



15 March 2022

The Managing Director
C/o The Company Secretary
Nestle Nigeria Plc
22/24, Industrial Avenue Ilupeju
Lagos

Dear Sir/Madam,

CORPORATE GOVERNANCE RATING SYSTEM (CGRS): STATUS UPDATES ON YOUR PERFORMANCE

We wish to thank your organization for participating in the Corporate Governance Rating System (CGRS) recertification exercise conducted in 2021.

Please be informed that Nestle Nigeria Plc (Nestle Nigeria or the Company) obtained a score of 93.78% from the recertification exercise after the aggregation of scores across the three stages of the CGRS which is above the 70% certification pass mark. On behalf of the CGRS Steering Board, I congratulate your Company on the success achieved in the recertification exercise as well as on retaining Nestle Nigeria Plc's status as one of the companies on Nigerian Exchange Limited's (NGX) Corporate Governance Index (CGI).

Please note that the CGRS is currently not structured as a ranking system. Hence, the CGRS scores obtained by companies from the recertification exercise will not be published because we believe that doing so will amount to ranking of companies.

Furthermore, we observed certain gaps during the review process which we wish to bring to your attention.

- i. A review of the board composition does not show that majority of the Non-Executive Directors are independent as required by Principle 2.3(b) of the Nigerian Code of Corporate Governance 2018. Additionally, please note that the NCCG 2018 recommends that the composition of the Nomination and Governance Committee, as well as the Remuneration Committee should consist of Non-Executive Director and Independent Non-Executive Directors (INEDs) with a majority being INEDs, and should also be chaired by an INED.

The Company is therefore advised to take appropriate remedial actions to address the above gaps and to achieve compliance with the requirements of NCCG 2018.

Further to the Company's recertification, we will like to draw your attention to some important aspects of the CGRS.

1. **Validity of Certification:** The CGRS certification is valid for three (3) years. Hence, Nestle Nigeria Plc will be required to revalidate its CGRS rating by 14 March 2025 unless its rating has been suspended or withdrawn before this date. Please note that the Steering Board of the CGRS reserves the right to suspend or withdraw a listed company's CGRS rating where there are corporate governance breaches or concerns that dictate that suspension or



withdrawal is appropriate in the circumstances. Additionally, please be advised that the Company's directors who have passed the Fiduciary Awareness Certification Test (FACT) will not be required to recertify in the event of a withdrawal of a rating. However, directors of a company may be required to undergo applicable mandatory training.

2. **Corporate Governance Index (CGI):** Please be advised that the Nigerian Exchange Limited's (NGX) Index Committee will consider admitting the Company on the CGI during the next index rebalancing exercise. The CGI is rebalanced half yearly in June and December. There will be regular communication between the Steering Board and the Index Committee of NGX, which has responsibility for the CGI. Such communication will cover several matters, including matters relating to withdrawal and suspension. In addition to other issues that may be considered by the Index Committee, the Committee may determine that it is appropriate to remove a company from the CGI or reduce a company's rating during the bi-annual rebalancing on account of a suspension or withdrawal of its CGRS rating, failure to submit financial returns as at when due for the CGI rebalancing or on account of other corporate governance related issues.
3. **Annual Certification:** Each CGRS certified company will be required to certify to NGX no later than 30 November of each year that it is not aware of any reason why its certification should be suspended or withdrawn, and the above referenced certification shall be accompanied by a certification that at least half (1/2) of its directors have passed the FACT. These certifications shall be in a standard form which shall be sent to all rated companies at the appropriate time.

Further, CGRS certified companies are expected to ensure that they do not fall in their standards of corporate governance. Corporate Governance is a continuum and we expect companies to always strive to build on their past successes and take steps to enhance their corporate governance positions.

We trust that Nestle Nigeria will not rest on its oars in this regard. Kindly contact Mrs Cynthia Akpomudiare via electronic mail at cynthia.akpomudiare@cbinigeria.com or Bonaventure Onwuji at bonwuji@ngxgroup.com and the undersigned at aameh@ngxgroup.com for any further information.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Anthonia Ameh'.

Anthonia Ameh,
Secretary, Steering Board