

Compensation Report 2022



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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 2023.

At the 2022 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 2021, we had introduced Environmental, Social, Governance ("ESG") related KPIs for the Short-Term Incentive Plan for 15% of its grant value. For 2023, an ESG- related KPI will also be added as a fourth performance metric in the Long-Term Incentive Plan for 20% of its grant value.

Governance

The Board of Directors has the overall responsibility for defining the compensation principles used in the Group. Pursuant to art. 21^{bis} of Nestlé’s Articles of Association (*), the total compensation of the Board of Directors and the Executive Board is subject to approval by the shareholders, upon proposal by the Board of Directors.

As of December 31, 2022, 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 ^(a)
Non-executive members of the Board of Directors	Compensation Committee	Board of Directors ^(b)
Members of the Executive Board	CEO together with Chair	Compensation Committee ^(c)

(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, 2022, the composition of the CC is as follows:

Chair	Members
Pablo Isla	Patrick Aebischer
	Dick Boer
	Dinesh Paliwal

The tasks and areas of responsibility of the CC are described on page 14 of the Corporate Governance Report 2022.

(*) Nestlé S.A.’s Articles of Association can be found on page 57 and at 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^{bis} 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 ^(a).

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^{bis} 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 that 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 ^(b), adjusted for the size of Nestlé. These figures are periodically reviewed against this benchmark.

Compensation 2022 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 ^(a):

	Chair	Members
Chair's and Corporate Governance Committee	CHF 300 000	CHF 200 000
Compensation Committee	CHF 150 000	CHF 70 000
Nomination Committee	CHF 150 000	CHF 70 000
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, 2022

	Chair's and Corporate Governance Committee	Compensation Committee	Nomination Committee	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)
Eva Cheng			•		
Patrick Aebischer		•			
Kimberly A. Ross					•
Dick Boer		•		•	
Dinesh Paliwal		•	•		
Hanne Jimenez de Mora	•			• (Chair)	
Lindiwe M. Sibanda				•	
Chris Leong				•	
Luca Maestri					•

The above fees and allowances cover the period between the Annual General Meeting 2022 and the Annual General Meeting 2023. 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.

Ann M. Veneman and Kasper Rorsted did not stand for re-election at the Annual General Meeting on April 7, 2022, and left the Board of Directors.

Compensation payout 2022

At the Annual General Meeting of April 7, 2022, the shareholders approved a maximum compensation for the Board of Directors of CHF 10 million for the period from the Annual General Meeting 2022 to the Annual General Meeting 2023. The total actual compensation pay-out for this period including social security contributions is CHF 9 735 016.

Audited (*) Summary of compensation 2022**

	Cash in CHF ^(a)	Market value of shares in CHF ^(b)	Total Cash & Shares	Social security & addit. Fees ^(c)	Total Compensation
Paul Bulcke, Chairman	—	3 500 000	3 500 000	28 680	3 528 680
Ulf Mark Schneider, Chief Executive Officer ^(d)	—	—	—	—	—
Henri de Castries, Vice Chairman, Lead Independent Director	380 000	365 000	745 000	28 680	773 680
Renato Fassbind	330 000	315 000	645 000	28 680	673 680
Eva Cheng	190 000	175 000	365 000	16 355	381 355
Patrick Aebischer	190 000	175 000	365 000	42 695	407 695
Pablo Isla	330 000	315 000	645 000	28 680	673 680
Kimberly A. Ross	205 000	190 000	395 000	—	395 000
Dick Boer	225 000	210 000	435 000	—	435 000
Dinesh Paliwal	225 000	210 000	435 000	23 528	458 528
Hanne Jimenez de Mora	330 000	315 000	645 000	28 680	673 680
Lindiwe M. Sibanda	190 000	175 000	365 000	19 755	384 755
Chris Leong	190 000	175 000	365 000	19 755	384 755
Luca Maestri	205 000	190 000	395 000	21 372	416 372
Total for 2022	2 990 000	6 310 000	9 300 000	286 860	9 586 860

** 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) The Board is paid in arrears (25% in October 2022 and 75% in April 2023). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2023. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2023. The actual number of shares delivered will be published in the Compensation Report 2023. In 2022, 50 861 shares have been delivered to the Board.

(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 148 156 in 2022. For details of additional fees, see page 41.

(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 2021 ****

	Cash in CHF ^(a)	Market value of shares in CHF ^(b)	Total Cash & Shares	Social security & addit. Fees ^(c)	Total Compensation
Paul Bulcke, Chairman	—	3 500 000	3 500 000	28 680	3 528 680
Ulf Mark Schneider, Chief Executive Officer ^(d)	—	—	—	—	—
Henri de Castries, Vice Chairman, Lead Independent Director	380 000	365 000	745 000	28 680	773 680
Renato Fassbind	330 000	315 000	645 000	28 680	673 680
Ann M. Veneman	330 000	315 000	645 000	25 000	670 000
Eva Cheng	240 000	225 000	465 000	21 285	486 285
Patrick Aebischer	190 000	175 000	365 000	42 695	407 695
Kasper B. Rorsted	190 000	175 000	365 000	—	365 000
Pablo Isla	330 000	315 000	645 000	28 680	673 680
Kimberly A. Ross	205 000	190 000	395 000	—	395 000
Dick Boer	225 000	210 000	435 000	—	435 000
Dinesh Paliwal	190 000	175 000	365 000	19 755	384 755
Hanne Jimenez de Mora	190 000	175 000	365 000	19 755	384 755
Lindiwe M. Sibanda	190 000	175 000	365 000	19 755	384 755
Total for 2021	2 990 000	6 310 000	9 300 000	262 965	9 562 965

** 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) The Board is paid in arrears (25% in October 2021 and 75% in April 2022). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2022. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2022. The actual number of shares delivered will be published in the Compensation Report 2022. In 2021, 51 331 shares have been delivered to the Board.

(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 141 989 in 2021. For details of additional fees, see page 41.

(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, received Nestlé S.A. shares, which are blocked for three years. In addition to his responsibilities for the governance and strategy of the Group, this reflects specific responsibilities for the direction and control of the Group, including the support of Nestlé Health Science through its Strategic Advisory Council, the direct leadership of Nestlé's interests in L'Oréal and the chairmanship of the Nestlé Science & Technology Advisory Council. Paul Bulcke maintains close relationships with shareholders, including through worldwide Chairman's Roundtables. He also engages with other stakeholders, including through his chairmanship of the 2030 Water Resources Group (WRG) and the WEF Community of Chairpersons. The remuneration includes all compensation received in relation to these activities.

	2022		2021
	Value in CHF	Number	Value in CHF
Cash compensation	—		—
Blocked shares (market value) ^(a)	3 500 000	28 208	3 500 000
Total Cash & Shares	3 500 000		3 500 000
Company contribution to compulsory Swiss social security ^(b)	28 680		28 680
Total compensation	3 528 680		3 528 680

(a) The Chairman is paid in arrears. The Nestlé S.A. shares equivalent to 100% of the annual remuneration will be delivered at the end of the Board year in April 2023. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2023. The actual number of shares delivered will be published in the Compensation Report 2023.

(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 127 932 in 2022 and in 2021.

Share ownership of the non-executive members of the Board of Directors and closely related parties on December 31, 2022

	Number of shares held ^(a)
Paul Bulcke, Chairman	1 477 385
Henri de Castries, Vice Chairman, Lead Independent Director	34 068
Renato Fassbind	35 978
Eva Cheng	9 327
Patrick Aebischer	15 519
Pablo Isla	9 229
Kimberly A. Ross	7 876
Dick Boer	6 321
Dinesh Paliwal	13 691
Hanne Jimenez de Mora	5 246
Lindiwe M. Sibanda	1 411
Chris Leong	—
Luca Maestri	—
Total as at December 31, 2022	1 616 051
Total as at December 31, 2021	1 596 619

(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^{septies} 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 Patrick Aebischer, who serves on the Nestlé Science & Technology Advisory Council, and CHF 25 000 paid to Eva Cheng who served as a member of the Greater China Advisory Council.

Compensation and loans for former members of the Board of Directors

There was no compensation conferred during 2022 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier, except for CHF 25 000 paid to one former member of the Board who serves as a member of the Creating Shared Value (CSV) Council. 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 2022, 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^{bis} 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^{bis} 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^{ter} 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 2022, 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 payouts 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 57 and at 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 47). 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^{quater} 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.

(*) or American Depositary Receipts

(**) Nestlé S.A.'s Articles of Association can be found on page 57 and at www.nestle.com/investors/corporate-governance/articles

Objectives 2022

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

In 2022, the following target levels were applicable

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

For the CEO and the CFO, 85% of the target is linked to performance against the Nestlé Group objectives (see below) and 15% to Environmental, Social and Governance (ESG) objectives. For the other members of the Executive Board, at least 35% of the target is linked to business performance, to ensure accountability for Nestlé's results, for Function Heads, 50% is tied to functional objectives, 35% to Group performance and 15% to ESG objectives; for Zone or Business Heads, 60% is tied to business objectives they are directly responsible for, 25% to Group performance and 15% to ESG objectives.

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 2023.

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 2022, their weighting was 60% Organic Growth and 40% Profitability (Underlying Trading Operating Profit margin).

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 to ensure that 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.

Environmental, Social and Governance (ESG) objectives

ESG objectives (15% of the target) are set annually by the Compensation Committee and reflect selected performance measures from the Company's ESG/Sustainability agenda. For 2022, they relate to deforestation, plastic packaging designed for recycling, reduction of water use in factories, affordable nutrition with micro nutrients and the global youth initiative.

(*) or American Depositary Receipts

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^{quater} 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^{quater} 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 2022

In 2022, 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 2022 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.

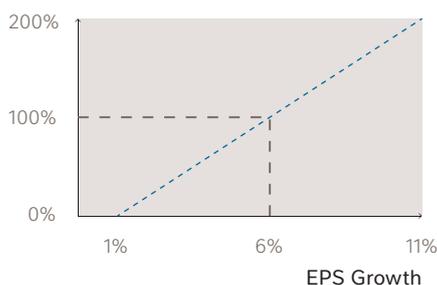
The PSUP covers the Executive Board, Senior Vice Presidents and selected Vice Presidents and Assistant Vice Presidents. A Restricted Stock Unit Plan (RSUP) applies to all other participants.

(*) Nestlé S.A.'s Articles of Association can be found on page 57 and at 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 2022 PSUP grant.

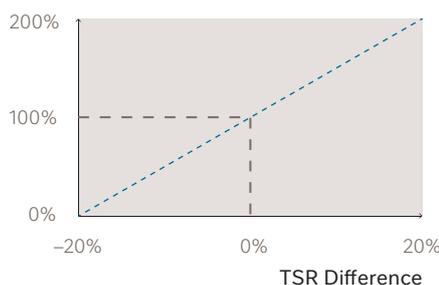
Average Underlying EPS Growth (constant currencies)

Achievement



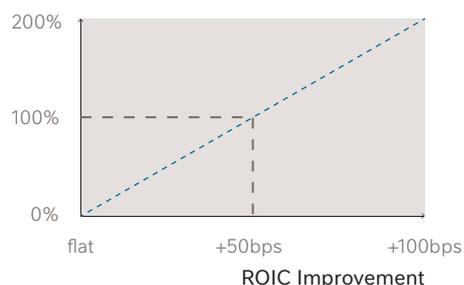
TSR Difference (Nestlé vs. Index)

Achievement



ROIC Improvement

Achievement

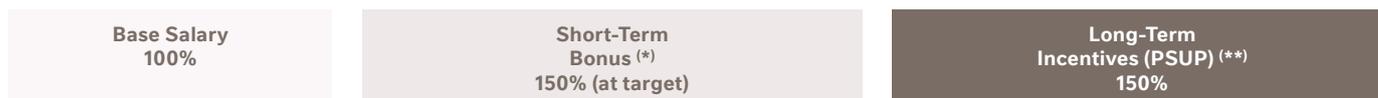


The total vesting level will be determined by applying, at the end of the vesting period, a weight of 50% for Underlying EPS, 30% for TSR and 20% for ROIC of the grant, and by adding up the three elements.

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 Incentive Plans

For the Head of Nestlé Health Science, the LTI target grant values are the same as mentioned above, but are split between PSUP (30% of grant value) and the specific Long-Term Incentive Plan of Nestlé Health Science (70% of grant value). Nestlé Health Science has a Phantom Share Unit Plan based on the long-term development of that business, with a vesting period of three years, and a value capped at two times the Unit price at grant.

The Head of Zone North America also participates in the Nestlé US Short-Term and Long-Term Incentive Plans for 75% of his total grant value. The Nestlé US Short-Term Incentive Plan is capped at 150% of target based on performance. The Nestlé US Long-Term Incentive Plan, which has a target value of 250%, is a Phantom Share Unit Plan based on the long-term results of Nestlé S.A. The vesting range of these US Performance Share Units (US PSUs) starts at 0% and is capped at 200% based on Nestlé's results against Earnings Per Share and Total Shareholder Return performance measures. US PSUs have a three-year vesting period and are cash settled following the third anniversary of the grant date. These terms reflect the dynamics in our largest market and are comparable to the terms applicable for employees in similar positions in the US.

5. Other benefits

Typical elements are a car allowance, a contribution towards health insurance premiums as well as long-term service awards and expatriate benefits in line with the Company's policies. The Heads of Zone North America and Zone Greater China receive a housing and financial planning allowance; the Head of Zone North America also receives certain additional benefits, including contributions to life insurance and other benefits applicable for employees in similar positions in the US.

6. Pension benefits

Executive Board members 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. In 2018, the Nestlé Pension Plan was adapted to reflect the lower interest rate environment and the increase in life expectancy. The Heads of Zone North America and of Zone Greater China are also affiliated to the local pension plans. The employer's contributions for future pension benefits are included in the compensation amount.

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.

(*) Companies include: ABB, Adyen, Air Liquide, Airbus, ASML, AstraZeneca, BASF, Bayer, BP, British American Tobacco, Deutsche Post, Deutsche Telekom, Diageo, Enel, EssilorLuxottica, Glencore, GSK, Kering, L'Oréal, Mercedes-Benz, Novartis, Novo Nordisk, Prosus, Relx, Rio Tinto, Roche, Sanofi, SAP, Schneider Electric, Shell, Siemens, TotalEnergies and Vinci.

Share ownership policy

Following an appropriate build-up period, 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^{septies} of the Articles of Association).

Contracts of employment and severance payments

Members of the Executive Board are subject to a notice period of 12 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.

Audited

Compensation 2022 for members of the Executive Board

At the Annual General Meeting of April 15, 2021, the shareholders approved a maximum compensation for members of the Executive Board of CHF 57.5 million for 2022. The total compensation paid to members of the Executive Board in 2022, including contributions towards future pension benefits and total social security contributions, was CHF 60 159 764.

As per art. 21^{ter} of Nestlé's Articles of Association, a supplementary amount of CHF 2 659 764 was paid, in equal parts, to the Executive Vice Presidents Steve Presley and David Zhang, who became members of the Executive Board (in charge of Zones North America and Greater China, respectively) after the shareholders approved the compensation for the members of the Executive Board for 2022.

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

	2022	2021
Annual Base Salary	15 793 750	13 625 000
Short-Term Bonus (cash)	12 831 032	11 070 974
Short-Term Bonus (market value of Nestlé S.A. share) ^(a)	4 550 692	4 594 486
Performance Share Units (market value) ^(b)	17 779 558	14 250 298
Other benefits	1 882 780	512 644
Total	52 837 812	44 053 402
% Fixed/Variable	33.5 – 66.5	32.1 – 67.9
Company contributions towards future pension benefits (in line with Nestlé's Pension Benefit Policy described above)	3 899 136	3 468 559
Company contributions to compulsory Swiss social security ^(c)	430 200	368 060
Additional remuneration and fees paid to members of the Executive Board	621 167	595 010
Total including the elements above	57 788 315	48 485 031

The above compensation table includes the following:

	2022	2021
Number of Nestlé S.A. shares ^(d) granted	40 733	38 483
Number of Performance Share Units granted under the PSUP	148 750	146 608

- (a) Nestlé S.A. shares or American Depositary Receipts delivered as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2023.
- (b) The Performance Shares are valued at the average closing price of the first ten trading days, after the publication of the annual results.
- (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 2 371 449 in 2022 and CHF 2 090 880 in 2021.
- (d) or American Depositary Receipts

Explanations

- On December 31, 2022, the Executive Board consisted of 15 members.
- Chris Johnson left the Executive Board on January 1, 2022.
- Steve Presley was appointed member of the Executive Board effective January 1, 2022.
- Remy Ejel was appointed member of the Executive Board effective January 1, 2022.
- David Zhang was appointed member of the Executive Board effective January 1, 2022.
- For other benefits, see section 5 above.
- Performance Share Units granted in 2022 are disclosed at market value, which corresponds to CHF 118.59 ^(*).
- 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 2022, 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 105.3% in 2022, based on the achievement of the relevant Group and individual quantitative and qualitative objectives (2021: 109%).
- The Performance Share Units granted in 2020 vest in February 2023 with a payout of 77% of the initial PSU award (PSUs granted in 2019 vested in 2022 with a payout of 114%).

Events after the balance sheet date

- Lisa Gibby was appointed member of the Executive Board effective January 1, 2023.

(*) USD 138.56 for US Performance Share units

Audited

Highest total compensation for a member of the Executive Board

In 2022, 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.

	2022		2021	
	Number	Value in CHF	Number	Value in CHF
Annual Base Salary		2 400 000		2 400 000
Short-Term Bonus (cash)		1 844 944		1 965 563
Short-Term Bonus (market value of Nestlé S.A. share) ^(a)	16 515	1 845 056	16 464	1 965 637
Performance Share Units (market value) ^(b)	30 357	3 600 037	37 038	3 600 094
Other benefits		3 900		3 900
Total		9 693 937		9 935 194
% Fixed/Variable		24.8 - 75.2		24.2 - 75.8
Company contribution towards future pension benefits		601 026		635 810
Company contribution to compulsory Swiss social security ^(c)		28 680		28 680
Total including the elements above		10 323 643		10 599 684

(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 2023.

(b) The Performance Shares are valued at the average closing price of the first ten trading days, after the publication of the annual results.

(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 499 728 in 2022 and CHF 512 732 in 2021.

Explanations

- Performance Share Units granted in 2022 are disclosed at market value, which corresponds to CHF 118.59.
- Please also refer to the explanations provided on page 50.

Payout levels

- The Short-Term Bonus payout for the CEO was 102.5% in 2022, based on the achievement of Group quantitative and qualitative objectives and the ESG objectives (2021: 109.2%).
- The Performance Share Units granted in 2020 vest in February 2023 with a payout of 77% of the initial PSU award (PSUs granted in 2019 vested in 2022 with a payout of 114%).

Share ownership of the members of the Executive Board and closely related parties on December 31, 2022

	Number of shares held ^(a)
Ulf Mark Schneider, Chief Executive Officer	490 142
Laurent Freixe	48 087
Marco Settembri	148 230
François-Xavier Roger	103 267
Magdi Batato	52 137
Stefan Palzer	27 738
Béatrice Guillaume-Grabisch	53 957
Leanne Geale	19 519
Bernard Meunier	11 779
Steve Presley	—
Rémy Ejel	8 520
David Zhang	4 036
Grégory Behar	33 885
Sanjay Bahadur	74 816
David Rennie	14 161
Total as at December 31, 2022	1 090 274
Total as at December 31, 2021	1 130 891

(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, 2022, 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 2022 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 3744 Units in 2022, with a share price of CHF 165.91 per Unit (vesting period of three years, value capped at two times the Unit price at grant).

For the sake of full transparency, two 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 2022, these members of the Executive Board did not receive any compensation from Froneri.

Compensation and loans for former members of the Executive Board

In 2022, one former member of the Executive Board received a fee of CHF 20 000.

On December 31, 2022, 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 2022, 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, 15 February 2023

Report of the statutory auditor

Report on the Audit of the Compensation Report



Opinion

We have audited the Compensation Report of Nestlé S.A. (the Company) for the year ended 31 December 2022. 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 38 to 53 of the Compensation Report.

In our opinion, the Compensation Report for the year ended 31 December 2022 of Nestlé S.A. complies with Swiss law and articles 14–16 of the Ordinance.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Compensation Report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked “audited” in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of directors' responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of the Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

A handwritten signature in black ink, appearing to read 'J. Boillet', written in a cursive style.

Jeanne Boillet
Licensed audit expert
(Auditor in charge)

A handwritten signature in black ink, appearing to read 'André Schaub', written in a cursive style.

André Schaub
Licensed audit expert