



Nestlé Good food, Good life

Be a force for good

Nurturing and promoting an inclusive workplace!



Management Report
2023



About the Cover

At Nestlé, it is our belief that a diverse and inclusive culture makes Nestlé an exciting place to work!

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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







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, 2023.

Financial Performance:

Nestlé Pakistan reported its full-year financial results for the year 2023, recording an increase in revenue of 23.4% as compared to the prior fiscal year. The increase in revenue can be attributed to broad-based growth across our product portfolio, complemented by a favorable portfolio mix, demand-generating activities, and pricing management initiatives. Relentless focus on ensuring product availability, innovation, and renovation initiatives supported by investments behind the brands helped to offset market headwinds.

Our operating profit also improved through the localization of raw and packaging materials, an increase in exports, a favorable product mix, and tight 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 unprecedented external challenges during 2023, we drove innovation and renovation to create products that are right for consumers and can contribute towards addressing malnutrition, while accelerating efforts aimed at reducing our environmental impact.

Summary of Financial Performance:

PKR Million	2023	2022	Change
Sales	200,605	162,516	+23.4%
Gross Profit margin	35.3%	34.1%	+120 bps
Operating Profit margin	17.2%	16.5%	+70 bps
Net Profit after tax	8.2%	9.3%	-110 bps
Net Profit after tax	16,493	15,050	+10%
Earnings per share	364	332	+10%

Dividends:

In view of the financial performance of the Company, the Board of Directors has recommended to pay a final cash dividend of Rs.19 per share, in addition to the interim cash dividend of Rs. 174 per share already paid, which brings the total dividend to Rs.193 per share for 2023 compared to Rs.335 per share for 2022.

Investment Projects:

In 2023, Nestlé Pakistan allocated PKR 3.35 billion CAPEX in cashflow statement in investments, with a strong focus on sustainability initiatives. Highlights related to 2023 investments are hereunder:

Project Description	PKR Million
Kabirwala Factory	933
Sheikhupura Factory	819
Distribution and Sales	624
Water Plants	361
Others	495

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 Securities and Exchanges Commission of Pakistan (SECP) and the related stock exchange listing regulations. The Company's statement of compliance with Code of Corporate Governance is set out below:

The Directors confirm that:

- The financial statements of the Company, as 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 the preparation of financial statements and the Company's accounting estimates are based on reasonable and prudent judgment
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of the Companies Act, 2017, have been followed in the preparation of the financial statements; of the Company, and any departure thereof has been adequately disclosed and explained;
- The system of internal control of the Company is sound in design and has been effectively implemented and monitored;
- There are no significant doubts as to the Company's ability to continue as a going concern;

- g) There has been no material departure by the Company from the best practices of corporate governance, as detailed in the listing regulations;
- h) Statements regarding the following are annexed or disclosed in the notes to the financial statements:
 - i) Key financial data for the last six years;
 - ii) Pattern of shareholding;
 - iii) Trading in shares of the Company by its Directors, CEO, CFO and Company Secretary; and
 - iv) Number of Board meetings held during the year and attendance by each director.

among women in the organization. The inaugural WiN Connect brought together females from across the Company to celebrate “Empowered Connections”. Through the WiN Leadership Connect, females in senior leadership positions were engaged in dynamic discussions centered around propelling the DE&I (Diversity, Equity and Inclusion) journey. Our Male Champions of Change were trained on gender sensitization and tackling unconscious biases in the workplace. Nestlé Pakistan’s CEO Joselito Jr Avanceña joined the Male Champions of Change Coalition Pakistan, a high-profile Coalition of CEOs who take the lead and are accountable for change on gender equality issues in their organizations and communities.

Remuneration Policy of 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 details of the remuneration, including other benefits paid during the year 2023, to the Chief Executive Officer, Executive Directors, and Non-Executive Directors of the Company, are described in note 41 of the financial statements.

Our initiative focusing on gender diversity, “Kero Aitemaad” continued to engage, motivate, and inspire young female professionals. Launched with a new look, the program invited 4,000+ female applicants. We inducted a pool of 40+ 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 People of Determination (people with disabilities). In 2023, 1,500+ applications were received of which we hired a total of 10 associates, with a focus on building a talent pipeline through these associates. We also increased our management female leaders’ diversity from 18.4% in 2022 to 23.4% in 2023.

External Auditors:

Messrs. Ernst & Young Ford Rhodes, Chartered Accountants have completed their assignment for the year 2023 and retire at the conclusion of the 46th Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

This year was also jampacked with exciting development programs to enhance employee capability - sessions like Nestlé Leadership with Purpose, People Manager Learning Center, First Time People Leaders Training, People Managers Development Center, and ADVANCE learning Games were introduced. The key highlight was the launch of NESLEARN, the three-part Life Skills program, where Design Thinking & Decoding AI sessions were delivered on the Mind, Psychological Safety Workshops dedicated to the Heart segment, and fitness bootcamps for the NESLEARN Body segment. In this year alone, 70% of the leaders were trained through the Leadership Development Programs. Across all training programs, 80% of the management staff (1400+ employees) was trained.

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 a 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.

We continued to build on our global commitments with a focus to achieve our ambition under Nestlé Needs YOUth. In 2023, we engaged with over 54,000 youth through various platforms to support this initiative. Our Nestlé LEAD Management Trainee Program, known for nurturing future leaders resulted in the engagement of 20,000 applicants and our flagship NESTLÉRNSHIP program played a pivotal role, engaging with more than 29,000 youth. This program included hiring of over 150 interns who worked on impactful projects across 10 sites.

Human Resources Management & Employee Relations:

We believe that nurturing and promoting a diverse and inclusive culture makes Nestlé Pakistan a more attractive and exciting organization to work for. WiN, our Women in Nestlé Network, acts as a driving force in the organization, in inspiring, empowering, developing, and fostering a sense of community

Several e-learning festivals were organized with a focus on advancing our goals under the Nestlé Needs YOUth initiative. In 2023, the International Youth Day celebration, a zone-led initiative, was a prominent event, with an incredible turnout of 1,000+ viewers where distinguished speakers from within Nestlé Pakistan addressed a range of topics aimed at nurturing a creative mindset in our forward-looking workforce.

Nestlé Pakistan also conducted its first-ever Employee Value Proposition (EVP) Campaign. This campaign serves as a testament to the true essence of how Nestlé has a workplace culture that fosters growth, innovation, and employee well-being.

People development and performance management activities were conducted with the aim of providing challenging opportunities for individuals to nurture and advance their careers. While 3-Party PDPs, 360 feedback and Corporate & Functional Mentoring continued, we launched Grow@Nestlé, a campaign designed to accelerate the career development mindset at Nestlé Pakistan. Moreover, 30+ Cross Functional Projects enabled our people to explore projects beyond their designated functions, allowing them to pursue their career aspirations and unlock their full potential.

Throughout the year, we initiated various activities to create a sense of connection, value, and pride among all Nestlé Pakistan family members. Orange Day, NESTversary, Breakfast Series, Table Tennis and Cricket are some of the activities the employees enjoyed the most.

Looking ahead, our commitment remains steadfast in fostering an environment where innovation, collaboration, and employee well-being.

Creating Shared Value (CSV) and Community Work:

Nestlé Pakistan believes in the philosophy of Creating Shared Value (CSV). For a Company to be able to create value for its shareholders, it must also create value for society. The CSV focus areas of the Nestlé Group are firmly embedded in its purpose of unlocking the power of food to enhance the quality of life for everyone, today and for generations to come. The Company is committed to be a force for good throughout its value chain by Creating Shared Value (CSV) for communities and delivering on its sustainability commitments. This adds value to the business and supports socioeconomic development for the communities.

Nestlé SA, as a participant in the UN Global Compact for Ethical Business, and Nestlé Pakistan, as a member of the UN Global Compact Pakistan chapter, pledge their dedication to

foster mutual growth and sustainability within stakeholders and communities. 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 underprivileged 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 Pakistan.

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.

The key CSV initiatives of 2023 include:

- Continuation of our Market Sustainability Roadmap to 2025 as part of our global commitment to become a Net Zero Company by 2050;
- An investment of PKR 2 billion towards renewable energy for our efforts to reduce greenhouse gas emissions across our operations;
- Collection of more than 2,600 tons of waste under our “Clean Gilgit Baltistan Project” to encourage waste collection and management in Gilgit Baltistan in alignment with our vision of a waste-free future;
- We trained more than 400 hospitality professionals and aired a public awareness campaign across FM radios under ‘Travel Responsibly for Experiencing Ecotourism in Khyber Pakhtunkhwa’ (TREK) – a collaboration between the KP Government, World Bank Group and Nestlé Pakistan;
- Nutrition awareness for another 40,000 school children in the rural, suburban and urban areas under Nestlé for Healthier Kids (N4HK), extending the overall outreach to more than 360,000 kids and 2,300 teachers in 400 schools in the country;
- Enhancing enrollment to 3,000 women as Nestlé BISP Rural Women Sales Program, that we run in partnership with Benazir Income Support Program (BISP) ;
- Corporate Contribution to Akhuwat for Nestlé-BISP Rural Women Sales Program;
- Provision of Clean and Safe Drinking Water to more than 70,000 people on a daily basis through 7 facilities in our operational areas;
- Corporate contributions for SOS Children Villages of Pakistan and Pakistan Red Crescent Society as support for their operations in Pakistan;

- Installation of water sensors on 548 acres and drip irrigation on 311 acres of land in north Punjab and Sindh while working with farmers and partners including 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 the Nutrition Support Program for underprivileged institutions and to the areas affected by natural calamities;
- Continuation of the Chaunsa Project and Apple Sourcing Project with the integration of fruit farmers in our value chain;
- Support for Driver Training Facility at the National Highways & Motorways Police Training Institute, Sheikhpura and Road Safety Institute, Karachi; and
- Plantation of 38,000 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 2023, and the date of this Directors' Report.

Principal Risks & Uncertainty:

We have identified the following principal risks and uncertainties related to our current business operations:

- Increase in input cost due to rising inflation and devaluation of the currency;
- Macro economic uncertainties which might affect consumer demand; and
- 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 including restrictions on imports, low foreign exchange availability, pressure on the local currency, and increased costs.

Despite the challenges, the Company remains cautiously optimistic about staying on course in the coming year capitalizing on its strong brand equity and highly committed workforce supported by continuous initiatives for operational excellence.

Acknowledgments:

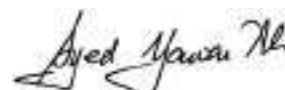
We take this opportunity to thank our valued consumers who have trust in our products and continue to provide sustained support in ensuring the progress of the Company. We also thank our employees who are our greatest strength and they have demonstrated their commitment once again throughout the year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

Nestlé Pakistan brings international expertise and standards to its products. 'Achai se Bana, Achai ke Liye' (made with goodness, for goodness) our Corporate Campaign in 2023 truly resonates with our purpose of unlocking the power of food to enhance the quality of life for everyone; today and for generations to come.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Joselito Jr. Avanceña
Chief Executive Officer



Syed Yawar Ali
Chairman

Dated: February 26, 2024

سال 2022 میں CSVI سرگرمیاں اور نتائج ہیں

2080 تک سبز پرومکس کے لیے آفری میٹ کے حصول کیلئے 2023 تک ہمارے Market Sustainability Roadmap کا تسلسل۔

ہمارے سامنے کی اہم مہمیں کے دوران گرین پلاننگس کے خلاف شیڈ کی کیلئے روایتی عمل از سر نو 2 اگست 2023ء سے اپنی سرکاری کاری۔

20 اگست سے پاک مستقبل کے مشن میں گلستان میں کوڈ آف کنڈکٹ کو اٹھانے اور نکلانے کے لیے کی ذمہ داری کو روکا، سچے کیلئے ہمارے 9 ملین گھنٹے جہت میں پرائیکٹ (CGBP) کے تحت 2,800 کنڈکٹ آف کنڈکٹ کیا گیا

"Travel Responsibility for Experiencing Ecotourism in Kyber Pakhtunkhwa (TREK)" سوسائٹی کے زیر نگرانی اور نیشنل پارک کے لیے پاکستان کا شراکت کے تحت سب تک عام 400 پیمانہ پیمانہ کیلئے اور ہفت روزہ کیلئے پیمانہ کیلئے کیلئے کیلئے

Nestlé for Healthier Kids (N4HK) پروگرام کے تحت سبھی کے لیے شہری علاقوں میں 40,000 سکول کے بچوں کو غذائی مشورہ فراہم کیا گیا اور اس کام کے دوران عمومی طور پر سب تک تک 400 سکولوں میں 360,000 بچوں اور 12,300 مائیکرو سائیکل حاصل کی گئی

سچے کیلئے ہمارے پروگرام کے شراکت سے تقریباً 3,000 خواتین کا بطور پھیلے لی آئی ایس پی ویول اور پیمانہ بکری پروگرام کا شراکت۔

فیلڈ پی آئی ایس پی ویول پیمانہ کیلئے حکومت کے ساتھ ہمارے پیمانہ کیلئے شراکت داری۔

ہمارے ادارے کیلئے آج کے دن میں 7 مہینے کے لیے 70,000 سڈ انوٹوں کو روکا اور نیا اور پیمانہ کے ساتھ پائی کی فراہمی کیلئے ہائی گائی

ایس ایس چیلنجر اور پیمانہ پاکستان اور پاکستان ریگریٹ سوسائٹی کے پاکستان میں ایس پی ویول کیلئے ادارہ پائی شراکت۔

دعوت بردار میں سکولوں اور شراکت داروں کیلئے ہمارے پیمانہ کیلئے آج کے دن میں پاکستان ایک گیلے ریگریٹ سوسائٹی کے تعاون سے پائی کے لیے فراہم کردہ کیلئے 1548 بکریوں کی فراہمی پر کارپوریشن اور 1319 بکریوں کی فراہمی کیلئے کیلئے۔

ڈیری اور لاکھ ٹانگ کے شعبہ کیلئے ڈیری ڈیولپمنٹ کیلئے ہمارے پیمانہ کیلئے سوسائٹی پروگرام جاری رکھے گئے۔

نیز پیمانہ کیلئے پروگرام کے تحت سوسائٹی اور نیشنل آفٹ سے متاثر علاقوں کیلئے تعاون جاری رکھا گیا۔

آم کے لیے اور نیشنل کے لیے ڈیری ڈیولپمنٹ میں پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے

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ماہی و واقعات:

پالی سال کے اختتام پر انڈیا کیلئے پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے

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مستقبل کیلئے پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے

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Syed Yasir Ali

پیمانہ کیلئے پیمانہ کیلئے

Ahmed

پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے پیمانہ کیلئے

ANNEXURE TO DIRECTORS' REPORT

On Corporate Governance

Board of Directors' Meetings

During the year the Board of Directors had the following meetings:

Number of Board Meetings held for the financial year 2023 = 4

 Date of Meeting	 Date of Meeting
 Time	 Time
 Nestlé Pakistan Limited, Packages Mall, Shahrah-e-Roomi, Lahore	 Nestlé Pakistan Limited, Packages Mall, Shahrah-e-Roomi, Lahore
 27-Feb-23	 27-Apr-23
 10:30 A.M	 10:30 A.M
 Date of Meeting	 Date of Meeting
 Time	 Time
 Nestlé Pakistan Limited, Packages Mall, Shahrah-e-Roomi, Lahore	 Nestlé Pakistan Limited, Packages Mall, Shahrah-e-Roomi, Lahore
 31-Jul-23	 19-Oct-23
 10:30 A.M	 10:00 A.M

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

Name of Director	Date of appointment	No. of Meetings Attended
Mr. Joselito Jr Avanceña	01.03.2023	3
Mr. Syed Yawar Ali	19.07.2022	4
Mr. Syed Babar Ali	19.07.2022	4
Mr. Syed Hyder Ali	19.07.2022	4
Ms. Komal Altaf	01.08.2022	4
Mr. Faisal Nadeem	01.01.2023	4
Mr. Angelo Giardini	18.10.2023	1
Mr. David A. Carpenter	19.07.2022	4
Mr. Omar Saeed	19.07.2022	2
Ms. Romana Abdullah	18.10.2023	1
Mr. Samer Chedid (Resigned)	19.07.2022	1
Mr. Fabrice Cavallin (Resigned)	19.07.2022	1
Mr. Rabia Sultan (Resigned)	19.07.2022	1

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 2023. 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 is with great pleasure that I submit this report to the Shareholders of Nestlé Pakistan Limited concerning the overall performance of the Board and its efficacy in achieving the Company's objectives.

The Company has established a robust governance framework conducive to the effective and prudent management of business affairs, which is deemed instrumental in the Company's long-term success.

Throughout the year, the Board Committees operated with notable proficiency. Following a comprehensive review, the Board collectively affirms that the Annual Report and Financial Statements are fair, balanced, and comprehensible.

An annual self-assessment of the Board's effectiveness and performance was conducted, encompassing key components such as Strategic Planning, Board Composition, Committee Operations, Procedural Adherence, Interactions, Compensation, Information Distribution, and Effectiveness of both the Board and CEO.

The Board of Directors received meeting agendas and supporting documentation well in advance of Board and Committee meetings. Meetings were convened with sufficient frequency to fulfill responsibilities adequately. Non-executive and Independent directors played an active role in pivotal decision-making processes.



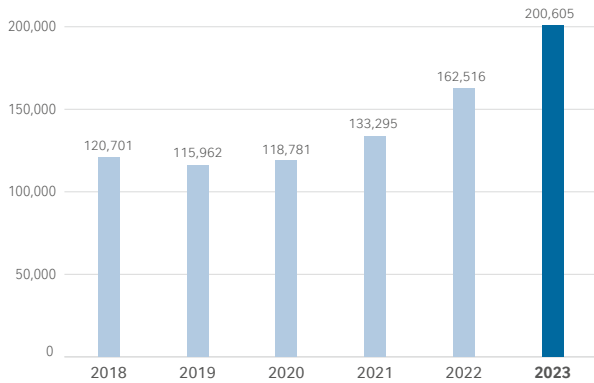
Syed Yawar Ali

Chairman

COMPANY PERFORMANCE 2023

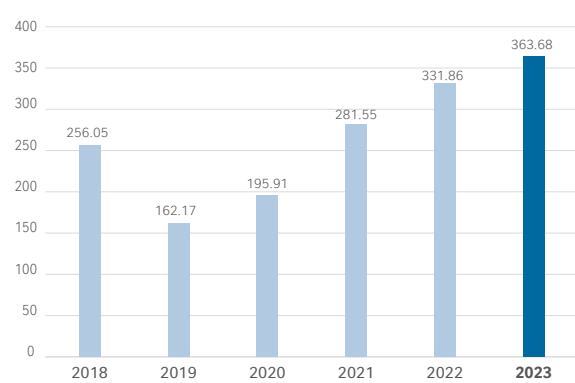
SALES

Rupees in million



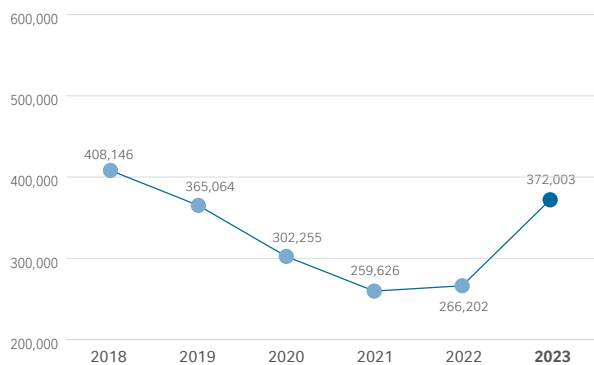
EARNING PER SHARE

Rupees



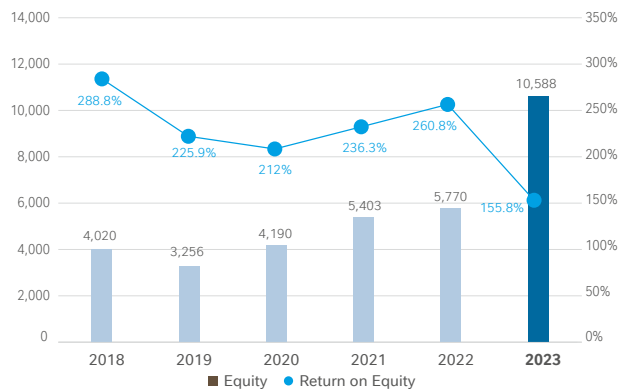
MARKET CAPITALIZATION

Rupees in million



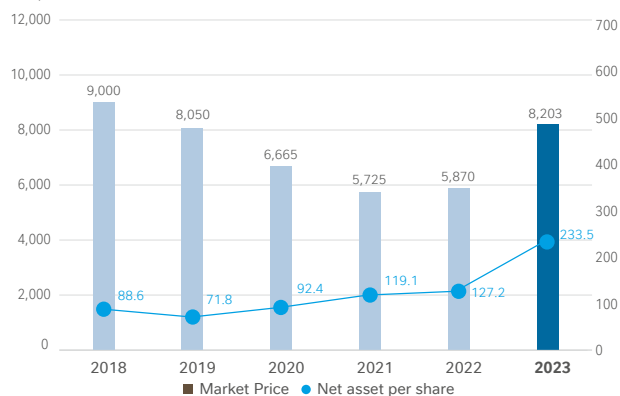
RETURN ON EQUITY

Rupees in million



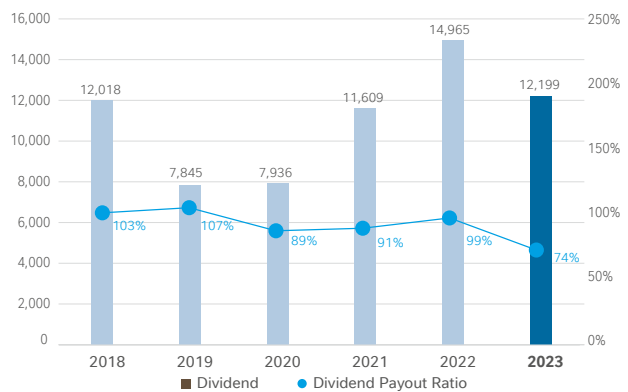
MARKET PRICE PER SHARE VS. NET ASSETS PER SHARE

Rupees



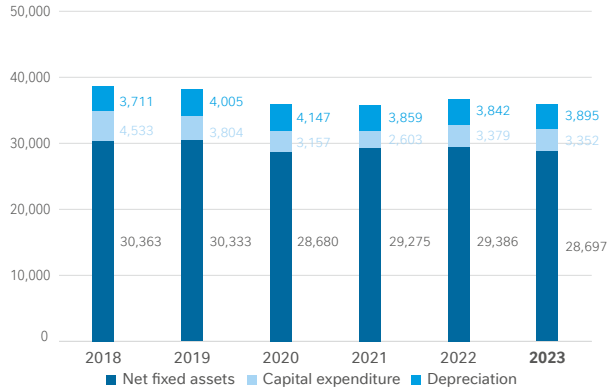
DIVIDEND PAYOUT RATIO

Rupees in million



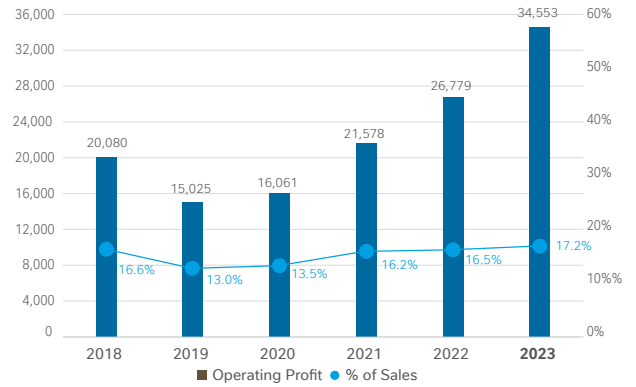
NET FIXED ASSETS, FIXED CAPITAL EXPENDITURE AND DEPRECIATION

Rupees in million



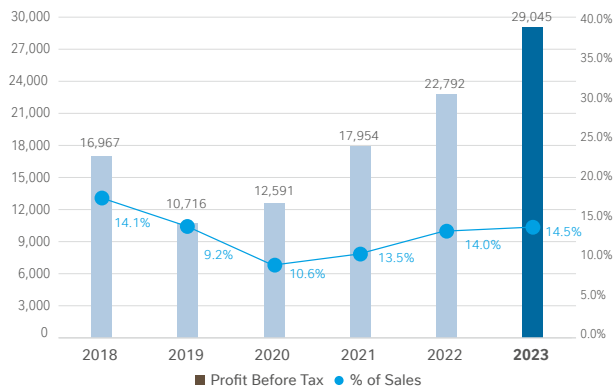
OPERATING PROFIT

Rupees in million



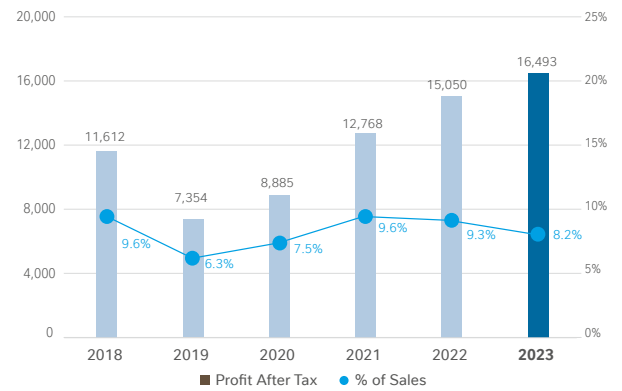
PROFIT BEFORE TAX

Rupees in million



PROFIT AFTER TAX

Rupees in million



STATEMENT OF WEALTH CREATION AND ITS DISTRIBUTION

(PKR in 000)	2023		2022	
Wealth Generated / Value Added:				
Net turnover including sales tax	234,176,715		189,433,328	
Purchased materials and services	(158,467,973)		(120,586,498)	
Value Added	75,708,742		68,846,830	
Other Income	499,497		631,543	
Wealth Created	76,208,239	100%	69,478,373	100%
Wealth Distribution:				
To Employees:				
Salaries, benefits and other costs	17,457,727	22.9%	14,512,997	20.9%
To Government:				
Income tax, sales tax, excise & custom duty, WWF, WPPF	39,732,249	52.1%	33,663,085	48.5%
To Society and Development Initiatives:				
Donations and CSR Projects	24,250	0.0%	6,659	0.0%
*Dairy Development (Non-business returns)	276,412	0.4%	152,340	0.2%
To Providers of Capital:				
Dividend to Shareholders	12,199,043	16.0%	14,965,368	21.5%
Mark-up / interest expenses on borrowed funds	2,623,853	3.4%	2,335,994	3.4%
To Company:				
Depreciation and amortisation	3,894,705	5.1%	3,841,930	5.5%
	76,208,239	100.0%	69,478,373	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)	2023	2022	2021	2020	2019	2018
Operating performance						
- Sales	200,605	162,516	133,295	118,781	115,962	120,701
- Gross profit	70,760	55,451	40,492	34,765	33,349	38,814
- Operating profit	34,553	26,779	21,578	16,061	15,025	20,080
- Profit before tax	29,045	22,792	17,954	12,591	10,716	16,967
- Profit after tax	16,493	15,050	12,768	8,885	7,354	11,612
Balance Sheet						
- Net assets	10,588	5,770	5,403	4,190	3,256	4,020
- Reserves	10,135	5,317	4,950	3,737	2,802	3,567
- Operating fixed assets	28,697	29,386	29,275	28,680	30,333	30,363
- Net working capital	10,714	6,082	9,193	8,464	18,708	16,099
- Long term liabilities*	12,758	20,356	16,864	20,302	12,057	14,244
Fixed Assets at cost						
- Gross profit ratio	35.3%	34.1%	30.4%	29.3%	28.8%	32.2%
- Operating profit ratio	17.2%	16.5%	16.2%	13.5%	13.0%	16.6%
- Profit before tax ratio	14.5%	14.0%	13.5%	10.6%	9.2%	14.1%
- Profit after tax ratio	8.2%	9.3%	9.6%	7.5%	6.3%	9.6%
- Inventory turnover ratio	4.3 : 1	4.7 : 1	5.3 : 1	4.8 : 1	4.3 : 1	4.7 : 1
- Total assets turnover ratio	2.2 : 1	2.2 : 1	2.1 : 1	1.9 : 1	1.8 : 1	1.9 : 1
- Price earning ratio	22.6	17.7	20.3	34.0	49.6	35.1
- Return on capital employed	153%	125%	101%	88%	97%	129%
- Market value per share	8,203	5,870	5,725	6,665	8,050	9,000
- Debt equity ratio	61:39	77:23	81 : 19	85 : 15	90 : 10	87 : 13
- Current ratio	0.9:1	0.8:1	0.8 : 1	0.7 : 1	0.6 : 1	0.7 : 1
- Interest cover ratio	12.1 : 1	10.8 : 1	10.8 : 1	5.5 : 1	4.4 : 1	10.1 : 1

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

PATTERN OF SHAREHOLDING

As at December 31, 2023

No. of Shareholders	Shareholdings			Total Shares Held
	From		To	
662	1	to	100	17,819
203	101	to	500	55,903
91	501	to	1000	69,064
85	1001	to	5000	187,377
17	5001	to	10000	137,021
5	10001	to	15000	60,824
2	15001	to	20000	35,847
6	20001	to	25000	138,019
1	30001	to	35000	31,800
1	35001	to	40000	38,137
2	40001	to	45000	86,304
1	50001	to	55000	54,910
1	65001	to	70000	66,707
1	75001	to	80000	77,452
1	95001	to	100000	98,000
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	380001	to	385000	384,142
1	385001	to	390000	387,334
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	1240001	to	1245000	1,240,821
1	1290001	to	1295000	1,294,334
1	1330001	to	1335000	1,334,283
1	3645001	to	3650000	3,649,248
1	4420000	to	4424999	4,423,666
1	27935000	to	27939999	27,936,173
1097				45,349,584

CLASSIFICATION OF SHARES BY CATEGORIES

As at December 31, 2023

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their spouse(s) and minor children	8	1,475,107	3.25
Associated companies, undertakings and related parties	8	36,964,454	81.51
Executives	5	220	0.00
NIT and ICP	1	360	0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions, and Public Sector Companies	4	518,619	1.14
Insurance Companies	5	6,485	0.01
Modarabas and Mutual Funds	4	102,344	0.23
General Public			
a. Local	942	6,150,308	13.56
b. Foreign	26	696	0.00
c. Foreign Companies	3	26,543	0.06
Others	91	104,448	0.23
Totals	1,097	45,349,584	100.00

Shareholders holding 5% or above	Shares Held	Percentage
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

KEY SHAREHOLDING AND SHARES TRADED

As at December 31, 2023

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
	8	36,964,454
		81.51
Directors, Chief Executive Officer, and their spouse(s), and minor children		
Syed Babar Ali	100	0.00
Syed Hyder Ali	1,240,821	2.74
Syed Yawar Ali	23,220	0.05
Omar Saeed	20	0.00
Romana Abdullah	20	0.00
David Alexander Carpenter	1	0.00
Perwin Babar Ali (W/O Syed Babar Ali)	210,865	0.46
Syeda Nighat Ali (W/O Syed Yawar Ali)	60	0.00
	8	1,475,107
		3.25
Executives		
	5	220
		0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions, and Public Sector Companies		
Zarai Taraqati Bank Limited	430,551	0.95
MCB Bank Limited - Treasury	77,452	0.17
Employees Old-Age Benefits Institution	10,560	0.02
National Bank of Pakistan	56	0.00
	4	518,619
		1.14
Modarabas and Mutual Funds		
CDC - Trustee National Investment (Unit) Trust	98,000	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	704	0.00
	4	102,344
		0.23

There was no Sale / Purchase of Nestlé Pakistan's shares by any of the Directors, Company Secretary, Executives, and their spouses during the year except the following Gift-In/ Gift-Out transactions of Nestlé Pakistan's shares held by the respective Directors, and respective spouse(s) during the year:

Name	Nature of Transaction	Number of Shares	Date
Syed Babar Ali	Gift-Out	512,190	31-May-23
Syed Hyder Ali	Gift-In	170,730	31-May-23
Perwin Babar Ali	Gift-In	170,730	31-May-23
Syed Babar Ali	Gift-Out	512,191	1-Jun-23
Syed Hyder Ali	Gift-In	512,191	1-Jun-23
Perwin Babar Ali	Gift-Out	128,048	8-Jun-23
Syed Hyder Ali	Gift-In	128,048	8-Jun-23
Syed Babar Ali	Gift-Out	170,730	24-Jul-23
Perwin Babar Ali	Gift-Out	42,682	1-Sep-23

STATEMENT OF COMPLIANCE

With the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("Regulations" or "CCoG") for the Year Ended December 31, 2023

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:

- Mr. David A. Carpenter
- Mr. Omar Saeed
- Ms. Romana Abdullah

Executive Directors:

- Mr. Joselito Jr Avanceña
- Ms. Komal Altaf
- Mr. Faisal Nadeem

Non-Executive Directors:

- Mr. Syed Yawar Ali
- Mr. Syed Babar Ali
- Mr. Syed Hyder Ali
- Mr. Angelo Giardini

Female Directors:

- Ms. Komal Altaf
- Ms. Romana Abdullah

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 for the Company. The Board has ensured that a complete record of particulars of the significant policies along with their date of approval or updating 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 ("Act") 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 Act and the Regulations with respect to frequency, recording, and circulating minutes of meetings of the Board;

8. The Board has a formal policy and transparent procedures for the remuneration of Directors in accordance with the Act and these Regulations;

9. The Directors of the Company have attended the Directors' Training program who were required as per the applicable CCoG prescribed timelines. Further, the Company had also arranged Directors' Training for two (02) Female Executives during the year.

10. The Board has approved the 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 the 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. Mudassar Ashraf	Secretary / Head of Internal Audit

Human Resources and Remuneration Committee

Name of the Committee Member	Designation
Ms. Romana Abdullah	Chairperson / Independent Director
Mr. Joselito Jr Avanceña	Member / Executive Director
Mr. Syed Hyder Ali	Member / Non-Executive Director
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. Human Resources and Remuneration Committee: **01**
- 15.** The Board has set up an effective Internal Audit Function who are 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



Joselito Jr Avanceña
Chief Executive Officer

as adopted by the Institute of Chartered Accountants of Pakistan and that they 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 any of the Directors 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 Act, 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 the existing composition of the Board of Directors brings in the relevant experience and valuable contributions to the Board.



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

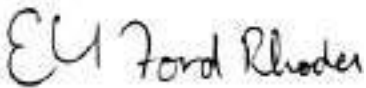
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations), prepared by the Board of Directors of Nestlé Pakistan Limited (the Company) for the year ended 31 December 2023 in accordance with the requirements of regulation 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 regulations requires 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 regulations as applicable to the Company for the year ended 31 December 2023.



EY Ford Rhodes

Chartered Accountants
Engagement Partner: Arslan Khalid
Lahore: 21st March 2024

UDIN: CR2023101919w8tBpib3

BOARD OF DIRECTORS

As on December 31, 2023



Syed Yawar Ali

Chairman
Non-Executive Director



Joselito Jr Avanceña

Director & Chief Executive Officer



Syed Babar Ali

Non-Executive Director



Syed Hyder Ali

Non-Executive Director



Komal Altaf

Director & Chief Financial
Officer



Angelo Giardini

Director



Faisal Nadeem

Director



Omar Saeed

Independent Director



**David Alexander
Carpenter**

Director



Romana Abdullah

Director

Officers

Mr. Joselito Jr Avanceña

Chief Executive Officer

Ms. Komal Altaf

Chief Financial Officer

Mr. Ali Sadozai

Company Secretary

Mr. Mudassar Ashraf

Head of Internal Audit

Audit Committee

Mr. Omar Saeed

Chairman/Independent Director

Mr. Syed Hyder Ali

Member / Non-Executive Director

Mr. Syed Babar Ali

Member / Non-Executive Director

Mr. Mudassar Ashraf

Secretary / Head of Internal Audit

Human Resources and Remuneration Committee

Ms. Romana Abdullah

Chairperson / Non-Executive Director

Mr. Syed Hyder Ali

Member / Non-Executive Director

Mr. Joselito Jr Avanceña

Member / Executive Director

Ms. 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

- Habib Bank Limited
- Standard Chartered Bank (Pakistan) Limited
- MCB Bank Limited
- Citi Bank N.A
- Deutsche Bank AG
- Dubai Islamic Bank Pakistan
- Habib Metropolitan Bank Limited
- JS Bank Limited
- Meezan Bank Ltd.
- Bank Al Habib

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) 38402086

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 46th Annual General Meeting of Nestlé Pakistan Limited ("Company"); will be held at 12:00 noon on Thursday, April 18, 2024, at the 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 the video conference facility managed by the Company (please see the notes section for details).

Ordinary Business:

- 1- To confirm minutes of the 45th Annual General Meeting of the Company held on April 17, 2023.
- 2- To receive, consider, and adopt the Audited Accounts of the Company for the year ended December 31, 2023, 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:

SCAN ME
<https://www.nestle.pk/investors/financialreports>
- 3- 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.
- 4- To approve payment of Final Cash Dividend of Rs. 19 per share i.e., 190% to those who are Shareholders as at the close of business on April 10, 2024, in addition to the 1740% Interim Cash Dividend (i.e. Rs. 174 per share) already paid during the year 2023, as recommended by the Directors.

Special Business:

- 5- To consider, and if deemed fit, to pass with or without any amendment/modification the following resolution as a special resolution, to obtain consent from the members for the transmission of the annual audited account through QR-enabled code and weblink, as allowed under S.R.O. 389 (I)/2023 issued by the Securities and Exchange Commission of Pakistan.

RESOLVED THAT, notice of meeting shall be dispatched to members as per requirements of the Act, on their registered address, containing the QR code and the

weblink address to view and download the annual audited financial statements together with the reports and documents required to be annexed thereto under the Act.

RESOLVED THAT, the Company shall be considered compliant with the relevant requirements of section 223(6) of the Companies Act, 2017 by sending the Audited Financial Statements through e-mail and/or sending a notice of meeting containing a QR- code and the weblink address. In case a hard copy of Audited Financial Statements and/or Notice of the AGM of the Company is desired, a specific request for the same will be made.

FURTHER RESOLVED THAT the Company Secretary/ Deputy Company Secretary be and is hereby authorized to do all necessary acts, deeds, and things in connection therewith and ancillary thereto as may be required or expedient to give effect to the spirit and intent of the above resolution.

FURTHER RESOLVED THAT the action taken by the Company to dispatch financials for the year ended December 31, 2023, through QR-enabled code shall be deemed approved as post-facto approval, subject to the confirmation of the shareholders.

Any Other Business:

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

BY ORDER OF THE BOARD



Ali Sadozai

Company Secretary

Dated: March 25, 2024

NOTES:

- i) Share Transfer Books of Nestlé Pakistan Limited (“Company”) shall remain closed from April 11, 2024 to April 18, 2024 (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 Shahra-e-Faisal, Karachi-74400 at the close of business on April 10, 2024 will be treated in time for entitlement of 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. In the 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, or email scanned copies of the same at 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 by the 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 e-mail the usual documents required for such purposes through the e-mail 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.
- vi) Shareholders are requested to notify the change of address, Zakat Declaration, and Tax Exemption Status with its valid certificate, if any, immediately to our Share Registrar.
- vii) In case of joint holders, only one member whose name will appear as the main title shareholder in our list of shareholders, will be allowed to attend the General Meeting.

- viii) 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:

ix) WITHHOLDING OF PAYMENT OF DIVIDEND - SUBMISSION OF COPIES OF CNIC (URGENT & MANDATORY):

As per SECP directives, the dividend of shareholders whose valid CNICs, are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are therefore advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the Company’s Share Registrar without any further delay.

x) 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 facilitate the Company in implementing a reduced tax deduction rate of 15% for Cash Dividends instead of 30%, shareholders classified as Filers, yet not listed in the Active Tax-payers List (ATL) by the Federal Board of Revenue (FBR) website, are urged to ensure their inclusion in the ATL before the issuance of Dividend Warrants. Failure to do so will result in a tax deduction rate of 30% on their Cash Dividends.

Corporate Shareholders with CDC accounts must update their National Tax Numbers (NTN) with their participants, while physical shareholders should send NTN certificates to the Company or its Share Registrar, CDCSRSL. When submitting NTN or certificates, shareholders must include 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 a valid Tax Exemption Certificate to the Company's Shares Registrar to avoid tax deduction.

As per FBR clarification, withholding tax on jointly held shares is determined based on Principal shareholder and Joint-holder(s) "Filer/Non-Filer" status and respective shareholding proportions. Shareholders holding shares jointly must provide shareholding proportions to the Company's Share Registrar 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)

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

Pursuant to Section 242 of the Companies Act, 2017, all listed companies are obligated to distribute cash dividends solely through electronic means, directly to shareholders' designated bank accounts. Shareholders seeking direct deposit are required to complete the ELECTRONIC CREDIT MANDATE FORM available on the Company's website and submit it, along with a signed copy of their CNIC, to the Share Registrar (CDCSRSL) for physical shares or to their broker/participant/CDC account services for shares held in CDC.

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 dividends under the Companies (Distribution of Dividends) Regulations, 2017.

xii) 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 the Nestlé Share Registrar, CDCSRSL to collect/enquire about their unclaimed dividends 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.

xiii) TRANSMISSION OF ANNUAL REPORT:

The Audited Financial Statements for the year ended December 31, 2023, are accessible on the Company's website (<https://www.nestle.pk/>), along with previous years' Annual and Quarterly financial statements. Additionally, the Annual Report for the year 2023 has been emailed to shareholders with valid email IDs registered with the Share Registrar (CDCSRSL), and dispatched Notice of AGM with a QR Code to access same to those without updated email IDs.

Shareholders may request a hard copy of the Annual Audited Financial Statements, which will be provided within seven (07) days upon receipt of such request. A "Standard Request Form for the provision of Annual Audited Accounts" is also available on the Company's website for shareholder convenience.

xiv) CONVERSION OF PHYSICAL SHARES IN TO CDC ACCOUNT:

The Shareholders having physical shareholding are encouraged to place their physical shares into scripless form as defined in Section 72(2) of the Act i.e., "Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act." (i.e., May 31, 2017)

The Shareholders having physical shareholding may open CDC sub-account with any of the broker or investor account directly with CDC to place their physical share

into scripless form, this will facilitate them in many forms including safe custody, and trade in shares anytime they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

xv) PARTICIPATION IN AGM

Shareholders must update their valid email addresses with the Share Registrar, CDCSRSL by March 31, 2024. Detailed procedure for attendance in the Annual General Meeting will be emailed directly to the shareholders with valid email IDs, and will be available on the Company’s website.

Shareholders who have updated their email addresses with the Company or its Share Registrar (CDCSRSL) and wish to attend the AGM must send verification information from their registered email address to investor.relations@pk.nestle.com latest by April 05, 2023.

S. NO.	NAME OF THE SHAREHOLDER	CNIC NUMBER	FOLIO NUMBER	CELL NUMBER	REGISTERED E-MAIL ADDRESS

If appointing a proxy, please provide the designated individual's details along with the signed proxy form for participation and voting on behalf of the shareholder.

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.

STATEMENT OF MATERIAL FACTS PURSUANT TO SECTION 134(3) AND SECTION 166(3) OF THE COMPANIES ACT, 2017

The statement sets out the material facts concerning Special Business Item No. 05 of the notice to be transacted at the Annual General Meeting dated April 18, 2024.

Securities and Exchange Commission of Pakistan in its Notification S.R.O. 389 (I)/2023 dated March 21, 2023, considering technology advancements and old technology

becoming obsolete, has allowed listed companies to circulate the annual audited financial statements to its members through QR enable code and weblink instead of circulation of annual financial statements through CD/DVD/USB, subject to the approval of shareholders obtained in the general meeting.

The Company shall dispatch the Notice of the general meeting to members as per requirements of the Act and comply with other instructions of SECP given in the above-mentioned notification, including:

- (a) to transmit via email annual audited financial statements to shareholders who have provided to the Company their email addresses; and
- (b) to provide within one week, a hard copy of annual audited financial statements with relevant documents to the shareholder(s), in case the Company receives the request of the shareholder on the standard request form that is available on the Company’s website.

The Chairman, Independent Directors, and Non-Executive Directors are interested in the Special Business to the extent of receiving annual financial statements as shareholders of the Company other than that the Chairman and Directors have no interest in the Special Business.

“RESOLVED that the Company shall circulate annual audited financial statements to its members through QR enable code and weblink and shall discontinue the circulation of annual financial statements through CD/ DVD/USB being old technology becoming obsolete.

FURTHER RESOLVED that the Company shall ensure at all times the requirements given in Securities and Exchange Commission Notification S.R.O. 389 (I)/2023 dated March 21, 2023, and all other applicable laws in connection with transmission of Notice of the general meeting and circulation of the annual report to the members of the Company are complied with.”

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

Shakeel Ahmad	Head of Sales	Masam Abbas	Business Executive Officer - Juices
Abdullah Jawaid Ahmad	Business Executive Officer - Nestlé Waters	Babar Hussain Khan	Head of Nutrition
Mohammad Ali Sadozai	General Counsel & Company Secretary	Sheikh Waqar Ahmad	Head of Corporate Affairs & Sustainability
Muhammad Fahad	Business Manager, Coffee & CPW	Asad Ahmed	Head of Supply Chain



Sitting – From Left to Right

Nausheen Jaffery	Business Executive Officer - Nestlé Professional	Komal Altaf	Chief Financial Officer
Khurram Zia	Business Executive Officer - Dairy	Faisal Nadeem	Head of Technical
Hajra Omer	Head of Human Resources	Faisal Akhtar Rana	Head of Communications & Marketing Services
Joselito Jr Avanceña	Chief Executive Officer & Managing Director	Samra Maqbool	Head of Strategy & Business Development

HUMAN RESOURCES

We believe that nurturing and promoting a diverse and inclusive culture makes Nestlé an exciting organization to work for.

Empowering Women

WiN, our Women in Nestlé Network, is a driving force in the organization, inspiring, empowering, developing, and fostering a sense of community among women in the organization. The inaugural WiN Connect & WiN Workplace competition celebrated 'Empowered Connections', bringing together women from across all sites as ONE Nestlé Community. This was followed by the WiN Leadership Connect where females in senior leadership positions engaged in dynamic discussions centered around women allyship and propelling the journey towards gender balance.

Our Male Champions of Change stepped up in tandem as catalysts for positive change, actively championing initiatives that promote diversity, equal opportunities, and a supportive work environment. Our champions have been trained in gender sensitization and tackling unconscious biases in the workplace. Nestlé Pakistan's CEO, Joselito Jr Avanceña joined the Male Champions of Change Coalition Pakistan, a high-profile coalition of CEOs who take lead and are accountable for change on gender equality issues in their organizations and communities. By advocating for and embracing inclusion, we are seeking to unlock the boundless potential of our diverse workforce.

Youth Development

In 2023, we continued our commitment to the Nestlé Needs YOUth initiatives, to facilitate youth with apprenticeships, traineeships, job opportunities, and necessary skills. We engaged with over 54,000 youth through various platforms to support this initiative.

Through Nestlé LEAD Management Trainee Program, which nurtures future leaders, we received 20,000 applicants who participated in online assessments across various functions. Shortlisted students were invited to our Nest headquarters for a two-day assessment where they networked and learned from our experienced team members. Ultimately, the selected candidates underwent an extensive orientation program, including icebreakers, career talks, innovation challenges, and visits to our retail and production facilities to understand the value chain.

We also organized several e-learning festivals with a dedicated focus on advancing our goals under the Nestlé Needs YOUth initiative, including the International Youth Day celebration, a zone-led initiative, with an incredible turnout of 1000+ viewers. Distinguished speakers from the organization addressed topics aimed at nurturing a creative mindset in our forward-looking workforce.

Diversity, Equity & Inclusion

Our diversity initiative of "Kero Aitemaad" launched in 2016, engages, motivates, and inspires young female professionals by equipping them with the knowledge, skills and experience required to work in unconventional roles within functions like Supply Chain, Field Sales, Technical, Nutrition and Agri Services. This year the program was revamped inviting 4000+ female applicants and 40+ associates were hired to work in different functions. These associates were enlightened about the value chain through a two-day orientation where they visited the Sheikhpura Factory, Sarsabz Farm, Distributions and Nestlé Head Office.

Nestlé Pakistan is committed to giving fair employment opportunities to People of Determination (people with disabilities) and help them in increasing their employability in the job market through its program "Hai Tum Pe Yakeen". In 2023, Hai Tum Pe Yakeen program received 1500+ applications and 10 associates were hired for various permanent roles in the organization.

Learning & Development

This year was also jam-packed with exciting development programs to enhance employee capability. Employees were offered a revolutionized learning experience with the introduction of the "Personified Learning Catalogue." The program provided customized interventions for Multidisciplinary Leaders, People Leaders, and All Employees.

Through the "NESLEARN - Become future fit program", our flagship offerings have been launched, to develop essential future-ready workforce skills by focusing on the MIND-HEART-BODY aspects. The first segment on Mind was dedicated to Design Thinking Workshop sponsored by real business case scenarios and Decoding AI, a rigorous five-month program that delved into advanced analytics and machine learning.

Employees were offered fitness bootcamps across all sites, promoting an active work-life balance and mindfulness through the NESLearn Body segment. For NESLearn Heart, Psychological Safety Workshops were conducted in collaboration with Franklin & Covey, focusing on trust and empathic listening.

To accelerate future leaders, sessions like the Nestlé Leadership with Purpose, People Manager Learning Center, First Time People Leaders Training, People Managers Development Center and ADVANCE Learning Games were introduced. These programs brought back a learning spirit to the workforce & further strengthened leadership traits of the employees. In this year alone, 70% of the leaders were trained through the Leadership Development Programs. Across all training programs, 80% of the management staff (1400+ employees) was trained.



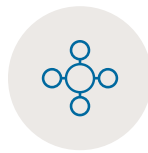
54,000+

YOUth engaged through Campus Drives & Job Fairs



150+

Internships were offered



42

Apprentices were taken onboard



9

Management Trainees were inducted



14.7%

Females in the workforce

People development and performance management activities were conducted with the aim of providing challenging opportunities for individuals to nurture and advance their careers. While 3-Party PDPs, 360 feedback and Corporate and Functional Mentoring continued, we launched Grow@Nestlé, a campaign designed to accelerate the career development mindset at Nestlé by helping employees and People Managers understand the importance of owning their careers and conducting effective career conversations. Moreover, 30+ Cross Functional Projects enabled our people to explore projects beyond their designated functions, allowing them to pursue their career aspirations and unlock their full potential.

Employee Well-being

Nestlé Pakistan prioritizes the physical and mental well-being of its workforce. Bringing our commitment to life, webinars were held with top consultants focused on topics varying from Mental Health, Cardiac Diseases, Hepatitis prevention, Breast Cancer Awareness etc. These sessions were available to employees across the market. Additionally, health camps on site facilitated employees to access various health services and to take proactive steps towards maintaining their health.

In 2023, our goal was clear: turn our workplace into a fun and engaged community. Throughout the year, we initiated various activities to create a sense of connection, value, and pride among all Nestlé family members.

Throughout the year, we held our Functional Breakfast Series, fostering friendships beyond work over delicious breakfast. National days like Pakistan Day, Independence Day, Orange Day, NHW Fitness Drive, Ice Cream Day, and NesChef, added fun to our daily work routines. At the same time, sports tournaments featuring events such as Table Tennis, Cricket, FIFA, Badminton etc. emphasized friendly competition and teamwork.

The year concluded with Remember December, including Board Games, Painting Day, and Gratitude Day, aiming to bring joy and reflection to our workplace.

Looking ahead, our commitment remains steadfast in fostering an environment where innovation, collaboration, and employee well-being are key to our success. Here's to another year of thriving together!

SUPPLY CHAIN

Ensuring supply, focus on Digitalization & Developing Local Suppliers while maintaining 100% Responsible Sourcing on tier 1 local suppliers – these were ingredients to Nestlé being a Force for Good while delivering business growth.

The year 2023 posed multiple challenges from rising inflation to continued forex issues, policy rate changes and currency devaluation, increased taxation along with multiple import challenges. Despite these hurdles, our supply chain team demonstrated resilience and exceeded expectations achieving notable success in each facet within the function.

Initiating a paradigm shift towards digitalization, the Physical Logistics team mapped manual and paper-intensive areas in DC operations by executing the ERAD approach — Eliminate, Reduce, Automate, Digitalize. They were able to generate results with a realization of cost savings, reducing paper usage by 1.3 million sheets per annum, optimizing 8,320 man-hours and automating 67% of overall warehouse operations. The factory supply chain team ensured seamless execution of over 100 promos/changeovers and handled much higher fresh milk intake variability all while delivering results with safety best practices which have been acknowledged at a global level as well.

Not only this, introduction of energy-efficient technologies within the function led to a 25% reduction in energy consumption and a decrease of 114 tons of CO₂e emissions



and savings through various improvement projects. Within Chilled Dairy operations, direct dispatch reduced GHG emissions by 300 tons.

To improve safety of our people and community at large. We piloted use of Artificial Intelligence (AI) enabled cameras in our fresh milk transport fleet and in our warehouses. These cameras help identify unsafe behaviors (driving while feeling sleepy, not wearing seat belt, not wearing protective gear etc.). This is helping us take significantly better corrective and preventive measures – thus enabling improvement of safety within our operations and on the roads for others also.

By leveraging analytical tools, Demand & Supply Planning team has remained committed to deliver high forecasting accuracy month-on-month in the face of extremely volatile and uncertain economic situations. Our team has demonstrated agility in ensuring supply across sites throughout the year despite material supply disruptions. This was done by strong cross functional collaborations and leveraging industrial footprint efficiently whilst maintaining lean inventories. Pakistan market continues to be the leader in the Nestlé Zone AOA community in delivering high quality forecasts with 89% accuracy.



Despite multiple external disruptions, the Customer Supply Chain team remained resilient and sustained a high service level throughout the year, resulting in a Customer Order Fulfilment (COF) rate of over 99%. More significantly, Distributor Stock Availability (DSA) was enhanced from 84% in 2022 to 90% this year which enabled our sales teams to deliver growth.

Furthermore, the team continued to focus on customer centricity as a key driver to add value for both Nestlé and its customers. By effectively utilizing Nestlé's Customer Logistics Excellence Review (C-LER) framework, we were able to work on initiatives such as direct dispatches, palletized shipments, vehicle rightsizing, delivery window and customer Electronic Data Interchange (EDI) integration which resulted in the Pakistan Market achieving a best-in-class Customer Centricity Index (CCI) score across Zone AOA.

It was extremely important to bring a step-change in the way Nestlé worked to ensure supply, decrease the Forex requirement for the market and reduce costs. Procurement

team took on the challenges and was able to achieve success by delivering PKR 5.5bio savings. From the perspective of ensuring supply, localization increased to an impressive 84.7% and sourcing flexibility improved to 74%, landing Pakistan among the top markets in Zone AOA. We exceeded in service and delivery as compared to previous years while facing a supply situation significantly worse than ever before.

Reflecting on the year, our function attributes its success to the unwavering commitment and sheer dedication of our people. We have invested and upskilled our people through programs including Data Daze; equipping them with the skills needed for evolving challenges while aligning the programs with the demands of the business. Moreover, through various interventions like cross-functional sessions, frequent female discussion forums and leadership connects we have fostered a culture that promotes open communication and inclusivity to ensure a safe and healthy workplace for everyone.

TECHNICAL

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

Safety

Respect for the employees and stakeholders

In 2023, Nestlé Pakistan made significant progress in strengthening our safety culture. Our commitment to safety was demonstrated through various initiatives, including the successful implementation of the "See Something, Do Something" approach. Additionally, we have introduced third-party safety tagging for contractors to identify and eliminate unsafe conditions.

Throughout the year, we conducted cultural change programs and campaigns, with a notable focus on "Know Your LSR (Life-Saving Rules)" and "Organized Workplace is a Safe Workplace" training. These initiatives also included rain-related safety, forklift safety, defensive driving, and fire safety drills, equipping our workforce with essential safety skills.

In 2023, we achieved multi-site international certifications, including ISO 45001 (Occupational Health & Safety) and ISO 14001 (Environmental Management Systems), for our factories, Head Office, Supply Chain, and Agriculture Services. All four of Nestlé Pakistan's factories successfully maintained Alliance for Water Stewardship certification.

Recognizing road safety as an ongoing challenge, we introduced an AI-based camera initiative in our fresh milk transport operations through design and technology. Looking ahead, our priorities for the coming year will continue to focus on competence-building, encompassing slip, trip, and fall prevention, machine safety, life-saving rules, and fostering a mindset shift through behavioral modification. We are also committed to the ongoing implementation of digital solutions and artificial intelligence to further enhance our safety efforts.

Quality

Passion for the best consumer experience

Every day, we convey our passion and provide unique expertise to foster trust and consumer preference for our products and services at the ONE moment of truth.



Our value chain activities are designed focusing on this vision. Quality culture plays a vital role towards this. We believe that knowledge, skill set and right behaviors are the key to sustain and strengthen quality culture. Competence development remained one of the focus areas for our team, suppliers and co-manufacturers.

We ensure that high-quality raw and packaging materials are procured by actively engaging farmers and raw and packaging material suppliers. We work with them to keep them updated regarding the emerging quality and food safety challenges and guiding them on the elimination of key defects.

Our strong Quality and Food Safety culture helps us to deliver safe food for our consumers. Our factories continue to sustain certifications for FSSC 22000 (Food Safety Management Systems), ISO 9001 (Quality Management Systems), ISO 17025 (Competence of Testing and Calibration Laboratories) and Halal. Our factories and milk collection centers are continuously monitored and verified for quality by relevant local food regulatory authorities.

Manufacturing

Sheikhupura Factory

Our prime focus remained on business continuity and localization due to unprecedented import challenges. Factory operations continued without any interruption with 99.2% customer order fulfilment.



Our Sheikhpura Factory made significant efforts to reinforce its safety culture. Our main focus was on improving the skills of our employees and consistently highlighting the importance of life-saving rules. At the factory, we prioritized training sessions and refresher courses specifically aimed at machine safety techniques.

Sheikhpura Factory continued its journey towards excellence and closed 2023 with one of the lowest unplanned stoppages, making manufacturing processes more reliable and agile while optimizing Total Delivered Cost.

Factory's drive for operational excellence through digitalization continued with 100% adherence to Digital Manufacturing Operations and connected factories' master plans.

We continued to strengthen our community presence through consistent engagement with key stakeholders throughout the year.

Our drive on Diversity, Equity & Inclusion continued to make the factory a preferred choice for female professionals and differently abled people, fostering a more inclusive culture at Sheikhpura Factory.

Keeping people at the heart of our operations, we continued to build the capability of our employees through training programs like operator centricity, world-class operation methodologies and leadership development.

PLANS FOR 2024



Renewable Energy Sources



Waste Reduction at Source



Water and Energy Conservation



Reduction of Greenhouse Gases



Research & Development for Packaging



Kabirwala Factory

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

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

Kabirwala Factory rigorously worked to deliver the right quality products to our consumers and was re-certified by Bureau Veritas and SGS. The factory also sustained an excellent rating since 2000 in Laboratory Proficiency Test.

Our team put in their best effort towards the ongoing journey of environmental sustainability. This year 2.5MWp solar electricity generation setup was made operational in Kabirwala Factory. We also started work on project of steam generation through biomass which will make a significant contribution in greenhouse gas reduction and will help us meet our 2025 commitment. We continued our digitalization journey by leveraging digital tools while working on innovation and renovation projects.

Furthermore, we continued to strengthen our community presence through consistent engagement with key stakeholders. Our drive on Diversity, Equity & Inclusion made the factory a preferred choice for female professionals and differently abled people, fostering a more dynamic and engaging culture.

Port Qasim Factory

The Port Qasim team derives its strength from teamwork and synergy. The factory team demonstrated immense abilities to excel in localization of spare parts with calculated risks and delivered production volumes efficiently amidst current forex situations. Our team remained resilient and committed in terms of guarding the core and thus maintaining safety and quality as their key priorities.

Digitalization and Operator Centric Approach were leveraged to achieve fruitful results in all dimensions of manufacturing excellence. The team has also worked hard to deliver significant operational savings. Thinking out of the box, the team implemented a simple yet efficient cleaning method to reduce operational losses resulting in significant cost savings



as well as plastic footprint reduction. A positive and determined approach towards environmental sustainability also led people to bring multiple initiatives to reduce our environmental footprint.

Extensive trainings were conducted to enhance the quality and safety mindset among the team. The zero-safety incident journey was also led successfully ensuring that the site was safe and secure for employees.

Islamabad Factory

People’s safety and well-being remained at the center of our attention. We are immensely proud of our employees who adopted the right safety behaviors & practices with focus on safety leading indicators, to maintain a safe work environment.

We are proud to announce our commitment to sustainability through the successful implementation of a 266-kilowatt solar project. This initiative has enabled our factory to generate 45% of its energy needs from clean and renewable sources, significantly reducing our carbon footprint and promoting a greener operation.

People development and engagement remained the core of everything we did this year. Operator Centric Program for operators’ development and Fit2Win is the competence development tool that was launched for the First Line Managers (FLMs) to enhance and achieve product and process mastership. Both these programs have supported in creating a collaborative learning culture through Education & Training (ET) Pillar that eventually has helped to achieve business results.

Nestlé Islamabad Factory installed a clean and safe drinking water facility, showcasing its commitment to the community and its role as a responsible corporate citizen.

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.

Nestlé is committed towards a net zero carbon journey and is continually exploring opportunities for the socio-economic benefits of farmers and to minimize the climate change impact. We have been promoting alternate energy sources, particularly amongst dairy farmers. During 2023, Nestlé installed 47 solar systems at 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 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 2023, we supported the installation of 8 biogas digesters at supplier farms. With cost and environmental benefits, these farms with solar and biogas installations served as a lighthouse for their surrounding areas.

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 the end of 2023, we maintained farms with soil moisture sensors at various locations in our agriculture value chain. These are not only helping farmers in saving irrigations but also serving as a lighthouse of an efficient irrigation system. Similarly, Nestlé Pakistan supported farmers in installing drip irrigation on 128 acres of land in Punjab. During 2023, the initiative has been scaled to cover an additional 95 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 achieve 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 as well Mian Nawaz Sharif University of Agriculture, Multan 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 the import of high efficiency cows. Till date Nestlé Pakistan has helped farmers import more than 8,500 cows, which reduced GHG emissions while increasing productivity of the herd and income of local farmers.

To further bring efficiencies in the farm ecosystems, we have also developed local machine solutions such as TMR wagon and manure dewatering machine.

While we continue to source fruit from Punjab, we are now working closely with farmers from Gilgit-Baltistan, Khyber Pakhtunkhwa and Balochistan to source high quality fruit including apples, peaches and red grapes. These initiatives are not only helping to improve the income of local farmers but also helping the country save precious foreign exchange.



SALES

In 2023, we continued to face multiple challenges and economic uncertainties. In the midst of these difficult circumstances, the Sales team showed resilience and strength in the market, as we continued to deliver strong growth and execution.

We maintained our focus on key sales and distribution fundamentals and operational excellence with a robust Route-to-Market Strategy to deliver these results.

We also prioritized capability enhancement of our distributor's salesforce and digitization and automation across our business partners as well as the value chain to ensure we fulfill our commitment to growth and excellence.

Winning With Shoppers

We continued to drive focus and activities on enhancing shopper engagement and trade visibility. Highlights of the year were our shopper-centric in-store executions, a comprehensive town-storming campaign spanning 40 locations nationwide and a 360-degree tourist activation drive during the summer in northern Pakistan. These efforts, coupled with best-in-class consumer promotions and multiple successful product launches, significantly bolstered shopper engagement and purchase consideration across various channels, ensuring sustained growth, particularly in priority channels like supermarkets and minimarts.

Winning With Customers

Backed by a strong portfolio and a stream of innovative product launches, Nestlé maintained its position as a preferred supplier for all retail customers in the modern trade segment. Throughout the year, our channel team orchestrated a series of successful activities, spanning Ramadan promotions, Dairy, Juices, and Nutrition events with all key customers.

We increased focus on enhancing collaboration in logistics, planning, and commercial execution, reinforcing our commitment to delivering value and excellence in operational planning to exceed our customers' expectations.

Focus on Rural Pakistan

We have strived for best-in-class availability and visibility, especially in rural areas and also continued to enhance our contribution to the rural communities through the Benazir Income Support Program (BISP) as part of our Creating Shared Value (CSV) philosophy. We have conducted various promotional activities as well as imparting valuable Nutrition, Health and Awareness sessions in rural communities to help shoppers make better decisions about their lives and their daily purchase decisions.





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 new software and integrating all touch points (voice, non-voice) into one window operation.

CES catered to consumer's queries on all mediums and addressed 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 a 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

The year 2023 saw acceleration of our brand presence on different mediums like TV (with steady viewership), Digital (with growing platforms), Out of Home (OOH - with adding digital screens) with Print and Radio. Sports and Entertainment genre having the massive share of viewership in the country experienced considerable growth in the audience in both TV and Digital platforms.

To grow in this dynamic environment, we modified our strategies towards key digital channels and platforms to collaborate, experience and experiment in order to increase effectiveness and efficiency. Our digital-first approach, with a mix of fostering new opportunities in the realm of TV and digital, has resulted in increased brand value. Moreover, we invested in experimentation, data and analytics and audience-first approaches in multi-screen environment aiming to craft more immersive brand experiences.

Following the global best practices with cutting-edge Brand Building the Nestlé Way (BBNW) 4.0, along with advanced tools in both creative and media empowered our marketers to connect successfully with consumers. This resulted in many successful campaigns and global and local recognition in form of winning many awards, which affirms our dedication to deliver exceptional brand campaigns.

Enriching Brand Experiences Excellence in Marketing

Excellence is at the core of our work at Nestlé and to support this effort for commercial teams, Brand Building the Nestlé Way (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 remains more relevant, agile, innovative and efficient in an ever-changing business environment. We also have a robust Education & Training (E&T) program 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 and helping them acquire the necessary function specific knowledge, skills, and behaviors to help delight consumers, enhance lives, and build great brands.

NUTRITION, HEALTH & WELLNESS

Nutrition is in the core DNA of our company. At Nestlé, we understand the fundamental importance of food in people's lives, nutritionally, socially, emotionally and culturally. We believe no one should have to choose between balanced eating and the priorities of real life.

OUR AMBITION: Bringing tasty and balanced diets within reach for billions, sustainably

To deliver on this ambition our nutrition strategy 'GOOD for YOU' hinges on two important strategic pillars:

Portfolios & Products

Communication & Services

These anchor nutrition as a key strategic dimension for Nestlé. We acknowledge the category specificity along with the marketing positioning of products. We aim to help transform our products and labels into simpler, cleaner solutions and provide added transparency to assist consumers in making informed decisions. It is important to ensure that we live up to our promise to always deliver tastier choices within the categories where we operate and drive innovation and renovation and strengthen our communications on product attributes. We want consumers to enjoy our products appropriately and responsibly as part of a balanced diet. We take our responsibility seriously to help consumers enjoy from the most nutrient-packed to the most indulgent products appropriately in the context of a balanced diet. We help effectively communicate the goodness of our products. We invest in clear, informative labeling and marketing strategies that highlight the quality, health benefits, and deliciousness of our products.

Nestlé Pakistan has a strong product portfolio that caters to the needs of most age groups from all income sectors. Our products are fortified with micronutrients to help address prevalent micronutrient deficiencies. In this regard, Nestlé Pakistan has delivered 2.23 billion fortified servings to the people of Pakistan. Nestlé Pakistan is also utilizing its Nutrition, Health & Wellness (NHW) expertise by working with prestigious nutrition and dietetics societies and universities in Pakistan. The purpose of these interactions is to sensitize, spread awareness and build importance of nutrition in Pakistan.



FINANCE & CONTROL AND INFORMATION TECHNOLOGY

Our vision at Nestlé's Finance function is to be the dynamic co-pilot, proactively influencing and shaping business decisions to drive results. We strive to provide world-class service by leveraging innovation, ensuring efficient processes, and delivering accurate financial insights. Through our expertise, collaboration, and commitment to excellence, we aim to be a trusted partner, enabling sustainable growth and contributing to the overall success of our company.

Empowering Fast Decision-Making

Our Finance function's commitment to fact-based, swift decision-making triumphed over headwinds like currency devaluation, inflation, and LC import challenges. We empowered the business team with return-on-investment insights, enabling them to make the right choices. We led the way in driving efficiency projects across the value chain by reducing dependence on imports through localization initiatives and optimizing our banking relationships. These actions drove sustainable growth and noteworthy financial results.

Upskilling & Building Capabilities

We have made significant strides in building future ready finance professionals. Through comprehensive training programs on Microsoft Power Platform (Power BI, automation, applications) and other statistical tools, we have equipped our teams with advanced data analysis skills. Additionally, we conducted masterclasses on key business processes, providing in-depth knowledge and expertise. These initiatives have empowered our employees to leverage cutting-edge tools and technologies, enabling them to create insightful dashboards and drive data-informed decision-making across the organization.

Governance and Risk Management

Strong internal controls are the cornerstone of strict compliance with policies, laws, and regulations. They facilitate seamless operations, reliable financial reporting, and risk management. Through internal audits and accurate reporting, we maintain a robust control environment that safeguards our assets and ensures the integrity of our financial records. In 2023, we conducted a comprehensive end-to-end internal control assessment to confirm the presence of key controls and reinforce our governance structure.

Enhancing the Tech Landscape

Embracing the digital revolution and our commitment to staying ahead of emerging trends, we have established a collaborative Digital Steering Committee, led by our CEO. This committee harnesses the expertise of various department heads, tackling shared business challenges and driving transformative digital initiatives throughout the organization.

In 2023, the Information & Technology (IT) function at Nestlé Pakistan demonstrated a strong focus on security and compliance in response to the increasing cyber threats faced by organizations worldwide. The team has implemented robust measures to ensure the security and compliance of our digital assets, achieving a remarkable milestone by scoring above 95% in ISMS (Information Security & Management System) which is the highest among all Nestlé entities globally. This achievement reflects our unwavering commitment to safeguarding our digital infrastructure and protecting the sensitive information of consumers and stakeholders.

During 2023, Nestlé Pakistan's Sheikhpura Factory, which is ranked among the top 50 most complex factories across Nestlé Globally, underwent a Site Operational Compliance Assessment (SOCA) conducted by global functions. This highlights our commitment to operational excellence and adherence to global compliance standards.

We have streamlined workflows, reducing the need for physical paperwork, and reducing reliance on email approvals by leveraging tools like DocuSign and Power Automate app. This digital transformation has not only enhanced efficiency but also contributed to our sustainability goals. We are proud to embrace technology that enables us to operate in a more eco-friendly and streamlined manner, driving productivity and minimizing our environmental footprint.

EXPORTS; SERVING BEYOND BORDERS



Delighting Consumers Worldwide with Trusted Brands

Since 2020, Nestlé Pakistan exports business has been on an accelerated growth trajectory and the company doubled its global exports presence in 2023. Last year, due to consolidated efforts and expansions to new markets, we were able to boost exports to 18 countries and achieve exponential growth in revenue.

Nestlé Pakistan is catering to consumer preferences around the globe with its iconic and trusted brands enjoying high trust and brand equity with Pakistanis not just living in Pakistan, but across the globe. The nucleus of success is consumer satisfaction, which is a continuous and ever-evolving process. We take great pride in the journey we have covered so far and continue to strive to serve our customers with passion and commitment. At the same time, we are on the lookout to offer convenience and delight our consumers with nutritious products in more countries.

Since 2019, our exports business has evolved into a sizable entity with the ambition to further accelerate in the years to come. We are currently exporting Nestlé Pakistan's produced brands that are not being offered in those markets by our Nestlé affiliates, either because those brands are not a part of the portfolio or because the market does not directly operate in the specific product categories.

Our third-party importers play a key role in helping us expand our availability to new markets. We are collaborating with local partners in different countries across the globe who have a deep understanding of the specific market dynamics, trends, and preferences. Along with our third-party importers, we have developed a strong distribution value chain which helps us reach out to our consumers with our iconic brands in the most efficient manner. In the markets where we are exporting, our distribution, apart from retail channel, is also serving out-of-home and hotels, restaurants, and caterings (HORECA) channels.

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 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 UNSWEETENED YOGURT

NESTLÉ UNSWEETENED YOGURT offers a great option for meal accompaniment to those who prefer plain yogurt with their desi cuisines. It enhances the overall experience without altering the taste of the main dish, not to mention the health benefits of adding yogurt to the daily meal consumption.

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.

TEA CREAMING



NESTLÉ EVERYDAY, with its 30 years of heritage, is Pakistan's beloved tea creaming partner, known for delivering an exceptional cup of tea everyday. Just like couples complete each other, NESTLÉ EVERYDAY completes your tea experience and brings you the perfect flavour every time. Ranging from bulk packs to sachets, experience the timeless delight of this Tea Creamer range offering a signature KHAAS taste that generations have grown to love. With its perfect balance of rich creamy notes, velvety mouth-feel, and irresistible flavor, it keeps you coming back for more.

Within this extensive brand, NESTLÉ EVERYDAY pays homage to the various cherished traditions of tea with its Instant Tea Mix range. This range is ready to be consumed by simply mixing in hot water. The carefully curated selection of our three indulgent flavours - Kashmiri, Karak, Cardamom - is inspired by beloved tea preferences and is meticulously crafted to ensure perfect taste, aroma and colour, instantly.

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 improves their immunity.



NESTLÉ BUNYAD

NESTLÉ BUNYAD believes that no child deserves to be left behind because of nutritional deficiencies. Nine out of ten children in Pakistan have insufficient iron in their diet (School Age Children Health & Nutrition Survey 2020) resulting in iron deficiency which could lead to tiredness and lack of concentration amongst children. Such deficiencies can hold them back, especially during their formative years. Starting from 2022, NESTLÉ BUNYAD has strengthened its promise of iron fortification since the launch of 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 'Behtar 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 premium 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 refreshments.

NESTLÉ FRUITA VITALS's Sparkling range enhances the consumer experience with the delightful fusion of Soda and Fruit Juice so they can enjoy the fizz and taste their favorite fruits.

With its refreshing fruit beverages, NESTLÉ FRUITA VITALS rejuvenates you and uplifts your moments, making it one of the favorite beverage brands for millions of consumers across Pakistan.



NESTLÉ NESFRUTA

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

NESTLÉ NESFRUTA stands for the ultimate expression of paving your own way, 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 HOT PILLAR

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



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 a premium hazelnut flavor. 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.

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. The brand achieves this through offering various pack sizes suitable for different occasions as well as innovations like NESTLÉ PURE LIFE ACTIVE, pH8 alkaline water with electrolytes. Our communication focuses on promoting healthy hydration under the tagline “Behtar Piyo Barh Ke Jiyo”.

NESTLÉ PURE LIFE takes ownership in driving the healthy hydration agenda for its consumers through innovations and communication.

Recognizing the vital role electrolytes play in fundamental bodily functions like muscle movement and ensuring effective hydration of body cells, we have extended the availability of NESTLÉ PURE LIFE ACTIVE in a convenient 18.9-litre format for home consumption in Karachi, Lahore, and Islamabad.

Our waters business aims to lead the regeneration of the water cycle to help create a positive water impact everywhere it operates by 2025. Along with this, 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 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

With a rich legacy in Pakistan, NESTLÉ CERELAC has become a trusted household name, endorsed by healthcare professionals and trusted by mothers for generations. It has become the first choice during weaning, especially when introducing babies to their starter solid food at 6 months of age alongside breastfeeding. Our portfolio addresses the evolving nutritional needs of babies, segmented into stages that align with a child’s age and their breastfeeding journey.

NESTLÉ CERELAC is made with rice or wheat and contains essential minerals & vitamins like iron, calcium, and vitamin D that support babies’ cognitive and physical growth. Annually, over half a billion affordable and fortified servings are provided, helping thousands of mothers to provide the right nutrition for their children.

To fulfill modern demands and stay true to the brand’s purpose of ‘Together, Passionately Nourishing Babies to Blossom,’ NESTLÉ CERELAC introduced Nature’s Selection in 2020 offering quality and nutritious blends of the finest fruits and



multi-grains for 6-, 8- and 10-month-old babies. In addition to wheat and rice which all NESTLÉ CERELAC variants have, Nature’s Selection offers the goodness of oats, quinoa, and exotic fruits like pomegranate, cherries, pineapple, dates, mango, and more.

NESTLÉ CERELAC excels in nurturing babies, ensuring their optimal growth, and paving the way for a happy and healthy life through essential nutrients and careful attention to developmental needs.





NESTLÉ NIDO - Keep Exploring

At NESTLÉ NIDO, we are deeply committed to ensuring high quality standards for our products while empowering toddlers to explore the world around them with confidence. Our mission is to nurture a mother's love by supporting her toddlers embark on a beautiful journey of self-discovery.

NESTLÉ NIDO 1+ and NESTLÉ NIDO 3+ are growing-up formulas that provide Triple Action Protection for children between the ages of 1 and 5. These formulas contain a blend of essential vitamins, minerals like Iron, Zinc, Vitamin A & C with probiotic 'L. rhamnosus' that support the healthy development of a toddler's immune, respiratory, and gut defenses in the absence of breastmilk. The commitment to prioritizing the health and well-being of children is at the heart of NESTLÉ NIDO.



NESTLÉ LACTOGROW – Grow Happy!

In pursuit of fostering a gratifying childhood, NESTLÉ LACTOGROW places paramount importance on a child's physical development. We firmly uphold the belief that a child's happiness serves as the bedrock for their future contentment. Consequently, we extend our unwavering support to mothers who share this vision, dedicated to nurturing joyful children. There exists no greater source of fulfilment than witnessing a child grow up in a state of robust health and happiness.

We recognize that the well-being of a child's digestive system is of utmost significance in the context of their wholesome growth. In instances where breast milk is not available, NESTLÉ LACTOGROW 3 & 4 has been meticulously crafted, incorporating COMFORTIS GROW to attend to a child's gastrointestinal well-being. It contains L. reuteri, lactose & magnesium to support gut comfort, digestion and gut defense, thereby contributing to the healthy development of children aged 1 to 5 years.

To address the diverse requirements of maturing children, our product portfolio includes NESTLÉ LACTOGROW Recover, which offers a low-lactose formula tailored for the dietary management in case of diarrhea. This range underscores our steadfast commitment to safeguarding the well-being of children at different stages of their development.

NESTLÉ LACTOGROW continues to be a beacon of nourishment and support, ensuring that every child's path to growth is one filled with health, happiness, and prosperity.



NESTLÉ NANGROW – Nourishing together every possible in your child

The NESTLÉ NANGROW story is one of pioneering innovations, backed by over 155 years of Nestlé's expertise in child nutrition.

NESTLÉ NANGROW embodies the idea of "every possible", an idea that goes beyond the physical and cognitive abilities that a child possesses and captures a world of opportunities for children as they grow. NANGROW's unique formulation contains 2'-FL HMO and optimized protein that, in the absence of breastfeeding, supports children's immunity and growth today and well into the future.

Despite the challenging economic environment, NESTLÉ NANGROW has achieved significant growth in 2023. We are confident that our dedication to excellence and commitment to provide high quality and nutritious products will continue to drive our success in the years to come.



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. We serve both commercial & institutional channels through our specialized food & beverage solutions and services.

The product portfolio is divided into two categories:

BRANDED FOOD:

1. Dessert Solutions

Nestlé Professional has a range of culinary creams with different fat-compositions catering to the diverse needs of our Out-of-Home customers while our dessert premixes offer a quick & convenient solution ensuring our place at the center of the plate in Pakistan.

2. Meal Compliments & Chilled Dairy

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

BRANDED BEVERAGES:

1. Hot Beverage Solutions

A range of hot beverages that complement varied menus, with a variety of flavorful 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 of 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 with NESCAFÉ EXCELLENTE (100% Arabica beans) to cater to different taste preferences.

2. Cold Beverage Solutions

Nestlé Professional offers exciting flavors in powder format including MANGO, LEMON, ORANGE, NESTEA PEACH & MINT MARGARITA that can be enjoyed in liquid form, prepared using machines, or consumed in slush form using blenders.

FINANCIAL STATEMENTS

For the year ended December 31, 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NESTLÉ PAKISTAN LIMITED

Report on the Audit of the Financial Statements as at 31 December 2023

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 2023, 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 material accounting policy information 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 2023 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 is the key audit matter:

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p>Revenue Recognition</p> <p>During the year ended 31 December 2023, the Company recognized net revenue of Rs. 200.6 billion from sale of goods as disclosed in Note 26 and according to the accounting policy described in Note 2.4.8 to the financial statements (2022: Rs. 162.5 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 matter	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 underlying documentation of any manual adjustments at year end impacting revenue and total trade spend estimates to identify significant or unusual items;</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 2023, 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:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) 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;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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 Arslan Khalid.



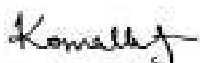
EY Ford Rhodes
Chartered Accountants
Lahore: 21st March 2024
UDIN: AR202310191sAktocY1v

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(Rupees in 000)	Note	2023	2022
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
75,000,000 (2022: 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
Accumulated profits - revenue reserve		9,605,034	4,784,934
		10,588,057	5,770,246
Non-current liabilities			
Long-term finances - secured	5	7,922,288	6,500,000
Lease liabilities	6	1,602,346	1,378,203
Deferred taxation	7	-	2,290
Retirement benefits	8	3,108,871	3,387,912
		12,633,505	11,268,405
Current liabilities			
Current portion of long-term liabilities	9	124,596	9,087,234
Short-term borrowings - secured	10	5,500,000	519,260
Running finance under mark-up arrangements - secured	11	3,038,001	3,756,401
Trade and other payables	12	56,858,675	43,739,673
Contract liabilities	13	708,464	766,154
Interest and mark-up accrued	14	469,982	297,289
Customer security deposits	15	241,973	224,225
Income tax payable		121,746	2,100,895
Unclaimed dividend		90,081	87,756
Unpaid dividend		7,514,831	6,034,213
		74,668,349	66,613,100
Contingencies and commitments	16		
		97,889,911	83,651,751

The annexed notes 1 to 48 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



JOSELITO JR AVANCENA
Chief Executive Officer

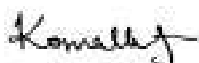


SYED YAWAR ALI
Chairman / Director

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(Rupees in 000)	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	17	28,697,131	29,386,433
Capital work-in-progress	18	3,091,540	2,612,423
Intangible assets	19	–	–
Deferred taxation	7	2,000,463	–
Long-term loans	20	270,633	209,395
		34,059,767	32,208,251
Current assets			
Stores and spares	21	4,011,709	3,291,671
Stock-in-trade	22	33,438,484	27,094,551
Trade debts	23	2,232,611	1,989,358
Current portion of long-term loans	20	149,709	130,572
Sales tax refundable		17,168,509	11,771,112
Advances, deposits, prepayments and other receivables	24	5,729,408	6,623,728
Cash and bank balances	25	1,099,714	542,508
		63,830,144	51,443,500
		97,889,911	83,651,751



KOMAL ALTAF
Chief Financial Officer



JOSELITO JR AVANCENA
Chief Executive Officer



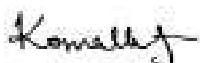
SYED YAWAR ALI
Chairman / Director

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	Note	2023	2022
Revenue from contracts with customers - net	26	200,605,005	162,516,255
Cost of goods sold	27	(129,845,135)	(107,064,800)
Gross profit		70,759,870	55,451,455
Distribution and selling expenses	28	(29,849,578)	(23,168,903)
Administration expenses	29	(6,356,994)	(5,503,574)
Operating profit		34,553,298	26,778,978
Finance cost	30	(2,623,853)	(2,335,994)
Other expenses	31	(3,384,073)	(2,282,490)
		(6,007,926)	(4,618,484)
Other income	32	499,497	631,543
Profit before taxation		29,044,869	22,792,037
Taxation	33	(12,552,070)	(7,742,321)
Profit after taxation		16,492,799	15,049,716
Earnings per share basic and diluted (Rupees)	34	363.68	331.86

The annexed notes 1 to 48 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



JOSELITO JR AVANCENA
Chief Executive Officer



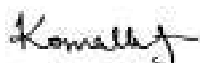
SYED YAWAR ALI
Chairman / Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	2023	2022
Profit after taxation	16,492,799	15,049,716
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss (net of tax)		
Remeasurement (loss) / gain on cash flow hedges - effective portion	(4,628)	8,179
Related tax	2,339	(3,353)
	(2,289)	4,826
Items that will not be reclassified subsequently to profit or loss (net of tax)		
Remeasurement gain on net retirement benefit liability	741,329	391,267
Related tax	(214,985)	(113,467)
	526,344	277,800
Other comprehensive income for the year	524,055	282,626
Total comprehensive income for the year	17,016,854	15,332,342

The annexed notes 1 to 48 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



JOSELITO JR AVANCENA
Chief Executive Officer



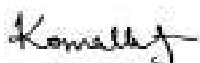
SYED YAWAR ALI
Chairman / Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	Share capital	Capital reserves		Revenue reserves		Total
		Share premium	General reserve	Cash flow hedge reserve	Accumulated profits	
Balance as at January 01, 2022 (audited)	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
	-	-	-	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-month period ended June 30, 2022 (Rs. 155 per share)	-	-	-	-	(7,029,188)	(7,029,188)
Interim dividend for the nine-month period ended September 30, 2022 (Rs. 85 per share)	-	-	-	-	(3,854,716)	(3,854,716)
Balance as at December 31, 2022 (audited)	453,496	249,527	280,000	2,289	4,784,934	5,770,246
Total comprehensive income for the year ended December 31, 2023						
Profit after taxation	-	-	-	-	16,492,799	16,492,799
Other comprehensive income	-	-	-	(2,289)	526,344	524,055
	-	-	-	(2,289)	17,019,143	17,016,854
Transaction with owners directly recognized in equity						
Final dividend for the year ended December 31, 2022 (Rs. 95 per share)	-	-	-	-	(4,308,212)	(4,308,212)
Interim dividend for the six-month period ended June 30, 2023 (Rs. 121 per share)	-	-	-	-	(5,487,302)	(5,487,302)
Interim dividend for the nine-month period ended September 30, 2023 (Rs. 53 per share)	-	-	-	-	(2,403,529)	(2,403,529)
Balance as at December 31, 2023	453,496	249,527	280,000	-	9,605,034	10,588,057

The annexed notes 1 to 48 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



JOSELITO JR AVANCENA
Chief Executive Officer

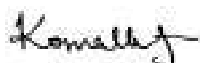


SYED YAWAR ALI
Chairman / Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	Note	2023	2022
Cash flow from operating activities			
Profit before taxation		29,044,869	22,792,037
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	17.4	3,894,705	3,841,930
Impairment charge - net	31 & 32	43,508	(42,543)
Gain on disposal of property, plant and equipment - owned	32	(10,622)	(202,305)
Gain on disposal of property, plant and equipment - leased	32	(6,302)	(170)
Provision for Workers' Profit Participation Fund	31	1,485,591	1,167,361
Provision for Workers' Welfare Fund	31	666,953	555,301
Increase in provision for stores and spares	21.1	227,806	154,228
Increase in provision for stock in trade	22.1	971,578	274,310
Reversal of allowance for expected credit losses		-	(5,444)
Exchange (gain) / loss unrealized	31 & 32	(23,220)	102,428
Provision for defined benefits plans		482,778	880,532
Finance cost	30	2,623,853	2,335,994
Profit before working capital changes		39,401,497	31,853,659
Effect on cash flow due to working capital changes:			
Increase in current assets:			
Stores and spares		(947,844)	(400,094)
Stock-in-trade		(7,315,511)	(8,768,143)
Trade debts		(243,253)	(1,060,430)
Advances, deposits, prepayments and other receivables		(4,503,077)	(7,882,387)
Increase / (decrease) in current liabilities:			
Trade and other payables		12,700,660	15,232,392
Contract liabilities		(57,690)	84,089
		(366,715)	(2,794,573)
Cash generated from operations		39,034,782	29,059,086
Increase in long term loans - net		(80,375)	(63,309)
Increase in customer security deposits		17,748	28,335
Contributions by the Company - net		(20,490)	(477,450)
Workers' Profit Participation Fund paid	12.3	(1,178,817)	(965,099)
Workers' Welfare Fund paid	12.4	(536,793)	(367,824)
Finance cost paid		(2,243,699)	(2,409,754)
Income taxes paid		(16,746,618)	(8,442,419)
Net cash generated from operating activities		18,245,738	16,361,566



KOMAL ALTAF
Chief Financial Officer



JOSELITO JR AVANCENA
Chief Executive Officer



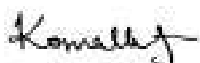
SYED YAWAR ALI
Chairman / Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	Note	2023	2022
Cash flow from investing activities			
Purchase of property, plant and equipment		(3,352,290)	(3,379,435)
Sale proceeds from disposal of property, plant and equipment	17.6	36,436	420,032
Net cash used in investing activities		(3,315,854)	(2,959,403)
Cash flow from financing activities			
Long-term loans obtained		1,422,288	6,500,000
Long-term loans repaid		(9,000,000)	(3,081,975)
Short-term borrowings obtained		9,019,260	1,038,520
Short-term borrowings repaid		(4,038,520)	(4,019,260)
Short term borrowings - net (less than 90 days)		-	(2,500,000)
Lease rentals paid		(341,206)	(144,035)
Dividends paid		(10,716,100)	(10,926,697)
Net cash used in financing activities		(13,654,278)	(13,133,447)
Net increase in cash and cash equivalents		1,275,606	268,716
Cash and cash equivalents at beginning of the period		(3,213,893)	(3,482,609)
Cash and cash equivalents at end of the period	37	(1,938,287)	(3,213,893)

The annexed notes 1 to 48 form an integral part of these financial statements.



KOMAL ALTAF
Chief Financial Officer



JOSELITO JR AVANCENA
Chief Executive Officer



SYED YAWAR ALI
Chairman / Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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.

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 2.4.1 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, 2023

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 2.4.1
- Discounts, allowances and promotional rebates 2.4.8

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

2.4 Material accounting policy information

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 Retirement benefits

2.4.1.1 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2.4.1.2 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% (2022: 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.

2.4.2 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.

2.4.3 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.

2.4.4 Fixed capital expenditure and depreciation/amortization

2.4.4.1 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2.4.4.2 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.

2.4.5 Inventories

Inventories are valued as per below mentioned valuation basis:

2.4.5.1 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.

2.4.5.2 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.

2.4.5.3 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.

2.4.5.4 Allowance for write-down of inventories to net realizable value

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.

2.4.6 Trade Receivables

Trade receivables are stated at invoice value less any provisions for specific credit losses with objective evidence of impairment. Further, the Company also determines the need for any expected credit loss provisions at each reporting date in terms of the requirements of IFRS 9.

2.4.7 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 sales tax refundable as current asset as this refund is part of the normal operating cycle of the Company.

2.4.8 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2.4.9 Taxation

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

2.4.9.1 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.

2.4.9.2 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.

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, 2023, as listed below:

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

IAS 8	Definition of accounting estimates - (Amendments)
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies - (Amendments)
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction - (Amendments)
IAS 12	International Tax Reform – Pillar Two Model Rules - (Amendments)

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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Standard or Interpretation		Effective date (annual periods beginning on or after)
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
IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements — (Amendments)	January 01, 2024
IAS 21	Lack of exchangeability	January 01, 2025
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its associate or Joint Venture — (Amendments)	Not yet finalized

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

2023 (Number of shares)		2022 (Rupees in 000)	
29,787,058	29,787,058	297,870	297,870
15,476,867	15,476,867	154,769	154,769
85,659	85,659	857	857
45,349,584	45,349,584	453,496	453,496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

- 3.1** As at December 31, 2023, Société des Produits Nestlé SA (SPN), Switzerland ("the Holding Company"), holds 27,936,173 (2022: 27,936,173) ordinary shares representing 61.60% (2022: 61.60%). In addition, 9,028,281 (2022: 9,028,281) ordinary shares are held by the following related parties as at December 31, 2023:

Name of related party	2023 (Number of shares)	2022 (Number of shares)
IGI Investments (Pvt.) Limited Percentage of equity held 9.76% (2022: 9.76%)	4,423,666	4,423,666
Packages Limited Percentage of equity held 8.05% (2022: 8.05%)	3,649,248	3,649,248
Gurmani Foundation Percentage of equity held 1.19% (2022: 1.19%)	538,235	538,235
National Management Foundation Percentage of equity held 0.50% (2022: 0.50%)	224,720	224,720
Babar Ali Foundation Percentage of equity held 0.38% (2022: 0.38%)	170,745	170,745
Industrial Technical and Educational Institution Percentage of equity held 0.05% (2022: 0.05%)	21,666	21,666
IGI Finex Securities Limited Percentage of equity held 0.0% (2022: 0.0%)	1	1
	9,028,281	9,028,281

- 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	2023	2022
5 Long-term finances - secured			
Long-term finances utilized under mark-up arrangements:			
Term Loan I	5.1	–	3,500,000
Term Loan II	5.2	–	2,500,000
Term Loan III	5.3	–	3,000,000
Term Loan IV	5.4	3,500,000	3,500,000
Term Loan V	5.5	3,000,000	3,000,000
Term Loan VI	5.6	1,422,288	–
		7,922,288	15,500,000
Long-term financing facility	5.7	–	–
		7,922,288	15,500,000
Interest and mark-up accrued		301,479	266,967
Amortised cost		8,223,767	15,766,967
Less: current maturity	9	–	(9,000,000)
Less: interest and mark-up accrued shown under current liabilities	14	(301,479)	(266,967)
		7,922,288	6,500,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

- 5.1** The loan was 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 Dec 2023. The entire amount of the loan has been repaid during the year. Mark-up was payable quarterly at a flat rate of 8.35% per annum.
- 5.2** The loan was obtained from Standard Chartered Bank (Pakistan) Ltd. under diminishing musharakah arrangement. The term of loan was 3 years with the principal repayment take place in single lump sum instalment in December 2023. The entire amount of the loan has been repaid during the year in two instalments. Mark-up was payable quarterly at a flat rate of 8.35% per annum.
- 5.3** The loan was obtained from Meezan Bank Limited under diminishing musharakah arrangement. The term of loan was 3 years with the principal repayment to take place in a single lump sum instalment in December 2023. The entire amount of the loan has been repaid during the year in two instalment. Mark-up was 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, 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.
- 5.5** The loan obtained from Meezan Bank Ltd. 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.
- 5.6** The Foreign IntraGroup (FIG) loan obtained during the year amounting to USD 5.1 million from Nestle Treasury Center Middle East and Africa under Foreign Currency Trade Financing from abroad (FTFA) - import loans with the principal repayment to take place in a single lump sum instalment after 3 years in March 2026. Mark-up is payable quarterly at SOFAR +350 Basis Point. SOFAR rate will reset first day of each period.
- 5.7** All loans obtained from Habib Bank Limited and Meezan Bank Limited are secured by first joint pari passu hypothecation charge over fixed assets, amounting to PKR 15,328 million and PKR 6,000 million respectively, and current assets, amounting to PKR 4,000 million and PKR 4,500 million respectively, of the Company excluding land and building.

(Rupees in 000)	Note	2023	2022
6 Lease liabilities			
Present value of minimum lease payments		1,726,942	1,465,437
Less: current maturity	9	(124,596)	(87,234)
		1,602,346	1,378,203

- 6.1** The effective interest rate used as the discounting factor (i.e. incremental borrowing rate) ranges from 9.26% to 20.3% (2022: 7.56% to 15.85%). Minimum Lease Payments (MLP) and their Present Value (PV) are as follow:

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	31-Dec-23		
	MLP	Future Finance Charges	PV of MLP
(Rupees in 000)			
Due not later than 1 year	341,910	(18,641)	323,269
Due later than 1 year but not later than 5 years	1,348,654	(444,512)	904,142
Due later than 5 years	1,123,694	(624,163)	499,531
	2,814,258	(1,087,316)	1,726,942
	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

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

(Rupees in 000)	2023	2022
Opening balance	1,465,437	164,373
Lease liabilities acquired during the year	427,379	1,356,642
Markup on lease liabilities	207,461	109,594
Termination of leases	(32,129)	(21,137)
	2,068,148	1,609,472
Less: lease rentals paid	(341,206)	(144,035)
Closing balance	1,726,942	1,465,437

6.3 The Company had entered into lease agreements with Packages Real Estate Limited (Related Party) and Babar Ali Foundation (Related Party). The closing lease liability amounts to PKR 1,159.24 million (2022: 1,119.56 million) and PKR 106.61 million (2022: Nil).

(Rupees in 000)	2023	2022
7 Deferred taxation		
Deferred tax assets on deductible temporary differences		
Allowance for write down of stores and spares to net realizable value	(963,884)	(307,307)
Allowance for write-down of stock-in-trade to net realizable value	(32,584)	(131,887)
Allowance for expected credit losses	(16,912)	(69,642)
Lease liability recognized under IFRS 16	(663,813)	(496,006)
Remeasurement loss of cash flow hedges	-	2,339
Other provisions	(5,128,289)	(3,112,509)
	(6,805,482)	(4,115,012)
Deferred tax liability on taxable temporary differences		
Accelerated tax depreciation including right-of-use assets	4,805,019	4,117,302
	(2,000,463)	2,290

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	Note	2023	2022
7.1 Movement in deferred tax liability / (asset) is as follows:			
Balance as at January 01		2,290	1,241,580
Charge to OCI related to cash flow hedges		(2,339)	3,353
Charge to statement of profit or loss	33	(2,000,414)	(1,242,643)
Balance as at December 31		(2,000,463)	2,290
8 Retirement benefits			
Gratuity fund		1,969,228	1,687,099
Pension fund		1,139,643	1,700,813
		3,108,871	3,387,912

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, which is only available to employees having joining date before December 31, 2020, 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 acting as Trustees for pension and gratuity fund respectively, out of which one Trustee 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

FOR THE YEAR ENDED DECEMBER 31, 2023

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 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	
	2023	2022	2023	2022
8.1 Present value of funded obligations				
Amounts recognized in statement of financial position are as follows:				
Present value of defined benefit obligation	4,532,691	3,903,315	6,652,103	6,323,811
Fair value of plan assets	(2,563,463)	(2,216,216)	(5,512,460)	(4,622,998)
Net retirement benefit obligation	1,969,228	1,687,099	1,139,643	1,700,813
8.2 Movement in net obligation				
Net liability as at January 01	1,687,099	1,435,066	1,700,813	1,941,031
Charge to statement of profit or loss	493,901	399,398	505,210	481,134
Charge to other comprehensive income	31,381	74,809	(772,710)	(466,076)
Contribution made by employees	–	–	172,781	148,973
Contribution made by Company	(243,153)	(222,174)	(466,451)	(404,249)
Net liability as at December 31	1,969,228	1,687,099	1,139,643	1,700,813
8.3 Movement in the liability for funded defined benefit obligations				
Liability for defined benefit obligations as at January 01	3,903,315	3,408,390	6,323,811	6,093,029
Benefits paid by the plan	(315,272)	(185,596)	(440,898)	(377,358)
Current service cost	269,820	243,040	465,332	423,163
Interest cost	533,759	389,582	869,729	693,761
Remeasurements on obligation:				
Actuarial losses / (gains) due to:				
- Changes in financial assumptions	9,011	11,527	(288,524)	(533,995)
- Changes in demographic assumptions	–	–	6,033	–
- Experience adjustments	132,058	36,372	(283,380)	25,211
	141,069	47,899	(565,871)	(508,784)
Liability for defined benefit obligations as at December 31	4,532,691	3,903,315	6,652,103	6,323,811

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	Gratuity		Pension	
	2023	2022	2023	2022
8.4 Movement in fair value of plan assets				
Fair value of plan assets as at January 01	2,216,216	1,973,324	4,622,998	4,151,998
Contributions paid into the plan	243,153	222,174	466,451	404,249
Benefits paid by the plan	(315,272)	(185,596)	(440,898)	(377,358)
Interest income on plan assets	310,672	234,015	660,598	489,440
Actuarial loss on plan assets	109,688	(26,910)	206,839	(42,708)
Other administrative expenses by fund	(994)	(791)	(3,528)	(2,623)
Fair value of plan assets as at December 31	2,563,463	2,216,216	5,512,460	4,622,998
8.5 Plan assets consist of the following:				
In terms of amount:				
- Equity instruments	4,443	173,730	4,871	350,537
- Debt instruments	1,216,472	1,141,465	2,654,668	2,450,494
- Cash at bank and other deposits	1,342,548	901,021	2,852,921	1,821,967
	2,563,463	2,216,216	5,512,460	4,622,998
8.5.1 Plan assets				
Plan assets comprise:				
Equity instruments by sector				
Fertilizers	–	19,425	–	45,403
Oil and gas	–	29,709	–	58,523
Textile	–	3,982	–	6,670
Power	–	4,418	–	8,802
Commercial banks	–	27,619	–	55,330
Mutual funds	4,443	70,205	4,443	139,433
Cement	–	4,532	–	8,858
Chemicals	–	6,352	–	12,877
Automobile	–	1,706	–	5,552
Others	–	5,782	428	9,089
	4,443	173,730	4,871	350,537
Debt instruments				
Government bonds	1,216,472	1,141,465	2,654,668	2,450,494
Cash and other deposits				
Balance in saving bank accounts	662,378	129,974	1,224,078	296,436
Term deposit receipts	–	–	–	–
Treasury bills	671,533	757,864	1,612,137	1,508,282
Others	8,637	13,183	16,706	17,249
	1,342,548	901,021	2,852,921	1,821,967
	2,563,463	2,216,216	5,512,460	4,622,998

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

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(Rupees in 000)	Gratuity		Pension		
	2023	2022	2023	2022	
8.6 Statement of profit or loss includes the following in respect of retirement benefits:					
Interest cost	533,759	243,040	869,729	423,163	
Current service cost	269,820	389,582	465,332	693,761	
Interest income on plan assets	(310,672)	(234,015)	(660,598)	(489,440)	
Contributions made by the employees	–	–	(172,781)	(148,973)	
Other administrative expense by Fund	994	791	3,528	2,623	
	493,901	399,398	505,210	481,134	
8.7 Charge for the year has been allocated as follows:					
Cost of goods sold	227,139	183,678	222,296	215,891	
Distribution and selling expenses	194,716	157,459	181,289	165,383	
Administration expenses	72,046	58,261	101,625	99,860	
	493,901	399,398	505,210	481,134	
8.8 Actuarial losses and (gains) recognized directly in other comprehensive income					
Cumulative amount as at January 01	832,371	757,562	1,107,527	1,573,603	
Remeasurements on obligation					
Actuarial losses / (gains) due to:					
- Changes in financial assumptions	9,011	11,527	(288,524)	(533,995)	
- Changes in demographic assumptions	–	–	6,033	–	
- Experience adjustments	132,058	36,372	(283,380)	25,211	
	141,069	47,899	(565,871)	(508,784)	
Remeasurements on fair value of plan assets	(109,688)	26,910	(206,839)	42,708	
Losses / (gains) recognized during the year	31,381	74,809	(772,710)	(466,076)	
Cumulative amount as at December 31	863,752	832,371	334,817	1,107,527	
(Rupees in 000)	2023	2022	2021	2020	2019
8.9 Historical information for Gratuity plan					
Present value of defined benefit obligation	4,532,691	3,903,315	3,408,390	3,185,483	3,156,983
Fair value of plan assets	(2,563,463)	(2,216,216)	(1,973,324)	(1,845,206)	(1,786,756)
Deficit in the plan	1,969,228	1,687,099	1,435,066	1,340,277	1,370,227
Actuarial gain / losses arising on plan liabilities	132,058	36,372	(70,053)	(175,134)	(121,984)
Actuarial gain / losses arising on plan assets	109,688	(26,910)	(9,738)	(7,242)	(14,655)

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FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	2023	2022	2021	2020	2019
8.10 Historical information for Pension plan					
Present value of defined benefit obligation	6,652,103	6,323,811	6,093,029	5,527,708	4,743,169
Fair value of plan assets	(5,512,460)	(4,622,998)	(4,151,998)	(3,750,325)	(3,335,894)
Deficit in the plan	1,139,643	1,700,813	1,941,031	1,777,383	1,407,275
Experience adjustments arising on plan liabilities	(283,380)	25,211	(171,007)	(115,679)	116,229
Experience adjustments arising on plan assets	206,839	(42,708)	(40,574)	(13,503)	(29,080)

	2023		2022	
	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	14.25%	14.25%	11.75%	11.75%
Discount rate used for year-end obligation	16.00%	16.00%	14.25%	14.25%
Expected rate of salary increase	16.00%	16.00%	14.25%	14.25%
Expected rate of return on plan assets	16.00%	16.00%	14.25%	14.25%
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, 2023					
Discount rate	50 bps	(203,583)	218,937	(155,794)	166,447
Future salary increase	50 bps	220,604	(206,925)	89,689	(85,662)
Expected mortality rates	1 year	(2,013)	2,166	(28,826)	27,814

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, 2023

(Rupees in 000)	Note	2023	2022
9 Current portion of long term liabilities			
Current maturity of long term finances	5	–	9,000,000
Current maturity of lease liabilities	6	124,596	87,234
		124,596	9,087,234
10 Short-term borrowings - secured			
Money market deals	10.1	5,500,000	–
Export refinance facility	10.2	–	519,260
		5,500,000	519,260
Interest and mark-up accrued		34,966	12,704
Amortized cost		5,534,966	531,964
Less: interest and mark-up accrued	14	(34,966)	(12,704)
		5,500,000	519,260

10.1 This represents money market deals obtained from Standard Chartered Bank (Pakistan) Ltd. and Citi Bank N.A., having limits of PKR 2,500 million (2022: PKR 8,000 million) and PKR 3,000 million (2022: PKR 1,500 million) respectively and carry mark-up ranging from 20.94% to 22.18% (2022: 7.33% to 15.28%) per annum. These deals were obtained for a period ranging from 33 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 had obtained export refinance facility from Standard Chartered Bank (Pakistan) Ltd. having an aggregate limit of PKR 519 million (2022: PKR 519 million). The mark-up on this facility was ranging from 9.40% to 16.40% (2022: 4.90% to 9.40%) per annum. The deal was secured by a hypothecation charge over fixed and current assets of the company as stated in Note 10.3.

10.3 The loan obtained from Standard Chartered Bank (Pakistan) Ltd. is secured by first joint pari passu hypothecation charge over fixed assets, excluding land and building, amounting to PKR 5,965 million and current assets amounting to PKR 6,100 million, of the Company. The loan obtained from Citi Bank N.A. is secured by first joint pari passu hypothecation charge over fixed assets and current assets amounting to PKR 250 million and standby letter of credit by Citi foreign entity amounting to over PKR 1,300 million.

(Rupees in 000)	Note	2023	2022
11 Running finance under mark-up arrangements - secured			
Running finance under mark-up arrangements - secured		3,038,001	3,756,401
Interest and mark-up accrued		133,537	17,618
Amortized cost		3,171,538	3,774,019
Less: interest and mark-up accrued	14	(133,537)	(17,618)
		3,038,001	3,756,401

The Company has obtained short term running finances from Habib Bank Limited, Standard Chartered Bank (Pakistan) Limited, Meezan Bank limited, Citibank N.A., Habib Metropolitan Bank Limited, MCB Bank Limited and Deutsche Bank A.G under mark-up arrangements having an aggregate limit of PKR 35,532 million (2022: PKR 14,546 million). The mark-up on these facilities ranges from 16.30% to 23.04% (2022: 10.34% to 16.68%) per annum. These facilities are secured by first joint pari passu hypothecation charge over fixed assets, amounting to PKR 15,328 million, PKR 5,965 million, PKR 6,000 million, PKR 250 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 2,000 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, 2023

(Rupees in 000)	Note	2023	2022
12 Trade and other payables			
Trade creditors:			
Related parties		7,245,416	4,514,241
Others		16,470,423	15,778,114
		23,715,839	20,292,355
Accrued and other liabilities	12.1	21,252,130	16,506,319
General licensing fee payable	12.2	7,854,895	4,445,037
Workers' Profit Participation Fund payable	12.3	1,414,161	1,107,387
Workers' Welfare Fund payable	12.4	666,953	536,793
Withholding taxes payable		1,917,890	702,204
Others		36,807	149,578
		56,858,675	43,739,673

12.1 This includes provisions held for contingencies and uncertainties in respect of various tax related interpretational issues where the Company maintains a differing position with the Tax authorities. Due to these uncertainties, the Company has made provisions without prejudice of defending its legal position in the various appellate forums / courts of law.

12.2 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 4,065.89 million (2022: PKR 1,045.46 million) has been paid.

(Rupees in 000)	Note	2023	2022
12.3 Workers' Profit Participation Fund payable			
Balance as at January 01		1,107,387	905,125
Provision for the year	31	1,485,591	1,167,361
		2,592,978	2,072,486
Payments made during the year - net		(1,178,817)	(965,099)
Balance as at December 31		1,414,161	1,107,387
12.4 Workers' Welfare Fund payable			
Balance as at January 01		536,793	349,316
Provision for the year	31	666,953	555,301
		1,203,746	904,617
Payments made during the year - net		(536,793)	(367,824)
Balance as at December 31		666,953	536,793
13 Contract liabilities			
Advances from customers in respect of revenue recognized			
at a point in time		708,464	766,154

13.1 This represents advance received from customers for future sale of goods. The balance of contract liability as at 31 December 2023, is expected to be recognized as revenue within one year.

13.2 The contract liabilities outstanding as at December 31, 2022 amounting to PKR 766.15 million (2021: PKR 682.07 million) have been recognized as revenue during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	Note	2023	2022
14 Interest and mark-up accrued			
Long-term finances - secured	5	301,479	266,967
Short-term borrowings - secured	10	34,966	12,704
Running finance under mark-up arrangements - secured	11	133,537	17,618
		469,982	297,289

15 Customer security deposits

This represents security deposits obtained from customers and have been kept in a separate bank account. These deposits are payable on the completion / termination of contract. These customer deposits are short term in nature.

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 153.08 million (2022: PKR 194.09 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)	2023	2022
16.2 Guarantees		
Outstanding guarantees	720,895	749,844
16.3 Commitments		
16.3.1 Outstanding letters of credit	9,890,632	6,468,633
16.3.2 Commitments in respect of capital expenditure	325,031	606,943
16.3.3 Commitments in respect of forward foreign currency contracts:		
- USD	-	181,170
- CNY	-	54,965
	-	236,135

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17 Property, plant and equipment

	Assets (including right-of-use assets)						
	Land and building (on-freehold land)	Plant and machinery	Furniture and fixtures	Vehicles	IT equipment	Right-of-use assets (Note 17.3)	Total
(Rupees in 000)							
Cost							
Balance as at January 01, 2023	10,309,522	51,387,899	778,739	209,449	2,183,412	1,640,484	66,509,505
Additions during the year	211,732	2,016,792	56,565	6,918	581,166	427,379	3,300,552
Transfers during the year	-	63,999	-	-	-	(63,999)	-
Disposals	(1,324)	(620,861)	(36,723)	(6,400)	(373,758)	-	(1,039,066)
Terminations	-	-	-	-	-	(83,377)	(83,377)
Balance as at December 31, 2023	10,519,930	52,847,829	798,581	209,967	2,390,820	1,920,487	68,687,614
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 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
Depreciation and impairment losses							
Balance as at January 01, 2023	3,106,130	31,289,447	627,300	168,830	1,697,747	233,618	37,123,072
Depreciation for the year	293,538	2,963,867	66,252	21,032	324,398	225,618	3,894,705
Depreciation on transfers during the year	-	32,932	-	-	-	(32,932)	-
Net impairment charged during the year	-	43,508	-	-	-	-	43,508
Disposals	(4,299)	(565,611)	(64,898)	(6,399)	(372,045)	-	(1,013,252)
Terminations	-	-	-	-	-	(57,550)	(57,550)
Balance as at December 31, 2023	3,395,369	33,764,143	628,654	183,463	1,650,100	368,754	39,990,483
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
Net book value as at December 31, 2023	7,124,561	19,083,686	169,927	26,504	740,720	1,551,733	28,697,131
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
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 2,632.72 million and PKR 810.09 million respectively (2022: PKR 2,435.48 million and PKR 831.16 million) that are located at customers' premises.

17.2 There are fully depreciated assets, having cost of Rs. 16,186.25 million (2022: Rs. 14,607.28 million) that are still in use as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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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, 2023	1,562,983	72,004	5,497	1,640,484
Additions during the year	427,379	–	–	427,379
Transfer	–	(63,999)	–	(63,999)
Terminations	(83,377)	–	–	(83,377)
Balance as at December 31, 2023	1,906,985	8,005	5,497	1,920,487
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
Depreciation				
Balance as at January 01, 2023	190,954	37,167	5,497	233,618
Depreciation for the year	222,062	3,556	–	225,618
Transfer	–	(32,932)	–	(32,932)
Depreciation on terminations	(57,550)	–	–	(57,550)
Balance as at December 31, 2023	355,466	7,791	5,497	368,754
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
Net book value as at December 31, 2023	1,551,519	214	–	1,551,733
Net book value as at December 31, 2022	1,372,029	34,837	–	1,406,866

(Rupees in 000)	Note	2023	2022
17.4 Depreciation charge for the year has been allocated as follows:			
Cost of goods sold	27	2,946,494	3,026,501
Distribution and selling expenses	28	599,163	573,073
Administration expenses	29	349,048	242,356
		3,894,705	3,841,930

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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	(Loss)/ gain	Mode of disposal	Particulars of purchasers	Relationship with the company
(Rupees in 000)							
Buildings							
Renovation Parking Area 295	1,106	597	-	(597)	Negotiation	Third party	None
Plant and Machinery							
PHR for CIP unit	1,500	868	81	(787)	Negotiation	Third party	None
M-TEK Corr-Vac modified APM	2,825	824	153	(671)	Negotiation	Third party	None
Atlas compressed air dryer	1,752	796	95	(701)	Negotiation	Third party	None
PHE for high pressure prewasher	700	510	38	(472)	Negotiation	Third party	None
PHE for high pressure prewasher	700	510	38	(472)	Negotiation	Third party	None
Economizer of Boiler # 2	3,500	1,667	189	(1,478)	Negotiation	Third party	None
Washer semiauto high pressure for dirty bottles	820	533	174	(359)	Negotiation	Third party	None
80KVA Generator with AMF/ATS panel & sound proof casing	1,559	500	749	249	Negotiation	Third party	None
Assets with book value less than PKR 500,000	1,024,603	19,009	34,919	15,910			
2023	1,039,066	25,814	36,436	10,622			
2022	1,921,252	217,727	420,032	202,305			

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(Rupees in 000)	2023	2022
18 Capital work-in-progress		
Civil works	281,475	299,126
Plant and machinery	3,113,526	2,110,413
Others	285,466	791,811
	3,680,467	3,201,350
Less: Provision for impairment loss	(588,927)	(588,927)
	3,091,540	2,612,423
18.1 Movement in capital work-in-progress		
Balance as at January 01	2,612,423	2,026,307
Additions to capital work-in-progress during the year	3,352,290	3,379,421
Transfers to property, plant and equipment during the year	(2,873,173)	(2,793,305)
Balance as at December 31	3,091,540	2,612,423
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 (2022: PKR 272.66 million).

(Rupees in 000)	2023	2022
20 Long-term loans		
To employees – considered good	420,342	339,967
Less: current portion shown under current assets	(149,709)	(130,572)
	270,633	209,395

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.

NOTES TO THE FINANCIAL STATEMENTS

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

(Rupees in 000)	Note	2023	2022
Less than one year		149,709	130,572
More than one year but not more than 3 years		237,200	148,827
More than 3 years		33,433	60,568
		420,342	339,967

21 Stores and spares

Stores		646,683	569,492
Spares, including in transit amounting to PKR 19.29 million (2022: PKR 4.53 million)		4,570,036	3,699,383
		5,216,719	4,268,875
Less: Allowance for write down of stores and spares to net realizable value	21.1	(1,205,010)	(977,204)
		4,011,709	3,291,671

21.1 Allowance for write down of stores and spares to net realizable value

Balance as at January 01		977,204	822,976
Provision charged during the year		227,806	154,228
Balance as at December 31		1,205,010	977,204

22 Stock-in-trade

Raw and packing materials including in transit amounting to PKR 2,821.33 million (2022: PKR 5,118.56 million)		19,000,830	19,266,823
Work-in-process		7,142,388	1,998,996
Finished goods		7,156,473	5,625,839
Goods purchased for resale including in transit amounting to PKR 182.80 million (2022: PKR 52.53 million)		1,514,932	607,454
		34,814,623	27,499,112
Less: Allowance for write-down of stock-in-trade to net realizable value	22.1	(1,376,139)	(404,561)
		33,438,484	27,094,551

22.1 Allowance for write-down of stock-in-trade to net realizable value

Balance as at January 01		404,561	130,251
Provision during the year		1,376,139	404,561
Written off / adjusted during the year		(404,561)	(130,251)
		971,578	274,310
Balance as at December 31		1,376,139	404,561

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(Rupees in 000)	Note	2023	2022
23 Trade debts			
Considered good – unsecured		2,227,612	1,984,559
Considered doubtful – unsecured		43,808	52,876
Less: allowance for expected credit losses	23.1	(43,808)	(52,876)
		2,227,612	1,984,559
Related parties – considered good	23.2	4,999	4,799
		2,232,611	1,989,358
23.1 Allowance for expected credit losses			
Balance as at January 01		52,876	58,320
Provision charged during the year		–	–
Provision reversed during the year		–	(5,444)
Provision written off during the year		(9,068)	–
Balance as at December 31		43,808	52,876
23.2 Trade debts include the following amounts due from the given related parties:			
Packages Convertors Limited		2,634	1,905
Lahore University of Management Sciences		2,285	1,034
Bulleh Shah Packaging (Pvt.) Limited		80	1,386
Aitchison College Lahore		–	454
Systems Limited		–	20
		4,999	4,799

The maximum aggregate amount of receivable due from related parties at the end of any month during the year was PKR 6.30 million (2022: PKR 4.99 million).

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

Party name	Total Balance	Balance not yet due	Balance overdue	Below 30 days	31 days & above
Packages Convertors Limited	2,634	2,607	27	–	27
Bulleh Shah Packaging (Pvt.) Ltd.	80	57	23	23	–
Total	2,714	2,664	50	23	27

(Rupees in 000)	Note	2023	2022
24 Advances, deposits, prepayments and other receivables			
Advances to suppliers – unsecured – considered good	24.1	3,191,837	2,854,121
Due from related parties – unsecured – considered good	24.2	982,268	861,934
Cash margin held against imports		636,841	2,289,892
Deposits and prepayments		137,622	106,235
Foreign exchange forward contracts – designated as hedging instruments		–	5,304
Other receivables		780,840	506,242
		5,729,408	6,623,728

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FOR THE YEAR ENDED DECEMBER 31, 2023

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)	2023	2022
Tetra Pak Pakistan Limited	434,500	355,000
Nestrade S.A.	167,893	86,004
Nestle Afghanistan Limited	100,765	70,751
Nestlé Philippines Inc.	89,052	121,895
Nestlé Operational Services Worldwide S.A.	65,773	10,460
Nestlé Burkina Faso S.A.	23,581	4,204
Nestle Cameroun	22,121	–
Societe des Produits Nestlé S.A.	15,784	1,014
Nestle Zimbabwe (Private) Limited	12,515	10,173
Nestlé Middle East FZE	11,320	6,479
Nestlé South Africa	7,116	8,347
Nestle Caribbean Inc.	5,864	–
Nestle Dubai Manufacturing LLC	5,713	37,359
Nestle Products SDN. BHD	4,933	1,739
Nestle Central And West Africa	2,546	1,871
Nestle Lanka PLC	2,055	–
Nestle Nederland B.V.	1,447	1,369
Nestle Romania SRL	1,422	–
Nestle Regional Service Centre	1,384	1,589
Nestle UK Ltd.	1,207	–
Nestlé Gabon	1,167	3,462
Nestle Singapore (Pte) Ltd	1,098	936
Nestle Saudi Arabia	836	–
Nestrade S.A. Malaysia Branch	724	–
Nestlé ROH (Thailand) Ltd.	692	431
Wyeth Philippines, INC.	314	3,979
Nestlé Pakistan Ltd	231	–
Nestle Nigeria Plc	205	–
Nestle Bangladesh PLC	10	–
Nestlé Manufacturing (Malaysia)	–	71,827
Nestlé France S.A.S.	–	34,080
Cereal Partners (Malaysia) Sdn Bhd	–	12,258
Nestlé Suisse S.A.	–	10,442
Nestlé Australia Ltd	–	2,793
Nestlé Senegal	–	1,891
Nestlé UAE L.L.C.	–	1,096
Nestlé Egypt S.A.E.	–	485
	982,268	861,934

24.2.1 The maximum aggregate amount of receivable due from related parties at the end of any month during the year was PKR 982.27 million (2022: PKR 861.93 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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	100,765	77,273	23,492	–	23,492
Nestle Philippines Inc.	89,052	45,480	43,572	43,572	–
Nestle Burkina Faso S.A.	23,581	4,880	18,701	11,094	7,607
Nestle Cameroun	22,121	3,017	19,104	19,104	–
Nestlé Middle East FZE	11,320	10,470	850	–	850
Total	246,839	141,120	105,719	73,770	31,949

(Rupees in 000)	Note	2023	2022
25 Cash and bank balances			
Cash in bank			
– Local currency – current accounts		37,944	115,163
– Local currency – saving accounts	25.1	411,326	352,754
– Foreign currency – current accounts (USD)	25.2	639,623	65,800
		1,088,893	533,717
Cash in hand		10,821	8,791
		1,099,714	542,508

25.1 The balance in saving accounts carry rate of return ranging from 7.50% to 20.51% (2022: 4.50% to 14.51%) per annum.

25.2 Cash at bank in USD denominated account as at reporting date was US\$ 2,309,906.48 (2022: US\$ 290,249.61)

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

(Rupees in 000)	2023	2022
26 Revenue from contracts with customers		
Own manufactured		
– Local	225,440,294	181,629,055
– Export	5,974,840	2,862,671
	231,415,134	184,491,726
Goods purchased for resale	2,761,581	4,941,602
Less :		
– Sales tax	(15,305,069)	(10,713,732)
– Discounts, incentives and allowances	(18,266,641)	(16,203,341)
	200,605,005	162,516,255

NOTES TO THE FINANCIAL STATEMENTS

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(Rupees in 000)	Note	2023	2022
27 Cost of goods sold			
Raw and packing material consumed and other variable expenses		110,286,385	85,089,716
Salaries, wages, amenities and training	27.1	8,303,578	7,027,952
Energy and power		7,477,287	6,973,155
Repairs, maintenance and vehicle running		4,326,361	3,432,149
Depreciation of property, plant and equipment	17.4	2,946,494	3,026,501
Communication and technology		495,562	430,341
Quality assurance and environmental expenses		580,447	391,202
Rent, rates, taxes and insurance		311,878	281,596
Legal and professional		35,472	16,006
Other expenses		372,834	221,756
		135,136,298	106,890,374
Increase in work-in-process		(5,143,392)	(499,021)
Cost of goods manufactured		129,992,906	106,391,353
Increase in finished goods		(1,530,634)	(2,130,669)
Cost of goods sold – own manufactured		128,462,272	104,260,684
Cost of goods sold – purchased for resale		1,382,863	2,804,116
		129,845,135	107,064,800

27.1 This includes PKR 227.14 million (2022: 183.68 million) in respect of gratuity, PKR 222.30 million (2022: PKR 215.89 million) in respect of pension and PKR 102.45 million (2022: PKR 176.21 million) in respect of provident fund.

(Rupees in 000)	Note	2023	2022
28 Distribution and selling expenses			
Marketing and promotion		8,578,415	5,829,265
Freight outward and handling charges		5,863,595	5,338,423
Salaries, wages, amenities and training	28.1	5,646,228	4,565,031
General licensing fee (including related taxes)		7,983,560	5,821,674
Depreciation of property, plant and equipment	17.4	599,163	573,073
Communication and technology		90,836	82,199
Repairs, maintenance and vehicle running		496,484	314,927
Utilities and other office expenses		174,939	163,704
Legal and professional		113,101	127,619
Rent, rates, taxes and insurance		29,774	41,510
Other expenses		273,483	311,478
		29,849,578	23,168,903

28.1 This includes PKR 194.72 million (2022: PKR 157.46 million) in respect of gratuity, PKR 181.29 million (2022: PKR 165.38 million) in respect of pension and PKR 162.19 million (2022: PKR 135.40 million) in respect of provident fund.

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(Rupees in 000)	Note	2023	2022
29 Administration expenses			
Salaries, wages, amenities and training	29.1	3,507,921	2,920,014
Depreciation of property, plant and equipment	17.4	349,048	242,356
Legal and professional	29.2	601,984	552,031
Communication and technology		1,491,660	1,245,428
Utilities and other office expenses		191,974	202,844
Repairs, maintenance and vehicle expenses		186,753	123,252
Rent, rates, taxes and insurance		24,533	215,853
Other expenses		3,121	1,796
		6,356,994	5,503,574

29.1 This includes PKR 72.05 million (2022: PKR 58.26 million) in respect of gratuity, PKR 101.62 million (2022: PKR 99.86 million) in respect of pension and PKR 195 million (2022: PKR 63.44 million) in respect of provident fund.

(Rupees in 000)	Note	2023	2022
29.2 Legal and professional charges include the following in respect of auditor's services for:			
Statutory audit fee including half year review		6,376	5,045
Other certificates		1,420	1,780
Out of pocket expenses		700	700
		8,496	7,525

30 Finance cost

Mark-up on long-term financing – secured		1,636,712	1,393,842
Mark-up on short-term borrowings – secured		138,907	556,670
Mark-up on short-term running finance – secured		449,255	256,489
Markup on lease liabilities		207,461	109,594
Bank charges		191,518	19,399
		2,623,853	2,335,994

31 Other expenses

Workers' profit participation fund	12.3	1,485,591	1,167,361
Workers' welfare fund	12.4	666,953	555,301
Exchange loss realized		1,163,403	293,605
Exchange loss unrealized		–	102,428
Donations and gifts	31.1	24,250	6,659
Impairment of property, plant and equipment and capital work-in-progress	31.2	43,508	120,628
Others		368	36,508
		3,384,073	2,282,490

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(Rupees in 000)	2023	2022
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), Defense Housing Authority, Lahore	4,000	1,000
(Syed Babar Ali, Director is also Pro Chancellor of LUMS) (Syed Hyder Ali, Director is also a member of Executive Committee of LUMS)		
	4,000	1,000

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	2023	2022
Segment-wise break-up of this impairment is as follows:			
– Dairy and Nutrition Products		43,508	102,577
– Powdered and Liquid Beverages		–	18,051
		43,508	120,628
32 Other income			
Income from financial assets:			
Return on bank accounts		371,779	42,353
Income from non-financial assets:			
Sale of scrap		87,574	218,270
Gain on disposal of property, plant and equipment	17.6	10,622	202,305
Gain on termination of lease		6,302	–
Exchange gain unrealized		23,220	–
Reversal of impairment	32.1	–	163,171
Reversal of allowance for expected credit losses	23.1	–	5,444
		499,497	631,543

32.1 This pertained to reversal of impairment charged property, plant and equipment in Powdered and Liquid Beverages segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	Note	2023	2022
33 Taxation			
Current tax			
For the year		12,822,622	8,712,232
Prior year		1,729,862	272,732
		14,552,484	8,984,964
Deferred tax	7.1	(2,000,414)	(1,242,643)
		12,552,070	7,742,321

%	Note	2023	2022
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	5.75	1.20
– Tax impact of rate change		0.00	0.01
– Tax impact due to current year super tax	33.1.1	9.21	4.18
– Tax impact of final tax regime		(0.88)	(0.57)
– Others		0.14	0.15
		14.22	4.97
Average effective tax rate charged to statement of profit or loss		43.22	33.97

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 year is 10% (2022: 10%).

(Rupees in 000)		2023	2022
34 Earnings per share			
34.1 Basic earnings per share			
Profit after taxation available for distribution to ordinary shareholders	Pak Rupees in '000'	16,492,799	15,049,716
Weighted average number of ordinary shares	Number in '000'	45,350	45,350
Basic earnings per share	Rupees	363.68	331.86

34.2 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, 2023

35 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.

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)	Note	2023	2022
36.1 Transactions during the year			
Associated undertakings			
General licensing fee		6,850,192	5,492,753
Dividends		9,943,442	12,198,274
Long term loan including interest	5.6	1,451,999	–
Purchase of assets, goods, services and reimbursable expenses		25,451,867	20,152,828
Sale of goods		724,011	360,062
Sale of fixed assets		–	83,811
Insurance premium paid		272,920	240,939
Insurance claims received		38,735	41,885
Donations	31.1	4,000	1,000
Other related parties			
Contribution to staff retirement benefit plans		1,628,879	873,482

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
Nestrad S.A.	Switzerland
Sofinol S.A.	Switzerland
Nestec S.A.	Switzerland
Nestle Philippines Inc.	Philippines
Nestle Vietnam Ltd.	Vietnam
Nestle Australia Ltd	Australia
Nestle Egypt S.A.E.	Egypt
Nestle Dubai Manufacturing Llc	UAE
Nestle Middle East Manufacturing	UAE
Nestlé Operational Services	Switzerland
Nestle Singapore (Pte) Ltd	Singapore

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Name	Country of Operations
Nestle Waters Management & Issy Les Moulineaux	France
Nestle Manufacturing (Malaysia)	Malaysia
Nestle Business Services AOA, Inc.	Philippines
Nestle Asean (Malaysia) Sdn. Bhd.	Malaysia
Nestle R&D Centre (Pte) Ltd	Singapore
PT Nestle Indonesia	Indonesia
Nestlé France	France
Nestle Brasil Ltda.	Brasil
Nestle Regional Service Centre	Malaysia
Nestle Nederland B.V.	Nederland
Nestle USA Inc	USA
Nestle Central and West Africa	Ghana
Nestle Lanka Limited	Sri Lanka
Nestle (Thai) Ltd.	Thailand
Nestle Suisse S.A.	Switzerland
Nestle Bangladesh Limited	Bangladesh
Nestle Afghanistan Limited	Afghanistan
Cereal Partners (Malaysia) Sdn. Bhd.	Malaysia
Cereal Partners Poland	Poland
Nestle Cameroun	Cameroun
Nestle Burkina Faso S.A.	Burkina Faso
Wyeth Philippines, INC.	Philippines
Nestle Gabon	Central Africa
Nestle Senegal	Senegal

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
Pakistan Dairy Association	Common directorship
Packages Convertors Limited	Common directorship
Packages Limited	Common directorship
Packages Real Estate (Pvt) Ltd	Common directorship
Syed Maratib Ali Religious and 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
Swiss Business Council	Common directorship
Overseas Investors Chamber of Commerce and Industries	Common directorship
World Wide Fund for Nature	Common directorship

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Name	Basis of Association
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

(Rupees in 000)	Note	2023	2022
37 Cash and cash equivalents			
Cash and bank balances	25	1,099,714	542,508
Running finance under mark-up arrangements – secured	11	(3,038,001)	(3,756,401)
		(1,938,287)	(3,213,893)
38 Number of employees			
Average number of employees during the year		3,657	3,718
Number of employees as at December 31		3,624	3,732

(Rupees in 000)	Capacity		Production	
	2023	2022	2023	2022
39 Capacity and production of industrial units				
Sheikhupura & Kabirwala factory (liquid & non-liquid products)	1,279,927	1,348,084	638,099	744,193
Port Qasim & Islamabad factory (liquid products)	593,545	593,545	252,237	289,237
Total	1,873,469	1,941,629	890,336	1,033,430

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
- ii) **Powdered and Liquid Beverages** - juices, drinking water and powdered drinks
- iii) **Other Products** - confectionery, cereals (which have been reclassified from Dairy and Nutrition Products and accordingly the comparative information has also been updated) and other products

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue from contracts with customers	159,074,852	125,264,657	40,582,468	36,380,025	947,685	871,573	200,605,005	162,516,255
Depreciation and amortization	2,751,773	2,758,050	1,142,932	1,083,880	-	-	3,894,705	3,841,930
Operating profit / (loss) before tax and unallocated expenses	30,189,925	23,727,066	4,305,957	2,993,355	57,416	58,557	34,553,298	26,778,978
Unallocated corporate expenses:								
Finance cost							(2,623,853)	(2,335,994)
Other expenses							(3,384,073)	(2,282,490)
Other income							499,497	631,543
Taxation							(12,552,070)	(7,742,321)
Profit after taxation							16,492,799	15,049,716
Segment assets	72,876,780	61,800,843	23,014,611	20,789,412	478,464	179,021	96,369,855	82,769,276
Unallocated assets							1,520,056	882,475
Total assets							97,889,911	83,651,751
Segment equity and liabilities	38,063,821	29,364,146	11,608,001	9,398,984	280,714	101,398	49,952,536	38,864,528
Unallocated equity and liabilities							47,937,375	44,787,223
Total equity and liabilities							97,889,911	83,651,751
Segment capital expenditure	2,626,558	2,791,876	720,788	582,250	4,944	5,309	3,352,290	3,379,435

(Rupees in 000)	2023	2022
40.2 Geographical segments		
Sales are made by the Company in the following countries:		
Pakistan	194,960,356	159,744,617
Afghanistan	2,289,323	1,276,284
United States of America	1,287,804	786,024
Other foreign countries	2,067,522	709,330
	200,605,005	162,516,255

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

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40.2.1 Export sales to foreign related parties

(Rupees in 000)		2023	2022
Country	Party Name		
Philippines	Nestle Philippines INC.	409,640	82,961
Central Africa	Nestle Cameroun	70,707	35,174
Burkina Faso	Nestle Burkina Faso S.A.	53,484	30,264
Bangladesh	Nestle Bangladesh Limited	40,071	–
Philippines	Wyeth Philippines, INC.	37,058	24,102
Central Africa	Nestle Gabon	9,837	8,131
Senegal	Nestle Senegal	4,536	98,364
Ivory Coast	Nestle Cote D'Ivoire	–	8,192

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	
	2023	2022	2023	2022	2023	2022	2023	2022
Managerial remuneration / fee	8,660	7,731	129,251	99,121	66,655	113,412	2,976,945	2,299,545
Bonus	–	–	21,237	20,913	17,569	17,581	762,405	604,171
Retirement benefits	–	–	–	–	4,265	2,872	515,298	401,719
Housing	–	–	18,356	5,007	5,405	8,644	55,591	38,861
Reimbursable expenses	1,746	1,040	184,825	77,928	53,442	121,579	2,265,881	1,517,749
	10,406	8,771	353,669	202,969	147,336	264,088	6,576,120	4,862,045
Number of persons	1	1	1	1	2	2	756	638

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 239.450 million (2022: PKR 180.12 million).

41.3 A meeting fee amounting to PKR 3,750,000/- (2022 PKR 3,150,000) was paid to 6 (2022: 6) directors during the year.

41.4 Remuneration to key management personnel includes PKR 192.2 million (2022: PKR 149.7 million) in respect of share based payments made by the Holding Company and charged back to the Company.

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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	2023	2022
Assets			
Foreign currency bank accounts	USD	2,309,907	293,100
Cash in hand	USD	29,915	29,915
	EUR	6,985	6,985
Receivables	USD	1,956,694	88,691
	EUR	537,949	9,319
	CHF	247,984	46,907
Liabilities			
Net (payables) / advances	USD	(24,211,773)	(12,978,801)
	EUR	(1,752,592)	3,553,059
	CHF	(4,858,633)	(3,631,258)
	GBP	(19,122)	(100,289)
	CNY	(4,336,089)	(5,036,575)
	NZD	(1,587)	(61,420)
	SAR	(60,641)	(60,641)
	AED	(55,411)	(7,685)
	AUD	(33,695)	–
SGD	(3,309,978)	(2,892,693)	
Forward foreign currency contracts	USD	–	(804,072)
	CNY	–	(1,775,916)
	PKR ('000)	(8,427,960)	(3,798,977)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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

	2023		2022	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
(Rupees per currency unit)				
US Dollar	280.36	281.89	206.97	226.70
Swiss Franc	312.29	333.76	216.90	245.19
Euro	303.14	310.82	216.99	241.50
Great Britain Pound	348.72	359.34	253.87	273.65
Chinese Renminbi	39.57	39.53	30.58	32.60
New Zealand Dollar	172.04	177.88	129.72	143.29
Saudi Riyal	74.73	75.17	54.56	60.28
U.A.E Dirham	76.33	76.76	50.91	61.73
Australian Dollar	186.11	192.49	141.52	154.29
Singapore Dollar	208.72	213.27	150.10	168.85

Currency rate sensitivity analysis

If the functional currency, at reporting date, had increased by 20% (2022: 20%) against the foreign currencies with all other variables held constant, the impact on profit before taxation would have been as follows:

(Rupees in 000)	2023	2022
Effect on profit and loss:		
US Dollar	(1,122,800)	(606,248)
Swiss Franc	(307,771)	(175,767)
Singapore Dollar	(141,181)	(97,687)
Euro	(75,072)	172,403
Chinese Renminbi	(34,278)	(44,421)
Great Britain Pound	(1,374)	(5,489)
Australian Dollar	(1,297)	-
Saudi Riyal	(912)	(731)
U.A.E Dirham	(851)	(95)
New Zealand Dollar	(56)	(1,760)
	(1,685,592)	(759,795)

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, 2023

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)	2023	2022
Variable rate instruments		
Liabilities		
Long-term finances	1,422,288	–
Running finance under mark-up arrangements - secured	(3,038,001)	(3,756,401)
Lease liabilities	(1,726,942)	(1,465,437)
Assets		
Bank balances - saving accounts	411,326	352,754
	(2,931,329)	(4,869,084)

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 (2022: 500) bps higher / lower with all other variables, in particularly foreign exchange rates held constant, profit before taxation for the year and 2022 would have been affected as follows:

(Rupees in 000)	2023	2022
Effect on profit and loss of an increase	(146,566)	(243,454)
Effect on profit and loss of a decrease	146,566	243,454

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, 2023

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, 2023			
Financial assets – measured at fair value	–	–	–
Financial assets – not measured at fair value			
Trade debts	2,232,611	–	2,232,611
Long term loans	420,342	–	420,342
Advances, deposits, prepayments and other receivables	2,399,949	–	2,399,949
Cash and bank balances	1,099,714	–	1,099,714
	6,152,616	–	6,152,616
Financial liabilities – measured at fair value	–	–	–
Financial liabilities – not measured at fair value			
Long term finances – secured	–	7,922,288	7,922,288
Short term borrowings – secured	–	5,500,000	5,500,000
Running finance under mark-up arrangements – secured	–	3,038,001	3,038,001
Customer security deposits	–	241,973	241,973
Trade and other payables	–	52,822,864	52,822,864
Unclaimed dividend	–	90,081	90,081
Interest and mark-up accrued	–	469,982	469,982
	–	70,085,189	70,085,189

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	Carrying Amount		
	Financial assets	Financial liabilities	Total
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	3,658,068	–	3,658,068
Cash and bank balances	542,508	–	542,508
	6,529,901	–	6,529,901
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.

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, 2023

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)	2023	2022
Particulars		
Trade debts	2,232,611	1,989,358
Advances, deposits and other receivables	2,399,949	3,658,068
Long term loans	420,342	339,967
Bank balances	1,088,893	533,717
	6,141,795	6,521,110
42.2.1 Trade debts		
The aging of trade debts at the reporting date is:		
Not yet due	2,136,430	1,985,351
Past due 0 - 30 days	27,430	3,544
Past due 31 - 60 days	64,621	52
Past due 61 - 90 days	3,538	74
Past due 90+ days	592	337
	2,232,611	1,989,358

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.

42.2.4 Bank balances

The credit risk on liquid funds is limited because the counter parties 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 counter parties. 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Rating 2023			Rating 2022		
	Short Term	Long Term	Agency	Short Term	Long Term	Agency
Citi Bank N.A	F1	A+	Fitch	F1	A+	Fitch
Deutsche Bank AG	F2	A-	Fitch	F2	BBB+	Fitch
Habib Bank Limited	A-1+	AAA	VIS	A-1+	AAA	VIS
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	A1+	AA+	PACRA
JS Bank Limited	A1+	AA-	PACRA	A1+	AA-	PACRA
MCB Bank Limited	A1+	AAA	PACRA	A1+	AAA	PACRA
Meezan 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

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 counter parties 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, 2023

(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	7,922,288	8,223,767	-	301,479	-	7,922,288	-	8,223,767
Lease liabilities	1,726,942	2,814,258	-	170,955	170,955	1,348,654	1,123,694	2,814,258
Short-term borrowings								
- secured	5,500,000	5,534,966	-	5,534,966	-	-	-	5,534,966
Running finance under mark-up arrangements - secured	3,038,001	3,171,538	3,171,538	-	-	-	-	3,171,538
Customer security deposits	241,973	241,973	-	241,973	-	-	-	241,973
Unclaimed dividend	90,081	90,081	90,081	-	-	-	-	90,081
Unpaid dividend	7,514,831	7,514,831	7,514,831	-	-	-	-	7,514,831
Trade and other payables	52,822,864	52,822,864	52,822,864	-	-	-	-	52,822,864
	78,856,980	80,414,278	63,599,314	6,249,373	170,955	9,270,942	1,123,694	80,414,278

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

42.3.2 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	-	133,042	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	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	1,156,198	9,133,043	7,508,330	1,278,627	70,215,897

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

(Rupees in 000)	2023						Total
	Liabilities						
	Long-term finances	Short-term borrowings	Lease liabilities	Interest and mark-up accrued	Unclaimed / unpaid dividend		
Balance as at January 01, 2023	15,500,000	519,260	1,465,437	297,289	6,121,969	23,903,955	
Cash flows							
Finance cost paid	-	-	-	(2,243,699)	-	(2,243,699)	
Long-term finances repaid – net	(7,577,712)	-	-	-	-	(7,577,712)	
Repayment of lease liabilities	-	-	(341,206)	-	-	(341,206)	
Short-term borrowings repaid – net	-	4,980,740	-	-	-	4,980,740	
Dividends paid	-	-	-	-	(10,716,100)	(10,716,100)	
Changes from financing cash flows	(7,577,712)	4,980,740	(341,206)	(2,243,699)	(10,716,100)	(15,897,977)	
Non-cash changes							
Dividend approved	-	-	-	-	12,199,043	12,199,043	
Finance cost	-	-	207,461	2,416,392	-	2,623,853	
Addition to lease liabilities	-	-	427,379	-	-	427,379	
Termination to lease liabilities	-	-	(32,129)	-	-	(32,129)	
Non-cash changes	-	-	602,711	2,416,392	12,199,043	15,218,146	
Balance as at December 31, 2023	7,922,288	5,500,000	1,726,942	469,982	7,604,912	23,224,124	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Rupees in 000)	2022					
	Liabilities					Total
	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 obtained – 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 of leases	-	-	(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

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, 2023

(Rupees in 000)	2023	2022
The debt to equity ratio as at December 31:		
Total borrowings	16,460,289	19,775,661
Total equity	10,588,057	5,770,246
Total debt and equity	27,048,346	25,545,907
Debt to equity ratio	61:39	77:23

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 Corresponding figures

Corresponding figures have been rearranged or classified whenever necessary for the purpose of comparison and better presentation. However, no significant reclassification have been made during the year except as given below:

Description	From	To	2022
General licensing fee (including related taxes)	Cost of goods sold	Distribution and selling expenses	5,821,674

46 Date of authorization for issue

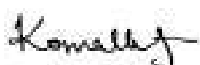
These financial statements were authorized for issue on February 26, 2024, by the Board of Directors of the Company.

47 Subsequent event

The Board of Directors in their meeting held on February 26, 2024, have proposed a final cash dividend for the year ended December 31, 2023, of PKR 19 per share (2022: PKR 95 per share), amounting to PKR 861.64 million (2022: PKR 4,308.21 million) for approval of the members at the Annual General Meeting to be held on April 18, 2024. These financial statements do not reflect this dividend.

48 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



JOSELITO JR AVANCENA
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 46th Annual General Meeting of the Company to be held on April 18, 2024 at 12:00 noon and at any adjournment thereof.

Signed under my / our hand this _____ day of _____, 2024.



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 فولیو / CDC کاؤنٹ نمبر یا ان کی جگہ _____
کے / کی جناب / محترمہ _____ بحوالہ فولیو / CDC کاؤنٹ نمبر _____ کمپنی کے (46) چھیا لیسویں سالانہ اجلاس عام میں اپنی جگہ شرکت، رائے اور
ووٹ دینے کے لئے اپنا پراکسی تقرر کرتا / کرتی ہوں / کرتے ہیں۔ یہ اجلاس 18 اپریل 2024 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 / مہر 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

فولیو / 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,

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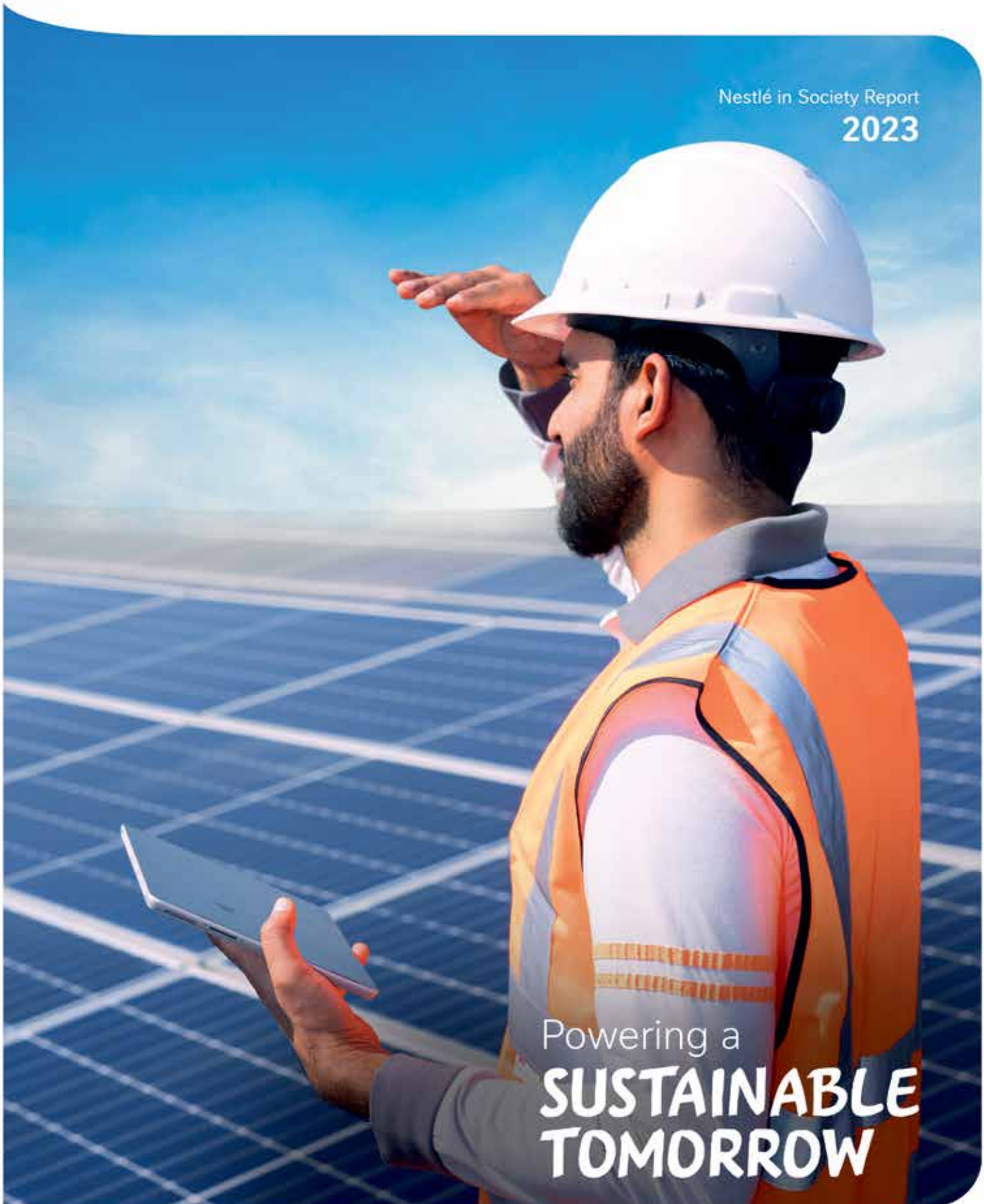
The mark of
responsible forestry



Nestlé Good food, Good life

Nestlé in Society Report

2023



Powering a
**SUSTAINABLE
TOMORROW**



About the Cover

Nestlé Pakistan is paving the way for a sustainable tomorrow for our future generations!

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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.



At Nestlé, everything we do is driven by our purpose of unlocking the power of food to enhance quality of life, today and for generations to come. And as the years pass, we remain committed to be a force for good throughout our value chain.

The year 2023 made us build on our strong foundation in Creating Shared Value (CSV) and Sustainability Agenda in line with the United Nations Sustainable Development Goals (SDGs). We did so through our focus areas – helping to protect, renew, and restore natural resources, contributing to nutritious and sustainable diets and strengthening communities.

We are accelerating efforts to reduce our carbon footprint in line with our commitment to reduce emissions by 20% (versus a 2018 baseline) by 2025, halve them by 2030 and reach Net Zero by 2050. Continuing our efforts, we committed the investment of PKR 2 billion towards renewable energy. We inaugurated a 2.5-megawatt solar power plant completed with an investment of PKR 480 million at our Kabirwala Factory that will reduce 1,800 tCO₂e of greenhouse gas emissions every year. This is part of our larger renewable energy strategy with plans to introduce additional solar power plants and biomass boilers at our other manufacturing sites in Pakistan.

Moving closer to a sustainable tomorrow, we also help dairy farmers shift to high-yield cows. Till date, we have facilitated the import of over 8,500 high-yield cows for local farmers. We have supported the installation of 67 solar systems and 21 biogas plants at local farms, that not only reduce greenhouse gas emissions but also increase cost efficiency for farmers.

Preserving water resources and regeneration is part of our legacy. We understand that innovation in agriculture can help reduce water mismanagement and practice regenerative agriculture. We are working closely with partners and farmers to install innovative technologies like drip irrigation and smart soil moisture sensors to reduce water wastage. In 2023, drip irrigation was operational across 128 acres in Punjab and 183 acres in Sindh and smart soil sensors were operational on 548 acres. With these efforts, Nestlé is advancing regenerative agriculture across its value chain, with a focus on soil health, water security, biodiversity, and diverse cropping systems.

We also understand that access to clean and safe drinking water is important for communities. Our clean and safe drinking water facilities near our manufacturing sites in Sheikhpura, Kabirwala and now in Islamabad as well, which was inaugurated last year, have the capacity to provide access to clean drinking water to 70,000 people daily.

Collective action is a prerequisite for sustainable social impact and that is why I'm truly proud of our work in Clean Gilgit-Baltistan Project (CGBP) with Gilgit-Baltistan Waste Management Company (GBWMC). So far, we have installed three compressing and baling machines, one each in Gilgit, Hunza and Skardu. We have also installed 48 benches and waste bins made of recycled plastic at popular tourist spots in the region and donated 15,000 reusable bags for distribution among the communities. In 2023, our efforts facilitated waste management of over 2,600 tons of plastic packaging in the region, making a positive environmental impact.

Similarly, our partnership with the World Bank Group (WBG) and Khyber Pakhtunkhwa (KP) tourism department for our collaborative initiative, Travel Responsibly for Experiencing Eco-tourism in Khyber Pakhtunkhwa (TREK) is working towards a waste-free future by driving new behavior. This year, our collective efforts led to the training of 250 professionals from the hospitality, academia, social and development sectors at prominent tourist destinations in Khyber Pakhtunkhwa including Galiyat, Abbottabad, Naran, Swat, Chitral and Peshawar raising the total number of trainees to 400.

Besides all these efforts, we are also working towards ensuring that 100% of our packaging is designed for recycling, with a 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.

As a food and beverage company, our contribution to nutritious and sustainable diets is one of our key priorities. In 2023, our Nestlé for Healthier Kids (N4HK) Program expanded and increased its outreach of nutrition knowledge to over 500 teachers and educated an additional 40,000 children, bringing the total to 2,300 teachers and 360,000 children. New N4HK rooms were developed at schools in Sahukimalian near Sheikhpura, Gilgit, Skardu, Rawalpindi and Narowal.

Besides creating awareness about nutrition, last year, we served 2.23 billion fortified servings of our value-added nutritious products to help address micronutrient deficiencies in Pakistan.

At Nestlé, we put communities at the heart of all our efforts, which are a result of our partnerships. That is why our partnership with the Benazir Income Support Program (BISP) and collaboration with Akhuwat Foundation on the Nestlé BISP Rural Women Sales Program gives me great pride. The program supports rural women to achieve financial empowerment to earn a livelihood. Since its inception, the program has been continuously growing and we have increased the number of enrolled BISP beneficiaries as sales agents to over 3,000 across 28 districts and 3,000 villages in Pakistan.

While our creating shared value programs are important for communities, we also believe in extending institutional support to social welfare and relief efforts. That is why, under our global initiative of Nestlé Cares, we extended corporate contribution of PKR 15 million to multiple organizations including SOS Children's Villages of Pakistan, Pakistan Red Crescent Society (PRCS) and Akhuwat Foundation. Under Nestlé Cares, we not only give back to communities but also the planet. The Nestlé family planted 38,000 trees in 2023 and 25,000 in the year before with an ambition to increase the number as the years go by.

Accomplishing these achievements wasn't easy as 2023 came with its fair share of challenges but facing those challenges only strengthened our resolve. We adapted to change by accelerating our localization drive and met over 90% of our raw and packaging requirements locally. We sourced 420 million liters of milk, over 7,500 metric tons of wheat and rice and 50,000 tons of local fruits including mangoes, apples, peaches, guavas, lime, kinnow, oranges, and soon red grapes, enhancing local farmers' livelihoods.

In 2023, we completed 35 years of business operations in Pakistan and through all these years our employees, value chain partners, consumers, and communities have stood with us through good and trying times. I want to take this opportunity to appreciate all our stakeholders across the business value chain. Our achievements are a result of their hard work, our team's dedication, strong commitment, and unwavering trust in our larger vision. As we step into 2024, let us remember that meeting our sustainability commitments require collective action and adopting new behaviors to pave the way for a sustainable tomorrow for our future generations!



Joselito Jr Avanceña

Chief Executive Officer & Managing Director

OUR ESG COMMITMENTS AND PROGRESS

Nestlé’s purpose is to unlock the power of food to enhance quality of life for everyone, today and for generations to come. As Pakistan’s leading food and beverage company, 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. Being cognizant of the impact of our business operations on the communities where we operate, we focus on our sustainability initiatives including climate action, sustainable packaging, and water. In 2023, we were able to deliver our key commitments. Here is a snapshot of our progress against those commitments, which have been reviewed by KPMG.

Sr. No	Commitment	Key Performance Indicator (KPI)	2023
1	We aim to reduce our greenhouse gas (GHG) emissions by 20% by 2025 and 50% by 2030 from 2018 levels, on the road to net zero by 2050 at the latest	Million metric tonnes of CO2e (%) reductions compared with business-as-usual scenario versus our 2018 baseline	-17%
2	We aim to replace grid electricity in our manufacturing operations with 100% renewable electricity	Electricity sourced from renewable sources (%)	96%
3	Nestlé’s Waters Business has pledged to lead the regeneration of the water cycle to create a positive water impact everywhere it operates by 2025	Water regenerated (%)	71%
4	Reduce water used in our operations by 54,000 m ³ in 2023	Water use reduction in factories (m ³)	56,000 m ³
5	By 2025, we aim to design above 95% of our plastic packaging for recycling and continue to work toward 100% being recyclable	Plastic packaging designed for recycling versus our 2018 baseline (%)	82%
6	By 2025, we aim to reduce virgin plastics by one third, versus our 2018 baseline	Virgin plastic reduction versus our 2018 baseline (%)	-33%

Note: Figures on the table rounded off to the nearest decimal
The KPMG limited assurance report and conclusion can be found at the end of this report.



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. We are contributing positively to society by improving lives and livelihoods and ensuring sustainable business practices that are based on respect for our planet's natural resources. Through our CSV initiatives, we are delivering on shareholder expectations while helping to address global societal challenges, including sustainability.

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. This adds value to the business and supports socioeconomic development for the communities.

Our inspiration is governed by the 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 providers to implementing responsible sourcing models into our relationships; from supporting underprivileged 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 "Seeing is Believing" visits to showcase our value chain build advocates and inform them 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,



Contributing to Nutritious and Sustainable Diets



Strengthening Communities



Helping to Protect, Renew and Restore Natural Resources

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.

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 natural environment upon which we all depend. Their challenges are our challenges. Their success is success which we all share.

As the largest Food and Beverage Company in Pakistan, we are taking steps and introducing various initiatives in our manufacturing units and beyond, to exhibit this Respect for the Future. Nestlé Pakistan is striving towards zero environmental impact of our operations. This is both a local and global commitment.

Nestlé is committed to creating value, mutual growth and sustainability, both for its stakeholders and the communities. Based on the strong foundations of compliance and sustainable business practices, this is the Nestlé way of doing business. As we complete 35 years of operations in Pakistan and move into a new period in our company's history, we will continue to evolve and strengthen our approach to Creating Shared Value and ensure that it continues to inform all our behaviors, policies, and actions.



Nosheen Malik, a dairy farmer and agriprenuer in PakPattan at her farm with her son



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



Nestlé for Healthier Kids

Pakistan has been reported to have one of the highest levels of prevalence of child malnutrition compared to other developing countries. There is a dire need for a focus on diet quality and nutrition awareness 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. Launched in Pakistan in 2010, it equips children with nutrition education to enable them to make better nutrition decisions from an early age to promote a healthier future.

N4HK supports public health objectives and empowers schools to impart nutrition knowledge and promote healthy habits among children through teaching importance of balancing good nutrition and healthy hydration with an active lifestyle. Till date, the program has educated more than 360,000 children in rural, suburban and urban areas, and has trained over 2,300 teachers on nutrition in 410 schools.

N4HK is making a collective effort with its partners to help address and overcome the nutrition challenge to give the children a happier and healthier future. The program has partnerships nationwide with presence in schools across Punjab, The Federal Capital, Sindh, Khyber Pakhtunkhwa and more recently in Gilgit-Baltistan. N4HK works in collaboration with 11 educational partners from the development, private and public sector, including Care Foundation, Punjab Workers Welfare Fund, Trust for Education and Development of Deserving Students (TEDDS), Zindagi Trust and the Government of Gilgit-Baltistan to name a few.

A curriculum-based program, N4HK comprises of book designed by Oxford University Press (in both English and Urdu), which provides the basic knowledge on nutrition and encourages physical activity and the intake of a balanced diet.

N4HK also launched Sustainability Training for Kids in partnership with the World Wildlife Fund (WWF) in 2022 to help teach the younger generation a more sustainable approach to packaging waste. The trainings have been held in partner schools across Punjab, Islamabad and Gilgit-Baltistan, training more than 1,000 children to date to instill responsible behavior and enable children to become better stewards of our planet.

Through N4HK Nestlé is not only working towards a healthy future for these children but also a sustainable planet for them!



Nestlé for Healthier Kids Room inaugurated at the Government Boys High School Narowal



Testimonial

“We are grateful that Nestlé Pakistan has extended the reach of its N4HK initiative to district Narowal. We are confident that the awareness imparted on nutrition to teachers and students alike will play a very important role in promoting healthy habits and a better nourished future generation.”

Mr. Ahsan Iqbal

Member of National Assembly & Federal Minister



Reached out to 360,000 students



Trained over 2,300 teachers



Covered 410 school branches



Developed a special curriculum



Worked with 11 partners

Nutrition Support Program

Under the Nutrition Support Program, Nestlé Pakistan regularly provides milk, to approximately 20,000 children and underprivileged people who suffer from key micronutrient deficiencies in urban, semi-urban and rural areas. The children that attend the educational institutes we support are poor and their parents cannot afford to fulfill their nutritional needs. The schools are selected after giving due consideration to the profile of the managing organization to ensure that the benefits of this program reach those who need it most, the outreach capacity of the company and availability of resources. The initiative is geared to support school going children whose parents are unable to provide them with a serving of milk to fulfill their nutritional needs. The program also supports organizations working with destitute women as well as social welfare organizations for sports, culture and differently abled.

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 2023, approximately 2.23 billion fortified servings were served across the country.





Children drinking milk at the Mashal Model School in Islamabad

In Commitment with





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 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.





Young girls learning stitching at Nestlé's Vocational Training Institute in Kabirwala



Nestlé BISP Rural Women Sales Program

Realizing the role that rural women can play as change agents in uplifting communities, Nestlé Pakistan partnered with Benazir Income Support Programme (BISP) to empower BISP beneficiaries by providing livelihood opportunities.

The Nestlé-BISP Rural Women Sales Program, launched in 2017, encourages BISP beneficiaries to become a part of the workforce by learning skills and applying them through self-employment, with the ultimate aim of graduating out of poverty. The chosen beneficiaries undergo training and end up as microentrepreneurs – as sales agents, door-to-door retailers, or micro-distributors – selling products to their communities. This enables economic wellbeing of not just the rural women themselves but also their families. To date, this program has enrolled more than 3,000 BISP beneficiaries in as many villages across 28 districts.

To enable the beneficiaries to unlock long-term prosperity, Nestlé Pakistan partnered with Akhuwat Pakistan (the largest interest-free microfinance program), giving them PKR 4 million to be used as revolving credit for women looking to scale their businesses. This has improved access to finance and as a result, beneficiaries of this program have been able to open independent shops in their villages or expand their set up.

This program shows that it is possible to move from social protection to economic and social empowerment, enabling rural women to improve their quality of life as well as access to education and health for the entire family.



Launched in 28 districts of Pakistan



Over 3,000 BISP beneficiaries enrolled as Sales Agents



Total Sales in 2023: PKR 224 Mio



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



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





Kauser, a Nestlé BISP Rural Women Sales Agent in Renala at her shop

In Commitment with





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 aims to improve the livelihood of farmers within the Chaunsa mango value chain by strategic CSV intervention through implementation and replication of Best Farm Practices, resulting in right quality pulp and improved pre and post harvest. The project addresses limited access and opportunities for mango farmers’ integration into our business value chain.

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 due to the implementation of these 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.

Since the past five years, we have been procuring good quality Chaunsa mangoes for pulp to be used for our premium juices from these farmers. It is our commitment to continue the project in the coming years to enhance the quality of the Chaunsa mango in Pakistan, thereby uplifting the socio-economic conditions of small and medium mango farmers in the country.



Agriculture Services

Pakistan is amongst the countries that face adversities of climate change. Nestlé Pakistan is taking this challenge seriously and has been exploring opportunities to minimize the impact of climate change. We have been promoting alternate energy sources, particularly amongst dairy farmers to provide socio-economic benefits to the farmers. Nestlé facilitated the 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. During 2023, we helped farmers install 8 biogas digesters at various suppliers' farms. With cost and environmental benefits, farms with solar and biogas installations are also serving as lighthouse, in their respective areas.

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.

Nestlé Pakistan has been supporting farmers to reduce water mismanagement with the installation of drip irrigation. In 2023, drip irrigation was operational across 128 acres in Punjab and 183 acres in Sindh. This allowed us to save over 223,223 m³ water. Smart soil sensors were operational on 548 acres, allowing water savings of over 310,000 m³ according to our estimate.

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. Till date, Nestlé Pakistan helped farmers import more than 8,500 cows, which helped in reducing GHG, increasing productivity and improving the incomes of local farmers.

Nestlé is committed towards a net zero carbon journey. To further bring efficiencies in the farm ecosystems, we have also developed local machine solutions such as Total Mixed Ration (TMR) wagon and manure dewatering machine.

While we continue to source fruit from Punjab, we are now working closely with farmers from Gilgit-Baltistan, Khyber Pakhtunkhwa and Balochistan to source high quality fruit including apples, peaches and red grapes. These initiatives are not only helping to improve the income of local farmers but also helping the country in saving precious foreign exchange.



In Commitment with

Community Engagement Program

Nestlé Pakistan has an active and effective Community Engagement Program for the communities living around our operational sites, which helps the company prioritize and plan services efficiently to meet community needs and aspirations. It enables the company and the community to work together to make balanced decisions. The initiative thus offers opportunities for the communities to contribute to and influence outcomes which directly impact their lives. Some of the key projects carried out under the Community Engagement Plan include:

- 
7 Clean & Safe drinking water facilities
- 
Refurbishment and construction of schools
- 
Vocational Training Centre for women
- 
Support for public sector projects

Clean Drinking Water for Communities

Access to clean drinking water is a key development challenge for Pakistan. In addition to basic hygiene, clean drinking water is a key ingredient in safeguarding one’s health and wellness. As part of our Community Engagement Program and to support local communities, Nestlé Pakistan has established 7 clean and safe drinking water facilities around our manufacturing sites. These facilities provide access to clean drinking water to over 70,000 people every day.

In 2023, Nestlé Pakistan, in collaboration with the Capital Development Authority (CDA), inaugurated a clean water facility in Islamabad’s Sector 1-10/4, benefiting over 10,000 people. This is Nestlé’s seventh clean water facility initiated, aligning with United Nations Sustainable Development Goal 6.



Drivers training at the Driver Training Institute in Sheikhpura



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 to ensure the safety and well-being of the communities it operates in. The company developed the second driver training facility for the drivers in South at 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 drivers of Nestlé Pakistan and National Highway and Motorway Police (NH&MP), but also catering to the

training needs of the drivers of other public and corporate organizations in the country. The facilities feature driving safety training track, blocks comprising of classrooms and high-tech driving simulators. With state-of-the-art driver training facilities in Sheikhpura and Karachi, the Drivers Safety Program has trained more than 34,800 drivers including over 7,900 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 the communities that they live in.



35,800 drivers including over 7,900 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 with our business, we realize that we must use raw materials responsibly. This will allow us to safeguard shared resources for our future generations.

Through our 2030 ambition, we strive for zero environmental impact across our operations. We do so by giving special emphasis on reducing water withdrawals, increasing renewable energy use, innovating sustainable packaging solutions, and achieving zero waste to landfill. We are also working on implementing regenerative agriculture at scale and nature-based solutions such as agroforestry and land restoration.

In addition to our 2030 operational ambition, we launched our Net Zero Roadmap in December 2020. Under the Roadmap, we announced our intention to reduce our absolute emissions by 50% by 2030 vs our 2018 baseline and bring them to net zero by 2050.

We will need to address emissions throughout our value chain to achieve our ambition. The roadmap will transform the way we operate, helping us to inspire change and deliver impact.





SUSTAINABILITY



Nestlé has embarked on a journey towards regeneration in line with its various global commitments on issues like climate, responsible sourcing, packaging, and water, among others. This is helping us move beyond just minimizing our impact on resources by taking a regenerative approach with the help of our partners. This evolved approach to sustainability is enabling us to protect, renew and restore the environment while contributing to nutritious and sustainable diets, strengthen communities and operate responsibly.

Our challenges are interconnected in nature, which has inspired us to develop 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. This is a science-based plan that expands on our climate ambitions, enabling us to achieve net zero greenhouse gas emissions by 2050, even as our business continues to grow.

We understand that achieving net zero emissions will mean we need to reduce emissions by as much as possible. Sourcing our ingredients from regenerative agriculture will help us do so, as will investing in sustainable packaging and manufacturing.

We have identified four sustainability pillars to have clear roadmaps for our commitments: Climate Action, Responsible Sourcing, Sustainable Packaging, and Caring for Water.

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% compared to 2018 levels.

By 2030, we will reduce absolute emissions by 50% compared to 2018 levels.

We have also committed that by 2025, all our sites will transition to 100% renewable electricity.

Responsible Sourcing



We aim for 100% of 14 key ingredients volumes to be responsibly sourced by 2030.

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 reducing the use of virgin plastic i.e., newly made 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 it operates by 2025.



Climate Action

Climate change has become an undeniable reality and is increasingly impacting the farmers and communities we work with. Degradation of forests, land soil and waterways all adversely impact farmers' livelihoods and, in turn, the availability and affordability of quality food. Our Net Zero Roadmap is allowing us to take action to help address these threats by advancing regenerative food systems at scale.

A major focus of our Net Zero Roadmap is on carbon removals. As a company with a large dairy and agriculture footprint, we aim to make a significant contribution to decarbonization through natural climate solutions projects in our value chain. These 'insetting' projects take place within our supply chain.

Some projects that are being implemented at the market level include:

Import of high-yield cows

The profitability of dairy farms is primarily dependent upon cow yield and feeding efficiency, along with some other factors. The average daily milk production volume by local cows, however, is quite low. Compared to our local cows, there are other breeds in the world, which produce up to three times more milk. Using these high-yield cows to

produce milk 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 Nestlé's Agriculture Services experts works closely with farmers to develop efficient dairy farms that increase both farmers' incomes and aids them in producing more milk. The Agriculture Services team provides required training and technical assistance to manage the herds of these high-yield 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.

Switching to renewable energy sources

Increasing energy costs are damaging farmer revenues in addition to contaminating the environment. Nestlé Pakistan is subsidizing its farmers on renewable energy installations. Nestlé has supported installations of solar systems at 67 farms and 21 biogas plants which reduced greenhouse gas emissions as well as the burden of high energy bills on farmers.

In 2023, we inaugurated a 2.5-megawatt solar power plant at our Kabirwala Factory that aims to reduce 1,800 tCO₂e of greenhouse gas emissions per year. This is part of Nestlé Pakistan's accelerated efforts on its renewable energy strategy with future plans to introduce similar solar plants at other manufacturing sites. Two biomass boilers will also be installed at the Kabirwala Factory.

Responsible Sourcing

At the heart of good food is the quality of the ingredients, the soils, and ecosystems in which they are grown, and the people who produce them. Protecting environments ensures the long-term success of Nestlé's business.

This requires that we know where our ingredients come from and that they are produced in a way that minimizes negative impacts and makes a positive contribution to the planet. Our approach to sustainable sourcing aims to help build the foundations to advance regenerative food systems at scale. Our Responsible Sourcing framework applies to several key ingredients including cereals, grains, and dairy.

Regenerative Agriculture

Nestlé Pakistan has initiated the implementation of regenerative agriculture – an approach to farming that aims to conserve and restore farmland and its ecosystem, to improve soil health and fertility. It delivers benefits to farmer by helping increase crop yields with lower agriculture inputs. It also protects and restores natural resources, primarily soil, and lowers greenhouse gas emissions, while conserving water and promoting biodiversity.

Demonstration trials of composting, intercropping, cover crops, agroforestry, minimum tillage and using natural crop residue as mulch instead of burning have 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.



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

As part of our packaging transformation journey, we have made major inroads in eliminating unnecessary packaging and phasing out materials that are not recyclable or are hard to recycle. We are also investing more in the development of mono-material packaging, as well as alternative materials. As of end of 2023, 82% of Nestlé Pakistan’s packaging is designed for recycling in dedicated recycling facilities.

Waste-Free Future

To realize our vision for a waste-free future, 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 consumers and packaging manufacturers to the government – is an essential pillar in our sustainable packaging journey.



Clean Gilgit-Baltistan Project

Gilgit-Baltistan is a popular attraction for local and foreign tourists. Every year, over 1 million tourists visit this region creating income generation for local communities. This has also become a reason for increasing plastic waste in the region.

Gilgit-Baltistan Waste Management Company (GBWMC), with the support of the respective District Councils, manages the waste segregation and management system in the region. Among other factors of increase, the tourists also bring a lot of packaged goods and eventually leave this waste after consumption.

In line with our global vision for a waste-free future, Nestlé Pakistan partnered with the Gilgit-Baltistan Waste Management Company (GBWMC) to launch the "Clean Gilgit-Baltistan Project" (CGBP). The initiative is being supported by our leading brands; NESTLÉ FRUITA VITALS and NESTLÉ PURE LIFE.

The Clean Gilgit-Baltistan Project focuses on waste segregation and recycling systems for Gilgit-Baltistan region. We have installed three compressing and baling machines, one each in Gilgit, Hunza and Skardu. In 2023, this has resulted in waste management of over 2,600 tons of plastic and paper packaging waste, eventually leading the way to make the region waste-free and promoting sustainable tourism.

Under this project, we have also installed 48 benches and waste bins at popular tourist locations in Gilgit, Hunza and Skardu. We have also donated 15,000 reusable bags for distribution among the communities during 2023. The project, which is the first of its kind at such a high-altitude tourist location, will make a positive environmental impact at both local and national level.

This project marks Nestlé Pakistan's efforts to reduce the environmental impact of packaging waste by improving its management and recycling, in line with UN Sustainable Development Goals 12 and 17 - Responsible Consumption & Production and Partnership for Goals.



Donation of 15,000 bags



Collected Over 2,600 tons of packaging waste in 2023



Waste segregation and management in Gilgit-Baltistan

In Commitment with





In Commitment with

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS



Travel Responsibly for Experiencing Eco-Tourism in Khyber Pakhtunkhwa

‘Travel Responsibility for Experiencing Eco-Tourism in Khyber Pakhtunkhwa’ (TREK) is an initiative under the Khyber Pakhtunkhwa Integrated Tourism Development (KITE) project implemented in partnership with the World Bank Group (WBG) and the Khyber Pakhtunkhwa Tourism Department. Its activities emphasize heritage preservation, tourism infrastructure development, and destination management while adhering to the fundamentals of responsible tourism. The partnership aims to protect the ecosystem through solid waste management, waste recycling and discouraging single-use plastics in the services industry across Khyber Pakhtunkhwa.

TREK activities include awareness campaigns for tourists and training of local communities and hospitality businesses on waste management. Till date, more than 400 participants in Peshawar, Galiyat, Abbottabad, Naran, Swat and Chitral, from the local government, communities, academia and private sector have been trained on solid waste minimization and management (SWM), hygienic practices in hospitality industry, nutrition and waste audits.

As part of awareness sessions, TREK also launched a two-day “TREK for Healthier Kids” training program for teachers in collaboration with Nestlé for Healthier Kids (N4HK), where 4,000 reusable bags and 2,300 N4HK books were distributed among school children to enlighten them to reuse materials, reduce waste and learn about healthy habits. The 75 teachers who were training participants hailed from approximately 10 schools, each with a 200-300 children capacity.

The TREK partnership reflects the role of tourism in job creation and Khyber Pakhtunkhwa’s efforts to facilitate 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 is driving new behavior and enhancing the public’s understanding through community engagement, cleanup activities, trainings, and connecting waste recycling companies to the local administration.



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.

CoRe 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 is driven by reduction in plastics, innovation of new materials, exploration of new and more sustainable business models, policy advocacy, knowledge exchange and behavioral change.

CoRe has been working with the governments of several administrative units across Pakistan to advocate for robust and standardized plastics management policies for their respective regions, by sharing technical expertise from the industry. In the years since its formation, Nestlé Pakistan and other members have executed several projects that promote a circular economy and responsible behavior.



Approval of Pakistan Standard on food contact material including plastic and food grade recycled plastic (rPET) by the PSQCA in 2022



Annual Stakeholder convening with the Ministry of Climate Change on the shared challenges of packaging waste



Installation of 250 waste bins at Fatima Jinnah Park and Lake View Park with the Capital Development Authority in 2021



Buzz Session to develop a calendar for public facing activities on sustainable packaging, circular economy and plastic related policies



caring
for
water

Nestlé and its partners

Caring for Water - Pakistan

Water is essential for all areas of our business as we are a food and beverage company. Farmers use it to grow crops, allowing us to make our products. Water is also used in our factory operations.

As a responsible company, we are cognizant of the part businesses can play in water-use efficiency. For decades, water has been a major focus of our sustainability efforts throughout our entire value chain. Preserving this natural resource is now part of our legacy.

In 2017, we launched our flagship project on water stewardship - Caring for Water-Pakistan (C4W-Pakistan) becoming a lighthouse market. Through C4W-Pakistan, we encourage collective action and bring diverse but relevant stakeholders together to deliberate on and find solutions for Pakistan's existing water challenges. As a result of this, we have undertaken several activities under the three overarching pillars for C4W-Pakistan: Factories, Communities, and Agriculture.

Building on this heritage, we launched the Nestlé Waters Pledge in 2021. Under this commitment, our waters business aims to lead the regeneration of the water cycle to help create a positive water impact everywhere it operates by 2025.

Factories

Alliance for Water Stewardship (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.



In 2017, Nestlé Pakistan's Sheikhpura Factory became the first site in Pakistan and the first Nestlé site worldwide to be awarded the AWS Certification. Our factories in Islamabad, Kabirwala, and Karachi were certified in 2018, 2019, and 2020 respectively. We are the first market in the Nestlé world to have all our sites certified by the AWS standard.

In-House Efficiencies

Owing to our unwavering efforts to improve in-house efficiencies allowed us to save more than 56,000 m³ of water in 2023 across our manufacturing units by recycling and reusing water. Moreover, we only discharge wastewater resulting from our industrial processes after treating it in compliance with the standards set by the environmental authorities.

WASH Pledge

We have undertaken the WASH (Water, Sanitation and Hygiene) Pledge, as part of which companies commit to implement 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 3,600 employees.



In Commitment with

The image shows three icons for Sustainable Development Goals: Goal 6 (Clean Water and Sanitation) in a blue box, Goal 13 (Climate Action) in a green box, and Goal 17 (Partnerships for the Goals) in a dark blue box. To the left is the 'Sustainable Development Goals' logo.

Communities

Clean and Safe Drinking Water Facilities

We have established 7 Clean and Safe Drinking Water Facilities providing access to clean and safe water to more than 70,000 people every day. Nestlé has also taken the responsibility of maintaining these facilities 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 40,000 children and 550 teachers in schools in 2023.

Agriculture

Drip Irrigation

Working together with the Agriculture Department, Government of Punjab, Nestlé Pakistan has encouraged local farmers to take up drip irrigation. Under this initiative, we covered 40% of the farmer's cost of putting up the equipment for drip irrigation, with the remaining amount being covered by the Punjab government through a World Bank-funded program.

In addition, we are showcasing drip irrigation in collaboration with the Pakistan Agriculture and Research Council (PARC). We have also established another demonstration site in a similar partnership with the University of Veterinary and Animal Sciences (UVAS) Lahore. These sites showcase best farm practices to academia, as well as public, private and development sector practitioners.

In 2023, drip irrigation was operational across 128 acres in Punjab and 183 acres in Sindh. This allowed us to save over 223,000 m³ water, according to our estimate.

Smart Soil Moisture Sensors

Nestlé Pakistan and the Centre for Water Informatics & Technology (WIT) at the Lahore University of Management Sciences (LUMS) have 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. In addition, as part of the initiative, a software has been developed which allows farmers and researchers to access soil moisture level remotely.

In 2023, smart soil sensors were operational on 548 acres, allowing water savings of over 310,000 m³ according to our estimate. 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.

In partnership with various partners, the Nestlé Pakistan family planted more than 38,000 trees during the Nestlé Cares Tree plantation campaign in 2023. Nestlé launched the drive with a plantation activity at Jilani Park Lahore which was organized in partnership with Parks and Horticulture Authority (PHA). Multiple tree plantation activities were organized in District Khanewal and District Sheikhpura in partnership with respective District Environment Protection Agencies. In Islamabad, a tree plantation drive was launched with the collaboration and support of the Capital Development Authority and the federal Environment Agency.





Tree Plantation Activity in collaboration with Parks & Horticulture Authority (PHA) at Jilani Park, Lahore

In Commitment with



ENVIRONMENT SUSTAINABILITY IN 2023

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 2023, we invested our time and efforts in identifying opportunities for energy optimization by leveraging renewable energy sources across operations (including Manufacturing Units, Packaging and Agri Services). Despite various challenges, we successfully executed several projects and saved above 80,000 tCO₂e greenhouse gas emissions with those initiatives.

Water Operational Efficiency

Water savings for 2023 are 56,000 m³ across our manufacturing units. This water saving is based on initiatives taken under Alliance for Water Stewardship Standard.

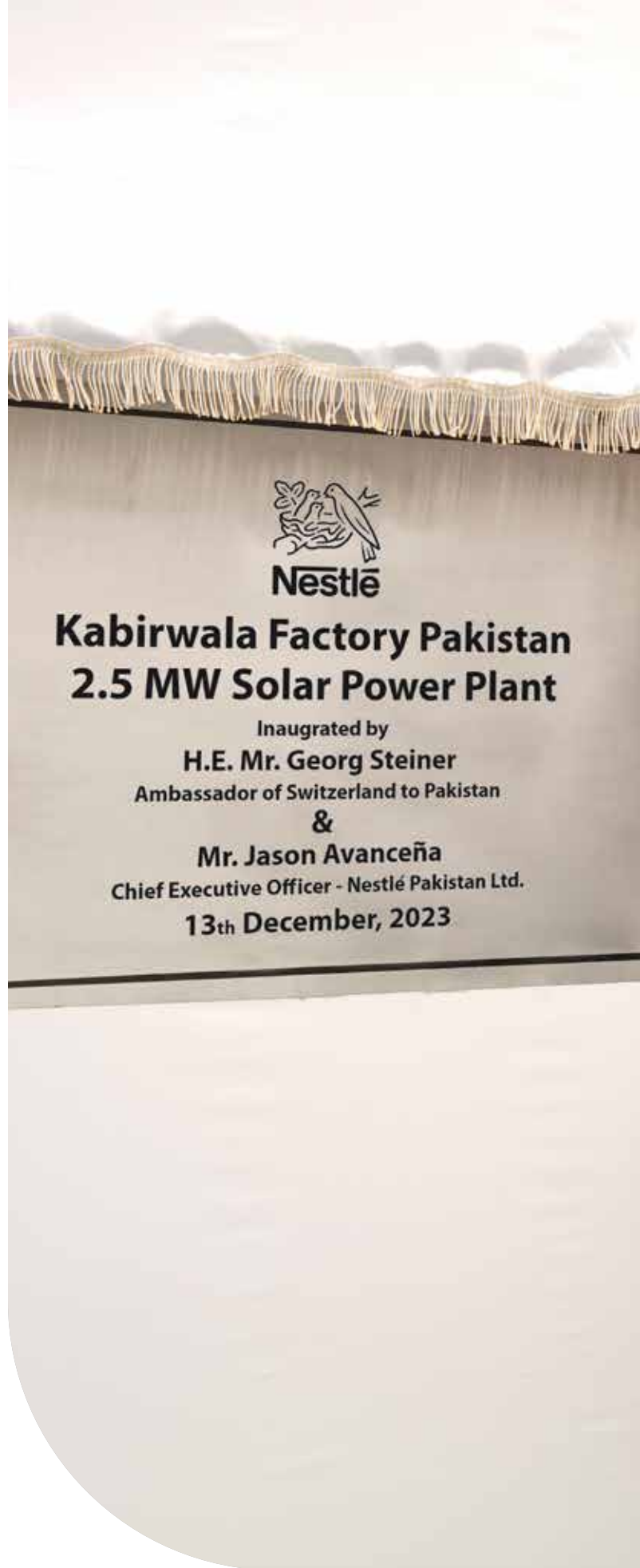
Reduction of waste at source

We make sure that waste generated from our sites is managed in accordance with the principles of recycling, reusing, and reducing.

In support of our global sustainability goals, we have implemented initiatives aimed at reducing and recycling plastic waste generated from our production sites.

Planting Trees

In 2023, Nestlé Pakistan successfully planted a total of 38,000 indigenous trees in the vicinity of our operational sites





In Commitment with





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TO THE MANAGEMENT OF THE NESTLÉ PAKISTAN LIMITED

To the management of the Nestlé Pakistan Limited

Independent Limited Assurance Report to Nestlé Pakistan Limited

We, KPMG Taseer Hadi & Co. (KPMG in Pakistan, we, us, our), were engaged by the Management of Nestlé Pakistan Limited [Nestlé Pakistan, the Company] to provide limited assurance under International Standard on Assurance Engagements (ISAE) 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” on the Sustainability commitments and associated Key Performance Indicators (KPIs) related to Climate Change, Water, and Plastic projects for the year ended 31 December 2023, of the Company.

Our scope of review is restricted only to evaluating the associated Key Performance Indicators (KPIs) related to Climate Change, Water, and Plastic projects listed in “Appendix 1” (Selection of consolidated Sustainability Commitments, Projects, and Indicators (“KPIs”)) as outlined within the Company’s Creating Shared Value (CSV), vis-à-vis Sustainability commitments, in accordance with the Applicable Criteria.

Applicable Criteria

Nestlé Pakistan Limited defined Applicable Criteria (“Applicable Criteria”) as; Nestlé Pakistan Limited’s Sustainability commitments for specific areas and projects relating to climate change, water and plastic provided on page 4 in the Creating Shared Value Report.

Management’s Responsibilities

Management is responsible for the preparation, presentation and selecting of the Sustainability Commitments and Key Performance Indicators (KPIs); in all material respects, the disclosed KPIs in accordance with the Applicable Criteria and the information and assertions contained within it; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities through its internal due diligence mechanisms and framework. Management is additionally responsible for ensuring that staff involved with preparing and presenting the Sustainability Commitments and Key Performance Indicators (KPIs) are adequately trained, and that any changes in the Sustainability Commitments and KPIs encompass all significant business units.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Pakistan (ICAP), which includes independence and other requirements on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality, and professional behaviour. The firm applies the applicable standards on quality management and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



KPMG Taseer Hadi & Co.

Our Responsibilities

Our responsibility is to review the above-mentioned KPIs based on the evidence we have obtained. KPMG Sustainability Assurance Manual (KSAM) guides us in examining these metrics on sustainability and we design our review procedures accordingly i.e., performed in accordance with the International Standard on Assurance Engagements ISAE 3000 [Revised] "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" [ISAE 3000] as issued by the International Auditing and Assurance Standards Board [IAASB]. This standard requires that we comply with independence requirements and plan and perform the engagement to obtain limited assurance on the selected KPIs.

Procedures Performed

A Limited Assurance engagement on sustainability commitments and KPIs consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence-gathering procedures, as appropriate. These procedures included:

- Assessment of the suitability of the Applicable Criteria in terms of their relevance, reliability, understandability and their consistent application;
- Interviewed the selected key personnel of the Company to understand the current processes in place for capturing performance data, the Company's sustainability commitments, the progress made during the reporting period, the data capture and compilation methods, as well as internal controls to the extent relevant for the Limited Assurance engagement;
- Interviewed the relevant staff responsible for providing the information in the Report;
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating data and examining such documentation on a sample basis;
- Performance of analytical procedures and inspection of documents on a sample basis with respect to the KPIs compilation;
- Execution of site visits conducted in Lahore, Sheikhpura, and Muridke in Punjab, Pakistan, to carry out inquiries of personnel responsible for internal non-financial reporting and inspection of documents on a sample basis at the sites visited;
- Critical review of the Report regarding plausibility and consistency of qualitative and quantitative information related to the Sustainability Commitments and KPIs;
- The procedures performed in a limited assurance engagement vary in nature and timing and are very less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a Limited Assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent Limitations

The procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a Limited Assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information may occur and may not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Sustainability commitments and KPIs, as the engagement has not been performed continuously throughout the period, and the procedures performed were undertaken on a test basis.

The Greenhouse Gas (GHG) quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Moreover, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.



KPMG Taseer Hadi & Co.

Additionally, the outcomes of commitments related to water conservation and regeneration are susceptible to uncertainty owing to the diverse geospatial coverage and locations involved, leading to variations in soil composition and climatic conditions which may not remain constant.

The figures concerning reductions in virgin plastic usage and the recyclability of plastic materials are subject to uncertainty due to the reliance on the Nestlé globe system for extracting comprehensive data, which is integral to performing accurate calculations. We have relied on system-generated information and our limited scope excludes the review of the system and its statistical and scientific estimation formulae and mechanisms.

Limitations

Our Limited Assurance scope excludes:

- reviewing, verifying, recalculating, or ensuring the accuracy and validity of the report's contents or disclosed data and information other than the selected KPIs as provided in Appendix 1 to our report;
- the Company's statements that describe the expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic, sustainability, and environmental aspects;
- the completeness and basis of adopting the commitments and the nature and impact of the projects adopted to achieve those KPIs;
- Data and information on the economic and financial performance of the Company, which, we are informed, are from the Company's audited financial records and/or statements;
- Any project and information related to Regenerative Agriculture.

Conclusion

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected KPIs as mentioned in "Appendix 1" have not been calculated and presented, in all material respects, in accordance with the Applicable Criteria.

In accordance with the terms of our engagement, this independent Limited Assurance report has been prepared for Nestlé Pakistan Limited in connection with reporting to Nestlé Pakistan Limited and for no other purpose or in any other context.

Restriction of Use of Our Report

Our report is released to Nestlé Pakistan Limited on the basis that it shall not be copied, referred to or disclosed, in whole (save for Nestlé Pakistan Limited's own internal purposes) or in part or without our prior written consent.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Nestlé Pakistan Limited, for any purpose or in any other context. Any party other than Nestlé Pakistan Limited who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Nestlé Pakistan Limited for our work, for this independent Limited Assurance report, or for the conclusions we have reached.

KPMG Taseer Hadi & Co.
Chartered Accountants
16 March 2024

Appendix 1: Selection of consolidated Sustainability Commitments, Projects, and Indicators (“KPIs”):

Sr. No	Commitment	Key Performance Indicator (KPI)	Reported Values for 2023
Climate Change			
1	We aim to reduce our Greenhouse Gas (GHG) emissions by 20% by 2025 and 50% by 2030 from 2018 levels, on the road to net zero by 2050 at the latest ¹	Million Metric tonnes of CO2e (%) reductions compared with business-as-usual scenario versus our 2018 baseline	-17%
2	We aim to replace grid electricity in our manufacturing operations with 100% renewable electricity ²	Electricity sourced from renewable sources (%)	96%
Water			
3	Nestlé’s Waters Business has pledged to lead the regeneration of the water cycle to create a positive water impact everywhere it operates by 2025 ³	Water regenerated (%)	71%
4	Reduce water used in our operations by 54,000 m ³ in 2023 ⁴	Water use reduction in factories (m ³)	56,000 m ³
Plastic and Packaging			
5	By 2025, we aim to design above 95% of our plastic packaging for recycling and continue to work toward 100% being recyclable ⁵	Plastic packaging designed for recycling versus our 2018 baseline	82%
6	By 2025, we aim to reduce virgin plastics by one-third, versus our 2018 baseline ⁶	Virgin plastic reduction versus our 2018 baseline	-33%

OUR PARTNERS



Contributing to Nutritious and Sustainable Diets



Strengthening Communities



Helping to Protect, Renew and Restore Natural Resources





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The mark of
responsible forestry