



Nestlé Good food, Good life

Management Report 2022



Be a force for good

Connecting generations, ideas and knowledge



About the Cover

At Nestlé, we understand that learning is a two-way street. That's why we encourage cross generational mentorship by bridging generations through knowledge and skill sharing to be a force for good.

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OUR PURPOSE

Unlocking the power of food to enhance quality of life for everyone, today and for generations to come.

OUR AMBITION

Globally, we have defined three overarching ambitions for 2030 which guide our work and support the achievement of the United Nations Sustainable Development Goals:



Help

50 MILLION
children live healthier lives



Help to improve

30 MILLION
livelihoods in communities directly
connected to our business activities



Strive for

ZERO
environmental impact in our operations





Nestlé Pakistan supports apple growers in Gilgit-Baltistan to explore new varieties, improve quality and increase the quantity of their produce.

DIRECTORS' REPORT

To the Shareholders

The Directors of Nestlé Pakistan Limited (the "Company") are pleased to submit the Annual Report along with the audited financial statements of the Company for the year ended December 31, 2022.



Financial Performance

Nestlé Pakistan reported its full year results for 2022, recording an increase of 21.9% in its revenue as compared to the same period last year. This growth was achieved despite external challenges of high inflation and devastating floods. Relentless focus on ensuring product availability, innovation and renovation initiatives supported by investments behind the brands helped to offset the headwinds mentioned above.

The Operating Profit also improved, as a result of sales growth, favorable product mix, pricing management and tighter control on fixed costs.

Nestlé is a Good food, Good life Company, and our Purpose – to unlock the power of food to enhance quality of life, today and for generations to come – is embedded in everything we do. Despite the pandemic, we drove innovation to create products that are right for consumers and positively contribute to public health and the environment. We adapted quickly and worked diligently across the Company to help us stand out from the competition.

In 2022, Dairy brought in a number of exciting new launches. These include LABAN drinking yogurt, MILKPAK Chocolate Breakfast Cream and MILO RTD in PET format for a better gulping experience. Launch of New IRON + (BUNYAD), with consistent investment, resulted into strong growth for the brand.

A new variant was added to Nestlé Nutrition's NESTLÉ CERELAC Nature's Selection portfolio, and an essential range of sachets introduced to drive the importance of fortified cereals in supporting physical and cognitive development. We also introduced new variants in RTD coffee and ICE mixes, and apple variant in our accretive sparkling range under our premium NESTLÉ FRUITA VITALS brand.

We aim to continue driving category innovations that fulfill our consumer needs and desires.

Sales

2022	2021	Change
162,516	133,295	+21.9%

Gross Profit Margin

2022	2021	Change
30.54%	30.38%	+16 bps

Operating Profit Margin

2022	2021	Change
16.48%	16.19%	+29 bps

Net Profit After Tax

2022	2021	Change
9.26%	9.58%	-32 bps

Net Profit After Tax

2022	2021	Change
15,050	12,768	+17.87%

Earnings Per Share

2022	2021	Change
331.9	281.6	+17.87%

Dividends






In view of the financial performance of the Company, the Board of Directors has recommended to pay final cash dividend of Rs. 95 per share, in addition to the interim cash dividend already paid of Rs. 240 per share, which brings the total dividend for the year to Rs. 335 per share for 2022 compared to Rs. 285 per share in 2021.

DIRECTORS' REPORT

To the Shareholders

Investment Projects

In 2022, Nestlé Pakistan made investments of PKR 3.4 billion, including projects on Renewable Energy. Highlights are hereunder:

	Sheikhupura Factory	1,255 Rs. in Million
	Kabirwala Factory	755 Rs. in Million
	Water Plants	180 Rs. in Million
	Distribution and Sales	519 Rs. in Million
	Others	790 Rs. in Million

Investments of approximately PKR 3 billion, are planned for 2023, primarily in respect of operational reliability in order to meet consumer demands.

Corporate & Financial Reporting Framework

Nestlé Pakistan is committed to maintain high standards of corporate governance without any exception. The Directors are pleased to state that the Company is compliant with the provisions of the Code of Corporate Governance as required by SECP and formed as part of stock exchange listing regulations. Statement of Compliance with Code of Corporate Governance is as under.

The Directors confirm that:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flow and changes in equity
- Proper books of accounts of the Company have been maintained
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Act, 2017 have been followed in the preparation of the financial statements; and any departure thereof has been adequately disclosed and explained
- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts upon the Company's ability to continue as a going concern

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations
- The value of investments of employee's funds are as follow (PKR millions):

	2022	2021
Provident Fund	3,981	3,941
Gratuity Fund	2,216	1,973
Pension Fund	4,623	4,152

- Statements regarding the following are annexed or disclosed in the notes to the accounts:
 - Key financial data for the last six years
 - Pattern of shareholdings
 - Trading in shares of the Company by its Directors, CEO, CFO and Company Secretary
 - Number of Board meetings held during the year and attendance by each director

Remuneration Policy for Non-Executive Directors and Disclosure of Remuneration of Directors

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board. The detail of the remuneration, including other benefits paid during the year 2022, to the Chief Executive Officer, Executive Directors, and Non-Executive Directors of the Company, are described in Note 41 of the financial statements.

External Auditors:

Messrs. Ernst & Young Ford Rhodes, Chartered Accountants have completed their assignment for the year 2022 and retiring at the conclusion of the 45th Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

Holding Company and Principal Activity:

Société des Produits Nestlé SA (SPN), a Company incorporated in Switzerland (the holding company), holds 27,936,173 ordinary shares representing 61.6% equity interest in the Company. The principal activity of the Company is manufacturing, processing and sale of food products including imported products. No change has occurred during the financial year relating to the nature of the business of the Company.

Human Resources Management & Employee Relations:

This year's highlight has been the New Nest – our new Head Office. The open layout, flexible seating and meeting spaces, bigger parking for employees, energy management have all been designed and picked to facilitate the employees' well-being and keep our promise of sustainability. The concept of hot desks has also been introduced to encourage more flexibility and cross functional collaboration.

Following relaxation in COVID restrictions there was a strong need to bring our workforce back to normalcy with the same energy and engagement. Happy Hours at the different themed pit stops coupled with fun snacks and boardgames, Xbox, football, cricket and table tennis tournaments are some of the activities that employees enjoyed most.

This year was also jam packed with exciting development programs to enhance employee capability - sessions like the People Manager Development Assessment Centre, People Academy Bootcamp, Digital Learning Portal, and Value Creation have brought back that learning spirit owing to on-ground trainings. The key highlight was the launch of NESLearn, the three-part Life Skills Learn Quest on Mind, Heart dedicated to Critical Thinking, Enabling Compassion & empathy in the workplace, as well as Mindfulness and Self-awareness. Combined training hours were recorded at 388+ as compared to last year's number of just 91.5. The increase in trainings was record-breaking at 324%.

People development and performance management activities were carried out to support employees to enable them to nurture their careers based on individual aspirations and succession plans. While the Career Coaching, 3-Party PDPs and Corporate & Functional Mentoring continued, we launched the first ever Cross-Generational Mentoring platform to enable our leaders to become more digital savvy and also build on their strengths using the Clifton Strengths assessments.

We continued to build on our global commitments with the focus to achieve our ambition under Nestlé Needs Youth. NestGen and International Youth Day celebrations were two notable zone led conventions where influential industry leaders from Google, Facebook, Microsoft, Accenture & TikTok spoke on various topics to inculcate a creative mindset in the future ready workforce. Pakistan market stood out with one of the highest participations with 10,413 youth attendees. Alongside, 20 young people were hired through the Management Trainee program and 190+ Nesterns were on boarded through various internship programs throughout the year. In totality in 2022, we engaged and provided support & development to 55,000+ aspiring youth of Pakistan.

Nestlé believes diversity in our workforce is an asset that impacts the way we think and the way we work together. We are committed to be an inclusive workplace that respects and supports our people to perform to the best of their abilities. Our initiative focusing on gender diversity, "Kero Aitemad" continued

to engage, motivate and inspire young female professionals. We inducted a pool of 33 females this year under this program, equipping them with the knowledge, skills and experience required for a successful career. Another such initiative is "Hay Tum Pe Yakeen", exclusively designed to break mental barriers associated with employing differently-abled persons. After successfully converting 40% employees to permanent roles in the preceding batch, 10 associates were hired for the year 2022 with a strong focus on building a strong talent pipeline through these associates for the future. We also increased our management female diversity from 27% to 30% in 2022.

Creating Shared Value (CSV) and Community Work

Nestlé Pakistan believes in Creating Shared Value (CSV) for the communities in which it works and lives. The health of our company is intrinsically linked to the health and resilience of the society we operate in. It is our belief that for a company to be able to create value for its shareholders, it must also create value for society. At Nestlé, social responsibility does not end with a few philanthropic activities. Instead, CSV is embedded in our business model, where direct engagement and support to communities is extended across the value chain. A signatory to the UN Global Compact for Ethical Business, the Company is committed to the stakeholders and the communities for mutual growth and sustainability. From offering quality products to consumers and providing a fair and diverse work environment for our employees; from our partners and raw material providers to implementing responsible sourcing models into our relationships; from supporting under privileged communities to working with small farmers; from enhancing sustainability and environmental friendliness of our operations to embedding ethical and transparent business practices, CSV is entrenched in the entire value chain of Nestlé.

Contributing to nutritious and sustainable diets, strengthening communities and helping to protect, renew and restore natural resources remain our focus areas for CSV. Our efforts in each of these areas are supported through our specific commitments. These commitments will, in turn, enable us to meet our ambitions for 2030 in line with the timescale of the Sustainable Development Goals (SDGs).

The key CSV initiatives of 2022 include:

- Continuation of our Market Sustainability Roadmap to 2025 as part of our global commitment to become a Net Zero company by 2050
- We reduced our carbon footprint in 2022 by replacing low-yield local cows with high-yield imported cows and switching to renewable energy resources such as solar energy and biogas
- Facilitation for collection and management of more than 700 tons of waste under our waste management project "Clean Gilgit-Baltistan Project" (CGBP) to encourage waste collection and management in Gilgit-Baltistan in alignment with our vision of a waste free future

DIRECTORS' REPORT

To the Shareholders

- We have trained nearly 400 hospitality professionals till date and aired public awareness campaign on selected FM radios under 'Travel Responsibly for Experiencing Ecotourism in Khyber Pakhtunkhwa' (TREK) – a collaboration between KP Government, World Bank Group and Nestlé Pakistan
- Nutrition awareness for another 35,000 school children in the rural, suburban and urban areas under Nestlé for Healthier Kids (N4HK), extending the overall outreach to more than 320,000 kids and 1,750 teachers on nutrition in 380 schools in the country
- Overall enrollment of nearly 2,500 women as Nestlé BISP Rural Women Sales Agents, a program in partnership with Benazir Income Support Program (BISP) and Akhuwat Foundation
- Provision of Clean and Safe Drinking Water to more than 60,000 people on daily basis through facilities in our operational areas
- Donations for flood affected communities which include in-kind support of 325,000 liters of water and 10,000 liters of milk to National Disaster Management Authority (NDMA), more than 700,000 servings of NESTLÉ BUNYAD, cash donations worth PKR 3 million which were matched 1:1 by the company (A total of PKR 6 million was donated to Akhuwat Foundation for flood rehabilitation efforts). We also extended cash donation to Prime Minister's Flood Relief Fund 2022 to support the rehabilitation process led by the government
- Installation of water sensors and drip irrigation in Punjab and Sindh with the help of farmers and partners including Punjab Agriculture Department, Lahore University of Management Sciences and Pakistan Agriculture Research Council to help reduce water wastage in agriculture
- Continued support for programs involving dairy farmers and rural women for skill enhancement related to dairy and livestock sector
- Continued product support through Nutrition Support Program for the underprivileged institutions and to the areas affected by natural calamities
- Continuation of Chaunsa Project and Apple sourcing project with integration of fruit farmers in our value chain
- Support for Driver Training Facility at the National Highways & Motorway Police Training Institute, Sheikhpura and Road Safety Institute, Karachi
- Plantation of 25,000 trees at different locations near our factories

Subsequent Events

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

Principal Risk & Uncertainty:

- Increase in input cost due to rising inflation and likely further devaluation of the currency
- Marco economic uncertainties which might affect consumer demand
- Increase in existing sales tax rates and levy of new taxes/ duties

Future Outlook:

The Company maintains a cautious outlook for 2023 due to external challenges e.g. restriction on imports, low Foreign exchange availability, pressure on the local currency, and an increase in taxes.

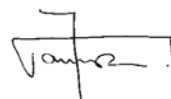
Despite all the challenges, the Company remains committed to profitable growth in the coming year, capitalizing on strong brand equity and highly committed workforce supported by continuous initiatives for operational excellence.

Acknowledgments:

We take this opportunity to thank our valued consumers who have trust in our products and continue to provide sustained support in ensuring the progress of the Company. Our people are our greatest strength and they have demonstrated their commitment once again throughout the pandemic by ensuring timely supply and availability of our products. We are guided by our strong values rooted in respect. Our purpose and our values are the reasons why we all work for Nestlé's success. They are fundamental to everything we do, particularly in times of significant changes in the external environment.

Nestlé Pakistan, whilst bringing international expertise and standards into its products, processes and manufacturing sites, remains a "Har Dam Pakistani" company, very proud of its achievements in Pakistan.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Samer Chedid

Chief Executive Officer



Syed Yawar Ali

Chairman

February 27, 2023
Lahore

ان شعبوں کیلئے ہماری کاوشوں کو ہمارے مخصوص عزائم کی معاونت حاصل ہوتی ہے۔ ہمارے یہ عزائم 2030 کے Sustainable Development Goals (SDGs) کے نام تکمیل کے عین مطابق ہمارے اہداف کو حاصل کرنے کے قابل بنائیں گے۔

سال 2022 میں اہم CSV سرگرمیاں درج ذیل ہیں:

2050 تک نیٹ زبردستی کے بین الاقوامی ہدف کے حصول کیلئے 2025 تک کیلئے ہمارے Market Sustainability Roadmap کا تسلسل۔

2022 میں ہم نے کم پیداواری صلاحیت کی حامل مقامی گاؤں کو زیادہ پیداواری کی حامل درآمد شدہ گاؤں سے تبدیلی اور سولازمی اور بائیوگیس جیسے توانائی کے جدید ذرائع پر منتقلی کے ذریعے کاربن فٹ پرنٹس میں کمی ممکن بنائی۔ "آلوگی سے پاک مستقبل" کے مشن میں گلگت اور ہنزہ میں کوڑا کرکٹ کو اکٹھا کرنے اور ٹھیکانے لگانے کی ذمہ داری کو فروغ دینے کیلئے ہمارے "کلین گلگت بلتستان پراجیکٹ" (CGBP) کے تحت 700 ٹن کوڑا کرکٹ تلف کیا گیا۔

"Travel Responsibly for Experiencing Ecotourism in Kyber Pakhtunkhwa (TREK)" حکومت خیبر پختونخوا، ورلڈ بینک گروپ اور نیٹلے پاکستان کا اشتراک، کے تحت اب تک ہم نے 400 میزبان پیشہوروں کو تربیت دی اور مختلف ریڈیو چینلز پر عوامی آگاہی مہم چلائی۔

Nestle for Healthier Kids (N4HK) پروگرام کے تحت دہلی، شیم دہلی اور شہری علاقوں میں مزید 35,000 سکول کے بچوں کو غذائی شعور فراہم کیا گیا اور اس مہم کے دوران مجموعی طور پر اب تک ملک بھر میں 380,000 سکولوں میں 320,000 بچوں اور 1,750 اساتذہ تک رسائی حاصل کی گئی۔

بے نظیر آگم سپورٹ پروگرام اور اخوت فاؤنڈیشن کے اشتراک سے تقریباً 2500 خواتین کا بطور نیٹلے بی آئی ایس بی رورل دوہین ہیلز ایجنسی انتخاب۔

ہمارے دائرہ کار میں آبیلا علاقوں میں 60,000 سے زائد لوگوں کو روزانہ بنیادوں پر پینے کے صاف پانی کی فراہمی یقینی بنائی گئی۔

نیٹیل ڈیزائریٹمنٹ اتھارٹی (NDMA) کو سیلاب متاثرین کیلئے 325,000 لیٹر پانی اور 10,000 لیٹر دودھ، نیٹیلے بنیادوں 700,000 سے زائد سرنگز، 3 ملین روپے سے زائد نقد رقم (جو کہ کینی کی جانب سے 1:1 کی شرح سے کی گئی) مجموعی طور پر اخوت فاؤنڈیشن کو سیلاب متاثرین کی بحالی کیلئے 6 ملین روپے دیئے گئے) کے عطیات۔ ہم نے وزیراعظم فلڈ ریلیف فنڈ 2022 میں بھی تعاون فراہم کرتے ہوئے متاثرین بحالی کیلئے نقد رقم جمع کروائی۔

پنجاب اور سندھ میں کسانوں اور شراکت داروں بشمول پنجاب ایگریکلچر ڈیولپمنٹ، لاهور یونیورسٹی آف مینجمنٹ سائنسز اور پاکستان ایگریکلچر ریسرچ کونسل کے تعاون سے پانی کے ضیاع کو روکنے کیلئے واٹر سیزر اور ڈرپ آری گیٹس کی تنصیب۔

ڈیری اور لائیو سٹاک کے شعبہ میں ڈیری فارمرز اور دہلی خواتین کی صلاحیتوں میں نکھار لانے کیلئے معاونتی پروگرام جاری رکھے گئے۔

نیوٹریشن سپورٹ پروگرام کے تحت پسماندہ اداروں اور قدرتی آفات سے متاثرہ علاقوں کیلئے تعاون جاری رکھا گیا۔

آم کے پیداوار کنندگان کے ذریعے ہماری ویلیو چین میں نیٹیلے چونسہ پراجیکٹ اور اپیل سورسنگ پراجیکٹ کا تسلسل۔

نیٹیلے ہائی ویز اینڈ موٹروے پولیس ٹریڈنگ انیشیٹیوٹ شیخوپورہ اور روڈ نیٹیلے انیشیٹیوٹ کراچی میں ڈائریکٹریڈنگ مرکز کیلئے معاونت۔

ہماری ٹیکنیوں کے نزدیک مختلف مقامات پر 25,000 پودے لگائے گئے۔

ماہدوراتعات:

ماہی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ تک دیگر ایسی کوئی بھی ماہی تبدیلی یا واقعہ رونما نہیں ہوا جو کمپنی کی مالی حالت پر اثر انداز ہو۔

بنیادی خطرہ اور عدم یقینی:

مہنگائی بڑھنے اور کرنسی کی قدر میں مزید متوقع کمی کی وجہ سے لاگت میں اضافہ۔

میکرو اکنامک عدم یقینی جو کہ صارف کی طلب پر اثر انداز ہو سکتی ہے۔

موجودہ بیلنگس شرح میں اضافہ اور نئے ٹیکس/ڈیوٹیز کا نفاذ۔

مستقبل کا نقطہ نظر:

کمپنی بیرونی چیلنجز مثلاً درآمد پر پابندی، کم زر مبادلہ کی دستیابی، مقامی کرنسی پر ڈاؤن ٹیکسز میں اضافہ کی وجہ سے سال 2023 کیلئے خطاط نقطہ نظر رکھتی ہے۔

تمام چیلنجز کے باوجود آنے والے سال کے دوران کمپنی منافع بخش ترقی کیلئے پر امید ہے اور سفر میں کاروباری بہتری کیلئے مسلسل اقدامات کے ساتھ ساتھ مضبوط برانڈ ایکویٹی اور انتہائی سختی افرادی قوت پر انحصار ہے گا۔

اظہار تشکر:

ہم اس موقع پر اپنے معزز صارفین کے انتہائی مشکور ہیں جنہوں نے ہماری پراڈکٹس پر اپنے اعتماد کی مہر ثبت کرتے ہوئے کمپنی کی ترقی یقینی بنائی۔ ہمارے لوگ صحیح معنوں میں ہماری طاقت ہیں اور اس کا مظاہرہ انہوں نے ایک بار پھر باہر کے ایام میں ہماری مصنوعات کی بروقت سپلائی اور دستیابی یقینی بنا کر کیا۔ احترام پر منحصر مضبوط اقدار ہماری راہنما ہیں۔ ہمارا مقصد اور ہماری اقدار کی وجہ سے ہم سب نیٹیلے کی کامیابی کیلئے شب و روز محنت کرتے ہیں۔ ہمارے ہر کام بالخصوص کمپنی کے باہر رونما ہونے والی اہم تبدیلیوں کے دوران یہی سنہری اصول ہماری بنیاد ہوتے ہیں۔

نیٹیلے پاکستان اپنی پراڈکٹس، پرائسز اور مینوفیکچرنگ سائنس میں بین الاقوامی مہارتیں اور معیارات متعارف کرواتے ہوئے "ہر دم پاکستانی" کمپنی ہے اور پاکستان میں اپنی کامیابیوں پر فخر محسوس کرتی ہے۔

برائے اور حکم بورڈ آف ڈائریکٹرز

Ayed Yousaf Niazi

سید یاسد علی
چیئر مین

Signature

سمیر شیڈ
چیئف ایگزیکٹو آفیسر
27 فروری 2023

ل۔ ایپلائز فنڈز کیلئے سرمایہ کاری کی ویلیو درج ذیل ہے (ملین روپے میں)

2021	2022
3,941	3,981
1,973	2,216
4,152	4,623

- درج ذیل سے متعلق اسٹیٹمنٹ کا وینٹس کے نوٹس سے منسلک اور واضح ہیں:
- پچھلے چھ سال کے اہم مالیاتی اعداد و شمار
- شیر ذیلی ہولڈنگ کا پیرن
- ڈائریکٹرز، ای او بی ایف اور کینی بیکرز کی جانب سے کمپنی کے شیئرز میں بڑی ہونے والی بورڈ مینٹنگ کی تعداد اور ہر ڈائریکٹر کی حاضری

نان ایگزیکٹو ڈائریکٹران کیلئے مشاہرے کی پالیسی اور ڈائریکٹران کے مشاہرے کو واضح کرنا:

کمپنی کی بورڈ اور ڈائریکٹری میں شرکت کیلئے ننان ایگزیکٹو ڈائریکٹران اور خود مختار ڈائریکٹران کے مشاہرے کا تعین بورڈ کی طرف سے کیا جاتا ہے۔ کمپنی کے چیف ایگزیکٹو آفیسر، ایگزیکٹو ڈائریکٹران، اور ننان ایگزیکٹو ڈائریکٹران کو ادا کیے گئے مشاہرے کی تفصیلات بشمول سال 2022 میں دی گئی دیگر مراعات و فنانشل اسٹیٹمنٹ کے نوٹ 41 میں بیان کی گئی ہیں۔

بیرونی آڈیٹرز:

میسرز آر ایس اینڈ بیگ فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس نے سال 2022 کے اپنے امور کی انجام دہی مکمل کر لی ہے اور بیٹینا لیسویں سالانہ اجلاس عام کے اختتام پر بیٹائر ہونے کے بعد اہل ہونے کی وجہ سے انہوں نے اپنی دوبارہ تفری کی پیشکش کی ہے۔

ہولڈنگ کمپنی اور بنیادی کاروبار:

Société des Produits Nestlé SA (SPN) سوئٹزر لینڈ میں قائم کی گئی ایک کمپنی (ہولڈنگ کمپنی) ہے۔ جس کے پاس 27,936,173 عمومی شیئرز ہیں جو کمپنی میں 61.60 فیصد ایکویٹی اسٹاک کے عکاس ہیں۔ کمپنی کا بنیادی کاروبار بیٹینا پیپر، پراسیسنگ اور کھانے کی پراڈکٹس بشمول دہا مدی پراڈکٹس کی فروخت ہے۔ مالی سال کے دوران کمپنی کی کاروباری نوعیت میں کسی قسم کی تبدیلی رونما نہیں ہوئی۔

ہیومن ریسورس مینجمنٹ اینڈ ایپلائی ریلیشنز:

اس سال کی نمایاں چھٹی ایک نیا آئیڈین۔ یعنی ہمارا نیا ہیڈ آفس رہا۔ نیا ڈیزائن، آرام دہ بیٹین اور مینٹنگ روز، ایپلائیز کیلئے مزید کشادہ پارکنگ، انرجی مینجمنٹ یہ سب کچھ ایپلائیز کی سہولت و بھلائی اور استحکام کے وعدہ پر عملدرآمد کیلئے تخلیق اور منتخب کیا گیا۔ مزید ایک اور عملی تعاون کیلئے ہائڈریکس ڈیسکس کا تصور بھی متعارف کروایا گیا۔

کرنا اور ایس کی پابندیوں میں نرمی کے بعد اس بات کی اشد ضرورت تھی کہ ہماری افرادی قوت کو اسی جذبے اور لگن کے ساتھ روزمرہ معمولات کی جانب واپس لایا جائے۔ مختلف Themed pitstops پر پراپٹی آؤرز کے ساتھ fun snacks اور بورڈ گیمز، ایکس باکس، فٹ بال، کرکٹ اور ٹیبل ٹینس ٹورنامنٹس وہ چند سرگرمیاں ہیں جن سے ایپلائیز لطف اندوز ہوتے رہے۔

ایپلائیز کی صلاحیتوں میں نکھار لانے کیلئے یہ سال دلچسپ پروگراموں سے بھر پور رہا۔ جس میں شامل PMDAC پیپل ایکٹیویٹی بوٹ کیمپ، ڈیجیٹل لرننگ پورٹل اور ویڈیو کیوشن کی بدولت سیکھنے کا جذبہ پھر آجا کر ہوا۔ نمایاں چھٹی NESLearn

لاؤج، ذہن میں تین حصوں پر مشتمل Heart dedicated to Critical، Life Skills Learn Quest، Thinking، این ایبلنگ کمپنیشن اور کام کی جگہ پر ہمدردی، ذہن سازی اور خود آگاہی ہیں۔ مشترکہ ذہنی گھنٹوں دوران یہ 388+ تھا جو گزشتہ سال محض 91.5 تھا۔ ٹریٹنگلو میں 324 فیصد کا تاریخ ساز اضافہ ہوا۔

ذاتی دلچسپی اور کامیابی کے پلازما کی بنیاد پر ملازمین کے پیشرو اور ان کی سیکریری کی نشوونما کیلئے افرادی ترقی اور پرفارمنس مینجمنٹ کی سرگرمیوں کے ذریعے مکمل تعاون فراہم کیا گیا۔ جبکہ سیکریری کو چنگ، 3۔ پارٹی PDPs اور ادارہ جاتی و عملی راہنمائی کے ساتھ ساتھ پہلا کراس۔ جنریشنل میٹورنگ پلیٹ فارم لائونج کیا تاکہ ہمارے لیڈرز ڈیجیٹل سمجھ بوجھ میں اضافہ اور کوشش سہولت ایسیمنٹ کے استعمال کے ذریعے اپنی صلاحیتوں کے بل بوتے پر ترقی کر سکیں۔

نیٹیل نیڈ زیوٹھ کے تحت مقاصد میں کامیابی پر توجہ مرکوز رکھتے ہوئے ہم نے اپنی عالمی ذمہ داریوں پر عملدرآمد جاری رکھا۔ NestGen اور انٹرنیشنل ڈیٹے کا انعقاد خطہ میں دو نمایاں خطائی کنونشنز تھے جس میں گوگل، فیس بک، مائیکروسافٹ، ایس پی اور ٹک ٹاک کے اثر و رسوخ رکھنے والی شخصیات نے مختلف موضوعات پر اظہار خیال کیا تاکہ مستقبل کیلئے تیار افرادی قوت میں تخلیقی سوچ کو آجا کر کیا جاسکے۔ پاکستان کی مارکیٹ 10,413 نوجوان شرکاء کے ساتھ سب سے آگے رہی۔ اس کے ساتھ ساتھ 20 نوجوانوں کو مینجمنٹ ٹرینی پروگرامز کے ذریعے ملازمت کا موقع فراہم کیا گیا۔ سال 2022 کے دوران مجموعی طور پر ہم نے پاکستان کے 55,000+ نوجوانوں کو ایجنٹ کر کے تعاون اور ڈویلپمنٹ کی فراہمی یقینی بنائی۔

نیٹیل کا ماننا ہے کہ افرادی قوت میں تنوع ہمارا اثاثہ ہے جو کہ ہمارے سوچنے اور بل جل کر کام کرنے کے طریقہ کار پر اثر انداز ہوتا ہے۔ ہم ایک ایسی ملازمت کی جگہ فراہم کرنے کیلئے پرعزم ہیں جو ہمارے لوگوں کی عزت اور ان کو اپنی صلاحیتوں کے بہتر نکھار میں مددگار ثابت ہوتی ہے۔ ملازمت کے مساوی مواقعوں کے علمبردار ہمارے پروگرام "کر اوٹاؤنڈ" نے نوجوان خواتین پر ڈیٹیلنگ کو متحرک، پرعزم اور پرجوش رکھا۔ اس سال ہم نے 33 خواتین کو ملازمت کا موقع فراہم کیا اور کامیاب سیکریری کیلئے انہیں علم، مہارتوں اور تجربے سے روشناس کروایا گیا۔ ایک ایسا ہی اقدام "ہے تم پر یقین" ہے جو کہ مختلف معذور یوں کے شکار افراد کو ملازمت دینے سے اجتناب کی فرسودہ سوچ کو بدلنے کیلئے تشکیل دیا گیا ہے۔ گزشتہ گروپ کے 40 فیصد ملازمین کو مستقل ذمہ داریوں کیلئے کامیابی سے منتخب کیا گیا اور سال 2022 کیلئے 10 ایسوسی ایشن کو منتخب کیا گیا تاکہ ان ایسوسی ایشن کے ذریعے مستقبل کیلئے ایک مضبوط ٹیلنٹ پائپ لائن کی تیاری پر توجہ مرکوز کر سکی جاسکے۔ ہم نے سال 2022 میں مینجمنٹ میں خواتین کی شرح 27 فیصد سے بڑھا کر 30 فیصد کر دی۔

کریننگ شیئر ڈویلپمنٹ (CSV) اور کمیونٹی ورک:

نیٹیل پاکستان طبقات کیلئے کریننگ شیئر ڈویلپمنٹ (CSV) کے تصور پر یقین رکھتا ہے۔ ہماری کمپنی کی ترقی اُس موسائٹی کی ترقی اور برداشت سے وابستہ ہے جس میں ہم کام کرتے ہیں۔ ہمارا یقین ہے کہ ایک کمپنی کو اپنے شیئر ہولڈرز کیلئے فائدہ مند ثابت ہونے کے قابل بننے کیلئے معاشرہ کی ترقی کیلئے بھی اقدامات کرنا ضروری ہیں۔ نیٹیل پاکستان میں سماجی ذمہ داری خدمات خلق کی کھنکھن چاندروں پر ختم نہیں ہوتی۔ اس کی بجائے CSV ہمارے کاروباری ڈھانچے میں سرایت شدہ ہے جہاں ویلیو چین میں طبقات کی براہ راست شمولیت اور معافیت موجود ہے۔ یہ کاروبار کے ساتھ ساتھ طبقات کی معاشرتی بہتری کیلئے بھی ہیجڈ مفید ہے۔ یو این گلوبل کمیونٹی فار "تھنک بزنس کے سیکٹرز کی حیثیت سے کمیونٹی سٹیک ہولڈرز اور طبقات کی مشترکہ ترقی اور پائیداری کیلئے پرعزم ہے۔ صارفین کو معیاری مصنوعات کی پیشکش، ہمارے ملازمین کو کام کیلئے اچھا اور بہتر ماحول فراہم کرنے، ہمارے شرکاء اور خراب ماحول فراہم کرنے والوں سے ہماری شراکتوں میں ذمہ دارانہ سروسنگ کا ڈیزائن عملدرآمد، مٹک، بہماندہ طبقات کی معافیت، چھوٹے کسانوں کے ساتھ کام، ہمارے امور میں پائیداری اور ماحول دوستی کو مد نظر رکھنا، اخلاقی اور شفاف کاروباری مشقوں کے ساتھ CSV سارے کاروبار میں شامل ہے۔

صحت مند اور چھٹی خوراک، طبقات کی ترقی اور تحفظ میں مدد، قدرتی ذخائر کی تجدید اور حفاظت CSV کیلئے ہماری توجہ کا بنیادی مرکز ہیں۔

ڈائریکٹران کی رپورٹ

برائے شیئر ہولڈرز

نیسلے پاکستان لمیٹڈ ("کمپنی") کے ڈائریکٹران کیلئے یہ بات باعث خوشی ہے کہ وہ 31 ستمبر 2022 کو ختم ہونے والے سال کی سالانہ رپورٹ بشمول آڈٹ شدہ مالیاتی گوشوارے پیش کر رہے ہیں۔

مالیاتی کارکردگی:

نیسلے پاکستان نے سال 2022 کیلئے مکمل نتائج پیش کر دیئے ہیں، جس کے مطابق کمپنی نے گزشتہ سال کی اسی مدت کے مقابلہ میں 21.9 فیصد زیادہ آمدنی پیش بنائی۔ قابل ذکر بات یہ رہی کہ کمپنی کی شدید لہر اور تباہ کن سیلاب کے بیرونی چیلنجز کے باوجود کمپنی یہ گروتھ حاصل کرنے میں کامیاب ہوئی۔ مصنوعات دستیابی کی یقین دہانی، جدت اور ٹرانسم کے اقدامات پر انتہائی توجہ مرکوز رکھتے ہوئے کمپنی برانڈز پر سرمایہ کاری کے سہارے مذکورہ بالا مجراؤں سے نبرد آزما ہوئی۔

سیلز میں اضافہ، موزوں پراڈکٹس، پرائسنگ مینجمنٹ اور لاگت پر سختی سے قابو پانے کی بدولت آپریٹنگ منافع میں بھی بہتری دیکھنے میں آئی۔

نیسلے Good food, Good life کے ویژن پر کاربند کمپنی ہے اور ہمارا مقصد خوراک کی بیش قیمت طاقت کے ذریعے موجودہ اور آنے والی نسلوں کے معیار زندگی میں نمایاں بہتری لانا ہے اور یہ ہماری ہر کاروباری سرگرمی کا مرکزی جزو ہے۔ وباء کے باوجود ہم نے صارف دوست، صحت عامہ کیلئے مفید اور ماحول کیلئے سود مند مصنوعات تیار کرنے کیلئے جدت کا سہارا لیا۔ ہم نے حالات کے مطابق تیزی سے خود کو ڈھالا اور کمپنی نے پوری تندی سے کام جاری رکھا اور یہ عمل ہمیں مد مقابل پرستیقت دینے میں مددگار ثابت ہوا۔

سال 2022 کے دوران ڈبری کے شعبہ میں متعدد ذہنی مصنوعات لانچ کی گئیں۔ جس میں Laban ڈرنکنگ یوگرٹ، ملک پیک چاکلیٹ بریک فاسٹ کریم اور زیادہ بہتر انداز میں لطف اندوز ہونے کیلئے PET شکل میں MILO RTD شامل ہیں۔ متواتر سرمایہ کاری کے ساتھ نئے آرن + (بہاؤ) کی لانچ نے برانڈ کیلئے نمایاں گروتھ یقینی بنائی۔

نیسلے نیوٹریشن میں ایک نئے ویرینٹ نیسلے سیریلیک (Nature's Selection portfolio) کا اضافہ ہوا اور سہانی اور دماغی نشوونما میں اناج کی اہمیت اجاگر کرنے کیلئے سائیکل ایک ریجن متعارف کروائی گئی۔ ہم نے RTD Coffee اور ICE مکسز میں نئے ویرینٹ اور ہمارے پریچیم نیسلے فروڈا وائلز برانڈ میں Apple ویرینٹ بھی متعارف کروایا۔

ہم صارف کی ضروریات اور خواہشات کو پورا کرنے کیلئے ہرنگھری میں تجدید پر توجہ مرکوز رکھیں گے۔

مالی کارکردگی کا خلاصہ:

روپے (ملین)	2021	2022	فرق
سیلز	133,295	162,516	+21.9
مجموعی منافع کا مارجن	30.38%	30.54%	+16 bps
آپریٹنگ منافع کا مارجن	16.19%	16.48%	+29 bps
خالص منافع ٹیکس کے بعد (فیصد)	9.58%	9.26%	-32 bps
خالص منافع ٹیکس کے بعد	12,768	15,050	+17.87%
آمدنی فی شیئر	281.6	331.9	+17.87

ڈیویڈنڈز:

کمپنی کی مالیاتی کارکردگی دیکھتے ہوئے بورڈ آف ڈائریکٹران نے 95 روپے فی شیئر حتمی منافع منقسمہ تجویز کیا ہے اس کے علاوہ عبوری نقد منافع منقسمہ 240 روپے فی شیئر سپلے ادا کیا جا چکا ہے جس کے بعد سال 2022 کا مجموعی منقسمہ 335 روپے فی شیئر ہے جو کہ سال 2021 میں 285 روپے فی شیئر تھا۔

سرمایہ کاری کے منصوبے:

نیسلے پاکستان نے سال 2022 کے دوران بشمول ریونیو ایبل انرجی منصوبہ جات 3.4 ارب روپے کی سرمایہ کاری کی۔ جس کی بنیادی تفصیلات درج ذیل ہیں:

سرمایہ کاری (ملین روپے)	پراجیکٹ کی تفصیل
1,255	تینو پورہ فیکٹری
755	کبیر والا فیکٹری
180	واٹر پلانٹس
519	ڈسٹری بیوشن اور سیلز
790	دیگر

سال 2023 کیلئے صارفین کی ضروریات پوری کرنے میں آپریشنل استحکام کیلئے تقریباً 3 ارب روپے سرمایہ کاری کی منصوبہ بندی کی گئی ہے۔

کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک:

نیسلے پاکستان کسی بھی اسٹیٹی کے بغیر کارپوریٹ گورننس کے بہترین معیارات پر عملدرآمد کیلئے پرعزم ہے۔ ڈائریکٹران کو یہ بیان کرتے ہوئے انتہائی خوش محسوس ہو رہی ہے کہ کمپنی ایس۔ ای۔ سی۔ پی کے قواعد کو مد نظر رکھتے ہوئے کوڈ آف کارپوریٹ گورننس کی دفعات اور اسٹاک ایکچینج لسٹنگ کے قواعد و ضوابط پر مکمل عمل پیرا ہے۔ کوڈ آف کارپوریٹ گورننس پر عملدرآمد کا بیانیہ درج ذیل ہے۔

ڈائریکٹران نے تصدیق کی ہے کہ

- الف۔ کمپنی مینجمنٹ کی جانب سے تیار کیے جانے والے مالی گوشواروں میں امور کی انجام دہی، ایسے امور کے نتائج، پیش فلورا کیوں میں تبدیلی کے بارے میں درست انداز میں بتایا گیا ہے
- ب۔ کمپنی کی اکاؤنٹس کی تفصیلات کو درست انداز میں برقرار رکھا گیا ہے
- ج۔ فنانشل اسٹیٹمنٹ کی تیاری میں مناسب اکاؤنٹنگ حکمت عملیوں کو متواتر لاگو کیا گیا ہے اور اکاؤنٹنگ تخمینہ معقول اور دانشمندانہ فیصلہ پر مبنی ہے
- د۔ فنانشل اسٹیٹمنٹ کی تیاری میں پاکستان میں لاگو ملٹریٹل فنانشل رپورٹنگ اسٹینڈرڈز کو کمپنیز ایکٹ 2017 کی ضروریات کی مکمل پیروی کی گئی ہے اور اس کے انحراف کو مناسب انداز میں ظاہر اور بیان کیا گیا ہے
- ح۔ اندرونی کنٹرول کا ڈھانچہ مضبوط ہے اور یہ مؤثر انداز میں نافذ العمل اور ریگرنائی ہے
- ف۔ کمپنی کے جاری رہنے کی صلاحیت پر کوئی واضح شکوک نہیں ہیں
- ک۔ لسٹنگ ریگولیشنز میں اندراج کے مطابق کارپوریٹ گورننس کے قواعد سے کوئی مادی انحراف نہیں کیا گیا

ANNEXURE TO DIRECTORS' REPORT

On Corporate Governance

Board of Directors' Meetings

During the year under review, the Board of Directors had the following meetings:

Number of Board Meetings held for the financial year = 4

 Date of Meeting  Time  Video Conference	 Date of Meeting  Time  Video Conference
 17-Feb-22  9:00 A.M	 21-Apr-22  9:00 A.M
 Date of Meeting  Time  Nestlé Pakistan Limited, Packages Mall, Shahrah-e-Roomi, Lahore	 Date of Meeting  Time  Nestlé Pakistan Limited, Packages Mall, Shahrah-e-Roomi, Lahore
 28-Jul-22  9:00 A.M	 19-Oct-22  9:30 A.M

Detail of attendance of Directors at Board Meetings is summarized below:

Name of Director	Date of appointment	No. of Meetings Attended
Mr. Syed Yawar Ali	19.07.2022	4
Mr. Samer Chedid	19.07.2022	4
Mr. Syed Babar Ali	19.07.2022	4
Mr. Syed Hyder Ali	19.07.2022	3
Ms. Komal Altaf	01.08.2022	1
Mr. Fabrice Cavallin	19.07.2022	4
Mr. Amr Rehan	19.07.2022	3
Ms. Rabia Sultan	19.07.2022	3
Mr. David A. Carpenter	19.07.2022	4
Mr. Omar Saeed	19.07.2022	2
Mr. Osman Khalid Waheed (Resigned)	17.07.2019	1
Mr. Syed Saiful Islam (Resigned)	19.07.2022	3

Role and Responsibilities of the Chairman and the Chief Executive

The roles of the Chairman and the Chief Executive are segregated and they have distinct responsibilities. The Chairman of the Board has responsibilities and powers vested in him by law and the Articles of Association of the Company, as well as duties assigned to him by the Board. In particular, the Chairman coordinates the activities of the Board and presides over the meetings of the Board of Directors and Shareholders.

The Managing Director is the Chief Executive Officer of the Company and is responsible for the day-to-day operations and conduct of its business in accordance with the powers vested in him by law, the Articles of Association of the Company and authority delegated to him through the Board of Directors' resolutions from time to time. The Managing Director recommends policy and strategic directions and annual business plans for the Board of Directors' approval. The Managing Director is also responsible for exercising the overall control, discretion, administration, and supervision for sound and efficient management and conduct of the business of the Company.

Audit Committee

The Audit Committee comprises of three members including the Chairman of the Committee, who is an Independent Director. Two members are Non-Executive Directors. The terms of reference of the Committee, which is in line with the Code of Corporate Governance, has been presented and approved by the Board of Directors.

The Audit Committee held four meetings in 2022. The Chief Financial Officer, Internal Auditors as well as External Auditors were invited to the meetings.

Human Resources and Remuneration Committee

The Company has established this Committee in accordance with requirements of the Code of Corporate Governance. All issues of remuneration are fully disclosed, deliberated, and decided at the meetings of the Directors.

Strategic Planning

The Company's strategic direction was reviewed at the meeting of the Directors. A process has been put in place whereby long term Market Business Strategies and Annual Operational Plans established by the Management are regularly reviewed by the Directors in line with the Company's overall business objectives. Part of the process involves setting of the measurable Key Performance Indicators (KPIs).

REVIEW REPORT BY THE CHAIRMAN

It gives me immense pleasure to present this report to the Shareholders of Nestlé Pakistan Limited pertaining to the overall performance of the Board and effectiveness of its role in attaining the company's aims and objectives.

The company has implemented a strong governance framework supportive of effective and prudent management of business matters, which is regarded as instrumental in achieving long-term success of the company.

During the year, the Board Committees continued to work with a great measure of proficiency. The Board as a whole has reviewed the Annual Report and Financial Statements, and is pleased to confirm that in its view the report and financial statements, taken as a whole, are fair, balanced, and understandable.

The Board carries out a review of its effectiveness and performance each year on a self-assessment basis. The Board Performance assessment for the year was based on an evaluation of the integral components i.e. Strategic Planning, Board Composition, Board Committees, Board Procedures, Board Interactions, Board and CEO's Compensation, Board Information and Board & CEO's Effectiveness.

The Board of Directors of the Company received agendas and supporting written material including follow up materials in sufficient time prior to the Board and its Committee meetings. The Board meets frequently enough to adequately discharge its responsibilities. The Non-Executive and Independent Directors are equally involved in important decisions.



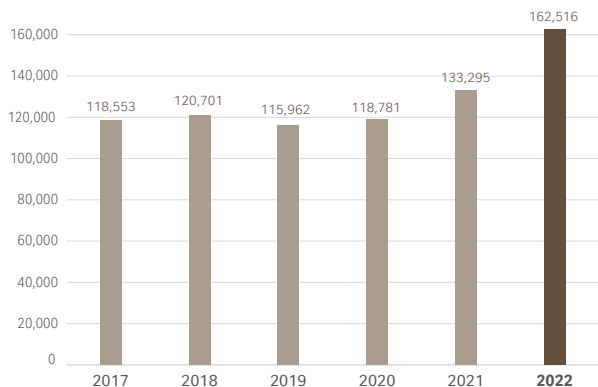
Syed Yawar Ali

Chairman

COMPANY PERFORMANCE 2022

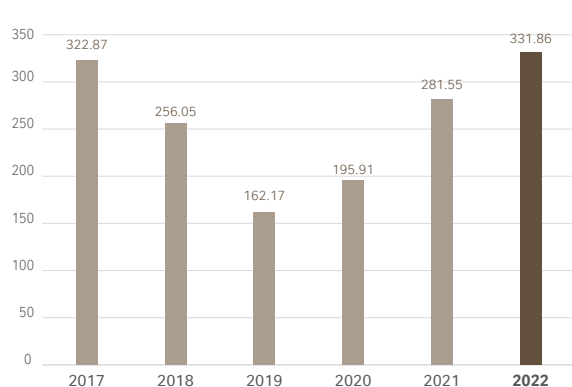
SALES

Rupees in million



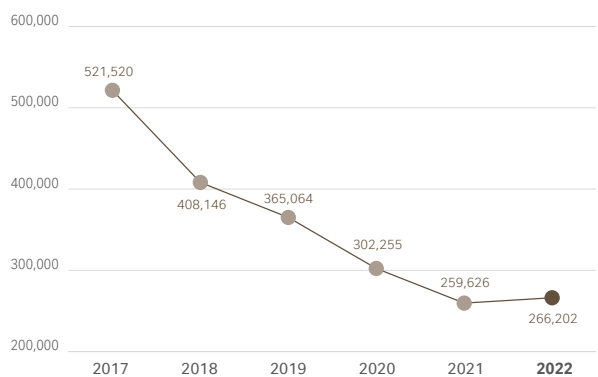
EARNING PER SHARE

Rupees



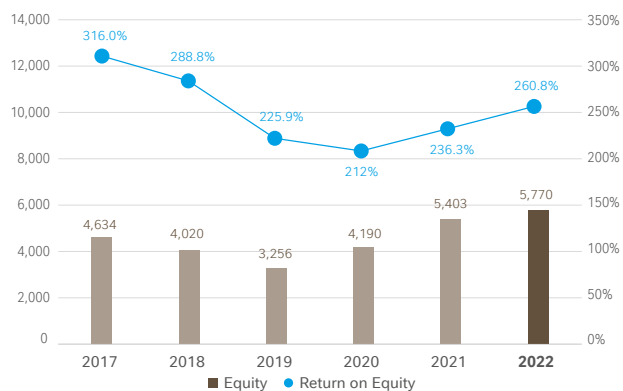
MARKET CAPITALIZATION

Rupees in million



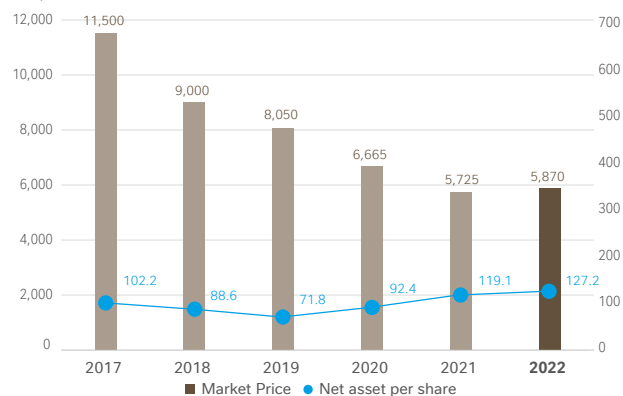
RETURN ON EQUITY

Rupees in million



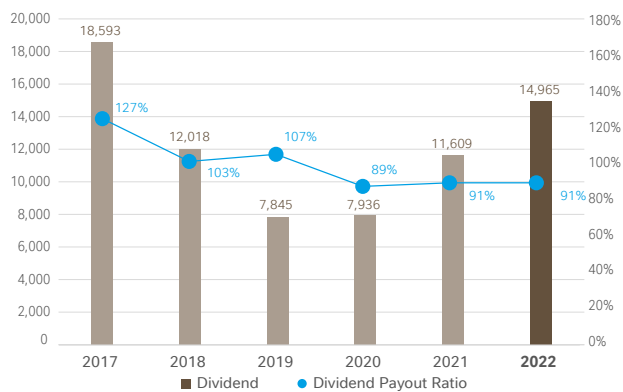
MARKET PRICE PER SHARE VS. NET ASSETS PER SHARE

Rupees



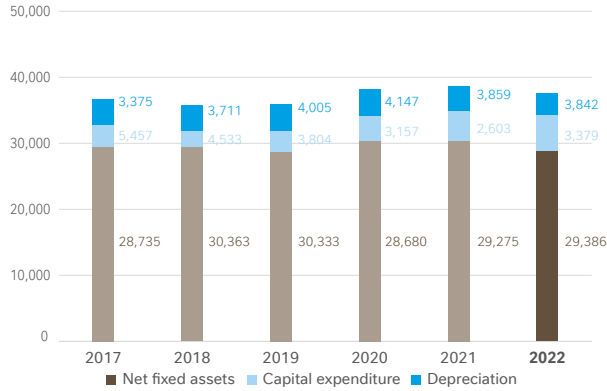
DIVIDEND PAYOUT RATIO

Rupees in million



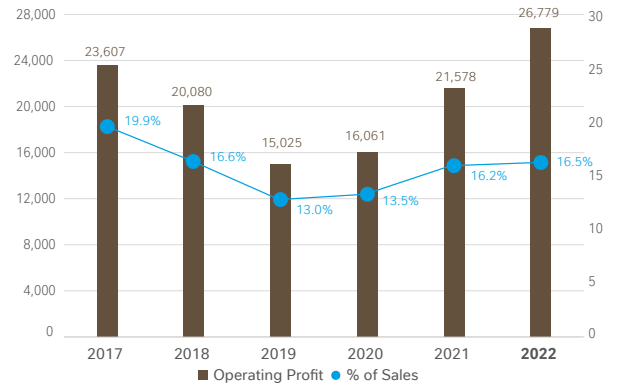
NET FIXED ASSETS, FIXED CAPITAL EXPENDITURE AND DEPRECIATION

Rupees in million



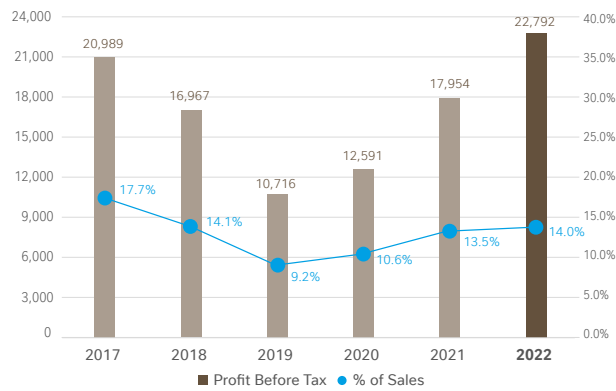
OPERATING PROFIT

Rupees in million



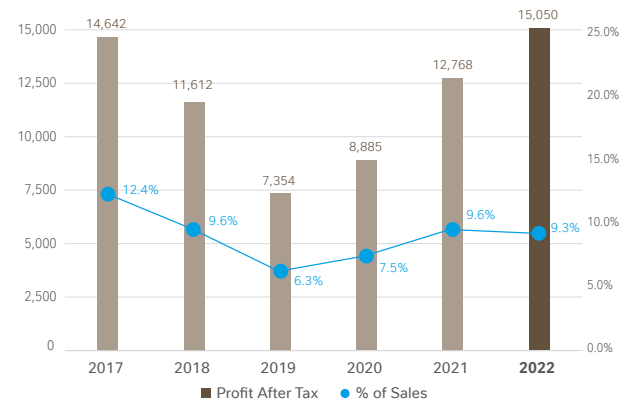
PROFIT BEFORE TAX

Rupees in million



PROFIT AFTER TAX

Rupees in million



STATEMENT OF WEALTH CREATION AND ITS DISTRIBUTION

(PKR in 000)	2022		2021	
Wealth Generated / Value Added:				
Net turnover including sales tax	189,433,328		158,080,250	
Purchased materials and services	(120,586,498)		(102,145,460)	
Value Added	68,846,830		55,934,790	
Other Income	631,543		295,578	
Wealth Created	69,478,373	100%	56,230,368	100%
Wealth Distribution:				
To Employees:				
Salaries, benefits and other costs	14,512,997	20.9%	12,250,791	21.8%
To Government:				
Income tax, sales tax, excise & custom duty, WWF, WPPF	33,663,085	48.5%	26,531,667	47.2%
To Society and Development Initiatives:				
Donations and CSR Projects	6,659	0.0%	4,840	0.0%
*Dairy Development (Non-business returns)	152,340	0.2%	134,613	0.2%
To Providers of Capital:				
Dividend to Shareholders	14,965,368	21.5%	11,609,493	20.6%
Mark-up / interest expenses on borrowed funds	2,335,994	3.4%	1,840,228	3.3%
To Company:				
Depreciation and amortization	3,841,930	5.5%	3,858,736	6.9%
	69,478,373	100.0%	56,230,368	100.0%

* This represents contribution of the Company towards development of the society and dairy sector in Pakistan.

KEY FINANCIAL DATA

Six Years at a Glance

(Rupees in million)	2022	2021	2020	2019	2018	2017
Operating performance						
- Sales	162,516	133,295	118,781	115,962	120,701	118,553
- Gross profit	49,630	40,492	34,765	33,349	38,814	41,094
- Operating profit	26,779	21,578	16,061	15,025	20,080	23,607
- Profit before tax	22,792	17,954	12,591	10,716	16,967	20,989
- Profit after tax	15,050	12,768	8,885	7,354	11,612	14,642
Balance Sheet						
- Net assets	5,770	5,403	4,190	3,256	4,020	4,634
- Reserves	5,317	4,950	3,737	2,802	3,567	4,181
- Operating fixed assets	29,386	29,275	28,680	30,333	30,363	28,735
- Net working capital	6,082	9,193	8,464	18,708	16,099	15,026
- Long term liabilities*	20,356	16,864	20,302	12,057	14,244	13,562
Investor information for six years						
- Gross profit ratio	30.5%	30.4%	29.3%	28.8%	32.2%	34.7%
- Operating profit ratio	16.5%	16.2%	13.5%	13.0%	16.6%	19.9%
- Profit before tax ratio	14.0%	13.5%	10.6%	9.2%	14.1%	17.7%
- Profit after tax ratio	9.3%	9.6%	7.5%	6.3%	9.6%	12.4%
- Inventory turnover ratio	4.9 : 1	5.3 : 1	4.8 : 1	4.3 : 1	4.7 : 1	5.8 : 1
- Total assets turnover ratio	2.2 : 1	2.1 : 1	1.9 : 1	1.8 : 1	1.9 : 1	2.2 : 1
- Price earning ratio	17.7	20.3	34.0	49.6	35.1	35.6
- Return on capital employed	125%	101%	88%	97%	129%	153%
- Market value per share	5,870	5,725	6,665	8,050	9,000	11,500
- Debt equity ratio	77:23	81 : 19	85 : 15	90 : 10	87 : 13	82 : 18
- Current ratio	0.8:1	0.8 : 1	0.7 : 1	0.6 : 1	0.7 : 1	0.6 : 1
- Interest cover ratio	10.8 : 1	10.8 : 1	5.5 : 1	4.4 : 1	10.1 : 1	20.2 : 1

* Long term liabilities include current portion classified under current liabilities.

PATTERN OF SHAREHOLDING

As at December 31, 2022

No. of Shareholders	Shareholdings			Total Shares Held
	From		To	
724	1	to	100	20,083
226	101	to	500	59,399
85	501	to	1000	64,180
86	1001	to	5000	183,742
17	5001	to	10000	135,467
5	10001	to	15000	60,824
3	15001	to	20000	51,226
4	20001	to	25000	93,541
2	30001	to	35000	63,950
1	35001	to	40000	38,137
1	40001	to	45000	40,023
1	50001	to	55000	54,910
1	55001	to	60000	56,807
2	65001	to	70000	132,239
1	100001	to	105000	100,556
1	110001	to	115000	110,439
1	155001	to	160000	157,461
1	170001	to	175000	170,745
1	210001	to	215000	210,865
1	220001	to	225000	224,720
1	370001	to	375000	375,000
1	385001	to	390000	387,334
1	425001	to	430000	429,852
1	430001	to	435000	430,551
1	495001	to	500000	495,916
1	535001	to	540000	538,235
1	830001	to	835000	830,467
1	1195001	to	1200000	1,195,211
1	1290001	to	1295000	1,294,334
1	1330001	to	1335000	1,334,283
1	3645001	to	3650000	3,649,248
1	4350000	to	4430000	4,423,666
1	26500000	to	28000000	27,936,173
1177				45,349,584

CLASSIFICATION OF SHARES BY CATEGORIES

As at December 31, 2022

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children	8	1,859,230	4.10
Associated Companies, Undertakings and Related parties	8	36,964,454	81.51
Executives	5	220	0.00
NIT and ICP	1	1,100	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions & Public Sector Companies	4	506,699	1.12
Insurance Companies	6	24,124	0.05
Modarabas and Mutual Funds	6	105,123	0.23
General Public:			
a) Local Individuals	1,014	5,785,425	12.76
b) Foreign Individuals	32	1,959	0.00
c) Foreign Companies	5	34,203	0.08
Others	88	67,047	0.15
Totals	1,177	45,349,584	100

Shareholders holding 5% or above		Shares Held	Percentage
Société Des Produits Nestlé S.A.	1	27,936,173	61.60
IGI Investments (Pvt) Limited	1	4,423,666	9.75
Packages Limited	1	3,649,248	8.05

KEY SHAREHOLDING AND SHARES TRADED

As at December 31, 2022

Name of Shareholder	Number of shares	Percentage
Associated Companies, Undertakings and Related parties		
SOCIÉTÉ DES PRODUITS NESTLÉ S.A.	27,936,173	61.60
IGI INVESTMENTS (PVT) LIMITED	4,423,666	9.75
PACKAGES LIMITED	3,649,248	8.05
GURMANI FOUNDATION	538,235	1.19
NATIONAL MANAGEMENT FOUNDATION	224,720	0.50
BABAR ALI FOUNDATION	170,745	0.38
INDUSTRIAL TECHNICAL & EDUCATIONAL INSTITUTE	21,666	0.05
IGI FINEX SECURITIES LIMITED	1	0.00
	36,964,454	81.51
Directors, Chief Executive Officer and their spouse(s) and minor children		
SYED BABAR ALI	1,195,211	2.64
SYED HYDER ALI	429,852	0.95
SYED YAWAR ALI	23,220	0.05
OMER SAEED	20	0.00
RABIA SULTAN	1	0.00
DAVID ALEXANDER CARPENTER	1	0.00
PERWIN BABAR ALI	210,865	0.46
(W/O SYED BABAR ALI)		
SYEDA NIGHAT ALI	60	0.00
(W/O SYED YAWAR ALI)		
	1,859,230	4.10
Executives		
	220	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions, Public Sector Companies & Corporations		
ZARAI TARAQIATI BANK LIMITED	430,551	0.95
MCB BANK LIMITED - TREASURY	65,532	0.14
EMPLOYEES OLD AGE BENEFITS INSTITUTION	10,560	0.02
NATIONAL BANK OF PAKISTAN	56	0.00
	506,699	1.12
Modarabas and Mutual Funds		
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	100,556	0.22
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	2,920	0.01
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	720	0.00
CDC - TRUSTEE AKD INDEX TRACKER FUND	614	0.00
CDC - TRUSTEE ABL STOCK FUND	300	0.00
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	13	0.00
	105,123	0.23
Shareholders holding 5% and above		
SOCIÉTÉ DES PRODUITS NESTLÉ S.A.	27,936,173	61.60
IGI INVESTMENTS (PVT) LIMITED	4,423,666	9.75
PACKAGES LIMITED	3,649,248	8.05

Following Director has purchased Shares during the year. However, there was no other Sale / Purchase of Nestlé Pakistan's shares by any other Director, Company Secretary, Executives, and their spouses during the year.

Name	Number of Shares Purchased
OMER SAEED	20

STATEMENT OF COMPLIANCE

With the Listed Companies (Code of Corporate Governance) Regulations, 2019 for the Year Ended December 31, 2022

Nestlé Pakistan Limited ('Company') has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors is 10 as per the following:

- i. Male: **08**
- ii. Female: **02**

2. The composition of the Board is as follows:

Independent Directors:

- i. Mr. Omar Saeed
- ii. Mr. David A. Carpenter
- iii. Ms. Rabia Sultan

Executive Directors:

- i. Mr. Samer Chedid
- ii. Ms. Komal Altaf
- iii. Mr. Amr Rehan

Non-Executive Directors:

- i. Mr. Syed Yawar Ali
- ii. Mr. Syed Babar Ali
- iii. Mr. Syed Hyder Ali
- iv. Mr. Fabrice Cavallin

Female Directors:

- i. Ms. Komal Altaf
- ii. Ms. Rabia Sultan

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updates (if any) is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by

the Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of the meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of the Directors in accordance with the Companies Act, 2017 and these Regulations;
9. The Directors of the Company have attended Directors' Training program who were required as per the applicable Code of Corporate Governance prescribed timelines.
10. The Board has approved appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the Financial Statements before approval of the Board;
12. The Board has formed following Committees comprising of members given below:

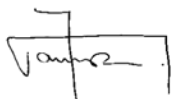
Board Audit Committee

Name of the Committee Member	Designation
Mr. Omar Saeed	Chairman / Independent Director
Mr. Syed Babar Ali	Member / Non-Executive Director
Mr. Syed Hyder Ali	Member / Non-Executive Director
Mr. Osama Bin Zafar	Secretary / Head of Internal Audit

Human Resources and Remuneration Committee

Name of the Committee Member	Designation
Ms. Rabia Sultan	Chairperson / Independent Director
Mr. Samer Chedid	Member / Chief Executive Officer
Mr. Syed Hyder Ali	Member
Ms. Hajra Omer	Secretary / Head of Human Resources

13. The 'Terms of Reference' of the aforesaid Committees have been formed, documented and advised to the Committee for compliance;
14. The frequency of meetings of the Committee were as follows:
- i. Audit Committee: **04**
 - ii. HR and Remuneration Committee: **02**
15. The Board has set up an effective Internal Audit Function which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, these Regulations or any other regulatory requirement and the Auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. Regulation 6(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (CoCG-2019), requires that "each listed company shall have at least two or one-third members of the Board, whichever is higher, as independent directors", further the CoCG-2019 Regulations' apply to the listed companies based on "comply or explain approach". The Company's total number of directors results in a fractional number (3.33), and the fraction had not been rounded up to one, therefore, the Board currently has 3 Independent Directors. The Company considers that the existing composition of the Board of Directors is in compliance with CoCG regulations and Company considers that the existing composition of the Board of Directors brings in the relevant experience and valuable contributions to the Board.



Samer Chedid
Chief Executive Officer



Syed Yawar Ali
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Nestlé Pakistan Limited

Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), prepared by the Board of Directors of Nestlé Pakistan Limited (the Company) for the year ended 31 December 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended 31 December 2022.



EY Ford Rhodes

Chartered Accountants
Engagement Partner: Abdullah Fahad Masood
Lahore: 17th March 2023

UDIN: CR202210177fkqz3Na1d

BOARD OF DIRECTORS

As on December 31, 2022



Syed Yawar Ali

Chairman
Non-Executive Director



Samer Chedid

Executive Director
Chief Executive Officer
(Nominee of SPN)



Syed Babar Ali

Non-Executive Director



Syed Hyder Ali

Non-Executive Director



Komal Altaf

Executive Director
(Nominee of SPN)



Amr Rehan

Executive Director
(Nominee of SPN)



Fabrice Cavallin

Non-Executive Director
(Nominee of SPN)



Omar Saeed

Independent Director



**David Alexander
Carpenter**

Independent Director



Rabia Sultan

Independent Director

Officers

Samer Chedid

Chief Executive Officer

Komal Altaf

Chief Financial Officer

Ali Sadozai

Company Secretary

Osama Bin Zafar

Head of Internal Audit

Audit Committee

Omar Saeed

Chairman/ Independent Director

Syed Hyder Ali

Member/Non-Executive Director

Syed Babar Ali

Member/Non-Executive Director

Osama Bin Zafar

Secretary/Head of Internal Audit

Human Resource and Remuneration Committee

Rabia Sultan

Chairperson/ Independent Director

Syed Hyder Ali

Member/Non-Executive Director

Samer Chedid

Member/Executive Director

Hajra Omer

Secretary/Head of Human Resources

COMPANY DIRECTORY

Registered and Corporate Office

Packages Mall,
Shahrah-e-Roomi,
PO Amer Sidhu
Lahore - 54760, Pakistan.
PABX: (042) 111 637 853
Fax: (042) 35789303-4

Resident Corporate Office

Tenancy # 2, 4th Floor,
Corporate Office Block
Dolmen City, Pakistan.
Plot No. HC-3 Block 4 Clifton
Karachi, Pakistan.
Phone: (021)-35291571-5

Auditors

EY Ford Rhodes
Chartered Accountants

Share Registrar/ Transfer Agent

Central Depository Company Share
Registrar Services Limited (CDCSRSL)
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi, Pakistan. - 74400
Phone: 0800-23275
PABX: (021) 111-111-500
Fax: (021) 34326053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

Legal Advisors

Chima & Ibrahim.
Advocates
Corporate Counsel

Bankers

- Standard Chartered Bank (Pakistan) Limited.
- Habib Bank Limited.
- MCB Bank Limited.
- Deutsche Bank AG.
- Citibank N.A.
- United Bank Limited.
- Meezan Bank Limited.

Factories

SHEIKHUPURA

29-km Lahore - Sheikhpura Road,
Sheikhpura, Pakistan.
Phone: (056) 3406615-29

KABIRWALA

10-km, Khanewal Road, Kabirwala,
District Khanewal, Pakistan.
Phone: (021) 38402086
Fax: (065) 241143

ISLAMABAD

Plot No. 32, Street No. 3, Sector I-10/3,
Industrial Area Islamabad, Pakistan.
Phone: (051) 4445991-3

KARACHI

Plot No. A23, North Western
Industrial Area, Port Qasim Karachi,
Pakistan.
Phone: (021) 34720152-4

Regional Sales Offices

South Zone

QUETTA

Ground Floor, Serena Bazar
Serena Hotel, Zarghoon Road
Quetta, Pakistan.
Phone: (081)-2834887, (081)-2821543,
(081)-2823946

HYDERABAD

Fortune Arcade, Plot No.79, Block-H,
Commercial Premises No.2, Main
Jamshoro Road, Hyderabad, Sindh,
Pakistan.
Phone: (022)-2100725 -8

Centre Zone

GUJRANWALA

3rd Floor, State Life Building
G.T Road Gujranwala, Pakistan.
Phone: (055)-3733415, (055)-3733243

FAISALABAD

6/C, Al Fahad Plaza, Koh-e-Noor City,
Jaranwala Road, Faisalabad, Pakistan.
Phone: (041)-8719131-2

MULTAN

Office No. 507, 5th Floor, United Mall,
Abdali Road, Multan Cantt, Pakistan.
Phone: (061)-4540560

North Zone

ISLAMABAD

Plot 102, Street 7, Chambeli Road,
Industrial Area, I-10/3, Islamabad,
Pakistan.
Phone: (051)-4104400

PESHAWAR

Office No. 302, Block A, 2nd Floor, JB
Towers, University Road, Peshawar,
Pakistan.
Phone: (091)-5703017

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 45th Annual General Meeting of Nestlé Pakistan Limited (“Company”); will be held at 12:00 noon on Wednesday, April 17, 2023, at Company’s Head Office, Packages Mall, Shahrah-e-Roomi, PO Amer Sidhu, Lahore, to transact the following business:

Members are encouraged to attend the AGM through video conference facility managed by the Company (please see the notes section for details).

ORDINARY BUSINESS:

- 1- To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2022, together with the Directors’ and Auditors’ reports thereon.

As required under section 223(7) of the Companies Act, 2017, the Financial Statements of the Company have been uploaded on the website of the Company which can be downloaded from the following link:

<https://www.nestle.pk/investors/financialreports>



- 2- To appoint Auditors for the term ending at the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors M/s. EY Ford Rhodes, Chartered Accountants being eligible have offered themselves for re-appointment.
- 3- To approve payment of Final Cash Dividend of Rs. 95 per share i.e., 950% to those who are Shareholders as at the close of business on April 07, 2023, in addition to the 2400% Interim Cash Dividend (i.e. Rs. 240 per share) already paid during the year 2022, as recommended by the Directors.

Any Other Business:

- 4- To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD



Ali Sadozai

Company Secretary

Dated: March 22, 2023

NOTES

- i) Share Transfer Books of Nestlé Pakistan Limited (“Company”) shall remain closed from April 10, 2023, to April 17, 2023 (both days inclusive) and no transfer will be registered during that time. Share transfer deeds received in order with the Share Registrar of the Company, i.e. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block ‘B’, S.M.C.H.S., Main Shakra-e-Faisal, Karachi-74400 at the close of business on April 07, 2023, will be treated in time for entitlement of the payment of Final Cash Dividend.
- ii) A member entitled to attend and vote at the Annual General Meeting (“Meeting”) is entitled to appoint another member as a proxy to attend and vote on his/ her behalf. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy holder may not need to be a member of the Company. In case of a corporate entity, being a member, may appoint as its proxy any of its officials or any other person whether a member of the Company or not, through Board Resolution/ Power of Attorney.
- iii) The instrument appointing a proxy duly stamped/ signed and witnessed and must be received at the Registered Office of the Company at Nestlé Pakistan Limited, Packages Mall, Shahrah-e-Roomi, Amer Sidhu, Lahore, not later than forty-eight (48) hours before the Meeting.
- iv) Shareholders whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to e-mail copy of the CNIC along with their account number in CDS and participants’ ID number for verification. In case of appointment of proxy by such account holders it must be accompanied with participants’ ID number and Account/Sub-account number along with attested photocopies of CNIC or the Passport of the beneficial owner. Representatives of Corporate Members should dispatch the usual documents required for such purposes at Company’s registered address through which they are appointed as Proxy of the respective Shareholder.

- v) Members should quote their Folio. / CDS Account number in all correspondence with the Company and at the time of attending the Annual General Meeting. The proxy shall produce his/her valid original CNIC or original passport at the time of the AGM.
- vi) In case of joint holders, only one member whose name will appear as main the title shareholder in the Company's list of shareholders, will be allowed to attend the General Meeting.
- vii) There was no investment made by the Company in its Associated Companies/ Undertaking during the year 2022, hence no update is required to be made as part of the Annual Report which is required under Regulations 4 and 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2019.

SPECIAL NOTES TO THE SHAREHOLDERS:

viii) DEDUCTION OF INCOME TAX FROM DIVIDEND UNDER SECTION 150 OF INCOME TAX ORDINANCE 2001:

As per the provisions of Section 150 of the Income Tax Ordinance, 2001 ("Ordinance"), whereby, different rates are prescribed for the deduction of withholding tax on the amount of dividend paid by the Companies.

The current withholding tax rates are as under:

- (a) For Filers of Income Tax Returns: 15%
- (b) For Non-Filers of Income Tax Returns: 30%

To enable the Company to make tax deduction on the amount of Cash Dividend at the rate 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of the Federal Board of Revenue ("FBR"), despite the fact that they are Filers, are advised to make sure that their names are entered into ATL before the date of issuance of Dividend Warrants, otherwise, tax on their Cash Dividend will be deducted at the rate 30%.

The Corporate Shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or Company's Share Registrar and Share Transfer Agent, CDCSRSL.

The shareholders while sending NTN or NTN certificates, as the case may be, must quote the Company name and their respective Folio Numbers.

As per FBR's clarification, the valid Tax Exemption Certificate under Section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of the Second Schedule to the Ordinance. Those who fall in the category mentioned in the above Clause must provide valid Tax Exemption Certificate to our Shares Registrar; otherwise, the tax will be deducted on the dividend amount as per rates prescribed in Section 150 of the Ordinance.

For shareholders holding their shares jointly as per the clarification issued by the FBR, withholding tax will be determined separately on the "Filer/ Non-Filer" status of Principal shareholder as well as Joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to the Company's Share Registrar and Share Transfer Agent in writing as follows:

FOLIO / CDC ACCOUNT NO.	TOTAL SHARES	PRINCIPAL SHAREHOLDER		JOINT SHAREHOLDER(S)	
		NAME AND CNIC NO.	SHAREHOLDING PROPORTION (NO. OF SHARES)	NAME AND CNIC NO.	SHAREHOLDING PROPORTION (NO. OF SHARES)

ix) DECLARATION FOR ZAKAT EXEMPTION

In order to claim exemption from compulsory deduction of Zakat, shareholders are requested to submit a notarised copy of Zakat Declaration Form "CZ-50" on Non-Judicial Stamp Paper to the Share Registrar (CDCSRSL), of the Company by the first day of book closure. In case shares are held in scripless form such Zakat Declaration Form (CZ-50) must be uploaded in the CDC account of

the shareholder, through their participant / Investor Account Services. Further, Non-Muslim shareholders are also required to file Solemn Affirmation with the Share Registrar of the Company in case of shares are held in physical certificates or with CDC Participant / Investor Account Services in case shares are in scripless form. No exemption from deduction of zakat will be allowed unless the above documents are complete in all respects and have been made available as above. Templates of the above-referred forms are available at www.nestle.pk

x) PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE: (MANDATORY)

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company including Nestlé Pakistan Limited to pay cash dividend to its shareholders **ONLY** through electronic mode i.e. directly into bank account designated by the entitled shareholders. In order to receive dividend directly into their bank account, shareholders are requested to fill in the **ELECTRONIC CREDIT MANDATE FORM (Form)** available at Company’s website and send the form duly signed along with a copy of CNIC to the Share Registrar (CDCSRSL) of the Company in case of physical shares. In the case of shares held in CDC then the **ELECTRONIC CREDIT MANDATE FORM (Form)** must be submitted directly to the shareholder’s broker/participant/ CDC account services.

ELECTRONIC CREDIT MANDATE FORM:

Folio Number	
Name of Shareholder	
Title of Bank Account	
Name of Bank	
Name of Bank Branch and Address	
International Bank Account Number (IBAN)	
Cellular and Landline Number of Shareholder	
E-mail Address	
CNIC/NTN number (Attach copy)	
Signature of Shareholder	

In case of non-receipt of IBAN detail, the Company will be constrained to withhold payment of the dividend under Companies (Distribution of Dividends) Regulations, 2017.

xi) UNCLAIMED DIVIDENDS AND SHARES (IMPORTANT & MANDATORY)

Shareholders of the Company are hereby informed that as per the record, there are some unclaimed/uncollected /unpaid dividends and shares. Shareholders who could not collect their dividends/shares are advised to contact Nestlé Share Registrar, CDCSRSL to collect/enquire about their unclaimed dividend or shares, if any. In compliance with Section 244 (2) of the Companies Act, 2017, after having completed the stipulated procedure, of three (3) years or more from the date due and payable, shall be deposited to the credit of the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to SECP.

xii) TRANSMISSION OF ANNUAL REPORT:

The Audited Financial Statements of the Company for the year ended December 31, 2022, have been made available on the Company’s website (<https://www.nestle.pk/>) in addition to the Annual and Quarterly financial statements for the previous years.

Further, Annual Report of the Company for the year ended December 31, 2022, has been e-mailed by the Company to the respective shareholders who have provided their valid e-mail IDs to the Share Registrar of the Company (CDSRSL).

In those cases, where email addresses are not available with the Company’s Share Registrar, printed notices of the AGM along-with the QR-enabled code/weblink to download the said financial statements have been dispatched.

However, if a shareholder, requests for a hard copy of the Annual Audited Financial Statements, the same shall be provided free of cost within seven (07) days of receipt of such request. For the convenience of shareholders, a “Standard Request Form for provision of Annual Audited Accounts” has also been made available at the Company’s website (<https://www.nestle.pk/>).

Further, shareholders are requested to kindly provide their valid email address (along with a copy of valid CNIC) to the Company's Share Registrar, CDCSRSL the member holds shares in physical form, or to the member's respective Participant/Investor Account Services, if shares are held in the book-entry form

xiii) CONVERSION OF PHYSICAL SHARES INTO CDC ACCOUNT:

The SECP, through its letter No. CSD/ED/Misc/2016-639-640 dated March 26, 2021, has advised all listed companies to adhere to the provisions of Section 72 of the Companies Act, 2017, which requires all companies to replace shares issued in physical form to book-entry form within four years of the promulgation of the Act.

Accordingly, all shareholders of the Company having physical folios/share certificates are requested to convert their shares from the physical form into book-entry form at the earliest. Shareholders may contact a PSX Member, CDC Participant, or CDC Investor Account Service Provider for assistance in opening a CDS Account and subsequent conversion of the physical shares into book-entry form. Maintaining shares in book-entry form has many advantages — safe custody of shares with the CDC, avoidance of formalities required for the issuance of duplicate shares, and trade in shares anytime etc. The shareholders of the Company may contact the Share Registrar and Transfer Agent of the Company, namely CDCSRSL for the conversion of physical shares into book-entry form.

xiv) PARTICIPATION IN AGM

Members are required to update their valid e-mail addresses with the Share Registrar, CDCSRSL latest by March 31, 2023 A detailed procedure to attend Annual General Meeting shall be communicated through e-mail directly to the shareholders who have provided their valid e-mail IDs and the same shall be placed at the Company's website (<https://www.nestle.pk/>) in investor relations section.

Members are encouraged to attend the AGM proceedings via video-conferencing facility, which shall be made available by the Company. All shareholders/members interested in attending the AGM, either physically or through video-conference facility are requested to register their Name, Folio Number, Cell Number, CNIC / Passport number at <https://forms.office.com/e/UXMAWf43bn> (link or scan below QR code). The confirmation email for the physical meeting or video link and login credentials will be shared with only those shareholders whose registration are received at least 48 hours before the time of the AGM.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address investor.relations@pk.nestle.com.

In case of appointment of a proxy, please communicate the required information for the individual who has been appointed as proxy of the Shareholder to participate and vote on behalf of the respective shareholder along with the duly signed proxy form at <https://forms.office.com/e/UXMAWf43bn>

In accordance with Section 132(2) of the Companies Act, 2017, if the companies receive consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to the availability of such facility in that city.



ABOUT NESTLÉ PAKISTAN

We are the Good food, Good life company.

Nestlé Pakistan is the leading food and beverage company in Pakistan, reaching out to the remotest areas, offering products and services for all stages of life, every moment of the day. We are headquartered in Lahore, with four production facilities across the country. We started our operations in Pakistan in 1988 under a joint-venture with Milk Pak Ltd, whose management we took over in 1992.

For the last several years, Nestlé Pakistan has been consistently placed among the top companies of the Pakistan Stock Exchange.

Nestlé Pakistan continues to make its operations more sustainable. We are working hard to achieve a waste-free future by ensuring that more than 95% of our packaging will be designed for recycling by 2025, with a commitment to achieve 100%.





MANAGEMENT COMMITTEE



Standing – From Left to Right

Mohammad Ali Sadozai	General Counsel & Company Secretary
Faisal Akhtar Rana	Head of Communications & Marketing Services
Ali Akbar	Head of Supply Chain
Masam Abbas	Business Executive Officer - Juices
Abdullah Jawaid Ahmad	Business Executive Officer - Nestlé Waters
Babar Hussain Khan	Head of Sales

Muhammad Fahad	Business Manager, Coffee & CPW
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Sitting – From Left to Right

Ahmad Jamal Khan	Business Executive Officer- Infant Nutrition
Faisal Nadeem	Head of Technical**
Hajra Omer	Head of Human Resources



Jason Avanceña	Chief Executive Officer*
Komal Altaf	Chief Financial Officer
Khurram Zia	Business Executive Officer - Dairy
Samra Maqbool	Head of Strategy & Business Development
Sheikh Waqar Ahmad	Head of Corporate Affairs & Sustainability



Samer Chedid
Chief Executive Officer - Nestlé Pakistan



Nausheen Jaffery
Business Executive Officer - Nestlé Professional



Amr Rehan
Head of Technical - Nestlé Pakistan

*Effective 1st March 2023
** Effective 1st January 2023

HUMAN RESOURCES

With COVID-19 restrictions subsiding, Human Resources is at the forefront of ensuring smooth and effective transition back to normalcy for Nestlé employees. A primary focus of this transition was to prioritize the well-being of employees, culminating in better business performance. Along with this, we are supplementing our bench strength with young, talented, and diverse prospects through various youth initiatives and forums, whilst also kickstarting our effective on-ground trainings and development programs.

At the core of Nestlé Pakistan's post-COVID transition was its move to the new Nest. The shift from the previously occupied 308 Upper Mall was primarily due to space constraints. The spacious layout, dynamic seating, flexible meeting spaces, larger parking for employees and energy management has been designed to facilitate employees' well-being, keeping our promise of sustainability. The open spaces of the new state-of-the-art offices are calibrated for cross-functional collaboration and synergy which fuel innovation whilst driving creativity.

Another important aspect of Nestlé Pakistan's post COVID-19 transition is engaging the workforce in a stimulating and enjoyable manner that creates positive memories. Employees enjoyed happy hours and snacks at differently themed pitstops, boardgames, Xbox, and football matches throughout the year.

Employee discounts at the Packages Mall food-court, free gym facility and daycare within the premises are additional benefits that help foster employee well-being. Hot desks were introduced at the new office, which has led to a more flexible and dynamic environment in terms of cross-functional collaboration between peers. Open meeting spaces, silent rooms, and themed pitstops for unwinding or casual connects. All play a part in making the New Nest a conducive environment for employees to develop an innovative and agile mindset.

While building the new head office, we protected a longstanding tree at the entrance of the building by making it a part of the office design. In addition to this, the use of electric powered carts and solar energy contributes to reducing our carbon footprint and overall waste levels. The installation of motion-sensored taps to reduce excess water consumption, and provision of waste segregation at the pitstops continually remind employees of Nestlé's commitment to sustainability as one of its core values.

Nestlé believes diversity in our workforce is an asset that impacts how we think and work together. We are committed to be an inclusive workplace that respects and supports our people to perform their best, while tapping into their potential. As part of enabling practices for both working mothers and fathers, all our sites have a daycare facility.

In 2022 we were also able to continue our Nestlé needs YOUth initiatives, which help youth access apprenticeships, traineeships, and job opportunities – empowering them with skills they need to thrive. In line with our initiative, we have engaged more than 55k+ youth through various forums.

In 2013, we made a commitment to turn the tide: to help 10 million young people worldwide with access to economic opportunities by 2030. In our commitment towards this cause, we on-boarded 190+ interns through various internship programs throughout the year.

With a proven track record of producing leaders, Nestlé LEAD Management Trainee Program remained a focus for the organization. After a high conversion of 89% from the batch hired in 2021, we launched 2022's campaign with energetic career drives, where more than 2000+ youth were engaged through various campus and virtual recruitment drives. As a result, a high number of applicants showed interest and took online assessments to qualify for the Management Trainee Program. This year, in line with our invigorated approach, a new concept of speed interviews was introduced to screen the candidates before they were invited for assessment center. Capability building sessions were conducted for a total of 73 assessors and 345 students were interviewed across different functions.

Shortlisted students were invited to the new Nest, for two days during which they were assessed through multiple group and individual activities. To enrich the candidates experience, they got an opportunity to network, interact and learn from NIM members.

A total of 20 candidates were shortlisted and onboarded through an extensive orientation featuring ice breakers, experiential learning, career talks, innovation challenge workshops and visits to retail and production plants to enhance their understanding of the value chain. The Digital Learning Portal was launched on iLearn with the first users being the Management Trainee batch, focusing on tech-savvy skills like machine learning, AI and Power BI, tools that will enable the future leaders.

2022 had multiple e-learning festivals that focused on achieving our ambition under Nestlé Needs YOUth. NestGen and International Youth Day celebrations were two notable zone led conventions where influential industry leaders from Google, Facebook, Microsoft, Accenture and TikTok spoke on various topics to inculcate a creative mindset in the future-ready workforce. Pakistan market stood out with one of the highest participation pool: 10,413 youth attendees.



40,000+

YOUth engaged through Campus Drives & Job Fairs



303

Internships were offered



52

Apprentices were taken onboard



20

Management Trainees were inducted



13%

Females in the workforce

The flagship program, “Karo Aitemaad”, launched in 2016 that aims to break stereotypes and enable females to take up roles historically dominated by males, has been increasing women’s representation in functions like Supply Chain, Field Sales, Engineering, Medical Delegates and Agri Services.

After a successful conversion of 49% trainees that were hired in the preceding year, the program was re-launched with a new look. A total of 33 associates were hired after thorough online assessments and interviews. The associates were given exposure of the value chain through a two-day orientation where they visited the Sheikhpura Factory, Sarsabz Farm, managed by Nestlé, distributions and head office.

“Hai Tum Pe Yakeen” is another program exclusively designed to break perception barriers associated with employing differently-abled persons. After successfully converting 40% employees to permanent roles in the preceding batch, 10 associates were hired in 2022.

To expand youth outreach and showcase our commitment towards youth, programs like Youth Influencer Program helped students become brand ambassadors and connect Nestlé to their university.

We did not lose foresight of mid-career professionals. Interventions like NestLevel digital were launched, in order to attract mid-career professionals to create a talent pipeline. Returnship Program was launched to take affirmative actions and rebalance gender scales. The program was designed to facilitate women on a career break and help them make their way back to the workplace.

This year was also jam packed with exciting development programs to enhance employee capability, with sessions like the People Manager Development Assessment Centre, People Academy Bootcamp, Digital Learning Portal, and Value Creation; these programs brought back a learning spirit to the workforce that is customary with effective on-ground trainings. We ended Q3 with the launch of NESLearn, a three-part Life Skills Learn Quest on Mind, Heart, and Body. The first segment on Mind was dedicated to Critical Thinking, with the second session on Heart being dedicated to Compassion and Empathy in the workplace; the third on Body will be dedicated to Mindfulness and Self-awareness. Cumulative combined training hours were recorded at 388+ and the increase in trainings was record-breaking, at 324%.

SUPPLY CHAIN

Resilience, agility and proactivity have driven Supply Chain towards making Nestlé the partner of choice in the market.

The year 2022 unfolded multiple challenges, including continued ocean freight disruptions and high inflation. As the Russia-Ukraine war exacerbated the situation, the supply chain team worked relentlessly to ensure that our customers do not suffer because of any externality. From ensuring timely supply of SKUs to responsible sourcing of materials, we collaborated extensively with our partners to consistently improve our stakeholders' experience.

Digitalization and data analytics have always been at supply chain's core. This year, we continued using our advance analytics capabilities to maximize the efficiency of operations. Eliminating manual and repetitive tasks resulted in boosting our team's productivity, as we were able to invest more time in developing value-added processes. Given the importance of big data and its role in driving innovation, we also emphasized implementing data-driven decision making for quick and measurable results.

Facing volatile market conditions, our procurement team performed remarkably well and delivered savings of PKR 4.4 billion through alternate sourcing and localization. The team also played a key role in benchmarking & optimization of raw & packaging material specifications, which led to the development of cost-effective solutions. Additionally, localization of dairy powders has added to sustainability in our operations, helping us eliminate dependency on foreign vendors and ensuring continuous supply amidst unprecedented cost pressures.

Customer supply chain team remained resilient in the face of multiple challenges and focused on customer centricity. Despite the devastating floods in Khyber Pakhtunkhwa and Sindh, the team consistently worked on improving on-time delivery (OTD), while also achieving a customer order fulfillment (COF) rate of over 99%. Additionally, multiple 3PL warehouses have been set up to improve product availability across the country.

Through successful implementation of projects like the delivery window project and palletization, we were able to create a win-win situation for Nestlé and its customers by significantly reducing offloading delays and eliminating the need for manual handling. Having seamlessly executed these projects with 10 major customers, we are now planning to leverage the learnings from these to engage other key-account customers as well.

By collaborating cross-functionally, supply chain worked on vehicle optimization and upsizing, leading to a significant reduction in the number of trips. This helped us minimize costs and maintain on-shelf availability, even during periods of political unrest. Moreover, because of the improved reliability of railway networks, we began transportation via trains, which helped us deliver savings and reduce the emission of Greenhouse Gases (GHGs). With more projects in the pipeline for 2023, we aim to further optimize our operations.

Supply Chain has always shown commitment towards minimizing its carbon footprint by working on projects that promote environmental sustainability. Continuing our journey to use 100% designed-for-recycling (D4R) material, we successfully replaced 198 tons of difficult to recycle packaging, used for yoghurt tubs, with D4R. Additionally, we have begun transitioning to renewable energy resources, such as solar energy and biomass steam generation. With 80% of our new head office operating on solar power, overall GHGs emissions have been reduced by 2%. We are passionately working towards building a healthier and safer community by creating a positive impact on the environment.

With diversity and inclusivity incorporated in supply chain's culture, we have worked rigorously to promote gender diversity. Our workforce consists of 46% females, 23% of them in managerial positions. Having a diverse talent pool has helped us show that any individual with the right skills and abilities can prove to be an asset for the company.

Our talented team is fully geared up to drive business continuity in the ever changing business environment. With unparalleled determination towards continuous growth and creating value for our stakeholders, our aim for the year 2023 is to innovate and digitally transform our processes to set new benchmarks.



NESTLÉ
NIDO
1+

30x150g Packs



BEST BEFORE END (MM.YYYY)

12521569
376 13030
304515802Y

NESTLÉ
NIDO
1+

25

TECHNICAL

Technical division is the guardian of Nestlé's core values, which are rooted in respect

Safety

Respect for the employees and stakeholders

We aim to promote a safe working environment for our employees. We prioritized our learnings from the previous years and developed an action plan focusing on zero recordable incidents. We also prioritized Caring Leadership in Safety, Employee Behaviors and Machine Safety trainings and refreshers, to promote a safe working environment.

By implementing Nestlé Life Saving Rules and capability building of our people, we nourished the concept of 'Safety Starts with Me'. The training and refreshers on safety topics were conducted to keep our employees updated and vigilant. This year, we focused on management's competencies to identify positive and negative behaviors to address the root causes of unsafe behaviors.

In 2022, we have achieved multi-site international certifications like ISO 45001 and ISO 14001 for our factories, Head Office, Sales, Supply Chain and Agriculture Services. All four factories of Nestlé Pakistan successfully maintained Alliance for Water Stewardship certification.

Road safety remained a challenge this year. However, it was tackled by increasing spot checks to behavioral change. Our efforts to identify gaps at distribution sites and sales are in progress with a focus on warehouse safety.

Caring Leadership in Safety, Sustainable Machine Safety, Life-Saving Rules, Safety Starts with Me campaign, and Safe behaviors will be the top lines for next year.

Quality

Passion for the best consumer experience

Quality and food safety are the cornerstones of Nestlé's Corporate Business Principles. We strive for the best consumer experience. Value chain activities are designed focusing on this vision.



We ensure that high-quality raw and packaging materials are procured by actively engaging farmers, raw and packaging material suppliers. We work on their competence development through knowledge sharing, updating them about the potential quality and food safety challenges and guiding them on elimination of key defects.

Our strong Quality and Food Safety culture helps us to deliver safe food for our consumers. Our factories continued to sustain certifications for FSSC 22000, ISO 9001, PNAC on ISO 17025 and 'Halal Certification' by Islamic Food and Nutrition Council of America. Our factories and milk collection centers are continuously monitored and verified for quality by relevant local food regulatory authorities.

Environmental Sustainability

Respect for future generation

One of Nestlé Pakistan's key priorities is to reduce the number of greenhouse gas emissions. By 2025, our ambition is to reduce 20% of greenhouse emissions as compared to 2018. Water conservation, energy optimization, controlling greenhouse gas emissions, reduction in waste at source, reduction in packaging material and proper disposal of waste are the key environmental indicators for any manufacturing facility. Nestlé takes care of these indicators in its operations and is committed to improve its performance every year.



In 2022, we invested our time and efforts in identifying opportunities for energy optimization across operations (including Manufacturing Units, Packaging and Agri Services). Despite various challenges, we successfully executed several projects and saved 62,000 tCO₂e greenhouse gas emissions in absolute numbers.

Water operational efficiency

Water withdrawal savings for 2022 are 92,500 m³ across our manufacturing units. This water saving is based on initiatives taken under Alliance for Water Stewardship Standard.

Reduction of waste at source

We ensure that waste from our sites is disposed off according to recycle, reuse, and reduce principles.

To contribute to our global sustainability commitments, initiatives focusing on reduction and recycling of plastic waste generated from our production sites were taken. We have sustained the elimination of single use plastic across all sites of Nestlé Pakistan in 2022.

Planting Trees

Nestlé Pakistan planted a total of 25,000 indigenous trees around our operational sites in 2022.

PLANS FOR 2023

Opportunities for



Renewable Energy Sources



Waste Reduction at Source



Water and Energy Conservation



Reduction of Greenhouse Gases



Research & Development for Packaging



Manufacturing Sheikhupura Factory

Sheikhupura Factory successfully implemented preventive guidelines for COVID-19 and returned to normal work routines while ensuring a safe working environment for our employees.

Under our commitment to safety, we built capacity of employees and continued to nourish the concept of 'Safety is Everyone's Responsibility'. Trainings and refreshers on lifesaving rules and machine safety methodologies remained a priority for the factory.

Our commitment to quality and compliance remained our primary focus throughout the year. In 2022, our factory continued to sustain certifications for FSCC 22000, ISO 9001, PNAC on ISO 17025, ISO 4500, ISO14000 and 'Halal Certification' by Islamic Food and Nutrition Council of America. Other highlights of the year included Successful Ammonia Safety Audit, Electrical and Fire Risk Assessment and Inburex Dust Explosion-ATEX assessments.

Utilizing its high potential, Sheikhupura Factory continued its journey towards excellence and closed 2022 with one of the lowest unplanned stoppages and line losses rates, making manufacturing process more reliable and agile while optimizing the Total Delivered Costs.

Factory's drive for operational excellence through digitalization continued with 100% deployment of Digital Manufacturing Operation (Performance). Digital Manufacturing Operations (CIP, MMS, Project Horizon-Energy), Endeavour, Predictive

Maintenance Planning Tool, and Pro-Cal were also piloted in 2022 at the Sheikhupura Factory.

Further leveraging our entrepreneurial mindset in 2022, Innovation & Renovation journey was kept at the forefront with the successful launch of Chilled Sweet Laban, Milkpak Chocolate Cream, NESCAFÉ Salted Caramel PET, NESCAFÉ Chocolate Hazelnut PET, Milo PET & Docello Soft Serve Premix.

On the industrial front, expansion of 25g cereal line was completed despite the tough challenges of COVID-19 pandemic and will be operational in Q1 2023.

We continued to strengthen our community presence through consistent engagement with key stakeholders throughout the year. Keeping environmental sustainability a priority, we worked on reducing of GHG emissions, water withdrawal and plastics in our packaging.

This year we embarked on the journey of renewable energy by installing a solar setup, with an aim to expand it in the coming years.

Our drive on Diversity & Inclusivity continued to be our focus approach to make the factory a preferred choice for female professionals and differently-abled people, fostering a more inclusive culture at the Sheikhupura Factory.

Keeping people at the heart of operations, we continued to build the capability of our employees through training programs like Fit2Win, leveraging TPM methodologies and leadership development.

Kabirwala Factory

Continuous efforts were made to realize the impact of initiatives taken to drive operational efficiencies across our value stream and sustain a high level of Asset Intensity aiming to improve Total Delivered Cost.

Our top most priority remained people's safety and their well-being. We are immensely proud of our employees who adapted to the right safety behaviors and practices to maintain a safe work environment on site.

Kabirwala Factory rigorously worked on improving First Time Right quality and was re-certified by Bureau Veritas, SGS & IFANCA. Moreover, the factory has sustained an excellent rating since 2000 in Laboratory Proficiency Test.

Our team put in their best efforts towards the ongoing journey of environmental sustainability and came-up with novel initiatives like Biomass Boiler Project. Under Fit for Purpose Project, the team contributed to virgin plastic optimization journey as well.

Furthermore, we continued to strengthen our community presence through consistent engagement with key stakeholders. Our drive on Diversity & Inclusion made the factory a preferred choice for female professionals and differently-abled people, fostering a more dynamic and engaging culture. We are committed to delight our consumers and enhance their quality of life by offering nutritious and healthy products.

Port Qasim Factory

The Port Qasim team derives its strength from teamwork and synergy. The factory demonstrated its agilities in an excellent way and delivered production volumes in a timely and efficient manner. Our team remained resilient and committed in terms of guarding the core and thus maintaining safety and quality as their key priorities.

TPM methodologies were leveraged to achieve fruitful results for the asset intensity and operational losses. Team has also worked hard in delivering significant TDC savings. A positive and determined approach towards environmental sustainability has led people to bring multiple initiatives to reduce our environmental footprint. Celebration of World's Water Day, tree plantation drives, and beach cleaning activity have also been the highlights for this year.

The factory achieved satisfactory rating in Nestlé Internal Audit. The factory also successfully retained Alliance for Water Stewardship recertification and cleared all third-party audits including FSSC 22000 and the 'Halal Certification'. Extensive trainings conducted to enhance the quality mindset among the team resulting in 100% FTR for the entire year and a significant reduction in foreign bodies and consumer complaints. The zero-safety incident journey was also led successfully ensuring the site is safe and secure for employees.

Our drive on Diversity & Inclusivity continued to make the factory a preferred choice for female professionals, fostering a more inclusive culture. As a site, we are committed to delight our consumers and positively enhance their quality of life by offering them healthy products.

Islamabad Factory

Islamabad Factory adopted a holistic approach towards achieving operational efficiency, quality, safety and contributing positively towards environmental sustainability in 2022.

Leveraging NCE advanced practices in 2022, the factory delivered improved results in all dimensions of manufacturing excellence, successfully sustaining the lowest unplanned stoppages in HOD lines.

Islamabad Factory launched a new SKU NESTLÉ PURE LIFE ACTIVE 18.9L with tremendous growth and positive consumer response. It has also been able to adhere to ISO 45001, ISO 14001, FSSC 22000 standards and got "HALAL" Certification by Islamic Food and Nutrition Council of America, thus maintaining the trust of our consumers. Extensive trainings on food safety and foreign body and hygiene were conducted along with events on and occasions like World Water Day and World Safety Day. Other employee engagement activities were organized, which kept team morale high.

Advancing the Nestlé Cares program, Islamabad Factory planted 2,000 trees in coordination with Environment Department, Capital Development Authority (CDA) Islamabad in the capital. To sustain high standards of sustainability, both within and outside of factory premises, Alliance for Water Stewardship journey continued with commitment and dedication.

The factory focused on functional capability building of team and developed 6 new trainers and coaches at site.

AGRICULTURE SERVICES

Agriculture Services is one of Nestlé Pakistan's integral pillars, contributing towards improvement in socioeconomic conditions and livelihood of farmers. Nestlé provides innovative solutions on dairy and agriculture to farmers through its trained team of professionals, specialized in agriculture and dairy farming.

Nestlé Pakistan continually explored opportunities for the socio-economic benefits of farmers and to minimize climate change impact. We have been promoting alternate energy sources, particularly amongst dairy farmers. During 2021-2022, Nestlé contributed to installation of solar systems at 20 dairy farms to introduce renewable energy to reduce greenhouse gas emissions and energy costs. If not handled properly, cow dung can increase GHG emissions. However, proper treatment of cow-dung through biodigester not only provides alternate energy biogas but also provides a good source of organic matter to agricultural land, reducing the use of synthetic fertilizers. In 2021-2022, we supported 15 biogas digesters installation at supplier farms. With cost and environmental benefits, these farms with solar and biogas installations served as a lighthouse in their surrounding areas.

Nestlé Pakistan understands that the country is facing adversities because of climate change and is taking this challenge seriously. Nestlé, together with its partners, developed a low-cost soil moisture sensor that helps farmers to decide when, and when not to, irrigate their crops. Our initial field estimates have shown considerable water saving in irrigation with crop yield improvement. Till end 2022, we

installed 107 soil moisture sensors at various locations in our agriculture value chain. These not only help farmers in saving irrigation but also serving as a lighthouse of efficient irrigation system. Similarly, Nestlé Pakistan supported farmers in installing drip irrigation on 139 acres of land in Punjab. During 2022, the initiative has been scaled to cover an additional 75 acres of land in Sindh.

While reducing the impact of greenhouse gases, we also explored ways for carbon sequestration. This is an important element in our aim to enhance net zero in the food value chain. We started work on different studies on regenerative agriculture practices which can help farmers in getting better yield with fewer GHG emissions. To further strengthen our knowledge, Nestlé Pakistan signed an understanding with the University of Agriculture, Faisalabad to conduct various studies on regenerative agriculture practices.

Nestlé Pakistan is also helping farmers in improving crop yield and productivity. One of our major initiatives is supporting import of high efficiency cows. During 2021-2022, Nestlé Pakistan helped farmers import more than 7,000 cows, which reduced GHG emissions while increasing productivity of the herd and income of local farmers.

Nestlé is committed towards a zero carbon journey. For an effective action plan, we need the experience of various interventions implemented to reduce greenhouse gases under local conditions. For this purpose, we are developing a dairy farm with maximum possible interventions that aims to become carbon neutral in the coming years.

While we continue to source fruit and rice from Punjab, the Nestlé team is now also working closely with farmers from Gilgit Baltistan to source fruit from the region. During 2022, Nestlé Pakistan sourced high-quality apples from Hunza, Nagar, Ghizer and Skardu regions. These apples are known to be organic and are nourished by the purest glacier water. This initiative is helping farmers reduce fruit waste, hence converting waste to value for farmers.



SALES

2022 was a challenging year due to external pressures like unprecedented floods, inflation and other economic challenges. However, our sales team showed great resilience and resolve to ensure that Nestlé products remained available to our customers without any disruptions, working on best-in-class sales activations while ensuring operational efficiencies.

We have continued to deliver growth with a strong focus on our sales and distribution fundamentals and developing the right Route-to-market strategies that helped us to ensure our products availability and accessibility across Pakistan.

Various initiatives were taken to develop direct distribution across all geographies while also providing various trainings and automation solutions to our distribution partners to help them develop their business.

Dedicated efforts were made to develop emerging channels such as E-commerce in line with changing shopper buying habits. At the same time, our flagship rural deep reach program continued to educate our rural consumers on nutrition health and wellness to build a better future for our consumers in rural Pakistan.

Winning with Shoppers

There was a strong focus on creating better and bolder engaging shopper activations and strong visibility in trade. Highlights of the year were our shopper centric in-store executions, town storming in 100 locations across the country, a complete 360-degree activation tourist engagement drive during the summer in northern Pakistan and participation in over 100 Ramadan Bazars to leverage high consumption moments. Best in class execution of consumer promotions and multiple new launches were carried out across channels to engage with shoppers and improve purchase consideration at trade level. All priority channels as a result, such as Pharmacies, continued their strong growth trajectory.

Winning with Customers

The expansion of international and local modern trade continued in 2022 with customers expanding their reach to new geographical locations, introducing new store formats. This provided Nestlé with an excellent opportunity to collaborate with these customers to drive strong shopper-centric activities while creating winning long-term partnerships.

Driven by innovative new-launches and a strong portfolio Nestlé continues to be among one of the preferred suppliers for all retail customers in modern trade. The channel team executed series of activities in 2022 including Ramadan promotions, Dairy, Juices and Nutrition events.

The relationship with modern trade customers touched new milestones focusing on increasing collaboration in logistics, planning and commercial execution.





CONSUMER COMMUNICATIONS & MARKETING SERVICES

Driving Human Centricity Consumer & Marketplace Insights

As the world evolves faster than ever, a new world of consumer behavior has emerged. Consumers now live differently, buy differently and in many ways, think differently. They spend more on crucial goods as they adopt a hybrid lifestyle of the digital and physical world. To keep up with changing consumer preferences and to lead the marketplace, we continuously endeavor to understand the consumer better.

Consumer & Marketplace Insight (CMI) team helps brands lead with insights, trends and thought starters to understand the business environment and identify strategic opportunities through data analytics, while encouraging innovation. We stayed closely connected with consumers through direct and indirect consumer immersions to truly understand the consumer value propositions.

The CMI function continued to evolve and adapt to digital ways of working by exploring digital/DIY solutions to help brands leverage quick, cost-effective, and more robust ways of reaching the consumer and understanding their behavior. Moving forward, we are adapting to a new vision of experimentation with new tools and data, evolving from traditional to digital ways of working.

Connecting With Our Consumers Consumer Engagement Services

The Consumer Engagement Services (CES) team remains pivotal in building trust in Nestlé and its products through our 24/7 toll-free hotline along with responsive WhatsApp and active support on social media platforms. CES further enhanced response efficiency and accuracy by upgrading to ENGAGE OMNI and integrating all touch points (voice, non-voice) into one window operations.

CES catered to consumer's queries on all mediums and addresses them amicably. Each contact was an opportunity to not only collect consumer insights but also create brand loyalty, drive trust, and advocacy. The unit continues to handle thousands of consumer contacts every year by being accessible on consumers' preferred communication channels.

Creating Engaging Brand Experiences On Ground Brand Activations

We help create valuable brand experiences for consumers by delivering effective and engaging activations and enabling brands to achieve trial, conversion and loyalty.

Consumer activations is key platform to interact with our consumers to give them the experiences through product trials and get feedback instantly. This gives the opportunity to our brands to stay top-of-mind by creating the best experiences and making consumers try the product.

Our traditional activations are now being managed through a fully digitized web/mobile based solution for all stakeholders to monitor and control activity, and collect first-party consumer data.

Media & Digital Acceleration

2022 has been a challenging year across TV, Digital, Out of Home (OOH) and other mediums. While consumers continue to watch TV, sports content led by cricket, has seen a steady audience growth and interest. Consumers across all social strata continue to spend time on digital media while exploring new social platforms.

We continue to monitor and adjust our ways of working to win in this ever-changing new reality by working closely with key digital platform partners, creating new partnerships, and identifying new opportunities across TV.

With a continuous focus on excellence across effectiveness and efficiency in our media spends, we have been able to drive strong savings and brand value. We have further invested in data and analytics to create more engaging brand experiences.

Our brand new Brand Building the Nestlé Way (BBNW) 4.0 which comes with advanced tools, is enabling our marketers to win with our consumers in 2022 and beyond. A testament to that are our local and global marketing awards.

Enriching Brand Experiences Excellence in Marketing

Excellence is at the core of our work at Nestlé and to support this effort for commercial teams, BBNW is our proprietary approach to help achieve great brand building results. We facilitate in improving the way Commercial Teams work by introducing, adapting and enhancing systems, processes and tools so that the team remain more relevant, agile, innovative and efficient in an ever-changing business environment. We also have a robust Education & Training (E&T) model for commercial teams, with many capability-building interventions with internal and external experts and trainers, both local and international. The E&T model adds directly by contributing to competence development for our marketing community. The Marketing Competency Framework helps in identifying and planning to acquire the necessary function specific knowledge, skills, and behaviors to help delight consumers, enhance lives, and build great brands.

NUTRITION, HEALTH & WELLNESS

Enhancing the quality of people's lives by offering sustainable, tastier and healthier food and beverage choices and encouraging an active lifestyle.

We, at Nestlé, always strive to make our portfolio even healthier and tastier, to inspire consumers to lead healthier lives and develop a shared understanding of the connection between nutrition and health. At Nestlé, we want to create tastier and healthier food choices that nourish and delight the senses, respect the planet and protect resources for future generations. Products that are right for the consumers and right for the planet make good business sense.

Nestlé's strategy is focused on ensuring that our products are part of a regenerative future for people, pets, communities, and the planet. Our brands have compelling stories to tell in support of our purpose. Our product packaging is the most important medium to communicate these advantages and brand actions. The new 'backstory' on our packs, supports our brands in sharing purposeful stories while better organizing all required product information for our consumers.

We believe these 'backstories' hold incredible potential in encouraging consumers to discover the impact that our brands are making and improve the likelihood that they consider and select our products over competition. We continued the implementation of Guideline Daily Amount (GDA) on our products to provide information on the percentage of daily requirement of important nutrients and calories.

We made sure Nutrition, Health & Wellness showcasing is done strongly in harmony with changing trends and values, promoting sustainability. We have executed joint events with Key Opinion Leaders (KOLs) to articulate the health benefits Nestlé products carry and how they contribute to the fight against nutritional deficiencies. On other hand, we also participated in events organized by academia to stay connected with the young generation, their innovative ideas and to guide them on how to upsurge as successful professionals.

Nestlé's strong NHW footprint was further strengthened by providing our consumers, employees and their families with healthy recipes, their health benefits and sharing awareness of sustainable resourcing.

ENSURING GOODNESS IN EVERY DROP
With the help of dairy farmers and our quality systems we guarantee that the goodness of dairy reaches you every day.

KNOW YOUR PORTION
1 X = 1 Portion
Not to be used to feed infants below 12 months of age.

NUTRITIONAL INFORMATION
If a portion is 1 glass (250 ml)

Nutrition Information	Average Per 100 ml	Average Per Portion	% GDA* Per Portion
Energy	63 kcal	157 kcal	8%
Milk Fat of which saturates	3.5 g / 2.2 g	8.8 g / 5.5 g	15% / 28%
Carbohydrates of which sugars	5.1 g / 5.1 g	13 g / 12 g	5% / 14%
Fiber	Traces	Traces	<1%
Protein	2.7 g	6.8 g	14%
Sodium	0.07 g	0.18 g	9%
			%NRV**
Calcium	100 mg	250 mg	25%
Vitamin A	177.8 IU	444 IU	17%
Vitamin B	13.6 IU	34 IU	17%

* Guideline Daily Amounts of an average adult (2000 kcal)
** NRV, Nutrient Reference Values, Codex Alimentarius
Pack contains 4 portions.

STORAGE ADVICE
Store in a cool and dry place. Once opened, refrigerate and use within 3 days.

LET'S TALK
Nestlé NAATA
0800-62282 Toll Free for landline only.
naata@pk.nestle.com
www.nestle.pk
0300 663 7853

INGREDIENTS:
Milk, Stabilizers, Vitamin A & D
Allergens: Contains Milk & Soya.

الرجز: دودھ اور سويا شامل ہیں۔

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IFANCA Pakistan HALAL

FINANCE & CONTROL AND INFORMATION TECHNOLOGY

The Finance & Control function commits to act as a copilot for driving timely and effective decisions across the value-chain. We, as change agents, monitor and analyze key financial indicators, and provide early visibility to businesses to ensure best possible change management and strong controls. Our team also strategically optimizes growth while aiming for long-term value creation.

Resilience in a Turbulent Year

2022 proved to be a challenging year for us given the instability of the macro-economic environment. We faced unprecedented cost pressures and currency devaluations further worsened by destructive floods and political instability in the country. Our team, however, remained resilient and steadfast in the face of all such calamities, and delivered noteworthy financial results setting new standards and high spirits.

Unbending Road to Digitalization

In an era of digital revolution, we focused heavily on digital initiatives supporting enterprise priorities and optimizing the Finance function. This year the Information Technology (IT) team worked in close coordination with Finance to identify clerical and tedious workflows, and brought improvements, preferably automation, wherever possible. We also emphasised on developing advanced data analytics tools for greater and quicker analysis, and training our talent pool to make the best use of them. The implementation of digital initiatives not only helped in the continuity of operations but also resulted in improved and efficient ways of working.

Governance and Risk Management

Strict compliance of a company's internal policies and procedures, and external laws and regulations starts with strong internal controls. Sound internal controls also play a crucial role in ensuring seamless operations and delivery of services as well as reliability of financial and managerial information. They assist in achieving the company's objectives by managing risk exposure including safeguarding of its assets, and prevention and detection of frauds and errors. In 2022, we carried out an End-to-End (E2E) internal control assessment of all key processes with an objective to confirm that all key controls were in place, hence, ensuring that the governance structure is thorough and exhaustive.

Building Synergies

Nestlé Pakistan has always believed in building synergies by developing effective, agile yet unified teams which aim to collectively hit milestones. We continuously worked on employee talent-enhancement through trainings and additional development programs intended to polish their competencies for future roles. We empowered our resources to take on new challenges in a highly dynamic business environment and experience high levels of job satisfaction. One of our key priorities is to maintain a healthy work-life balance and build a diverse finance organization by promoting a culture of inclusivity and diversity.

Information Technology

Nestlé Pakistan relocated to our new head office building, called New Nest, in 2022. By establishing cutting-edge IT services in the new head office for businesses, IT played a crucial part in ensuring that business activities ran smoothly.

Nestlé IT is stepping up to ensure that our solutions work reliably and we have developed alternative solutions to meet the growing needs of our colleagues, particularly while they are working from home/remotely. Our Information Security Management System is applicable to all our digital services and operations managed by Nestlé Pakistan's IT team. On November 14, 2022, EY completed the second surveillance audit and stated that, "IT Pakistan successfully passed the second surveillance audit and has retained the ISMS ISO 27001 Certification. Nestlé Pakistan is also by far the top market when it comes to adhering to the standards".

Embarking on the adoption of digital technologies this year, we equipped our teams across multiple functions with updated and cutting-edge technologies. A few examples include implementation of transportation HUB to improve inter-visibility, digitization of Order to Cash process and smooth deployment on Engage Omni and its integration with various technology platforms.

IT supported a variety of business functions with a focus on robotic process automation, business analytics and e-commerce as part of our waste reduction strategies. This makes it possible for businesses to cut 1000+ man hour activities every year. With the help of these IT initiatives, Nestlé Pakistan is able to innovate under the new normal while also reinforcing and refining its current business model.

EXPORTS; SERVING BEYOND BORDERS



Nestlé Pakistan has a diverse yet unique portfolio, with iconic local brands enjoying high trust and brand equity with Pakistanis not just living in Pakistan, but across the globe.

At Nestlé Pakistan, we are committed to delighting consumers across age segments with our loved brands offering the highest quality.

Our export business pillar has the same ambition. We are currently exporting to over 10 countries, targeting Pakistan's diaspora with the aim to delight them with brands that connect them to their homeland.

We are uniquely equipped to provide a vast choice of products with our brands; NESTLÉ EVERYDAY, NESTLÉ FRUITA VITALS, NESTLÉ NESFRUTA and NESTLÉ MILKPAK CREAM, in a wide variety of formats.

Our third-party importers play a key role in helping us expand our availability along with focus on generating demand activities, in countries where our Nestlé affiliates do not operate in existing categories and brands.

All Nestlé Pakistan factories maintain the highest standards in food safety, Hazard Analysis Critical Control Points (HACCP), quality management, hygiene, and Good Manufacturing Practice (GMP), ensuring 100% compliance to regulatory and legal requirements.

The nucleus of success in this business is customers' satisfaction, which is a continuous and ever-evolving process. Bearing this in mind, we strive to serve our customers with passion and commitment, offering them the best that Nestlé Pakistan has to offer.

HOUSE OF NESTLÉ MILKPAK



NESTLÉ MILKPAK

Nature's gift of dairy has a fascinating taste and with over three and a half decades of dairy expertise and leadership in Pakistan, NESTLÉ MILKPAK has perfected processes that allow it to capture this smooth, rich and creamy experience, the way nature meant it to be. Guaranteed by Nestlé's quality systems and dairy expertise, NESTLÉ MILKPAK provides wholesome nourishment. Whether it is a glass of milk for your children, a creamy cup of tea with your loved ones or a dairy dessert for your family, NESTLÉ MILKPAK makes you fall in love with the taste of dairy goodness and enhances the quality of life of the people of Pakistan.

NESTLÉ MILKPAK CREAM

As Pakistan's pioneer and favorite cream brand, NESTLÉ MILKPAK CREAM encapsulates a strong heritage as well as contemporary usage of this rich dairy product. NESTLÉ MILKPAK CREAM believes in inspiring its consumers to weave their culinary magic and create delicious meals and desserts by igniting the spark of creativity through delicious easy-to-make recipes.

NESTLÉ MILKPAK BREAKFAST CREAMS

Leveraging the heritage of NESTLÉ MILKPAK CREAM, NESTLÉ MILKPAK BREAKFAST CREAM is specifically positioned to be used as a spread for the breakfast occasion. It is slightly sweetened and provides the milky taste of cream with a nutritious start to the day. The range now offers NESTLÉ MILKPAK CHOCOLATE BREAKFAST CREAM, which were launched in 2022.

NESTLÉ MILKPAK WHIPPING CREAM

As Pakistan's first dairy whipping cream in retail, NESTLÉ MILKPAK WHIPPING CREAM is the perfect solution to decorate and layer desserts. It gives the perfect texture to create flawless swirls.

NESTLÉ MILKPAK YOGURT

NESTLÉ MILKPAK YOGURT is your perfect cooking partner in the kitchen. With NESTLÉ MILKPAK YOGURT, we bring the authentic taste of traditional yogurt that you are accustomed to. Its thick texture and richness offers versatility, quality and a great taste that balances the spices in cooked food while delivering a signature mouth-watering taste for you and your loved ones every time you cook.

NESTLÉ MILKPAK DAIRY BUTTER

NESTLÉ MILKPAK DAIRY BUTTER, filled with dairy goodness, aims to make your breakfast special with its rich & creamy taste and easy spreadability. It is available in both salted and unsalted variants to complement all your cooking and baking creations.

CHILLED DAIRY



NESTLÉ SWEET 'n' TASTY YOGURT

NESTLÉ SWEET 'n' TASTY YOGURT is your daily dose of delight that makes your everyday experiences more exciting through its irresistibly rich and creamy taste of pure dairy goodness. It guarantees consistent delicious taste, nutritional goodness and hygiene. So whether you are looking for quick hunger relief or making your breakfast more scrumptious and healthy by adding cereals and nuts, NESTLÉ SWEET 'n' TASTY YOGURT is your partner.

NESTLÉ PODINA & ZEERA RAITA

Often one needs to enhance their food experience. Whether it is at the dining table or at an outdoor grill. NESTLÉ RAITA with Zeera and Podina have unique mouth-watering flavors, guaranteed hygiene and convenience, promising to treat your taste buds and transform your meal into a culinary delight.

NESTLÉ LABAN

NESTLÉ LABAN is a rich, smooth yogurt drink made with natural milk and has an irresistible creamy and sweetened taste. So if you are looking for a healthy, refreshing and tasty drink to beat the summer heat, NESTLÉ LABAN is your go-to drink.

NESTLÉ NESVITA

Pakistani women are resilient, passionate and an important pillar of every household. Whether at home or beyond its confines, these women exhibit strength and character daily. NESTLÉ NESVITA is a high calcium, low fat milk that enables women to maximize their potential. It allows them to combine their emotional strength with their physical strength by adopting a proactive and healthy lifestyle with MOVE+.

MOVE+ is a unique blend of nutrients that contribute to the function of normal bones and joints and help maintain your body's immune system, so you stay healthy and active.



TEA CREAMING



NESTLÉ EVERYDAY

NESTLÉ EVERYDAY, with its 30 years of heritage, has established itself as an ideal tea partner, delivering superior taste that remains consistent. It stands as a market leader in the tea creamer category and is recognized for its golden brown color and Khaas creamy taste.

With a wide portfolio, ranging from powder in sachets and large pouches to liquid variants, the recipe is specially formulated to perform great. Whether separate tea is being prepared, or mixed, NESTLÉ EVERYDAY guarantees a perfect cup of tea every time.

NESTLÉ EVERYDAY Instant Tea Mixes range allows you to conveniently indulge in special flavored teas. Available in three variants; Kashmiri, Cardamom, and Karak these 3in1 tea mixes are perfect for any mood.

CHILDREN HEALTH & GROWTH SOLUTIONS

NESTLÉ NIDO School Age Nutrition

NESTLÉ NIDO School Age Nutrition believes in supporting every mother's love to nurture a healthy future for her child. A mother goes the extra mile to ensure her child's growth and development for a happy and successful life. Backed by Nestlé's global experience of 150 years in child nutrition, Nestlé has developed NESTLÉ NIDO School Age Nutrition; a specialized formula to meet specific needs of school-going children between 5-12 years of age. Special combination of macro and micronutrients in NESTLÉ NIDO School Age Nutrition helps children to GROW and fulfil their potential, learning abilities and improving their immunity.



NESTLÉ BUNYAD

NESTLÉ BUNYAD believes that no child deserves to be left behind because of nutritional deficiencies. One in every two children in Pakistan suffers from iron deficiency (National Nutritional Survey 2018) resulting in kids being tired and lacking concentration. Such deficiencies can hold them back, especially during their formative years. In 2022, NESTLÉ BUNYAD strengthened its promise of iron fortification by launching IRON+, a proprietary Iron source developed in collaboration with Nestlé Research Center Switzerland and Massey University New Zealand, which is 3 times more absorbent in human body than any other iron. NESTLÉ BUNYAD is working on a long-term mission to fight iron deficiency and strengthen Pakistani children for a better life. NESTLÉ BUNYAD with IRON+ is striving to provide 'Behar Zindagi ki aur bhi Mazboot Bunyad'.



NESTLÉ MILO

Made from natural ingredients, (Malt, Milk and Cocoa) with added vitamins and minerals, NESTLÉ MILO is a unique drink with its signature cocoa-malt taste that stands for wholesome and balanced nutrition. NESTLÉ MILO aims to nourish the ambitions of Pakistani mothers for their children to ensure they grow up as successful, well-balanced individuals by providing healthy energy, great taste and nourishment that help them succeed in life.

NESTLÉ MILO believes that sports is a great teacher and has qualities that build children of substance and shapes their future. There is an intrinsic linkage between the life values learned from sports and successful, happy and well-balanced children, MILO's nutrition and energy gives children the 'Energy to go further'.

We have launched MILO in PET Bottle as value up proposition, offering MILO in attractive gulpable experience, an alternative for active tweens looking for nourishing products to replenish their energy.

NESTLÉ BEVERAGES



NESTLÉ FRUITA VITALS

NESTLÉ FRUITA VITALS is the flagship brand within the NESTLÉ beverages range, made from the highest quality fruits sourced from around the world. Our mission is to provide our consumers with delicious and healthy refreshment.

Building on its heritage of driving innovation in this category, NESTLÉ FRUITA VITALS has offered another popular addition to its Sparkling range. Further enhancing our consumer experience with launch of delightful fusion of Soda & Fruit Juice in tantalizing Apple variant.

NESTLÉ FRUITA VITALS with its refreshing fruit beverages, sparks in you a renewed spirit to welcome life, making it one of the favorite beverage brands for millions of consumers across Pakistan.



NESTLÉ NESFRUTA

NESTLÉ NESFRUTA is the flagship mainstream still drink brand reaching out to Gen-Z masses, who aspire to live for the moment.

NESTLÉ NESFRUTA stands for the ultimate expression of breaking the usual boring routine, which is manifested through the brand's 'NEWISM' positioning, which encourages youth to add a flair of unique creativity to everything they do.

NESCAFÉ

Satisfy your love for great experiences and delicious coffee, and discover a world of quality coffee moments from the comfort of your own home with NESCAFÉ. Whether you like your coffee simply black or creamy rich, piping hot or ice cold, there's a NESCAFÉ to suit whatever mood you're in.



NESCAFÉ ORIGINAL

Particularly roasted for your morning moment, to prepare you for what the day ahead has in store, NESCAFÉ Original gives a perfect start to every morning. To make our signature NESCAFÉ instant coffee ideal for everyone, coffee beans are carefully selected and roasted. The most supreme coffee flavor is extracted and locked in every granule. So, no matter what you have planned, grab a mug and get going.

NESCAFÉ CHILLED RTD

Perfectly blended to be your afternoon pick-me-up. Sip and take a moment to reboot, or share it with your friends to indulge in velvety smooth chilled coffee. This range of delicious cold coffees come in a convenient ready-to-drink (RTD) format.



NESCAFÉ ICE

Make your café style iced coffee at home! A pre-mix with the perfect blend of coffee and creamer, available in four exciting flavors. Just add cold milk and be your own barista with the range of NESCAFÉ ICE.



NESCAFÉ GOLD

Crafted carefully for moments that matter. NESCAFÉ GOLD coffee is crafted for a great taste. With a range of flavours to choose from, there's something to suit everyone. So, sit back, relax and savour a quality coffee moment with someone special.

NESTLÉ WATERS



CHAMPIONING WATER FOR HEALTHIER GENERATIONS

NESTLÉ PURE LIFE was born in Pakistan in 1998 and, as a trusted brand, it continues to champion water for healthier generations.

GOING A STEP FURTHER FOR A BRIGHTER FUTURE

Healthy hydration contributes to the well-being of our body and functioning of our vital organs. Drinking water enhances body performance and helps us stay hydrated in our daily routine.

NESTLÉ PURE LIFE takes ownership in driving the healthy hydration agenda for its consumers through new innovations and launches. The brand does this through different pack sizes for different occasions as well as innovations like NESTLÉ PURE LIFE ACTIVE, pH8 alkaline water with electrolytes.

Electrolytes are essential for basic life functions, such as muscle movement and active hydration of body cells. We also expanded NESTLÉ PURE LIFE ACTIVE in a convenient 18.9 liter format for home consumption in Karachi, Lahore and Islamabad.

We are also driving water stewardship by enabling farmers to save water using drip irrigation techniques in collaboration with key public and private partners including Pakistan Agriculture Research Council (PARC), Sustainable Development Policy Institute (SDPI) and Lahore University of Management Sciences (LUMS). In addition to this, all our retail bottles are recyclable by design.

NESTLÉ BREAKFAST CEREALS

NESTLÉ Breakfast Cereals provide you and your family with wholesome breakfast nutrition. They are a convenient, tasty and nutritious way to start the day!



NESTLÉ KOKO KRUNCH

NESTLÉ KOKO KRUNCH is the flagship brand in the kids' breakfast cereals range.

The crunchy bear-shaped petals are made with whole grain and are rich in fiber, vitamins and minerals. KOKO KRUNCH serves as a nutritious and tasty start to the day providing school-going kids the energy they need.

They might just be the best tasting chocolate cereals you'll get. Kids love them and mothers trust them.

NESTLÉ MILO CEREAL

NESTLÉ MILO CEREAL is a nutritious and delicious breakfast cereal with chocolate and malt flavor. It contains the goodness of whole grain, is high in iron, vitamins and calcium to help kids lead an active and healthy lifestyle.

Breakfast is always better with NESTLÉ MILO CEREAL!



NESTLÉ TRIX

NESTLÉ TRIX is a delicious fruit-flavored corn puff breakfast cereal. TRIX contains FRUITY FLAVOR of six exciting fruits, blueberry, orange, watermelon, grape, lemon and raspberry.

With whole grain as the main ingredient, TRIX is high in vitamins, calcium, and Zinc. TRIX promises a perfect start to the day, making breakfast a whole lot of fun!



NESTLÉ GOLD CORNFLAKES

NESTLÉ GOLD CORNFLAKES is a light nutritious cereal made with whole grain and a crunchy texture. It contains essential vitamins and minerals for a healthy breakfast for the whole family.

Great tasting crunchy GOLD CORNFLAKES give your mornings the right start with the perfect combination of taste and nutrition.



NUTRITION



NESTLÉ CERELAC – Together, Passionately Nourishing Babies to Blossom!

With its long history in Pakistan, NESTLÉ CERELAC is now enjoyed by its second generation users and is a household name, trusted by mothers and endorsed by healthcare professionals. Introduced in Pakistan, positioned as the ‘First step to solid food’, after 6 months of age it has, over time, come to be perceived as the trusted partner of the Pakistani mother. Each stage of a baby’s growth is different, and their nutritional needs evolve as they grow. Accordingly, NESTLÉ CERELAC portfolio is grouped into stages based on the age of the baby, providing appropriate nutrition as per the changing nutritional needs of a growing child, in continuation to breastfeeding.

NESTLÉ CERELAC recipes are prepared with rice or wheat and contain iron, vitamins, and probiotics, that help in the cognitive development of babies from 6 months onwards, along with



their healthy physical growth. Today, we serve over half a billion affordable and fortified bowls every year. Moreover, a variety of NESTLÉ CERELAC raw materials are grown locally, helping local farmers to adhere to international standards while contributing to their livelihoods.

In 2020, in order to remain relevant to the evolving needs of millennial mothers, we launched our breakthrough innovation of NESTLÉ CERELAC Nature’s Selection, a new range that brings nutritious grains like oats and quinoa along with exotic fruits like pomegranate & dates, for the first time.

In 2022, we launched an affordable single serve range CERELAC Essentials to make nutrition affordable and accessible to the bottom of the pyramid. These new additions to our portfolio, in addition to our parent range enable us to deliver the right nutrition and stay true to the brands purpose of ‘Together, passionately nourishing babies to blossom’.





NESTLÉ NIDO - Keep Exploring

The growing-up formulae, NESTLÉ NIDO 1+ and NESTLÉ NIDO 3+, offer protection for children between 1 to 5 years of age. The TRIPLE PROTECTION FORMULAE consist of a combination of pre-biotic, pro-biotic strain & essential nutrients that support the healthy development of your child's gut, immune and respiratory defenses.

The objective of the NESTLÉ NIDO brand is to nurture a mother's love by giving extra protection, so her toddler can embark on a beautiful journey of self-discovery.



NESTLÉ NANGROW – Nourishing Together Every Possible In Your Child

The NESTLÉ NANGROW story is one of pioneering innovations backed by over 150 years of Nestlé's expertise in child nutrition.

At NANGROW, we believe that possibilities are physical and intellectual capabilities and skills that children have in themselves. Beyond possibilities, EVERY POSSIBLE captures the world of opportunities children will have to become the best they can be at every stage.

NANGROW's formulation contains Human Milk Oligosaccharide (HMO) 2'FL that is naturally present in breast milk and contributes to innate immunity by enhancing growth of beneficial bacteria and modulating the immune system. In the absence of breastfeeding, Nestlé NANGROW with HMO can support children's immune system, thus helping them build a strong foundation for their future.

In 2022, NANGROW saw tremendous growth, backed by strategic initiatives and the availability of NANGROW in more affordable locally produced packs.



NESTLÉ LACTOGROW – Grow Happy!

A child's physical growth is very important when it comes to a happy childhood. At NESTLÉ LACTOGROW, we believe children's happiness forms the foundation of their satisfaction later in life. Hence, we support mothers who feel the same and want to raise happy children since there is no greater joy than seeing a child grow up healthy and happy.

We know that a healthy tummy is vital for happy growth which is why, in the absence of breast milk, NESTLÉ LACTOGROW 3 & 4 have been designed with COMFORTIS GROW to look after a child's Gut Comfort, aid in digestion, and promote gut defenses to help ensure healthy and happy growth in children aged 1 to 5 years.

In order to cater to different needs of growing up children, our portfolio also includes NESTLÉ LACTOGROW Recover – a low lactose formula for management of acute diarrhea and NESTLÉ LACTOGROW ESSENTIALS – fortified with iron, zinc, vitamin A and D to help prevent micronutrient deficiencies.

Here's to Growing Happy with NESTLÉ LACTOGROW!

NESTLÉ PROFESSIONAL



Nestlé Professional Pakistan continuously strives to become an inspirational and trusted partner for our Out-of-Home customers. We see it as our mission to utilize our expertise in providing efficient, innovative food and beverage solutions to all our business partners, helping them win by Making More Possible.

At Nestlé Professional, we continuously invest in advancing our understanding of customer and consumer tastes; experimenting and innovating to enhance product performance; and relentlessly developing solutions to the latest nutritional and sustainability challenges. This is the expertise we put in the hands of chefs, operators, restaurants and entrepreneurs across the Out-of-Home sector as part of our dedication to making it more possible for their business, every day.

The product portfolio is divided into two categories:

BRANDED FOOD:

1. Dessert Solutions

With our dairy and non-dairy creams and our Professional Desserts & Confectionery range, Nestlé Professional ensures its place at the center of the desserts plate in Pakistan.

2. Meal Compliments & Chilled Dairy

Nestlé Professional also offers chilled dairy solutions including bulk butter, cooking butter and unsweetened NESTLÉ MILKPAK YOGURT which are tailor-made for Out-of-Home customers.

BRANDED BEVERAGES:

1. Hot Beverage Solutions

A range of hot beverages that complement varied menus, with a variety of delicious options. All restaurants get to serve a complete range of hot drinks, be it a temptingly hot NESCAFÉ Cappuccino, a creamy mug of NESCAFÉ Latte, a richly intense taste of NESCAFÉ Espresso, or a strongly aromatic NESCAFÉ Long Black. The hot drinks range also comprises teas including NESTEA Karak Chai, NESTEA Cardamom Chai and NESTEA Kashmiri Chai along with NESTLÉ Hot Chocolate, which are some of the most sought-after hot drinks!

The list does not end there! NESTLÉ Roast and Ground coffee beans give a distinct flavor and aroma to every cup, providing baristas with a perfect blend to create a masterpiece, available in variants like NESCAFÉ EXCELLENTE (100% Arabica beans) and NESCAFÉ AROMATICO (a blend of Arabica and Robusta beans) to cater to different taste preferences.

2. Cold Beverage Solutions

Nestlé Professional offers a complete range of powder drinks that can be enjoyed in liquid as well, using machines or consumed in slush format using blenders. The range includes MANGO ICE, LEMON ICE, ORANGE ICE, NESTEA PEACH & MINT MARGARITA which can be enjoyed throughout the year.

Out of Home Channels:

Nestlé Professional Pakistan serves both commercial & institutional channels through its specialized food & beverage solutions and services.

FINANCIAL STATEMENTS

For the year ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NESTLÉ PAKISTAN LIMITED

Report on the Audit of the Financial Statements as at 31 December 2022

Opinion

We have audited the annexed financial statements of Nestlé Pakistan Limited (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	<p>Revenue Recognition</p> <p>During the year ended 31 December 2022, the Company recognized net revenue of Rs. 162.5 billion from sale of goods as disclosed in Note 26 and according to the accounting policy described in Note 2.4.15 to the financial statements (2021: Rs. 133.3 billion).</p> <p>The Company generates revenue from a wide range of products which are sold through different sales channels.</p> <p>The Company also offers various discounts/allowances and incurs trade-spend from time to time on several product categories for the various types of customers.</p>	<p>Our audit procedures amongst others included the following:</p> <p>Understood the Company's sales processes for various sales types, including the processes for agreeing trade spend deductions and the design and implementation of relevant internal controls;</p> <p>Understood the Company's revenue recognition policies and procedures to assess compliance with International Financial Reporting Standards ("IFRS") as applicable in Pakistan;</p> <p>Performed substantive analytical procedures using dis-aggregated data in order to gain assurance over the revenue recognized and focused our testing on outliers and unusual trends;</p>

S. No.	Key audit matters	How the matter was addressed in our audit
	<p>Due to the above factors requiring significant auditor attention on occurrence and considering the significance of revenue as a key performance indicator for users of financial statements, we have considered revenue recognition as a key audit matter.</p>	<p>Performed analytical review of sales by various product and customer categories in order to identify any inconsistencies with key performance indicators, operational activities of the Company and overall external economic environment;</p> <p>Understood the significance of trade spend deductions, the diversity of arrangements by cluster of customers, the process flow by nature of arrangement and the timing for accounting for estimates considering any conditionality inherent in the trade spend arrangements;</p> <p>Performed trend analysis and correlation between revenue total trade spend and assessed the reasonableness in the context of local environment along with relating the same to movement in receivables and cash;</p> <p>Performed procedures to identify and review any manual adjustments at year end impacting revenue and total trade spend estimates to identify significant or unusual items and reviewed underlying documentation;</p> <p>Tested supporting evidence in relation to a sample of sales transactions including but not limited to dispatch documentation, correspondence / acknowledgment by customers and performing other tests of details;</p> <p>Ensured that revenue items are correctly classified with reference to guidance in International Financial Reporting Standard 15 ("IFRS 15");</p> <p>Performed procedures around the cut off of revenue;</p> <p>Reviewed credit notes and other transactions subsequent to the year end to identify whether any events causing reversal of revenue occur after year end including transactions related to trade spend to address the completeness and reasonableness of accruals as at year end; and</p> <p>We considered the accuracy and the adequacy of the disclosure provided in Note 26 to the financial statements in relation to the relevant accounting standards.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report for the year ended 31 December 2022, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and 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 Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs as applicable in Pakistan 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 ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s 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 auditor’s report to the related disclosures in the financial statements 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 auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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 to the Board of 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, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company’s business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor’s report is Abdullah Fahad Masood.



EY Ford Rhodes

Chartered Accountants

Lahore: 17 March 2023


UDIN: AR202210177B0z6cvw2T

STATEMENT OF FINANCIAL POSITION

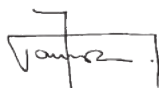
AS AT DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
75,000,000 (2021: 75,000,000) ordinary shares of PKR 10 each		750,000	750,000
Issued, subscribed and paid up capital	3	453,496	453,496
Share premium - capital reserve	4	249,527	249,527
General reserve - revenue reserve		280,000	280,000
Cash flow hedge reserve - revenue reserve		2,289	(2,537)
Accumulated profits - revenue reserve		4,784,934	4,422,786
		5,770,246	5,403,272
Non-current liabilities			
Long term finances - secured	5	6,500,000	12,000,000
Lease liabilities	6	1,378,203	115,479
Deferred taxation	7	2,290	1,241,580
Retirement benefits	8	3,387,912	3,376,097
		11,268,405	16,733,156
Current liabilities			
Current portion of long-term liabilities	9	9,087,234	130,869
Short-term borrowings - secured	10	519,260	6,000,000
Running finance under mark-up arrangements - secured	11	3,756,401	4,226,529
Trade and other payables	12	43,739,673	28,023,293
Contract liabilities	13	766,154	682,065
Interest and mark-up accrued	14	297,289	480,643
Customer security deposits - interest free	15	224,225	195,890
Income tax payable		2,100,895	1,444,883
Unclaimed dividend		87,756	71,894
Unpaid dividend		6,034,213	2,011,404
		66,613,100	43,267,470
Contingencies and commitments	16		
		83,651,751	65,403,898

The annexed notes 1 to 47 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

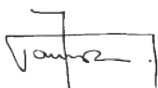
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	17	29,386,433	29,274,553
Capital work-in-progress	18	2,612,423	2,026,307
Intangible assets	19	–	–
Long-term loans	20	209,395	159,848
		32,208,251	31,460,708
Current assets			
Stores and spares	21	3,291,671	3,045,805
Stock-in-trade	22	27,094,551	18,600,718
Trade debts	23	1,989,358	923,484
Current portion of long-term loans	20	130,572	116,810
Sales tax refundable - net		11,771,112	7,059,231
Advances, deposits, prepayments and other receivables	24	6,623,728	3,453,222
Cash and bank balances	25	542,508	743,920
		51,443,500	33,943,190
		83,651,751	65,403,898



KOMAL ALTAF
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer




SYED YAWAR ALI
Chairman / Director

STATEMENT OF PROFIT OR LOSS

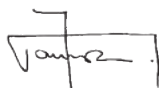
FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
Revenue from contracts with customers- net	26	162,516,255	133,295,472
Cost of goods sold	27	(112,886,474)	(92,803,347)
Gross profit		49,629,781	40,492,125
Distribution and selling expenses	28	(17,347,229)	(14,897,747)
Administration expenses	29	(5,503,574)	(4,016,767)
Operating profit		26,778,978	21,577,611
Finance cost	30	(2,335,994)	(1,840,228)
Other expenses	31	(2,282,490)	(2,079,361)
		(4,618,484)	(3,919,589)
Other income	32	631,543	295,578
Profit before taxation		22,792,037	17,953,600
Taxation	33	(7,742,321)	(5,185,499)
Profit after taxation		15,049,716	12,768,101
Earnings per share basic and diluted (Rupees)	35	331.86	281.55

The annexed notes 1 to 47 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer




SYED YAWAR ALI
Chairman / Director

STATEMENT OF COMPREHENSIVE INCOME

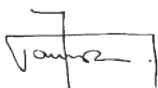
FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	2022	2021
Profit after taxation	15,049,716	12,768,101
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss (net of tax)		
Remeasurement gain / (loss) on cash flow hedges - effective portion	8,179	(3,551)
Related tax	(3,353)	1,014
	4,826	(2,537)
Items that will not be reclassified subsequently to profit or loss (net of tax)		
Remeasurement gain on net retirement benefit liability	391,267	79,942
Related tax	(113,467)	(23,183)
	277,800	56,759
Other comprehensive income for the year	282,626	54,222
Total comprehensive income for the year	15,332,342	12,822,323

The annexed notes 1 to 47 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer




SYED YAWAR ALI
Chairman / Director

STATEMENT OF CHANGES IN EQUITY

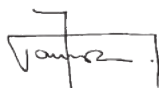
FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Capital reserves		Revenue reserves			Total
	Share capital	Share premium	General reserve	Cash flow hedge reserve	Accumulated profits	
Balance as at January 01, 2021	453,496	249,527	280,000	-	3,207,419	4,190,442
Total comprehensive income for the year ended December 31, 2021						
Profit after taxation	-	-	-	-	12,768,101	12,768,101
Other comprehensive income	-	-	-	(2,537)	56,759	54,222
Total comprehensive income	-	-	-	(2,537)	12,824,860	12,822,323
Transaction with owners directly recognized in equity						
Final dividend for the year ended December 31, 2020 (Rs. 61 per share)	-	-	-	-	(2,766,324)	(2,766,324)
Interim dividend for the six months period June 30, 2021 (Rs. 115 per share)	-	-	-	-	(5,215,202)	(5,215,202)
Interim dividend for the nine months period ended September 30, 2021 (Rs. 80 per share)	-	-	-	-	(3,627,967)	(3,627,967)
Balance as at December 31, 2021	453,496	249,527	280,000	(2,537)	4,422,786	5,403,272
Total comprehensive income for the year ended December 31, 2022						
Profit after taxation	-	-	-	-	15,049,716	15,049,716
Other comprehensive income	-	-	-	4,826	277,800	282,626
Total comprehensive income	-	-	-	4,826	15,327,516	15,332,342
Transaction with owners directly recognized in equity						
Final dividend for the year ended December 31, 2021 (Rs. 90 per share)	-	-	-	-	(4,081,464)	(4,081,464)
Interim dividend for the six months period June 30, 2022 (Rs. 155 per share)	-	-	-	-	(7,029,188)	(7,029,188)
Interim dividend for the nine months period September 30, 2022 (Rs. 85 per share)	-	-	-	-	(3,854,716)	(3,854,716)
Balance as at December 31, 2022	453,496	249,527	280,000	2,289	4,784,934	5,770,246

The annexed notes 1 to 47 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022


(Rupees in 000)	Note	2022	2021
Cash flow from operating activities			
Profit before taxation		22,792,037	17,953,600
Adjustment for non-cash charges and other items:			
Depreciation on property, plant and equipment	17.4	3,841,930	3,858,736
Impairment (reversal) / charge - net	31 & 32	(42,543)	389,042
Gain on disposal of property, plant and equipment - owned	32	(202,305)	(119,680)
Gain on termination of lease		(170)	-
Provision for Workers' Profit Participation Fund	31	1,167,361	915,146
Provision for Workers' Welfare Fund	31	555,301	349,316
Increase in provision for stores and spares	21.1	154,228	35,621
Increase / (decrease) in provision for stock in trade		274,310	(30,976)
Reversal of allowance for expected credit losses	32	(5,444)	(7,717)
Exchange loss realized	31	293,605	362,171
Exchange loss unrealized	31	102,428	45,965
Provision for defined benefits plans		880,532	793,124
Finance cost	30	2,335,994	1,840,228
Profit before working capital changes		32,147,264	26,384,576
Effect on cash flow due to working capital changes:			
(Increase) / decrease in current assets:			
Stores and spares		(400,094)	(411,147)
Stock-in-trade		(8,768,143)	(2,317,721)
Trade debts		(1,060,430)	1,014,566
Advances, deposits, prepayments and other receivables		(7,882,387)	(4,338,212)
Increase in current liabilities:			
Trade and other payables		14,938,787	693,326
Contract liabilities		84,089	119,802
		(3,088,178)	(5,239,386)
Cash generated from operations		29,059,086	21,145,190
(Increase) / decrease in long term loans - net		(63,309)	36,611
Increase / (decrease) in customer security deposits - interest free		28,335	(26,276)
Contributions by the Company - net		(477,450)	(454,746)
Workers' Profit Participation Fund paid		(965,099)	(655,032)
Workers' Welfare Fund paid		(367,824)	(294,812)
Finance cost paid		(2,409,754)	(1,641,295)
Income taxes paid		(8,442,419)	(5,297,567)
Net cash generated from operating activities		16,361,566	12,812,073

STATEMENT OF CASH FLOWS

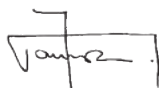
FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
Cash flow from investing activities			
Fixed capital expenditure		(3,379,435)	(2,602,970)
Sale proceeds from disposal of property, plant and equipment	17.6	420,032	202,186
Net cash used in investing activities		(2,959,403)	(2,400,784)
Cash flow from financing activities			
Long-term loans obtained		6,500,000	-
Long-term loans repaid		(3,081,975)	(3,698,319)
Short-term borrowings obtained		1,038,520	9,000,000
Short-term borrowings repaid		(4,019,260)	(11,917,473)
Short term borrowings - net (less than 90 days)		(2,500,000)	2,500,000
Lease rentals paid	6.2	(144,035)	(138,600)
Dividends paid		(10,926,697)	(9,598,316)
Net cash used in financing activities		(13,133,447)	(13,852,708)
Net increase / (decrease) in cash and cash equivalents		268,716	(3,441,419)
Cash and cash equivalents at beginning of the year		(3,482,609)	(41,190)
Cash and cash equivalents at end of the year	37	(3,213,893)	(3,482,609)

The annexed notes 1 to 47 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

1 Legal status and nature of business

Nestlé Pakistan Limited (“the Company”) is a public limited company incorporated in Pakistan - under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) - and its shares are quoted on Pakistan Stock Exchange. The Company is a subsidiary of Société des Produits Nestlé S.A. (SPN), the Holding Company, which in turn is a wholly owned subsidiary of Nestlé S.A., the Ultimate Parent Company, incorporated in Switzerland.

The Company is principally engaged in manufacturing, processing and sale of dairy, nutrition, beverages and food products including imported products. Registered office (which is also the Head Office) of the Company is situated at Packages Mall, Shahrah-e-Roomi, PO Amer Sidhu, Lahore, previously it was situated at Babar Ali Foundation Building, 308 Upper Mall, Lahore.

The geographical locations and addresses of the Company’s manufacturing facilities are as under:

Manufacturing Facilities	Address
Sheikhupura factory	29-km Lahore – Sheikhupura Road, Sheikhupura, Pakistan
Kabirwala factory	10-km, Khanewal Road, Kabirwala, District Khanewal, Pakistan
Port Qasim factory	Plot No. A23, North Western Industrial Area, Port Qasim Karachi, Pakistan
Islamabad factory	Plot No. 32 Street No 3 Sector I-10/3 Industrial Area Islamabad, Pakistan.

2 Basis of preparation and summary of significant accounting policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Islamic Financial Accounting Standards (“IFAS”) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017;
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee benefits on the basis mentioned in note 2.4.6 and cash flow hedges that have been measured at fair value.

2.3 Significant estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates that have a significant risk and result in material adjustments to the Company’s financial statements or where judgments, that had the significant effect on the amounts that have been recognized in the period, were exercised in application of accounting policies are as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

2.3.1 Judgements

Lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease options that include extension and termination options. The Company applies judgements in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement period, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the ability to exercise or not to exercise the option to renew or to terminate.

2.3.2 Significant estimates and assumptions

Company applies the estimates in following areas to determine the amounts in financial statements:

- Defined benefit plans 2.4.6
- Discounts, allowances and promotional rebates 2.4.15

Other areas, where estimates are involved to determine the amounts, are mentioned in their respective notes.

2.4 Summary of significant accounting policies

The significant accounting policies adopted in preparation of these financial statements are set out below and have been applied consistently to all periods presented in these financial statements.

2.4.1 Financial instruments

2.4.1.1 Financial assets

Classification, recognition and measurement

On initial recognition, a financial asset is classified as:

- measured at amortized cost
- fair value through other comprehensive income (FVOCI) and
- fair value through profit or loss (FVTPL)

All financial assets or financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue are added to its fair value. A receivable without a significant financing component is initially measured at the transaction price.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, interest income, foreign exchange gains and losses. Any gain or loss on derecognition is recognized in statement of profit or loss.

Financial assets measured at amortized cost comprise of trade debts, long term loans, cash margin withheld by banks against imports, advances to employees against salaries, other deposits, receivables and bank balances.

Debt Instrument - FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss. However, the Company has no such instrument at the statement of financial position date.

Equity Instrument - FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. However, the Company has no such instrument at the statement of financial position date.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss. However, the Company has no such instrument at the statement of financial position date.

Business model assessment

For the purposes of the assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features).

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2.4.1.2 Financial liabilities

Classification, recognition and measurement

Financial liabilities are recognized initially and measured subsequently at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

Financial liabilities at amortized cost comprise of: long term and short term financing, lease liabilities, customer security deposits, unclaimed/unpaid dividend, trade and other payables and interest and markup accrued.

The Company has no financial liabilities to be designated at FVTPL as at year end.

Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in statement of profit or loss.

2.4.2 Impairment losses

Financial assets

The Company recognizes an allowance for expected credit losses (“ECL”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade debts, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product and inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The expected credit losses are recognized in the statement of profit or loss. For long term loans to employees, the Company applies simplification under IFRS 9 as these financial assets have low credit risk. At every reporting date, the Company evaluates whether this financial instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. For bank balances and cash margin, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets of the unit on a pro-rata basis. Impairment losses on goodwill shall not be reversed.

2.4.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.4.4 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other expense.

The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Fair value hedges

Changes in fair values of hedging instruments designated as fair value hedges and the adjustments for the risks being hedged in the carrying amounts of the underlying transactions are recognized in the income statement. As at reporting date there are no fair value hedges of the Company.

2.4.5 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

2.4.5.1 Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income and the decisions of appellate authorities on certain cases issued in past. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

2.4.5.2 Deferred

Deferred tax is provided using the balance sheet method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside statement of profit or loss is recognized outside statement of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

2.4.6 Retirement benefits

2.4.6.1 Defined benefit plan

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When calculation results in potential assets for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

Remeasurement of net defined benefit liability, which comprise of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. The Company determines net interest expense / (income) on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in statement of profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds, as set by Pakistan Society of Actuaries, and interpolated linearly as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

2.4.6.2 Defined contribution plan

The Company operates a recognized provident fund for all its regular employees, excluding expatriates. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 12% (2021: 12%) of the basic salary plus cost of living allowance. All regular employees are eligible for provident fund upon their confirmation. Obligation for contributions to defined contribution plan is recognized as an expense in the statement of profit or loss as and when incurred.

2.4.7 Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short term leases of 12 months or less and leases of low value items, which are expensed in the statement of profit or loss on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate (IBR) applicable in the market for such leases. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

2.4.8 Trade and other payables

Trade and other payables are recognized initially at cost, which is the fair value of consideration to be paid in the future for goods and services, whether or not billed to the Company. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are adjusted to the carrying amount of the respective liabilities.

2.4.9 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

2.4.10 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which dividends are approved.

2.4.11 Provisions and contingencies

Provisions are recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate. Where the outflow of resources embodying economic benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

2.4.12 Fixed capital expenditure and depreciation/amortization

2.4.12.1 Property, plant and equipment

Property, plant and equipment, except freehold land, are stated at cost less accumulated depreciation and any identified accumulated impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to self constructed assets includes direct cost of material, labor, applicable manufacturing overheads and borrowing costs on qualifying assets.

Depreciation is charged to statement of profit or loss, unless it is included in the carrying amount of another asset, on straight line method whereby cost of an asset is written off over its estimated useful life at the rates given in note 17.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

Depreciation on additions is charged from the month in which asset is capitalized / available for use, while no depreciation is charged for the month in which asset is disposed off. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life. The estimates with respect to depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company based on similar transactions in the past.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

2.4.12.2 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any. It consists of all expenditure and advances connected with specific assets incurred and made during installation and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

2.4.12.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified accumulated impairment loss. These are amortized using the straight line method as disclosed in note 19. Amortization on additions is charged from the month in which an intangible asset is acquired, while no amortization is charged for the month in which the intangible asset is disposed off.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to statement of profit or loss as and when incurred.

2.4.13 Inventories

Inventories are valued as per below mentioned valuation basis:

2.4.13.1 Stores and spares

Usable stores and spares except for in-transit, are valued principally at moving average method, while items considered obsolete are carried at nil value. Provision is made against slow moving or obsolete stores and spares on a systematic basis.

2.4.13.2 Raw and packing material

Value in relation to raw and packing materials except for in-transit is arrived at using FIFO basis. Provision for unusable raw and packing material is made on an estimated basis, wherever required.

2.4.13.3 Finished goods and work-in-process

Value of finished goods and work in process both manufactured and purchased, is determined on weighted average basis, except for in-transit goods. In-transit goods and materials are valued at cost comprising invoice value plus other charges thereon. Cost in relation to work-in-process and finished goods includes an appropriate portion of production overheads. Finished goods are valued at cost or net realizable value, whichever is lower. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and cost necessary to be incurred in order to make a sale.

2.4.13.4 Provision for obsolete spares and unusable raw and packing material

Provision for stores and spares and stock-in-trade is made on the basis of management's estimate of net realizable value and ageing analysis prepared on an item-by-item basis. Net realizable value calculations are estimated based on last recently-held transactions and values expected to be recovered for sale in normal course of business less an estimate for selling costs.

2.4.14 Sales tax refundable

Sales tax refundable primarily includes input sales tax related to zero rated taxable supplies for prior years for which refunds have been lodged with the Federal Board of Revenue. These arise in the usual trade cycle of the Company and are settled accordingly. Management has classified the whole of the amount of sales tax refundable as current asset based on the assessment that either the amount will be refunded in the next year or related settlement of amounts due to Government, within next twelve months will include refund of Sales tax.

2.4.15 Revenue recognition

Sales represent amounts received and receivable from third parties for goods supplied to the customers and are recognized at point in time when a customer obtains control of the goods under the contract, usually when the product is delivered to the customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

Revenue is measured based on the consideration specified in a contract with a customer, net of returns, amounts collected on behalf of third parties (sales taxes etc.), pricing allowances, other trade discounts, volume rebates and couponing, price promotions to customers / consumers and any other consideration payable to customers (referred as trade spend). The level of discounts, allowances and promotional rebates are recognized, on estimated basis using historical experience and the specific terms of the arrangement, as a deduction from revenue at the time that the related sales are recognized or when such incentives are offered to the customer / consumer.

2.4.16 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to statement of profit or loss currently. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transactions and those stated at fair value are translated into rupees at exchange rates prevailing at the date when the fair values are determined.

2.4.17 Borrowing cost

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of these assets. The Company recognizes other borrowing costs as an expense in the period in which it incurs.

2.4.18 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and running finances that are repayable on demand.

2.4.19 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Chief Executive Officer has been identified as the chief operating decision maker and is responsible for performance, allocation of resources and assessment of results.

2.4.20 Share based payments

The Holding Company operates an equity settled share-based scheme with cash alternative for certain employees of the Holding Company and its subsidiaries, including the Company. The Holding Company systematically invoices for cost recharge to the subsidiaries during the accounting period for related benefits granted to the employees.

The Company neither grants the awards in its own equity instruments nor has the obligation to settle the share-based payment transaction, accordingly, the cost charged by Holding Company is treated as cash-settled transaction and charge is taken to statement of profit or loss.

2.5 Standards, interpretations and amendments to published approved accounting standards

The accounting policies adopted are consistent with those of the previous financial period, except for the following new and amended standards and interpretations effective for annual period beginning on January 01, 2022, as listed below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

2.5.1 New Standards, Interpretations and Amendments effective in the reporting period

IFRS 3	Reference to conceptual framework — (Amendments)
IAS 16	Property, plant and equipment: Proceeds before intended use — (Amendments)
IAS 37	Onerous contracts - costs of fulfilling a contract — (Amendments)
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities
AIP IAS 41	Agriculture – Taxation in fair value measurements

The adoption of above new amendments applied for the first time in the period did not have any material impact on the financial statements of the Company. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.5.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)	
IAS 8	Definition of Accounting Estimates - Amendments to IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.	January 01, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by -'Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and -'Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.	January 01, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.	January 01, 2023
IFRS 16	Lease Liability in a Sale and Leaseback — (Amendments)	January 01, 2024
IAS 1	Classification of liabilities as current or non-current — (Amendments)	January 01, 2024
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	Not yet finalized

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

The above amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2023.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		IASB effective date (annual periods beginning on or after)
IFRS 1	First Time Adoption of IFRS	July 01, 2009
IFRS 17	Insurance Contracts	January 01, 2023

The Company expects that above mentioned standards will not have any material impact on the Company's financial statements in the period of initial application.

3 Issued, subscribed and paid up capital

2022 (Number of shares)	2021		2022 (Rupees in 000)	2021
		Ordinary shares of PKR 10 each as		
29,787,058	29,787,058	fully paid in cash	297,870	297,870
		Ordinary shares of PKR 10 each as		
15,476,867	15,476,867	fully paid bonus shares	154,769	154,769
		Ordinary shares of PKR 10 each issued		
85,659	85,659	other than cash (under schemes of arrangement for amalgamation)	857	857
45,349,584	45,349,584		453,496	453,496

3.1 As at December 31, 2022, Société des Produits Nestlé SA (SPN), Switzerland ("the Holding Company"), holds 27,936,173 (2021: 27,936,173) ordinary shares representing 61.60% (2021: 61.60%). In addition, 9,028,281 (2021: 9,029,159) ordinary shares are held by the following related parties as at December 31, 2022:

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Name of related party	2022	2021
	(Number of shares)	
IGI Investments (Pvt.) Limited Percentage of equity held 9.76% (2021: 9.76%)	4,423,666	4,423,666
Packages Limited Percentage of equity held 8.05% (2021: 8.05%)	3,649,248	3,649,248
Gurmani Foundation Percentage of equity held 1.19% (2021: 1.19%)	538,235	538,235
National Management Foundation Percentage of equity held 0.50% (2021: 0.50%)	224,720	224,720
Babar Ali Foundation Percentage of equity held 0.38% (2021: 0.38%)	170,745	170,745
Industrial Technical and Educational Institution Percentage of equity held 0.05% (2021: 0.05%)	21,666	21,666
Nestlé Pakistan Limited Employees Provident Fund Percentage of equity held 0.00% (2021: 0.0019%)	–	878
IGI Finex Securities Limited Percentage of equity held 0.0% (2021: 0.0%)	1	1
	9,028,281	9,029,159

3.2 The holders of voting ordinary shares are entitled to receive dividends as declared (if any), and are entitled to one vote per share at meetings of the Company.

4 Share premium

This reserve can be utilized by the Company only for the purposes specified in section 81(2) of the Companies Act, 2017.

(Rupees in 000)	Note	2022	2021
5 Long-term finances - secured			
Long-term finances utilized under mark-up arrangements:			
Term Loan I	5.1	3,500,000	3,500,000
Term Loan II	5.2	2,500,000	2,500,000
Term Loan III	5.3	3,000,000	3,000,000
Term Loan IV	5.4	–	3,000,000
Term Loan V	5.5	3,500,000	–
Term Loan VI	5.6	3,000,000	–
		15,500,000	12,000,000
Long-term financing facility	5.7	–	81,975
		15,500,000	12,081,975
Interest and mark-up accrued		266,967	232,700
Amortised cost		15,766,967	12,314,675
Less: current maturity	9	(9,000,000)	(81,975)
Less: interest and mark-up accrued shown under current liabilities	14	(266,967)	(232,700)
		6,500,000	12,000,000

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FOR THE YEAR ENDED DECEMBER 31, 2022

- 5.1** The loan obtained from Habib Bank Limited to meet the working capital requirement of the company. The term of loan is 3 years with the principal repayment to take place in a single lump sum instalment in December 2023. Mark-up is payable quarterly at a flat rate of 8.35% per annum.
- 5.2** The loan obtained from Standard Chartered Bank to meet capital expenditure requirement of the company. The term of loan is 3 years with the principal repayment to take place in a single lump sum instalment in December 2023. Mark-up is payable quarterly at a flat rate of 8.35% per annum.
- 5.3** The loan obtained from Meezan Bank Limited under diminishing musharakah arrangement. The term of loan is 3 years with the principal repayment to take place in a single lump sum instalment in December 2023. Mark-up is payable quarterly at a flat rate of 8.75% per annum.
- 5.4** The loan obtained from Habib Bank Limited to meet the working capital requirement of the company. The term of loan was 3 years with the principal repayment to take place in a single lump sum instalment in August 2023. Mark-up was payable semi-annually on a rate of 6 months KIBOR+10 bps. The entire amount of the loan has been repaid during the year.
- 5.5** During the year, loan obtained from Habib Bank Limited to meet the working capital requirement of the company, with the principal repayment to take place in a single lump sum instalment after 3 years in May 2025. Mark-up is payable quarterly at a flat rate of 13.10% per annum.
- 5.6** During the year, loan obtained from Meezan Bank under diminishing musharakah arrangement with the principal repayment to take place in a single lump sum instalment after 3 years in August 2025. Mark-up is payable semi annually at a flat rate of 15.00% per annum.
- 5.7** This facility had an aggregate credit limit of PKR 1,500 million. The term was 5 years with a grace period of 18 months from the date of each disbursement. Repayments have been made in 8 equal semi-annual instalments. This facility carried mark-up at the rate of 3.65% payable quarterly. The entire amount of the loan has been repaid during the year.
- 5.8** All loans obtained from Habib Bank Limited, Standard Chartered bank and Meezan Bank limited are secured by first joint pari passu hypothecation charge over fixed assets, amounting to PKR 18,656 million, PKR 8,465 million and PKR 6,000 million respectively, and current assets, amounting to PKR 4,000 million, PKR 6,100 million and PKR 4,500 million respectively, of the Company excluding land and building.

(Rupees in 000)	Note	2022	2021
6 Lease liabilities			
Present value of minimum lease payments		1,465,437	164,373
Less: current maturity	9	(87,234)	(48,894)
		1,378,203	115,479

- 6.1** The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) ranges from 7.56% to 15.85% (2021: 7.44% to 16.00%). Minimum Lease Payments (MLP) and their Present Value (PV) are as follow:

NOTES TO THE FINANCIAL STATEMENTS

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	31-Dec-22		
	MLP	Future Finance Charges	PV of MLP
(Rupees in 000)			
Due not later than 1 year	266,085	(178,851)	87,234
Due later than 1 year but not later than 5 years	1,008,330	(608,875)	399,455
Due later than 5 years	1,278,627	(299,879)	978,748
	2,553,042	(1,087,605)	1,465,437

	31-Dec-21		
	MLP	Future Finance Charges	PV of MLP
(Rupees in 000)			
Due not later than 1 year	68,719	(19,825)	48,894
Due later than 1 year but not later than 5 years	124,935	(25,477)	99,458
Due later than 5 years	80,213	(64,192)	16,021
	273,867	(109,494)	164,373

6.2 Set out below are the carrying amounts of lease liabilities and the movement during the year:

(Rupees in 000)	2022	2021
Opening balance	164,373	70,673
Lease liabilities acquired during the year	1,356,642	210,827
Markup on lease liabilities	109,594	21,473
Termination of leases	(21,137)	-
	1,609,472	302,973
Less: lease rentals paid	(144,035)	(138,600)
Closing balance	1,465,437	164,373

6.3 During the year the Company has entered into a lease agreement with Packages Real Estate Limited (Related Party). The closing lease liability amounts to PKR 1,119.56 million (2021: Nil).

(Rupees in 000)	2022	2021
7 Deferred taxation		
Deferred tax assets on deductible temporary differences		
Provision for obsolete spares	(307,307)	(258,784)
Provision for unusable raw and packing material	(131,887)	(13,395)
Allowance for expected credit losses	(69,642)	(33,305)
Lease liability recognized under IFRS 16	(496,006)	(35,757)
Remeasurement loss of cash flow hedges	2,339	(1,014)
Other provisions	(3,112,509)	(1,722,915)
	(4,115,012)	(2,065,170)
Deferred tax liability on taxable temporary differences		
Accelerated tax depreciation including right-of-use assets	4,117,302	3,306,750
	2,290	1,241,580

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	Note	2022	2021
7.1 Movement in deferred tax liability is as follows:			
Balance as at January 01		1,241,580	1,332,919
Charge to OCI related to cash flow hedges		3,353	(1,014)
Charge to statement of profit or loss	33	(1,242,643)	(90,325)
Balance as at December 31		2,290	1,241,580

(Rupees in 000)	2022	2021
8 Retirement benefits		
Gratuity fund	1,687,099	1,435,066
Pension fund	1,700,813	1,941,031
	3,387,912	3,376,097

The Company contributes to following defined benefit plans.

- Gratuity plan comprises of two types i.e. A and B. Type A members are those who have joined the plan and have not opted to become members of Type B. Type B members are those who joined the Type A and opted to become members of Type B.
- Type A represents old Plan that entitles an eligible employee to receive a lump sum amount equal to last drawn basic salary multiplied by number of completed years of service with the Company, at the time of cessation of employment. An eligible employee means the employee who has successfully completed one year of service with the Company. In case if the employee leaves the employment before successful completion of 10 years of service than he / she shall be entitled to 50% of gratuity amount.
- Type B represents cash plan that entitles the members to have their gratuity balance calculated from their date of joining till December 31, 2020 based on Type A formula. Thereafter, the gratuity balance so calculated is locked and profit is credited to employees' account, annually based on performance of gratuity fund. The locked balance of gratuity together with interest thereon will be paid to employee at the time of separation from the company. Besides this, cash plan member is also entitled to a monthly cash allowance of 7.8% of basic salary.
- Pension plan comprise of two types i.e. A and B. Type A members are those members who have joined the plan and who have not opted to become members of Type B. Type B members are those members who fulfil the criteria and opted to become member of Type B.
- Type A members are required to make a contribution of 5% of pensionable salary whereas the Company makes contribution based on actuarial recommendations. The annual benefit amount of a Type A member shall be 2.75% of his/ her pensionable salary at the time of retirement multiplied by number of years of pensionable service subject to a maximum of 82.5% of pensionable salary.
- Type B member can make a contribution of 3% or 5% of his / her pensionable salary and the Company will make a contribution equal to employee contribution +2%. In case of those members who are transferred from Type A to Type B, such members are required to make a contribution of 5% of pensionable salary and the Company will make a contribution of 11.4%. Type B member shall be entitled to 30% of employer benefit after successful completion of three years of pensionable service and thereafter additional 10% for each successful year till 10th year when they are entitled to 100% of the benefit.

Gratuity and pension plans are administered through separate funds that are legally separated from the Company. The Trust of the funds comprises of seven and five employees for pension and gratuity fund respectively, out of which one employee is the Chairman. The Trustees of the funds are required by law to act in the best interests of the plan and are responsible for making all the investments and disbursements out of the funds.

NOTES TO THE FINANCIAL STATEMENTS

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These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. As at balance sheet date, an actuarial valuation has been performed by M/s Nauman Associates (Actuarial experts) for valuation of defined benefit obligation. The disclosure made in notes 8.1 to 8.13 are based on the information included in the actuarial report.

These defined benefit plans are fully funded by the Company. The funding requirements are evaluated by the management using the funds' actuarial measurement framework set out in the funding policies of the plans. The funding of each plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from time to time. The investments out of provident fund and pension fund are governed by and are compliant in all material aspects with the requirements of section 218 of the Companies Act 2017.

The Company is responsible to manage the deficit in the defined benefit obligation towards fair value of the plan assets. The Company has devised an effective periodic contribution plan to maintain sufficient level of plan assets to meet its obligations. Further, the Company also performs regular maturity analysis of the defined benefit obligation and manage its contributions accordingly.

(Rupees in 000)	Gratuity		Pension	
	2022	2021	2022	2021
8.1 Present value of funded obligations				
Amounts recognized in statement of financial position are as follows:				
Present value of defined benefit obligation	3,903,315	3,408,390	6,323,811	6,093,029
Fair value of plan assets	(2,216,216)	(1,973,324)	(4,622,998)	(4,151,998)
Net retirement benefit obligation	1,687,099	1,435,066	1,700,813	1,941,031
8.2 Movement in net obligation				
Net liability as at January 01	1,435,066	1,340,277	1,941,031	1,777,384
Charge to statement of profit or loss	399,398	361,367	481,134	431,757
Charge to other comprehensive income	74,809	(53,908)	(466,076)	(26,034)
Contribution made by employees	–	–	148,973	139,596
Contribution made by Company	(222,174)	(212,670)	(404,249)	(381,672)
Net liability as at December 31	1,687,099	1,435,066	1,700,813	1,941,031
8.3 Movement in the liability for funded defined benefit obligations				
Liability for defined benefit obligations as at January 01	3,408,390	3,185,483	6,093,029	5,527,708
Benefits paid by the plan	(185,596)	(260,747)	(377,358)	(325,098)
Current service cost	243,040	234,151	423,163	407,098
Interest cost	389,582	313,149	693,761	549,929
Remeasurements on obligation:				
Actuarial losses / (gains) due to:				
- Changes in financial assumptions	11,527	6,407	(533,995)	104,399
- Experience adjustments	36,372	(70,053)	25,211	(171,007)
	47,899	(63,646)	(508,784)	(66,608)
Liability for defined benefit obligations as at December 31	3,903,315	3,408,390	6,323,811	6,093,029

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(Rupees in 000)	Gratuity		Pension	
	2022	2021	2022	2021
8.4 Movement in fair value of plan assets				
Fair value of plan assets as at January 01	1,973,324	1,845,206	4,151,998	3,750,324
Contributions paid into the plan	222,174	212,670	404,249	381,672
Benefits paid by the plan	(185,596)	(260,747)	(377,358)	(325,098)
Interest income on plan assets	234,015	186,670	489,440	387,308
Actuarial loss on plan assets	(26,910)	(9,738)	(42,708)	(40,574)
Other administrative expenses by fund	(791)	(737)	(2,623)	(1,634)
Fair value of plan assets as at December 31	2,216,216	1,973,324	4,622,998	4,151,998
8.5 Plan assets consist of the following:				
In terms of amount:				
Equity instruments	173,730	263,052	350,537	535,795
Debt instruments	1,141,465	975,492	2,450,494	2,107,219
Cash at bank and other deposits	901,021	734,780	1,821,967	1,508,984
	2,216,216	1,973,324	4,622,998	4,151,998
8.5.1 Plan assets				
Plan assets comprise:				
Equity instruments by sector				
Fertilizers	19,425	13,392	45,403	28,746
Oil and gas	29,709	25,502	58,523	65,557
Textile	3,982	6,490	6,670	11,691
Power	4,418	12,161	8,802	18,188
Commercial banks	27,619	47,701	55,330	94,746
Mutual funds	70,205	130,053	139,433	268,833
Cement	4,532	8,332	8,858	13,559
Chemicals	6,352	11,057	12,877	15,247
Automobile	1,706	4,543	5,552	10,163
Others	5,782	3,821	9,089	9,065
	173,730	263,052	350,537	535,795
Debt instruments				
Government bonds	1,141,465	975,492	2,450,494	2,107,219
Cash and other deposits				
Balance in saving bank accounts	129,975	56,528	296,436	106,482
Term deposit receipts	–	665,865	–	1,374,617
Treasury bills	757,864	–	1,508,282	–
Others	13,183	12,387	17,249	27,885
	901,021	734,780	1,821,967	1,508,984
	2,216,216	1,973,324	4,622,998	4,151,998

The Trustees ensure that the investment positions are managed within an Asset-Liability Matching (ALM) framework to ensure alignment with the obligations under the defined benefit plans. Risk analysis of each category is done to analyze the impacts of the interest rate risk and longevity risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Gratuity		Pension		
	2022	2021	2022	2021	
8.6 Statement of profit or loss includes the following in respect of retirement benefits:					
Interest cost	243,040	313,149	423,163	549,929	
Current service cost	389,582	234,151	693,761	407,098	
Interest income on plan assets	(234,015)	(186,670)	(489,440)	(387,308)	
Contributions made by the employees	–	–	(148,973)	(139,596)	
Other administrative expense by Fund	791	737	2,623	1,634	
	399,398	361,367	481,134	431,757	
8.7 Charge for the year has been allocated as follows:					
Cost of goods sold	183,678	165,975	215,891	193,735	
Distribution and selling expenses	157,459	115,410	165,383	148,411	
Administration expenses	58,261	79,982	99,860	89,611	
	399,398	361,367	481,134	431,757	
8.8 Actuarial losses and (gains) recognized directly in other comprehensive income					
Cumulative amount as at January 01	757,562	811,470	1,573,603	1,599,637	
Remeasurements on obligation					
Actuarial losses / (gains) due to:					
Changes in financial assumptions	11,527	6,407	(533,995)	104,399	
Experience adjustments	36,372	(70,053)	25,211	(171,007)	
	47,899	(63,646)	(508,784)	(66,608)	
Remeasurements on fair value of plan assets	26,910	9,738	42,708	40,574	
Losses / (gains) recognized during the year	74,809	(53,908)	(466,076)	(26,034)	
Cumulative amount as at December 31	832,371	757,562	1,107,527	1,573,603	
(Rupees in 000)	2022	2021	2020	2019	2018
8.9 Historical information for Gratuity plan					
Present value of defined benefit obligation	3,903,315	3,408,390	3,185,483	3,156,983	2,999,495
Fair value of plan assets	(2,216,216)	(1,973,324)	(1,845,206)	(1,786,756)	(1,698,880)
Deficit in the plan	1,687,099	1,435,066	1,340,277	1,370,227	1,300,615
Actuarial gain / losses arising on plan liabilities	36,372	(70,053)	(175,134)	(121,984)	151,962
Actuarial gain / losses arising on plan assets	(26,910)	(9,738)	(7,242)	(14,655)	(77,233)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	2022	2021	2020	2019	2018
8.10 Historical information for Pension plan					
Present value of defined benefit obligation	6,323,811	6,093,029	5,527,708	4,743,169	3,707,704
Fair value of plan assets	(4,622,998)	(4,151,998)	(3,750,325)	(3,335,894)	(2,910,299)
Deficit in the plan	1,700,813	1,941,031	1,777,383	1,407,275	797,405
Experience adjustments					
arising on plan liabilities	25,211	(171,007)	(115,679)	116,229	(11,280)
Experience adjustments					
arising on plan assets	(42,708)	(40,574)	(13,503)	(29,080)	(122,538)

	2022		2021	
	Gratuity fund per annum	Pension fund per annum	Gratuity fund per annum	Pension fund per annum
8.11 Significant actuarial assumptions used for valuation of these plans are as follows:				
Discount rate used for profit and loss charge	11.75%	11.75%	10.25%	10.25%
Discount rate used for year-end obligation	14.25%	14.25%	11.75%	11.75%
Expected rate of salary increase	14.25%	14.25%	11.75%	11.75%
Expected rate of return on plan assets	14.25%	14.25%	11.75%	11.75%
Mortality rate	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year

8.12 Actuarial assumptions sensitivity analysis

If the significant actuarial assumptions used to estimate the defined benefit obligation at the reporting date, had fluctuated by 50 bps with all other variables held constant, the impact on the present value of the defined benefit obligation would have been as follows:

(Rupees in 000)	Change	Gratuity		Pension	
		Increase	Decrease	Increase	Decrease
Impact on present value of defined benefit obligation as at December 31, 2022					
Discount rate	50 bps	(178,260)	192,181	(162,638)	174,838
Future salary increase	50 bps	193,674	(181,241)	82,249	(78,550)
Expected mortality rates	1 year	(1,506)	1,618	(34,609)	33,572

The sensitivity analysis of the defined benefit obligation to the significant actuarial assumptions has been performed using the same calculation techniques as applied for calculation of defined benefit obligation reported in the balance sheet.

8.13 Weighted average duration of the defined benefit obligation is 10 years for gratuity and 5 years for pension plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
9 Current portion of long term liabilities			
Current maturity of long term finances	5	9,000,000	81,975
Current maturity of lease liabilities	6	87,234	48,894
		9,087,234	130,869
10 Short-term borrowings - secured			
Money market deals	10.1	–	6,000,000
Export refinance facility	10.2	519,260	–
		519,260	6,000,000
Interest and mark-up accrued		12,704	199,604
Amortized cost		531,964	6,199,604
Less: interest and mark-up accrued	14	(12,704)	(199,604)
		519,260	6,000,000

10.1 This represents money market deals obtained from Habib Bank Limited, Standard Chartered Bank and Citi Bank, having limits of PKR 2,500 million, PKR 8,000 million and PKR 1,500 million respectively i.e., PKR 12,000 million (2021: PKR 6,000 million) in aggregate and carry mark-up ranging from 7.33% to 15.28% (2021: 7.05% to 10.19%) per annum. These deals were obtained for a period ranging from 30 to 90 days and were secured by a hypothecation charge over fixed and current assets of the company as stated in Note 10.3.

10.2 The Company has obtained export refinance facility from Standard Chartered bank having an aggregate limit of PKR 519 million (2021: PKR 1,000 million). The mark-up on this facility is ranging from 4.90% to 9.40% (2021: 2.40%) per annum. The deal is secured by a hypothecation charge over fixed and current assets of the company as stated in Note 10.3.

10.3 All loans obtained from Habib Bank Limited, Standard Chartered bank and Citi Bank, are secured by first joint pari passu hypothecation charge over fixed assets, amounting to PKR 18,656 million, PKR 8,465 million and PKR 250 million respectively, and current assets, amounting to PKR 4,000 million, PKR 6,100 million and PKR 250 million respectively, of the Company excluding land and building.

(Rupees in 000)	Note	2022	2021
11 Running finance under mark-up arrangements - secured			
Running finance under mark-up arrangements - secured		3,756,401	4,226,529
Interest and mark-up accrued		17,618	48,339
Amortized cost		3,774,019	4,274,868
Less: interest and mark-up accrued	14	(17,618)	(48,339)
		3,756,401	4,226,529

The Company has obtained short term running finances from Habib Bank Limited, Standard Chartered bank, Meezan Bank limited, CitiBank, United Bank Limited and Deutsche Bank A.G under mark-up arrangements having an aggregate limit of PKR 14,546 million (2021: PKR 31,487 million). The mark-up on these facilities ranges from 10.34% to 16.68% (2021: 7.45% to 9.62%) per annum. These facilities are secured by first joint pari passu hypothecation charge over fixed assets, amounting to PKR 18,656 million, PKR 8,465 million, PKR 6,000 million, PKR 250 million, PKR 1,000 million and PKR 500 million respectively, and current assets, amounting to PKR 4,000 million, PKR 6,100 million, PKR 4,500 million, PKR 250 million, PKR 1,500 million and PKR 500 million respectively, of the Company excluding land and building.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
12 Trade and other payables			
Trade creditors:			
Related parties		4,514,241	2,255,467
Others		15,778,114	11,514,349
		20,292,355	13,769,816
Accrued liabilities		16,506,319	11,064,660
General licensing fee payable	12.1	4,445,037	1,299,866
Workers' profit participation fund	12.2	1,107,387	905,125
Workers' welfare fund		536,793	349,316
Withholding taxes payable		702,204	396,917
Foreign exchange forward contracts			
- designated as hedging instruments		-	3,551
Others		149,578	234,042
		43,739,673	28,023,293

12.1 Licensing fee is payable to Société Des Produits Nestlé S.A. the "Holding Company" having its registered office at Avenue Nestlé 1800 Vevey, Switzerland. During the year, gross licensing fee amounting to PKR 1,045.46 million (2021: PKR 3,424.14 million) has been paid.

(Rupees in 000)	Note	2022	2021
12.2 Workers' Profit Participation Fund			
Balance as at January 01		905,125	645,011
Provision for the year	31	1,167,361	915,146
		2,072,486	1,560,157
Payments made during the year - net		(965,099)	(655,032)
Balance as at December 31		1,107,387	905,125
13 Contract liabilities			
Advances from customers in respect of revenue			
recongized at a point in time	13.1	766,154	682,065

13.1 This represents advance received from customers for future sale of goods. The balance of contract liability as at 31 December 2022, is expected to be recognized as revenue within one year.

(Rupees in 000)	Note	2022	2021
14 Interest and mark-up accrued			
Long-term finances - secured	5	266,967	232,700
Short-term borrowings - secured	10	12,704	199,604
Running finance under mark-up arrangements - secured	11	17,618	48,339
		297,289	480,643

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

15 Customer security deposits - interest free

This represents security deposits obtained from customers and have been kept in a separate bank account. These deposits are non-interest bearing and payable on the completion / termination of contract. The effect of discounting as per the requirements of IFRS 9 is considered immaterial.

16 Contingencies and commitments

16.1 By way of the decision of the Honorable Supreme Court of Pakistan in suo moto case no. 26 of 2018, the Company is subject to a potential water charge of PKR 1/-per liter on water extraction. The Company is contesting this decision of the Honorable Supreme Court of Pakistan and has filed a review petition. Keeping in view subsequent developments and follow up court hearings and orders, and on the representations of various affected companies, the Supreme Court vide its order dated June 10, 2019, ordered, as an interim measure, the collection of charge of PKR 0.25/- per liter of water produced based on the sales tax data/return of each company, on the basis whereof bills were to be issued by authorities (nationwide), till the framing of legislation by all the federal and provincial authorities. During the year, the Company has recognized an expense of PKR 194.09 million (2021: PKR 245.21 million) in line with the Honorable Supreme Court's interim order. However, the remaining potential charge, amount of which cannot be quantified because the matter is subjudice, is considered as a contingency.

(Rupees in 000)	2022	2021
16.2 Guarantees		
Outstanding guarantees	749,844	271,207
16.3 Commitments		
16.3.1 Outstanding letters of credit	6,468,633	1,588,390
16.3.2 Commitments in respect of capital expenditure	606,943	224,444
16.3.4 Commitments in respect of forward foreign currency contracts:		
- USD	181,170	37,076
- EUR	-	79,806
- CNY	54,965	61,947
	236,135	178,829

NOTES TO THE FINANCIAL STATEMENTS

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17 Property, plant and equipment

	Assets including Right-of-Use assets						Total
	Land & Building (on freehold land)	Plant and machinery	Furniture and fixtures	Vehicles	IT Equipment	Right-of-use assets (Note 17.2)	
(Rupees in 000)							
Cost							
Balance as at January 01, 2022	10,102,434	50,731,267	847,320	242,628	2,073,304	340,206	64,337,159
Additions/ Transfers during the year	286,909	2,071,460	86,805	6,542	341,604	1,356,642	4,149,962
Disposals	(79,821)	(1,414,828)	(155,386)	(39,721)	(231,496)	-	(1,921,252)
Terminations	-	-	-	-	-	(56,364)	(56,364)
Balance as at December 31, 2022	10,309,522	51,387,899	778,739	209,449	2,183,412	1,640,484	66,509,505
Balance as at January 01, 2021	9,820,257	47,354,892	917,594	460,946	1,851,836	1,228,376	61,633,901
Additions/ Transfers during the year	302,597	4,076,160	5,829	28,414	260,979	210,827	4,884,806
Disposals	(20,420)	(699,785)	(76,103)	(246,732)	(39,511)	-	(1,082,551)
Terminations	-	-	-	-	-	(1,098,997)	(1,098,997)
Balance as at December 31, 2021	10,102,434	50,731,267	847,320	242,628	2,073,304	340,206	64,337,159
Depreciation and impairment losses							
Balance as at January 01, 2022	2,844,040	29,536,866	747,519	186,688	1,627,748	119,746	35,062,607
Depreciation for the year	288,260	3,009,584	70,814	23,721	300,282	149,269	3,841,930
Net impairment charged during the year	-	(42,543)	-	-	-	-	(42,543)
Disposals	(26,170)	(1,214,460)	(191,033)	(41,579)	(230,283)	-	(1,703,525)
Terminations	-	-	-	-	-	(35,397)	(35,397)
Balance as at December 31, 2022	3,106,130	31,289,447	627,300	168,830	1,697,747	233,618	37,123,072
Balance as at January 01, 2021	2,566,232	26,811,091	745,577	389,383	1,397,607	1,044,160	32,954,050
Depreciation for the year	278,009	3,023,477	78,030	35,010	269,627	174,583	3,858,736
Net impairment charged during the year	-	348,862	-	-	-	-	348,862
Disposals	(201)	(646,564)	(76,088)	(237,705)	(39,487)	-	(1,000,045)
Terminations	-	-	-	-	-	(1,098,997)	(1,098,997)
Balance as at December 31, 2021	2,844,040	29,536,866	747,519	186,688	1,627,747	119,746	35,062,606
Net book value as at December 31, 2022	7,203,392	20,098,452	151,439	40,619	485,665	1,406,866	29,386,433
Net book value as at December 31, 2021	7,258,394	21,194,401	99,801	55,940	445,557	220,460	29,274,553
Rate of depreciation in %	2.5-10	4- 33.3	20-33.3	20	10 - 50	10 - 50	

17.1 Plant and machinery includes trade assets having cost and net book value of PKR 2,435.48 million and PKR 831.16 million respectively (2021: PKR 2,244.25 million and PKR 811.60 million) that are located at customers' premises.

17.2 There are fully depreciated assets, having cost of PKR 14,607.28 million (2021: PKR 13,044.86 million) that are still in use as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

17.3 Property, plant and equipment contains the following in respect of right-of-use assets:

	Building on lease hold land	Plant and machinery	Furniture and fixtures	Total
Cost				
Balance as at January 01, 2022	262,705	72,004	5,497	340,206
Additions during the year	1,356,642	–	–	1,356,642
Terminations	(56,364)	–	–	(56,364)
Balance as at December 31, 2022	1,562,983	72,004	5,497	1,640,484
Balance as at January 01, 2021	1,131,942	37,211	59,223	1,228,376
Additions during the year	142,961	67,866	–	210,827
Terminations	(1,012,198)	(33,073)	(53,726)	(1,098,997)
Balance as at December 31, 2021	262,705	72,004	5,497	340,206
Depreciation				
Balance as at January 01, 2022	95,061	19,188	5,497	119,746
Depreciation for the year	131,290	17,979	–	149,269
Depreciation on terminations	(35,397)	–	–	(35,397)
Balance as at December 31, 2022	190,954	37,167	5,497	233,618
Balance as at January 01, 2021	958,752	30,319	55,089	1,044,160
Depreciation for the year	148,507	21,942	4,134	174,583
Depreciation on terminations	(1,012,198)	(33,073)	(53,726)	(1,098,997)
Balance as at December 31, 2021	95,061	19,188	5,497	119,746
Net book value as at December 31, 2022	1,372,029	34,837	–	1,406,866
Net book value as at December 31, 2021	167,644	52,816	–	220,460
(Rupees in 000)	Note	2022	2021	
17.4 Depreciation charge for the year has been allocated as follows:				
Cost of goods sold	27	3,026,501	3,058,987	
Distribution and selling expenses	28	573,073	545,263	
Administration expenses	29	242,356	254,486	
		3,841,930	3,858,736	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

17.5 Particulars of immovable property i.e. land and buildings:

Description of asset	Purpose	Location / Address within Pakistan	Area
Land and building	Manufacturing facility	Sheikhupura Factory	63.46 Acre
Land and building	Manufacturing facility	Kabirwala Factory	85.58 Acre
Land and building	Manufacturing facility	Port Qasim Factory	5 Acre
Land and building	Manufacturing facility	Islamabad Factory	8.72 Kanal
Land and building	Milk collection center	Bhawana, District Chiniot	1 Acre
Land and building	Milk collection center	Renala, District Okara	1 Acre
Land and building	Milk collection center	Pindi Bhattian, District Hafiz Abad	17.9 Kanal
Land and building	Milk collection center	Ludden, District Vehari	7.8 Kanal
Land and building	Milk collection center	More Mandi, District Jhang	2 Kanal
Land and building	Milk collection center	Kalowal, District Chiniot	1 Kanal
Land and building	General purpose	Korangi Industrial Area, Karachi	2.85 Kanal
Land	General purpose	Korangi Industrial Area, Karachi	1.6 Kanal

17.6 Detail of property, plant and equipment sold during the year is as follows:

Description	Cost	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of purchasers	Relationship with the company
Buildings							
Partitions - Head office	29,941	21,358	245	(21,113)	Negotiation	Third party	None
Flooring - Head office	19,856	13,328	145	(13,183)	Negotiation	Third party	None
Electrical installations - Head office	11,124	7,820	65	(7,755)	Negotiation	Third party	None
Boundary wall - Head office	3,991	2,275	64	(2,212)	Negotiation	Third party	None
False ceiling - Head office	4,249	2,965	49	(2,916)	Negotiation	Third party	None
Drainage system - Head office	1,333	760	32	(728)	Negotiation	Third party	None
Archive Building- Head office	2,246	1,167	-	(1,167)	Negotiation	Third party	None
New Social Block near NPL - Head office	1,171	755	-	(755)	Negotiation	Third party	None
Plant and Machinery							
300 KVA Diesel Generating Set +							
ATS Panel	4,417	1,767	17	(1,750)	Negotiation	Third party	None
Generator 300 KVA	3,694	1,179	1,385	206	Negotiation	Third party	None
Electrical Panel and Networking	3,187	1,275	17	(1,258)	Negotiation	Third party	None
Auto Case Packer(1000ml x12)							
line C Cermex	135,383	44,902	53,500	8,598	Negotiation	Nestlé China Ltd	Related party
Helicap upgradation of M/C C2 (Child Asset)	10,418	608	2,794	2,186	Negotiation	Nestlé China Ltd	Related party
Integrity tester 0.22 microns	1,239	619	44	(575)	Negotiation	Third party	None
Tetra Prisma Asceptic 1000							
A3/Flex - M/C 'W'	160,145	26,100	63,569	37,469	Negotiation	Third party	None
Tetra Filling A3 Flex TBA 500ml							
Slim - M/C 'R'	130,087	23,771	28,180	4,409	Negotiation	Third party	None
Tetra filling A3 Flex TPA							
1000ml - M/C 'V'	130,087	1,908	54,088	52,180	Negotiation	Third party	None

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Description	Cost	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of purchasers	Relationship with the company
(Rupees in 000)							
Upgrading of m/c 'R' - Conversion to TBA 500ml S	69,288	10,737	15,010	4,273	Negotiation	Third party	None
Tetra Filling Machine TBA-19							
125ml Slim M/C A	55,149	13,217	16,266	3,049	Negotiation	Third party	None
Cap Applicator-30 Flex - M/C 'W'	50,479	8,227	20,038	11,811	Negotiation	Third party	None
Cap Applicator 30 Machine	37,414	1,110	24,136	23,026	Negotiation	Third party	None
Tray Shrink-30 - M/C A	19,853	4,791	5,856	1,065	Negotiation	Third party	None
Straw Applicator-30 - M/C A	14,664	3,514	4,325	811	Negotiation	Third party	None
Accumulator Helix-30 - M/C 'W'	13,979	2,278	5,549	3,271	Negotiation	Third party	None
Tetra Filling A3 Flex TBA 500ml Slim	9,975	1,823	2,161	338	Negotiation	Third party	None
Conveyors - M/C A	9,374	2,247	2,765	518	Negotiation	Third party	None
Dry Lubrication System - M/C A	2,500	599	737	138	Negotiation	Third party	None
Furniture and fixture							
Sensor operated taps	2,427	1,354	57	(1,297)	Negotiation	Third party	None
Assets with book value less than PKR 500,000	983,582	15,273	118,938	103,666			
2022	1,921,252	217,727	420,032	202,305			
2021	1,082,551	82,506	202,186	119,680			

(Rupees in 000)	Note	2022	2021
18 Capital work-in-progress			
Civil works		299,126	281,664
Plant and machinery		2,110,413	1,650,987
Others		791,811	682,583
		3,201,350	2,615,234
Less: Provision for impairment loss	18.2	(588,927)	(588,927)
		2,612,423	2,026,307
18.1 Movement in capital work-in-progress			
Balance as at January 01		2,026,307	4,097,316
Additions to capital work-in-progress during the year		3,379,421	2,602,970
Transfers to property, plant and equipment during the year		(2,793,305)	(4,673,979)
Balance as at December 31		2,612,423	2,026,307
18.2 Provision for impairment loss on capital work-in-progress			
Balance as at January 01		588,927	548,747
Charged during the year		-	40,180
Balance as at December 31		588,927	588,927

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	2022	2021
19 Intangible assets		
Cost		
Balance as at December 31	272,655	272,655
Amortization		
Balance as at January 01	272,655	272,655
Charge for the year	-	-
Accumulated amortization as at December 31	272,655	272,655
Net book value as at December 31	-	-
Amortization rate	20%	20%

Intangibles represents fully amortized software amounting to PKR 272.66 million.

(Rupees in 000)	2022	2021
20 Long-term loans		
To employees - considered good	339,967	276,658
Less: current portion shown under current assets	(130,572)	(116,810)
	209,395	159,848

20.1 These represent long-term interest free loans to employees for the purchase of cars and motor cycles as per the Company policy and are repayable within a period of 5 years. Loans are secured by the crossed cheques from employees of the full loan amount in the name of the Company without mentioning any date as part of collateral. The effect of discounting as per the requirements of IFRS 9 is considered immaterial.

20.2 No loan has been given to the Chief Executive Officer or any other Director of the Company.

20.3 The amount of loans to employees and the period in which these will become due are as follows:

(Rupees in 000)	Note	2022	2021
Less than one year		130,572	116,810
More than one year but not more than 3 years		148,827	138,155
More than 3 years		60,568	21,693
		339,967	276,658
21 Stores and spares			
Stores		569,492	271,911
Spares, including in transit amounting to PKR 4.53 million (2021: PKR 75.30 million)		3,699,383	3,596,870
		4,268,875	3,868,781
Less: Provision for obsolete spares	21.1	(977,204)	(822,976)
		3,291,671	3,045,805
21.1 Provision for obsolete spares			
Balance as at January 01		822,976	787,355
Provision charged during the year		154,228	35,621
Balance as at December 31		977,204	822,976

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FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
22 Stock-in-trade			
Raw and packing materials including in transit amounting to PKR 5,118.56 million (2021: PKR 3,182.64 million)		19,266,823	13,118,188
Less: Provision for unusable materials	22.1	(265,590)	(83,338)
		19,001,233	13,034,850
Work-in-process		1,998,996	1,499,975
Finished goods		5,486,868	3,448,257
Goods purchased for resale including in transit amounting to PKR 52.53 million (2021: PKR 91.84 million)		607,454	617,636
		27,094,551	18,600,718
22.1 Provision for unusable raw and packing material			
Balance as at January 01		83,338	114,314
Provision during the year		265,590	83,338
Written off / adjusted during the year		(83,338)	(114,314)
Balance as at December 31		265,590	83,338
23 Trade debts			
Considered good - unsecured		1,984,559	920,431
Considered doubtful - unsecured		52,876	58,320
Less: allowance for expected credit losses	23.1	(52,876)	(58,320)
		1,984,559	920,431
Related parties - considered good	23.2	4,799	3,053
		1,989,358	923,484
23.1 Allowance for expected credit losses			
Balance as at January 01		58,320	66,037
Provision charged during the year		-	-
Provision reversed during the year		(5,444)	(7,717)
Balance as at December 31		52,876	58,320
23.2 Trade debts include the following amounts due from the given related parties:			
Packages Convertors Limited		1,905	1,463
Lahore University of Management Sciences		1,034	1,082
Bulleh Shah Packaging (Pvt.) Limited		1,386	508
Aitchison College Lahore		454	-
Systems Limited		20	-
		4,799	3,053

The maximum aggregate amount of receivable due from related parties at the end of any month during the year was PKR 4.99 million (2021: PKR 5.55 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

23.3 Aging of overdue balances for related parties is as follows:

Party name (Rupees in 000)	Total Balance	Balance not yet due	Balance overdue	Below 30 days	31 days & above
Systems Limited	20	-	20	20	-
Bulleh Shah Packaging (Pvt.) Ltd.	1,386	881	505	505	-
Total	1,406	881	525	525	-

(Rupees in 000)	Note	2022	2021
24 Advances, deposits, prepayments and other receivables			
Advances to suppliers - unsecured - considered good	24.1	2,854,121	1,316,002
Due from related parties - unsecured - considered good	24.2	861,934	575,584
Cash margin held against imports		2,289,892	842,527
Deposits and prepayments		106,235	222,553
Foreign exchange forward contracts			
- designated as hedging instruments	24.3	5,304	-
Other receivables		506,242	496,556
		6,623,728	3,453,222

24.1 These arise from normal course of business of the Company and are interest free.

24.2 Due from related parties (including foreign affiliates on the basis of a common Holding Company) include the following amounts, mainly on account of advances for purchases and shared services:

(Rupees in 000)	2022	2021
Tetra Pak Pakistan Limited	355,000	390,549
Nestlé Philippines Inc.	121,895	29,859
Nestrade S.A.	86,004	8,483
Nestlé Manufacturing (Malaysia)	71,827	-
Nestlé Afghanistan Limited	70,751	28,569
Nestlé Dubai Manufacturing LLC	37,359	5,399
Nestlé France S.A.S.	34,080	9,577
Cereal Partners (Malaysia) Sdn Bhd	12,258	4,131
Nestlé Operational Services Worldwide S.A.	10,460	13,858
Nestlé Suisse S.A.	10,442	36,468
Nestlé Zimbabwe (Private) Limited	10,173	6,922
Nestlé South Africa	8,347	1,576
Nestlé Middle East FZE	6,479	5,520
Nestlé Burkina Faso S.A.	4,204	-
Wyeth Philippines, INC.	3,979	-
Nestlé Gabon	3,462	679
Nestlé Australia Ltd	2,793	2,080
Nestlé Senegal	1,891	1,486
Nestlé Central And West Africa	1,871	761
Nestlé Nestle Products SDN. BHD	1,739	-
Nestlé Regional Service Centre	1,589	4,883
Nestlé Nederland B.V.	1,369	349

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(Rupees in 000)	2022	2021
Nestlé UAE L.L.C.	1,096	611
Société des Produits Nestlé S.A.	1,014	2,814
Nestlé Singapore (Pte) Ltd	936	358
Nestlé Egypt S.A.E.	485	234
Nestlé ROH (Thailand) Ltd.	431	188
Nestlé Vietnam Ltd.	–	7,722
Nestlé Brasil Ltda.	–	6,377
Quality Coffee Products Ltd.	–	2,762
Nestrad S.A. Malaysia Branch	–	1,818
Nestlé Myanmar (Trading) Limited	–	856
Wyeth Nutritionals (Singapore)	–	695
	861,934	575,584

24.2.1 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was PKR 861.93 million (2021: PKR 575.58 million).

24.2.2 Aging of overdue balances for related parties is as follows:

Party name (Rupees in 000)	Total Balance	Balance not yet due	Balance overdue	Less than 6 months	More than 6 months
Nestlé Afghanistan Limited	70,751	12,417	58,334	22,247	36,087
Nestlé Operational Services Worldwide S.A.	10,460	9,791	669	669	–
Nestlé France S.A.S.	34,080	34,034	46	–	46
Nestrad S.A.	86,004	83,852	2,152	2,152	–
Nestlé Zimbabwe (Private) Limited	10,173	3,251	6,922	–	6,922
Nestlé Middle East FZE	6,479	5,629	850	–	850
Nestlé Gabon	3,462	2,783	679	–	679
Nestlé Egypt S.A.E.	485	48	437	437	–
Nestlé Manufacturing (Malaysia)	71,827	71,205	622	186	436
Total	293,721	223,010	70,711	25,691	45,020

24.3 This reflects the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge foreign currency trade payables and highly probable forecast purchases in foreign currencies.

24.3.1 Following are the foreign exchange forward contracts held by the Company along with their respective maturities.

(Rupees in 000)	Less than 1 month	1 to 3 months
Foreign exchange forward contracts (highly probable forecast purchases)		
USD Notional amount (Pak Rupees in '000)	130,449	50,722
Average forward rate (PKR/USD)	225.09	225.89
CNY Notional amount (Pak Rupees in '000)	54,964	–
Average forward rate (PKR/CNY)	30.95	–

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	Note	2022	2021
25 Cash and bank balances			
Cash in bank			
- Local currency - current accounts		115,163	352,633
- Local currency - saving accounts	25.1	352,754	345,885
- Foreign currency - current accounts (USD)	25.2	65,800	38,730
		533,717	737,248
Cash in hand		8,791	6,672
		542,508	743,920

25.1 The balance in saving accounts carry rate of return ranging from 4.50% to 14.51% (2021: 2.75% to 7.35%) per annum.

25.2 Cash at bank in USD account was US\$ 290,249.61 (2021: US\$ 219,391.70).

25.3 The security deposits obtained from customers have been kept in saving accounts maintained by the Company.

(Rupees in 000)	Note	2022	2021
26 Revenue from contracts with customers			
Own manufactured			
- Local		181,629,055	151,224,179
- Export		2,862,671	1,842,257
		184,491,726	153,066,436
Goods purchased for resale		4,941,602	5,013,814
Less :			
- Sales tax		(10,713,732)	(10,341,781)
- Discounts, incentives and allowances		(16,203,341)	(14,442,997)
		162,516,255	133,295,472
26.1 Contract balances			
Trade receivables	26.1.1	1,989,358	923,484
Contract liabilities	26.1.2	766,154	682,065

26.1.1 Trade receivables are non-interest bearing and are generally on terms of 7 to 45 days. The increase in trade receivables pertains to increase in overall revenue from customers during the year.

26.1.2 Contract liabilities represents short term advances received from customers against delivery of goods in future. The contract liabilities outstanding as at December 31, 2021 amounting to PKR 682.07 million (2020: PKR 562.26 million) have been recognized as revenue during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
27 Cost of goods sold			
Raw and packing material consumed		85,089,716	68,877,004
Salaries, wages, amenities and training	27.1	7,027,952	5,919,554
General licensing fee (including related taxes)		5,821,674	4,656,733
Energy and power		6,973,155	4,220,057
Repairs, maintenance and vehicle running		3,432,149	3,144,313
Depreciation of property, plant and equipment	17.4	3,026,501	3,058,987
Communication and technology		430,341	603,932
Quality assurance and environmental expenses		391,202	306,376
Rent, rates, taxes and insurance		281,596	270,301
Legal and professional		16,006	15,756
Other expenses		221,756	297,478
		112,712,048	91,370,491
Increase in work-in-process		(499,021)	(429,248)
Cost of goods manufactured		112,213,027	90,941,243
Increase in finished goods		(2,130,669)	(854,124)
Cost of goods sold - own manufactured		110,082,358	90,087,119
Cost of goods sold - purchased for resale		2,804,116	2,716,228
		112,886,474	92,803,347

27.1 Salaries, wages and amenities include PKR 183.68 million (2021: PKR 165.98 million) in respect of gratuity, PKR 215.89 million (2021: PKR 193.73 million) in respect of pension and PKR 176.21 million (2021: PKR 165.61 million) in respect of provident fund.

(Rupees in 000)	Note	2022	2021
28 Distribution and selling expenses			
Marketing and promotion		5,829,265	5,051,395
Freight outward and handling charges		5,338,423	4,089,203
Salaries, wages, amenities and training	28.1	4,565,031	3,961,052
Depreciation of property, plant and equipment	17.4	573,073	545,263
Communication and technology		82,199	314,641
Repairs, maintenance and vehicle running		314,927	234,835
Utilities and other office expenses		163,704	142,612
Legal and professional		127,619	53,121
Rent, rates, taxes and insurance		41,510	40,998
Other expenses		311,478	464,627
		17,347,229	14,897,747

28.1 Salaries, wages and amenities include PKR 157.46 million (2021: PKR 115.41 million) in respect of gratuity, PKR 165.38 million (2021: PKR 148.41 million) in respect of pension and PKR 135.40 million (2021: PKR 123.44 million) in respect of provident fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Note	2022	2021
29 Administration expenses			
Salaries, wages, amenities and training	29.1	2,920,014	2,370,185
Depreciation of property, plant and equipment	17.4	242,356	254,486
Legal and professional	29.2	552,031	494,593
Communication and technology		1,245,428	464,910
Utilities and other office expenses		202,844	188,926
Repairs, maintenance and vehicle expenses		123,252	99,211
Rent, rates, taxes and insurance		215,853	139,332
Other expenses		1,796	5,125
		5,503,574	4,016,768

29.1 Salaries, wages and amenities include PKR 58.26 million (2021: PKR 79.98 million) in respect of gratuity, PKR 99.86 million (2021: PKR 89.61 million) in respect of pension and PKR 63.44 million (2021: PKR 80.35 million) in respect of provident fund.

(Rupees in 000)	Note	2022	2021
29.2 Legal and professional charges include the following in respect of auditor's services for:			
Statutory audit fee including half year review		5,045	4,310
Other certificates		1,780	1,540
Out of pocket expenses		700	250
		7,525	6,100

30 Finance cost			
Mark-up on long-term financing - secured		1,393,842	1,018,236
Mark-up on short-term borrowings - secured		256,489	611,875
Mark-up on short-term running finance - secured		556,670	171,201
Markup on lease liabilities		109,594	21,473
Bank charges		19,399	17,443
		2,335,994	1,840,228

31 Other expenses			
Workers' profit participation fund	12.2	1,167,361	915,146
Workers' welfare fund		555,301	349,316
Exchange loss realized		293,605	362,171
Exchange loss unrealized		102,428	45,965
Donations and gifts	31.1	6,659	4,840
Impairment of property, plant and equipment and capital work-in-progress	31.2	120,628	389,042
Others		36,508	12,881
		2,282,490	2,079,361

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)		2022	2021
31.1 Donations			
Party wise breakup of donations where any director or his / her spouse has interest in the donee, is as follows:			
Lahore University of Management Sciences (LUMS), Defence Housing Authority, Lahore		1,000	3,000
(Syed Babar Ali, Director is also Pro Chancellor of LUMS) (Syed Hyder Ali, Director is also a member of Executive Committee of LUMS)			
		1,000	3,000

31.2 Impairment of plant and machinery and capital work-in-progress

The Company charged impairment on certain plant and machinery and capital work-in-progress after considering the potential usage of these assets.

(Rupees in 000)	Note	2022	2021
Segment-wise break-up of this impairment is as follows:			
- Dairy and Nutrition Products		102,577	301,534
- Powdered and Liquid Beverages		18,051	87,508
		120,628	389,042
32 Other income			
Income from financial assets:			
Return on bank accounts		42,353	21,411
Income from non-financial assets:			
Sale of scrap		218,270	146,770
Gain on disposal of property, plant and equipment	17.6	202,305	119,680
Reversal of impairment	32.1	163,171	-
Reversal of allowance for expected credit losses	23.1	5,444	7,717
		631,543	295,578

32.1 This pertains to reversal of impairment charged on Powdered and Liquid Beverages.

(Rupees in 000)	Note	2022	2021
33 Taxation			
Current tax			
For the year		8,712,232	5,268,838
Prior year		272,732	6,986
		8,984,964	5,275,824
Deferred tax	7.1	(1,242,643)	(90,325)
		7,742,321	5,185,499

NOTES TO THE FINANCIAL STATEMENTS

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%	Note	2022	2021
33.1 Average effective tax rate charged to statement of profit or loss			
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
Applicable tax rate		29.00	29.00
Tax effect of amounts that are:			
Tax impact related to prior year including super tax	33.1.1	1.20	0.08
Tax impact of rate change		0.01	0.06
Tax impact due to current year super tax		4.18	0.00
Tax impact of final tax regime		(0.57)	(0.30)
Others		0.15	0.04
		4.97	(0.12)
Average effective tax rate charged to statement of profit or loss		33.97	28.88

33.1.1 The company is subject to super tax according to Division IIB, Part I of First Schedule of Income Tax Ordinance, 2001. Super tax rate for the tax year 2023 and 2022 are 4% and, 10% on beverages and 4% other than beverage items respectively.

34 Provident Fund

Investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the rules formulated for this purpose.

		2022	2021
35 Earnings per share			
35.1 Basic earnings per share			
Profit after taxation available for distribution to ordinary shareholders	Pak Rupees in '000'	15,049,716	12,768,101
Weighted average number of ordinary shares	Number in '000'	45,350	45,350
Basic earnings per share	Rupees	331.86	281.55

35.2 Diluted earnings per share

There is no dilution effect on the basic earnings per share as the Company has not issued instruments that cause dilution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

36 Transactions with related parties

The related parties comprise of Holding Company, Associated Companies, other related Companies, key management personnel and employees retirement benefit funds. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables and remuneration to key management personnel is disclosed in note 41. Other significant transactions with related parties are disclosed in note 36.1.

(Rupees in 000)	2022	2021
36.1 Transactions during the year		
Associated undertakings		
General licensing fee	5,492,753	4,081,201
Dividends	12,198,274	7,247,979
Purchase of assets, goods, services and reimbursable expenses	20,152,828	17,439,917
Sale of goods	360,062	1,166,524
Sale of fixed assets	83,811	–
Insurance premium paid	240,939	237,255
Insurance claims received	41,885	19,245
Donations	1,000	3,000
Other related parties		
Contribution to staff retirement benefit plans	873,482	824,136

36.2 All transactions with related parties have been carried out on mutually agreed terms and conditions except for donations.

36.3 Following is a list of foreign associated undertakings with whom the Company has entered into transactions during the year. All foreign affiliates (except for Nestlé S.A. “the Holding Company”) are related to the Company due to common holding of the Holding Company.

Name	Country of Operations
Nestlé S.A.	Switzerland
Nesttrade S.A.	Switzerland
Sofinol S.A.	Switzerland
Nestec S.A.	Switzerland
Nestlé Philippines Inc.	Philippines
Nestlé Vietnam Ltd.	Vietnam
Nestlé Australia Ltd	Australia
Nestlé Egypt S.A.E.	Egypt
Nestlé Dubai Manufacturing Llc	UAE
Nestlé Middle East Manufacturing	UAE
Nestlé Operational Services	Switzerland
Nestlé Singapore (Pte) Ltd	Singapore
Nestlé Waters Management & Issy Les Moulineaux	France
Nestlé Manufacturing (Malaysia)	Malaysia
Nestlé Business Services AOA, Inc.	Philippines

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Name	Country of Operations
Nestlé Nederland B.V.	Nederlands
Nestlé R&D Centre (Pte) Ltd	Singapore
PT Nestlé Indonesia	Indonesia
Nestlé France	France
Nestlé Brasil Ltda.	Brasil
Nestlé Regional Service Centre	Malaysia
Nestlé Nederland B.V.	Nederland
Nestlé USA Inc	USA
Nestlé Ghana Limited	Ghana
Nestlé Dubai Manufacturing LLC	UAE
Nestlé (Thai) Ltd.	Thailand
Nestlé Suisse S.A.	Switzerland
Nestlé Bangladesh Limited	Bangladesh
Nestlé UK Ltd.	UK

36.4 Following is a list of local associated undertakings with whom the Company has entered into transactions during the year:

Name	Basis of Association
Associated undertakings	
Babar Ali Foundation	Common directorship
Bulleh Shah Packaging Private Limited	Common directorship
Dairy and Rural Development Foundation	Common directorship
Packages Convertors Limited	Common directorship
Packages Limited	Common directorship
Packages Real Estate (Pvt) Ltd	Common directorship
Syed Maratib Ali Religious & Charitable Trust Society	Common directorship
Tetra Pak Pakistan Limited	Common directorship
Lahore University of Management	Common directorship
Aitchison College Lahore	Common directorship
Systems Limited	Common directorship
The Pakistan Business Council	Common directorship
Tri-Pack Films Limited	Common directorship
World Wide Fund for Nature	Common directorship
Other related parties	
Nestlé Pakistan Limited Employees' Gratuity Fund	Retirement benefit plan
Nestlé Pakistan Limited Employees' Pension Fund	Retirement benefit plan
Nestlé Pakistan Limited Employees' Provident Fund	Retirement benefit plan

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(Rupees in 000)	Note	2022	2021
37 Cash and cash equivalents			
Cash and bank balances	25	542,508	743,920
Running finance under mark-up arrangements - secured	11	(3,756,401)	(4,226,529)
		(3,213,893)	(3,482,609)
38 Number of employees			
Average number of employees during the year		3,718	3,772
Number of employees as at December 31		3,732	3,767

(Rupees in 000)	Capacity		Production	
	2022	2021	2022	2021
39 Capacity and production of industrial units				
Sheikhupura factory				
Liquid products - Liters in thousand	1,238,483	1,238,483	681,457	685,272
Non-liquid products - Kgs in thousand	76,336	84,444	50,102	45,627
Kabirwala factory				
Liquid products - Liters in thousand	41,976	62,565	24,667	34,653
Non-liquid products - Kgs in thousand	66,425	66,425	43,112	42,730
Port Qasim factory				
Liquid products - Liters in thousand	430,249	489,400	197,920	205,423
Islamabad factory				
Liquid products - Liters in thousand	163,296	163,296	91,317	87,668
Total				
Liquid products - Liters in thousand	1,874,004	1,953,744	995,361	1,013,016
Non-liquid products - Kgs in thousand	142,761	150,869	93,214	88,357

39.1 Utilization of capacity is in line with seasonal impact of products and demand conditions arising from overall economic environment.

40 Segment reporting

Segment information is presented in respect of how the Company's chief decision maker allocates resources and monitors performance based on business segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

The Company's operations comprise of the following main business segments and product categories:

- i) Dairy and Nutrition Products**
Milk based products and cereals
- ii) Powdered and Liquid Beverages**
Juices, drinking water and powdered drinks
- iii) Other Products**
Confectionery and other products

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40.1 Segment analysis and reconciliation for the year ended and as at December 31

(Rupees in 000)	Dairy and Nutrition Products		Powdered and Liquid Beverages		Other Products		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue from contracts with customers	126,110,863	104,576,489	36,380,025	28,711,266	25,367	7,717	162,516,255	133,295,472
Depreciation and amortization	2,758,050	2,824,527	1,083,880	1,034,210	-	-	3,841,930	3,858,737
Operating profit before tax and unallocated expenses	23,782,965	19,124,442	2,993,355	2,451,601	2,658	1,568	26,778,978	21,577,611
Unallocated corporate expenses:								
Finance cost							(2,335,994)	(1,840,228)
Other expenses							(2,282,490)	(2,079,361)
Other income							631,543	295,578
Taxation							(7,742,321)	(5,185,499)
Profit after taxation							15,049,716	12,768,101
Segment assets	61,906,942	46,556,871	20,789,138	15,476,214	72,106	43,547	82,768,186	62,076,632
Unallocated assets							883,565	3,327,266
Total assets							83,651,751	65,403,898
Segment equity and liabilities	29,521,173	14,875,045	9,428,143	4,600,693	35,781	12,522	38,985,096	19,488,260
Unallocated equity and liabilities							44,666,655	45,915,638
Total equity and liabilities							83,651,751	65,403,898
Segment capital expenditure	2,791,876	1,540,266	582,250	988,091	5,309	127,675	3,379,435	2,656,032

(Rupees in 000)	2022	2021
40.2 Geographical segments		
Sales are made by the Company in the following countries:		
Pakistan	159,653,584	131,453,215
Afghanistan	1,353,243	1,166,524
United States of America	613,690	294,754
Other foreign countries	895,738	380,979
	162,516,255	133,295,472

The Company manages and operates manufacturing facilities and sales offices in Pakistan only.

NOTES TO THE FINANCIAL STATEMENTS

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40.2.1 Export sales to foreign related parties

(Rupees in 000)		2022	2021
Country	Party Name		
Afghanistan	Nestlé Afghanistan Limited	–	1,109,603
Bangladesh	Nestlé Bangladesh Limited	–	35,280
Philippines	Wyeth Philippines, INC.	24,102	21,641
Philippines	Nestlé Philippines	82,961	–
Central Africa	Nestlé Cameroun	35,174	–
Central Africa	Nestlé Gabon	8,131	–
Ivory Coast	Nestlé Cote D'Ivoire	8,192	–
Senegal	Nestlé Senegal	98,364	–
Burkina Faso	Nestlé Burkina Faso S.A.	30,264	–

41 Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in these financial statements during the year for remuneration, including certain benefits, to the chief executive officer, executive directors, non-executive directors and executives of the Company are as follows:

(Rupees in 000)	Chairman		Chief Executive Officer		Executive Directors		Executives	
	2022	2021	2022	2021	2022	2021	2022	2021
Managerial remuneration / fee	8,375	6,966	99,121	69,214	109,274	79,488	2,404,144	2,082,920
Bonus	–	–	23,326	18,662	17,855	16,432	678,196	535,798
Retirement benefits	–	–	–	–	–	–	411,118	360,875
Housing	–	–	6,028	5,007	10,721	9,075	5,156	3,189
Reimbursable expenses	1,233	1,059	74,813	48,153	106,950	64,943	662,667	519,394
	9,608	8,025	203,288	141,036	244,800	169,938	4,161,281	3,502,176
Number of persons	1	1	1	1	2	2	638	546

41.1 The chairman and chief executive of the Company are provided with use of Company maintained vehicles.

41.2 The aggregate amount charged in these financial statements in respect of contribution to provident fund of key management personnel is PKR 180.12 million (2021: PKR 155.59 million).

41.3 Meeting fee amounting to PKR 2,520,000 (2021: PKR 3,075,000) was paid to 4 (2021: 4) non executive directors during the year.

41.4 Remuneration to key management personnel includes PKR 149.7 million (2021: PKR 154.1 million) in respect of share based payments made by the Holding Company and charged back to the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

42 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, market risks (including currency risks, other price risks and interest rate risks), credit risks and liquidity risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. The Company follows an effective cash management and planning policy and maintains flexibility in funding by keeping committed credit lines available. Market risks are managed by the Company through the adoption of appropriate policies to cover currency risks and interest rate risks. The Company applies credit limits to its customers and obtains advances from them.

42.1 Market risk

42.1.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to various currencies. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to the foreign entities. The Company's major exposure to currency risk is as follows:

Particulars	Currency	2022	2021
Assets			
Foreign currency bank accounts	USD	293,100	438,783
Cash in hand	USD	29,915	29,915
	EUR	6,985	6,985
Receivables	USD	88,691	162,896
	EUR	9,319	42,468
	CHF	46,907	144,936
Liabilities			
Net payables / (advances)	USD	12,978,801	14,336,863
	EUR	(3,553,059)	(2,436,224)
	CHF	3,631,258	7,494,981
	GBP	100,289	83,591
	CNY	5,036,575	4,164,973
	NZD	61,420	-
	SAR	60,641	-
	AED	7,685	(19,170)
	SGD	2,892,693	2,772,379
Forward foreign currency contracts	USD	804,072	37,076
	EUR	-	79,806
	CNY	1,775,916	61,947
	PKR ('000)	3,798,977	3,869,790

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

42.1.1.1 The following significant exchange rates were applied during the year:

	2022		2021	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
(Rupees per currency unit)				
US Dollar	206.97	226.70	162.53	176.45
Swiss Franc	216.90	245.19	187.48	194.10
Euro	216.99	241.50	192.08	199.49
Great Britain Pound	253.87	273.65	223.41	238.35
Chinese Renminbi	30.58	32.60	25.19	27.68
New Zealand Dollar	129.72	143.29	115.41	120.52
Saudi Riyal	54.56	60.28	43.53	47.02
U.A.E Dirham	50.91	61.73	44.59	48.66
Singapore Dollar	150.10	168.85	121.32	130.68

Currency rate sensitivity analysis

If the functional currency, at reporting date, had increased by 20% (2021: 10%) against the foreign currencies with all other variables held constant, the impact on profit before taxation would have been as follows:

(Rupees in 000)	2022	2021
Effect on profit and loss:		
US Dollar	606,248	242,484
Euro	(172,403)	(47,995)
Swiss Franc	175,767	142,664
Great Britain Pound	5,489	1,992
Chinese Renminbi	44,421	11,698
New Zealand Dollar	1,760	-
Saudi Riyal	731	-
U.A.E Dirham	95	(93)
Singapore Dollar	97,687	36,229
	759,795	386,979

The effect may be respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments.

Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

42.1.2 Other price risk

Other price risk represents the risk that the 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

42.1.3 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is:

(Rupees in 000)	2022	2021
Variable rate instruments		
Liabilities		
Long-term finances	–	(3,000,000)
Running finance under mark-up arrangements - secured	(3,756,401)	(4,226,529)
Lease liabilities	(1,465,437)	(164,373)
Assets		
Bank balances - saving accounts	352,754	345,885
	(4,869,084)	(7,045,017)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on loans from borrowings from banks, at the year end date, fluctuate by 500 (2021: 100) bps higher / lower with all other variables, in particularly foreign exchange rates held constant, profit before taxation for the year and 2021 would have been affected as follows:

(Rupees in 000)	2022	2021
Effect on profit and loss of an increase	(243,454)	(70,450)
Effect on profit and loss of a decrease	243,454	70,450

The effect may be higher / lower, mainly as a result of higher / lower mark-up income on floating rate loans / investments.

The sensitivity analysis prepared is not necessarily indicative of the effects on the profit for the year and assets / liabilities of the Company.

42.1.4 Fair value measurement of financial instruments

Fair value is 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.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

IFRS 13 'Fair Value Measurement' requires the company to analyze assets carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs (Level 3)

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts of financial assets and financial liabilities. None of them are currently measured at fair value since their carrying amount is a reasonable approximation of their fair value except for foreign exchange forward contracts.

	Carrying Amount		
	Financial assets	Financial liabilities	Total
(Rupees in 000)			
December 31, 2022			
Financial assets - measured at fair value			
Foreign exchange forward contracts			
- designated as hedging instruments*	-	5,304	5,304
Financial assets - not measured at fair value			
Trade debts	1,989,358	-	1,989,358
Long term loans	339,967	-	339,967
Advances, deposits, prepayments and other receivables	3,663,372	-	3,663,372
Cash and bank balances	542,508	-	542,508
	6,535,205	-	6,535,205
Financial liabilities - measured at fair value	-	-	-
Financial liabilities - not measured at fair value			
Long term finances - secured	-	15,500,000	15,500,000
Short term borrowings - secured	-	519,260	519,260
Running finance under mark-up arrangements - secured	-	3,756,401	3,756,401
Customer security deposits	-	224,225	224,225
Trade and other payables	-	41,243,711	41,243,711
Unclaimed dividend	-	87,756	87,756
Interest and mark-up accrued	-	297,289	297,289
	-	61,628,642	61,628,642

* The Company determines the fair value of these forward currency contracts as Level 2 of valuation method defined above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	Carrying Amount		
	Financial assets	Financial liabilities	Total
December 31, 2021			
Financial assets - measured at fair value	-	-	-
Financial assets - not measured at fair value			
Trade debts	923,484	-	923,484
Long term loans	276,658	-	276,658
Advances, deposits, prepayments and other receivables	1,729,632	-	1,729,632
Cash and bank balances	743,920	-	743,920
	3,673,694	-	3,673,694
Financial liabilities - measured at fair value			
Foreign exchange forward contracts - designated as hedging instruments	-	3,551	3,551
Financial liabilities - not measured at fair value			
Long term finances - secured	-	12,081,975	12,081,975
Short term borrowings - secured	-	6,000,000	6,000,000
Running finance under mark-up arrangements - secured	-	4,226,529	4,226,529
Customer security deposits	-	195,890	195,890
Trade and other payables	-	26,134,342	26,134,342
Unclaimed dividend	-	71,894	71,894
Interest and mark-up accrued	-	480,643	480,643
	-	49,191,273	49,191,273

Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date and is measured in accordance with IFRS 13.

42.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its long term loans, trade debts, advances, deposits and other receivables and balances at banks. The Company manages its credit risk by the following methods:

- Monitoring of debts on a continuous basis
- Application of credit limits to its customers
- Obtaining adequate deposits / collateral where needed

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

(Rupees in 000)	2022	2021
Particulars		
Trade debts	1,989,358	923,484
Advances, deposits and other receivables	3,663,372	1,729,632
Long term loans	339,967	276,658
Bank balances	533,717	737,248
	6,526,414	3,667,022
42.2.1 Trade debts		
The aging of trade debts at the reporting date is:		
Not yet due	1,985,351	912,846
Past due 0 - 30 days	3,544	7,392
Past due 30 days	463	3,246
	1,989,358	923,484

The Company uses an allowance matrix to measure "Expected Credit Losses" (ECL) of trade debtors. Overdue balances at the reporting date are immaterial and impact of application of ECL model, if any, is reflected in the allowance for expected credit losses recognized.

The Company does not believe it is exposed to major concentration of credit risk as its exposure is spread over several institutions and customers. However to manage any possible exposure the Company applies approved credit limits to its customers.

42.2.2 Loans to employees

The Company obtains crossed cheques from employees of the full loan amount in the name of the Company without mentioning any date as part of collateral. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with loans to employees is trivial and therefore no impairment charge has been accounted for.

42.2.3 Advances and other receivables

Advances and other receivables mainly comprise of cash margin withheld by banks against imports and other deposits. The Company has assessed, based on historical experience and available securities, that the expected credit loss associated with these financial assets is trivial and therefore no impairment charge has been accounted for.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

42.2.4 Bank balances

The credit risk on liquid funds is limited because the counterparties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counterparties. The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

	Rating 2022			Rating 2021		
	Short Term	Long Term	Agency	Short Term	Long Term	Agency
Habib Bank Limited	A-1+	AAA	VIS	A-1+	AAA	VIS
Standard Chartered Bank Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
United Bank Limited	A-1+	AAA	VIS	A-1+	AAA	VIS
Citi Bank N.A	F1	A+	Fitch	F1	A+	Fitch
Deutsche Bank AG	F2	BBB+	Fitch	F2	BBB+	Fitch
MCB Bank Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
Meezan Bank Limited	A-1+	AAA	VIS	A-1+	AAA	VIS

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

42.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. For this purpose the Company has sufficient running finance facilities available from various commercial banks to meet its liquidity requirements. Further, liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

42.3.1 The following are the contractual maturity analysis of financial liabilities as at December 31, 2022

(Rupees in 000)	Carrying value	Contractual cash flows	On Demand	Less than 6 months	6 to 12 months	1 year to 5 years	More than 5 years	Total
Financial liability								
Long-term finances	15,500,000	15,766,967	-	266,967	9,000,000	6,500,000	-	15,766,967
Lease liabilities	1,465,437	2,553,042	-	133,043	133,043	1,008,330	1,278,627	2,553,042
Short-term borrowings								
- secured	519,260	531,964	-	531,964	-	-	-	531,964
Running finance under mark								
- up arrangements - secured	3,756,401	3,774,019	3,774,019	-	-	-	-	3,774,019
Customer security deposits								
- interest free	224,225	224,225	-	224,225	-	-	-	224,225
Unclaimed dividend	87,756	87,756	87,756	-	-	-	-	87,756
Unpaid dividend	6,034,213	6,034,213	6,034,213	-	-	-	-	6,034,213
Trade and other payables	41,243,711	41,243,711	41,243,711	-	-	-	-	41,243,711
	68,831,003	70,215,897	51,139,699	1,156,199	9,133,043	7,508,330	1,278,627	70,215,897

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

42.3.2 The following are the contractual maturity analysis of financial liabilities as at December 31, 2021

(Rupees in 000)	Carrying value	Contractual cash flows	On Demand	Less than 6 months	6 to 12 months	1 year to 5 years	More than 5 years	Total
Financial liability								
Long-term finances	12,081,975	12,314,675	-	314,675	-	12,000,000	-	12,314,675
Lease liabilities	164,373	273,867	-	34,360	34,360	205,148	-	273,867
Short-term borrowings								
- secured	6,000,000	6,199,604	-	6,199,604	-	-	-	6,199,604
Running finance under mark								
-up arrangements - secured	4,226,529	4,274,868	4,274,868	-	-	-	-	4,274,868
Customer security deposits								
- interest free	195,890	195,890	-	195,890	-	-	-	195,890
Unclaimed dividend	71,894	71,894	71,894	-	-	-	-	71,894
Unpaid dividend	2,011,404	2,011,404	2,011,404	-	-	-	-	2,011,404
Trade and other payables	26,134,342	26,134,342	26,134,342	-	-	-	-	26,134,342
	50,886,407	51,476,544	32,492,508	6,744,529	34,360	12,205,148	-	51,476,544

43 Reconciliation of movement of liabilities to cash flows arising from financing activities

(Rupees in 000)	2022						Total
	Liabilities						
	Long-term finances	Short-term borrowings	Lease liabilities	Interest and mark-up accrued	Unclaimed / unpaid dividend		
Balance as at January 01, 2022	12,081,975	6,000,000	164,373	480,643	2,083,298	20,810,289	
Cash flows							
Finance cost paid	-	-	-	(2,409,754)	-	(2,409,754)	
Long-term finances repaid - net	3,418,025	-	-	-	-	3,418,025	
Repayment of lease liabilities	-	-	(144,035)	-	-	(144,035)	
Short-term borrowings repaid - net	-	(5,480,740)	-	-	-	(5,480,740)	
Dividends paid	-	-	-	-	(10,926,697)	(10,926,697)	
Changes from financing cash flows	3,418,025	(5,480,740)	(144,035)	(2,409,754)	(10,926,697)	(15,543,201)	
Non-cash changes							
Dividend approved	-	-	-	-	14,965,368	14,965,368	
Finance cost	-	-	109,594	2,226,400	-	2,335,994	
Addition to lease liabilities	-	-	1,356,642	-	-	1,356,642	
Termination to lease liabilities	-	-	(21,137)	-	-	(21,137)	
Non-cash changes	-	-	1,445,099	2,226,400	14,965,368	18,636,867	
Balance as at December 31, 2022	15,500,000	519,260	1,465,437	297,289	6,121,969	23,903,955	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

	2021					Total
	Liabilities					
	Long-term finances	Short-term borrowings	Lease liabilities	Interest and mark-up accrued	Unclaimed / unpaid dividend	
(Rupees in 000)						
Balance as at January 01, 2021	15,780,294	6,417,473	70,673	303,183	72,121	22,643,744
Cash flows						
Finance cost paid	-	-	-	(1,641,295)	-	(1,641,295)
Long-term finances obtained - net	(3,698,319)	-	-	-	-	(3,698,319)
Repayment of lease liabilities	-	-	(138,600)	-	-	(138,600)
Short-term borrowings repaid - net	-	(417,473)	-	-	-	(417,473)
Dividends paid	-	-	-	-	(9,598,316)	(9,598,316)
Changes from financing cash flows	(3,698,319)	(417,473)	(138,600)	(1,641,295)	(9,598,316)	(15,494,002)
Non-cash changes						
Dividend approved	-	-	-	-	11,609,493	11,609,493
Finance cost	-	-	21,473	1,818,755	-	1,840,228
Termination of leases	-	-	-	-	-	-
Addition to lease liabilities	-	-	210,827	-	-	210,827
Non-cash changes	-	-	232,300	1,818,755	11,609,493	13,660,547
Balance as at December 31, 2021	12,081,975	6,000,000	164,373	480,643	2,083,298	20,810,289

44 Capital risk management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) To provide an adequate return to shareholders

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of debt to equity ratio, calculated on the basis of total debt to equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

(Rupees in 000)	2022	2021
The debt to equity ratio as at December 31:		
Total borrowings	19,775,661	22,308,504
Total equity	5,770,246	5,403,272
Total debt and equity	25,545,907	27,711,776
Debt to equity ratio	77:23	81:19

There were no major changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

45 Date of authorization for issue


These financial statements were authorized for issue on February 27, 2023 by the Board of Directors of the Company.

46 Subsequent event

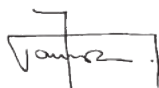
The Board of Directors in their meeting held on February 27, 2023 have proposed a final cash dividend for the year ended December 31, 2022 of PKR 95 per share (2021: PKR 90 per share), amounting to PKR 4,308.21 million (2021: PKR 4,081.46 million) for approval of the members at the Annual General Meeting to be held on April 17, 2023. These financial statements do not reflect this dividend.

47 General

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures have been rounded off to the nearest of thousands of rupee unless otherwise stated in these financial statements.



KOMAL ALTAF
Chief Financial Officer



SAMER CHEDID
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

FORM OF PROXY

Nestlé Pakistan Ltd.

I/We, _____, of _____, being a member of Nestlé Pakistan Ltd., holder of _____ Ordinary Share(s) as per registered Folio No. _____ hereby appoint Mr. / Ms. _____ Folio No. _____ of _____ or failing him Mr. / Ms. _____ Folio No. _____ of _____, who is also a member of Nestlé Pakistan Ltd., as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at 45th Annual General Meeting of the Company to be held on April 17, 2023 at 12:00 noon and at any adjournment thereof.

Signed under my / our hand this _____ day of _____, 2023.



Signature should agree with the specimen signature registered with the company

Signed in the presence of:

Signature of Witness No. 1

Signature of Witness No. 2

Name: _____

Name: _____

CNIC No.: _____

CNIC No.: _____

NOTES:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorised. Any person can be appointed as proxy who is not a member of the Company qualified to vote except that a corporation being a member may appoint a person who is not a member.
2. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at Nestlé Pakistan Limited, Packages Mall, Shakra-e-Roomi, PO Amer Sidhu, Lahore-54760, not later than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.

The Company Secretary

Nestlé Pakistan Ltd.

Packages Mall, Shahrah-e-Roomi, PO Amer Sidhu, Lahore,

Phone No. +92 42 111 637 853

Fax No. +92 42 3578 9303

www.nestle.pk

AFFIX
CORRECT
POSTAGE

پراکسی فارم

نیشنل پاکستان لمیٹڈ

میں / ہم _____
برائے _____
نیشنل پاکستان لمیٹڈ کے ممبر (ممبران) کی حیثیت سے _____
عمومی شیئرز کی تحویل رکھتا ہوں / رکھتے ہیں _____
لہذا بذریعہ ہذا _____ کے / کی جناب / محترمہ _____
کو بحوالہ فوئیو / CDC کاؤنٹ نمبر یا ان کی جگہ _____
کے / کی جناب / محترمہ _____ بحوالہ فوئیو / CDC کاؤنٹ نمبر _____ کمپنی کے (45) پینتالیسواں سالانہ اجلاس عام میں اپنی جگہ شرکت، رائے اور
ووٹ دینے کے لئے اپنا پراکسی تقرر کرتا / کرتی ہوں / کرتے ہیں۔ یہ اجلاس 17 اپریل 2023 کو دوپہر 12:00 بجے یا التواء کی صورت میں کسی بھی دیگر وقت مقررہ پر منعقد ہوگا۔
میں / ہم بروز _____ بتاریخ _____ کو اپنے دستخط / امہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔
مذکورہ بالا کے دستخط _____

ان کی موجودگی میں 1. _____
2. _____

پانچ روپے کی
ریونیئم ہیر پر دستخط

یہ دستخط کمپنی کے پاس رجسٹرڈ نمونہ
دستخط کے جیسے ہونے چاہئیں

فوئیو / CDC کاؤنٹ نمبر

اہم نکات:

- 1۔ باضابطہ، مکمل شدہ اور دستخط کردہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس بمقام نیشنل پاکستان لمیٹڈ، جیکبز مال، شاہراہ رومی، آمر سدھو، لاہور میں اجلاس کے وقت سے 48 گھنٹے قبل پہنچ جانا چاہیے۔
- 2۔ کمپنی کا ممبر نہ ہونے کی صورت میں کسی بھی فرد کو بطور پراکسی مقرر کیا جاسکتا، کارپوریشن جو ممبر کے علاوہ دوسرے فرد کو پراکسی نامزد کر سکتی ہے۔
- 3۔ CDC شیئرز ہولڈر یا ان کے پراکسی کی صورت میں اجلاس کے وقت اپنا درست سی این آئی سی یا درست پاسپورٹ بمع CDC پارٹنیشن آئی ڈی اور کاؤنٹ نمبر اپنی شناخت کے لئے پیش کرنا ہوگا۔
- 4۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمع نمونہ دستخط، پراکسی فارم کے ساتھ کمپنی کو پیش کئے جائیں (اگر وہ پہلے پیش نہ کئے گئے ہوں)۔

The Company Secretary

Nestlé Pakistan Ltd.

Packages Mall, Shahrah-e-Roomi, PO Amer Sidhu, Lahore,

Phone No. +92 42 111 637 853

Fax No. +92 42 3578 9303

www.nestle.pk

AFFIX
CORRECT
POSTAGE

Nestlé Pakistan Limited
Packages Mall,
Shahrah-e-Roomi,
PO Amer Sidhu
Lahore – 54760, Pakistan.

Tel: (042) 111-NESTLÉ (637 853)
Fax: (042) 35789303-4

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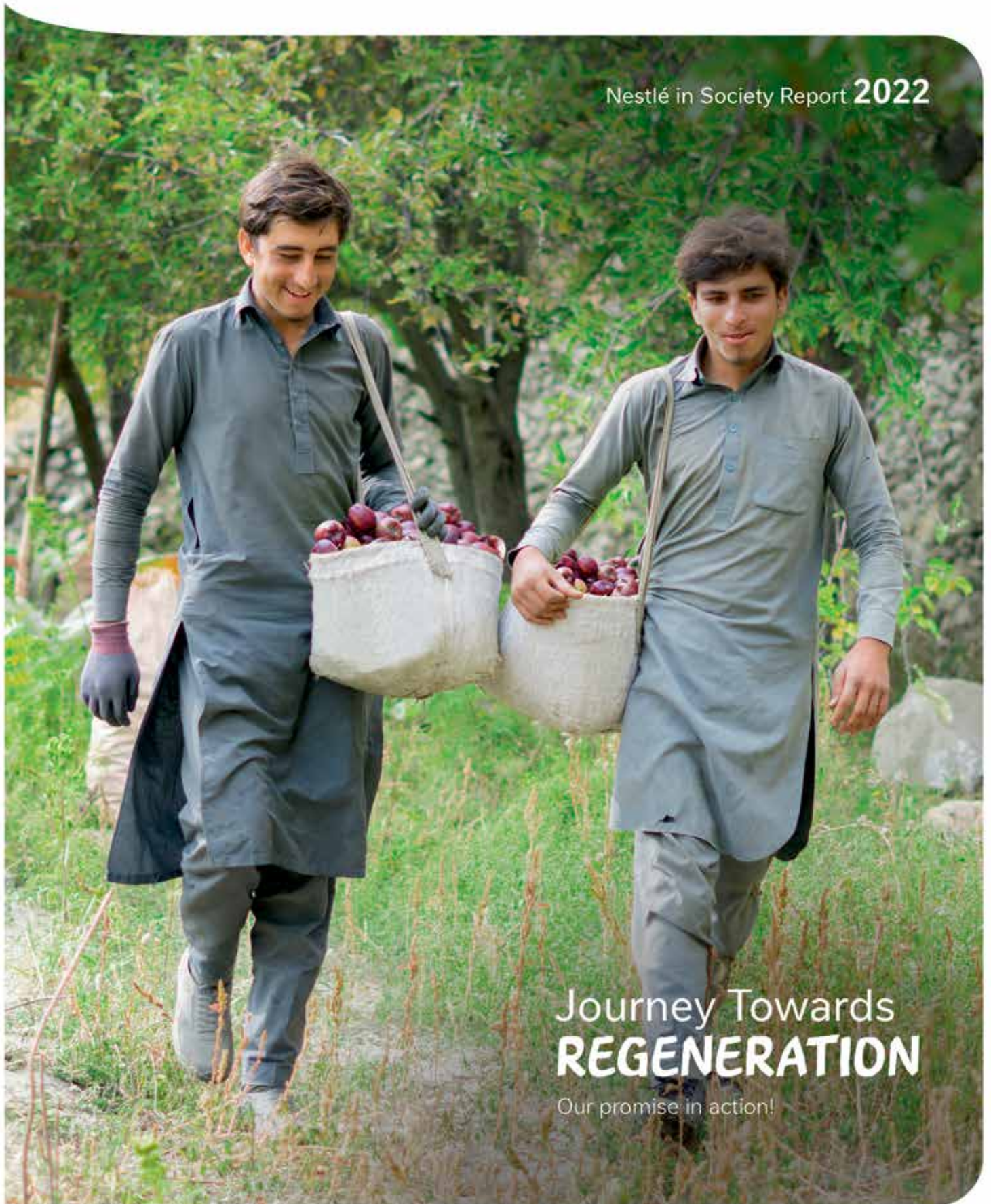
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Nestlé Good food, Good life

Nestlé in Society Report **2022**



Journey Towards
REGENERATION




Our promise in action!



About the Cover

At the heart of good food is the quality of ingredients, the people who produce them, and the soils and ecosystems where they grow.

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02	04	06	12	20
CEO's Message	Creating Shared Value	 Contributing to Nutritious and Sustainable Diets	 Strengthening Communities	 Helping to Protect, Renew and Restore Natural Resources

A man with short dark hair and glasses, wearing a dark blue suit, a light blue shirt, and a red tie, stands in a modern building hallway. He is looking directly at the camera with a slight smile. His hands are clasped in front of him. The background shows a blurred hallway with glass railings and a green exit sign.

CEO'S MESSAGE

Our global focus areas are firmly embedded in our purpose of unlocking the power of food to enhance the quality of life for everyone, today and for generations to come.

Nestlé's purpose of unlocking the power of food to enhance quality of life for everyone, today and for generations to come is not just restricted to its business principles. We are committed to be a force for good throughout our value chain by Creating Shared Value (CSV) for communities and delivering on our sustainability agenda. This past year, we delivered value and contributed to the United Nations Sustainable Development Goals (SDGs) through all our focus areas – helping to protect, renew, and restore natural resources, contributing to nutritious and sustainable diets and strengthening communities.

From reducing our carbon footprint to taking another step closer to a waste-free future by creating awareness, enlightening the younger generations about nutrition, enabling rural women to become financially empowered and aiding communities ravaged by floods, our efforts on ground have made a positive impact in many ways.

Nestlé is cognizant of the impact of its business operations on the communities where it operates. It is our ambition to achieve net zero by 2050. In efforts to meet this goal, we reduced our carbon footprint this year by helping many of our dairy farmers shift to high-yield cows and switching to renewable energy resources such as solar energy and biogas, where possible. We also planted Moringa trees for carbon sequestration, and enabled farmers to embrace innovative technological solutions to overcome water mismanagement across hundreds of acres by installing drip irrigation and smart soil moisture sensors.

In line with our global vision for a waste-free future, Nestlé Pakistan partnered with the Gilgit-Baltistan Waste Management Company (GBWMC) under Clean Gilgit-Baltistan Project (CGBP). The project facilitates waste segregation and recycling systems for Gilgit-Baltistan leading to responsible management of over 700 tons of plastic packaging in the region.

Our collaborative initiative, Travel Responsibly for Experiencing Eco-tourism in Khyber Pakhtunkhwa (TREK), with the World Bank Group (WBG) and Khyber Pakhtunkhwa (KP) tourism department helps us take collective action towards a waste-free future encouraging behavior change. Till date, we have trained nearly 400 hospitality professionals through capacity building sessions at tourist hotspots and aired a public awareness campaign.

We also aim to ensure that 100% of our packaging is designed for recycling, with commitment to reach 95% by 2025. We continue to be the only company in Pakistan to offer paper straws across our ready to drink range in our efforts to reduce the use of virgin plastics.

While our impact on the planet is important to us, our contributions to nutritious and sustainable diets is equally important. Through Nestlé for Healthier Kids (N4HK), we worked closely with our partner schools to increase nutritional awareness in children. In 2022, we successfully trained over 250 teachers and educated an additional 35,000 children, bringing the total to 1,750 teachers and 320,000 children. This past year also gave us an opportunity to extend our outreach to Gilgit-Baltistan. The program also partnered with WWF-Pakistan to help teach the younger generation how to manage waste responsibly through sustainability training sessions.

We served 2.49 billion fortified servings of our value-added nutritious products to help address micronutrient deficiencies in Pakistan.

In 2022, our partnership with Benazir Income Support Program (BISP) completed five years. Through the Nestlé BISP Rural Women Sales Program, in collaboration with Akhuwat Foundation, we are supporting rural women to achieve financial empowerment. This year, the program increased the number of enrolled BISP beneficiaries as sales agents to nearly 2,500 with an ambition to reach 5,000 by 2025.

Improving women's representation in the workforce is reflective at our workplace too, where we believe that diversity is an asset that impacts how we think and work together. As a company, we celebrate diversity and inclusion at every step.

While there were multiple achievements to keep us motivated, the devastating floods destroyed homes and displaced vulnerable communities in Pakistan. Nestlé, under its global initiative of Nestlé Cares, redirected its efforts through cash and in-kind support of 325,000 liters of water and 10,000 liters of milk to National Disaster Management Authority (NDMA) for distribution among the flood affectees. We also donated more than 700,000 servings of NESTLÉ BUNYAD, a specialized nutrition formula designed to meet children's daily iron requirement. Our employees made cash donations worth PKR 3 million, which were matched 1:1 by the company. A total of PKR 6 million was donated to Akhuwat Foundation for flood rehabilitation efforts. We also donated cash to Prime Minister's Flood Relief Fund 2022 to support the rehabilitation process led by the government.

The impact we made last year was possible because of the efforts of our employees, partners, and stakeholders across our value chain. I want to take this opportunity to express my gratitude to them for their contribution, hard work and resilience. Despite many challenges, they continued our unwavering journey and remained dedicated to creating shared value. It is their dedication that ensured we progressed in our commitments to making a positive impact for families, communities, and the planet.

Together with our Nestlé Pakistan team, stakeholders, distributors, and value chain partners, I am certain that in the coming year, we will continue to be a force for good and use our scale, resources, and expertise to contribute to a healthier future for people and the planet. As a company, we are also conscious of the fact that this responsibility is a shared one and these goals can't be achieved alone. We are dedicated to taking collective action with our stakeholders to accelerate our efforts to protect, renew, and restore the planet and ensure that food systems continue to nourish people for generations to come.



Jason Avanceña

Chief Executive Officer & Managing Director

CREATING SHARED VALUE

Nestlé Pakistan, as part of its global and local obligations, believes in Creating Shared Value (CSV) for the communities in which it operates. It is our belief that for a company to be able to create value for its shareholders, it must also create value for society.

At Nestlé, social responsibility is not restricted to a few philanthropic activities. Instead, CSV is embedded in our business model, where direct engagement and support is extended to communities across the value chain. This adds value to the business and supports socioeconomic development for the communities. Our inspiration is governed by Nestlé Corporate Business Principles. A signatory to the UN Global Compact for Ethical Business, the company is committed to the stakeholders and the communities for mutual growth and sustainability. From offering quality products to consumers and providing a fair and diverse work environment for our employees; from our partners and raw material suppliers to ensuring responsible sourcing models in our relationships; from supporting under privileged communities to working with small farmers; from enhancing sustainability and environmental friendliness of our operations to embedding ethical and transparent business practices, CSV is entrenched in the entire value chain of Nestlé.

The company regularly conducts the “Seeing is Believing” initiative to showcase our value chain from ‘grass to glass’ to turn stakeholders into advocates and make them aware of our quality and safety standards.

Our global focus areas are firmly embedded in our purpose. Contributing to nutritious and sustainable diets, strengthening communities and helping to protect, renew and restore natural resources, are interconnected and our efforts in each of these areas are supported through our specific commitments. These commitments will, in turn, enable us to meet our ambitions for 2030 in line with the Sustainable Development Goals (SDGs). Additionally, ethical business practices, transparency and consumer trust – based on high quality products with a focus on Nutrition, Health & Wellness – remain the hallmark of our core business.



Contributing to Nutritious and Sustainable Diets



Strengthening Communities



Helping to Protect, Renew and Restore Natural Resources

As we move into a new year, we will continue to evolve and strengthen our approach to Creating Shared Value as the way we do business, ensuring that this approach continues to inform all our behaviors, policies and actions.

We at Nestlé touch billions of lives worldwide; from the farmers we work with, to the individuals and families who enjoy our products, the communities where we live and work, and the environment we thrive in. Their challenges are our challenges. Their success is success that we all share.

We are taking steps and introducing various initiatives in our manufacturing units and beyond, to exhibit Respect for the Future. We are striving towards zero environmental impact of our operations. This is our local and global commitment.



Muhammad Irfan, dairy agripreneur in Renala Khurd, Okara supplies milk to Nestlé regularly. Nestlé supports farmers by providing them technical assistance on good farm practices



CONTRIBUTING TO NUTRITIOUS AND SUSTAINABLE DIETS

Enabling healthier and happier lives

2030 Global Ambition: Help 50 million children lead healthier lives

Food is not just a source of nutrition, it also brings us together as families or friends. The United Nations believes the food industry has a vital role to play in helping enable healthier lives. At Nestlé, we believe this and aim to help shape a better and healthier world. This was how we started over 150 years ago when our founder Henri Nestlé created an infant cereal that saved a child's life.

Nestlé is building, sharing and applying its nutritional knowledge, and contributing to a healthier future. We firmly believe that nutrition and hydration play a role in helping manage and treat diseases. We have a research team focused on how to achieve this.







Nestlé for Healthier Kids

Pakistan is reported to have one of the highest levels of child malnutrition compared to other developing countries. A focus on quality of diet and nutrition awareness is extremely essential to prevent stunting, wasting and other forms of malnutrition.

Nestlé for Healthier Kids (N4HK) is a global initiative which empowers parents, caregivers and educators to foster healthier eating, drinking and lifestyle habits among school-age children. The program equips children with nutrition education to enable them to make better nutrition decisions from an early age to promote a healthier future.

N4HK's curriculum is developed in collaboration with Oxford University Press.

The program supports public health objectives and enables schools to improve nutrition knowledge and promote healthy habits among children by teaching the importance of balancing good nutrition and healthy hydration with an active lifestyle.

To date, the N4HK program in Pakistan has educated more than 320,000 children in rural, sub-urban and urban areas, and has trained over 1750 teachers on nutrition in 380 schools.

N4HK is making a collective effort with its partners to help address and overcome the nutrition challenge to give children a happier and healthier future. The program has partnerships nationwide and covers schools across Punjab, the Federal Capital, Sindh, Khyber Pakhtunkhwa and Gilgit-Baltistan. The program works in collaboration with 10 educational partners from the development, private and public sector, including Care Foundation, Punjab Workers Welfare Fund (PWWF), Trust for Education and Development of Deserving Students (TEDDS) and Zindagi Trust to name a few. Most recently, the program has expanded to Gilgit-Baltistan with the launch of a program in Skardu.

N4HK also launched Sustainability Training for Kids in partnership with WWF-Pakistan to help teach the younger generation about a more sustainable approach to packaging and managing waste. The trainings are launched in a bid to instill responsible behavior and enable children to become better stewards of our planet.

Testimonial

"The launch of Nestlé for Healthier Kids Program in Gilgit-Baltistan is a great initiative by Nestlé Pakistan. Nutrition interventions and initiatives like N4HK are extremely essential as they positively affect child development with the focus on the critical early years of life. We are confident that the awareness imparted on nutrition will play a very important role in promoting healthy habits and a better nourished future generation."

Mohyuddin Ahmad Wani

Chief Secretary Gilgit-Baltistan



Reached out to
320,000 students



Trained over 1750 teachers



Covered 380 school
branches



Worked with 10
partners



Developed a special curriculum

SCHOOL SKARDU



Staff Room



Teacher training session on nutrition awareness in Skardu

In Commitment with



NUTRITION SUPPORT PROGRAM

Under the Nutrition Support Program, Nestlé Pakistan regularly provides milk to children and vulnerable communities who suffer from key micronutrient deficiencies in urban, semi-urban and rural areas. Children attending educational institutes supported by Nestlé hail from underprivileged backgrounds and face nutritional challenges. These schools are selected after careful consideration to ensure that the benefits of this program reach those who need it most. The program also supports organizations working with destitute women and differently-abled children.

FORTIFIED PRODUCTS

Nestlé is committed to play its role to help reduce micronutrient deficiencies on a global scale, by fortifying products with essential micronutrients that combat the impact of such deficiencies. on Pakistan's population. In 2022, approximately 2.49 billion fortified servings were served across the country.





Children drinking milk at the Mashal Model School in Islamabad

In Commitment with



**SUSTAINABLE
DEVELOPMENT
GOALS**

3 GOOD HEALTH
AND WELL-BEING



STRENGTHENING COMMUNITIES

Helping develop thriving and resilient communities

2030 Global Ambition: Help to improve 30 million livelihoods in communities directly connected to our business activities.

Nestlé began as a family business in a small town over 150 years ago. This local approach informs everything we do. We are part of the local communities where we operate from. Being part of a community brings great responsibility towards it too, the greatest being respecting the rights of those who work for us and with us.

We believe in improving livelihoods and developing thriving communities. We do this by supporting women to be economically and socially active, enabling them to be independent. We work particularly in rural areas, to support farmers by training them, enabling both men and women to contribute to the workforce and build a brighter future for themselves and their families.





Samina bibi has been learning professional stitching at Nestlé's Vocational Training Center in Kabirwala and hopes to gain financial independence through this skill



Nestlé BISP Rural Women Sales Program

Nestlé Pakistan with Benazir Income Support Program (BISP) launched the Nestlé BISP Rural Women Sales Program in 2017 to provide livelihood opportunities to BISP beneficiaries.

Launched in 2008, BISP is Pakistan's unconditional cash transfer program which provides a quarterly stipend to its beneficiaries.

The main premise of the Nestlé BISP Rural Women Sales Program was to uplift the rural women of Pakistan and put them on the path to prosperity. There is no 'magic bullet' to women empowerment and central to this tenet is the acknowledgment that long-term prosperity is only possible when women are provided a level playing field to achieve their potential.

To date, this program has enrolled nearly 2,500 BISP beneficiaries as Sales Agents. Nestlé Pakistan has also partnered with Akhuwat Pakistan (the largest interest-free microfinance program) to, improve access to finance, disbursing micro loans to women looking to scale their businesses.

This program has shown that economic upliftment can lead to wider social empowerment. Traditionally, women of rural Pakistan have been unable to participate in any structured economic activity. This intervention has helped these women get into the business of retail hence paving the way for economic empowerment. Furthermore, this project is allowing for greater financial inclusion.



Launched in 26 districts of Pakistan



Nearly 2,500 BISP beneficiaries enrolled as Sales Agents



Total Sales to date of PKR 153 Mio



Micro loans of average PKR 10,000 – 20,000 disbursed



Average sales of PKR 5,000 – 10,000 each month



Riaz Bibi, a rural sales agent, at her shop in Renala Khurd

In Commitment with





Nestlé Chaunsa Project

Mango has its own specific nutrition, value and taste among all fruits available in summer season in Pakistan. That's why it is not only the national fruit of Pakistan but also the king of fruits. There is a growing demand for mango pulp, not just locally but worldwide for drinks and juices, especially Pakistan's Chaunsa variety.

In Pakistan, most mango orchards are owned by small growers who do not possess adequate knowledge of modern techniques for cutting, pruning, insecticides and fertilizer application, and management practices.

The Nestlé Chaunsa Project improves the livelihood of farmers within the Chaunsa mango sector through strategic Creating Shared Value interventions.

Through our Chaunsa Project, we train and build the capacity of Chaunsa mango farmers, with support of our partners. The identified training areas include pre- and post-harvest horticulture, plant propagation and varietal assessment. Small and medium mango farmers are equipped with skills required so they can take advantage of new opportunities in the mango farming sector, including pulping, canning and exporting. These best farm practices help increase the yield and improve the quality of Chaunsa mangoes.

The results of our endeavors have been quite fruitful, as the partner farms have shown considerable improvement both in quality and quantity of Chaunsa mangoes as a result of the implementation of best farm practices.

Juices constitute one of the growth areas of our company, and intervention within its highest volume variant would allow for Creating Shared Value. NESTLÉ FRUITA VITALS is the flagship brand within the Nestlé beverages range, made from highest quality fruits sourced from around the world. Our mission is to provide our consumers with delicious and healthy refreshment. We use the best variant of Chaunsa mango as pulp raw material for our premium quality Nestlé Chaunsa juices.

We began procuring Chaunsa mangoes from our partners in 2018, making them a significant part of our value chain. Through responsible sourcing of mango pulp and formation of linkages with Nestlé's value chain, small farmers now have better access to markets where they can sell their mangoes at competitive prices.



Together with Mango Research Institute (MRI), Nestlé Pakistan has also established a demonstration plot of high density and ultra high-density mango orchard in Multan. The orchard is equipped with drip irrigation system that, helps in conserving water and reducing use of fertilizer to ensure environmental and economical sustainability. MRI has also developed a tunnel to raise mango saplings, helping researchers to develop new plantlets for mango growers at subsidized rates. This initiative will help in capacity building of mango growers for sustainable farming business.

It is our commitment to continue the project in the coming years to enhance the quality of the Chaunsa pulp, used in our juices, resulting in socio-economic uplifting of small and medium mango farmers in Pakistan.



Agriculture Services

Nestlé Pakistan keeps exploring opportunities to increase socio-economic benefits for farmers and to minimize the impact of climate change. We have been promoting alternate energy sources, particularly amongst dairy farmers. During 2021-2022, Nestlé contributed to installation of solar systems at selected dairy farms to introduce renewable energy to reduce Greenhouse Gas (GHG) emissions and energy costs.

If not handled properly, cow dung can increase GHG emissions. However, proper treatment of cow dung through bio-digester not only provides alternate energy as biogas but also provides a good source of organic matter for the agricultural land, reducing use of synthetic fertilizers. In 2021-2022, we supported multiple biogas digester installations at various suppliers' farms. With cost and environmental benefits, farms with solar and biogas installations are also serving as a lighthouse in their respective areas.

Pakistan is amongst the countries, which have started facing adversities of climate change. Nestlé Pakistan is taking this challenge seriously. Nestlé, together with its partners, developed a low-cost soil moisture sensor that helps farmers decide when to irrigate their crops. Our initial field estimates have shown considerable water saving in irrigation with crop yield improvement.

We have facilitated the installation of soil moisture sensors on 548 acres in our agriculture value chain. These are not only helping farmers in saving the number of irrigations but also serving as lighthouses of an efficient irrigation system. Nestlé Pakistan has been supporting farmers to reduce

water mismanagement with the installation of drip irrigation in Punjab at 139 acres of land. During 2022, the initiative was scaled to an additional 75 acres land in Sindh, for which water savings will come in 2023.

While reducing the impact of greenhouse gases, we also explored better ways for carbon sequestration. This is an important element to aim for net zero in the food value chain. We are conducting different studies on regenerative agriculture practices, which can help farmers in getting better yield with lesser GHG emissions.

Our Agri Services team is helping farmers get better yield and improve productivity. One of our major initiatives is supporting the import of high efficiency cows. During 2021 - 2022, Nestlé Pakistan helped farmers import more than 7000 cows, which helped in reducing GHG, increasing productivity and improving incomes of local farmers.

Nestlé is committed towards a zero carbon journey. For an effective action plan, we need to gain experience of various interventions implemented to reduce greenhouse gases under local conditions. For this purpose, we are developing a dairy farm, with maximum possible interventions, aiming to make it carbon neutral in the next few years.

Although we source fruit and rice from Punjab, our teams are now working with farmers in the majestic valleys of Gilgit-Baltistan as well to source fruit. During 2022, Nestlé Pakistan sourced high quality apples from Hunza, Nagar, Ghizer and Skardu regions. This initiative reduces fruit wastage, and converts waste to value for farmers.



Community Engagement Program

Nestlé Pakistan has an active and effective Community Engagement Program for the communities where we operate, helping the company prioritize and plan services efficiently to meet community needs and aspirations. It also enables the company and the community to work together. This initiative gives communities an opportunity to contribute to and influence outcomes that directly impact their lives. Some of the key projects carried out under the Community Engagement Program include:



Clean & Safe drinking water facilities



Refurbishment and construction of schools



Vocational Training Centre for women



Support for public sector projects



Drivers Safety Training Program

The lack of proper knowledge and the absence of safe driving practices and procedures are among the major causes of accidents on highways. Nestlé Pakistan in collaboration with the National Highways and Motorway Police (NH&MP) established the first drivers’ training institute near Sheikhpura aiming to ensure the safety and well-being of the communities it operates in. The company developed the second driver training facility in Karachi. The Nestlé-NH&MP Drivers Training Institutes are fully equipped facilities that have been providing trainings, under the supervision of experts, not just to the Nestlé Pakistan’s service provider’s drivers and NH&MP, but also catering for the drivers’ training needs of other public and

corporate organizations of the country. The facilities feature driving safety training track, classrooms and high tech driving simulators. With state of art driver training facilities in Sheikhpura and Karachi, the Drivers Safety Program has trained more than 31,000 drivers including over 7,000 Nestlé drivers. Apart from the professional and economic impact, the program has also created a positive social impact not only on the drivers themselves, but also on their families and communities.



31,000 drivers including over 7,000 drivers from Nestlé service providers



HELPING TO PROTECT, RENEW AND RESTORE

NATURAL RESOURCES

Stewarding resources for the future generations

2030 Global Ambition: Striving for zero environmental impact in our operations

We rely on raw materials to make our products. To continue doing so, we must use raw materials responsibly, safeguarding these shared resources for the future. Our 2030 ambition is to strive for zero environmental impact in our operations, with a special focus on reducing water withdrawals, increasing renewable energy use, achieving zero waste to landfill, and innovating sustainable packaging solutions.

Alongside our 2030 operational ambition, in December 2020 we launched our Net Zero Roadmap, announcing our intention to halve absolute emissions by 2030 and bring them to net zero by 2050. Achieving this will require addressing emissions throughout our value chain, implementing regenerative agriculture and nature-based solutions such as agroforestry and land restoration. The roadmap will transform the way we operate, helping us to inspire change and deliver impact.





SUSTAINABILITY



Nestlé, in line with its various global commitments on issues like climate, packaging and water, among others – has embarked on a journey towards regeneration, which can help us move beyond just minimizing our impact on resources and instead take a regenerative approach with the help of our partners. This evolved approach to sustainability will help us to protect, renew and restore the environment to contribute to nutritious and sustainable diets, to help strengthen communities and to operate responsibly.

The interconnected nature of the challenges and the work that lies ahead has inspired us to build our Net Zero Roadmap, highlight the importance of nature-based solutions like regenerative agriculture and renew our commitment to water regeneration with the Nestlé Waters Pledge.

In 2020, we launched our Science Based Targets initiative (SBTi)-aligned Net Zero Roadmap, a science-based plan that expands on our climate ambitions and will help us to achieve net zero greenhouse gases emissions by 2050, even as our business continues to grow. We realize that to achieve net zero emissions, we need to reduce emissions as much as possible. Switching to source our ingredients from regenerative agriculture by 2030 will help us do so, as will investing in sustainable packaging and manufacturing activities.

In order to have clear roadmaps for our commitments, we have identified four sustainability pillars: Climate Action, Sustainable Packaging, Caring for Water and Responsible Sourcing.

Climate Action



We will **reach net zero by 2050 at the latest**, even as our business continues to grow.

By 2025, we will reduce absolute emissions by 20% from 2018 levels.

By 2030, we will reduce absolute emissions by 50% from 2018 levels.

Sustainable Packaging



More than 95% of our packaging will be designed for recycling by 2025 with a commitment to achieve 100%.

We are on track to reduce the use of newly made plastic - or virgin plastic - by one third by 2025.

Water



Nestlé Waters will advance the regeneration of the water cycle to **help create a positive water impact everywhere our Waters Business operates** by 2025.

Responsible Sourcing



Source certain percentage of identified key ingredients through regenerative agriculture by 2030.



Climate Action

Climate change is increasingly impacting farmers and communities with whom we work. Degradation of forests, land soil and waterways adversely impact farmers' livelihoods and the availability and affordability of quality food. Building on our Net Zero Roadmap, we are taking action to help address these threats by advancing regenerative food systems at scale.

A huge chunk of our Net Zero Roadmap involves carbon removals. As a company with a large dairy and agriculture footprint, we aim at making a significant contribution to decarbonization through natural climate solutions projects in our value chain. These 'insetting' projects take place within our supply chain.

The following projects have been implemented at the market level:

Import of high-yield cows

Dairy farm profitability is dependent on cow yield and feeding efficiency in addition to a number of different factors. The average of daily milk production volume by local cows is quite low. There are other breeds in the world, whose daily milk yield is up to three times more than that of our local breeds. This results in lower cost for the farmers as well as a lower carbon footprint.

Nestlé Pakistan is incentivizing farmers by facilitating the import of high-yield cows. A team of Agriculture Services experts is working closely with farmers to develop efficient dairy farms to increase farmer income as well as to help them produce more milk. The Agriculture Services team provides required training and technical assistance to manage the herds of these exotic cows. Nestlé Pakistan has also developed farm input suppliers for high-quality feed/fodder, milking machines, cow importers, farm sheds, etc and has connected them with farmers to fulfill farm requirements.

This is helping us to develop successful business models and attract young farmers to adopt dairy farming as a sustainable business.

Regenerative Agriculture

Nestlé Pakistan is initiating implementation of regenerative agriculture practices that are proven to help increase crop yields with lower agriculture inputs and lower greenhouse gas emissions. Demonstration trials on zero tillage and use of natural crop residue as mulch, instead of burning them, has proven to reduce the use of chemical fertilizers giving better yields. Nestlé Pakistan has partnered with the University of Agriculture Faisalabad to evaluate the impact of these interventions in selected crops on farmers' lands.

Plantation of Moringa trees

Moringa tree is considered a climate-friendly plant due to its high carbon sequestration potential. Moringa plantation will also help us introduce unique fodder which help farmers in several ways; as a source of nutrition, rumen modifier and to improve conception rate in cows. This plant has one of the highest biomass with its enhanced capacity to sequester carbon. While studies are available on its benefits in several markets, we are also going to conduct a local study with the help of a partner university.

Switching to renewable energy sources

Increasing energy costs are damaging farmer revenues in addition to contaminating the environment. Nestlé Pakistan is subsidizing its farmers in solar installations. During 2021 and 2022, Nestlé supported installations of solar systems at 20 farms which reduced greenhouse gas emissions as well as the burden of high energy bills on farmers.



Sustainable Packaging

Packaging plays an important role in safely delivering high-quality food and drinks to consumers, and in reducing food loss and waste. However, we realize that these essential requirements should not come at the expense of the planet. That's why we are continually developing more sustainable packaging and are committed to reducing waste from packaging.

As the largest food and beverage company, our actions matter, and we are committed to putting our size and scale to work. Nestlé's vision for packaging is ambitious: a world in which none of our packaging, including plastics, ends up in landfill or as litter. We are working hard to deliver on it and help achieve a waste-free future.

In particular, we are doing our best to reduce our plastic waste by reducing our use of new plastic by shifting to paper or alternative materials, and helping create circular systems that make it easier to collect, recycle and reuse these products.

We remain committed to designing 100% of our plastic packaging for recycling. By 2025, we expect that more than 95% of it will be. We are also on track to reduce the use of newly made plastic - or virgin plastic - by one third by 2025.

As we deploy new solutions, we will never compromise the health of our consumers. Plastic packaging plays an important role in safely delivering food and drinks to consumers and reducing food loss and waste, so we need to carefully consider alternatives before making changes. The safety and quality of our foods and beverages are non-negotiable.

We will transform our packaging by phasing out packaging that is non-recyclable, shifting to paper, and initiating fit for purpose projects that reduce the weight and size of packaging materials.



Designed for Recycling Packaging

We are eliminating unnecessary packaging and phasing out materials that are not recyclable or are hard to recycle. We are investing more in the development of mono-material packaging, as well as alternative materials.

In 2022, we shifted from polystyrene cups for our yoghurts to PET cups and also changed the material of the sleeves of our HOD bottles to make them designed for recycling systems.

As of end of 2022, 89% of Nestlé Pakistan’s packaging is designed for recycling in dedicated recycling facilities - but we know we have more work to do.

Waste-Free Future

Our vision of a waste-free future cannot be achieved alone. That is why we have partnered with external organizations to increase the volume of packaging waste that can be collected and recycled. Driving new behaviors by creating awareness amongst society – from industry to the consumers and packaging manufacturers to the government – is also an important pillar in our sustainable packaging journey.



Clean Gilgit-Baltistan Project

The issue of plastic waste in the environment is one of the most pressing challenges the world faces today. In recent years, Gilgit-Baltistan has become a popular attraction for local and foreign tourists, with millions visiting every year. This influx of tourists, on one hand, has created income generation for the local communities but on the other hand has become a reason for increasing plastic waste in the province.

The waste segregation and management system in the province is managed by Gilgit-Baltistan Waste Management Company (GBWMC). Among other factors of increase in PET waste, the tourists also bring a lot of plastic packaged food products from all over the country and eventually leave this waste after consumption.

Nestlé stepped up and launched 'Clean Gilgit-Baltistan Project' (CGBP) to facilitate waste segregation and its management in the Gilgit-Baltistan region. It's our vision to ensure that none of our packaging, including plastics, ends up in landfill or as litter.

The project has focus on infrastructure development for a formal waste management system to be managed by GBWMC. We have donated three compressing and baling machines, one each in Gilgit, Hunza and Skardu, resulting in waste management of around 700 tons of plastic and paper packaging waste in 2022. The PET and plastic packaging after compressing and baling process, is brought downstream for recycling through a third-party established recycler.

This project will eventually lead in management and recycling of up to 1000 tons plastic and paper packaging by 2025 to make the region waste-free and promote sustainable tourism in the region. Under this project, we have also installed benches and waste bins developed from recycled material at popular tourist locations in Gilgit and Hunza.

CGBP which is the first of its kind at such a high-altitude residential location, will make a positive environmental impact at both local and national level. This intervention marks a significant milestone in Nestlé Pakistan's journey towards a waste-free future, in line with UN SDGs.



Donation of 15,000 bags



Collected 700 tons of packaging waste in 2022



Waste segregation and management in Gilgit-Baltistan

In Commitment with





Travel Responsibly for Experiencing Eco-Tourism in Khyber Pakhtunkhwa

‘Travel Responsibly for Experiencing Eco-Tourism in Khyber Pakhtunkhwa’ (TREK) is an initiative under the Khyber Pakhtunkhwa Integrated Tourism Development (KITE) project being implemented in partnership with the World Bank Group (WBG), Nestlé Pakistan and the Khyber Pakhtunkhwa Tourism Department.

Apart from heritage preservation, tourism infrastructure development, TREK activities include awareness campaigns for tourists and training of local communities and hospitality businesses on waste management while adhering to the fundamentals of responsible tourism. Till date, nearly 400 participants have attended training workshops for hospitality professionals while our public service awareness campaigns have reached out to millions of people.

The partnership reflects the role of tourism in job creation and Khyber Pakhtunkhwa’s efforts for facilitating tourists by improving accessibility through roads, rescue services, and planning of tourism zones.

As part of Nestlé’s vision for a waste-free future, our partnership with WBG and the Government of Khyber Pakhtunkhwa is a step in that direction. Nestlé will be driving new behavior and enhancing the public’s understanding through community engagement, cleanup activities, conducting trainings, and connecting waste recycling companies to the local administration.



In Commitment with





CoRe Alliance

In line with our commitments on Sustainable Packaging, Nestlé Pakistan played an instrumental role in establishing an alliance called CoRe (Collect & Recycle). We joined hands with other like-minded organizations that share our vision of a waste-free future.

CoRe comprises Pakistan's leading industry players, packaging companies, recyclers, and non-governmental organizations. It is an alliance created with the mission to eliminate packaging waste by enabling formal collection and recycling. It envisions the creation of a circular economy by reducing the packaging footprint and encouraging sustainable and innovative practices.

This vision will be driven by the reduction in plastics, innovation of new materials, exploration of new and more sustainable business models, policy advocacy, knowledge exchange and behavioral change.

CoRe, together with Nestlé Pakistan, led the successful advocacy with the Pakistan Standards and Quality Control Authority (PSQCA) for the approval of the Pakistan Standard on food contact material including plastic and food grade recycled plastic including rPET in 2022.

In the years since its formation, Nestlé Pakistan and other members have executed several projects that promote a circular economy and responsible behavior.



In Commitment with





caring
for
water

Nestlé and its partners

Caring for Water - Pakistan

For a food and beverage company, water is essential for all areas of business. It is used by farmers to grow crops that we use to make the foods we produce. We also use water for our factory operations.

Being a responsible company, we are cognizant of the part businesses can play in water use efficiency. Preserving water resources is now part of our legacy. For decades, water has been a major focus of our sustainability efforts, across our entire value chain.

Building on this heritage, we launched the Nestlé Waters Pledge in 2021 - our new Waters Business specific commitment. Under this, we have committed to regenerating the water used by our Waters Business and have a net positive impact by 2025.

The Nestlé Waters Pledge is a reinforcement of our existing water stewardship efforts under our flagship Caring for Water - Pakistan (C4W-Pakistan) initiative, launched in 2017. Through C4W-Pakistan, we encourage collective action and bring different partners together to discuss and find solutions for the existing water challenges faced by the country. We have undertaken several activities under the three over-arching pillars for C4W-Pakistan, which are Factories, Communities, and Agriculture.

Factories

AWS Certification

The Alliance for Water Stewardship (AWS) Standard is an international standard for freshwater resources that guides organizations to manage water by taking site and catchment relevant initiatives through stakeholder inclusive



processes. Nestlé Pakistan's Shekhupura Factory became the first site in Pakistan and the first Nestlé site worldwide to be awarded the AWS Certification in 2017. Following suit, our factories in Islamabad, Kabirwala, and Karachi were certified in 2018, 2019, and 2020 respectively.

In-House Efficiencies

Our unwavering efforts to improve efficiencies by recycling and reusing water has allowed us to save more than 92,000 m³ of water in 2022 across our manufacturing units. In addition, the wastewater resulting from our industrial processes is treated, and only treated water that meets the standards set by the environment authorities, is discharged.

WASH Pledge

We have committed to undertaking the WASH (Water, Sanitation and Hygiene) Pledge, as part of which companies commit to implementing access to safe water, sanitation, and hygiene at the workplace at appropriate levels for employees in all premises under their control. All of our four factories and other sites meet the WASH Pledge requirements, covering more than 3,000 employees.



In Commitment with

SUSTAINABLE DEVELOPMENT GOALS

- 6** CLEAN WATER AND SANITATION
- 13** CLIMATE ACTION
- 17** PARTNERSHIPS FOR THE GOALS

Communities

Clean and Safe Drinking Water Facilities

We have established 6 Clean and Safe Drinking Water Facilities providing access to clean and safe water to more than 60,000 people every day. Nestlé has also taken the responsibility of maintaining these plants through our third party service provider with strict quality controls, checks and balances in place.

Water Education

Through our Water Education Program, we have reached out to 35,000 children and 250 teachers in schools in 2022.

Agriculture

Drip Irrigation

Nestlé Pakistan has worked with the Agriculture Department, Government of Punjab to encourage local farmers to take up drip irrigation. Under the initiative, we covered 40% of the farmer’s cost of putting up the equipment for drip irrigation while the Punjab government covered the remaining 60% expense through a World Bank program. In addition, we are showcasing drip irrigation in collaboration with the Pakistan Agriculture and Research

Council (PARC). This site showcases best farm practices. We have also established another demonstration site in a similar partnership with the University of Veterinary and Animal Sciences (UVAS) Lahore.

In 2022, drip irrigation was operational across 139 acres in Punjab. We also expanded drip irrigation to Sindh, covering 75 acres, the water savings for which will come in 2023.

Smart Soil Moisture Sensors

Our team, in collaboration with Centre for Water Informatics & Technology (WIT), LUMS has developed low-cost smart soil moisture sensors. These sensors read the moisture level of the soil and send regular data updates to a cloud from where the farmer receives information about which areas they should irrigate and how much. Moreover, a software has been developed, allowing farmers and researchers to see the soil moisture level remotely on their computer screens.

In 2022, smart soil sensors were operational on 548 acres. According to our estimates, we achieved water savings of 482,556 m³ during 2022 as a result of drip irrigation and smart soil moisture sensors installation. Our water savings are in the process of being validated through a third-party study.



Nestlé Cares

Respect for the rights of the people we employ, do business with or otherwise interact with is the fundamental way that Nestlé operates. This respect is at the core of Nestlé's Corporate Business Principles and is aligned with the UN Guiding Principles Reporting Framework. Nestlé Cares provides our employees the opportunity to engage and assist underprivileged communities through their direct and indirect participation. The activities primarily support and address the needs of local communities based on Nestlé Creating Shared Value pillars. Employee participation, while encouraged, is voluntary and remains an employee decision. During 2022, the company planted more than 25,000 trees around our operational sites with the help of our partners. We also organized a beach cleaning activity in Karachi with a large number of employees participating in the activity.

Humanitarian Assistance During Natural Disasters

Nestlé Pakistan, under Nestlé Cares, has been active in supporting and providing humanitarian assistance to vulnerable communities affected by natural calamities where needed. Pakistan recently faced one of the most devastating floods in the nation's history. During the flood, Nestlé Pakistan immediately reached out to the National Disaster Management Authority (NDMA) and local NGOs to provide emergency relief.

Nestlé Pakistan donated 325,000 liters of clean drinking water and 10,000 liters of packaged milk for those affected by the floods. A company wide employee donation drive was launched, for donations to Akhuwat Foundation for flood rehabilitation efforts across Pakistan. These donations, which are matched in monetary value by the company and were used to give interest-free loans to the flood victims.

The Nestlé Group also channeled a donation for emergency relief, half of which was used to donate over 700,000 servings of NESTLÉ BUNYAD, a specialized nutrition formula designed to meet children's daily iron requirement in flood affected areas in Sindh, through the Provincial Disaster Management Authority (PDMA). The other half was donated to 'Prime Minister's Flood Relief Fund 2022' as cash support for the ongoing rehabilitation process led by the government.

Laddering up support to the local communities, Nestlé also engaged with its global partner, World Central Kitchen (WCK) to provide over 1,000 hot meals, as well as clean water everyday to impacted families in the northern Swat district.





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Employee donation ceremony held at Nestlé Pakistan Head Office



In Commitment with



ENVIRONMENT SUSTAINABILITY IN 2022

We believe Nestlé is well placed to help address the climate change challenge. We aim to ensure the continuity of our own business and those in our supply chain while protecting the wider environment. Nestlé Pakistan is taking steps and introducing various initiatives in its manufacturing units and beyond, to exhibit Respect for the Future.



Carbon Foot Print Initiatives to Address Climate Change

One of the key priorities of Nestlé Pakistan is to reduce the number of greenhouse gas emissions. By 2025, our ambition is to reduce 20% of greenhouse emissions as compared to 2018. Water conservation, energy optimization, controlling greenhouse gas emissions, reduction in waste at source, reduction in packaging material and proper disposal of waste are the key environmental indicators for any manufacturing facility. Nestlé takes care of these indicators in its operations and is committed to improving its performance on a yearly basis.

In 2022, we invested our time and efforts in identifying opportunities for energy optimization across operations (including Manufacturing Units, Packaging and Agri Services). Despite various challenges, we successfully

executed several projects and we saved above 50,000 tCO₂e greenhouse gas emissions in absolute numbers.

Water Operational Efficiency

Nestlé also saved more than 92,000 m³ of water across our manufacturing units. This water saving is based on initiatives taken under Alliance for Water Stewardship Standard.

Total Tree Plantation in 2022

Nestlé Pakistan planted a total of 25,000 trees in 2022 around our sites and an additional 25,000 Moringa trees by Agriculture Services.



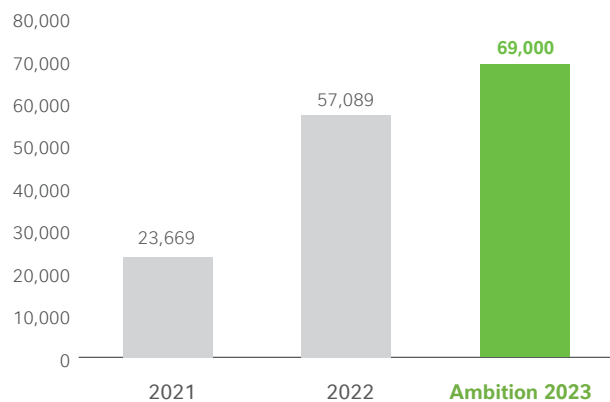
In Commitment with

SUSTAINABLE DEVELOPMENT GOALS

- 6 CLEAN WATER AND SANITATION
- 13 CLIMATE ACTION
- 15 LIFE ON LAND

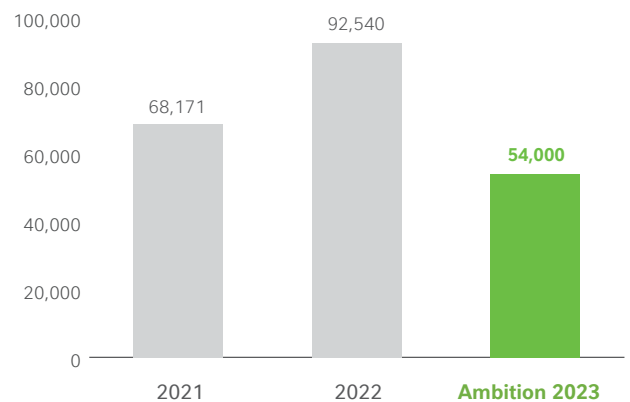
Greenhouse Gas Savings in Nestlé Pakistan

(tCO2e-ESG source)



Water Savings in Manufacturing Units

(m3)



OUR PARTNERS



Contributing to Nutritious and Sustainable Diets



Strengthening Communities



Helping to Protect, Renew and Restore Natural Resources



Nestlé Pakistan Limited
Packages Mall,
Shahrah-e-Roomi,
PO Amer Sidhu
Lahore – 54760, Pakistan.

Tel: (042) 111-NESTLÉ (637 853)
Fax: (042) 35789303-4

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