

Presentation

Corporate Governance and Compliance at Nestlé

Nestlé Shared Value Creation Day

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Nestlé

Vevey, May 29, 2007

Good Food, Good Life



Disclaimer

This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

A. Key Messages

We believe good Corporate Governance helps the sustainable value creation

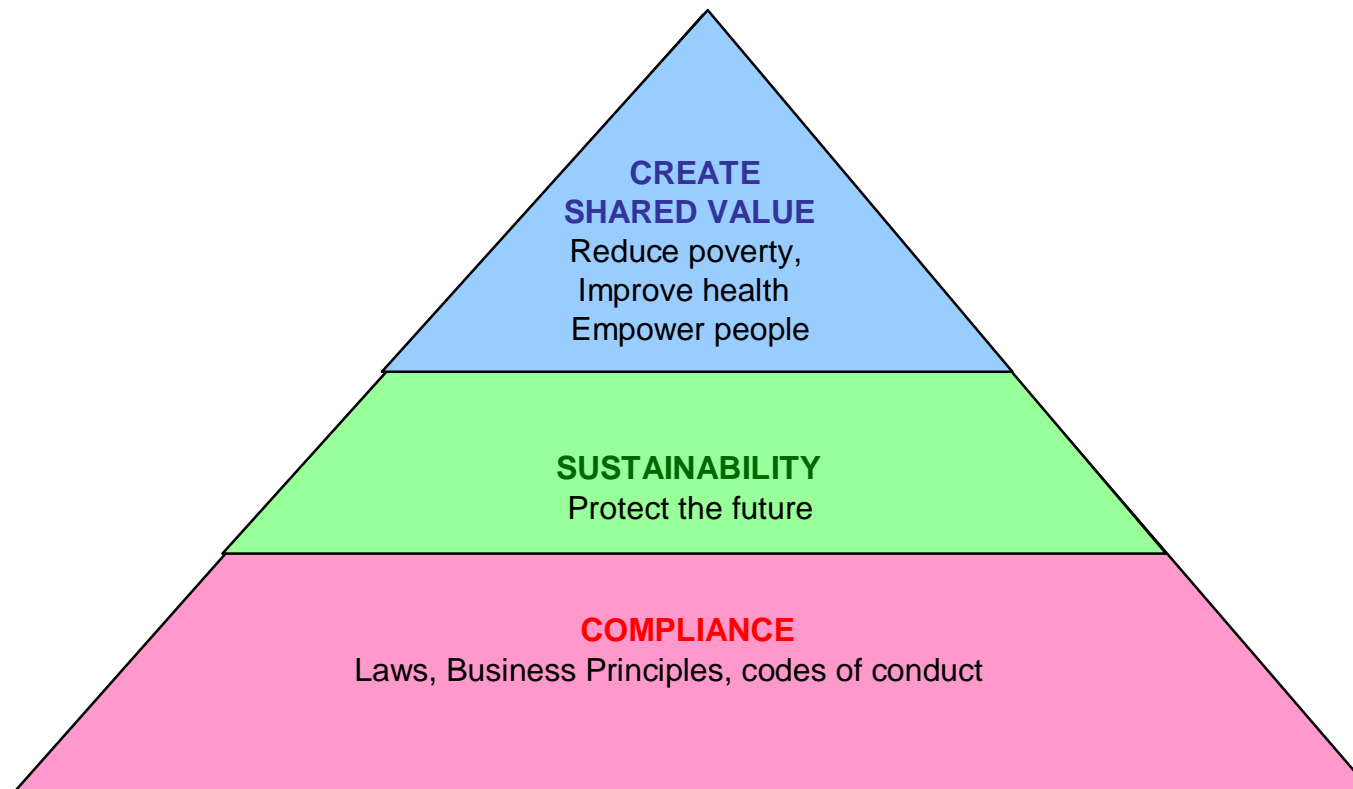
- We follow proven best practice and comply with all applicable rules
- Disclosure and transparency
- Board structure and oversight in line with best practice
- Top corporate governance ratings, yet continuous adaptation
- Convergence of good governance with shareholder interests
- "Good governance pays" and helps sustainable value creation

A. Key Messages

We believe good Compliance is the basis for sustainable value creation

- “Zero tolerance” policy
- Principles based approach
- A cross-functional, “holistic” approach to all non-financial risk
- “Swiss” roots help to ensure strong compliance culture
- Convergence of good compliance and shareholders interests
- Good compliance is the basis for our CSR efforts

A. Key Messages



Good Governance and Compliance are the basis for sustainability and shared value creation

B. Corporate Governance

1. Corporate Governance Strategy

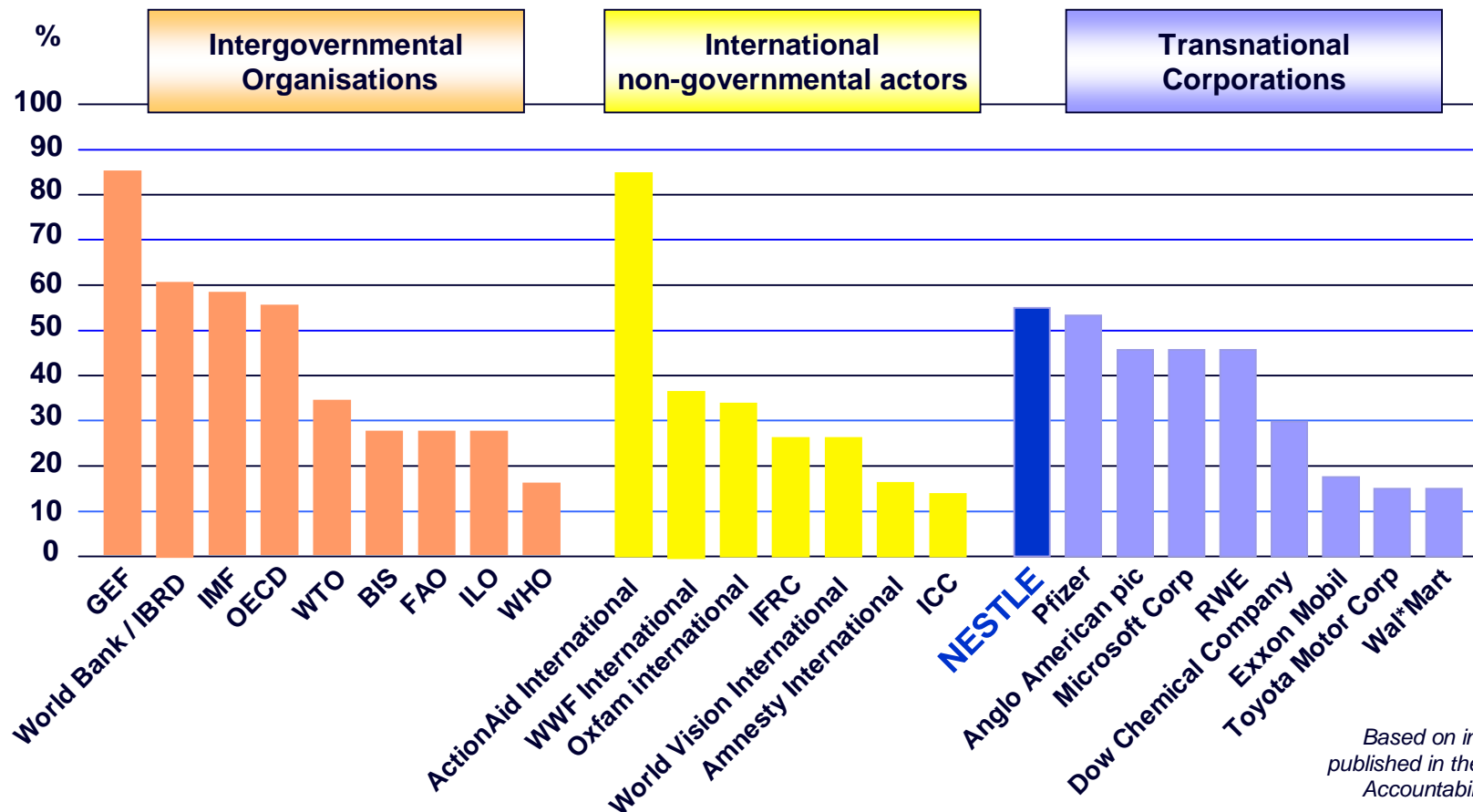
Good Corporate Governance, i.e. "how the company is run", helps the long-term, sustainable value creation

- Strategy of being in line with proven best practice and all applicable Corporate Governance (CG) rules
- Full Compliance with Swiss Code of Best Practice and SWX Rules
- Voluntary compliance with Sarbanes-Oxley and NYSE standards where they represent best practice and make sense
- IFRS reporting; Disclosure and transparency
- Continuous adaptation and engagement in ongoing corporate governance development

B. Corporate Governance

One world trust – 2006 Global Accountability Report

Organisational scores on transparency capabilities



Based on information published in the 2006 Global Accountability Report

B. Corporate Governance

2. Shareholders Rights

A simple, diversified shareholder structure helps the long-term, sustainable value creation

- Simple capital structure: ordinary registered shares; no authorized or preferred stock; no participation certificates
- Diversified shareholder structure; no shareholder may vote more than 3% of the share capital
- 1 million shares give right to put item on the agenda
- No opting out or opting up of mandatory bid rules
- Ongoing project to revise our Articles of Association
- Actively engaged in the ongoing revision of Swiss law

B. Corporate Governance

3. Board of Directors

An independent Board and Committee structure in line with best practises

- 14 members
- Except for the Chairman, fully non-executive and independent
- Chairman only a member of the CCGC; two vice-chairmen
- Full disclosure
- Committee structure in line with proven best practice:
 - (1) Audit Committee
 - (2) Finance Committee
 - (3) Compensation and Nomination Committee
 - (4) Chairman's and Corporate Governance Committee

B. Corporate Governance



Helmut Maucher (D)
Honorary Chairman

Nestlé – BOARD OF DIRECTORS



¹ Peter Brabeck-Letnath (A)
Chairman and
Chief Executive Officer



^{1,2} Andreas Kappmann (CH)
Vice Chairman



^{1,2,4} Rolf Hänggi (CH)
Vice Chairman



^{1,2,4} Lord George (GB)



^{1,2,4} Kasper Villiger (CH)



³ Jean-Pierre Meyers (F)



² Peter Böckli (CH)



³ André Kufelski (CH)



² Daniel Barel (CH)



Carolina Müller-Möhl (CH)



Günter Blobel (D)



Jean-René Furtou (F)



Steven George Hoch (USA/CH)



Naina Lal Kidwai (India)

- ¹ Chairman's and Corporate Governance Committee
 - ² Compensation and Nomination Committee
 - ³ Audit Committee
 - ⁴ Finance Committee
 - ^{**} Secretary to the Board (not a Board Member)
- Nationality in brackets

B. Corporate Governance

4. Executive Board

Two tier Board structure in line with Swiss best practise

- 13 members; three Swiss
- Chaired by the CEO (administrateur délégué)
- Board takes care of ultimate oversight and inalienable duties
- Operational management is delegated to the CEO / Executive Board
- Clear responsibilities set forth in the Board Regulations

B. Corporate Governance



Nestlé

EXECUTIVE BOARD OF THE GROUP



Peter Brabeck-Letmathe
Chairman and
Chief Executive Officer



Francisco Castaño
Executive Vice President
Pharma & Cosmetics,
Human Resources,
Corporate Affairs



Lars Olsson
Executive Vice President
Strategic Business Units
& Marketing



Werner Bauer
Executive Vice President
Chief Technology Officer



Frits van Dijk
Executive Vice President
Asia, Oceania and Africa



Paul Bulcke
Executive Vice President
Americas



Carlo Donati
Executive Vice President
Nestlé Waters



Luis Cantarell
Executive Vice President
Europe



Paul Polman
Executive Vice President
Chief Financial Officer



José López
Executive Vice President
Operations



Richard Loebe
Deputy Executive
Vice President
Nestlé Nutrition



Marco Cairn
Deputy Executive
Vice President
FoodServices Strategic
Business Division



David Friek
Senior Vice President
ex officio member
of the Executive Board
Corporate Governance
& Compliance

B. Corporate Governance

5. Oversight

Several layers of oversight

- Ultimate oversight: Board of Directors and Audit Committee (AC)
- First line of defense: line management, Custodian Concept
- Second line of defense: Corporate functions
 - Group Compliance provides framework and coordination
 - Group Risk, Regulatory, Legal, IP and Security ensure compliance
 - Quality Management drives Nestlé Quality Management System
 - HR and SHE including functional audits
 - Public Affairs in charge of Corporate Social Responsibility
- Third line of defense: Nestlé Group Audit reporting to AC
- Fourth line of defense: Independent external auditors

B. Corporate Governance

6. Process to revise Articles of Association

Ongoing project to ensure up to date Corporate Governance

- Current Articles include provisions which could no longer be changed
- Issues under review include attendance quorums; supermajority requirements; voting restrictions; terms of the Board and auditors
- The 2006 AGM charged the Board with a complete revision and clarified the procedure
- *Stated Goal: A balanced set of Articles which take into account the interests of the various distinct groups of shareholders, reflect the changed legal and corporate governance environment and are in the best interests of the Company and its shareholders to create long term, sustainable shareholder value*

C. Compliance

1. Compliance Strategy

Good compliance helps the long-term, sustainable value creation

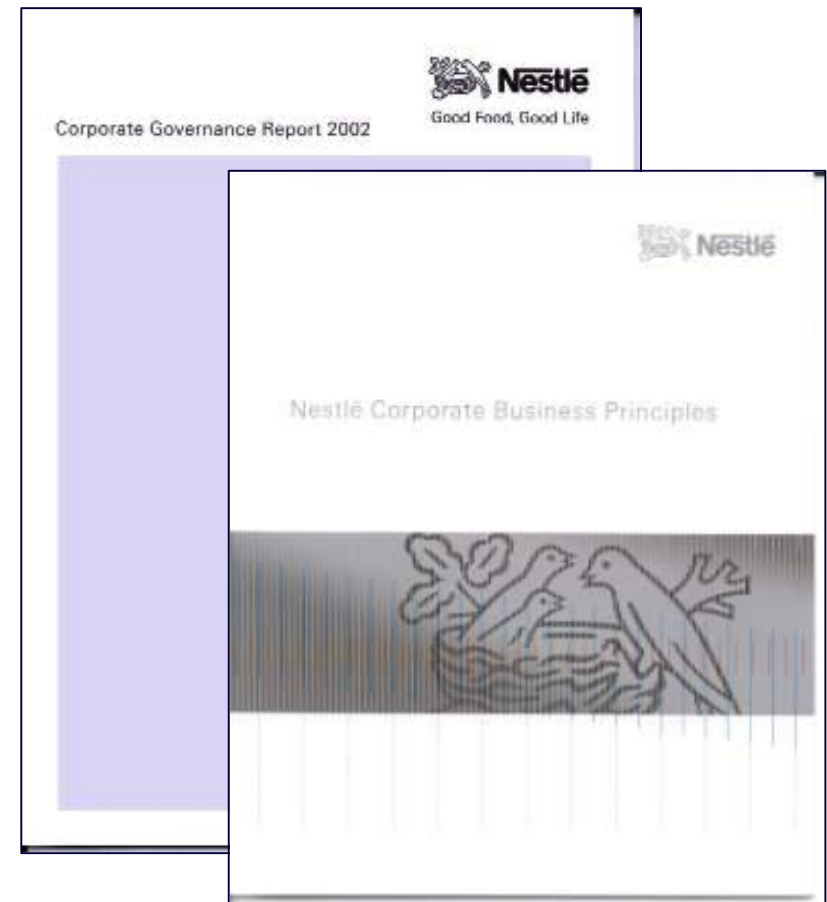
- “Zero tolerance” strategy
- Principles-based approach; principles in place for years and consistently applied
- Cross-functional set-up
- A common framework and culture bring these activities together
- Pro-active, rather than crisis driven approach
- Strong compliance culture and right “tone at the top”
- Compliance protects our reputation and helps the sustainable shared value creation

C. Compliance

2. Key Documentation

*A principles based approach to compliance based on long established Principles;
Continuous implementation*

- Corporate Business Principles
- Management and Leadership Principles
- Infant Formula Policy
- Principles on Purchasing
- Communications Principles
- Commitments on Water
- Quality Policy
- Policy on Health and Safety at Work



C. Compliance

3. Corporate Business Principles (CBP)

Nestlé's long established, non-negotiable principles

- As a minimum, employees must comply with the laws applicable
- Commitment to key principles to guide our activities worldwide
- Commitment to the ten principles of the UN Global Compact and other international conventions
- Compliance is regularly monitored by auditors
- Supported by other principles, policies and directives



C. Compliance

4. Role of the Center

Group Compliance as a framework and driver

- Provides framework and coordination
- Issues and implements non-negotiable principles and standards
- Centers of competence
- Complaints management
- Training, monitoring and auditing initiatives
- Reputational risk management

C. Compliance

5. Group Compliance Committee

Cross-functional Group Compliance Committee provides framework

- Includes all corporate risk & control functions and internal audit to ensure holistic approach to manage all non-financial risk
- Serves as a Steering Committee, identifies and closes gaps
- Oversees and drives implementation
- Reports to Executive Management, Board and shareholders
- Creates framework and platform, sets the tone
- Helps proper documentation and reporting of Compliance

C. Compliance

6. Group Compliance Initiatives

Various Group initiatives support the markets' compliance efforts

- Continuous implementation of Group principles
- Issuance of principles and standards
- Compliance tools
- Reputational risk reviews
- Initiatives on selected compliance topics
- Fraud prevention
- Reporting and control self-assessment tools

C. Compliance

7. Custodian Concept

Custodian role of the market heads in preserving our non-negotiable principles

- Compliance must be ensured by the market heads, supported by market corporate functions
- Market heads are held accountable; the responsibility is in the hands of each market corporate function
- Compliance network helps the market heads and market corporate functions to perform this role

C. Compliance

8. Markets Compliance Program

Compliance Network and Market Compliance Program support the Market Heads

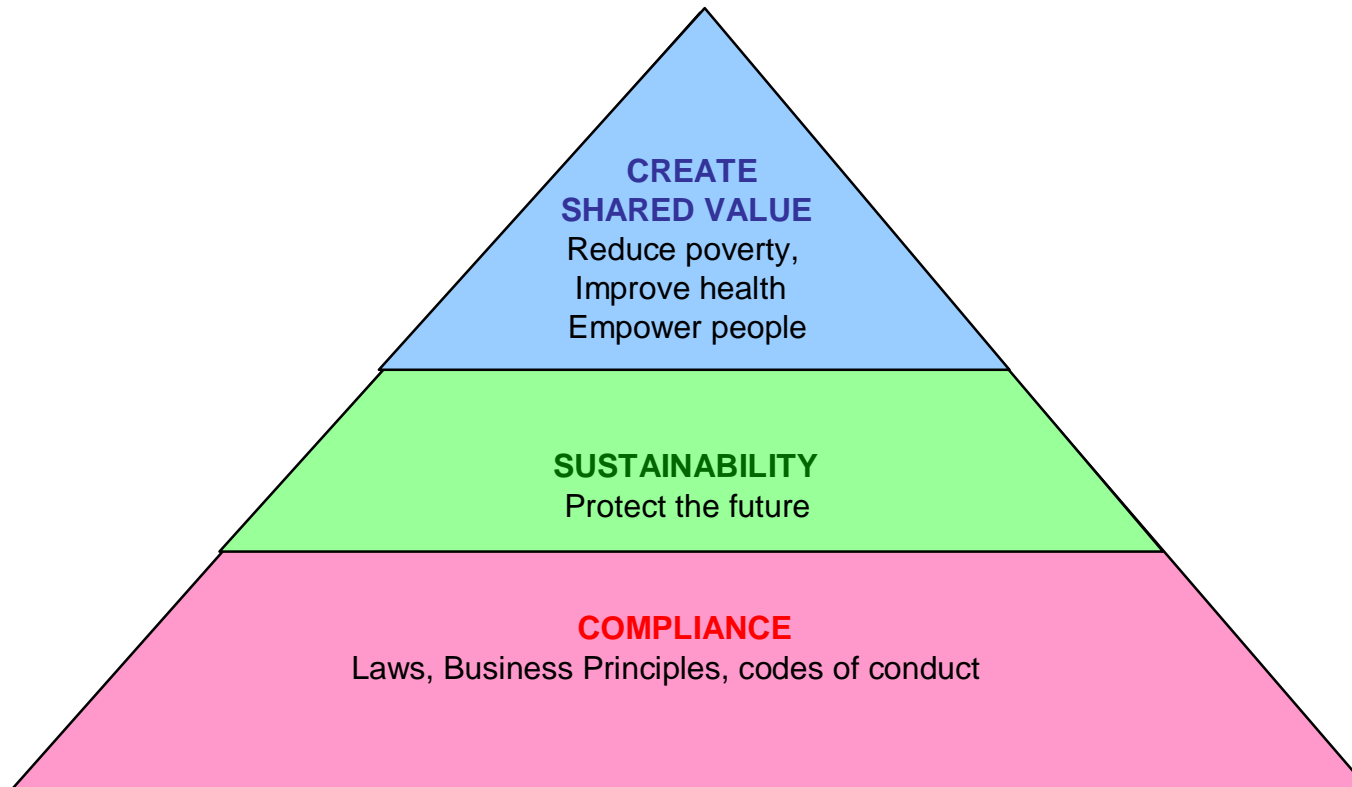
- Compliance Network designated the people the Company looks to in order to manage compliance issues
- Key markets established local Compliance Committees and appointed Market Compliance Managers
- Helps implement Group and local Compliance initiatives
- Emphasized role of the market head to provide right “tone at the top”

C. Compliance

9. Project CARE

Independent Audit Program to verify that our operations conform with our Corporate Business Principles

- Ensures compliance at factory level
- Remaining factories due by end of 2007
- Recent enhancement through external certification to ISO 14001 (environment) and OHSAS 18001 (safety and health)
- Some markets already extended the scope beyond factories
- Suppliers to be addressed via joint industry initiative



Good Governance and Compliance are the basis for sustainability and shared value creation

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