



**Nestlé**

Good food, Good life

# **Corporate Governance Report 2020**

# **Compensation Report 2020**

# **Articles of Association of Nestlé S.A.**

**Amended by the  
Annual General Meeting  
of April 23, 2020**



# Corporate Governance Report 2020



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## Situation at December 31, 2020

<b>3</b>	<b>1. Group structure and shareholders</b>	<b>24</b>	<b>5. Compensation, shareholdings and loans</b>
	1.1 Group structure		
	1.2 Significant shareholders		
	1.3 Cross-shareholdings		
<b>4</b>	<b>2. Capital structure</b>	<b>25</b>	<b>6. Shareholders' participation rights</b>
	2.1 Capital		6.1 Voting rights restrictions and representation
	2.2 Conditional capital		6.2 Quorums required by the Articles of Association
	2.3 Changes in capital		6.3 Convocation of the General Meeting of shareholders
	2.4 Shares and participation certificates		6.4 Inclusion of items on the agenda
	2.5 Dividend-right certificates		6.5 Entries in the share register
	2.6 Limitations on transferability and nominee registrations		
	2.7 Convertible bonds and options		
<b>6</b>	<b>3. Board of Directors <sup>(1)</sup></b>	<b>26</b>	<b>7. Change of control and defence measures</b>
	3.1 Members of the Board of Directors		7.1 Duty to make an offer
	3.2 Professional background and other activities and functions		7.2 Clauses on change of control
	3.3 Mandates outside Nestlé		
	3.4 Elections and terms of office		
	3.5 Internal organizational structure	<b>27</b>	<b>8. Auditors</b>
	3.6 Definition of areas of responsibility		8.1 Duration of the mandate and term of office of the lead auditor
	3.7 Information and control instruments vis-à-vis the Executive Board <sup>(2)</sup>		8.2 Auditing fees
			8.3 Additional fees
			8.4 Information instruments pertaining to the external audit
			8.5 Auditor rotation
<b>20</b>	<b>4. Executive Board <sup>(2)</sup></b>	<b>28</b>	<b>9. Information policy</b>
	4.1 Members of the Executive Board		
	4.2 Professional background and other activities and functions	<b>29</b>	<b>General Organization of Nestlé S.A.</b>
	4.3 Mandates outside Nestlé		
	4.4 Management contracts	<b>31</b>	<b>Compensation Report 2020</b>
		<b>53</b>	<b>Articles of Association of Nestlé S.A.</b>

(1) The full Board of Directors Regulations and Committee Charters are published on [www.nestle.com/investors/corporate-governance/boardcommittees](http://www.nestle.com/investors/corporate-governance/boardcommittees).

(2) The term Executive Committee, as used in the SIX Directive, is replaced by Executive Board throughout this document.

# Group structure and shareholders

## Preliminary remarks

The Nestlé Corporate Governance Report 2020 follows the SIX Swiss Exchange Directive on Information relating to Corporate Governance. Additional information can be found in the Compensation Report. Nestlé S.A. complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance, as in force at December 31, 2020.

To avoid duplication of information, cross-references to other reports are made in some sections, namely to the Annual Review 2020, the Financial Statements 2020, which comprise the Consolidated Financial Statements of the Nestlé Group and the Financial Statements of Nestlé S.A., as well as the Articles of Association of Nestlé S.A., whose full text can be consulted in this report (page 53) or on: [www.nestle.com/investors/corporate-governance/articles](http://www.nestle.com/investors/corporate-governance/articles).

The Consolidated Financial Statements of the Nestlé Group 2020 comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Swiss law. Where necessary, these disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive on Financial Reporting.

## 1. Group structure and shareholders

### 1.1 Group structure

Please refer to the Annual Review 2020, page 66, for the overview of Directors and Officers.

#### 1.1.1 Description of Nestlé's operational group structure

For the general organization chart of Nestlé S.A., refer to page 29 of this document. The Group's Management structure is represented in the analysis by operating segments (refer to Note 3 of the Consolidated Financial Statements of the Nestlé Group 2020, page 85).

#### 1.1.2 All listed companies belonging to the Nestlé group

The registered offices of Nestlé S.A. are in Vevey and Cham (Switzerland). Nestlé S.A. shares are listed on the SIX Swiss Exchange in Switzerland (ISIN code: CH0038863350). At December 31, 2020, the market capitalization of Nestlé S.A. was CHF 293 643 672 700. For further information see also page 71 of the Annual Review 2020 and visit our website on [www.nestle.com/investors](http://www.nestle.com/investors).

Please refer to the Consolidated Financial Statements of the Nestlé Group 2020, page 164, for the list of publicly listed companies of the Nestlé Group, with an indication of the company name, registered office, share capital, place of listing, securities' ISIN number, their market capitalization and the Company's participation.

#### 1.1.3 The non-listed companies belonging to the Nestlé Group

Please refer to the Consolidated Financial Statements of the Nestlé Group 2020, page 164, for the enumeration of companies of the Nestlé Group, joint arrangements and associates, with an indication of the company name, registered office, share capital and the Company's participation.

## 1.2 Significant shareholders

BlackRock, Inc., New York, announced most recently on October 22, 2020, holding, directly or indirectly, 4.97% of Nestlé S.A.'s share capital, and The Capital Group Companies, Inc., Los Angeles, announced on October 30, 2017, holding, directly or indirectly, 3.55% of Nestlé S.A.'s share capital. Apart from the foregoing, Nestlé S.A. is not aware of any other shareholder holding, as at December 31, 2020, Nestlé S.A. shares in excess of 3% of the share capital.

During 2020, the Company published on the electronic publication platform of the SIX Swiss Exchange 28 disclosure notifications pertaining to the holding of Nestlé S.A. shares by BlackRock, Inc., New York (the latest one relating to the announcement mentioned above) and one disclosure notification concerning the holding of its own shares. The details of these disclosure notifications can be accessed on the publication platform of the SIX Swiss Exchange following this link: <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#>.

With respect to nominees, Chase Nominees Ltd, London, was a registered Nominee N (refer to point 2.6.3. below) of 342 473 830 shares, i.e. 11.89% of the shares of the Company as at December 31, 2020. At the same date, Citibank N.A., London, as depositary for the shares represented by American Depositary Receipts, was the registered holder of 215 425 492 shares, i.e. 7.48% of the shares of the Company. Also on December 31, 2020, Nortrust Nominees Ltd, London, was a registered Nominee N of 126 087 465 shares of the Company, representing 4.38% of the shares.

## 1.3 Cross-shareholdings

The Company is not aware of cross-shareholdings exceeding 5% of the capital or voting rights on both sides.

## 2. Capital structure

### 2.1 Capital

The ordinary share capital of Nestlé S.A. is CHF 288 100 000. The conditional share capital is CHF 10 000 000. Nestlé S.A. does not have any authorized share capital.

### 2.2 Conditional capital

The share capital may be increased (without time limitation) in an amount not to exceed CHF 10 000 000 by issuing up to 100 000 000 registered shares with a nominal value of CHF 0.10 each (representing 3.47% of the currently issued share capital) through the exercise of conversion rights and/or option rights granted in connection with the issuance by Nestlé or one of its subsidiaries of newly or already issued convertible debentures, debentures with option rights or other financial market instruments. Thus the Board of Directors has at its disposal a flexible instrument enabling it, if necessary, to finance the activities of the Company through convertible debentures.

For a description of the group of beneficiaries and of the terms and conditions of the issuance of conditional capital, refer to art. 3<sup>bis</sup> of the Articles of Association of Nestlé S.A. (\*)

### 2.3 Changes in capital

The share capital was reduced three times in the last two financial years as a consequence of a share buyback program of CHF 20 billion, launched on July 4, 2017, and completed on December 30, 2019, and the ongoing share buyback program of up to CHF 20 billion, launched on January 3, 2020. The resulting cancellations of shares were approved at the 2018, 2019 and 2020 Annual General Meetings.

On April 12, 2018, the Annual General Meeting resolved to reduce the share capital by 49 160 000 shares to CHF 306 300 000.

On April 11, 2019, the Annual General Meeting resolved to cancel 87 000 000 shares resulting in a reduction of the share capital to CHF 297 600 000.

On April 23, 2020, the Annual General Meeting resolved to cancel 95 000 000 shares leading to a reduction of the share capital to the present CHF 288 100 000.

For the breakdown of capital ("equity") for 2020, 2019 and 2018 see the consolidated statement of changes in equity in the Consolidated Financial Statements of the Nestlé Group 2020, page 73, and 2019, page 71 ([www.nestle.com/sites/default/files/2020-02/2019-financial-statements-en.pdf](http://www.nestle.com/sites/default/files/2020-02/2019-financial-statements-en.pdf)).

(\*) Nestlé S.A.'s Articles of Association can be found on page 53 and on [www.nestle.com/investors/corporate-governance/articles](http://www.nestle.com/investors/corporate-governance/articles)

## 2.4 Shares and participation certificates

Nestlé S.A.'s capital is composed of registered shares only. The number of registered shares with a nominal value of CHF 0.10 each, fully paid up, was 2 881 000 000 at December 31, 2020.

According to art. 11 par. 1 of the Articles of Association, each share recorded in the share register as a share with voting rights confers the right to one vote to its holder. See also point 2.6.1 below.

Shareholders have the right to receive dividends. There are no participation certificates.

## 2.5 Dividend-right certificates

There are no dividend-right certificates.

## 2.6 Limitations on transferability and nominee registrations

2.6.1 Limitations on transferability along with an indication of group clauses in the Articles of Association and rules for granting exceptions

According to art. 5 par. 5 of the Articles of Association, no person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all their shares through nominees pursuant to that article. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent the regulations concerning the limitation on registration or the nominees, shall be counted as one person or nominee (art. 5 par. 7 of the Articles of Association). The limitation on registration also applies to shares acquired or subscribed by the exercise of subscription, option or conversion rights (art. 5 par. 10 of the Articles of Association). See also art. 5 par. 6 and par. 9 of the Articles of Association and point 2.6.3 below.

2.6.2 Reasons for granting exceptions in the year under review

Please refer to points 2.6.3 and 6.1.3 below.

2.6.3 Admissibility of nominee registrations, indication of percent clauses and registration conditions

Pursuant to art. 5 par. 6 and par. 9 of the Articles of Association, the Board of Directors has issued regulations concerning the application of art. 5 of the Articles of Association. The regulations on nominees set forth rules for the entry of nominees as shareholders in the share register.

They allow the registration of:

- Nominees N ("N" as Name of beneficial owner disclosed): where trading and safekeeping practices make individual registration of beneficial owners difficult or impractical, shareholders may register their holdings through a Nominee N with voting rights, subject to the specific understanding that the identity and holdings of beneficial owners are to be disclosed to the Company, periodically or upon request. Voting rights of Nominees N are to be exercised on the basis of voting instructions received from the beneficial owners. For voting purposes, holdings of a Nominee N, or Nominees N acting as an organized group or pursuant to a common agreement, may not exceed 5% of the share capital of the Company. Holdings exceeding the 5% limit (respectively the limit fixed by the Board of Directors, see point 6.1.3 below) are registered without voting rights. The responsibility for disclosure of beneficial owners and their holdings resides with the nominees registered in the share register.
- Nominees A ("A" as Anonymous beneficial owner): registration without voting rights.

In line with its regulations, in order to facilitate trading of the shares on the Stock Exchange, the Board of Directors has authorized certain nominees to exceed the 5% limit to be registered as nominees with voting rights.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability  
Please refer to point 6.1.3 below.

## 2.7 Convertible bonds and options

As at December 31, 2020, there are no outstanding convertible bonds or warrants/options issued by Nestlé S.A. or by subsidiaries on Nestlé S.A. shares.

# Board of Directors

## 3. Board of Directors

### 3.1 Members of the Board of Directors

Nestlé's Board of Directors is highly structured to ensure a high degree of diversity by age, gender, education/qualifications, professional background, present activity, sector expertise, special skills (classification), nationality and geography. This is reflected in Nestlé's skills and diversity grid disclosed here.

	Name	Year of birth	Education/Qualifications <sup>(a)</sup>	Professional background
1	Paul Bulcke	1954	Economics and Business Administration	Chairman, Nestlé S.A.
2	Ulf Mark Schneider	1965	Economics, Business Administration and Finance & Accounting	CEO, Nestlé S.A.
3	Henri de Castries <sup>(c)</sup> <sup>(d)</sup>	1954	HEC, Law and École Nationale d'Administration (ENA)	Former Chairman and CEO, AXA French Ministry, Government
4	Renato Fassbind	1955	Economics, Business Administration and Finance & Accounting	Former CFO, ABB and Credit Suisse Former CEO, Diethelm Keller Group
5	Pablo Isla	1964	Law	Lawyer, Former State Attorney, Government Spain Banking, Banco Popular España
6	Ann M. Veneman	1949	Law, Public Policy and Political Science	Former Secretary, USDA Former Executive Director, UNICEF Lawyer
7	Eva Cheng	1952	Business Administration and History	Former Amway China Chairwoman and EVP, Amway Corporation
8	Patrick Aebischer	1954	Medicine and Neuroscience	President Emeritus, Swiss Federal Institute of Technology Lausanne (EPFL)
9	Ursula M. Burns	1958	Mechanical Engineering	Former Chairman, Xerox Corporation
10	Kasper B. Rorsted	1962	Business Administration	CEO, Former general management Henkel, Compaq/Hewlett Packard
11	Kimberly A. Ross	1965	Business Administration and Finance & Accounting	Former CFO, Baker Hughes, Avon Products, Royal Ahold NV WeWork
12	Dick Boer	1957	Business Administration	Former President and CEO, Ahold Delhaize NV
13	Dinesh Paliwal	1957	Engineering, Applied Sciences, Business Administration	Former Chairman and CEO, Harman International Former President, ABB Ltd.
14	Hanne Jimenez de Mora	1960	Business Administration	Former Partner McKinsey & Company

(a) For more complete information on qualifications: please refer to section 3.2 and the individual CVs on [www.nestle.com/aboutus/management/boardofdirectors](http://www.nestle.com/aboutus/management/boardofdirectors)

(b) All Board members are elected annually in accordance with Swiss Corporate law and Nestlé S.A.'s Articles of Association.

(c) Vice Chairman.

(d) Lead Independent Director. The Lead Independent Director assumes the role of a prime intermediary between the Board and the Chair. He regularly convenes and chairs Board meetings and "in-camera" sessions where the Chair is not present or conflicted.



Present functions/mandates (listed companies)	Sector	Classification	Nationality	First Election	Expires <sup>(b)</sup>
Chairman, Nestlé S.A. Roche Ltd. L'Oréal S.A.	Food & Beverages	FMCG/CEO	Belgian/Swiss	April 10, 2008	2021
CEO, Nestlé S.A.	Food & Beverages	CEO	German/US	April 06, 2017	2021
HSBC Holdings plc	Insurance & Finance	Insurance/CEO	French	April 19, 2012	2021
Vice Chairman, Swiss Re AG Kühne + Nagel International SA	Finance	Financial Management/ CFO	Swiss	April 16, 2015	2021
Executive Chairman, Inditex	Retail	Finance/Legal/ FMCG/CEO	Spanish	April 07, 2018	2021
Global Health Innovative Technology Fund, Full Harvest Technologies Inc., Washington Institute for Business, Government and Society, CHAI and various advisory mandates	Government/NGOs	Government/NGOs/ Sustainability	US	April 14, 2011	2021
Haier Electronics Group Co. Ltd.	Personal Care & Nutrition	FMCG/ Sustainability	Chinese	April 11, 2013	2021
Logitech SA	Science	Scientist	Swiss	April 16, 2015	2021
Exxon Mobil Corporation Uber Technologies Inc.	Technology	Information Systems/ CEO	US	April 06, 2017	2021
CEO, adidas AG	Retail Technology	Information Systems/ FMCG/CEO	Danish	April 07, 2018	2021
Cigna Corporation	Finance Personal Care Food Retail Oil & Gas	Financial Management/ FMCG/CFO	US	April 07, 2018	2021
Royal Dutch Shell, plc Chairman, G-Star RAW CV SHV Holdings N.V.	Food Retail Digital	FMCG/CEO	Dutch	April 11, 2019	2021
Bristol-Myers Squibb Raytheon Company	Technology Digital	Information Systems/ CEO/Sustainability	US/Indian	April 11, 2019	2021
Co-founder and Chairperson, a-connect Group AB Volvo Metso Outotec Oyj	Management Consulting	Customer Service/ Corporate Strategy/ Sustainability	Swiss	April 23, 2020	2021

### **Board diversity**

The working guidelines used for the selection of new Board members state that the Board of Directors should at all times be well-balanced, including with respect to Swiss and non-Swiss nationals, the members' individual experiences, expertise, competencies and personal attributes (so as to support regular succession planning for the Board as a whole and for its various Committees).

The Nomination and Sustainability Committee periodically reviews the composition of the Board using various criteria, including, without limitation:

- the Board's cumulative experience and expertise in (international) business leadership, legal/compliance/risk management, science, finance, marketing, IT, technology, government/politics, sustainability and other relevant fields;
- diversity of competencies including education, function, industry and geographic business experience;
- the Board's diversity of personal attributes including gender, age, ethnicity, nationality, culture and leadership approach;
- the Board's general age and term limits.

The Board should at all times be composed of:

- a majority of independent members; and
- members with the specific abilities or skills to serve on one or more of the various Board Committees.

#### 3.1.1 Management tasks of the members of the Board of Directors

With the exception of Ulf Mark Schneider, all members of the Board of Directors are non-executive members. Paul Bulcke is active Chairman and has certain responsibilities for the direction and control of the Group with respect to Nestlé Health Science and Nestlé's engagement with L'Oréal.

#### 3.1.2 Information on non-executive members of the Board of Directors

With the exception of Paul Bulcke, all non-executive members of the Board of Directors are independent, were not previously members of the Nestlé management and have no important business connections with Nestlé.

Pursuant to Nestlé's Board Regulations, a Director shall be considered independent, if he/she is not and has not been employed as an executive officer at the Company or any of its principal subsidiaries or as employee or affiliate of the Group's external auditor for the past three years and does not maintain, in the sole determination of the Board, a material direct or indirect business relationship with the Company or any of its subsidiaries. Directors with immediate family members who would not qualify as independent shall not be considered independent, subject to a three-year cooling-off period.

Nestlé's succession planning process is highly structured and managed by the Board's Nomination and Sustainability Committee with the support of outside consultants when necessary.

Subject to specific exceptions granted by the Board, members are subject to twelve-year term limits. According to Nestlé's Board Regulations <sup>(a)</sup>, an age limit of 72 years applies. This allows for continuous refreshment and long-term succession planning according to Nestlé's skills and diversity grid.

#### 3.1.3 Cross-involvement

None.

(a) Nestlé S.A.'s Board Regulations can be found on [www.nestle.com/investors/corporate-governance/boardcommittees](http://www.nestle.com/investors/corporate-governance/boardcommittees)

### 3.2 Professional background and other activities and functions <sup>(\*)(\*\*)</sup>

#### Paul Bulcke Chairman

Paul Bulcke began his career in 1977 as a financial analyst for Scott Graphics International in Belgium before moving to the Nestlé Group in 1979 as a marketing trainee. From 1980 to 1996, he held various responsibilities in Nestlé Peru, Nestlé Ecuador and Nestlé Chile before moving back to Europe as Managing Director of Nestlé Portugal, Nestlé Czech and Slovak Republic, and Nestlé Germany. In 2004, he was appointed Executive Vice President, responsible for Zone Americas. In April 2008, Paul Bulcke was elected member of the Board of Directors of Nestlé S.A. and the Board appointed him Chief Executive Officer (CEO).

As of December 31, 2016, Paul Bulcke relinquished his function as CEO remaining member of the Board of Directors. In April 2017, Paul Bulcke was elected Chairman of the Board of Directors of Nestlé S.A.

As a Nestlé S.A. representative, he serves as Vice Chairman on the Board of L'Oréal S.A., France.

Paul Bulcke is also a Board member of Roche Holding Ltd, Switzerland.

In addition, he serves as Co-Chairman of the 2030 Water Resources Group (WRG) and is a member of the Board of Trustees of Avenir Suisse, Switzerland, the European Round Table of Industrialists (ERT), Belgium, and the J.P. Morgan International Council.

#### Ulf Mark Schneider CEO

Mark Schneider started his career in 1989 with Haniel Group in Germany, where he held several senior executive positions. In 2001, he joined Fresenius Medical Care as Chief Financial Officer. He was CEO of Fresenius Group between 2003 and 2016. Since January 2017, Mark Schneider has served as Chief Executive Officer (CEO) of Nestlé S.A. In April 2017, Mark Schneider was elected member of the Board of Directors of Nestlé S.A.



Mark Schneider is a member of the Board of the Consumer Goods Forum as well as of the World Economic Forum (WEF) Board of Trustees and its International Business Council.

#### Henri de Castries Vice Chairman Lead Independent Director

Henri de Castries started his career in the French Finance Ministry Inspection Office, auditing government agencies from 1980 to 1984. In 1984, he joined the French Treasury Department. As of 1989, he joined AXA Corporate Finance Division. Two years later, he was appointed Senior Executive Vice President for the Group's asset management, financial and real-estate business. Henri de Castries was Chairman of the AXA Management Board from May 2000 to April 2010. Since April 2010, following a modification of the corporate governance structure, he was Chairman and CEO of AXA, functions he relinquished in 2016.

In March 2016, Henri de Castries joined the Board of HSBC Holdings plc. and he will serve on the Board of Stellantis as of January 2021.

#### Renato Fassbind

Renato Fassbind started his career in 1982 as Managing Director of Kunz Consulting AG. From 1984 until 1990, he was Auditor and ultimately Head of Internal Audit at F. Hoffmann-La Roche AG. Renato Fassbind then joined ABB Ltd and served between 1990 and 1997 as Head of Corporate Staff, Audit and then as CFO and member of the Executive Board from 1997 to 2002. Subsequently, he joined Diethelm Keller Holding AG as CEO from 2002 to 2004. He joined Credit Suisse Group AG as CFO and member of the Executive Board from 2004 until 2010.

Currently, Renato Fassbind serves as Vice Chairman and Lead Independent Director of the Board of Directors of Swiss Re AG, he is also the Chairman of its Audit Committee and a member of its Compensation Committee. Furthermore, Renato Fassbind serves on the Board of Kühne + Nagel International AG and is a member of its Audit Committee.



(\*) Mandates and functions are listed in the following order: (1) mandates in listed companies, (2) mandates in non-listed companies, (3) mandates held at the request of Nestlé or companies controlled by it, (4) mandates held in associations, charitable organizations, foundations, trusts and employee welfare foundations.

(\*\*) For information on former members of the Board of Directors see page 35 and [www.nestle.com/investors/corporate-governance/former-members-board-of-directors](http://www.nestle.com/investors/corporate-governance/former-members-board-of-directors).

### **Pablo Isla**

From 1988 to 1991, Pablo Isla was a Spanish State Attorney at the Ministry of Transport, Tourism and Communication. From 1992 to 1996 he was Group General Counsel for Banco Popular Español. In 1996, Pablo Isla was appointed General Manager for the National Heritage Department of the Treasury Ministry, Government of Spain. In 1998, he rejoined the Banco Popular Español as General Secretary. From 2000 to 2005, Pablo Isla was Co-Executive Chairman of Altadis Group, Spain. In 2005, he was named CEO and Deputy Chairman of Inditex S.A., Spain, and was appointed Executive Chairman of the company in 2011.

From 2003 until 2017, he served as Independent Director of the Spanish telecom company, Telefonica S.A.



### **Eva Cheng**

Eva Cheng joined Amway Corporation – a US-based global consumer product company – in 1977 as an Executive Assistant in Hong Kong and moved to become Corporate Executive Vice President in 2005 responsible for Greater China and Southeast Asia Region, a position she held until her retirement in 2011. Eva Cheng is most well-known for leading Amway's entry into China in 1991. She also held Amway China's Chairperson and CEO position since market launch until her retreat in 2011.

In 2008 and 2009, Eva Cheng was twice named to Forbes The World's 100 Most Powerful Women list. She has also received numerous awards and honors for her business leadership and community service.

From 2014 until 2019, she served as Independent Non-Executive Director of the global packing company Amcor Limited.

Presently, Eva Cheng serves as Independent Non-Executive Director on the Board of Haier Electronics Group Co. Ltd. in Hong Kong, China. She is also the Executive Director of the Our Hong Kong Foundation, a public policy think tank in Hong Kong.



### **Ann M. Veneman**

An attorney by training, Ann M. Veneman was Secretary of the United States Department of Agriculture (USDA) from 2001 to 2005. She then served a five-year term as the Executive Director of the United Nations Children's Fund. Earlier in her career she practiced law and was in various positions in the USDA. She also served four years as the Secretary of the California Department of Food and Agriculture. She is currently a member of the Boards of Full Harvest Technologies Inc., the Global Health Innovative Technology Fund, the Clinton Health Access Initiative and The Washington Institute for Business, Government and Society. Ann M. Veneman is on a number of advisory boards including KDC Ag, Memphis Meats, Perfect Day, TerraVesco, Ukko, JUST Capital and BRAC. She is a member of the Council on Foreign Relations. In addition, Ann M. Veneman is a member of the Hilton Humanitarian Prize Jury.

In 2009, she was named to Forbes The World's 100 Most Powerful Women list, and she has been the recipient of numerous awards and honors throughout her career.

Ann M. Veneman also serves as member of the Nestlé CSV (Creating Shared Value) Council.



### **Patrick Aebischer**

Patrick Aebischer was trained as an MD and neuroscientist at the University of Geneva and the University of Fribourg, Switzerland.

He is a Professor of neurosciences at the Brain Mind Institute EPFL.

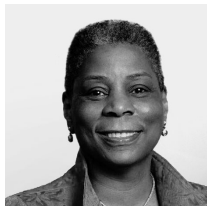
From 1984 to 1992, he was Faculty member of Brown University, USA. In 1992, he returned to Switzerland as a Professor and Director of Surgical Research Division and Gene Therapy Center at the University Hospital of Lausanne (CHUV). From 2000 to end 2016, Patrick Aebischer was the President of the Swiss Federal Institute of Technology Lausanne (EPFL). Furthermore, Patrick Aebischer is founder of three start-ups: CytoTherapeutics Inc. (1989), Modex Therapeutics Inc. (1996) and Amazentis SA (2007).

Currently, he serves as a Board member of Logitech International S.A. and is Chairman of Novartis Venture Funds. Furthermore, Patrick Aebischer is a senior partner of NanoDimension-III and is a member of the Foundation Boards of the Verbier Festival and the Montreux Jazz Festival. In addition, Patrick Aebischer serves as Vice Chairman on the Geneva Science and Diplomacy Anticipator Foundation, Switzerland.



### **Ursula M. Burns**

Ursula M. Burns joined Xerox in 1980 and advanced through engineering and manufacturing functions to leadership positions in manufacturing, operations and product development. She was Chairman of the Board of the Xerox Corporation from 2010 to 2017 and CEO from 2009 to 2016. Ursula M. Burns was appointed as Chairman of the Board of VEON Ltd. in June 2017 and CEO since December 2018. Effective March 2020, she relinquished her function as CEO and effective June 2020, the function as Chairman of the Board. Presently, Ursula Burns serves on the Boards of Exxon Mobil Corporation and Uber Technologies Inc., USA. She is also a member of the Boards of IHS Towers and Waystar.



Furthermore, Ursula M. Burns also provides leadership counsel to various community, educational and non-profit organizations including the Massachusetts Institute of Technology, NAF (National Academy Foundation), the Mayo Clinic and the Ford Foundation as well as the New York Ballet, the Cornell Tech Board of Overseers and The High Line.

Ursula M. Burns is a member of the National Academy of Engineering, The Royal Academy of Engineering and the American Academy of Arts and Sciences.

### **Kasper B. Rorsted**

Kasper Rorsted started his career in sales and marketing positions within Oracle and Digital Equipment Corporation. From 1995, he held various international management positions at Compaq and from 2001 he was General Manager for the company's Europe, Middle East & Africa (EMEA) business. In 2002, Compaq merged with Hewlett Packard. Between 2002 and 2004, Kasper Rorsted was Senior Vice President and General Manager at Hewlett Packard, where he last headed the EMEA business. In April 2005, he joined Henkel as Executive Vice President Human Resources, Purchasing, Information Technologies and Infrastructure Services. In 2007, he was Vice Chairman of the Henkel Management Board. As of April 2008 until 2016, he held the position of CEO. In August 2016, Kasper Rorsted joined the Executive Board of adidas AG and became its CEO in October 2016.



### **Kimberly A. Ross**

Kimberly A. Ross started her finance career at the Anchor Glass Container Corporation, USA, in 1992. In 1995, she joined Joseph E. Seagram & Sons Inc., USA, where she held a number of management positions. In 2001, Kimberly A. Ross joined Ernst & Young Global Limited, USA, as a Senior Manager. In the same year, she joined Royal Ahold NV, Netherlands, and advanced through a series of successively responsible positions in treasury, tax and finance before her appointment as CFO in 2007. From 2011 until 2014, Kimberly A. Ross served as CFO and Executive Vice President of Avon Products Inc., USA. She served as CFO and Senior Vice President at Baker Hughes LLC, USA, from 2014 until 2017.



From March 2020 until end October 2020, she held the position of CFO at WeWork, USA.

Kimberly A. Ross is also a member of the Board of Cigna Corporation, USA.

### **Dick Boer**

Dick Boer spent more than 17 years in various retail positions for SHV Holding N.V. and Unigro N.V. in the Netherlands. Thereafter he became CEO of Ahold Czech Republic in 1998, and subsequently President and CEO of Albert Heijn B.V., Netherlands, from 2000 to 2010. From 2006 to 2011, he held the position of Chief Operating Officer of Ahold Europe and from 2011 to 2016, Dick Boer was President and CEO of Ahold N.V. From 2016 until his retirement in 2018, he was President and CEO of Ahold Delhaize N.V.



In May 2020, he joined the Board of Royal Dutch Shell plc. Dick Boer serves as Chairman of the Advisory Board of G-Star RAW CV and the Rijksmuseum Fonds, Netherlands. He is also Chairman of the Supervisory Board of the Royal Concertgebouw, Netherlands, as well as a non-executive Board member of SHV Holdings N.V., Netherlands.

### **Dinesh Paliwal**

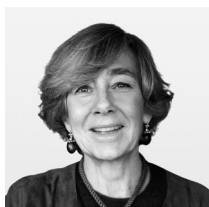
Dinesh Paliwal spent 22 years with Switzerland based ABB Group. He began his career in engineering but quickly expanded his role to manage R&D, manufacturing and regional P&L roles while residing in USA, China, India, Singapore, Australia and Switzerland. His last role in ABB was Chairman and CEO of ABB USA and Global President of all Markets and Technology. In 2007, Dinesh Paliwal joined Harman International (USA) as Chairman and CEO. Upon Harman's acquisition by Samsung in 2017, he remained CEO of Harman until he stepped down in April 2020 and assumed the role of Senior Advisor to the Harman/Samsung Board and CEO.



Furthermore, Dinesh Paliwal serves on the Boards of Bristol-Meyers Squibb and Raytheon Technologies (after the merger of United Technologies and Raytheon Company). He is also a member of the Business Roundtable, Washington DC and of the Board of the U.S.-India Business Council (USIBC).

### **Hanne Jimenez de Mora**

Hanne Jimenez de Mora started her career as a credit analyst with DNB Bank in Luxembourg, and subsequently held brand manager and controller roles at Procter & Gamble in Sweden and Switzerland. She was a partner at McKinsey & Company in Switzerland until 2002. Since 2002 she is co-founder and Chairperson of a-connect (group) AG, a global management consultant firm based in Zurich.



Hanne Jimenez de Mora is a member of the Boards of AB Volvo, Sweden and Metso Outotec Oyj, Finland. She serves also as Vice Chair and Supervisory Board member of IMD Business School, Switzerland.

### **3.3 Mandates outside Nestlé**

Pursuant to art. 21<sup>sexies</sup> of the Articles of Association, no member of the Board of Directors may hold more than 4 additional mandates in listed companies and 5 additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

- a) mandates in companies which are controlled by Nestlé;
- b) mandates which a member of the Board of Directors holds at the request of Nestlé or companies controlled by it. No member of the Board of Directors shall hold more than 10 such mandates; and

- c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors shall hold more than 10 such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

The Board of Directors has promulgated regulations that determine additional restrictions.

All members of the Board of Directors comply with the provisions set out in art. 21<sup>sexies</sup>.

### **3.4 Elections and terms of office**

Pursuant to art. 6 par. 2 of the Articles of Association, the General Meeting has the competence to elect and remove the members of the Board of Directors.

The Chair of the Board of Directors, the members of the Board of Directors and the members of the Compensation Committee are elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting (art. 15 of the Articles of Association).

Members of the Board of Directors whose term of office has expired are immediately eligible for re-election.

The Board of Directors elects one or two Vice Chairs and the members of the Committees other than the Compensation Committee.

The term of office of a Board member shall expire no later than at the Annual General Meeting following the member's 72nd birthday.

Rules in the Articles of Association reflect the statutory legal provisions with regard to the appointment of the Chair, the members of the Compensation Committee and the independent representative.

For the principles of the selection procedure, see points 3.1.2 above and 3.5.2 below.

For the time of first election and term of office, see point 3.1 above.

### 3.5 Internal organizational structure

#### 3.5.1 Allocation of tasks within the Board of Directors

	Chair's and Corporate Governance Committee	Compensation Committee	Nomination and Sustainability Committee	Audit Committee
Paul Bulcke Chairman	• (Chair)		•	
Ulf Mark Schneider CEO	•			
Henri de Castries Vice Chairman Lead Independent Director	•		• (Chair)	•
Renato Fassbind	•			• (Chair)
Pablo Isla	•	• (Chair)		
Ann M. Veneman			•	
Eva Cheng			•	•
Patrick Aebischer		•		
Ursula M. Burns		•		
Kasper Rorsted				
Kimberly A. Ross				•
Dick Boer		•		
Dinesh Paliwal			•	
Hanne Jimenez de Mora				

#### 3.5.2 Tasks and area of responsibility for each Committee of the Board of Directors <sup>(a)</sup>

The powers and responsibilities of each Committee are established in the applicable Committee Charter, which is approved by the Board. Each Committee is entitled to engage outside counsel. After each Committee meeting, its Chair reports to the full Board.

##### Chair's and Corporate Governance Committee

The Chair's and Corporate Governance Committee consists of the Chair, any Vice Chair, the Lead Independent Director, the CEO (Administrateur délégué) and any other member elected by the Board. It liaises between the Chair and the full Board of Directors in order to act as a consultant body to the Chair and to expedite whenever necessary the handling of the Company's business. The Committee regularly reviews the corporate governance of the Company and prepares recommendations for the Board. It also advises on certain finance-related matters including the Company's financing and financial management and periodically reviews its asset and liability management. It receives regular reports on quality, cyber risk as well as legal and litigation matters.

While the Committee has limited authority as per the Board Regulations, it may in exceptional and urgent matters deal with business matters which might arise between Board meetings. In all cases it keeps the Board fully apprised. It reviews the Board's annual work plan.

##### Compensation Committee

The Compensation Committee consists of a Chair and a minimum of three non-executive members of the Board. All members are independent (art. 19<sup>bis</sup> par. 1 of the Articles of Association). The members of the Compensation Committee are elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting. Members of the Compensation Committee whose term of office has expired are immediately eligible for re-election. The Compensation Committee determines the system and principles for remuneration of the members of the Board of Directors and submits them to the Board for approval. It oversees and discusses the remuneration principles for Nestlé S.A. and the Nestlé Group. It prepares the proposals of the Board to be submitted for approval by the General Meeting in relation to the compensation of the

(a) For complete information please refer to the Board Regulations and Committee Charters on [www.nestle.com/investors/corporate-governance/boardcommittees](http://www.nestle.com/investors/corporate-governance/boardcommittees)

Board of Directors and the Executive Board. In addition, it proposes the remuneration of the Chair of the Board and the CEO, and approves the individual remuneration of the members of the Executive Board. It reports on its decisions to the Board and keeps the Board updated on the overall remuneration policy of the Nestlé Group. It reviews the annual Compensation Report.

#### **Nomination and Sustainability Committee**

The Nomination and Sustainability Committee consists of a Chair, who is an independent and non-executive member of the Board, preferably the Lead Independent Director; the other members are the Chair of the Board of Directors and a minimum of two independent and non-executive members of the Board. The Nomination and Sustainability Committee oversees the long-term succession planning of the Board, establishes the principles and criteria for the selection of candidates to the Board, performs a regular gap analysis, selects candidates for election or re-election to the Board and prepares a proposal for the Board's decision. It is regularly supported by external search firms.

The succession planning for the Board of Directors is highly structured and seeks to ensure a balance of relevant competencies and an appropriate diversity of its members over time. The Nomination and Sustainability Committee regularly reviews the Company's skills and diversity grid (see 3.1. above). It ensures an appropriately wide net is cast on key successions. The candidates to the Board must possess the necessary profile, qualifications and experience to discharge their duties. Newly appointed Board members receive an appropriate introduction into the business and affairs of the Company and the Group. If required, the Nomination and Sustainability Committee arranges for further training.

The Nomination and Sustainability Committee reviews, at least annually, the independence of the members of the Board as well as their outside mandates, and prepares the annual self-evaluation of the Board and its Committees.

Importantly, the Committee oversees all aspects of our environmental, social and governance performance. It reviews reports and gives advice on measures which ensure the long-term sustainability of the Company in its economic, social and environmental dimension and monitors the Company's performance against selected external sustainability indexes. It reviews the Company's commitments on environmental, social and governance aspects as well as the annual Creating Shared Value and Sustainability Report and discusses periodically how other material non-financial issues affect the Company's financial performance and how its long-term strategy relates to its ability to create shared value. It oversees the Company's response to climate change and related reporting, it ensures the Company carries out human rights due diligence and reports on its most severe human rights risks, and it oversees the Company's human capital management at Board level, including its strategies for diversity and inclusion. It periodically reviews the Company's significant stakeholders and their material interests. It meets as frequently as necessary to fulfil its tasks and prepares the relevant *in-camera* sessions of the Board of Directors.

#### **Audit Committee**

The Audit Committee consists of a Chair, who is an independent and non-executive member of the Board, and a minimum of two other non-executive members of the Board, excluding the CEO (Administrateur délégué) and any former member of the Executive Board. All members shall be independent. At least one member has to have recent and relevant financial expertise, the others must be familiar with the issues of accounting and audit. In discharging its responsibilities, the Audit Committee has unrestricted access to the Company's management, books and records. The Audit Committee supports the Board of Directors in its supervision of financial controls through a direct link to the external auditors (EY) and Nestlé Internal Audit (corporate internal auditors).



The Audit Committee's main duties include the following:

- to review, and challenge where necessary, the actions and judgements of management, in relation to the Company's year-end financial accounts;
- to make recommendations to the Board of Directors regarding the nomination of external auditors to be appointed by the shareholders;
- to discuss the audit procedures, including the proposed scope and the results of the internal and external audit;
- to keep itself regularly informed on important findings of the audits and of their progress;
- to oversee the quality of the internal and external auditing;
- to present the conclusions on the approval of the Financial Statements to the Board of Directors;
- to review reports regarding internal controls, compliance, fraud, enterprise risk management and the Group's annual risk assessment.

The Audit Committee regularly reports to the Board on its findings and proposes appropriate actions. The responsibility for approving the annual Financial Statements remains with the Board of Directors.

Meetings held in 2020	Frequency	Average duration (hours)
Board of Directors of Nestlé S.A.	10 times	2:30
Chair's and Corporate Governance Committee	10 times	2:05
Compensation Committee	4 times	1:15
Nomination and Sustainability Committee	4 times	1:10
Audit Committee	4 times	2:30

Board members	Board meetings attended				
Paul Bulcke	10	Ann M. Veneman	10	Kimberly A. Ross	10
Ulf Mark Schneider	10	Eva Cheng	8	Dick Boer	10
Henri de Castries	10	Patrick Aebischer	10	Dinesh Paliwal	10
Renato Fassbind	10	Ursula M. Burns	10	Hanne Jimenez de Mora	10
Pablo Isla	10	Kasper B. Rorsted	7		

### 3.5.3 Work methods of the Board of Directors and its Committees

The Board meets as often as necessary, at least quarterly, and on notice by the Chair or by the person designated by him. In addition, the Board must be convened as soon as a Board member requests the Chair to call a meeting. All Committees provide a detailed report to the full Board at each meeting in a dedicated Chair's session. The Board regularly meets for *in-camera* sessions (without CEO) and independent director meetings (without Chair and CEO).

The Board reserves at least one day per year to discuss the strategic long-term plan of the Company. In addition, every year the Board visits one operating company for three to five days. In 2020 the Board met virtually due to the pandemic.

The average attendance at the Board meetings in 2020 was 97%. All Board meetings, with the exception of certain Chair's and *in-camera* sessions, are attended by all members of the Executive Board. In addition, members of the Executive Board and senior management participate in Committee meetings, if appropriate, when a Committee discusses matters in relation to their respective responsibilities. The CEO may partially attend the meetings of the Audit Committee, the Nomination and Sustainability Committee and the Compensation Committee as an invited guest, except on matters where he may have a conflict of interest. Furthermore, both the external auditor and the Head of Nestlé Internal Audit participate in the Audit Committee meetings except for regular *in-camera* sessions. No external subject matter experts were invited to the Board and Committee meetings in 2020.

The Company performs annual self-evaluations of the Board and its Committees including confidential, anonymous feedback and individual interviews. Findings are appropriately addressed. An open, transparent and critical board room culture forms the basis for the Board of Directors' annual review of its own performance and effectiveness. The Board of Directors conducts the self-assessment on the basis of anonymous questionnaires which deal with the Board's composition, organization and processes, the Board's responsibilities governed by the Board Regulations as well as the focus areas and goals of the year under review. The topics are discussed and take-aways defined to be incorporated in the goals for the upcoming year. In addition, each Board Committee annually reviews the adequacy of its composition, organization and processes as well as the scope of its responsibilities, assesses its accomplishments and evaluates its performance. In 2020, the Board reviewed its Committee charters in particular to make its risk- and sustainability-related responsibilities more explicit.

### 3.5.4 Lead Independent Director

The Lead Independent Director assumes the role of a prime intermediary between the Board and the Chair. He may convene and chair Board meetings and *in-camera* sessions, where the Chair is not present. He serves as an advisor to the Chair and acts as an intermediary between the Chair, the Board and the Board's stakeholders. He chairs meetings of the independent directors to evaluate the performance of the Chair and the effectiveness of the relationship between the Chair and the CEO.

### 3.6 Definition of areas of responsibility

The governing bodies have responsibilities as follows:

#### 3.6.1 Board of Directors <sup>(1)</sup>

The Board of Directors is the ultimate governing body of the Company. It is responsible for the long-term strategy and the ultimate supervision of the Group. It oversees the Group's economic, social and environmental sustainability. The Board attends to all matters which are not reserved for the Annual General Meeting or another governance body of the Company by law, the Articles of Association or specific regulations issued by the Board of Directors.

Under Nestlé's governance model, the CEO (Administrateur délégué) is a full member of the Board of Directors, ensuring full alignment on its critical responsibilities and proper checks and balance between the Chair and CEO.

The Board has the following main duties:

- a) the ultimate direction of the Company, in particular the conduct, management and supervision of the business of the Company, and the provision of necessary directions;
- b) the determination of the Company's organization;
- c) the determination of accounting and financial control principles, as well as the principles of financial planning;
- d) the appointment and removal of any Vice Chair, the Committee members (except the members of the Compensation Committee) and their Chairs and members of the Executive Board;
- e) the ultimate supervision of the Chair and the members of the Executive Board, in particular with respect to their compliance with the law, the Articles of Association, the Board Regulations and instructions given from time to time by the Board;
- f) the preparation of the Annual Report including the Compensation Report as well as the General Meetings and execution of their resolutions;
- g) the notification of the court in the event of over indebtedness;
- h) the discussion and approval of:
  - the Group's long-term strategy and annual investment budget;
  - major financial operations;
  - any significant policy issue dealing with the Company's or the Group's general structure or with financial, commercial and industrial policy;
  - Corporate Governance Principles of the Company;

- the review of and decision on any report submitted to the Board;
- the Group's annual risk assessment; and
- the compensation proposals to the General Meeting.

#### 3.6.2 Executive Board

The Board of Directors delegates to the CEO, with the authorization to subdelegate, the power to manage the Company's and the Group's business, subject to law, the Articles of Association and the Board Regulations.

The CEO chairs the Executive Board and delegates to its members individually the powers necessary for carrying out their responsibilities, within the limits fixed in the Executive Board Regulations.

### 3.7 Information and control instruments vis-à-vis the Executive Board

The Board of Directors is, at each of its meetings, informed on material matters involving the Company's and the Group's business. Except for regular in camera sessions, the members of the Executive Board attend the Board of Directors meetings and report on current developments, significant projects and events. Other members of management attend Board meetings to report on areas of the business for which they are responsible. Each Board member is entitled to request and receive information from the CEO and from other members of the Executive Board. In preparation for each Board meeting, the Board is provided with an overview of business performance and consolidated financial information. In addition, regular written reports by the Executive Board are provided, including e.g. capital investment, risk, audit, compliance and strategy progress reports. The Chair and the CEO ensure the proper information flow between the Executive Board and the Board of Directors.

The Board pays a visit to a major market every year, where it meets members of senior management. The Board visited the U.S. and the Swiss Market in 2018 and 2019, respectively. Due to the pandemic, no Board visit was possible in 2020.

The Chair receives the agenda, documents and minutes of the meetings of the Executive Board as well as of the key markets and senior management meetings. He has regular meetings with the CEO and may request information about any matters relating to the Company. He may examine reports, proposals and minutes of meetings of any functions or committees of the Corporate Center or the markets or businesses.

(1) For complete information, please refer to the Board Regulations and Committee Charters on [www.nestle.com/investors/corporate-governance/boardcommittees](http://www.nestle.com/investors/corporate-governance/boardcommittees)

The Chair's and Corporate Governance Committee is regularly informed about the strategic management of the Group's financial assets and liabilities and financial risk policies. It performs twice a year a review of the assets and liabilities management by the Company's treasury, pensions and insurance departments with the Chief Financial Officer and the Head of Treasury, Pensions & Insurance being present.

The Audit Committee reviews the financial performance and assesses the effectiveness of the internal and external audit processes as well as the internal risk management organization and processes. It reviews the reports on the effectiveness of the systems for internal control and on the performance of the annual risk assessment at least once a year. It also reviews management's reports on the Company's compliance and risk management processes. It has complete and unrestricted access to the Company's management, books and records and may obtain any information it requires from the appropriate services. Members of the Executive Board and other senior management, in particular the Heads of Group Accounting & Reporting, Internal Audit and Legal and Compliance, attend the Audit Committee meetings, except for certain *in-camera* sessions.

The Nomination and Sustainability Committee reviews reports on measures that ensure the long-term sustainability of the Company in its economic, social and environmental dimension. It monitors the Company's performance against selected external sustainability indexes and reviews the annual Nestlé Creating Shared Value and Sustainability Report. It oversees the Company's response to climate change, its human rights program and human capital management. It regularly discusses how other material non-financial issues affect financial performance and how the Company's long-term strategy relates to its ability to create shared value.

The Compensation Committee reviews the Company's compensation system and principles. The Head of Human Resources is invited to the meetings, except when questions of compensation for Executive Board members are deliberated.

Additional information and control instruments include the external auditors, Ernst & Young Ltd, auditors of Nestlé S.A. and of the Consolidated Financial Statements of the Nestlé Group, who conduct their audit in compliance with Swiss law and in accordance with Swiss Auditing Standards and International Standards on Auditing, and the Nestlé Internal Audit function.

Nestlé Internal Audit comprises an organisation of one Center Team and eleven regional units of auditors covering

all the businesses (i.e. head offices, factories, distribution centers and business units) worldwide, completing audit assignments on the basis of the annual internal audit plan based on an independent risk assessment that is approved by the Audit Committee.

The role of Nestlé Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight, contributing to the continuous improvement of the Company's risk management and control systems. Nestlé Internal Audit assesses the reliability of financial and operational information, the effectiveness of controls and processes for compliance with internal, legal, regulatory and statutory requirements. Any findings are communicated in the form of an audit report, which is shared with management and the Audit Committee.

The Head of Nestlé Internal Audit reports administratively to the Chief Financial Officer and has a functional reporting line to the Chair of the Audit Committee. He reports at all the Audit Committee meetings, has direct access to the Chair of the Audit Committee and regularly meets with him for interim updates. The Audit Committee regularly receives a report on the results of the internal auditors' work that is also provided to the Chair of the Board of Directors, Executive Board members and other stakeholders. It reviews and monitors management's responsiveness to internal audit findings and recommendations. In case of major findings, a follow-up audit is planned to ensure proper remediation.

Group Risk Management provides assistance to all corporate entities with regard to risk management. Group Risk Services provides assistance to all corporate entities with regard to loss prevention, claims handling and insurance. Enterprise Risk Management (ERM) is a process applied across the Group, designed to identify potential events that may affect the Group's achievement of its strategic objectives and support the Group to ensure it acts in accordance with external regulations and internal policies. It supports Nestlé's management to raise risk awareness and to anticipate emerging risks, as well as the process of identifying appropriate mitigation actions.

The Nestlé Group adopts a dual approach using "Top-Down" and "Bottom-Up" assessments. The "Top-Down" assessment occurs annually and focuses on the Group's global risks. A "Bottom-up" assessment occurs in parallel resulting in the aggregation of individual assessments by all Markets, Regionally and Globally Managed Businesses.

Additionally, Nestlé engages with external stakeholders to better understand the issues that are of most concern to them. For each issue, the materiality matrix (reported in the Annual Review 2020, please refer to page 45) rates the

degree of stakeholder concern and potential business impact.

Group ERM combines the output of the “Top-Down” assessment, the “Bottom-Up” assessments and the external stakeholder assessments which is presented annually to the Executive Board. The Annual Risk Report is reviewed by the Audit Committee, and material risks are reviewed by the Board of Directors on an annual basis.

For more information on the Nestlé Group Enterprise Risk Management, please refer to page 60 of the Annual Review 2020.

Group Compliance and other risk- and control-related functions provide additional guidance and oversight. Risk and compliance activities are coordinated through the Group Compliance Committee to ensure a holistic, entity-wide approach. The Audit Committee is provided yearly with the Group Compliance Report, a comprehensive documentation of the Company’s compliance framework, systems, activities and improvement actions pursued by the various functions. It includes a summary of the feedback received on the Group’s internal and external integrity reporting systems as well as the functional third-party compliance audits (CARE). The Group Compliance Report is also reviewed by the Board of Directors.

For more information on the Group’s Governance and Compliance, please refer to pages 65 and 70 of the Annual Review 2020.

# Executive Board

## 4. Executive Board

### 4.1 Members of the Executive Board (December 31, 2020)

Name	Year of birth	Nationality	Education/Current function
Ulf Mark Schneider	1965	German/US	Economics, Business Administration and Finance & Accounting CEO: Nestlé S.A.
Laurent Freixe	1962	French	Business Administration EVP & CEO: Zone Americas
Chris Johnson	1961	US/Swiss	Economics and Business Administration EVP & CEO: Zone Asia, Oceania and sub-Saharan Africa
Patrice Bula	1956	Swiss	Economics and Business Administration EVP: Strategic Business Units, Marketing, Sales and Nespresso
Marco Settembri	1959	Italian	Business Administration EVP & CEO: Zone Europe, Middle East and North Africa
François-Xavier Roger	1962	French	Business Administration and Finance & Accounting EVP: CFO (includes Finance and Control, Tax, Treasury, Investor Relations)
Magdi Batato	1959	Swiss	Mechanical Engineering and PhD in Thermodynamics EVP: Operations
Stefan Palzer	1969	German	PhD - Professorships Process Engineering, Food Technology, Industrial Engineering and Chemical Engineering EVP: Chief Technology Officer: Innovation, Technology and R&D
Béatrice Guillaume-Grabisch	1964	French	Business Administration EVP: Group Human Resources & Business Services
Leanne Geale	1965	Canadian	Law EVP: General Counsel, Corporate Governance and Compliance
Grégory Behar	1969	Swiss	Mechanical Engineering and Business Administration Deputy EVP & CEO: Nestlé Health Science
Sanjay Bahadur	1959	Indian	Economics, Management Science Deputy EVP: Group Strategy and Business Development

(EVP: Executive Vice President; CEO: Chief Executive Officer)

For complete information, please refer to individual CVs on [www.nestle.com/aboutus/management/executiveboard](http://www.nestle.com/aboutus/management/executiveboard)

## 4.2 Professional background and other activities and functions <sup>(\*)(\*\*)</sup>

### Ulf Mark Schneider

Please refer to point 3.2 above.

### Laurent Freixe

Laurent Freixe joined Nestlé France in 1986 as a sales representative and got increasing responsibilities in the field of sales and marketing. In 1999, he became a member of the Management Committee and was nominated Head of the Nutrition Division. In 2003, Laurent Freixe became Market Head of Nestlé Hungary. In January 2007, he was appointed Market Head of the Iberian Region taking responsibility for Spain and Portugal. From November 2008 to October 2014, Laurent Freixe served as Executive Vice President in charge of Zone Europe.



Effective October 2014, he was appointed Executive Vice President for Zone Americas.

As a representative of Nestlé, he is a member of the Board of Directors of Cereal Partners Worldwide S.A., Switzerland, of the Regional Board of Directors of the Consumer Goods Forum in Latin America and of Froneri Lux Topco Sàrl, Luxembourg.

Since June 2019, he is Chairman of the Global Apprenticeship Network (GAN).

Laurent Freixe has been named International Youth Ambassador by the International Youth Organization for Ibero-America.

### Chris Johnson

Chris Johnson started his career with Nestlé in 1983 as a marketing trainee at Carnation Inc. During his first eight years, he took on increasing responsibilities mainly in the commercial area at Nestlé USA and then, from 1991, in Japan. Senior Area Manager for the Asian region of Nestlé Waters in Paris from 1995, he was then transferred to Taiwan in 1998 as Market Head. From 2000, Chris Johnson led the worldwide development and implementation of GLOBE (Global Business



Excellence; IS/IT), the Strategic Supply Chain as well as eNestlé. He was appointed Deputy Executive Vice President in April 2001, and later moved back to Japan in 2007 as Market Head. From January 2011 to October 2014, Chris Johnson was Executive Vice President responsible for Zone Americas.

Effective October 2014, he was appointed Executive Vice President of Nestlé S.A. in charge of Nestlé Business Excellence.

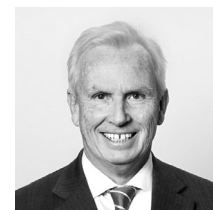
From August 2018 to end December 2018, Chris Johnson was appointed Head of Group Human Resources & Business Services in addition to his responsibilities for Nestlé Business Excellence. Effective January 2019, he was appointed Executive Vice President for Zone Asia, Oceania and sub-Saharan Africa.

As a representative of Nestlé, Chris Johnson serves on the Board of Blue Bottle Coffee Inc., USA.

Chris Johnson is also Treasurer of the Swiss-American Chamber of Commerce.

### Patrice Bula

Patrice Bula joined Nestlé S.A. in 1980 and was entrusted with various responsibilities in Marketing and Sales in Kenya, Japan and Taiwan before being promoted to Market Head for Taiwan in 1992, Market Head for Czech Republic in 1995, then Head for the South and Eastern Africa Region in 1997. In 2000, he was appointed Head of the Chocolate, Confectionery and Biscuits Strategic Business Unit based at Nestlé's International Headquarters in Vevey. In October 2003, Patrice Bula was transferred as Market Head of Nestlé Germany and in August 2007 he took up the role as Market Head for the Greater China Region.



Effective May 2011, Patrice Bula was appointed to the Executive Board of Nestlé S.A. as Executive Vice President with responsibility for the Strategic Business Units, Marketing, Sales and Nespresso.

Patrice Bula serves on the Boards of Novartis AG and Schindler Holding Ltd., Switzerland.

As a representative of Nestlé, Patrice Bula is Co-Chairman of Cereal Partners Worldwide S.A., Switzerland, and serves as a Board member of Froneri Lux Topco Sàrl, Luxembourg.

(\*) Mandates and functions are listed in the following order: (1) mandates in listed companies, (2) mandates in non-listed companies, (3) mandates held at the request of Nestlé or companies controlled by it, (4) mandates held in associations, charitable organizations, foundations, trusts and employee welfare foundations.

(\*\*) For information on former members of the Executive Board see [www.nestle.com/investors/corporate-governance/former-executive-board-members](http://www.nestle.com/investors/corporate-governance/former-executive-board-members)

### Marco Settembri

Marco Settembri joined the Nestlé Group with Nestlé Italiana S.p.A. in 1987 and was entrusted with various responsibilities, mainly in the PetCare area. He was appointed Managing Director of the Sanpellegrino water business in 2004 and largely contributed to the successful consolidation of the water activities in Italy and to the development of a strong export stream of the emblematic Italian brands. In 2006, he took over the position of Market Head in Italy in addition to his responsibility as Head of Nestlé Waters Italy. In 2007, Marco Settembri was appointed CEO of Nestlé Purina PetCare Europe.



Effective December 2013, Marco Settembri was appointed to the Executive Board of Nestlé S.A. as Executive Vice President, Head of Nestlé Waters of the Nestlé Group.

As of January 2017, Marco Settembri was appointed Executive Vice President in charge of Zone EMENA (Europe, Middle East and North Africa).

As a representative of Nestlé, he is a Board member of Lactalis Nestlé Produits Frais S.A.S, France, and of Cereal Partners Worldwide S.A., Switzerland.

In addition, Marco Settembri is President of the Board of FoodDrinkEurope and a member of the Association des Industries de Marque de l'Union Européenne (AIM) in Belgium.

### François-Xavier Roger

In July 2015, François-Xavier Roger joined Nestlé S.A. as Executive Vice President and Chief Financial Officer. François-Xavier Roger came to Nestlé S.A. from Takeda Pharmaceutical, Tokyo, where he was CFO since 2013. From 2008 to 2013, he was Chief Financial Officer of Millicom based in Luxembourg. From 2000 to 2008, he worked as Chief Financial Officer for Danone Asia, followed by Head of Finance, Treasury and Tax for the Danone Group based in Paris, France.



### Magdi Batato

Magdi Batato is a mechanical engineer and holds a PhD in Energetics of the human body from the Swiss Federal Institute of Technology Lausanne (EPFL). He spent a few years teaching in university and consulting before joining Nestlé S.A. in 1991 in Switzerland as Engineer in Industrial Services, Energy & Environment. His factory and production management experiences took him to Germany, Lebanon and South Africa. In 2004, he was transferred to Malaysia as Executive Director of Production and, in 2009, he moved to Nestlé UK & Ireland as Head of Group Technical. In May 2012, he took up the position of Market Head Pakistan.



Effective October 2015, he was appointed Executive Vice President of Nestlé S.A. in charge of Operations.

Magdi Batato is a member of the Board of Carlsberg A/S and a member of the executive committee of the World Business Council for Sustainable Development. Since May 2018, he is a member of the Swiss Academy of Technical Sciences and as of 2020 he is Chairman of IDH, the Sustainable Trade Initiative.

### Stefan Palzer

Stefan Palzer studied food engineering and marketing. He obtained a PhD in Chemical Engineering from the Technical University of Munich and was appointed Professor for Food and Chemical Engineering by the Universities of Hamburg, Stuttgart, Sheffield and Copenhagen. Stefan Palzer joined the Nestlé Group in 2000 as project manager in the Product Technology Centre Kemptthal. From 2003 to 2010, he held positions of increasing responsibility in the Product Technology Centre Singen and at Nestlé Research Center in Lausanne.



In 2010, he took over the responsibility as Head of the Product Technology Centre York. From 2013 to 2017, Stefan Palzer was Global R&D Manager in the Strategic Business Unit for Beverages. In 2016, he was appointed Head of Nestlé Research Center in Lausanne.

As of January 2018, Stefan Palzer joined the Executive Board of Nestlé S.A. as Executive Vice President and Chief Technology Officer.

In addition, he is a member of the Executive Board of the European Academy of Food Engineering (EAFE), a member of the Industrial Advisory Board of the École



Polytechnique Fédérale de Lausanne (EPFL), and Vice President of the Swiss Food & Nutrition Valley.

Stefan Palzer was Chairman of the Board of the European Master in Food Technology between 2007 and 2013. In 2018, he was conferred the title "Fellow" by the International Union of Food Science and Technology (IUFOST).

### **Béatrice Guillaume-Grabisch**

Béatrice Guillaume-Grabisch joined Nestlé in 2013 as Vice President, Regional Manager of Zone EMENA based in Vevey, Switzerland. She served as CEO of Nestlé Germany AG from 2015 to 2018. Before joining Nestlé, she held various leadership roles at Colgate, Beiersdorf, Johnson & Johnson and "L'Oréal Paris" in Germany. She headed the L'Oréal Consumer Division in Switzerland between 2004 and 2006. From 2006 to 2010, she was President of The Coca-Cola Company in Germany. In 2010, she became the CEO of Zurich-based Beverage Partners Worldwide, a former joint venture between Nestlé and Coca-Cola.



Effective January 2019, Béatrice Guillaume-Grabisch was appointed Executive Vice President in charge of Group Human Resources & Business Services.

As a representative of Nestlé, she is a Board member of L'Oréal S.A., France, and member of its audit committee.

### **Leanne Geale**

Leanne Geale joined Nestlé S.A. in August 2019 as Executive Vice President and General Counsel. In her role, Leanne Geale oversees the legal and compliance function. From 2014 to 2019, Leanne Geale was Chief Ethics & Compliance Officer for Royal Dutch Shell plc. Former positions at Shell include Associate General Counsel, Heavy Oil and Head of Legal for Shell Canada from 2011 to 2014, Shell Legal Services Coordinator for Royal Dutch Shell plc and its subsidiaries from 2006 to 2011 as well as Senior Solicitor and successively Associate General Counsel, Oil Products from 2003 to 2006. Prior to her functions at Shell, she was a Senior Counsel for the Royal Bank of Canada, Senior Counsel and Assistant Secretary for Rio Algom Limited as well as Counsel for Alcan Aluminium Limited in Canada.



Leanne Geale is a member of the Management Board of the CEELI Institute, o.p.s, Prague, Czech Republic.

### **Grégory Behar**

Grégory (Greg) Behar joined Nestlé S.A. in 2014 as CEO of Nestlé Health Science. Greg Behar came to Nestlé S.A. from Boehringer Ingelheim Pharmaceuticals Inc., USA, where he was President and CEO since 2011.



From 2010 to July 2011, Greg Behar was Corporate Vice President Region NECAR (North European Union, Canada and Australasia) for Boehringer-Ingelheim GmbH and was its Corporate Vice President of the Cardiovascular and Metabolism Franchise from 2009 to 2010. Furthermore, Greg Behar held previous roles at Bula & Fils, Nestlé and Novartis Pharma.

As of January 2017, he was appointed to the Executive Board of Nestlé S.A.

He represents Nestlé S.A. on the Boards of various companies in which Nestlé S.A. holds investments, including Seres Therapeutics Inc., USA, Axcella Health Inc., USA and Amazentis SA, Switzerland.

### **Sanjay Bahadur**

Sanjay Bahadur joined Nestlé in June 1982 as Management Trainee in India, before being promoted as Financial Analyst and Management Accountant. In 1991, he joined Nestlé in Switzerland as Operations Controller.



During the period 1994 to 2008, he held the position of Chief Financial Officer in Hong Kong, Turkey and the Greater China Region, respectively.

In 2008 Sanjay Bahadur was transferred to Nestlé Headquarters Vevey, Switzerland as Head of Acquisitions and Business Development.

Effective January 2020, he was appointed Deputy Executive Vice President of Nestlé S.A. in charge of Group Strategy and Business Development.

As representative of Nestlé, Sanjay Bahadur is a member of the Boards of Froneri Lux Topco Sàrl, Luxembourg and Blue Bottle Coffee Inc., USA.

## Compensation, shareholdings and loans

### 4.3 Mandates outside Nestlé

Pursuant to art. 21<sup>sexies</sup> of the Articles of Association, no member of the Executive Board may hold more than 2 additional mandates in listed companies and 4 additional mandates in non-listed companies. Each of these mandates is subject to a specific approval by the Board of Directors.

The following mandates are not subject to these limitations:

- mandates in companies which are controlled by Nestlé;
- mandates which a member of the Executive Board holds at the request of Nestlé or companies controlled by it.

No member of the Executive Board shall hold more than 10 such mandates; and

- mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Executive Board shall hold more than 10 such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

The Board of Directors has promulgated regulations that determine additional restrictions.

All members of the Executive Board comply with the provisions set out in art. 21<sup>sexies</sup>.

### 4.4 Management contracts

There are no management contracts with third parties at Nestlé.

### 5. Compensation, shareholdings and loans

Please refer to the Compensation Report 2020, page 31.

# Shareholders' participation

## 6. Shareholders' participation rights

### 6.1 Voting rights restrictions and representation

6.1.1 Voting rights restrictions and rules on granting exceptions

and

6.1.3 Reasons for granting exceptions in the year under review

Each share registered with the right to vote entitles the holder to one vote at General Meetings ("one share, one vote"). Only persons entered in the share register as shareholders with voting rights may exercise the voting rights or the other rights related thereto (art. 5 par. 2 of the Articles of Association).

No person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent such a limit shall be counted as one shareholder (art. 11 par. 2 of the Articles of Association; see art. 11 par. 3 of the Articles of Association for exceptions to this voting restriction).

To permit the exercise of voting rights in respect of shares held by nominees, in line with art. 11 par. 4 of the Articles of Association, the Board of Directors may by means of regulations or agreements depart from the limit of 5% of the share capital as recorded in the commercial register (art. 5 par. 6 and par. 9 of the Articles of Association). The Board of Directors has granted exceptions to vote shares that in aggregate are in excess of 5% of the share capital to the following Nominees N: Chase Nominees Ltd, London, and Citibank N.A., London, as depositary for shares represented by American Depositary Receipts (please refer to point 2.6.3).

Pursuant to art. 5 par. 9 and 11 par. 4 of the Articles of Association, the Board of Directors has conferred to Credit Suisse AG and UBS AG as custodians the right to vote shares in excess of 5% on the basis of specific instructions provided by their clients for General Meetings.

6.1.4 Procedure and conditions for abolishing voting rights restrictions in the Articles of Association

A resolution to amend the provisions of the Articles of Association relating to:

- (i) restrictions on the exercise of voting rights and the change or removal of such restrictions, or
  - (ii) the limitation on registration or the limitation on voting rights and the change or removal of such limitations
- requires a majority of two-thirds of the shares represented and the absolute majority of the nominal value represented at the General Meeting (art. 13 of the Articles of Association). See also art. 11 par. 4 of the Articles of Association.

6.1.5 Rules on participation in the General Meeting of shareholders

There are no restrictions to the legal regime set out by Swiss law in the Articles of Association. Shareholders with voting rights may have their shares represented by the proxy of their choice.

6.1.6 Rules on instructions to the independent representative and on the electronic participation in the General Meeting of shareholders

The legal regime set out by Swiss law applies to instructions in written or electronic form to the independent representative for participation in the General Meeting of shareholders. There are no specific provisions related thereto in the Articles of Association.

## 6.2 Quorums required by the Articles of Association

Please refer to art. 13 of the Articles of Association.

## 6.3 Convocation of the General Meeting of shareholders

Nestlé S.A. statutory rules (art. 7 to 9 of the Articles of Association) do not differ from applicable legal provisions. An Extraordinary General Meeting requested by one or more shareholders whose combined holdings represent at least 10% of the share capital as recorded in the commercial register must be held as promptly as practicable following such request (art. 8 par. 2 of the Articles of Association).

## Change of control and defence measures

### 6.4 Inclusion of items on the agenda

One or more shareholders with voting rights whose combined holdings represent at least 0.15% of the share capital as recorded in the commercial register may request that an item be included in the agenda of the General Meeting by making the request in writing to the Board of Directors at the latest 45 days before the meeting and specifying the agenda items and the proposals made (art. 9 par. 2 and par. 3 of the Articles of Association).

### 6.5 Entries in the share register

The relevant date to determine the shareholders' right to participate in the General Meeting on the basis of the registrations appearing in the share register is set by the Board of Directors.

## 7. Change of control and defence measures

### 7.1 Duty to make an offer

Nestlé S.A. does not have a provision on opting out or opting up in the Articles of Association.

Thus, the provisions regarding the legally prescribed threshold of 33 1/3% of the voting rights for making a public takeover offer set out in art. 135 of the Swiss Financial Market Infrastructure Act are applicable.

### 7.2 Clauses on change of control

There are no such agreements.

# Auditors

## 8. Auditors

### 8.1 Duration of the mandate and term of office of the lead auditor

As disclosed in the Corporate Governance Report 2019, following a comprehensive tender process under the supervision of the Audit Committee, the Board proposed to the Annual General Meeting 2020 the appointment of Ernst & Young Ltd (hereafter "EY") as the new principal audit provider for Nestlé S.A. and the Nestlé Group. On April 23, 2020, EY were appointed as auditors of the Financial Statements of Nestlé S.A. and the Consolidated Financial Statements of the Nestlé Group for a term of one year.

The audit report is signed jointly by two EY partners on behalf of EY. 2020 was the first year that Jeanne Boillet, in her capacity as lead auditor, signed the Financial Statements of Nestlé S.A. and the Consolidated Financial Statements of the Nestlé Group. The lead auditor is rotated every seven years in accordance with Swiss law.

### 8.2 Auditing fees

The auditing fees paid to EY in their capacity as Group auditors for 2020 amount to CHF 31 million.

### 8.3 Additional fees

In addition, EY provided non-audit services amounting to CHF 14 million, including CHF 2.8 million for mergers and disposals services, CHF 10 million for tax services, CHF 0.4 million for IS/IT advisory support, and CHF 0.8 million for other various non-audit services.

### 8.4 Information instruments pertaining to the external audit

EY presents to the Audit Committee a detailed report on the conduct of the Financial Statements audit, the findings on significant financial accounting and reporting issues together with the findings on the internal control system as well as an overview of issues found during the interim audit.

In 2020, EY participated in four Audit Committee meetings including sessions with the Audit Committee without the Group's management being present.

The Audit Committee assesses the effectiveness of the work of the auditors in accordance with Swiss law, based on their understanding of the Group's business, control, accounting and reporting issues, together with the way in which matters significant at Group level or in the statutory accounts are identified and resolved.

The Audit Committee is also informed on the work of the auditors through regular briefings of its Chair. Audit fees are ultimately approved by the Audit Committee.

The Group and EY have agreed on clear guidelines for non-audit services which are permitted for EY to provide. These services include sellside and carve out support on disposals and certain tax and business risk assurance and IS/IT advisory support. These guidelines ensure EY's independence in their capacity as auditors to the Group. EY monitors its independence throughout the year and confirms its independence to the Audit Committee annually.

## 9. Information policy

### Investor Relations – guiding principles

Nestlé is committed to managing an open and consistent communication policy with shareholders and other interested parties. The objective is to ensure that the perception of those parties about the historical record, current performance and future prospects of Nestlé is in line with management's understanding of the actual situation at Nestlé. The guiding principles of this policy are that Nestlé gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as full, simple, transparent and consistent as possible.

### Methodology

Each year, Nestlé produces a detailed Annual Report, which consists of i) the Annual Review, ii) the Consolidated Financial Statements of the Nestlé Group, iii) the Financial Statements of Nestlé S.A., iv) the Corporate Governance Report, and v) the Compensation Report. The Consolidated Financial Statements are prepared according to the International Financial Reporting Standards (IFRS). The Half-Year Report, consisting of the Half-Year Income Statement, Balance Sheet and Cash Flow Statement, complements the Annual Report. The Company also issues annually its Creating Shared Value and Sustainability Report.

Nestlé publishes its Financial Statements for the full-year and the half-year. Additionally, the Company publishes its sales figures for the first three-months and nine-months. Press releases accompany the financial results and sales announcements, and are also issued at the time of potentially price-sensitive events, such as significant acquisitions and divestments, joint venture agreements or alliances. These communications are publicly available on the internet. Major announcements, such as results of corporate activity, are accompanied by a presentation which is broadcast "live" on the internet and which anyone can access, whether or not that person is a shareholder.

Furthermore, Nestlé has an active investor relations (IR) program. Throughout the year, IR engages with investors (current or prospective) and relevant sell-side analysts in meetings, conference calls, roadshows, broker conferences, or other events. In certain cases, members of management might also participate in some meetings with the financial community, including both group meetings and one-to-one meetings. Topics of discussion may include recently announced financial results, recent corporate activity, or the longer-term strategy of the Group; they are not an occasion for the disclosure of new information which might encourage investment decisions. Specifically on governance topics, the Company engages in an active dialogue with investors through regular Chairman's roundtables, surveys and bilateral exchanges which are reported to the Chair's and Corporate Governance Committee or the Board.

The Company uses its website ([www.nestle.com/investors](http://www.nestle.com/investors)) to ensure a rapid and equitable distribution of information. There are also links to non-financial information that may be of interest to investors, including areas such as the environment, sustainability and news about brands and innovation. A corporate calendar of relevant dates is displayed on page 71 of the Annual Review 2020 and available on the IR events pages ([www.nestle.com/investors/events](http://www.nestle.com/investors/events)).

The Nestlé Investor Relations Department can be contacted via the following coordinates:

### Contact

Investor Relations  
Nestlé S.A., Avenue Nestlé 55  
CH-1800 Vevey (Switzerland)  
Tel. +41 (0)21 924 35 09  
E-mail: [ir@nestle.com](mailto:ir@nestle.com)

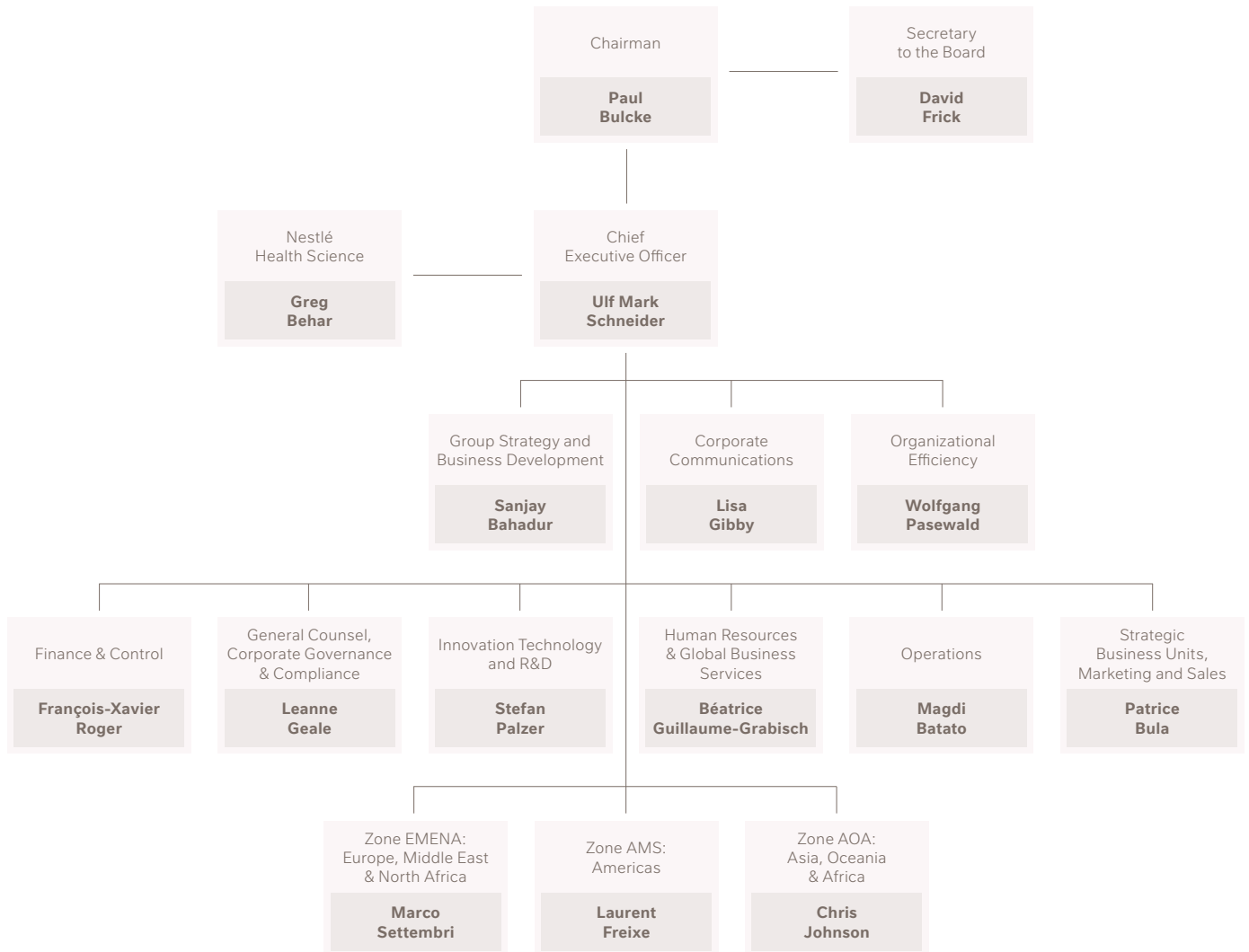
# General Organization of Nestlé S.A.

at December 31, 2020

## Executive Board

Ulf Mark Schneider  
 Laurent Freixe  
 Chris Johnson  
 Patrice Bula  
 Marco Settembri  
 François-Xavier Roger

Magdi Batato  
 Stefan Palzer  
 Béatrice Guillaume-Grabisch  
 Leanne Geale  
 Greg Behar  
 Sanjay Bahadur







# Compensation Report 2020



# Compensation Report 2020

## Introduction

The future success of Nestlé is dependent on its ability to attract, motivate and retain the right talented employees. Among the various programs to support this ambition is a competitive remuneration policy. Nestlé believes in a performance culture as well as good corporate governance and corporate social responsibility.

Therefore, remuneration at Nestlé is based on the following principles:

- pay for performance to support the Company's short-term and long-term objectives;
- compensation aligned with long-term Group strategy and shareholders' interests;
- coherence in our remuneration plans and levels throughout the Company;
- competitiveness versus external market comparisons;
- appropriate balance of fixed and variable remuneration and short-term and long-term rewards.

This Compensation Report shall be submitted to the advisory vote of the shareholders at the Annual General Meeting 2021.

At the 2020 Annual General Meeting, shareholders approved the total compensation budgets for the Board of Directors and the Executive Board with large majorities.

To ensure complete accountability, the shareholders will be able to retrospectively vote on the Compensation Report and payouts in a consultative vote.

## Changes to Compensation

For 2020 the following changes have been implemented:

- The Board of Directors will be paid in arrears (25% of total remuneration in October and 75% of total remuneration at the end of the Board year in April).
- Performance Share Units are valued at market price instead of Fair Value.

For 2021 the following change will be implemented:

- Environmental, Social, Governance (ESG) related KPIs will be included in the Short-Term Bonus framework of the Executive Board.

## Governance

The Board of Directors has the overall responsibility for defining the compensation principles used in the Group. Pursuant to art. 21<sup>bis</sup> of Nestlé's Articles of Association <sup>(\*)</sup>, the total compensation of the Board of Directors and of the Executive Board is subject to approval by the shareholders, upon proposal by the Board of Directors.

As of December 31, 2020, the governance for setting the compensation of the members of the Board of Directors and the Executive Board is defined as follows:

Compensation of	Recommended by	Approved by
Board of Directors as a whole	Board of Directors	Shareholders
Executive Board as a whole	Board of Directors	Shareholders
Chair of the Board, CEO	Compensation Committee	Board of Directors <sup>(a)</sup>
Non-executive members of the Board of Directors	Compensation Committee	Board of Directors <sup>(b)</sup>
Members of the Executive Board	CEO together with Chair	Compensation Committee <sup>(c)</sup>

(a) Chair as well as CEO not voting on own compensation, and not participating in the relevant meetings.

(b) Members not voting on own compensation to the extent that Committee fees are concerned.

(c) Executive Board members not participating in the relevant meetings.

## Compensation Committee (CC)

The CC is governed by the Compensation Committee Charter (see point 3.5.2 in the Corporate Governance section). The Committee consists of the Chair who is an independent and non-executive member of the Board. The other members shall be a minimum of three other non-executive members of the Board.

The members of the CC have been elected by the shareholders for one year. The Chair was appointed by the Board of Directors. On December 31, 2020, the composition of the CC is as follows:

Chair	Members
Pablo Isla	Patrick Aebischer
	Ursula M. Burns
	Dick Boer

The tasks and areas of responsibility of the CC are described on page 13 of the Corporate Governance Report 2020.

(\*) Nestlé S.A.'s Articles of Association can be found on page 53 and on [www.nestle.com/investors/corporate-governance/articles](http://www.nestle.com/investors/corporate-governance/articles)

## Board of Directors

### Principles of compensation for the members of the Board of Directors

#### Governance

Pursuant to art. 21<sup>bis</sup> par. 1 of Nestlé's Articles of Association, the General Meeting shall approve annually the proposal of the Board of Directors in relation to the maximum aggregate amount of the compensation of the Board of Directors for the period until the next Annual General Meeting <sup>(a)</sup>.

In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation provided that:

- a) the Board of Directors takes into account (i) the proposed maximum aggregate amount of compensation; (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and (iii) Nestlé's compensation principles; and
- b) the Board of Directors submits the amount(s) so determined for approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting (art. 21<sup>bis</sup> par. 2 of the Articles of Association).

The compensation of the members of the Board of Directors is subject to "claw back" rules in accordance with art. 678 of the Swiss Code of Obligations. Members of the Board of Directors could be obligated to return benefits received from the Company to the extent these are manifestly disproportionate to the performance rendered in return and to the Company's economic situation (including as a result of fraud or accounting misstatement).

#### Principles

The remuneration of the members of the Board of Directors is set to attract and retain highly qualified individuals to serve on the Board of Directors. The level of remuneration reflects the time and effort required from the members in fulfilling their Board and Committee responsibilities. The pay structure (cash and blocked shares) is designed to ensure the Board's focus on the long-term success of the Company. There is no variable compensation for non-executive members of the Board of Directors, in order to ensure a proper level of independence.

The principal benchmark used to define Board remuneration is a selection of large Swiss Market Index (SMI) companies <sup>(b)</sup>, adjusted for the size of Nestlé. These figures are periodically reviewed against this benchmark.

### Compensation 2020 for the members of the Board of Directors

#### Board membership fees and allowances

With the exception of the Chair and the CEO, each member of the Board of Directors receives a Board membership fee of CHF 280 000 and an Expense Allowance of CHF 15 000. These figures have remained unchanged since 2006.

(a) The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

(b) Novartis, Roche, Richemont, ABB, UBS and Credit Suisse.

Members of a Board Committee receive the following additional fees <sup>(a)</sup>:

	Chair	Members
Chair's and Corporate Governance Committee	CHF 300 000	CHF 200 000
Compensation Committee	CHF 150 000	CHF 70 000
Nomination and Sustainability Committee	CHF 150 000	CHF 70 000
Audit Committee	CHF 150 000	CHF 100 000

(a) The Chair and the CEO Committee fees are included in their total remuneration.

### Committee membership on December 31, 2020

	Chair's and Corporate Governance Committee	Compensation Committee	Nomination and Sustainability Committee	Audit Committee
Paul Bulcke, Chairman	• (Chair)		•	
Ulf Mark Schneider, Chief Executive Officer	•			
Henri de Castries, Vice-Chairman, Lead Independent Director	•		• (Chair)	•
Pablo Isla	•	• (Chair)		
Renato Fassbind	•			• (Chair)
Ann M. Veneman			•	
Eva Cheng			•	•
Patrick Aebischer		•		
Ursula M. Burns		•		
Kasper B. Rorsted				
Kimberly A. Ross				•
Dick Boer		•		
Dinesh Paliwal			•	
Hanne Jimenez de Mora				

The above fees and allowances cover the period between the Annual General Meeting 2020 and the Annual General Meeting 2021. They are paid in two instalments in arrears. Board membership and Committee fees are paid 50% in cash and 50% in Nestlé S.A. shares, which are subject to a three-year blocking period. The blocking period remains applicable upon termination of the mandate.

The number of Nestlé S.A. shares is determined by taking the closing price of the share on the SIX Swiss Exchange on the ex-dividend date of the respective financial year.

Beat W. Hess did not stand for re-election at the Annual General Meeting on April 23, 2020 and left the Board of Directors.

## Compensation payout 2020

At the Annual General Meeting of April 23, 2020, the shareholders approved a maximum compensation for the Board of Directors of CHF 10.0 million for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021. The total actual compensation pay-out for this period including social security contributions is CHF 9 250 983.

### Audited (\*) Summary of compensation 2020 \*\*

	Cash in CHF <sup>(a)</sup>	Market value of shares in CHF <sup>(b)</sup>	Total Cash & Shares	Social security & addit. Fees <sup>(c)</sup>	Total Compensation
Paul Bulcke, Chairman	600 000	2 900 000	3 500 000	28 440	3 528 440
Ulf Mark Schneider, Chief Executive Officer <sup>(d)</sup>	—	—	—	—	—
Henri de Castries, Vice Chairman, Lead Independent Director	380 000	365 000	745 000	28 440	773 440
Renato Fassbind	330 000	315 000	645 000	28 440	673 440
Ann M. Veneman	190 000	175 000	365 000	25 000	390 000
Eva Cheng	240 000	225 000	465 000	21 186	486 186
Patrick Aebischer	190 000	175 000	365 000	42 613	407 613
Ursula M. Burns	190 000	175 000	365 000	19 674	384 674
Kasper B. Rorsted	155 000	140 000	295 000	15 763	310 763
Pablo Isla	330 000	315 000	645 000	28 440	673 440
Kimberly A. Ross	205 000	190 000	395 000	—	395 000
Dick Boer	190 000	175 000	365 000	19 674	384 674
Dinesh Paliwal	190 000	175 000	365 000	19 674	384 674
Hanne Jimenez de Mora	155 000	140 000	295 000	15 847	310 847
<b>Total for 2020</b>	<b>3 345 000</b>	<b>5 465 000</b>	<b>8 810 000</b>	<b>293 191</b>	<b>9 103 191</b>

\*\* The above table shows the annual compensation due covering the twelve-month period starting with the Annual General Meeting.

(a) The cash amount includes the expense allowance of CHF 15 000. The Chairman receives no expense allowance.

(b) As from 2020, the Board is paid in arrears (25% in October 2020 and 75% in April 2021). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2021. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2021. The actual number of shares delivered will be published in the Compensation Report 2021.

(c) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 147 792 in 2020. For details of additional fees, see page 39.

(d) The CEO's compensation is disclosed in its entirety under compensation of the Executive Board.

(\*) Sections highlighted with a blue bar are audited by the statutory auditor. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.

Audited (\*)

**Summary of compensation 2019 \*\***

	Cash in CHF <sup>(a)</sup>	Number of shares	Market value of shares in CHF <sup>(b)</sup>	<b>Total Cash &amp; Shares</b>	Social security & addit. Fees <sup>(c)</sup>	<b>Total Compensation</b>
Paul Bulcke, Chairman	570 000	30 734	2 900 060	<b>3 470 060</b>	28 200	<b>3 498 260</b>
Ulf Mark Schneider, Chief Executive Officer <sup>(d)</sup>	—	—	—	—	—	—
Henri de Castries, Vice Chairman, Lead Independent Director	380 000	3 869	365 078	<b>745 078</b>	28 200	<b>773 278</b>
Beat W. Hess	330 000	3 339	315 068	<b>645 068</b>	28 200	<b>673 268</b>
Renato Fassbind	330 000	3 339	315 068	<b>645 068</b>	28 200	<b>673 268</b>
Ann M. Veneman	190 000	1 855	175 038	<b>365 038</b>	25 000	<b>390 038</b>
Eva Cheng	240 000	2 385	225 049	<b>465 049</b>	20 355	<b>485 404</b>
Patrick Aebischer	190 000	1 855	175 038	<b>365 038</b>	27 014	<b>392 052</b>
Ursula M. Burns	190 000	1 855	175 038	<b>365 038</b>	16 501	<b>381 539</b>
Kasper B. Rorsted	155 000	1 484	140 030	<b>295 030</b>	13 201	<b>308 231</b>
Pablo Isla	190 000	1 855	175 038	<b>365 038</b>	16 501	<b>381 539</b>
Kimberly A. Ross	205 000	2 014	190 041	<b>395 041</b>	—	<b>395 041</b>
Dick Boer	155 000	1 484	140 030	<b>295 030</b>	13 201	<b>308 231</b>
Dinesh Paliwal	155 000	1 484	140 030	<b>295 030</b>	13 201	<b>308 231</b>
<b>Total for 2019</b>	<b>3 280 000</b>	<b>57 552</b>	<b>5 430 606</b>	<b>8 710 606</b>	<b>257 774</b>	<b>8 968 380</b>

\*\* For all Board members except the Chairman and the CEO, the above table shows the annual compensation paid semi-annually in April and October during the respective year covering the twelve-month period starting with the Annual General Meeting.

(a) The cash amount includes the expense allowance of CHF 15 000. The Chairman receives no expense allowance.

(b) Nestlé S.A. shares delivered are valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date.

(c) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 130 745 in 2019. For details of additional fees, see page 39.

(d) The CEO's compensation is disclosed in its entirety under compensation of the Executive Board.

(\*) Sections highlighted with a blue bar are audited by the statutory auditor. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.

Paul Bulcke in his capacity as active, non-executive Chairman, receives a cash compensation as well as Nestlé S.A. shares, which are blocked for three years. This in particular reflects certain responsibilities for the direction and control of the Group including the support to the CEO, the chairmanship of the Nestlé Science & Technology Advisory Council, the support of Nestlé Health Science through its Strategic Advisory Council, and the direct leadership of Nestlé's interests in L'Oréal. Paul Bulcke maintains close relationships with important shareholders including through worldwide Chairman's Roundtables. He also chairs the 2030 Water Resources Group (WRG) and represents Nestlé as Chairman of the European Roundtable of Industrialists (ERT) and as Chairman of the WEF Community of Chairpersons. The remuneration includes all compensation received in relation to these activities.

	2020		2019
	Value in CHF	Number	Value in CHF
Cash compensation	600 000		570 000
Blocked shares (market value) <sup>(a)</sup>	2 900 000	30 734	2 900 060
<b>Total Cash &amp; Shares</b>	<b>3 500 000</b>		<b>3 470 060</b>
Company contribution to compulsory Swiss social security <sup>(b)</sup>	28 440		28 200
<b>Total compensation</b>	<b>3 528 440</b>		<b>3 498 260</b>

(a) As from 2020, the Board is paid in arrears (25% in October 2020 and 75% in April 2021). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2021. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2021. The actual number of shares delivered will be published in the Compensation Report 2021.

(b) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 129 375 in 2020 and CHF 122 673 in 2019.

### Share ownership of the non-executive members of the Board of Directors and closely related parties on December 31, 2020

	Number of shares held <sup>(a)</sup>
Paul Bulcke, Chairman	1 421 941
Henri de Castries, Vice Chairman, Lead Independent Director	27 698
Renato Fassbind	30 480
Ann M. Veneman	21 160
Eva Cheng	5 399
Patrick Aebischer	8 814
Ursula M. Burns	6 214
Kasper B. Rorsted	3 360
Pablo Isla	3 731
Kimberly A. Ross	4 559
Dick Boer	2 984
Dinesh Paliwal	1 484
Hanne Jimenez de Mora	2 520
<b>Total as at December 31, 2020</b>	<b>1 540 344</b>
<b>Total as at December 31, 2019</b>	<b>1 597 281</b>

(a) Including shares subject to a three-year blocking period.

There are no stock options held by any non-executive member of the Board of Directors and closely related parties.



## **Other audited information regarding the Board of Directors**

### **Loans**

There are no loans to members of the Board of Directors. Loans to a member of the Board of Directors may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation (art. 21<sup>septies</sup> of the Articles of Association).

### **Additional fees and remuneration of the Board of Directors**

There are no additional fees or remuneration paid by Nestlé S.A. or any of its Group companies, directly or indirectly, to members of the Board of Directors, except for CHF 25 000 paid to Ann M. Veneman who serves as a member of the Creating Shared Value (CSV) Council, and CHF 25 000 paid to Patrick Aebischer who serves on the Nestlé Science & Technology Advisory Council.

### **Compensation and loans for former members of the Board of Directors**

There was no compensation conferred during 2020 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier. Similarly, there are no loans outstanding to former members of the Board of Directors.

### **Compensation or loans to related parties of members of the Board of Directors**

In 2020, no compensation was paid to related parties of members of the Board of Directors and there were no loans outstanding to related parties.

## Executive Board

### Principles of compensation for members of the Executive Board

#### Governance

Pursuant to art. 21<sup>bis</sup> par. 1 of Nestlé's Articles of Association (\*), the General Meeting shall approve annually the proposal of the Board of Directors in relation to the maximum aggregate amount of the compensation of the Executive Board for the following financial year (\*\*).

In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation, provided that:

- a) the Board of Directors takes into account: (i) the proposed maximum aggregate amount of compensation; (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and (iii) Nestlé's compensation principles; and
- b) the Board of Directors submits the amount(s) so determined for approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting (art. 21<sup>bis</sup> par. 2 of the Articles of Association).

If the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the Executive Board during a compensation period for which the General Meeting has already approved the compensation of the Executive Board, Nestlé or companies controlled by it shall be authorized to pay such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount shall not exceed 40% of the aggregate amount of compensation of the Executive Board last approved by the General Meeting per compensation period (art. 21<sup>ter</sup> of the Articles of Association).

### Principles

The principles of compensation for members of the Executive Board are the following:

#### Pay for performance

The Total Direct Compensation for the members of the Executive Board includes a fixed portion (Annual Base Salary) and a variable portion (Short-Term Bonus and Long-Term Incentives). The fixed compensation takes into account individual performance. Variable compensation is determined based on collective and individual performance. These are intended to ensure a major part of executive rewards are contingent on achieving demanding performance goals.

#### Alignment with long-term company strategy and shareholder interests

Compensation for members of the Executive Board is aligned with company strategy and shareholders' interests. The Short-Term Bonus payout is determined by the degree of achievement of a number of objectives aligned to annual business plans. Long-Term Incentives are provided in the form of share-based instruments, therefore ensuring alignment with shareholders' interests. In 2020, the main Long-Term Incentive instrument was the Performance Share Unit Plan (PSUP). PSUs have a vesting period of three years, with a further holding period of two years for Executive Board members, leading to a total restriction period of five years. Their alignment with shareholder interests is reinforced through pay-outs being tied to underlying Earnings per Share (EPS) growth, relative Total Shareholder Return (TSR) performance and Return on Invested Capital (ROIC).

#### Coherence in remuneration plans and levels throughout the Company

The Company aims to align remuneration plans across the Group and to ensure that compensation rewards are appropriate for the added responsibilities of positions held. This is reflected in the relative remuneration levels of the Executive Board.

(\*) Nestlé S.A.'s Articles of Association can be found on page 53 and on [www.nestle.com/investors/corporate-governance/articles](http://www.nestle.com/investors/corporate-governance/articles)

(\*\*) The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

Compensation to be internationally competitive by using selected benchmarks

The compensation packages for the members of the Executive Board need to be competitive in a dynamic international environment. Nestlé targets its overall remuneration policy to be between the median and the 75th percentile of the selected external benchmarks (please refer to page 45). Whenever appropriate, the benchmark values are adjusted for the size of Nestlé. The market competitiveness of the compensation of the Executive Board is therefore periodically assessed using the services of Willis Towers Watson, a reputed international human capital and benefits consultancy.

The total compensation package consists of the following elements:

#### 1. Base Salary

The Base Salary is the foundation of the total compensation. It reflects the experience, expertise and sustained performance of the Executive Board member as well as taking into account external market competitiveness. It also serves as the basis for determining the Short-Term Bonus target levels, and the allocation of Long-Term Incentives. The Base Salary is reviewed annually by the Compensation Committee. Criteria for adjustments are individual contribution and the level of competitiveness against the benchmarks.

#### 2. Short-Term Bonus

The Short-Term Bonus is intended to reward results achieved against annual collective and individual objectives related to Nestlé's overall business strategy. The Short-Term Bonus is paid in cash and/or in Nestlé S.A. shares, which are subject to a three-year blocking period.

#### Governance

Pursuant to art. 21<sup>quater</sup> of Nestlé's Articles of Association (\*), variable compensation may comprise short-term compensation elements, and shall be subject to caps expressed as predetermined multipliers of the respective target levels.

Short-term compensation elements are governed by performance metrics that take into account the performance of Nestlé and/or parts thereof, targets in relation to the market, to other companies or to comparable benchmarks and/or individual targets, and achievement of which is generally measured based on a one-year period. The annual target level of the short-term compensation elements is determined as a percentage of the Base Salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level.

The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.

(\*) Nestlé S.A.'s Articles of Association can be found on page 53 and on [www.nestle.com/investors/corporate-governance/articles](http://www.nestle.com/investors/corporate-governance/articles)

### Objectives 2020

The Short-Term Bonus (Annual Bonus) is based on a bonus target expressed in % of the Annual Base Salary.

In 2020, the following target levels were applicable

- CEO: 150%;
- Executive Vice President: 100%;
- Deputy Executive Vice President: 80%.

For the CEO and the CFO, 100% of the target is linked to performance against the Nestlé Group objectives (see below). For the other members of the Executive Board, at least 50% of the target is linked to business performance, to ensure accountability for Nestlé's results: for Function Heads, 50% is tied to Group performance and 50% to functional objectives; for Zone or Business Heads, 40% is tied to Group performance and 60% to business objectives they are directly responsible for.

In case an executive reaches all objectives in full, the bonus payout will correspond to the targeted level. If one or more objectives are not reached, the bonus is reduced. The bonus payout is capped at a maximum of 130% of the target. There is no guarantee for the payout of a minimum bonus.

Members of the Executive Board can elect to receive part or all of their Short-Term Bonus in Nestlé S.A. shares. The CEO has to take a minimum of 50% in shares.

The number of shares granted is determined using the average market closing price of the last ten trading days of January 2021.

### Group objectives

Every year, the Board of Directors defines a set of key quantitative operational objectives, which comprise the main elements in determining the annual Group performance for the following year. These are linked to measurable financial objectives. In 2020, their weighting was 60% Organic Growth and 40% Profitability (Underlying Trading Operating Profit & Trading Operating Profit margins).

Additional quantitative and qualitative objectives, set by the Board of Directors in line with Nestlé's strategy, are also used to determine the Nestlé Group performance. This set of additional objectives reflects Nestlé's Creating Shared Value framework and includes the proportion of products with Nutrition, Health & Wellness benefits, market shares, capital expenditure, structural cost optimization, progress on digitalization, strengthening Nestlé's values and culture, and further progress on quality, safety, sustainability and compliance.

The above objectives are kept under review by the Board of Directors so as to ensure they are aligned with Nestlé's business objectives and its strategic ambition.

### Business and functional objectives

Business and functional objectives are determined by the CEO for each member of the Executive Board. They are related to the individual area of responsibility and are of a financial or non-financial nature.

### 3. Long-Term Incentives

Long-Term Incentives are intended to reward sustained business success and overall shareholder value creation as well as to retain key senior management members.

#### Governance

Pursuant to art. 21<sup>quater</sup> of Nestlé's Articles of Association (\*), variable compensation may comprise long-term compensation elements, and shall be subject to caps expressed as pre-determined multipliers of the respective target levels.

Long-term compensation elements are governed by performance metrics that take into account strategic objectives of Nestlé, achievement of which is generally measured based on a multi-annual period. The annual target level of the long-term compensation elements is determined as a percentage of the Base Salary; depending on the achieved performance, the compensation may amount up to a pre-determined multiplier of the target level. Vesting periods, as determined by the Board of Directors or, to the extent delegated to it, the Compensation Committee, shall be at least three years. See further art. 21<sup>quater</sup> par. 6 to par. 8 of the Articles of Association.

The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.

#### Target levels 2020

In 2020, members of Nestlé's Executive Board were eligible to receive Long-Term Incentives in the form of Performance Share Units under the Performance Share Unit Plan (PSUP). The grant value for Long-Term Incentives in 2020 was the following:

- CEO: 150% of the Annual Base Salary
- Executive Vice President and Deputy Executive Vice President: 100% of the Annual Base Salary

The PSUP provides units which entitle participants to receive Nestlé S.A. shares at the end of the three-year vesting period. These shares remain blocked for a further period of two years for Executive Board members.

The level at which PSUs vest is determined by the degree by which the three performance measures of the PSUP are met over the full three-year vesting period. These three criteria are:

- the growth of underlying Earnings per Share (EPS) in constant currencies;
- the relative Total Shareholder Return (TSR) of the Nestlé S.A. share in relation to the STOXX Global 1800 Food & Beverage Gross Return Index; and
- the Return on Invested Capital (ROIC).

Growth of underlying Earnings per Share, Total Shareholder Return performance in relation to peers and Return on Invested Capital are commonly used measures to determine senior management long-term performance in the industry. Growth of underlying Earnings per Share will be weighted at 50%, Total Shareholder Return Performance at 30% and Return on Invested Capital at 20% to determine the vesting level of the initial PSU award.

All three performance measures will be subject to Compensation Committee review in case of extraordinary events.

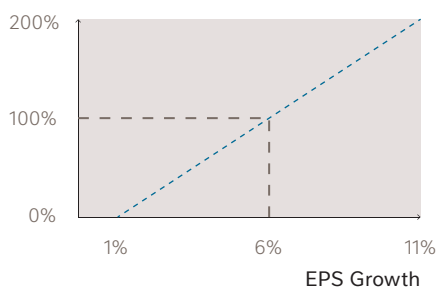
The PSUP covers only the Executive Board and Senior Vice Presidents. A Restricted Stock Unit Plan (RSUP) applies to all other participants.

(\*) Nestlé S.A.'s Articles of Association can be found on page 53 and on [www.nestle.com/investors/corporate-governance/articles](http://www.nestle.com/investors/corporate-governance/articles)

The following charts show the different potential levels of achievement for each of the three measures for the 2020 PSUP grant.

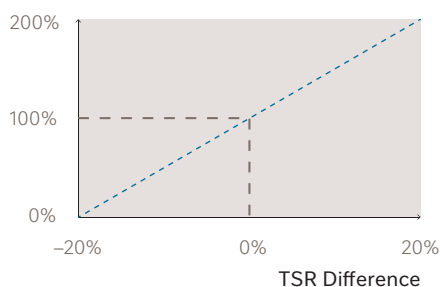
### Average Underlying EPS Growth (constant currencies)

Achievement



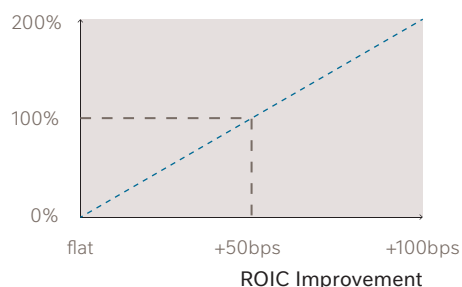
### TSR Difference (Nestlé vs. Index)

Achievement



### ROIC Improvement

Achievement

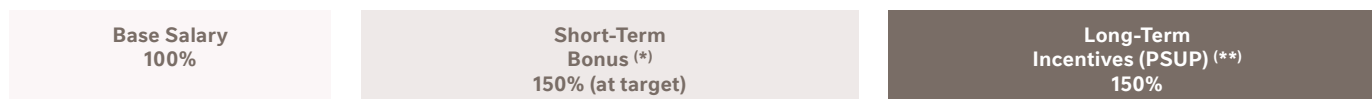


The total vesting level will be determined by applying, at the end of the vesting period, a weight of 50% for Underlying EPS, 30% for TSR and 20% for ROIC of the grant, and by adding up the three elements.

The vesting range of the PSU starts at 0% and is capped at 200% of the initial PSU award, thus providing alignment with strategy and shareholders' interests, as well as ensuring competitiveness versus external market comparisons.

## Overview of Executive Board compensation elements

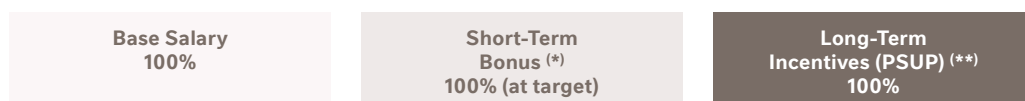
### CEO



(\*) Payable between 50% and 100% in Nestlé S.A. shares with a three-year blocking period.

(\*\*) Subject to a two-year holding period after the three-year vesting period.

### Executive Vice Presidents



(\*) Payable between 0% and 100% in Nestlé S.A. shares with a three-year blocking period.

(\*\*) Subject to a two-year holding period after the three-year vesting period.

Maximum payout:

- Short-Term Bonus: capped at 130% of the target;
- PSUP: vesting ranges from 0% to 200% of the initial PSU award.

#### 4. Other benefits

The Company limits other benefits to a minimum. Typical elements are a car allowance, a contribution towards health insurance premiums (below CHF 4000 per annum) as well as long-term service awards related to 25 and 40 years of service to the Company, in line with the Company policy, as offered to other employees. Those Executive Board members who have been transferred to Switzerland from other Nestlé locations can receive benefits in line with the Nestlé Corporate Expatriation Policy.

#### 5. Pension benefits

Executive Board members domiciled in Switzerland are affiliated to the Nestlé Pension Plan in Switzerland like all other employees. The Plan was changed from a defined contribution plan with a retirement pension objective to a Swiss-type defined contribution plan in 2013. Beneficiaries of the Plan born in 1958 or before maintain their membership in the former plan. In July 2018, the Nestlé Pension Plan was adapted to reflect the lower interest rate environment and the increase in life expectancy.

Pensionable earnings include the Annual Base Salary, but not the variable compensation (Short-Term Bonus or Long-Term Incentives). Any part of the Annual Base Salary which exceeds the ceiling prescribed by Swiss Pension Law is covered directly by the Company.

#### **Benchmarks of Executive Board compensation**

Any benchmark needs to take into account Nestlé's overall size, its sector and geographic location. The Compensation Committee has therefore decided that the most appropriate way to assess the competitiveness of the compensation for the Executive Board is by comparing it against the STOXX Europe 50 index (excluding financial services) as the primary benchmark (\*), while taking account of trends in executive remuneration in the European Fast Moving Consumer Goods and pharma companies. Reflecting the Company's size (revenue and headcount), Nestlé's competitive position has been evaluated with reference to the 75th percentile of the benchmark.

#### **Share ownership policy**

Each Executive Board Member is required to hold shares at least equal to twice his/her annual base salary, absent specific circumstances. The CEO is required to hold shares at least equal to five times his annual base salary.

An additional two-year blocking period is imposed on Nestlé S.A. shares delivered to Executive Board members upon vesting of PSUs, bringing the total restriction period to five years. The blocking period remains applicable upon termination of employment.

#### **Loans**

The Company does not, as a rule, grant loans, except that it may provide advances, generally repayable over a three-year period to members of the Executive Board who have been transferred to Switzerland from other Nestlé locations in line with the Nestlé Corporate Expatriation Policy.

Loans to Executive Board members may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation (art. 21<sup>septies</sup> of the Articles of Association).

#### **Contracts of employment and severance payments**

Members of the Executive Board are subject to a notice period of twelve months. During this time, unless there was termination for cause, entitlement to the Annual Base Salary and prorated Short-Term Bonus continues. Long-Term Incentives are forfeited upon voluntary resignation or termination for cause; Long-Term Incentives immediately vest in all other cases of termination of employment. There are no severance payments or change of control provisions ("golden parachutes"). Non-compete provisions are in line with the Articles of Association and are activated by the Company only as necessary on a case-by-case basis.

The compensation of the members of the Executive Board is subject to forfeiture or claw back if the compensation paid or granted is rejected by the General Meeting of Nestlé S.A. in a final vote.

(\*) Companies include: Adidas, Ahold Delhaize, Airbus, Air Liquide, Amadeus IT Group, Anheuser-Busch Inbev, ASML, BASF, Bayer, BMW, CRH, Daimler, Danone, Deutsche Post, Deutsche Telekom, Enel, Engie, Eni, Essilorluxottica, Fresenius, Iberdrola, Industria de diseño textil, Kering, L'Oréal, Linde, LVMH, Nokia, Orange, Philips, Safran, Sanofi, SAP, Schneider Electric, Siemens, Telefónica, Total, Unibail-Rodamco-Westfield SE, Unilever, Vinci, Vivendi, Volkswagen.

**Compensation 2020 for members of the Executive Board**

At the Annual General Meeting of April 11, 2019, the shareholders approved a maximum compensation for members of the Executive Board of CHF 55 million for 2020. The total compensation paid to members of the Executive Board in 2020, including contributions towards future pension benefits and total social security contributions, was CHF 49 411 372.

**Compensation for members of the Executive Board in CHF (including the CEO)**

	2020	2019
Annual Base Salary	13 050 000	12 696 667
Short-Term Bonus (cash)	10 725 107	8 497 251
Short-Term Bonus (market value of Nestlé S.A. share) <sup>(a)</sup>	5 122 578	7 184 942
Performance Share Units (market value) <sup>(b)</sup>	13 664 139	14 485 291
Other benefits	479 763	578 268
<b>Total</b>	<b>43 041 587</b>	<b>43 442 419</b>
% Fixed/Variable	31.4 – 68.6	30.6 – 69.4
Company contributions towards future pension benefits (in line with Nestlé's Pension Benefit Policy described above)	3 387 234	2 916 453
Company contributions to compulsory Swiss social security <sup>(c)</sup>	341 280	338 400
Additional remuneration and fees paid to members of the Executive Board	586 264	560 031
<b>Total including the elements above</b>	<b>47 356 365</b>	<b>47 257 303</b>

The above compensation table includes the following:

	2020	2019
Number of Nestlé S.A. shares granted	50 429	66 478
Number of Performance Share Units granted under the PSUP	127 583	157 960

- (a) Nestlé S.A. shares delivered as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2021.
- (b) The Performance Shares are valued at the average closing price of the first ten trading days, after the publication of the 2020 annual results. The 2019 amounts have been restated from the fair value to market value.
- (c) Since the Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 2 055 007 in 2020 and CHF 1 783 948 in 2019.



#### Explanations

- On December 31, 2020, the Executive Board consisted of 12 members.
- Sanjay Bahadur was appointed member of the Executive Board effective January 1, 2020.
- Other benefits include a car allowance, contribution towards health insurance premiums, long-term service awards and expatriate benefits.
- Performance Share Units granted in 2020 are disclosed at market value, which corresponds to CHF 107.10.
- The values in the table above differ in some respect from the compensation disclosure in Note 18.1 of the Consolidated Financial Statements of the Nestlé Group 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The differences relate to the timing of valuation of Performance Share Units, whose values are spread over three years under IFRS but reported fully at the grant date in this report.

#### Payout levels

- The Short-Term Bonus payout for the Executive Board was 113.7% in 2020, based on the achievement of the relevant Group and individual quantitative and qualitative objectives (2019: 116.7%).
- The Performance Share Units granted in 2018 vest in February 2021 with a payout of 177% of the initial PSU award (PSUs granted in 2017 vested in 2020 with a payout of 189%).

#### Events after the balance sheet date

- Patrice Bula will leave the Executive Board on February 28, 2021.
- Bernard Meunier was appointed member of the Executive Board effective March 1, 2021.
- David Rennie was appointed member of the Executive Board effective March 1, 2021.

Audited

### Highest total compensation for a member of the Executive Board

In 2020, the highest total compensation for a member of the Executive Board was conferred to Ulf Mark Schneider, the CEO. The amounts below are included in the Executive Board compensation disclosed above.

	2020		2019	
	Number	Value in CHF	Number	Value in CHF
Annual Base Salary		2 400 000		2 400 000
Short-Term Bonus (cash)		2 033 962		2 105 953
Short-Term Bonus (market value of Nestlé S.A. share) <sup>(a)</sup>	20 024	2 034 038	19 486	2 106 047
Performance Share Units (market value) <sup>(b)</sup>	33 614	3 600 059	39 899	3 600 087
Other benefits		3 900		3 900
<b>Total</b>		<b>10 071 959</b>		<b>10 215 987</b>
% Fixed/Variable		23.9 -76.1		23.5 - 76.5
Company contribution towards future pension benefits		603 555		470 788
Company contribution to compulsory Swiss social security <sup>(c)</sup>		28 440		28 200
<b>Total including the elements above</b>		<b>10 703 954</b>		<b>10 714 975</b>

- (a) Nestlé S.A. shares delivered as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2021.
- (b) The Performance Shares are valued at the average closing price of the first ten trading days, after the publication of the 2020 annual results. The 2019 amounts have been restated from the fair value to market value.
- (c) Since the Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 518 006 in 2020 and CHF 459 475 in 2019.

#### Explanations

- Performance Share Units granted in 2020 are disclosed at market value, which corresponds to CHF 107.10.
- Please also refer to the explanations provided on page 47.

#### Payout levels

- The Short-Term Bonus payout for the CEO was 113% in 2020, based on the achievement of Group quantitative and qualitative objectives (2019: 117%).
- The Performance Share Units granted in 2018 vest in February 2021 with a payout of 177% of the initial PSU award (PSUs granted in 2017 vested in 2020 with a payout of 189%).

**Shares held by members of the Executive Board**  
**Share ownership of the members of the Executive Board**  
**and closely related parties on December 31, 2020**

	Number of shares held <sup>(a)</sup>
Ulf Mark Schneider, Chief Executive Officer	404 616
Laurent Freixe	73 438
Chris Johnson	136 798
Patrice Bula	253 428
Marco Settembri	94 750
François-Xavier Roger	72 138
Magdi Batato	41 508
Stefan Palzer	9 883
Béatrice Guillaume-Grabisch	23 211
Leanne Geale	—
Grégory Behar	21 247
Sanjay Bahadur	51 846
<b>Total as at December 31, 2020</b>	<b>1 182 863</b>
<b>Total as at December 31, 2019</b>	<b>876 482</b>

(a) Including shares subject to a three-year blocking period, and further two-year holding period.

There are no stock options held by any member of the Executive Board and closely related parties.

**Other audited information regarding the Executive Board**

**Loans to members of the Executive Board**

On December 31, 2020, there were no loans outstanding to any member of the Executive Board.

**Additional fees and remuneration of the Executive Board**

One member of the Executive Board, in his role of CEO of Nestlé Health Science, also participated in 2020 in the Nestlé Health Science Long-Term Incentive plan, a Phantom Share Unit plan based on the long-term development of that business. He was attributed 5266 Units in 2020, with a share price of CHF 111.33 per Unit (vesting period of three years, value capped at two times the Unit price at grant).

For the sake of full transparency, three members of the Executive Board served on the board of directors of Froneri Ltd. ("Froneri"), in which Nestlé holds a minority equity interest of 44%. Nestlé does not exercise control over Froneri. In 2020, these members of the Executive Board did not receive any compensation from Froneri, but Froneri granted them, in line with guidelines applicable to other board or executive members of Froneri, the opportunity to personally invest in Froneri's equity.

**Compensation and loans for former members of the Executive Board**

In 2020, one former member of the Executive Board received a compensation of CHF 2 454 997 (including company contributions for pension and social security), as per the terms of his contract of employment. Two other former members of the Executive Board received fees of CHF 500 000 and CHF 20 000, respectively.

On December 31, 2020, there were no loans outstanding to former members of the Executive Board.

**Compensation or loans to related parties of members of the Executive Board**

In 2020, no compensation was paid to related parties of members of the Executive Board, and there were no loans outstanding to related parties.

*Sections highlighted with a blue bar are audited by the statutory auditor. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.*

To the General Meeting of  
Nestlé S.A., Cham & Vevey

Lausanne, 17 February 2021

## Report of the statutory auditor on the compensation report

We have audited the compensation report of Nestlé S.A. for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” and highlighted with a blue bar on pages 36 to 50 of the compensation report.



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



### Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

**Other matter**

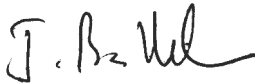
The compensation report of Nestlé S.A. for the year ended 31 December 2019 was audited by another statutory auditor who expressed an unmodified opinion on that report on 12 February 2020.



**Opinion**

In our opinion, the compensation report for the year ended 31 December 2020 of Nestlé S.A. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd



Jeanne Boillet  
Licensed audit expert  
(Auditor in charge)



André Schaub  
Licensed audit expert

# Articles of Association of Nestlé S.A.



Amended by the  
Annual General Meeting  
of April 23, 2020

# Articles of Association of Nestlé S.A.

Translation\*

## I. General

### Article 1

#### Corporate name; Registered offices; Duration

- 1 Nestlé S.A. (Nestlé AG) (Nestlé Ltd.) (hereinafter "Nestlé") is a company limited by shares incorporated and organised in accordance with the Swiss Code of Obligations.
- 2 The registered offices of Nestlé are in Cham and Vevey, Switzerland.
- 3 The duration of Nestlé is unlimited.

### Article 2

#### Purpose

- 1 The purpose of Nestlé is to participate in industrial, service, commercial and financial enterprises in Switzerland and abroad, in particular in the food, nutrition, health, wellness and related industries.
- 2 Nestlé may itself establish such undertakings or participate in, finance and promote the development of undertakings already in existence.
- 3 Nestlé may enter into any transaction which the business purpose may entail. Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation.

## II. Share Capital

### Article 3

#### Share capital

The share capital of Nestlé is CHF 288 100 000 (two hundred and eighty-eight million one hundred thousand Swiss francs) divided into 2 881 000 000 fully paid up registered shares with a nominal value of CHF 0.10 each.

### Article 3<sup>bis</sup>

#### Conditional share capital

- 1 The share capital of Nestlé may be increased in an amount not to exceed CHF 10 000 000 (ten million Swiss francs) by issuing up to 100 000 000 registered shares with a nominal value of CHF 0.10 each, which shall be fully paid up, through the exercise of conversion rights and/or option rights granted in connection with the issuance by Nestlé or one of its subsidiaries of newly or already issued convertible debentures, debentures with option rights or other financial market instruments.

- 2 The shareholders have no preferential rights to subscribe for these new shares. The current owners of conversion rights and/or option rights shall be entitled to subscribe for the new shares.
- 3 The new shares shall be subject, as soon as they are issued following the exercise of conversion and/or option rights, to the restrictions set forth in art. 5.
- 4 The Board of Directors may limit or withdraw the right of the shareholders to subscribe in priority to convertible debentures, debentures with option rights or similar financial market instruments when they are issued, if:
  - a) an issue by firm underwriting by a consortium with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions for issue; or
  - b) the financial market instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or participations or new investments.
- 5 Any financial market instruments with conversion or option rights which the Board of Directors decides not to offer directly or indirectly for prior subscription to the shareholders shall be subject to the following conditions:
  - a) Conversion rights may be exercised only for up to 15 years, and option rights only during 7 years from the date of issue of the relevant financial market instruments.
  - b) The new shares shall be issued according to the applicable conversion or option conditions. The respective financial instruments must be issued at the relevant market conditions.
  - c) The issue of new shares upon exercise of option or conversion rights shall be made at conditions taking into account the market price of the shares and/or comparable instruments with a market price at the time of issuance of the relevant convertible debenture, debenture with option rights or similar financial market instrument.

### Article 4

#### Share certificates; Intermediated securities

- 1 Nestlé may issue its registered shares in the form of single certificates, global certificates or uncertificated securities. Under the conditions set forth by statutory law, Nestlé may convert its registered shares from one form into another form at any time and without the approval of the shareholders. Nestlé shall bear the cost of any such conversion.

*\*This is an unofficial translation. In case of doubt or differences of interpretation, the official French and German versions of the Articles of Association shall prevail over the English text.*



- 2 If registered shares are issued in the form of single certificates or global certificates, they shall be signed by two members of the Board of Directors. Both signatures may be affixed in facsimile.
- 3 The shareholder has no right to demand a conversion of the form of the registered shares. Each shareholder may, however, at any time request a written confirmation from Nestlé of the registered shares held by such shareholder, as reflected in the share register.
- 4 Intermediated securities based on registered shares of Nestlé cannot be transferred by way of assignment. A security interest in any such intermediated securities cannot be granted by way of assignment.

#### Article 5

##### **Share register**

- 1 Nestlé shall maintain a share register showing the name and address of the holders or usufructuaries. Any change of address must be reported to Nestlé.
- 2 Only persons entered in the share register as shareholders with voting rights may exercise the voting rights or the other rights related thereto.
- 3 After the acquisition of shares, upon request of the shareholder to be recognised as such, any acquiring party shall be considered as a shareholder without voting rights, until it is recognised by Nestlé as a shareholder with voting rights. If Nestlé does not refuse the request to recognise the acquiring party within twenty days, the latter shall be deemed to be a shareholder with voting rights.
- 4 An acquirer of shares shall be recorded in the share register as a shareholder with voting rights provided he expressly declares to have acquired the shares in his own name and for his own account.
- 5 No person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. All of the foregoing does not apply in the case of the acquisition of an enterprise, or parts of an enterprise or participations through exchange of shares or in the cases provided in art. 685d par. 3 of the Swiss Code of Obligations.
- 6 The Board of Directors shall promulgate regulations relating to the registration of fiduciaries or nominees to ensure compliance with these Articles of Association.

- 7 Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent the regulations concerning the limitation on registration or the nominees, shall be counted as one person or nominee within the meaning of paragraphs 4 and 5 of this article.
- 8 After hearing the registered shareholder or nominee, the Board of Directors may cancel, with retroactive effect as of the date of registration, the registration of such shareholder or nominee if the registration was effected based on false information. The respective shareholder or nominee shall be informed immediately of the cancellation of the registration.
- 9 The Board of Directors shall specify the details and promulgate the necessary regulations concerning the application of this art. 5. Such regulations shall specify the cases in which the Board or a corporate body designated by the Board may allow exemptions from the limitation on registration or the regulation concerning nominees.
- 10 The limitation on registration provided for in this article shall also apply to shares acquired or subscribed by the exercise of subscription, option or conversion rights.

### **III. Organisation of Nestlé**

#### **A. General Meeting**

##### Article 6

##### **Powers of the General Meeting**

- 1 The General Meeting of shareholders is the supreme authority of Nestlé.
- 2 The following non-transferable powers shall be vested in the General Meeting:
  - a) to adopt and amend the Articles of Association;
  - b) to elect and remove the members of the Board of Directors, the Chairman of the Board of Directors and the members of the Compensation Committee;
  - c) to elect and remove the Auditors;
  - d) to elect and remove the Independent Representative;
  - e) to approve the annual report and the consolidated financial statements;
  - f) to approve the annual financial statements as well as to resolve on the use of the balance sheet profit, in particular, the declaration of dividends;
  - g) to approve the compensation of the Board of Directors and of the Executive Board pursuant to art. 21<sup>bis</sup>;

- h) to grant discharge to the members of the Board of Directors and the persons entrusted with management; and
- i) to take all decisions which by law or under these Articles of Association are within the powers of the General Meeting.

#### Article 7

##### **Annual General Meeting**

The Annual General Meeting shall be held each year within six months of the close of the financial year of Nestlé. The meeting shall be convened by the Board of Directors.

#### Article 8

##### **Extraordinary General Meeting**

- 1 Extraordinary General Meetings shall be convened by the Board of Directors or, if necessary, by the Auditors, as well as in the other cases foreseen by law.
- 2 The Board of Directors shall, if so requested by a General Meeting or at the request in writing, specifying the items and proposals to appear on the agenda, of one or more shareholders with voting rights whose combined holdings represent at least one tenth of the share capital as recorded in the commercial register, convene an Extraordinary General Meeting. The Extraordinary General Meeting shall be held as promptly as practicable following such request.

#### Article 9

##### **Notice of General Meetings; Agenda**

- 1 Annual or Extraordinary General Meetings shall be convened by notice in the "Swiss Official Gazette of Commerce" not less than twenty days before the date fixed for the meeting. Shareholders may in addition be informed by ordinary mail.
- 2 The notice of a meeting shall state the items on the agenda and the proposals of the Board of Directors and of the shareholders who requested that a General Meeting be convened (art. 8 par. 2) or that items be included in the agenda (art. 9 par. 3).
- 3 One or more shareholders with voting rights whose combined holdings represent at least 0.15% of the share capital of Nestlé as recorded in the commercial register may request that an item be included in the agenda of a General Meeting. Such a request must be made in writing to the Board of Directors at the latest 45 days before the meeting and shall specify the agenda items and the proposals made.

- 4 No resolution shall be passed at a General Meeting on matters which do not appear on the agenda except for:
  - a) a resolution convening an Extraordinary General Meeting; or
  - b) the setting up of a special audit.

#### Article 10

##### **Presiding officer; Minutes**

- 1 The Chairman or any member of the Board of Directors shall preside at General Meetings and carry all procedural powers.
- 2 Minutes of General Meetings shall be kept by the Secretary of the Board of Directors.

#### Article 11

##### **Voting rights; Representation of shareholders**

- 1 Each share recorded in the share register as share with voting rights confers one vote on its holder.
- 2 At General Meetings no person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent such a limit, shall be counted as one shareholder.
- 3 The foregoing limit does not apply to shares received and held by a shareholder pursuant to an acquisition of an enterprise, or parts of an enterprise or participations as referred in art. 5 par. 5.
- 4 In order to permit the exercise of voting rights in respect of shares held by nominees, the Board of Directors may by means of regulations or agreements with nominees depart from the limit foreseen in this article. It may also depart from such a limit within the framework of the regulations referred to in art. 5 par. 6 and par. 9. In addition, this limit shall not apply to the exercise of voting rights by the Independent Representative.
- 5 Each shareholder recorded in the share register with voting rights may be represented at the General Meeting by the Independent Representative or a third party. The Board of Directors shall determine the requirements regarding participation and representation in the General Meeting.

- 6 The Independent Representative shall be elected by the General Meeting for a term of office until completion of the next Annual General Meeting. Re-election is possible. If the office of the Independent Representative is vacant, the Board of Directors shall appoint the Independent Representative for the next General Meeting.

#### Article 12

##### **Quorum and decisions**

- 1 General Meetings shall be duly constituted irrespective of the number of shareholders present or of shares represented.
- 2 Unless provided otherwise by law or the Articles of Association, shareholders' resolutions and elections shall be decided by an absolute majority of the shares represented.
- 3 Votes shall be taken either on a show of hands or by electronic voting unless a vote by written ballot is ordered by the Presiding officer of the meeting. The Presiding officer may at any time order to repeat an election or resolution, if he doubts the results of the vote. In this case, the preceding election or resolution is deemed not having taken place.
- 4 If the first ballot fails to result in an election and more than one candidate is standing for election, the Presiding officer shall order a second ballot in which a relative majority shall be decisive.

#### Article 13

##### **Special quorum**

The approval of at least two thirds of the shares represented and the absolute majority of the nominal value represented at a General Meeting shall be required for resolutions with respect to:

- a) a modification of the purpose of Nestlé;
- b) the creation of shares with increased voting powers;
- c) restrictions on the transfer of registered shares and the change or removal of such restrictions;
- d) an authorized or conditional increase in share capital;
- e) an increase in share capital through the conversion of capital surplus, through a contribution in kind or for the purpose of an acquisition of assets, or a grant of special benefits upon a capital increase;
- f) the restriction or withdrawal of the right to subscribe;
- g) a change of the registered offices of Nestlé;
- h) the dissolution of Nestlé;
- i) restrictions on the exercise of voting rights and the change or removal of such restrictions;

- j) the limitation on registration (art. 5 par. 4 to 7) and the limitation on voting rights (art. 11 par. 2, 3 and 4) and the change or removal of such limitations;
- k) the change of the corporate name of Nestlé; and
- l) other matters as provided by statutory law.

#### B. Board of Directors

#### Article 14

##### **Number of Directors**

The Board of Directors shall consist of at least seven members.

#### Article 15

##### **Term of office**

- 1 The Chairman of the Board of Directors and the members of the Board of Directors shall be elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting.
- 2 Members of the Board of Directors whose term of office has expired shall be immediately eligible for re-election.
- 3 If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a new Chairman from amongst its members for the remaining term of office.

#### Article 16

##### **Organisation of the Board**

- 1 The Board of Directors shall elect one or two Vice-Chairmen. It shall appoint a Secretary and his substitutes, neither of whom need be members of the Board of Directors.
- 2 The Board of Directors shall, within the limits of the law and the Articles of Association, define its organisation and the assignment of responsibilities in the Board regulations pursuant to art. 19 par. 2.

#### Article 17

##### **Powers of the Board in general**

The Board of Directors shall conduct all the business of Nestlé to the extent that it is not within the powers of the General Meeting or not delegated pursuant to the Board regulations as set forth in art. 19 par. 2.

## Article 18

### **Specific powers of the Board**

The Board of Directors has the following non-transferable and inalienable duties:

- a) the ultimate direction of the business of Nestlé, in particular the conduct, management and supervision of the business of Nestlé, and the provision of necessary directions;
- b) the determination of the organisation in the Board regulations pursuant to art. 19 par. 2;
- c) the determination of accounting and financial control principles;
- d) the appointment and removal of the persons entrusted with the management and the granting of signatory powers to persons representing Nestlé;
- e) the ultimate supervision of the persons entrusted with the management of Nestlé, ensuring in particular their compliance with the law, the Articles of Association, regulations and instructions given;
- f) the preparation of the business report and the compensation report in accordance with the provisions of the law;
- g) the preparation of General Meetings and the carrying out of its resolutions;
- h) the determination of the manner in which the dividend shall be paid;
- i) the opening and closing of branch offices; and
- j) the notification of the court in case of overindebtedness.

## Article 19

### **Delegation of powers**

- 1 The Board of Directors may, within the limits of the law and the Articles of Association, appoint from amongst its members standing or ad hoc committees entrusted with the preparation and execution of its decisions or the supervision of specific parts of the business. The Board of Directors shall ensure that it is kept properly informed.
- 2 Unless otherwise provided by law, the Board of Directors may in accordance with the Board regulations delegate all or part of the management to one or more of its members, to one or more board committees, or to third parties.

## C. Compensation Committee

### Article 19<sup>bis</sup>

#### **Number of members; Term of office; Organisation**

- 1 The Compensation Committee consists of at least three independent members of the Board of Directors.
- 2 The members of the Compensation Committee shall be elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting. Members of the Compensation Committee whose term of office has expired shall be immediately eligible for re-election.
- 3 If there are vacancies on the Compensation Committee, the Board of Directors shall appoint substitutes from amongst its members for the remaining term of office.
- 4 The Board of Directors shall elect a Chairman of the Compensation Committee. It shall, within the limits of the law and the Articles of Association, define the organisation of the Compensation Committee in regulations.

### Article 19<sup>ter</sup>

#### **Powers of the Compensation Committee**

- 1 The Compensation Committee supports the Board of Directors in establishing and periodically reviewing Nestlé's compensation strategy and guidelines and performance criteria as well as in preparing the proposals to the General Meeting regarding the compensation of the members of the Board of Directors and of the Executive Board. It may submit proposals and recommendations to the Board of Directors in other compensation-related issues.
- 2 The Board of Directors promulgates regulations to determine for which positions of the Board of Directors and of the Executive Board the Compensation Committee, together with the Chairman of the Board of Directors or on its own, shall submit proposals for the compensation, and for which positions it shall determine the compensation in accordance with the Articles of Association and the compensation guidelines established by the Board of Directors.
- 3 The Board of Directors may delegate further tasks and powers to the Compensation Committee.

D. Auditors

Article 20

**Number of Auditors; Term of office**

The General Meeting shall appoint, for a term of office until completion of the next Annual General Meeting, one or more Auditors of the annual financial statements of Nestlé and the consolidated financial statements of the Group, which shall be independent from Nestlé and meet the special professional standards required by law. The Auditors of Nestlé may be re-elected.

Article 21

**Rights and duties of Auditors**

The Auditors shall verify the annual financial statements of Nestlé and the consolidated financial statements of the Group and perform such other tasks as defined by law. The Auditors shall submit their reports to the General Meeting. Their rights and duties shall be as set out in the applicable Swiss law.

**III<sup>bis</sup>. Compensation of the Board of Directors and of the Executive Board**

Article 21<sup>bis</sup>

**Approval of compensation by General Meeting**

- 1 The General Meeting shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:
  - a) compensation of the Board of Directors for the period until the next Annual General Meeting;
  - b) compensation of the Executive Board for the following financial year.

The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.
- 2 In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation, provided that:
  - a) the Board of Directors takes into account:
    - (i) the proposed maximum aggregate amount of compensation;
    - (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and
    - (iii) Nestlé's compensation principles; and
  - b) the Board of Directors submits the amount(s) so determined to approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting.
- 3 Notwithstanding the preceding paragraph, Nestlé or companies controlled by it may pay out compensation prior to approval by the General Meeting subject to subsequent approval by a General Meeting.
- 4 The Board of Directors shall submit the annual compensation report to an advisory vote of the General Meeting.

Article 21<sup>ter</sup>

**Supplementary amount for changes on the Executive Board**

If the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the Executive Board during a compensation period for which the General Meeting has already approved the compensation of the Executive Board, Nestlé or companies controlled by it shall be authorized to pay to such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount shall not exceed 40% of the aggregate amount of compensation of the Executive Board last approved by the General Meeting per compensation period.

Article 21<sup>quater</sup>

**General compensation principles**

- 1 Compensation of the non-executive members of the Board of Directors comprises fixed compensation elements only.
- 2 Compensation of the members of the Executive Board comprises fixed and variable compensation elements. Fixed compensation comprises the base salary and may comprise other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation elements, and shall be subject to caps expressed as predetermined multipliers of the respective target levels.
- 3 Short-term compensation elements are governed by performance metrics that take into account the performance of Nestlé and/or parts thereof, targets in relation to the market, to other companies or to comparable benchmarks and/or individual targets, and achievement of which is generally measured based on a one-year period. The annual target level of the short-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level.
- 4 Long-term compensation elements are governed by performance metrics that take into account strategic objectives of Nestlé, and achievement of which is generally measured based on a multiannual period. The annual target level of the long-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level. Vesting periods, as determined by the Board of Directors or, to the extent delegated to it, the Compensation Committee, shall be at least three years.
- 5 The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.
- 6 Compensation may be paid or granted in the form of cash, shares, other benefits or in kind; compensation to members of the Executive Board may also be paid or granted in the form of financial instruments or similar units. The Board of Directors or, to the extent delegated to it, the Compensation Committee determines grant, vesting, blocking, exercise and forfeiture conditions; they may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture in the event of predetermined events such as a termination of an employment or mandate agreement.
- 7 Compensation may be paid by Nestlé or companies controlled by it.
- 8 The Board of Directors values compensation according to the principles that apply to the compensation report.

### **III<sup>ter</sup>. Contracts with members of the Board of Directors and of the Executive Board**

Article 21<sup>quinquies</sup>

#### **Basic principles**

- 1 Nestlé or companies controlled by it may enter into agreements with members of the Board of Directors relating to their compensation for a fixed term or for an indefinite term; term and notice period may not exceed one year.
- 2 Nestlé or companies controlled by it may enter into contracts of employment with members of the Executive Board for a definite period of time not to exceed one year or for an indefinite period of time with a notice period not to exceed 12 months.
- 3 Contracts of employment with members of the Executive Board may contain a prohibition of competition for the time after the end of employment for a duration of up to 2 years. The annual consideration for such prohibition shall not exceed 50% of the total annual compensation last paid to such member of the Executive Board.

### **III<sup>quater</sup>. Mandates outside Nestlé; Loans**

Article 21<sup>sexies</sup>

#### **Mandates outside Nestlé**

- 1 No member of the Board of Directors may hold more than 4 additional mandates in listed companies and 5 additional mandates in non-listed companies.
- 2 No member of the Executive Board may hold more than 2 additional mandates in listed companies and 4 additional mandates in non-listed companies. Each of these mandates shall be subject to approval by the Board of Directors.
- 3 The following mandates are not subject to these limitations:
  - a) mandates in companies which are controlled by Nestlé;
  - b) mandates which a member of the Board of Directors or of the Executive Board holds at the request of Nestlé or companies controlled by it. No Member of the Board of Directors or of the Executive Board shall hold more than 10 such mandates; and
  - c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No Member of the Board of Directors or of the Executive Board shall hold more than 10 such mandates.
- 4 Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.
- 5 The Board of Directors shall promulgate regulations that, taking into account the position of the respective member, determine additional restrictions.

Article 21<sup>septies</sup>

#### **Loans**

Loans to a member of the Board of Directors or the Executive Board may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation.

#### **IV. Business report and appropriation of profit resulting from the balance sheet**

Article 22

##### **Financial year**

The financial year shall commence on 1 January and shall end on 31 December.

Article 23

##### **Business report**

For every financial year the Board of Directors shall prepare a business report consisting of the annual financial statements of Nestlé, of the annual report and the consolidated financial statements.

Article 24

##### **Appropriation of profit resulting from the balance sheet**

The profit shall be allocated by the General Meeting within the limits set by applicable law. The Board of Directors shall submit its proposals to the General Meeting.

#### **V. Announcements, Communications**

Article 25

##### **Notices**

All notices and communications to be made by Nestlé shall be considered duly made if published in the "Swiss Official Gazette of Commerce", unless the law provides otherwise.

*Articles of Association amended by the Annual General Meeting of April 23, 2020*