154th Annual General Meeting of Nestlé S.A.
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Speeches

Paul Bulcke
Chairman of the Board

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Ladies and Gentlemen, dear Shareholders,

2020 was a year that many of us will not forget. When I addressed you in April last year, I was looking forward to welcoming you in person again in 2021. Unfortunately, that it still not possible. That is why, once more, we are holding our Annual General Meeting virtually.

The COVID-19 pandemic is an unprecedented crisis. A global and transformative crisis that is not yet behind us.

I am profoundly impressed by the way Nestlé employees responded, immediately and selflessly... and continue to do so today. I called it the S.A.S. response:

• Firstly, S for safety. Keeping people safe. The health and wellbeing of our staff, of their families and of our partners around the world is our top priority.

• Secondly, A for action. Assuring the continued supply of essential food and beverages. That is why we exist; that is what we do best. It is therefore what we must do.

• Thirdly, S for solidarity. Showing, in these difficult times, true empathy with the communities where we work. Nestlé has helped out wherever it was able to, however it could. In various forms, it has offered its support in terms of finances and resources all over the world.

This response would not have been possible without the hard work and commitment of our 300,000 employees. I would like to thank them for everything they have done, both on my personal behalf and on behalf of the Board of Directors. They are the ones that give Nestlé its strength – their professionalism, their motivation, their dedication and their actions. I would like to extend a special thanks to our front-line employees, those who work in our factories, in our sales teams, along our supply chains. They are the ones that ensure business continuity on the ground. Last but not least, I would like to thank our management team for their ability to adapt and for their unrelenting
efforts over this past year, so full of unexpected challenges. During my more than forty years at Nestlé, the year 2020 has certainly not been the easiest; but it is the one that has given me the greatest satisfaction, in view of how Nestlé has responded. I am proud of us and of our company.

Dear Shareholders,

Thanks to the hard work and commitment of so many people, I can confirm to you today that in 2020 Nestlé once again recorded an increase in its organic growth, its profitability and its return on investment. Over the course of this unprecedented year, Nestlé has remained as resilient and dependable as ever.

Today, our Board of Directors is pleased to be able to propose to you a dividend of 2.75 Swiss francs per share. If it is approved, this rise of 5 cents will be the Company’s twenty-sixth consecutive annual dividend increase. Nestlé remains committed to its long-held practice of increasing the dividend in Swiss francs every year.

In addition, the Group repurchased CHF 6.8 billion of Nestlé shares as part of the three-year CHF 20 billion share buyback program that began in January 2020.

I therefore reiterate to you: in these times of great uncertainty, Nestlé continues to stand for resilience, dependability and consistency over time.

Ladies and Gentlemen,

Today I am delighted to propose the election of Professor Lindiwe Majele Sibanda, Director and Chairwoman of the African Research Universities Alliance Centre of Excellence in Sustainable Food Systems at the University of Pretoria in South Africa. Thanks to her hands-on farming experience coupled with her expertise in the field of environmental sustainability, public policy and sustainable food systems, she will provide invaluable perspective and guidance. Her extensive knowledge and experience across the African continent as well as across the globe will enrich the Board’s worldwide insights.

I would like to extend my sincere thanks to Ursula Burns, who has served on the Nestlé Board of Directors since 2017. She has decided not to stand for reelection this year. Ursula has been a great asset to the Board of Directors,
contributing her strong business acumen, expert advice and valuable perspectives. Thank you, Ursula.

With these changes, the Nestlé Board of Directors will now comprise 14 members, including 12 independent directors. In order to position the Company on the best possible course for the future, the Board of Directors can draw upon a vast wealth of relevant expertise and insights, thanks to its broad diversity in terms of geography, culture, gender, experience and expertise.

Ladies and Gentlemen,

Nestlé is the "Good food, Good life" company. We strongly believe in the power of food to enhance life.

With that in mind, we strive to make a difference so that food improves the lives of people and pets, protects and enhances the environment and generates significant value for our shareholders and other stakeholders alike.

In everything we want to accomplish we are guided by our strategic focus – "Nutrition, Health and Wellness". We bring affordable, safe and high-quality nutrition to everyone, regardless of income level, taking advantage of our longstanding presence around the world. We provide products that are healthy, delicious, convenient and aligned to consumers’ modern lifestyles and their continually evolving needs and preferences. We are pioneers in the fields of nutritional science and culinary excellence. We offer a broad selection of plant-based foods and beverages. We strive to package and deliver our products in ways that are safe and protect the environment.

To achieve this, we maintain an unrelenting focus on innovation and investment as crucial drivers of sustainable performance. This means investing in our brands, investing in key growth platforms, investing in research and development. This means developing ecosystems and digital capabilities in all of our activities.

It also involves playing our part to find solutions to the social and environmental problems we are currently facing... Not only is this the right thing to do. We do this out of conviction because this approach is a strategic imperative for any company that wants to safeguard its future.

It is with this framing that Nestlé has developed its roadmap to achieve net zero greenhouse gas emissions by 2050. Published in December, as promised, and
validated by the Science-Based Targets initiative, we were among the first to share such a detailed, time-bound plan that will see the company halve its greenhouse gas emissions by 2030.

Nestlé is committed to being fully transparent about its plans, actions and progress. We believe that our shareholders should be a part of our journey and have a say on environmental, social and governance issues – ESG for short. Within this context, we welcome upcoming changes in Swiss legislation in this area. And in this spirit, the Board of Directors is seeking support from shareholders on its Climate Roadmap in an advisory vote today.

As already announced, Nestlé has also decided to split the Nomination and Sustainability Committee into two distinct entities: a separate Nomination Committee, and a focused Sustainability Committee. Going forward, all aspects of Nestlé’s environmental, social and governance (ESG) agenda will be regularly reviewed ... including overseeing the Group's efforts on climate change, human rights and people management, specifically diversity and inclusion.

Ladies and Gentlemen, dear Shareholders,

In 2020, we updated and rearticulated our purpose and beliefs – the "why" we exist:

And I quote: at Nestlé, "We unlock the power of food to enhance quality of life for everyone, today and for generations to come".

This purpose describes the fundamental motivation that underlies each decision taken by our Company. It is the premise upon which Nestlé was founded more than 150 years ago.

It is intimately connected to the way in which Nestlé conducts its operations throughout the world: namely, Creating Shared Value.

Creating Shared Value is our operational approach, the "how" we do business. It comes from a deep conviction. To be successful over time, a company must create value – both for itself and for society at large.

COVID-19 has reminded us of the importance of societal wellbeing in the broader sense – health, employment, equality, long-term prosperity. Nestlé recognized this long before and pursues ambitious goals and commitments
that align with and support the Sustainable Development Goals of the United Nations.

By the end of 2020, the majority of our commitments were fully achieved. This year, efforts will be intensified to achieve those that are still in progress and in close reach. New ambitions will also be set which will further advance the health of our planet, drive continuous progress on social issues and support a healthy food system.

This will require a fundamental shift in the way we produce and consume food... We must not underestimate this challenge; but on the other hand, we must not shy away from the search for solutions either.

Nestlé is well positioned to seize this opportunity. It has the ambition, the critical mass, the breadth of activities, the depth of understanding and the determination to do its part.

Ladies and Gentlemen, dear Shareholders,

Guided by our purpose, aligned behind our strategy and motivated by Creating Shared Value, Nestlé is truly a force for good. I am convinced of this.

Nestlé intends to remain a consistent and dependable company that everyone can count on. I thank you, esteemed Shareholders, for your ongoing support, for your trust and for your commitment.

I now give the floor to our CEO, Mark Schneider.
Address by Mr. U. Mark Schneider
Chief Executive Officer

Thank you, Paul.

Dear fellow Shareholders,

It is a pleasure to speak to you today and give you an update on our business. We all wish it could be face-to-face. But with COVID-19 still with us, your safety and the safety of our employees takes priority.

This pandemic has affected each of us in significant ways and caused so much pain. Our thoughts are particularly with those most heavily burdened.

Since the pandemic started, Nestlé has taken decisive action. As Paul mentioned, we quickly moved to keep our employees safe, maintain supply, and support communities around us. Thanks to the efforts of our employees and our business partners – from farmers to retailers – supply of our food and beverage products remained resilient.

However, lockdowns have hit our hospitality industry partners – such as hotels and restaurants – particularly hard. We continue to provide assistance to help them make it through this crisis.

To recover, we need swift, far-reaching vaccination programs globally. While there is progress, we need to move faster. Nestlé will help in countries where it is needed most. We have already provided financial support for the development of vaccines. Now we are contributing another 10 million Swiss francs to support vaccine distribution. To make an even bigger impact, we will also partner with other companies, governments and non-governmental organizations. Needless to say, everything we do will be coordinated with government authorities and aligned with public health priorities and local regulations.

Before we move to our 2020 financial performance, let me take a moment to express my sincere gratitude to our former Executive Board member Patrice Bula. In his more than 40 years with Nestlé, Patrice has built a vast track record
of achievement. I am immensely grateful for his leadership, advice and insights. We wish him all the best for his retirement.

Regarding our 2020 financial results, we saw strong performance, despite the challenges of COVID. We improved on key financial metrics – particularly organic growth, profitability and return on invested capital. At the same time, we made further progress on our portfolio transformation. We continued to build Nestlé Health Science into a nutrition powerhouse and expanded our presence in direct-to-consumer businesses.

Demand for at-home consumption, trusted brands and products with nutritional benefits was strong. Retail sales saw high single-digit organic growth and e-commerce sales grew by double digits.

Sales related to consumption outside of the home declined significantly.

The continued appreciation of the Swiss franc against most currencies reduced sales. Divestitures also had an impact. As a result, total reported sales decreased by 8.9% to 84.3 billion Swiss francs.

Organic sales growth, however, reached 3.6% – the highest level in the last five years. Strong momentum in the Americas and robust sales development in our Zone Europe, Middle East and Northern Africa supported this growth. By product category, the largest growth contributors were Purina PetCare, dairy and coffee. Sales in vegetarian and plant-based food offerings and Nestlé Health Science grew at double-digit rates.

Underlying trading operating profit was 14.9 billion Swiss francs. The underlying trading operating profit margin reached 17.7%, up 10 basis points on a reported basis and 20 basis points in constant currency. Structural cost reductions, portfolio management and slightly lower consumer-facing marketing expenses due to the pandemic reinforced this margin expansion.

Our net profit attributable to shareholders was 12.2 billion Swiss francs. The net profit margin increased by 90 basis points to 14.5%, mainly due to one-off items, such as gains on disposals.

Earnings per share remained unchanged at 4.30 Swiss francs on a reported basis. Underlying earnings per share increased by 3.5% in constant currency and decreased by 4.5% on a reported basis to 4.21 Swiss francs. Free cash flow reached 10.2 billion Swiss francs, or 12.1% of sales.
Looking to 2021, we expect continued improvement in organic growth, profitability and capital efficiency in line with our value creation model.

Creating value for you and all of our stakeholders means we need to continue this strong performance so that we can invest in and ensure our long-term success. Paul spoke before about food systems transformation and climate change. Finding solutions to these major long-term challenges will enable us to enhance quality of life for generations to come.

To that end, Nestlé’s climate roadmap charts our path to net zero greenhouse gas emissions by the year 2050. We are targeting three focus areas:

- First, we are making our **own operations** more sustainable.

- Second, we are advancing **regenerative agriculture** and scaling up our reforestation program. The vast majority of our emissions – about 95% – come from activities outside of our own operations in our supply chain. As a result, this is where we are focusing most of our efforts.

- Third, we are modifying our **product portfolio** to make it more environmentally friendly. For example, we will continue to expand our plant-based food and beverage offerings. We will also reformulate existing products to use ingredients that are more environmentally friendly.

Importantly, the investments we are making to achieve our net zero commitment will strengthen our business.

We have the opportunity to create competitive advantage as a leader in the food and beverage industry. Consumers want and demand climate-friendly products. They will reward those companies that share their values. Our work in this area holds promise to strengthen our brands and increase our market share.

As we come out of the pandemic, more and more countries will prioritize climate action. With the United States rejoining the Paris climate agreement, we now see North America, Europe and Asia poised to take action. New, climate-related regulation compelling companies to act or face penalties is expected to follow.

No doubt there will be upfront transition costs related to new solutions and technologies. But we can drive down future costs through continuous innovation. In the near term, operational efficiencies will help us to keep our sustainability investments earnings neutral.
We are committed to achieving our climate and sustainability goals together with you. Along the way, we will be transparent about our progress and challenges. We value your input as our shareholders.

In a challenging year, our strategy proved to be the right one. We transformed our portfolio to include more products that are good for consumers, good for the planet and make for good business. This strategy generates value for shareholders and other stakeholders alike. We didn’t miss a beat in 2020 and we are executing with the same rigor in 2021.

Your trust in us empowers us to act with such focus and decisiveness. Thank you for your continued confidence. We hope to see you in person at next year’s Annual General Meeting and wish you good health. All the best to you and your families.