



Nestlé Good food, Good life

156th Annual General Meeting of Nestlé S.A. Lausanne, 20 April 2023

Speeches

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Disclaimer

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Address by Mr. Paul Bulcke

Chairman of the Board

Translation of the original French text. Check against delivery.

Dear Shareholders... Welcome, once again!

I am delighted to be able to welcome – in hybrid mode – all shareholders who are attending our Annual General Meeting, here in this room... and wherever they are in the world. I am moreover delighted to welcome you to this new venue, the Swiss Tech Convention Center of the Ecole Polytechnique de Lausanne... a world leader in science and technology... at the forefront of innovation... Innovation is the driving force behind Nestlé's success.

Ladies and Gentlemen, we are meeting again after three years of pandemic and following an unprecedented and difficult year. These are troubling times, which invite reflection.

Nestlé is, first and foremost, a dependable and consistent company... committed to and deeply rooted in the communities in which it operates... and which seeks to make a positive impact on everyone – in good times and bad. As in the past, Nestlé and its employees are ready to go beyond their own reality and provide solidarity and support wherever it is needed.

But images are more powerful than words. Which is why I'm presenting this short video today to illustrate your company's commitment and core values. These are the elements that define Nestlé.

[VIDEO]

Ladies and Gentlemen, as you have just seen, you can count on Nestlé.

For many years now, I have been highlighting these distinctive traits of Nestlé: resilience, consistency and dependability. This is evidenced, once again, by what Nestlé has achieved in 2022. In a year impacted by the cumulative effects of three years of pandemic-related challenges, as well as a difficult and volatile economic and political environment, Nestlé performed well... with solid and robust returns.

Moreover, while delivering on short-term expectations, Nestlé did not lose sight of its long-term strategy, and has continued to invest in its growth drivers: innovation, its brands, its operations and sustainability.

To this end, I would like to pay tribute to Nestlé's management, here today, for rising to the immediate challenges, while continuing to implement the company's long-term strategy. Their commitment, determination and acumen have enabled Nestlé to respond in a timely and opportune manner to a challenging business landscape... one that is evolving at an ever-increasing pace and undergoing constant transformation.

And I would like to express my deep gratitude to all Nestlé employees around the world for their hard work and dedication. There has been very little respite since the pandemic emerged more than three years ago. On behalf of the Board of Directors, I would like to pay tribute to their contribution to Nestlé's success. A success that is reflected in continuous growth with solid financial results... while remaining committed to and fulfilling its responsibilities in society – economically, societally and environmentally.

Based on the solid results, the Board of Directors is delighted to be able to offer today an increase in the annual dividend to two francs and ninety-five cents per share. If you accept, it will mean that the dividend will not have decreased since 1942... and it will actually have increased for the last 28 years in a row. We will continue to strive for this in the years to come.

In addition, we are maintaining our Nestlé share buyback program for an amount of 20 billion Swiss francs over the period 2022-2024.

Ladies and Gentlemen,

Over the past three years, we have witnessed several events that can, at best, be considered unanticipated: A global pandemic... a major military attack on European soil with considerable challenges for the population, for our supply chains and for our distribution systems... an extremely tense geopolitical context... the return of inflation... and growing environmental urgency. These events require us to rethink and reassess our approach.

First, the “what” ... that is, what we are doing and what we want to do.

In these turbulent times, Nestlé has delivered on its promises and remains well positioned to achieve its ambitions and goals in the future.

Nestlé’s long-term strategic direction – linked to nutrition, health and wellness. Today, this strategy is more relevant than ever.

Consumer preferences for tasty, nutritious, affordable, convenient and sustainable food have not changed. Our direction thus remains the right one: providing high quality food and beverages... which we complement with attractive growth platforms such as Nestlé Health Science and our nutritional health products.

These priorities are deeply rooted in Nestlé’s DNA. Nestlé is the “Good food, Good life” company. We believe in the power of food to enhance quality of life for everyone – today and for generations to come.

Our value creation model, which focuses on growth through innovation, operational efficiency and disciplined allocation of resources and capital, remains valid.

Our modus operandi – decentralized but aligned – is adapted to the current context. The creation of five geographic zones in 2022 has brought us much closer to our consumers and strengthened Nestlé’s execution capabilities, while also enabling us to respond in a timely and opportune manner to an ever-changing external environment.

Our focus on accelerating our digital journey is still on point. It is expected to intensify further, as Mark will highlight later on. We recognize the tremendous opportunity that stems from connectivity and the proper deployment of technology solutions. As the digital revolution continues, Nestlé will ensure that it benefits from new developments to drive value and efficiency in all areas.

We have set a clear sustainability agenda, combining what is good for you – nutrition... with what is good for the planet. We are well on our way to achieving the ambition set out in our net zero roadmap... an ambition you strongly supported at our 2021 Annual General Meeting. Mark will tell you more about this in his address today.

As of next year, in accordance with the new Swiss transparency law, we will hold an annual vote on our non-financial performance – which includes social and environmental issues, including our progress in reducing greenhouse gas emissions. As we are all aware, our current food systems are fraught with challenges and in need of a fundamental transformation. Nestlé has an important contribution to make to this challenge, given its expertise, innovation capabilities, global reach and scale. It is also ideally placed to seize the opportunities associated with this transformation.

This is what we want to do... the “what”... And then, there is the “how”.

The fundamental way we do business – what we call “creating shared value” – is more relevant now than ever. For Nestlé, Creating Shared Value is rooted in our core belief that success over time involves creating value for both shareholders and all stakeholders in society. At Nestlé, this goal is defined globally defined, but executed locally... in the countries, regions and communities where we operate. This combination of global and local ensures that the creation of shared value is relevant to all parties involved.

Dear Shareholders, Ladies and Gentlemen,

The future is set to become increasingly volatile, uncertain, complex and, dare I say, more ambiguous than ever.

We live in a world where there isn't just one truth... one way of seeing things... one interpretation of events. Thinking that we have all the answers only makes us presumptuous.

In a world like this, sound judgment must be based on a clear long-term vision... a strong purpose... explicit values... and strong conviction.

First and foremost, we will not falter in our responsibility and commitment as a food company: continuing to supply essential commodities... providing healthy, affordable and sustainable nutrition... while advancing regenerative food systems.

This brings me to the crucial importance of good governance. This is the responsibility of the Board of Directors. The Board of Directors serves to guide the company – to nurture it over time – despite the short-term pressures facing operational management. The Board must maintain a long-term perspective and position the company in the best possible way for the future. Its fundamental task, in other words, is to preserve the health of the company, both today and in the future.

To achieve this, the Board of Directors must bring together complementary expertise, experience, culture, listening skills and values.

It is with that in mind that we pay particular attention to the diversity of our Board of Directors. I believe that, with the candidates we are proposing to you today, our Board of Directors will remain ideally equipped to provide our company with the guidance it needs in this ambiguous world.

Ladies and Gentlemen,

Consistency and dependability are the hallmarks of your company, Nestlé. This is what Nestlé has been offering for nearly 160 years. They reflect the very foundations on which this company is built:

- A clear long-term vision – nutrition, health and wellness – combined with short-term intensity;
- A responsible and committed approach – creating shared value;
- Strong corporate governance;
- And motivated and committed employees.

As we look to the future, you can count on Nestlé to rise to the challenges and opportunities that lie ahead.

Thank you for placing your trust in us.

Address by Mr. U. Mark Schneider

Chief Executive Officer

Check against delivery.

Thank you, Paul. And thank you, fellow shareholders, for joining us. As Paul mentioned, we are excited to finally welcome you in-person today. Because we have a growing global audience, please allow me to switch to English for the rest of my remarks.

Dear fellow shareholders, it is a pleasure to welcome you to this year's Annual General Meeting. Paul said before that the last three years have been a test for our business. I could not agree more. Covid, then the war in Ukraine. Supply chain issues, surging inflation and natural disasters. Plus, the human suffering these have caused. In all this, we have given a helping hand and have demonstrated our determination and dependability as a business. And we have found innovative and digital solutions to overcome the adversity. All of this makes me optimistic about the future.

Challenges will continue, however. That is for sure. Nonetheless, we want to remain the reliable company that consistently delivers value and returns. That is why we are continuously 'future-proofing' our organization.

So, what does a 'future-proofed' Nestlé look like? There are many things we want to get right, but I would like to highlight three today:

- First, Nestlé will continue to make products that are 'Good for You'.
- Second, Nestlé will produce more products in a way that is 'Good for the Planet.'
- And, third, Nestlé will have the digital skills to lead with speed and agility.

Why these three aspects in particular? Because people desire good-tasting food and good nutrition that's also good for the environment. Because – just as Paul

said – we are the “Good Food, Good Life” company. Because we, as Nestlé, want to help feed a growing population with affordable food that is accessible to all. And finally, because we need a competitive edge to win in an increasingly digital world.

Team Nestlé, our leaders and colleagues around the world, are deeply committed to these initiatives. Because being ready for the future is part of our DNA. Count on this team and its strong values and culture, to pursue these initiatives with agility, perseverance and an entrepreneurial mindset.

Before we go deeper into our long-term vision, let’s go over a few key points from last year. You have seen that we delivered a resilient financial performance in 2022. We did it under very difficult circumstances. That was thanks to the hard work of our people. Through their relentless and tireless efforts, Nestlé has overcome immense obstacles. The entire Executive Board and I are deeply impressed and want to thank our associates for their unwavering dedication.

Sales were up compared to the year before. Organic growth was very strong. We adjusted our prices as a result of last year’s rampant inflation. Considering the inflationary impact, real internal growth was resilient. We kept our margin decline within reasonable limits compared to some of our peers. Net profit was 9.3 billion Swiss francs. And earnings per share were 3 francs 42 centimes on a reported basis. Let me remind you that these numbers were down compared to 2021. That was when we realized a gain from the sale of some of our L’Oréal shares. Underlying earnings per share, however, increased, largely due to our strong organic growth.

I would like to highlight a key decision from last year on our portfolio. We refocused our Nestlé Health Science business on our core competencies: Medical Nutrition and Consumer Care. And we began reviewing our options for Palforzia, the peanut allergy treatment, after it did not meet our expectations.

Over the past few years, we have been laying the foundation for Nestlé’s long-term success. By streamlining our portfolio, we have freed up resources and re-allocated them to products that are more in demand and more profitable. Financially, it has contributed to growth as well as to profitability.

So, how will we further adapt our product portfolio to excel going forward and to live up to our 'Good for You' ambition? We want to be at the forefront of the industry when it comes to bringing tasty, balanced diets to people around the world. We have made progress in reducing salt, sugar and saturated fats and are continuing on this path without compromising on taste. We are also adding more whole grains, proteins, vegetables and fibers to our products. We are expanding our vegetarian and plant-based offering. And we are delivering billions of micronutrient-fortified servings each year.

In the spirit of complete transparency, we also reported on the nutritional value of our global portfolio. We benchmarked all relevant products against an external nutrient profiling system and published the results in our 2022 Annual Report. Nestlé is the first company in the industry to publicly rate its entire global portfolio in this way.

Later this year, we will announce a global target for growing the more nutritious part of our portfolio. Let me assure you that we have the R&D engine and the innovation capabilities to do this.

Most people are trying their best to eat well, but sometimes it is hard. People may face affordability issues, or convenience challenges. We want to help them overcome these hurdles. By providing inspiring, affordable recipes, portion guidance, healthy lifestyle tips and personalized nutritional support, we can help people understand how to adopt a balanced diet and to enjoy food at the same time.

So, we're making products that are 'Good for You.'

Now, how are we making our products 'Good for the Planet' as well? At Nestlé, we are working hard to reduce the emissions in our operations, in our logistics and in each of our products. The vast majority of our emissions occur outside our own four walls. In fact, nearly two-thirds of our greenhouse gas emissions come from agriculture. If we are to cut our emissions in half by 2030 and achieve net zero by 2050 – goals that we are firmly committed to – we have to work even closer with farmers.

We are helping farmers improve the health of soil. We are encouraging practices like cover crops, minimum tillage and intercropping just to name a few. Why? Because healthy soil helps reduce emissions. It captures more carbon from the atmosphere. It increases biodiversity and absorbs more water. And it helps improve yields in the long term.

Let me tell you about my personal lightbulb moment. It was in the rainy summer of 2021 during a visit to a Swiss farm in the canton of Bern. There were two fields: One was farmed conventionally, and the soil was bare. It had standing water and many puddles. It was so wet that when I walked through it, my boots got stuck in the mud. The other one was farmed using conservation agriculture. The soil was covered by crops, and there was life under the surface. There was hardly any standing water, and I could actually walk through it. The soil of the field was also visibly higher, demonstrating how much more carbon it stored than the other field. That day, I saw the value of sustainable practices. This is just one example. There are many others.

We are supporting farmers to make this transition. By providing them with scientific and technical assistance on how to adopt such practices. By granting loans for capital and equipment. And by offering price premiums for goods coming from such practices.

In addition to helping address emissions in farming, we are also addressing our own emissions. Last year, we further increased our use of renewable electricity. By 2025, all of our sites globally should be powered by such sources. Solar is one of those. In the U.S., for example, we are investing in two large solar projects. The most recent project on its own will reduce our CO2 emissions by the equivalent of taking 27,000 cars off the road.

Let me highlight a particular point of pride: our emissions in 2022 came down below our 2018 emissions – the level that we are using as a baseline. Our combined efforts mean that we are well beyond peak carbon emissions. We achieved this even as our business grew strongly. To our knowledge, very few companies have achieved this.

So, 'Good for You, Good for the Planet,' but of course we are also living in a digital era.

How do we turn digitalization into a source of competitive advantage? Digitalization drives our work across our entire value chain: in the sourcing of raw materials, in product development, in manufacturing, operations, sales, pricing and distribution. Just like this year's Oscar winner: Digitalization is "everything everywhere all at once."

We are building a Nestlé that is digitally enabled, innovative and agile. In fact, we have been using data and technology as a source of competitive advantage for some time.

Everyone talks about artificial intelligence and advanced data analytics. Let me give you a few practical examples of how we are using it. For one, it is helping us improve sales performance. In India, for example, salespeople traditionally made fixed sales plans at the beginning of each year. They did not differentiate between consumer preferences in different neighborhoods, much less different stores.

We are now using AI in that market to assess multiple types of data that give insights down to a postal code and demographic level. Based on those insights, we propose a basket of products targeted to stores in different neighborhoods. What's more, these proposals are delivered right to the sales rep on his or her handheld device. It's a fully automated process.

This level of customization has benefited us – as well as our customers and consumers. We have now scaled this capability and rolled it out to several other markets worldwide. In each of these, we are seeing tangible gains.

We are also utilizing AI in product development. Using tools to analyze information from social media, online publications, and other web sources, we look at consumer trends. We consider preferences for ingredients, flavors and health benefits. Tools then transform findings into product proposals. We take the most compelling ideas and create a prototype to test with consumers.

Our people need to be digitally empowered. That's why we have automated many manual processes, so that humans can focus on what they do best. We have deployed technology in every area of our operations. And we have better connected employees, processes and data.

We are preparing our entire organization so that we can continue to thrive.

To recap, our vision for Nestlé comprises multiple aspects. Three key parts are:

- 'Good for You'
- 'Good for the Planet'
- And digital empowerment

It's about 'future-proofing' Nestlé to ensure a healthy, sustainable, digital future. Being able to move with speed and agility to capitalize on new opportunities, means that we will win in our businesses and that you can continue to depend on us. We thank you, dear shareholders, for your trust and confidence.



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Concept and Design:

Société des Produits Nestlé S.A., Vevey (Switzerland)