlady.com.my).

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

BOARD'S RESPONSIBILITIES

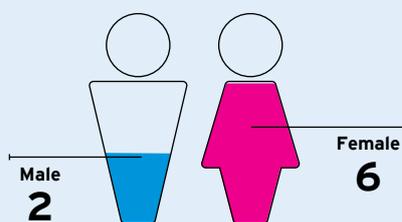
(Practice 1 to 4)

The Board is collectively responsible to the Company's shareholders for the direction and oversight of the Company and plays an active role in the development of Company's strategy. 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.

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:

- A** Conflict of interest relating to a substantial shareholder or a Director or person connected to such substantial shareholder or Director;
- B** Material acquisitions and disposition of assets not in the ordinary course of business;
- C** Investment in capital expenditure projects;
- D** Authority levels;
- E** Treasury policies;
- F** Risk management policies;
- G** Key human resource issues; and
- H** Related party transactions.

GENDER



TYPE OF DIRECTORSHIP



AGE



TENURE



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Roles and Their Responsibilities

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 Board 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 FY2022, 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).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Meeting Materials

Board meeting papers for all meetings are generally provided to Directors seven days in advance of the date of the proposed meetings. All proceedings of Board meetings are minuted and circulated to the Board members well 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 FY2022, four (4) 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 2022 are as follows:-

| Board Members | | | |
|---|------------------------------|-------------------|--|
| Datin Seri Sunita Mei-Lee Rajakumar (Chairperson, Independent Non-Executive Director) | Board Meetings 4/4 | AGM 1/1 |  → 100% |
| Ms. Ramjeet Kaur Virik (Executive Director) | Board Meetings 4/4 | AGM 1/1 |  → 100% |
| Ms. Saw Chooi Lee (Senior Independent Non-Executive Director) | Board Meetings 4/4 | AGM 1/1 |  → 100% |
| Dato' Dr. Rosini binti Alias (Non-Independent Non-Executive Director) | Board Meetings 4/4 | AGM 1/1 |  → 100% |
| Tengku Nurul Azian binti Tengku Shahrman (Independent Non-Executive Director) | Board Meetings 4/4 | AGM 1/1 |  → 100% |
| Mr. Jean Serge Krol (Non-Independent Non-Executive Director) | Board Meetings 4/4 | AGM 1/1 |  → 100% |
| Mr. Darren Kong Kam Seong (Independent Non-Executive Director) | Board Meetings 4/4 | AGM 1/1 |  → 100% |
| Ms. Corine Danielle Tap¹ (Non-Independent Non-Executive Director) | Board Meetings N/A | AGM N/A | N/A |

Former Members

| | | | |
|---|------------------------------|-------------------|---|
| Mr. Bernardus Hermannus Maria Kodden² (Non-Independent Non-Executive Director) | Board Meetings 3/4 | AGM 1/1 |  → 75% |
|---|------------------------------|-------------------|---|

Company Secretary

| | | | |
|---|------------------------------|-------------------|--|
| Ms. Katina Nurani binti Abd Rahim (Company Secretary) | Board Meetings 4/4 | AGM 1/1 |  → 100% |
|---|------------------------------|-------------------|--|

Notes:

1. Appointed as member on 1 January 2023
2. Resigned as member on 1 January 2023

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Key activities

During the year, key activities of the Board include:

- ▶ Reviewing and approving the 4th quarter and full year financial results for the financial year ended 31 December 2021.
- ▶ Reviewing and approving the Director’s Report and Audited Accounts for the financial year ended 31 December 2021.
- ▶ Reviewing and approving the quarterly financial results up to the 3rd quarter for the financial year ended 31 December 2022.
- ▶ 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 on sustainability initiatives and RFC’s climate plan.
- ▶ Receiving and approving the Company’s Annual Budget and Capex Budget for FY2023.
- ▶ 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 updated Board Charter, and the Terms of Reference of the Audit & Risk Committee to include enhanced sections on the oversight of Economic, Environmental, Social and Governance (“EES&G”) risks and opportunities.
- ▶ Reviewing and approving the formation of a Sustainability Steering Committee which will report to the Board of DLMI on critical and material EES&G/ Sustainability matters.
- ▶ Reviewing and approving the Director’s Fit & Proper Policy.
- ▶ 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 which had been released to Bursa.
- ▶ Assessing and recommending the re-appointment of the Company’s External Auditor for the financial year ending 31 December 2022 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 2021.
- ▶ Preparing for and attending the 2022 AGM.

Board Charter

The Board Charter sets out the Board’s strategic intent and outlines the Board’s roles and responsibilities, the vision, mission, shared values, and principles, as well as the policies and strategic development of the Company. The Board Charter clearly specifies the roles and responsibilities of the Board, the Board Committees, individual directors and management. The Board reviews and updates the Charter periodically. The latest update to the Board Charter was approved by the Board in November 2022 and seeks to explicitly describe what long-term value creation means in respect of EES&G risk monitoring and management. 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 be observed by all of the Company's directors and employees at all times, is a policy to conduct business in an honest and ethical manner. The policy has been localised 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. Trainings, briefings, and communication on the topic were provided to employees and stakeholders throughout FY2022 to ensure that the importance and significance of the provision were not overlooked. A copy of the briefing materials is available 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 whistle-blowing 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 are available on the Company's website along with a copy of the Speak Up Procedure at www.dutchlady.com.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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 governance, management and reporting on DLMI’s sustainability agenda is led by the Managing Director and is overseen by the Board. The Board and Management are committed towards ensuring responsible corporate conduct is demonstrated and practised in the Company’s daily activities across all aspects of the Company’s operations. In this connection, in FY2022, the Company has undertaken the following:

01 A Sustainability Steering Committee (“SSC”), which consists of various functional teams and is chaired by the Managing Director, was established to lead sustainability strategy formulation as well as EES&G integration approaches.

02 A Head of Sustainability and a Sustainability Manager have been appointed to manage sustainability strategically and integrate sustainability considerations in the operations of the Company.

03 The Board Charter was amended to be more explicit on what long-term value creation means in respect of EES&G risks monitoring and management, which will drive value for both shareholders and multiple stakeholders to business.

Further information about the Company’s approach to sustainability are disclosed in the Sustainability Statement in this Integrated 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 consists of 4 independent and 4 non-independent directors. 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 cooperative 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.

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 Integrated Annual Report.

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 NRC considers shortlisted candidates based on their profiles, professional achievements and personality assessments, with the needs of the Board in mind. The NRC then ensures that the candidates are suitable and of sufficient caliber for recommendation for the approval of the Board by reviewing the profiles of candidates and where deemed appropriate, conducting interviews with the shortlisted candidates.

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, Mr. Jean Serge Krol and Dato’ Dr. Rosini binti Alias will retire by rotation in accordance with Rule 105 of the Company’s Constitution and Ms. Corine Daniele Tap will retire in accordance with Rule 86.3 of the Company’s Constitution as she was appointed during the year (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 Director's performance and contribution based on the Directors' Peer Assessment results for FY2022.

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.

The NRC also 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. Ms. Corine Danielle Tap was appointed on the Board on 1 January 2023 and as such the performance evaluation carried out for FY2022 is not applicable to her.

In light of the above, the NRC submitted its recommendation to the Board and the Board has approved and recommends the re-election of Mr. Jean Serge Krol, Dato' Dr. Rosini binti Alias and Ms. Corine Daniele Tap to the shareholders for approval.

Board Diversity

The Board acknowledges the importance of gender diversity and recognises the benefits that it can bring. The Board's prime focus on is 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.

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 the Director's Fit and Proper Policy;
- c) Reviewing and recommending to the Board the changes to the Board Charter;
- d) Review the composition of the Board and Board Committees;
- e) Make recommendations to the Board on the remuneration of the Non-Executive Directors;
- f) Nominate the directors who are due for retirement and eligible to stand for re-election at the AGM;
- g) Assess the effectiveness of the Board as a whole, the Committees of the Board and the individual directors on an on-going basis; and
- h) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Committee met two (2) times in FY2022 and the attendance of each individual is set out below:

| Current Members | | |
|--|--------------------------|--|
| Ms. Saw Chooi Lee (Chairperson, Senior Independent Non-Executive Director) | Attendance 2/2 |  — 100% |
| Tengku Nurul Azian (Member, Independent Non-Executive Director) | Attendance 2/2 |  — 100% |
| Mr. Darren Kong Kam Seong (Member, Independent Non-Executive Director) | Attendance 2/2 |  — 100% |
| Ms. Corine Danielle Tap¹ (Member, Non-Independent Non-Executive) | Attendance N/A | N/A |
| Former Members embers | | |
| Mr. Bernardus Hermannus Maria Kodden² (Non-Independent Non-Executive) | Attendance 2/2 |  — 100% |
| Secretary | | |
| Ms. Katina Nurani binti Abd Rahim (Company Secretary) | Attendance 2/2 |  — 100% |

Notes:

1. Appointed as member on 1 January 2023
2. Resigned as member on 1 January 2023

Training and Development

Induction programs 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 Program as required under the Listing Requirements.

In addition, the Directors are encouraged to attend continuous education programs, 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 Directors to provide sharings on their area of expertise for the benefit of the other Board members and members of Management. Topics including sustainability, digital, leadership and the Malaysian dairy industry were shared in FY2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors attended the following training programs in FY2022 to further enhance their knowledge and to enable them to discharge their duties and responsibilities more effectively:

Datin Seri Sunita Mei-Lin Rajakumar

**Datin Seri Sunita attended 70 courses in FY2022, some of which are as follows:*

| Date of Training | Course Details | Organiser |
|-------------------------|--|---|
| 20 January | Climate Change: Impact on Insurance Companies & Role of the Board | Iclif Executive Education Center, Asia School of Business |
| 20 January | COP26 and Beyond: Climate Ambition in Malaysia and the Global South Confirmation | ISIS - Asia Foundation |
| 23 February | Role of Governments, Monetary Authorities and Private Sector in Directing SDG-sensitive Investments | United Nations Development Programme |
| 23 February | Licensing Frameworks for Digital Insurers and Takaful Operators | BNM-FIDE Forum Dialogue |
| 2 March | Diversity, Equity & Inclusion (DEI) Conversation #1: Elevating Investability | 30% Club |
| 2 March | TCFD Climate Disclosure Training Program | Bursa Malaysia |
| 15 March | Launch Event of 'Exploring Nature-related Financial Risks in Malaysia's Report' | Bank Negara Malaysia (BNM) |
| 18 March | Board Oversight of ESG | Malaysian Institute of Accountants (MIA) |
| 19 May | Climate Change 2022 | SEADPRI - Academy Science Malaysia |
| 24 May | Digital Transformation | Dutch Lady Milk Industries Berhad |
| 25 May | Fighting Climate Change with Market Mechanisms | EU-France Seminar |
| 31 May | Future Ready Board | Hedrick & Struggles |
| 8 June | MIA Conference 2022 - Plenary 1: Charting the Sustainability Journey | MIA |
| 20 July | Focused Learning in Sustainability Practices | Board Executive Education Program |
| 26 July | SSM National Conference Plenary 1 - Coming Together for the Sustainability Agenda | Suruhanjaya Syarikat Malaysia (SSM) |
| 27 July | SSM National Conference Plenary 5 - Leading Climate Action From The Boardroom From Talk to Action | SSM |
| 8 August | Training for PNB Board and Management "ESG and Board's Role in Delivering Sustainable Performance and Value" | Securities Industry Development Corporation (SIDC) |
| 23 August | Leadership - Team Management | Dutch Lady Milk Industries Berhad |
| 29 August | 5 th International Sustainable Energy Summit 2022 Launch | Sustainable Energy Development Authority Malaysia |
| 13 September | Malaysian Banking Conference 2022 Plenary Session 1: Malaysia's Net Zero Carbon Future | Asian Institute of Chartered Bankers |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Date of Training | Course Details | Organiser |
|------------------|---|--|
| 9 - 10 October | Credible Sustainability Program for Board of Directors | University of Cambridge - Earth on Board |
| 12 October | Climate Governance Initiative Global Summit "Zero Ambitions: What Is The Role Of Boards On Climate?" | Climate Governance Malaysia |
| 12 October | Climate Governance Initiative Global Summit "What Gets Measured: How Investors Approach Climate and Metrics?" | Climate Governance Malaysia |
| 12 October | Climate Governance Initiative Global Summit "Voices of Youth for a Cleaner, Greener Future" | Climate Governance Malaysia |
| 15 November | Dairy Industry in Malaysia, History & Challenges | Dutch Lady Milk Industries Berhad |
| 24 November | Training for KWAP Board and Management | SIDC |
| 29 November | Global Green Finance Leadership Program | World Bank |

Ramjeet Kaur Virik

| Date of Training | Course Details | Organiser |
|------------------|---|-----------------------------------|
| 2 January | GA-Compass Talk e-Learning | FrieslandCampina Learning |
| 2 January | GA-Life Saving Rules: Road Safety e-Learning | FrieslandCampina Learning |
| 2 January | GA-Golden Quality Rules e-Learning | FrieslandCampina Learning |
| 2 January | GA-Life Saving Rules: General + Safety at Work e-Learning | FrieslandCampina Learning |
| 2 January | GA-Purchasing Policy e-Learning | FrieslandCampina Learning |
| 2 January | GA-Privacy within FrieslandCampina e-Learning | FrieslandCampina Learning |
| 2 January | GA-Fair Competition Year 2 e-Learning | FrieslandCampina Learning |
| 3 January | GA-Human Rights e-Learning | FrieslandCampina Learning |
| 10 February | Behaviour Based Safety for Commercial | FrieslandCampina Netherlands |
| 23 February | Climate Change | Dutch Lady Milk Industries Berhad |
| 7 March | ACE Fighting Unit Acceleration: Commercial workshop 1 | FrieslandCampina Netherlands |
| 8 - 11 March | Lead to Win Cohort 5 Module 3: Leading Change & Collaboration | London Business School, UK |
| 31 March | ACE Change Management Training & Workshop | FrieslandCampina Netherlands |
| 4 April | Psychological Safety Training | Malaysian Urgent Care (MUC) |
| 6 April | How to Start Your Sustainability Journey | CEO Action Network |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Date of Training | Course Details | Organiser |
|------------------|---|---|
| 8 April | Cybersecurity Awareness | FrieslandCampina Netherlands |
| 9 April | GA-Doing Honest Business e-Learning | FrieslandCampina Learning |
| 9 April | GA-Fair Competition Introduction e-Learning | FrieslandCampina Learning |
| 15 April | Lead to Win, ELG2: Experimentation | London Business School, UK |
| 21 - 22 April | Creating Asia Strategy & Way Forward | FrieslandCampina Asia (Singapore) |
| 28 April | ACE Fighting Unit Acceleration: Commercial workshop 2 | FrieslandCampina Netherlands |
| 11 May | Lead to Win Cohort 5 Capstone: Inspirational Communication | London Business School, UK |
| 19 May | Career & Development Coaching | Dutch Lady Milk Industries Bhd, facilitated by HC Consultants Group |
| 24 May | Digital Transformation | Dutch Lady Milk Industries Berhad |
| 12 June | GA-Cyber Security Awareness for Office, Be Cyber Savvy e-Learning | FrieslandCampina Learning |
| 6 July | Community of Practice (Agile Exchange Programme) | Dutch Lady Milk Industries Bhd, facilitated by Ekipa |
| 15 August | Digital NOW - Commerce | FrieslandCampina Netherlands |
| 23 August | Leadership - Team Management | Dutch Lady Milk Industries Berhad |
| 25 August | #Fresheyes - Rethink What's Possible | People Matters TechHR Singapore 2022 |
| 20 September | Pricing & Revenue Growth Management | Ehrenberg Bass Institute |
| 21 September | GA-Crisis Management e-Learning | FrieslandCampina Learning |
| 15 November | Dairy Industry in Malaysia, History & Challenges | Dutch Lady Milk Industries Berhad |
| 3 December | GA-Cyber Security: Protect Your Identity & Be Aware When You Share e-Learning | FrieslandCampina Learning |

Saw Chooi Lee

| Date of Training | Course Details | Organiser |
|------------------|--|-----------------------------------|
| 23 February | Climate Change | Dutch Lady Milk Industries Berhad |
| 2 March | TCFD 101: Getting Started with Climate-Related Financial Reporting | Bursa Malaysia |
| 9 March | International Women's Day: Power Hour: Queen Bee Effect | Lead Women Sdn Bhd |
| 12 April | Executive Insight: Purposeful Leadership | Lead Women Sdn Bhd |
| 25 April | Promoting Merit Through Quota on Boards | Lead Women Sdn Bhd |
| 24 May | Digital Transformation | Dutch Lady Milk Industries Berhad |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Date of Training | Course Details | Organiser |
|-------------------|--|---|
| 13 July | Network with Leaders Empowering Transformational Leadership (as Panelist) | Lead Women Sdn Bhd |
| 6 August | Breaking the Glass Ceiling: Conscious & Confident Leadership with Sri Preethaji | Lead Women Sdn Bhd |
| 24 August | Tokenisation: The Promise of an Equitable Future by Farah Jaafar MD (CCO Fusang) | Lead Women Sdn Bhd |
| 26 August | Market Visit for DLMI BOD | Dutch Lady Milk Industries Berhad |
| 26 - 28 September | International Directors Summit 2022 | Institute Corporate Directors Malaysia (ICDM) |
| 1 November | USAID Women Directors Program C2-Self Aware Leadership (as Panelist) | USAID Responsible Investment & Trade Activity |
| 15 November | Dairy Industry in Malaysia, History & Challenges | Dutch Lady Milk Industries Berhad |

Dato' Dr. Rosini Alias

| Date of Training | Course Details | Organiser |
|------------------|---|-----------------------------------|
| 23 February | Climate Change | Dutch Lady Milk Industries Berhad |
| 21 April | Sustainable Investing: ESG At the Forefront | PNB |
| 24 May | Digital Transformation | Dutch Lady Milk Industries |
| 10 August | Tall Buildings and Living In the Space Age: The Enigma and Convergence of Science and Art | PNB |
| 23 August | Leadership - Team Management | Dutch Lady Milk Industries Berhad |
| 26 August | Market Visit for DLMI BOD | Dutch Lady Milk Industries Berhad |
| 9 November | Decarbonised Economy, Accelerating the Net Zero Transition | PNB |

Bernardus Hermannus Maria Kodden

| Date of Training | Course Details | Organiser |
|------------------|--|-----------------------------------|
| 23 February | Climate Change | Dutch Lady Milk Industries Berhad |
| 24 May | Digital Transformation | Dutch Lady Milk Industries Berhad |
| 15 November | Dairy Industry in Malaysia, History & Challenges | Dutch Lady Milk Industries Berhad |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Tengku Nurul Azian Tengku Shahrman

| Date of Training | Course Details | Organiser |
|-------------------|---|---|
| 23 February | Climate Change | Dutch Lady Milk Industries Berhad |
| 2 March | TCFD Climate Disclosure Training Programme 101 | United Nations Sustainable Stock Exchange Initiative, International Finance Corporation, Carbon Disclosure Project Worldwide and Bursa Malaysia Securities Berhad |
| 12 April | Progress Update Meeting for Sustainable Development Solutions Network Project | Jeffrey Cheah Foundation |
| 24 May | Digital Transformation | Dutch Lady Milk Industries Berhad |
| 8 June | Human Rights | FrieslandCampina |
| 27 June | PowerTalk ESG Series #1 - Plan Your ESG Journey: Lessons for the Boardroom | Institute of Corporate Directors Malaysia |
| 23 August | Leadership - Team Management | Dutch Lady Milk Industries Berhad |
| 26 August | Market Visit for DLMI BOD | Dutch Lady Milk Industries Berhad |
| 26 September | Anti-Bribery and Anti-Corruption (ABAC) Annual Refresher Course | PBB Group |
| 26 - 28 September | International Directors Summit | Institute of Corporate Directors Malaysia |
| 30 September | Sustainable Supply Chain Financing | Malaysian Sustainable Finance Initiative |
| 3 November | PBB Group Directors' Training 2022 | PBB Corporate Services Sdn Bhd |
| 15 November | Dairy Industry in Malaysia, History & Challenges | Dutch Lady Milk Industries Berhad |
| 1 December | Becoming a Future-Focused Risk Management Committee | Institute of Corporate Directors Malaysia |
| 6 December | SC's AOB Conversation with Audit Committee | Securities Commission Malaysia |

Jean Serge Krol

| Date of Training | Course Details | Organiser |
|------------------|--|-----------------------------------|
| 23 February | Climate Change | Dutch Lady Milk Industries Berhad |
| 24 May | Digital Transformation | Dutch Lady Milk Industries Berhad |
| 8 June | Human Rights | FrieslandCampina Learning |
| 23 August | Leadership - Team Management | Dutch Lady Milk Industries Berhad |
| 15 November | Dairy Industry in Malaysia, History & Challenges | Dutch Lady Milk Industries Berhad |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Darren Kong Kam Seong

| Date of Training | Course Details | Organiser |
|------------------|--|---|
| 5 - 6 January | Tax Planning for Online Sales, Youtubers and E-trading | Choong Research & Training PLT |
| 19 January | 10 th ACCA Asia Pacific Thought Leadership Forum - 2022 Economic Outlook: A roaring Tiger or a Lazy Cat? | ACCA |
| 20 January | Executive Workshop: Digital Trends 2022: Enterprise Digital Transformation Blueprint | Redtone |
| 23 February | Climate Change | Dutch Lady Milk Industries Berhad |
| 25 February | How To Scale & Leverage Your Advisory Practice in 2022 | Institute of Advisors |
| 2 March | TCFD 101: Getting started with climate-related financial reporting | Bursa Malaysia |
| 4 March | Directors Talk: Information Disclosure Quality and the Board's role | Vietnam Institute of Directors |
| 9 March | TCFD 102: Building experience in climate-related financial reporting | Bursa Malaysia |
| 10 March | Age of opportunity in private markets | The Economist Group |
| 8 - 11 March | Technology for Change Week Asia 2022 | The Economist Group |
| 23 March | 11 th ACCA Asia Pacific Thought Leadership Forum - Accelerating Transformational Journeys - Five years in five months | ACCA |
| 23 March | Institute Of Directors, India's 20 th Annual Global Convention on Corporate Governance and Sustainability | Institute Of Directors, India |
| 30 March | The new OECD Transfer Pricing Guidelines 2022 | CPA Australia |
| 20 April | ACP 2 - Valuation in Southeast Asia's Technology Industry | Singapore Institute of Directors |
| 25 May | APAC Thought Leadership Virtual Forum - Sustainability reporting: get ready for new ISSB standards | ACCA |
| 16 June | ISSB Briefing Workshop and Q&As for Emerging Markets Confirmation | International Sustainability Standards Board (ISSB) |
| 17 June | ICDM - NRC Dialogue & Networking | Institute of Corporate Directors Malaysia |
| 29 June | ICDM Emerging Trends Talk: The Accelerated Race for SMEs to Digitalise | Institute of Corporate Directors Malaysia |
| 20 - 21 July | MIA Virtual Conference Series : Data Intelligence & Analytics Conference for SMEs 2022 | Malaysian Institute of Accountants (MIA) |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

| Date of Training | Course Details | Organiser |
|----------------------|---|---|
| 27 July | APAC Thought Leadership Virtual Forum - Fintech: Don't Miss the Wave | ACCA |
| 27 July | Bloomberg Sustainable Business Summit | Bloomberg Asia |
| 11 August | ICDM PowerTalk ESGSeries #6 on "Characteristics of ESG & Sustainability Leadership" | Institute of Corporate Directors Malaysia |
| 23 August | Leadership - Team Management | Dutch Lady Milk Industries Berhad |
| 26 August | Market Visit for DLMI BOD | Dutch Lady Milk Industries Berhad |
| 26 - 28 September | ICDM International Directors Summit 2022 (IDS2022) | Institute of Corporate Directors Malaysia |
| 15 November | Dairy Industry in Malaysia, History & Challenges | Dutch Lady Milk Industries Berhad |
| 5 December | Business Advisory Certification (CPBA) Course | Institute of Advisors |

Board Evaluation

In FY2022, the Board undertook an internal annual evaluation of the Board's effectiveness as a review on Board effectiveness using External Consultants was carried out for FY2020. 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 Composition & Dynamics. This feedback positively assures that Board members have open and robust discussions, that NEDs can act effectively as check and balance to Management, and that the Board members are open in their communication with Management. 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 FY2023:

1

Enhancing discussions on strategic initiatives and for Board Agenda periodically include reviews on the strategic initiatives of the Company which results in robust discussions.

2

For the Board to deliberate on both near-term and long-term risks affecting financial and non-financial performance.

3

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.

4

For the NRC to provide more insights into Board performance and provide recommendations for improvements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 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 taking into account 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 taken into account 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 2022 is as follows:

| | Executive Directors RM | Non-Executive Directors RM |
|---|---------------------------|-------------------------------|
| Directors' Fees and Committee Member Allowances | - | 442,693 |
| Benefits | - | 61,100 |
| Salaries and other emoluments | 1,142,581 | - |
| Benefits in kind | - | - |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The details of the total remuneration of the directors on a named basis for the financial year ended 31 December 2022 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 | 126,083 | 6,500 | - | - | 132,683 |
| Ramjeet Kaur Virik | - | - | 1,142,581 | - | 1,142,581 |
| Saw Chooi Lee | 80,870 | 14,300 | - | - | 95,170 |
| Dato' Dr. Rosini binti Alias | 77,771 | 11,700 | - | - | 89,471 |
| Tengku Nurul Azian binti Tengku Shahrman | 80,198 | 14,300 | - | - | 94,498 |
| Darren Kong Kam Seong | 77,771 | 14,300 | - | - | 92,071 |
| Total | 442,693 | 61,100 | 1,142,581 | - | 1,646,374 |

For the top remaining senior management personnel, the aggregate remuneration (wages, salaries, benefits and contributions to state plans) paid for FY2022 is approximately RM5.36 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 AND 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 FY2022 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.

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 2022 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 FY2022. 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 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)

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:



The risk profile of the Company is established during the annual risk assessment session facilitated by Royal FrieslandCampina N.V. (RFC). 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.

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 FY2022 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 Auditor. 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.

PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

ENGAGEMENT WITH STAKEHOLDERS

(Practice 12 and 13)

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 utilising 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 FY2022,

the Company held two investor relations meetings, in February and November. The presentations shared during those meetings are 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 2022 was fully virtual. All Directors were physically present at the Broadcast Venue of the meeting. Since FY2020, the Company’s general meetings have been held virtually through live streaming and online remote voting. 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 FY2022 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 utilising 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 60th AGM on 26 May 2023. 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 FY2022 was RM544,776. The amount of audit fees paid to External Auditors by the Company for FY2022 was RM101,604.

(ii) Non-Audit Fees

The amount of non-audit fees paid to External Auditors by the Company for the FY2022 was RM22,000 in respect of the review of Statement of Risk Management & Internal Control.

(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 FY2022 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 24 February 2023.

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 19 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 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 Managing Director, Corporate Strategy & Alliance of Fusionex International, an established multi-award winning data technology provider 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.

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 Royal FrieslandCampina N.V. from 2002 to 2019. In July 2019, he was appointed as the Director of Finance for the Specialized Nutrition Business Group for Royal FrieslandCampina, Netherlands.

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.

AUDIT & RISK COMMITTEE REPORT

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.

- (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;
 - (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.
- 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, organises self-assessments and ensures effectiveness of the system;
 - (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 cognisance of resignations of internal audit staff members.

AUDIT & RISK COMMITTEE REPORT

In relation to Enterprise Risk Management

- (i) 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:
 - 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;
 - Put in place policies and procedures on business ethics and good business conduct which includes focus on anti-bribery and corruption;

- Promote an effective risk awareness where risk management is an integral aspect of the Company's business plan and project portfolio;
- Ensure appropriate skills and resources are applied to risk management;
- Review periodic reports from the management on risk exposure, risk portfolio composition and risk management activities;
- 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.

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 including 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 2022. The membership status and attendance record of each of the members are as follows:-

| Members | | |
|--|--------------------------|--|
| Tengku Nurul Azian binti Tengku Shahrman (Chairperson, Independent Non-Executive Director) | Attendance 4/4 |  — 100% |
| Ms. Saw Chooi Lee (Member, Senior Independent Non-Executive Director) | Attendance 4/4 |  — 100% |
| Mr. Darren Kong Kam Seong (Member, Independent Non-Executive Director) | Attendance 4/4 |  — 100% |
| Dato' Dr. Rosini binti Alias (Member, Non-Independent Non-Executive Director) | Attendance 4/4 |  — 100% |
| Mr. Jean Serge Krol (Member, Non-Independent Non-Executive Director) | Attendance 4/4 |  — 100% |

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.

(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 2022, PwC shared its Transparency Report for 2021 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. There is also focus on how they redefined their strategy given the pressures and challenges clients are facing due to the COVID-19 pandemic.

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.

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 RM22,000 in respect of the review of Statement of Risk Management & Internal Control.

(f) Internal Audit

During FY2022, 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 2021 Annual 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 recurrent related party transactions, and any conflict-of-interest situations during the year
- 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 authorised 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.

AUDIT & RISK COMMITTEE REPORT

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:

- (a) Prepared the internal audit plan for the year, which is reviewed and approved annually by the Committee, and updated where necessary by the Committee;
- (b) 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;
- (c) Prepared the internal audit programme based on the internal audit plan, for each activity or process to be audited;
- (d) Maintained the Company's Internal Control Framework, including periodically reviewing controls, organising self-assessments and ensured effectiveness of the system;

- (e) 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;
- (f) 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;
- (g) 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; and
- (h) 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 RM544,776 were incurred in relation to the internal audit function for the financial year ended 31 December 2022.

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 Integrated 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 AND 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 to ensure 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 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 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 of system of risk management and internal controls within an established governance framework throughout the Company.

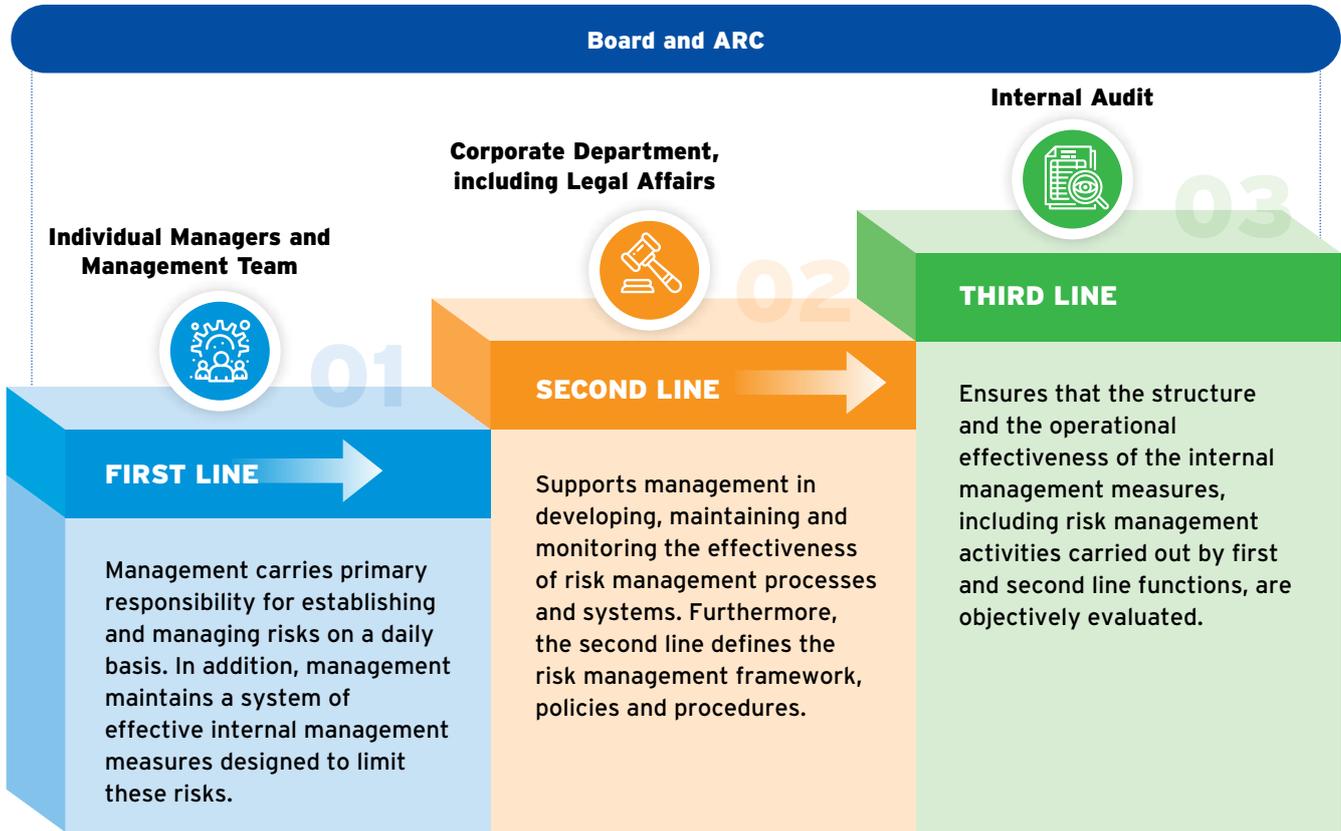
RISK MANAGEMENT FRAMEWORK

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 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.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

In order to facilitate an effective risk management process, a governance process has also been established. The **Three Lines Models** is developed to ensure a structured approach is used and clear roles and responsibility is defined between the different roles.



The above is supported by assurance activities carried out by the external auditors whose responsible to evaluate and provide independent and reasonable assurance on the organisations 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:



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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:-



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:

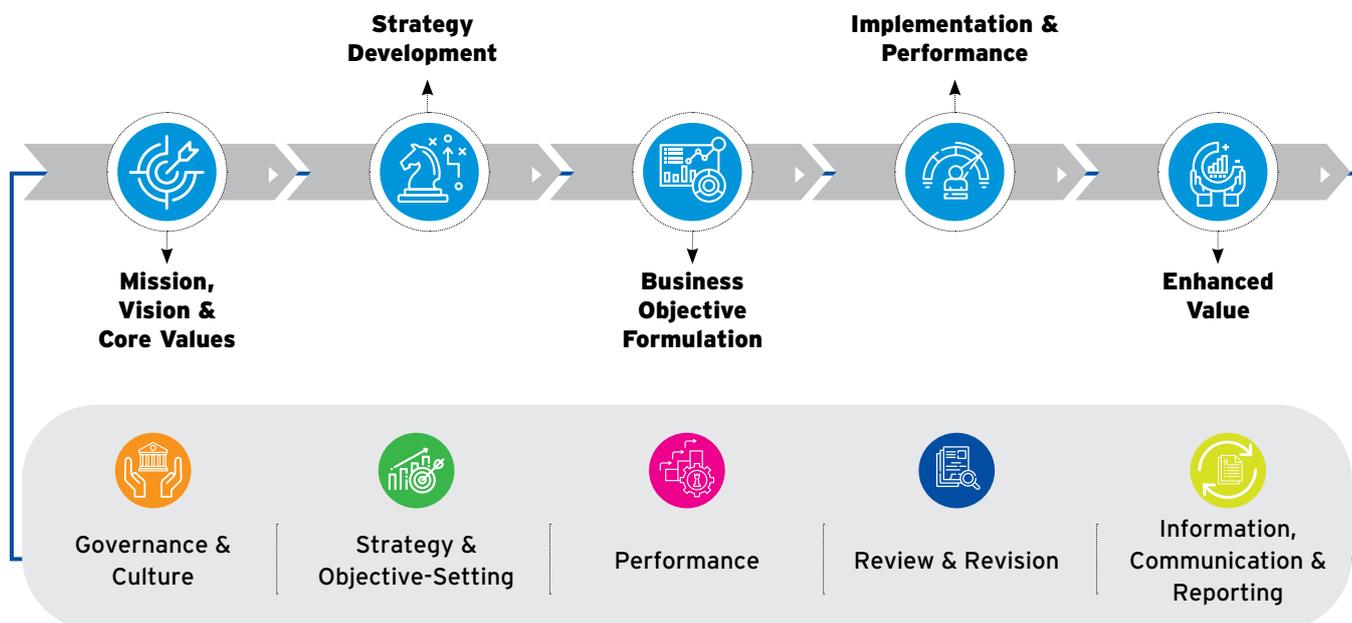
Risk Identification & Assessment

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. This exercise is facilitated by Internal Audit (IA) and is part of the continuous risk dialogue session.

ENTERPRISE RISK MANAGEMENT



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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.



The Company's general risk appetite depends on the risk categories, is set out in the table below.

| 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. |

On a quarterly basis, the risk profiles are updated by the Management Team and Business Leaders. The updated risk profiles are then tabulated into a heat map, which set out the priority and focus for risk mitigation strategies based on risk ratings at net levels. The net risk level is determined after taken into consideration the effectiveness of existing controls and risk mitigation plans.

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, the Nomination Committee and the Remuneration Committee.

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 that 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 delegated to Management in accordance with authority limits. Appraisal and monitoring procedures are applied to all major investment decisions, and at times using external consultants 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 of 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 aim of the Company is 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.

In 2022, an internal maturity assessment (One Audit) was conducted on the quality system for Food Safety and Quality Management System and Safety Health and Environment Management System. In addition, a review is also conducted to ensure a proper maintenance system and organisational structure is in place. ONE audit is carried out by the global team every two years once 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.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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 programme, 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.

In this regard, the RFC Company's code for good business conduct, Compass, plays an important role in the management of compliance risk. This code of conduct and its underlying guidelines which include the Speak Up Procedure, Fair Competition guidelines and Doing Honest Business, amongst others forms the basis of the honest, respectful and transparent business conduct of the Company's employees and third parties with whom the Company transacts with. Compliance with this code of conduct and the guidelines is cascaded to all employees by means of a comprehensive communication and training programmes, with designated local trusted representatives, set in place.

The 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. In line with that, the Legal team of DLMI has conducted briefings with selected CAPEX suppliers on Compass Guidelines including the principal do's and don't and key emphasis placed on anti-bribery and corruption, safety and human rights.

- **Formalised Strategic Planning and Operating Plan Processes**

The Strategic Planning process is led by RFC Company and is focusing on long term strategic direction of the Company, prioritising 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 organisation. 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, especially on the improvement in 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 KPI's of the organisation is 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.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

On behalf of the Management Team, the Managing Director and the Finance Director sign's-off on a bi-annual Management Statement to the Business Group. By signing off on the Management Statement, it demonstrates the management's accountability over financial and non-financial reporting disclosures, adequacy of the Internal Control Framework (ICF), responsibility for proper Segregation of Duty ("SOD") and 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 noted.

- **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



Data Privacy

Training and development programmes such as health and safety, psychological safety at work, technical knowledge training, coaching and leadership capability building are organised 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 IA team also conducted trainings on the principals of Internal Control Framework (ICF) with the relevant control owners and control performers.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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 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 in a 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, 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 2022, the Company has also taken the opportunity to update key policies and procedures relating to functions of the business: HR, Finance, Sales & Legal. The policies and procedures are reviewed and updated 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). These communication is done on a yearly basis via the Townhall process.

The Global Business Conduct team assisted the local IA team in conducting an assessment on business conduct risk with emphasis placed on Fraud, Bribery and Compliance to relevant laws & regulation. The outcome of the assessment is then reviewed and action plans are developed to mitigate any potential risks.

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 on a quarterly basis to the Audit & Risk Committee.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

• Summary of Work Performed by Internal Audit

During FY2022, 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 in ensuring all agreed action plans are address 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 2022; 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 24th of February 2023.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting (“60th AGM”) of the Company will be carried out fully virtual 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 Friday, 26 May 2023 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 2022, 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 2023, 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 2023 (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: **Resolutions 3 and 4**
 - (a) Mr. Jean Serge Krol; and
 - (b) Dato’ Dr. Rosini binti Alias
5. To re-appoint Ms. Corine Danielle Tap who was appointed during the year and retires pursuant to Rule 86.3 of the Constitution of the Company. **Resolution 5**
6. 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:

7. **PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“PROPOSED SHAREHOLDERS’ MANDATE”)** **Resolution 7**

“**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 2023 which are necessary for the Company’s day-to-day operations subject to the following:-

- (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

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the aggregate value of such transactions conducted pursuant to the Shareholders' Mandate during the financial year will be disclosed in the Integrated Annual Report for the said financial year;

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."

- 8. 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 2023

NOTES

1. The Sixtieth Annual General Meeting ("60th AGM") will be conducted fully virtual 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 60th AGM through the following modes of communication: i) Typed text in the Meeting Platform ii) E-mail questions to bsr.helpdesk@boardroomlimited.com prior to the Virtual Meeting iii) You may submit questions in advance on the AGM resolutions and Integrated Annual Report 2022 not later than 10.00 a.m. on Thursday, 25 May 2023 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 60th AGM to facilitate the Virtual Meeting. Please follow the procedures set out in the Administrative Guide for the 60th AGM below to register, participate and vote remotely via RPEV facilities.
2. The Broadcast Venue of the 60th 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 60th AGM. Members will not be allowed to attend the 60th AGM in person at the Broadcast Venue on the day of the 60th AGM.
3. A Member entitled to attend and vote at the 60th AGM of the Company is entitled to appoint a proxy/proxies to attend and vote instead of him/her. 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.

NOTICE OF ANNUAL GENERAL MEETING

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 60th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **19 May 2023** ("General Meeting Record of Depositors"). Only depositors whose names appear on the Record of Depositors as at **19 May 2023** 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 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 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 60th AGM will be put to vote by way of poll.

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 the proposed payment of the Directors' fees and the payment of benefits for the financial year ending 31 December 2023, as follows:

| DIRECTORS' FEES AND BENEFITS | 2022 (per annum) | 2023 (per annum) |
|--|---------------------|---------------------|
| Chairperson's Fees | RM126,083 | RM129,865 |
| Non-Executive Directors' fees (other than FC DLMI's Nominee Directors) | RM71,870 | RM74,026 |
| Chairperson of Audit & Risk Committee fees | RM8,851 | RM9,117 |
| Member of Audit & Risk Committee fees (other than FC DLMI's Nominee Directors) | RM5,901 | RM6,078 |
| Chairperson of Nominating & Remuneration Committee fees | RM1,771 | RM1,824 |
| Meeting Attendance allowance | RM1,300 per meeting | 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 2023.

(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 meets 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 Mr. Jean Serge Krol and Dato' Dr. Rosini binti Alias had performed well based on the performance criteria evaluated. Ms. Corine Danielle Tap was appointed on the Board on 1 January 2023 and as such the performance evaluation carried out for FY2022 is not applicable to her.

Based on the above, the Board approved the NRC's recommendation and supports the re-election of Mr. Jean Serge Krol and Dato' Dr. Rosini binti Alias who retire in accordance with Rule 105 of the Company's Constitution, and the re-appointment of Ms. Corine Danielle Tap who retires in accordance with Rule 86.3 of the Company's Constitution.

(iv) Resolution 7: Proposed 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 2023.

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 60th 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 60th 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 SIXTIETH ANNUAL GENERAL MEETING ("60TH AGM")

| | |
|-----------------------|--|
| Meeting Platform | : https://meeting.boardroomlimited.my |
| Day and Date | : Friday, 26 May 2023 |
| Time | : 10.00 a.m. |
| Broadcast Venue | : 12 th 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 60th AGM via the Broadcast Venue as the venue is only meant to facilitate the conduct of the Virtual Meeting.

Integrated Annual Report 2022

1. Members are encouraged to download a digital copy of the Integrated Annual Report 2022 from the Company's website in the interest of preserving the environment. The Integrated Annual Report 2022 can be downloaded from the Company's website www.dutchlady.com.my.
2. If you need a copy of the printed Integrated Annual Report 2022, kindly complete the enclosed Request Slip and send the same to the Company's Share Registrar, Board Share Registrars Sdn Bhd.
3. Any request for the Integrated Annual Report 2022 would be forwarded to the requestor within four (4) market days from the date of receipt of the written request.

NOTICE OF ANNUAL GENERAL MEETING

Proxy

1. Shareholders who are unable to remote participate in Dutch Lady Milk Industries Berhad's 60th 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 remote participate the Virtual Meeting yourself, please do not submit any Proxy Form. You will not be allowed to participate the Virtual Meeting together with a proxy appointed by you.
4. If you have submitted 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 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.

Remote Participation and Electronic Voting

6. Please note that this option is available to **(i) individual members; (ii) corporate shareholder; (iii) Authorised Nominee; and (iv) Exempt Authorised Nominee.**
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 the registration with all required information. Upload a softcopy of your or representative's MyKAD/Identification Card (front and back) or Passport.
- e. For Corporate Holder, kindly upload the authorisation letter as well. Click "Sign Up".
 - a. You will receive an email from Boardroom for email address verification. Click "Verify Email Address" from the email received to continue with the registration.
 - b. Once your email address is verified, you will be re-directed to Boardroom Smart Investor Portal for verification of mobile number. Click "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.
 - c. Your registration will be verified and approved within one (1) business day and an email notification will be provided to you.

| |
|--|
| <p>Step 2 - Submit Request for Remote Participation User ID and Password <i>[Note: The registration for remote access will be opened on 25 April 2023]</i></p> |
| <p>Individual Members</p> <ul style="list-style-type: none"> - Login to https://investor.boardroomlimited.com using your user ID and password above. - Select "Virtual Meeting" from main menu and select the correct Corporate Event "Dutch Lady Milk Industries Berhad 60th Annual General Meeting". - Read and agree the to the terms and conditions. - Enter your CDS account and thereafter submit your request. <p>Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee</p> <p>1) Via Email</p> <ul style="list-style-type: none"> - 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. <p>2) Via Boardroom Smart Investor Portal</p> <ul style="list-style-type: none"> - Login to https://investor.boardroomlimited.com using your user ID and password from Step 1 above. - Select "Dutch Lady Milk Industries Berhad 60th 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. |
| <p>Step 3 - Login to Virtual Meeting Portal <i>[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.]</i></p> |
| <ol style="list-style-type: none"> a. The Virtual Meeting portal will be opened for login starting one (1) hour before the commencement of Virtual Meeting at 10:00 a.m. on 26 May 2023. 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 Virtual Meeting Portal. |

Live Webcast, Question and Voting at the Virtual Meeting

The Login User Guide for participation, posing questions and voting at the 60th 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 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 60th 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 60th AGM, after the Chairperson 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 you are connected to the internet at all times in order to participate and vote when the virtual AGM has commenced. Therefore, it is your 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.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

| Related Party | Nature of Transaction | Value of Transactions from 25 May 2022 to 31 December 2022 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 | 424,349 |
| P.T. Frisian Flag Indonesia, Indonesia | Purchase by DLMI of fully packed dairy products including products and raw materials | 129,608 |
| FrieslandCampina Foremost (Thailand) Pte Ltd, Thailand | Purchase by DLMI of fully packed dairy products and raw materials | - |
| FrieslandCampina Nederland B.V., the Netherlands and/or FrieslandCampina Domo B.V., the Netherlands | Sale by DLMI of fully packed dairy products | 1,830 |
| FrieslandCampina (Singapore) Pte Ltd, and/or FrieslandCampina AMEA Pte Ltd, Singapore | Sale by DLMI of fully packed dairy products | 14,047 |
| FrieslandCampina Nederland B.V., the Netherlands | Payment of fees by DLMI for know-how, Trademark licence and Management support | 58,663 |
| FrieslandCampina DLMI Malaysia Holding B.V., the Netherlands | Payment of fees by DLMI for corporate management fees | 110 |
| FrieslandCampina B.V., the Netherlands | Payment of fees by DLMI for shared ICT and communication services | 10,821 |
| FrieslandCampina Service Centre Asia Pacific Sdn Bhd, Malaysia | Payment of fees by DLMI for shared finance and procurement services | 1,365 |
| FrieslandCampina Service Centre Asia Pacific Sdn Bhd, Malaysia | Receipt of fees by DLMI for the provision of shared corporate services | 128 |
| Royal FrieslandCampina N.V., the Netherlands | Interest on inter-company credit facility | - |

ANALYSIS OF SHAREHOLDINGS

ANALYSIS OF SHAREHOLDINGS AS AT 14 MARCH 2023

| | | |
|-----------------|------------------|------------------------------|
| 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 | 302 | 4.88 | 2,267 | 0.0 |
| 100 to 1,000 shares | 4,173 | 67.44 | 1,931,382 | 3.0 |
| 1,001 to 10,000 shares | 1,526 | 24.66 | 4,911,607 | 7.7 |
| 10,001 to 100,000 shares | 171 | 2.76 | 4,738,744 | 7.4 |
| 100,001 to 3,199,999(*) | 13 | 0.21 | 8,062,700 | 12.6 |
| 3,200,000 & above (**) | 3 | 0.05 | 44,353,300 | 69.3 |
| | 6,188 | 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. Citigroup Nominees (Tempatan) Sdn Bhd ** Employees Provident Fund Board | 7,071,900 | 11.05 |
| 3. Amanahraya Trustees Berhad ** Amanah Saham Bumiputera | 4,666,600 | 7.29 |
| 4. Amanahraya Trustees Berhad Amanah Saham Malaysia | 2,024,300 | 3.16 |
| 5. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100) | 1,995,400 | 3.12 |
| 6. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aun Huat & Brothers Sdn Bhd (E-IMO/BCM) | 753,400 | 1.18 |
| 7. Yong Siew Lee | 577,000 | 0.90 |
| 8. Amanahraya Trustees Berhad ASN Umbrella for ASN Equity 3 | 567,200 | 0.89 |
| 9. Amanahraya Trustees Berhad Public Islamic Treasures Growth Fund | 496,800 | 0.78 |
| 10. Yeo Khee Bee | 442,900 | 0.69 |
| 11. Kumpulan Wang Persaraan (Diperbadankan) | 384,200 | 0.60 |
| 12. Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik | 200,000 | 0.31 |
| 13. Amanahraya Trustees Berhad Public Dividend Select Fund | 173,000 | 0.27 |

ANALYSIS OF SHAREHOLDINGS

| Name of 30 Largest Shareholders | | No. of Shares | % of Holdings |
|---------------------------------|---|-------------------|---------------|
| 14. | Chow Kok Meng | 160,000 | 0.25 |
| 15. | Yayasan Guru Tun Hussein Onn | 156,300 | 0.24 |
| 16. | Amanahraya Trustees Berhad Public Islamic Emerging Opportunities Fund | 132,200 | 0.21 |
| 17. | Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan See Min Realty Sdn Bhd (E-KUG) | 95,200 | 0.15 |
| 18. | Tan Kim Onm | 89,900 | 0.14 |
| 19. | Citigroup Nominees (Tempatan) Sdn Bhd Exempt an for OCBC Securities Private Limited (Client A/C-R ES) | 86,300 | 0.13 |
| 20. | Tan Lee Hwa | 84,000 | 0.13 |
| 21. | Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC | 83,400 | 0.13 |
| 22. | UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian PTE LTD (A/C Clients) | 81,800 | 0.13 |
| 23. | Yee Anne | 81,200 | 0.13 |
| 24. | Wong So-Ch'i | 80,700 | 0.13 |
| 25. | Wong So Haur | 80,500 | 0.13 |
| 26. | Tay Teck Ho | 80,000 | 0.13 |
| 27. | Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series | 79,100 | 0.12 |
| 28. | Chua Sim Hong | 78,200 | 0.12 |
| 29. | Tan Pak Nang | 76,000 | 0.12 |
| 30. | Lian Lee Choo | 73,000 | 0.11 |
| Total | | 53,565,300 | 83.70 |

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. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board | 7,071,900 | 11.05 | 0 | 0 |
| 3. Amanahraya Trustees Berhad Amanah Saham Bumiputera | 4,666,600 | 7.29 | 0 | 0 |

DIRECTORS SHAREHOLDINGS

| Name | Direct | % | Indirect | % |
|---|--------|------|----------|------|
| 1. Datin Seri Sunita Mei-Lin Rajakumar | 1,000 | 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 2022

| | |
|------------------------------|---|
| Location of Property | Lot 61320, Lot 61321 and Lot 61322, Mukim Bandar Baru Enstek, Daerah Seremban, Negeri Negeri Sembilan |
| Brief description | Industrial Land |
| 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 |

This page has been intentionally left blank.

PROXY FORM



| | |
|--------------------|--|
| CDS Account No. | |
| 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 Sixtieth Annual General Meeting of the Company which will be held fully virtual 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 Friday, 26 May 2023 at 10.00 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 2023, to be paid quarterly | | |
| Resolution 2 | Proposed payment of Directors' benefits (other than Directors' fees) for the financial year ending 31 December 2023 | | |
| Resolution 3 | Re-election of Mr. Jean Serge Krol | | |
| Resolution 4 | Re-election of Dato' Dr. Rosini binti Alias | | |
| Resolution 5 | Re-appointment of Ms. Corine Danielle Tap | | |
| Resolution 6 | Re-appointment of PricewaterhouseCoopers PLT as the Company's Auditors | | |
| Resolution 7 | Proposed 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 _____ 2023

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 Sixtieth Annual General Meeting ("60th AGM") will be conducted fully virtual 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 60th 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 Integrated Annual Report 2022 not later than 10.00 a.m. on Thursday, 25 May 2023 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 60th AGM to facilitate the Virtual Meeting. Please follow the procedures set out in the Administrative Guide for the 60th AGM below to register, participate and vote remotely via RPEV facilities.
2. The Broadcast Venue of the 60th 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 60th AGM. **Members will not be allowed to attend the 60th AGM in person at the Broadcast Venue on the day of the 60th 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/her 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 60th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at **19 May 2023** ("General Meeting Record of Depositors"). Only depositors whose names appear on the Record of Depositors as at **19 May 2023** 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 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 60th AGM will be put to vote by way of poll.

Please fold here to seal

STAMP

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

Please fold here to seal

When *Magic* Meets Science...

The magic of fresh milk transported from high quality cow breed is gently processed with the science of LocNutri™ technology to produce high quality milk.

Good Digestion, Stronger Inside.



High quality
cow breed



Freshly
delivered



Preserves >90%
natural nutrients





DUTCH LADY MILK INDUSTRIES BERHAD

(196301000165 / 5063-V)

Level 5, Quill 9, 112, Jalan Prof. Khoo Kay Kim

46300 Petaling Jaya

Selangor Darul Ehsan, Malaysia

www.dutchlady.com.my 



This Integrated Annual Report is printed on environmentally friendly paper from responsibly managed forests.