Good food, Good life

Corporate Governance Report 2021
Compensation Report 2021
Financial Statements 2021

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Front cover

KitKat V
Still offering the perfect balance between the crispy wafer and smooth chocolate that people know and love, *KitKat V* is certified vegan and made from 100% certified or verified cocoa sourced through the *Nestlé Cocoa Plan*.

Corporate Governance Report 2021

Situation at December 31, 2021

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(1) The full Board of Directors Regulations and Committee Charters are published on www.nestle.com/investors/corporate-governance/boardcommittees.
(2) The term Executive Committee, as used in the SIX Directive, is replaced by Executive Board throughout this document.

Group structure and shareholders

Preliminary remarks
The Nestlé Corporate Governance Report 2021 follows the SIX Swiss Exchange Directive on Information relating to Corporate Governance. Additional information can be found in the Compensation Report. Nestlé S.A. complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance, as in force at December 31, 2021.

To avoid duplication of information, cross-references to other reports are made in some sections, namely to the Annual Review 2021, the Financial Statements 2021, which comprise the Consolidated Financial Statements of the Nestlé Group and the Financial Statements of Nestlé S.A., as well as the Articles of Association of Nestlé S.A., whose full text can be consulted in this report (page 55) or on: www.nestle.com/investors/corporate-governance/articles.

The Consolidated Financial Statements of the Nestlé Group 2021 comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Swiss law. Where necessary, these disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive on Financial Reporting.

1. Group structure and shareholders

1.1 Group structure

Please refer to the Annual Review 2021, page 68, for the overview of Directors and Officers.

1.1.1 Description of Nestlé's operational group structure

For the general organization chart of Nestlé S.A., refer to page 31 of this document. The Group's Management structure is represented in the analysis by operating segments (refer to Note 3 of the Consolidated Financial Statements of the Nestlé Group 2021, page 87).

1.1.2 All listed companies belonging to the Nestlé Group

The registered offices of Nestlé S.A. are in Vevey and Cham (Switzerland). Nestlé S.A. shares are listed on the SIX Swiss Exchange in Switzerland (ISIN code: CH0038863350). At December 31, 2021, the market capitalization of Nestlé S.A. was CHF 351 682 442 600. For further information see also page 73 of the Annual Review 2021 and visit our website on www.nestle.com/investors.

Please refer to the Consolidated Financial Statements of the Nestlé Group 2021, page 154, for the list of publicly listed companies of the Nestlé Group, with an indication of the company name, registered office, share capital, place of listing, securities' ISIN number, their market capitalization and the Company's participation.

1.1.3 The non-listed companies belonging to the Nestlé Group

Please refer to the Consolidated Financial Statements of the Nestlé Group 2021, page 154, for the enumeration of companies of the Nestlé Group, joint arrangements and associates, with an indication of the company name, registered office, share capital and the Company's participation.

Capital structure

1.2 Significant shareholders

BlackRock, Inc., New York, announced most recently on December 28, 2021, holding, directly or indirectly, 4.998% of Nestlé S.A.'s share capital, and The Capital Group Companies, Inc., Los Angeles, announced on October 30, 2017, holding, directly or indirectly, 3.55% of Nestlé S.A.'s share capital. Apart from the foregoing, Nestlé S.A. is not aware of any other shareholder holding, as at December 31, 2021, Nestlé S.A. shares in excess of 3% of the share capital.

During 2021, the Company published on the electronic publication platform of the SIX Swiss Exchange six disclosure notifications pertaining to the holding of Nestlé S.A. shares by BlackRock, Inc., New York (the latest one relating to the announcement mentioned above) and two disclosure notifications concerning the holding of its own shares. The details of these disclosure notifications can be accessed on the publication platform of the SIX Swiss Exchange following this link: www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#.

With respect to nominees, Chase Nominees Ltd, London, was a registered Nominee N (refer to point 2.6.3. below) of 314 095 057 shares, i.e. 11.16% of the shares of the Company as at December 31, 2021. At the same date, Citibank N.A., London, as depositary for the shares represented by American Depositary Receipts, was the registered holder of 208 925 492 shares, i.e. 7.42% of the shares of the Company. Also on December 31, 2021, Nortrust Nominees Ltd, London, was a registered Nominee N of 118 776 116 shares of the Company, representing 4.22% of the shares.

1.3 Cross-shareholdings

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

2. Capital structure

2.1 Capital

The ordinary share capital of Nestlé S.A. is CHF 281 500 000. The conditional share capital is CHF 10 000 000. Nestlé S.A. does not have any authorized share capital.

2.2 Conditional capital

The share capital may be increased (without time limitation) in an amount not to exceed CHF 10 000 000 by issuing up to 100 000 000 registered shares with a nominal value of CHF 0.10 each (representing 3.55% of the currently issued share capital) through the exercise of conversion rights and/or option rights granted in connection with the issuance by Nestlé or one of its subsidiaries of newly or already issued convertible debentures, debentures with option rights or other financial market instruments. Thus, the Board of Directors has at its disposal a flexible instrument enabling it, if necessary, to finance the activities of the Company through convertible debentures.

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

2.3 Changes in capital

The share capital was reduced three times in the last three financial years as a consequence of a share buyback program of CHF 20 billion, launched on July 4, 2017, and completed on December 30, 2019, and the share buyback program of up to CHF 20 billion, launched on January 3, 2020 and terminated on December 30, 2021. The resulting cancellations of shares were approved at the 2019, 2020 and 2021 Annual General Meetings.

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

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

On April 15, 2021, the Annual General Meeting resolved to cancel 66 000 000 shares leading to a reduction of the share capital to the present CHF 281 500 000.

For the breakdown of capital ("equity") for 2021, 2020 and 2019 see the consolidated statement of changes in equity in the Consolidated Financial Statements of the Nestlé Group 2021, page 75, and 2020, page 73 (www.nestle.com/sites/default/files/2022-02/2021-financial-statements-en.pdf).

(*) Nestlé S.A.'s Articles of Association can be found on page 55 and on www.nestle.com/investors/corporate-governance/articles

2.4 Shares and participation certificates

Nestlé S.A.'s capital is composed of registered shares only. The number of registered shares with a nominal value of CHF 0.10 each, fully paid up, was 2 815 000 000 at December 31, 2021.

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

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

2.5 Dividend-right certificates

There are no dividend-right certificates.

2.6 Limitations on transferability and nominee registrations

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

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

2.6.2 Reasons for granting exceptions in the year under review

Please refer to points 2.6.3 and 6.1.3 below.

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

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

They allow the registration of:

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

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

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

Please refer to point 6.1.3 below.

2.7 Convertible bonds and options

As at December 31, 2021, there are no outstanding convertible bonds or warrants/options issued by Nestlé S.A. or by subsidiaries on Nestlé S.A. shares.

3. Board of Directors

3.1 Members of the Board of Directors

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

	Name	Year of birth	Education/Qualifications [(a)]	Professional background
1	Paul Bulcke	1954	Economics and Business Administration	Chairman, Nestlé S.A.
2	Ulf Mark Schneider	1965	Economics, Business Administration and Finance & Accounting	CEO, Nestlé S.A.
3	Henri de Castries [(c) (d)]	1954	HEC, Law and École Nationale d'Administration (ENA)	Former Chairman and CEO, AXA French Ministry, Government
4	Renato Fassbind	1955	Economics, Business Administration and Finance & Accounting	Former CFO, ABB and Credit Suisse Former CEO, Diethelm Keller Group
5	Pablo Isla	1964	Law	Lawyer, Former State Attorney, Government Spain Banking, Banco Popular España
6	Ann M. Veneman	1949	Law, Public Policy and Political Science	Former Secretary, USDA Former Executive Director, UNICEF Lawyer
7	Eva Cheng	1952	Business Administration and History	Former Amway China Chairwoman and EVP, Amway Corporation
8	Patrick Aebischer	1954	Medicine and Neuroscience	President Emeritus, Swiss Federal Institute of Technology Lausanne (EPFL)
9	Kasper B. Rorsted	1962	Business Administration	CEO, Former general management Henkel, Compaq/Hewlett Packard
10	Kimberly A. Ross	1965	Business Administration and Finance & Accounting	Former CFO, Baker Hughes, Avon Products, Royal Ahold NV WeWork
11	Dick Boer	1957	Business Administration	Former President and CEO, Ahold Delhaize NV
12	Dinesh Paliwal	1957	Engineering, Applied Sciences, Business Administration	Partner KKR & Co. Inc. Former Chairman and CEO, Harman International Former President, ABB Ltd.
13	Hanne Jimenez de Mora	1960	Business Administration	Former Partner McKinsey & Company
14	Lindiwe M. Sibanda	1963	Agriculture Sciences, Animal Physiology & Nutrition	Director, Chairwoman and Policy Advisor for Agriculture and Food Systems

(a) For more complete information on qualifications: please refer to section 3.2 and the individual CVs on www.nestle.com/aboutus/management/boardofdirectors
(b) All Board members are elected annually in accordance with Swiss Corporate law and Nestlé S.A.'s Articles of Association.
(c) Vice Chairman.
(d) Lead Independent Director. The Lead Independent Director assumes the role of a prime intermediary between the Board and the Chairman. He regularly convenes and chairs Board meetings and "in camera" sessions where the Chairman is not present or conflicted.

Present functions/mandates (listed companies)	Sector	Classification	Nationality	First Election	Expires (b)
Chairman, Nestlé S.A. Roche Ltd. L'Oréal S.A.	Food & Beverages	FMCG/CEO	Belgian/Swiss	April 10, 2008	2022
CEO, Nestlé S.A.	Food & Beverages	CEO	German/US	April 06, 2017	2022
Stellantis N.V.	Insurance & Finance	Insurance/CEO	French	April 19, 2012	2022
Vice Chairman, Swiss Re AG Kühne + Nagel International SA	Finance	Financial Management/ CFO	Swiss	April 16, 2015	2022
Executive Chairman, Inditex	Retail	Finance/Legal/ FMCG/CEO	Spanish	April 07, 2018	2022
Icosavax, Sun World, Global Health Innovative Technology Fund, Full Harvest Technologies Inc., Washington Institute for Business, Government and Society, CHAI and various advisory mandates	Government/NGOs	Government/NGOs/ Sustainability	US	April 14, 2011	2022
Haier Electronics Group Co. Ltd.	Personal Care & Nutrition	FMCG/ Sustainability	Chinese	April 11, 2013	2022
Logitech SA PolyPeptide Group AG	Science	Scientist	Swiss	April 16, 2015	2022
CEO, adidas AG Siemens AG	Retail Technology	Information Systems/ FMCG/CEO	Danish	April 07, 2018	2022
Cigna Corporation KKR Acquisition Holdings I Corp.	Finance Personal Care Food Retail Oil & Gas	Financial Management/ FMCG/CFO	US	April 07, 2018	2022
Royal Dutch Shell, plc Chairman, G-Star RAW CV SHV Holdings N.V.	Food Retail Digital	FMCG/CEO	Dutch	April 11, 2019	2022
Raytheon Company	Technology Digital	Information Systems/ CEO/Sustainability	US/Indian	April 11, 2019	2022
Co-founder, a-connect group AB Volvo Microcaps AG	Management Consulting	Customer Service/ Corporate Strategy/ Sustainability	Swiss	April 23, 2020	2022
Professor, University of Pretoria, South Africa Linds Agriculture Services Pvt Ltd.	Nutrition, Agricultural Services & Rural Development Animal Science	Public Policy, Sustainability, Academia	Zimbabwean	April 15, 2021	2022

Board diversity

The working guidelines used for the selection of new Board members state that the Board of Directors should at all times be well-balanced, including with respect to Swiss and non-Swiss nationals, the members' individual experiences, expertise, competencies and personal attributes. This ensures an appropriate cognitive diversity and supports the continuous succession planning for the Board as a whole and for its various Committees.

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

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

The Board should at all times be composed of:

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

3.1.1 Management tasks of the members of the Board of Directors

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

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

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

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

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

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

3.1.3 Cross-involvement

None.

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

3.2 Professional background and other activities and functions (*)(**)

Paul Bulcke
Chairman

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

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

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

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

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

Ulf Mark Schneider
CEO

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

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

Henri de Castries
Vice Chairman
Lead Independent Director

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

Henri de Castries serves on the Board of Stellantis N.V. and is Chairman of Institut Montaigne.

Renato Fassbind

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

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

(*) Mandates and functions are listed in the following order: (1) mandates in listed companies, (2) mandates in non-listed companies, (3) mandates held at the request of Nestlé or companies controlled by it, (4) mandates held in associations, charitable organizations, foundations, trusts and employee welfare foundations.
(**) For information on former members of the Board of Directors see www.nestle.com/investors/corporate-governance/former-members-board-of-directors.

Pablo Isla

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

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

Ann M. Veneman

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

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

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

Eva Cheng

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

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

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

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

Patrick Aebischer

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

He is the President Emeritus of the Swiss Federal Institute of Technology Lausanne (EPFL).

From 1984 to 1992, he was Faculty member of Brown University, USA. In 1992, he returned to Switzerland as a Professor and Director of Surgical Research Division and Gene Therapy Center at the University Hospital of Lausanne (CHUV). From 2000 to end 2016, Patrick Aebischer was the President of EPFL. Furthermore, Patrick Aebischer is founder of four start-ups: CytoTherapeutics Inc. (1989), Modex Therapeutics Inc. (1996), Amazentis SA (2007) and Vandria SA (2021).

Currently, he serves as a Board member of Logitech International S.A. and of PolyPeptide Group AG. Patrick Aebischer is also Chairman of Novartis Venture Fund and Vandria SA.

Furthermore, he is a senior partner of +ND Capital and is a member of the Foundation Board of the Verbier Festival. In addition, Patrick Aebischer serves as Vice Chairman on the Geneva Science and Diplomacy Anticipator Foundation, Switzerland.

Kasper B. Rorsted

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

Furthermore, Kasper Rorsted serves on the Board of Siemens AG.

Kimberly A. Ross

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

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

Kimberly A. Ross is a member of the Boards of Cigna Corporation and KKR Acquisition Holdings I Corp., both in the USA.

Dick Boer

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

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

Dinesh Paliwal

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

Furthermore, Dinesh Paliwal serves on the Board of Raytheon Technologies (after the merger of United Technologies and Raytheon Company) and is a Partner of KKR & Co. Inc. NY, USA. He also serves on the Board of Trustees of Miami University, Ohio, USA.

Hanne Jimenez de Mora

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

Hanne Jimenez de Mora is a member of the Board of AB Volvo, Sweden and is Chairperson of Microcaps AG, Switzerland. She serves also as Vice Chair as well as Supervisory and Foundation Board member of IMD Business School, Switzerland.

Lindiwe Majele Sibanda

Lindiwe Majele Sibanda is Professor, animal scientist and a practicing farmer, serving as a policy advisor to numerous African governments and global institutions. She is Director and Chairwoman of the African Research Universities Alliance (ARUA) Centre of Excellence in Sustainable Food Systems at the University of Pretoria, South Africa. Lindiwe Majele Sibanda is a serving member of the One CGIAR System Board (Consortium of International Agricultural Research Centers), and the Chair of the Nomination Committee for the Worldveg Board. She is also a serving member of the Sustainable Development Goals 12.3 Champions, working to accelerate progress towards reducing food loss and waste by 2030. Lindiwe Majele Sibanda is an Associate Fellow with the Energy, Environment and Resources Programme at Chatham House. She has also served in senior leadership positions in various organizations, including Vice President, Country Support, Policy and Partnerships for the Alliance for a Green Revolution in Africa (AGRA) and CEO and Head Mission of the pan-African Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN). She is the recipient of the 2021 RUFORUM Individuals Making Impact on Africa's Development Award for fostering linkages between academia, policy and private sector, catalyzing engagements in the policy arena across Africa and globally, making the voice of African Universities heard in promoting inclusivity in research development.

3.3 Mandates outside Nestlé

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

The following mandates are not subject to these limitations:

a) mandates in companies which are controlled by Nestlé;
b) mandates which a member of the Board of Directors holds at the request of Nestlé or companies controlled by it. No member of the Board of Directors shall hold more than 10 such mandates; and
c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors shall hold more than 10 such mandates.

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

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

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

3.4 Elections and terms of office

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

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

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

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

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

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

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

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

3.5 Internal organizational structure

3.5.1 Allocation of tasks within the Board of Directors

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

3.5.2 Tasks and area of responsibility for each Committee of the Board of Directors [(a)]

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

Chair's and Corporate Governance Committee

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

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

Compensation Committee

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

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

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

Nomination Committee

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

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

The Nomination Committee reviews, at least annually, the independence of the members of the Board as well as their outside mandates, and prepares the annual self-evaluation of the Board and its Committees. It meets as frequently as necessary to fulfil its tasks and prepares the relevant *in-camera* sessions of the Board of Directors.

Sustainability Committee

The new, dedicated Sustainability Committee consists of a Chair, who is an independent and non-executive member of the Board and a minimum of two non-executive members of the Board.

The Sustainability Committee reviews the Company's sustainability agenda. It reviews reports and gives advice on measures which ensure the long-term sustainability of the Company in its economic, social and environmental dimension and monitors the Company's performance against selected external sustainability indexes. It reviews the annual Creating Shared Value and Sustainability Report. It discusses periodically how material non-financial issues affect the Company's financial performance and how its long-term strategy relates to its ability to create shared value. It reviews the Company's response to climate change and related reporting, it ensures the Company carries out human rights due diligence and reports on its most severe human rights risks, and it reviews the Company's diversity and inclusion management and employee health and well-being. It meets at least four times a year and as frequently as necessary to fulfil its tasks. It keeps the Board updated on the material issues affecting the long-term sustainability of the Group.

Audit Committee

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

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

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

Meetings held in 2021	Frequency	Average duration (hours)
Board of Directors of Nestlé S.A.	13 times	2:35
Chair's and Corporate Governance Committee	8 times	1:55
Compensation Committee	5 times	1:20
Nomination Committee	6 times	1:05
Sustainability Committee	4 times	1:55
Audit Committee	4 times	2:25

Board members	Board meetings attended				
Paul Bulcke	13	Ann M. Veneman	13	Dick Boer	12
Ulf Mark Schneider	13	Eva Cheng	12	Dinesh Paliwal	13
Henri de Castries	13	Patrick Aebischer	13	Hanne Jimenez de Mora	13
Renato Fassbind	12	Kasper B. Rorsted	13	Lindiwe M. Sibanda	13
Pablo Isla	13	Kimberly A. Ross	13		

3.5.3 Work methods of the Board of Directors and its Committees

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

The Board reserves at least one day per year to discuss the strategic long-term plan of the Company. In addition, every year the Board visits one Nestlé Market for three to five days (in 2021, Nestlé in Switzerland). During the pandemic, the Board met virtually or in hybrid meetings and additional ad hoc meetings and reports were introduced.

The average attendance at the Board meetings in 2021 was 98%. All Board meetings, with the exception of certain Chair's and *in-camera* sessions, are attended by all members of the Executive Board. In addition, members of the Executive Board and senior management participate in Committee meetings, if appropriate, when a Committee discusses matters in relation to their respective responsibilities. The CEO may partially attend the meetings of the Audit Committee, the Nomination Committee, the Sustainability Committee and the Compensation Committee as an invited guest, except on matters where he may have a conflict of interest. Furthermore, both the external auditor and the Head of Nestlé Internal Audit participate in the Audit Committee meetings except for regular *in-camera* sessions. No external subject matter experts were invited to the Board and Committee meetings in 2021.

The Company performs annual self-evaluations of the Board and its Committees including confidential, anonymous feedback and individual interviews. Findings are appropriately addressed. An open, transparent and critical board room culture forms the basis for the Board of Directors' annual review of its own performance and effectiveness. The Board of Directors conducts the self-assessment on the basis of anonymous questionnaires which deal with the Board's composition, organization and processes, the Board's responsibilities governed by the Board Regulations as well as the focus areas and goals of the year under review. The topics are discussed and take-aways defined to be incorporated in the goals for the upcoming year. In addition, each Board Committee annually reviews the adequacy of its composition, organization and processes as well as the scope of its responsibilities, assesses its accomplishments and evaluates its performance. In 2021, the Board created a dedicated Sustainability Committee as a result of its self- assessment process.

3.5.4 Lead Independent Director

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

3.6 Definition of areas of responsibility

The governing bodies have responsibilities as follows:

3.6.1 Board of Directors [1]

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

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

The Board has the following main duties:

a) the ultimate direction of the Company, in particular the conduct, management and supervision of the business of the Company, and the provision of necessary directions;
b) the determination of the Company's organization;
c) the determination of accounting and financial control principles, as well as the principles of financial planning;
d) the appointment and removal of any Vice Chair, the Committee members (except the members of the Compensation Committee) and their Chairs and members of the Executive Board;
e) the ultimate supervision of the Chair and the members of the Executive Board, in particular with respect to their compliance with the law, the Articles of Association, the Board Regulations and instructions given from time to time by the Board;
f) the preparation of the Annual Report including the Compensation Report as well as the General Meetings and execution of their resolutions;
g) the notification of the court in the event of over indebtedness;
h) the discussion and approval of:

- the Group's long-term strategy and annual investment budget;
- major financial operations;
- any significant policy issue dealing with the Company's or the Group's general structure or with financial, commercial and industrial policy;
- Corporate Governance Principles of the Company;
- the review of and decision on any report submitted to the Board;
- the Group's annual risk assessment; and
- the compensation proposals to the General Meeting.

3.6.2 Executive Board

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

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

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

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

The Board pays a visit to a major Market every year, where it meets members of senior management. The Board visited the U.S. and the Swiss Market in 2018 and 2019, respectively. Due to the pandemic, no Board visit was possible in 2020. In 2021, the Board visited Nestlé Switzerland.

The Chair receives the agenda, documents and minutes of the meetings of the Executive Board as well as of the Key Markets and senior management meetings. He has regular

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

meetings with the CEO and may request information about any matters relating to the Company. He may examine reports, proposals and minutes of meetings of any functions or committees of the Corporate Center or the markets or businesses.

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

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

The Nomination Committee leads the succession planning for the Board of Directors.

The Sustainability Committee reviews reports on measures that ensure the long-term sustainability of the Company in its economic, social and environmental dimension. It monitors the Company's performance against selected external sustainability indexes and reviews the annual Nestlé Creating Shared Value and Sustainability Report. It oversees the Company's response to climate change, its human rights program and human capital management. Members of management, in particular the CEO, the Heads of Public Affairs and of Legal, Governance and Compliance may attend the meetings.

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

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

Nestlé Internal Audit comprises an organization of one Center Team and eight regional units of auditors covering all the businesses (i.e. head offices, factories, distribution centers and business units) worldwide, completing audit assignments on the basis of the annual internal audit plan based on an independent risk assessment that is approved by the Audit Committee.

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

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

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

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

Additionally, Nestlé engages with external stakeholders to better understand the issues that are of most concern to them. For each issue, the materiality matrix (please refer to www.nestle.com/materiality) rates the degree of stakeholder concern and potential business impact.

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

For more information on the Nestlé Group Enterprise Risk Management, please refer to page 60 of the Annual Review 2021.

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

For more information on the Group’s Governance and Compliance, please refer to pages 67 and 72 of the Annual Review 2021.

Executive Board

4. Executive Board
4.1 Members of the Executive Board (December 31, 2021)

Name	Year of birth	Nationality	Education/Current function
Ulf Mark Schneider	1965	German/US	Economics, Business Administration and Finance & Accounting CEO: Nestlé S.A.
Laurent Freixe	1962	French	Business Administration EVP & CEO: Zone Americas
Chris Johnson	1961	US/Swiss	Economics and Business Administration EVP & CEO: Zone Asia, Oceania and sub-Saharan Africa
Marco Settembri	1959	Italian	Business Administration EVP & CEO: Zone Europe, Middle East and North Africa
François-Xavier Roger	1962	French	Business Administration and Finance & Accounting EVP: CFO (includes Finance and Control, Tax, Treasury, Investor Relations)
Magdi Batato	1959	Swiss	Mechanical Engineering and PhD in Thermodynamics EVP: Operations
Stefan Palzer	1969	German	PhD - Professorships Process Engineering, Food Technology, Industrial Engineering and Chemical Engineering EVP: Chief Technology Officer: Innovation, Technology and R&D
Béatrice Guillaume-Grabisch	1964	French	Business Administration EVP: Group Human Resources & Business Services
Leanne Geale	1965	Canadian	Law EVP: General Counsel, Corporate Governance and Compliance
Bernard Meunier	1960	Belgian	Economics EVP: Strategic Business Units, Marketing and Sales
Grégory Behar	1969	Swiss	Mechanical Engineering and Business Administration Deputy EVP & CEO: Nestlé Health Science
Sanjay Bahadur	1959	Indian	Economics, Management Science Deputy EVP: Group Strategy and Business Development
David Rennie	1966	British	History and Politics Deputy EVP: Nestlé Coffee Brands

(EVP: Executive Vice President; CEO: Chief Executive Officer)
For complete information, please refer to individual CVs on www.nestle.com/aboutus/management/executiveboard

4.2 Professional background and other activities and functions (*)(**)

Ulf Mark Schneider
Please refer to point 3.2 above.

Laurent Freixe

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

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

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

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

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

Chris Johnson

Chris Johnson started his career with Nestlé in 1983 as a marketing trainee at Carnation Inc. During his first eight years, he took on increasing responsibilities mainly in the commercial area at Nestlé USA and then, from 1991, in Japan. Senior Area Manager for the Asian region of Nestlé Waters in Paris from 1995, he was then transferred to Taiwan in 1998 as Market Head. From 2000, Chris Johnson led the worldwide development and implementation of GLOBE (Global Business Excellence; IS/IT), the Strategic Supply Chain as well as eNestlé. He was appointed Deputy Executive Vice President in April 2001, and later moved back to Japan in 2007 as Market Head. From January 2011 to October 2014, Chris Johnson was Executive Vice President responsible for Zone Americas.

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

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

As a representative of Nestlé, Chris Johnson serves on the Board of Cereal Partners Worldwide S.A., Switzerland.

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

Marco Settembri

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

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

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

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

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

(*) Mandates and functions are listed in the following order: (1) mandates in listed companies, (2) mandates in non-listed companies, (3) mandates held at the request of Nestlé or companies controlled by it, (4) mandates held in associations, charitable organizations, foundations, trusts and employee welfare foundations.
(**) For information on former members of the Executive Board see www.nestle.com/investors/corporate-governance/former-executive-board-members

François-Xavier Roger

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

Magdi Batato

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

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

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

Stefan Palzer

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

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

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

In addition, he is a member of the Executive Board of the European Academy of Food Engineering, member of the University Councils of Hamburg and Stuttgart and Vice President of the Swiss Food & Nutrition Valley.

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

Béatrice Guillaume-Grabisch

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

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

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

Leanne Geale

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

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

Bernard Meunier

Bernard Meunier joined the Nestlé Group in October 1985 as Product Manager Beverages with Nestlé Belgilux in Belgium. In 1989, he embarked on an international career with a first step at Nestlé Headquarters Vevey with the Coffee & Beverages SBU. He then moved on to various assignments where he successfully held marketing, commercial and general management responsibilities, including Market Head in Hungary, the Russia & Eurasia region, the Iberia region and from 2013 to 2021, Head of Nestlé Purina PetCare EMENA. Effective March 2021, Bernard Meunier was appointed to the Executive Board of Nestlé S.A. as Executive Vice President with responsibility for the Strategic Business Units, Marketing and Sales.

As a representative of Nestlé, he is Co-Chairman of Cereal Partners Worldwide, Switzerland.

Grégory Behar

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

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

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

Greg Behar serves on the Board of Sonova AG, Switzerland.

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

Sanjay Bahadur

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

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

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

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

As representative of Nestlé, Sanjay Bahadur is a member of the Board of Froneri Lux Topco Sàrl, Luxembourg.

Sanjay Bahadur serves on the Advisory Board of the Imperial College Business School, London, UK.

David Rennie

David Rennie joined the Nestlé Group in 2005 as Marketing Director for Nestlé Confectionery in the UK and Ireland. He came to Nestlé from Procter and Gamble where he held a number of leadership roles at local, regional and global level over a sixteen-year period from 1989 to 2005. From 2009 until 2012, David Rennie was Managing Director, Nestlé Confectionery, UK & Ireland and from 2012 to 2014, he held the position of Vice President, Regional Manager Zone Europe Nestlé S.A.

During the period 2014 to 2018, he was Senior Vice President, Europe of SC Johnson.

In 2018, David Rennie was appointed Senior Vice President, Head of Beverage Strategic Business Unit, Nestlé S.A.

As of January 2020, David Rennie was appointed Deputy Executive Vice President, Head of Nestlé Coffee Brands and effective March 2021, he was appointed to the Executive Board of Nestlé S.A. as Deputy Executive Vice President, Head of Nestlé Coffee Brands and Chairman of Nespresso.

4.3 Mandates outside Nestlé

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

The following mandates are not subject to these limitations:

– mandates in companies which are controlled by Nestlé;
– mandates which a member of the Executive Board holds at the request of Nestlé or companies controlled by it. No member of the Executive Board shall hold more than 10 such mandates; and
– mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Executive Board shall hold more than 10 such mandates.

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

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

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

4.4 Management contracts

There are no management contracts with third parties at Nestlé.

Compensation, shareholdings and loans

5. Compensation, shareholdings and loans

Please refer to the Compensation Report 2021, page 33.

Shareholders' participation

6. Shareholders' participation rights

6.1 Voting rights restrictions and representation

6.1.1 Voting rights restrictions and rules on granting exceptions

and

6.1.3 Reasons for granting exceptions in the year under review

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

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

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

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

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

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

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

6.1.5 Rules on participation in the General Meeting of shareholders

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

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

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

6.2 Quorums required by the Articles of Association

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

6.3 Convocation of the General Meeting of shareholders

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

6.4 Inclusion of items on the agenda

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

6.5 Entries in the share register

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

Change of control and defence measures

7. Change of control and defence measures

7.1 Duty to make an offer

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

Thus, the provisions regarding the legally prescribed threshold of 33 ⅓% of the voting rights for making a public takeover offer set out in art. 135 of the Swiss Financial Market Infrastructure Act are applicable.

7.2 Clauses on change of control

There are no such agreements.

Auditors

8. Auditors

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

EY were first appointed on April 23, 2020 as auditors of Nestlé S.A. On April 15, 2021, EY were appointed as auditors of the Financial Statements of Nestlé S.A. and the Consolidated Financial Statements of Nestlé Group for a term of one year.

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

8.2 Auditing fees

The auditing fees paid to EY in their capacity as Group auditors for 2021 amount to CHF 31.2 million.

8.3 Additional fees

In addition, EY provided non-audit services amounting to CHF 8.8 million, including CHF 5.2 million for tax services, CHF 1.8 million for IS/IT advisory support, CHF 0.8 million for mergers and disposals services, and CHF 1.0 million for other various non-audit services.

8.4 Information instruments pertaining to the external audit

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

In 2021, EY participated in four Audit Committee meetings including sessions with the Audit Committee without the Group's management being present.

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

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

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

Information policy

9. Information policy

Investor Relations – guiding principles

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

Methodology

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

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

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

The Company uses its website (www.nestle.com/investors) to ensure a rapid and equitable distribution of information. There are also links to non-financial information that may be of interest to investors, including areas such as the environment, sustainability and news about brands and innovation. A corporate calendar of relevant dates is displayed on page 73 of the Annual Review 2021 and available on the IR events pages (www.nestle.com/investors/events).

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

Contact

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

Close Periods

10. Close Periods

The Nestlé Policy on Inside Information foresees the following Close Periods, during which trading in Nestlé S.A. shares and other Nestlé securities is not allowed: January 1 up to and including the trading day of the public announcement of the annual results; April 1 up to and including the trading day of the public announcement of the sales figures of the Nestlé Group for the first three months; July 1 up to and including the trading day of the public announcement of the half-yearly results; and October 1 up to and including the trading day of the public announcement of the sales figures for the first nine months. The Close Periods cover the members of the Board of Directors and Executive Board of Nestlé S.A., as well as relevant employees of Departments at the Headquarter who have access to privileged information related to the preparation and communication of the full-year and interim financial statements. In addition, they cover relevant employees in Globally Managed Businesses and Key Markets of the Nestlé Group who have access to such information. No exceptions are granted.

General Organization of Nestlé S.A.

at December 31, 2021

Executive Board

Ulf Mark Schneider
Laurent Freixe
Chris Johnson
Marco Settembri
François-Xavier Roger
Magdi Batato
Stefan Palzer
Béatrice Guillaume-Grabisch
Leanne Geale
Bernard Meunier
Greg Behar
Sanjay Bahadur
David Rennie

- Chairman — **Paul Bulcke**
- Secretary to the Board — **David Frick**
- Chief Executive Officer — **Ulf Mark Schneider**
  - Zone EMENA: Europe, Middle East & North Africa — **Marco Settembri**
  - Zone AMS: Americas — **Laurent Freixe**
  - Zone AOA: Asia, Oceania & Africa — **Chris Johnson**
  - Nestlé Health Science — **Greg Behar**
  - Strategic Business Units, Marketing and Sales — **Bernard Meunier**
  - Nestlé Coffee Brands — **David Rennie**
  - Finance & Control — **François-Xavier Roger**
  - Innovation Technology and R&D — **Stefan Palzer**
  - Operations — **Magdi Batato**
  - Human Resources & Business Services — **Béatrice Guillaume-Grabisch**
  - General Counsel, Corporate Governance and Compliance — **Leanne Geale**
  - Group Strategy and Business Development — **Sanjay Bahadur**
  - Organizational Efficiency — **Wolfgang Pasewald**
  - Corporate Communications — **Lisa Gibby**

Compensation Report 2021

Compensation Report 2021

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 2022.

At the 2021 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 the following change has been implemented: Environmental, Social, Governance (ESG) related KPIs are included in the Short-Term Bonus framework of the Executive Board.

Governance

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

As of December 31, 2021, 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, 2021, the composition of the CC is as follows:

Chair	Members
Pablo Isla	Patrick Aebischer
	Dick Boer
	Kasper B. Rorsted

The tasks and areas of responsibility of the CC are described on page 14 of the Corporate Governance Report 2021.

(*) Nestlé S.A.'s Articles of Association can be found on page 55 and on 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. 21bis 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. 21bis par. 2 of the Articles of Association).

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

Principles

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

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

Compensation 2021 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, 2021

	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)
Ann M. Veneman	•			• (Chair)	
Eva Cheng			•		•
Patrick Aebischer		•			
Kasper B. Rorsted		•			
Kimberly A. Ross					•
Dick Boer		•		•	
Dinesh Paliwal			•		
Hanne Jimenez de Mora				•	
Lindiwe M. Sibanda				•	

The above fees and allowances cover the period between the Annual General Meeting 2021 and the Annual General Meeting 2022. 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.

Ursula Burns did not stand for re-election at the Annual General Meeting on April 15, 2021, and left the Board of Directors.

Compensation payout 2021

At the Annual General Meeting of April 15, 2021, the shareholders approved a maximum compensation for the Board of Directors of CHF 10.0 million for the period from the Annual General Meeting 2021 to the Annual General Meeting 2022. The total actual compensation pay-out for this period including social security contributions is CHF 9 704 954.

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.

Audited (*)

Summary of compensation 2020 **

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

** The above table shows the annual compensation due covering the twelve-month period starting with the Annual General Meeting.
(a) The cash amount includes the expense allowance of CHF 15 000. The Chairman receives no expense allowance.
(b) As from 2020, the Board is paid in arrears (25% in October 2020 and 75% in April 2021). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2021. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2021.
(c) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 147 792 in 2020. For details of additional fees, see page 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), the European Roundtable of Industrialists (ERT) and the WEF Community of Chairpersons. The remuneration includes all compensation received in relation to these activities.

Audited

	2021		2020
	Value in CHF	Number	Value in CHF
Cash compensation	—		600 000
Blocked shares (market value) [(a)]	3 500 000	27 236	2 900 000
Total Cash & Shares	**3 500 000**		**3 500 000**
Company contribution to compulsory Swiss social security [(b)]	28 680		28 440
Total compensation	3 528 680		3 528 440

(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 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.
(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 2021 and CHF 129 375 in 2020.

Share ownership of the non-executive members of the Board of Directors and closely related parties on December 31, 2021

	Number of shares held [(a)]
Paul Bulcke, Chairman	1 449 177
Henri de Castries, Vice Chairman, Lead Independent Director	31 126
Renato Fassbind	33 439
Ann M. Veneman	22 804
Eva Cheng	7 513
Patrick Aebischer	14 108
Kasper B. Rorsted	4 675
Pablo Isla	6 690
Kimberly A. Ross	6 344
Dick Boer	4 628
Dinesh Paliwal	12 280
Hanne Jimenez de Mora	3 835
Lindiwe M. Sibanda	—
Total as at December 31, 2021	**1 596 619**
Total as at December 31, 2020	**1 540 344**

(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.

Audited

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 Ann M. Veneman who serves as a member of the Creating Shared Value (CSV) Council, and CHF 25 000 paid to Patrick Aebischer who serves on the Nestlé Science & Technology Advisory Council.

Compensation and loans for former members of the Board of Directors

There was no compensation conferred during 2021 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier. Similarly, there are no loans outstanding to former members of the Board of Directors.

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

In 2021, 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. 21bis 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. 21bis 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. 21ter 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 2021, 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 55 and on 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. 21quater of Nestlé's Articles of Association (*), variable compensation may comprise short-term compensation elements, and shall be subject to caps expressed as predetermined multipliers of the respective target levels.

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

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

(*) Nestlé S.A.'s Articles of Association can be found on page 55 and on www.nestle.com/investors/corporate-governance/articles

Objectives 2021

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

In 2021, 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 2022.

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 2021, 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 so as to ensure they are aligned with Nestlé's business objectives and its strategic ambition.

Business and functional objectives

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

Environmental, Social and Governance (ESG) objectives

ESG objectives are annually set by the Compensation Committee and reflect selected performance measures from the Company's ESG/Sustainability agenda.

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. 21quater 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. 21quater 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 2021

In 2021, 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 2021 was the following:

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

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

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

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

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

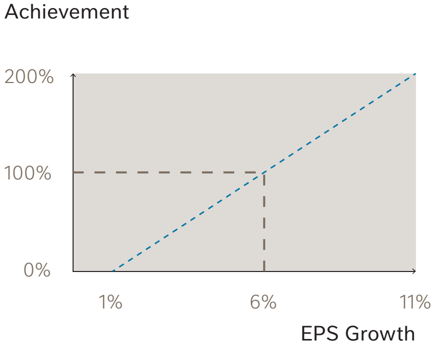
All three performance measures will be subject to Compensation Committee review in case of extraordinary events.

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

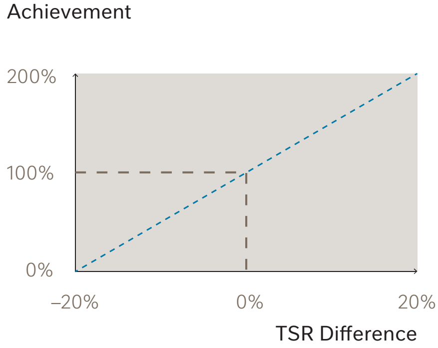
(*) Nestlé S.A.'s Articles of Association can be found on page 55 and on www.nestle.com/investors/corporate-governance/articles

The following charts show the different potential levels of achievement for each of the three measures for the 2021 PSUP grant.

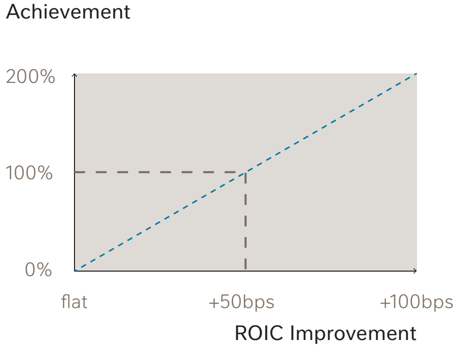
Average Underlying EPS Growth (constant currencies)



TSR Difference (Nestlé vs. Index)



ROIC Improvement



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

Base Salary 100%	Short-Term Bonus (*) 150% (at target)	Long-Term Incentives (PSUP) (**) 150%

(*) 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

Base Salary 100%	Short-Term Bonus (*) 100% (at target)	Long-Term Incentives (PSUP) (**) 100%

(*) Payable between 0% and 100% in Nestlé S.A. shares with a three-year blocking period.
(**) Subject to a two-year holding period after the three-year vesting period.

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

4. Other benefits

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

5. Pension benefits

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

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

Benchmarks of Executive Board compensation

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

Share ownership policy

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. 21septies 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.

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

Audited

Compensation 2021 for members of the Executive Board

At the Annual General Meeting of April 23, 2020, the shareholders approved a maximum compensation for members of the Executive Board of CHF 55 million for 2021. The total compensation paid to members of the Executive Board in 2021, including contributions towards future pension benefits and total social security contributions, was CHF 50 575 911.

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

	2021	2020
Annual Base Salary	13 625 000	13 050 000
Short-Term Bonus (cash)	11 070 974	10 725 107
Short-Term Bonus (market value of Nestlé S.A. share) (a)	4 594 486	5 122 578
Performance Share Units (market value) (b)	14 250 298	13 664 139
Other benefits	512 644	479 763
Total	**44 053 402**	**43 041 587**
% Fixed/Variable	32.1 – 67.9	31.4 – 68.6
Company contributions towards future pension benefits (in line with Nestlé's Pension Benefit Policy described above)	3 468 559	3 387 234
Company contributions to compulsory Swiss social security (c)	368 060	341 280
Additional remuneration and fees paid to members of the Executive Board	595 010	586 264
Total including the elements above	48 485 031	47 356 365

The above compensation table includes the following:

	2021	2020
Number of Nestlé S.A. shares granted	38 483	50 429
Number of Performance Share Units granted under the PSUP	146 608	127 583

(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 2022.
(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 2 090 880 in 2021 and CHF 2 055 007 in 2020.

Explanations

- On December 31, 2021, the Executive Board consisted of 13 members.
- Patrice Bula left the Executive Board on February 28, 2021.
- Bernard Meunier was appointed member of the Executive Board effective March 1, 2021.
- David Rennie was appointed member of the Executive Board effective March 1, 2021.
- Other benefits include a car allowance, contribution towards health insurance premiums, long-term service awards and expatriate benefits.
- Performance Share Units granted in 2021 are disclosed at market value, which corresponds to CHF 97.20.
- 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 2021, 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 109% in 2021, based on the achievement of the relevant Group and individual quantitative and qualitative objectives (2020: 113.7%).
- The Performance Share Units granted in 2019 vest in February 2022 with a payout of 114% of the initial PSU award (PSUs granted in 2018 vested in 2021 with a payout of 177%).

Events after the balance sheet date

- 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.

Audited

Highest total compensation for a member of the Executive Board

In 2021, 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.

		2021		2020
	Number	Value in CHF	Number	Value in CHF
Annual Base Salary		2 400 000		2 400 000
Short-Term Bonus (cash)		1 965 563		2 033 962
Short-Term Bonus (market value of Nestlé S.A. share) (a)	16 464	1 965 637	20 024	2 034 038
Performance Share Units (market value) (b)	37 038	3 600 094	33 614	3 600 059
Other benefits		3 900		3 900
Total		**9 935 194**		**10 071 959**
% Fixed/Variable		24.2 – 75.8		23.9 – 76.1
Company contribution towards future pension benefits		635 810		603 555
Company contribution to compulsory Swiss social security (c)		28 680		28 440
Total including the elements above		10 599 684		10 703 954

(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 2022.
(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 512 732 in 2021 and CHF 518 006 in 2020.

Explanations

- Performance Share Units granted in 2021 are disclosed at market value, which corresponds to CHF 97.20.
- Please also refer to the explanations provided on page 49.

Payout levels

- The Short-Term Bonus payout for the CEO was 109.2% in 2021, based on the achievement of Group quantitative and qualitative objectives and the ESG objectives (2020: 113%).
- The Performance Share Units granted in 2019 vest in February 2022 with a payout of 114% of the initial PSU award (PSUs granted in 2018 vested in 2021 with a payout of 177%).

Shares held by members of the Executive Board

Share ownership of the members of the Executive Board and closely related parties on December 31, 2021

	Number of shares held [a]
Ulf Mark Schneider, Chief Executive Officer	465 313
Laurent Freixe	58 925
Chris Johnson	164 322
Marco Settembri	127 258
François-Xavier Roger	90 000
Magdi Batato	51 949
Stefan Palzer	22 061
Béatrice Guillaume-Grabisch	37 519
Leanne Geale	4 015
Bernard Meunier	7 785
Grégory Behar	30 852
Sanjay Bahadur	65 491
David Rennie	5 401
Total as at December 31, 2021	**1 130 891**
Total as at December 31, 2020	**1 182 863**

(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.

Audited

Other audited information regarding the Executive Board

Loans to members of the Executive Board

On December 31, 2021, 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 2021 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 3723 Units in 2021, with a share price of CHF 159.82 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 2021, these members of the Executive Board did not receive any compensation from Froneri.

Compensation and loans for former members of the Executive Board

In 2021, one former member of the Executive Board received a fee of CHF 20 000.

On December 31, 2021, 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 2021, 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.*

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

Lausanne, 16 February 2022

Report of the statutory auditor on the compensation report

We have audited the compensation report of Nestlé S.A. for the year ended 31 December 2021. 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 52 of the compensation report.

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

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

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

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2021 of Nestlé S.A. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Jeanne Boillet
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert

Articles of Association of Nestlé S.A.

Amended by the Annual General Meeting of April 15, 2021

Articles of Association of Nestlé S.A.

Translation*

I. General

Article 1

Corporate name; Registered offices; Duration

1 Nestlé S.A. (Nestlé AG) (Nestlé Ltd.) (hereinafter "Nestlé") is a company limited by shares incorporated and organised in accordance with the Swiss Code of Obligations.

2 The registered offices of Nestlé are in Cham and Vevey, Switzerland.

3 The duration of Nestlé is unlimited.

Article 2

Purpose

1 The purpose of Nestlé is to participate in industrial, service, commercial and financial enterprises in Switzerland and abroad, in particular in the food, nutrition, health, wellness and related industries.

2 Nestlé may itself establish such undertakings or participate in, finance and promote the development of undertakings already in existence.

3 Nestlé may enter into any transaction which the business purpose may entail. Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation.

II. Share Capital

Article 3

Share capital

The share capital of Nestlé is CHF 281 500 000 (two hundred and eighty-one million five hundred thousand Swiss francs) divided into 2 815 000 000 fully paid up registered shares with a nominal value of CHF 0.10 each.

Article 3bis

Conditional share capital

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

2 The shareholders have no preferential rights to subscribe for these new shares. The current owners of conversion rights and/or option rights shall be entitled to subscribe for the new shares.

3 The new shares shall be subject, as soon as they are issued following the exercise of conversion and/or option rights, to the restrictions set forth in art. 5.

4 The Board of Directors may limit or withdraw the right of the shareholders to subscribe in priority to convertible debentures, debentures with option rights or similar financial market instruments when they are issued, if:

a) an issue by firm underwriting by a consortium with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions for issue; or

b) the financial market instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or participations or new investments.

5 Any financial market instruments with conversion or option rights which the Board of Directors decides not to offer directly or indirectly for prior subscription to the shareholders shall be subject to the following conditions:

a) Conversion rights may be exercised only for up to 15 years, and option rights only during 7 years from the date of issue of the relevant financial market instruments.

b) The new shares shall be issued according to the applicable conversion or option conditions. The respective financial instruments must be issued at the relevant market conditions.

c) The issue of new shares upon exercise of option or conversion rights shall be made at conditions taking into account the market price of the shares and/or comparable instruments with a market price at the time of issuance of the relevant convertible debenture, debenture with option rights or similar financial market instrument.

Article 4

Share certificates; Intermediated securities

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

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

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

Article 5
Share register
1 Nestlé shall maintain a share register showing the name and address of the holders or usufructuaries. Any change of address must be reported to Nestlé.
2 Only persons entered in the share register as shareholders with voting rights may exercise the voting rights or the other rights related thereto.
3 After the acquisition of shares, upon request of the shareholder to be recognised as such, any acquiring party shall be considered as a shareholder without voting rights, until it is recognised by Nestlé as a shareholder with voting rights. If Nestlé does not refuse the request to recognise the acquiring party within twenty days, the latter shall be deemed to be a shareholder with voting rights.
4 An acquirer of shares shall be recorded in the share register as a shareholder with voting rights provided he expressly declares to have acquired the shares in his own name and for his own account.
5 No person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. All of the foregoing does not apply in the case of the acquisition of an enterprise, or parts of an enterprise or participations through exchange of shares or in the cases provided in art. 685d par. 3 of the Swiss Code of Obligations.
6 The Board of Directors shall promulgate regulations relating to the registration of fiduciaries or nominees to ensure compliance with these Articles of Association.
7 Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent the regulations concerning the limitation on registration or the nominees, shall be counted as one person or nominee within the meaning of paragraphs 4 and 5 of this article.
8 After hearing the registered shareholder or nominee, the Board of Directors may cancel, with retroactive effect as of the date of registration, the registration of such shareholder or nominee if the registration was effected based on false information. The respective shareholder or nominee shall be informed immediately of the cancellation of the registration.
9 The Board of Directors shall specify the details and promulgate the necessary regulations concerning the application of this art. 5. Such regulations shall specify the cases in which the Board or a corporate body designated by the Board may allow exemptions from the limitation on registration or the regulation concerning nominees.
10 The limitation on registration provided for in this article shall also apply to shares acquired or subscribed by the exercise of subscription, option or conversion rights.

III. Organisation of Nestlé

A. General Meeting
Article 6
Powers of the General Meeting
1 The General Meeting of shareholders is the supreme authority of Nestlé.
2 The following non-transferable powers shall be vested in the General Meeting:
a) to adopt and amend the Articles of Association;
b) to elect and remove the members of the Board of Directors, the Chairman of the Board of Directors and the members of the Compensation Committee;
c) to elect and remove the Auditors;
d) to elect and remove the Independent Representative;
e) to approve the annual report and the consolidated financial statements;
f) to approve the annual financial statements as well as to resolve on the use of the balance sheet profit, in particular, the declaration of dividends;
g) to approve the compensation of the Board of Directors and of the Executive Board pursuant to art. 21bis;

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

Article 7
Annual General Meeting
The Annual General Meeting shall be held each year within six months of the close of the financial year of Nestlé. The meeting shall be convened by the Board of Directors.

Article 8
Extraordinary General Meeting
1 Extraordinary General Meetings shall be convened by the Board of Directors or, if necessary, by the Auditors, as well as in the other cases foreseen by law.
2 The Board of Directors shall, if so requested by a General Meeting or at the request in writing, specifying the items and proposals to appear on the agenda, of one or more shareholders with voting rights whose combined holdings represent at least one tenth of the share capital as recorded in the commercial register, convene an Extraordinary General Meeting. The Extraordinary General Meeting shall be held as promptly as practicable following such request.

Article 9
Notice of General Meetings; Agenda
1 Annual or Extraordinary General Meetings shall be convened by notice in the "Swiss Official Gazette of Commerce" not less than twenty days before the date fixed for the meeting. Shareholders may in addition be informed by ordinary mail.
2 The notice of a meeting shall state the items on the agenda and the proposals of the Board of Directors and of the shareholders who requested that a General Meeting be convened (art. 8 par. 2) or that items be included in the agenda (art. 9 par. 3).
3 One or more shareholders with voting rights whose combined holdings represent at least 0.15% of the share capital of Nestlé as recorded in the commercial register may request that an item be included in the agenda of a General Meeting. Such a request must be made in writing to the Board of Directors at the latest 45 days before the meeting and shall specify the agenda items and the proposals made.
4 No resolution shall be passed at a General Meeting on matters which do not appear on the agenda except for:
a) a resolution convening an Extraordinary General Meeting; or
b) the setting up of a special audit.

Article 10
Presiding officer; Minutes
1 The Chairman or any member of the Board of Directors shall preside at General Meetings and carry all procedural powers.
2 Minutes of General Meetings shall be kept by the Secretary of the Board of Directors.

Article 11
Voting rights; Representation of shareholders
1 Each share recorded in the share register as share with voting rights confers one vote on its holder.
2 At General Meetings no person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent such a limit, shall be counted as one shareholder.
3 The foregoing limit does not apply to shares received and held by a shareholder pursuant to an acquisition of an enterprise, or parts of an enterprise or participations as referred in art. 5 par. 5.
4 In order to permit the exercise of voting rights in respect of shares held by nominees, the Board of Directors may by means of regulations or agreements with nominees depart from the limit foreseen in this article. It may also depart from such a limit within the framework of the regulations referred to in art. 5 par. 6 and par. 9. In addition, this limit shall not apply to the exercise of voting rights by the Independent Representative.
5 Each shareholder recorded in the share register with voting rights may be represented at the General Meeting by the Independent Representative or a third party. The Board of Directors shall determine the requirements regarding participation and representation in the General Meeting.

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

Article 12
Quorum and decisions
1 General Meetings shall be duly constituted irrespective of the number of shareholders present or of shares represented.
2 Unless provided otherwise by law or the Articles of Association, shareholders' resolutions and elections shall be decided by an absolute majority of the shares represented.
3 Votes shall be taken either on a show of hands or by electronic voting unless a vote by written ballot is ordered by the Presiding officer of the meeting. The Presiding officer may at any time order to repeat an election or resolution, if he doubts the results of the vote. In this case, the preceding election or resolution is deemed not having taken place.
4 If the first ballot fails to result in an election and more than one candidate is standing for election, the Presiding officer shall order a second ballot in which a relative majority shall be decisive.

Article 13
Special quorum
The approval of at least two thirds of the shares represented and the absolute majority of the nominal value represented at a General Meeting shall be required for resolutions with respect to:
a) a modification of the purpose of Nestlé;
b) the creation of shares with increased voting powers;
c) restrictions on the transfer of registered shares and the change or removal of such restrictions;
d) an authorized or conditional increase in share capital;
e) an increase in share capital through the conversion of capital surplus, through a contribution in kind or for the purpose of an acquisition of assets, or a grant of special benefits upon a capital increase;
f) the restriction or withdrawal of the right to subscribe;
g) a change of the registered offices of Nestlé;
h) the dissolution of Nestlé;
i) restrictions on the exercise of voting rights and the change or removal of such restrictions;
j) the limitation on registration (art. 5 par. 4 to 7) and the limitation on voting rights (art. 11 par. 2, 3 and 4) and the change or removal of such limitations;
k) the change of the corporate name of Nestlé; and
l) other matters as provided by statutory law.

B. Board of Directors
Article 14
Number of Directors
The Board of Directors shall consist of at least seven members.

Article 15
Term of office
1 The Chairman of the Board of Directors and the members of the Board of Directors shall be elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting.
2 Members of the Board of Directors whose term of office has expired shall be immediately eligible for re-election.
3 If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a new Chairman from amongst its members for the remaining term of office.

Article 16
Organisation of the Board
1 The Board of Directors shall elect one or two Vice-Chairmen. It shall appoint a Secretary and his substitutes, neither of whom need be members of the Board of Directors.
2 The Board of Directors shall, within the limits of the law and the Articles of Association, define its organisation and the assignment of responsibilities in the Board regulations pursuant to art. 19 par. 2.

Article 17
Powers of the Board in general
The Board of Directors shall conduct all the business of Nestlé to the extent that it is not within the powers of the General Meeting or not delegated pursuant to the Board regulations as set forth in art. 19 par. 2.

Article 18
Specific powers of the Board
The Board of Directors has the following non-transferable and inalienable duties:
a) the ultimate direction of the business of Nestlé, in particular the conduct, management and supervision of the business of Nestlé, and the provision of necessary directions;
b) the determination of the organisation in the Board regulations pursuant to art. 19 par. 2;
c) the determination of accounting and financial control principles;
d) the appointment and removal of the persons entrusted with the management and the granting of signatory powers to persons representing Nestlé;
e) the ultimate supervision of the persons entrusted with the management of Nestlé, ensuring in particular their compliance with the law, the Articles of Association, regulations and instructions given;
f) the preparation of the business report and the compensation report in accordance with the provisions of the law;
g) the preparation of General Meetings and the carrying out of its resolutions;
h) the determination of the manner in which the dividend shall be paid;
i) the opening and closing of branch offices; and
j) the notification of the court in case of overindebtedness.

Article 19
Delegation of powers
1 The Board of Directors may, within the limits of the law and the Articles of Association, appoint from amongst its members standing or ad hoc committees entrusted with the preparation and execution of its decisions or the supervision of specific parts of the business. The Board of Directors shall ensure that it is kept properly informed.
2 Unless otherwise provided by law, the Board of Directors may in accordance with the Board regulations delegate all or part of the management to one or more of its members, to one or more board committees, or to third parties.

C. Compensation Committee
Article 19bis
Number of members; Term of office; Organisation
1 The Compensation Committee consists of at least three independent members of the Board of Directors.
2 The members of the Compensation Committee shall be elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting. Members of the Compensation Committee whose term of office has expired shall be immediately eligible for re-election.
3 If there are vacancies on the Compensation Committee, the Board of Directors shall appoint substitutes from amongst its members for the remaining term of office.
4 The Board of Directors shall elect a Chairman of the Compensation Committee. It shall, within the limits of the law and the Articles of Association, define the organisation of the Compensation Committee in regulations.

Article 19ter
Powers of the Compensation Committee
1 The Compensation Committee supports the Board of Directors in establishing and periodically reviewing Nestlé’s compensation strategy and guidelines and performance criteria as well as in preparing the proposals to the General Meeting regarding the compensation of the members of the Board of Directors and of the Executive Board. It may submit proposals and recommendations to the Board of Directors in other compensation-related issues.
2 The Board of Directors promulgates regulations to determine for which positions of the Board of Directors and of the Executive Board the Compensation Committee, together with the Chairman of the Board of Directors or on its own, shall submit proposals for the compensation, and for which positions it shall determine the compensation in accordance with the Articles of Association and the compensation guidelines established by the Board of Directors.
3 The Board of Directors may delegate further tasks and powers to the Compensation Committee.

D. Auditors

Article 20

Number of Auditors; Term of office

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

Article 21

Rights and duties of Auditors

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

III^bis. Compensation of the Board of Directors and of the Executive Board

Article 21^bis

Approval of compensation by General Meeting

1 The General Meeting shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:
   a) compensation of the Board of Directors for the period until the next Annual General Meeting;
   b) compensation of the Executive Board for the following financial year.
   The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

2 In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation, provided that:
   a) the Board of Directors takes into account:
      (i) the proposed maximum aggregate amount of compensation;
      (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and
      (iii) Nestlé's compensation principles; and
   b) the Board of Directors submits the amount(s) so determined to approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting.

3 Notwithstanding the preceding paragraph, Nestlé or companies controlled by it may pay out compensation prior to approval by the General Meeting subject to subsequent approval by a General Meeting.

4 The Board of Directors shall submit the annual compensation report to an advisory vote of the General Meeting.

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

Article 21quater
General compensation principles
1 Compensation of the non-executive members of the Board of Directors comprises fixed compensation elements only.
2 Compensation of the members of the Executive Board comprises fixed and variable compensation elements. Fixed compensation comprises the base salary and may comprise other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation elements, and shall be subject to caps expressed as predetermined multipliers of the respective target levels.
3 Short-term compensation elements are governed by performance metrics that take into account the performance of Nestlé and/or parts thereof, targets in relation to the market, to other companies or to comparable benchmarks and/or individual targets, and achievement of which is generally measured based on a one-year period. The annual target level of the short-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level.
4 Long-term compensation elements are governed by performance metrics that take into account strategic objectives of Nestlé, and achievement of which is generally measured based on a multiannual period. The annual target level of the long-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level. Vesting periods, as determined by the Board of Directors or, to the extent delegated to it, the Compensation Committee, shall be at least three years.
5 The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.
6 Compensation may be paid or granted in the form of cash, shares, other benefits or in kind; compensation to members of the Executive Board may also be paid or granted in the form of financial instruments or similar units. The Board of Directors or, to the extent delegated to it, the Compensation Committee determines grant, vesting, blocking, exercise and forfeiture conditions; they may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture in the event of predetermined events such as a termination of an employment or mandate agreement.
7 Compensation may be paid by Nestlé or companies controlled by it.
8 The Board of Directors values compensation according to the principles that apply to the compensation report.

III^{ter}. Contracts with members of the Board of Directors and of the Executive Board

Article 21^{quinquies}

Basic principles

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

III^{quater}. Mandates outside Nestlé; Loans

Article 21^{sexies}

Mandates outside Nestlé

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

Article 21^{septies}

Loans

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

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

Article 22

Financial year

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

Article 23

Business report

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

Article 24

Appropriation of profit resulting from the balance sheet

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

V. Announcements, Communications

Article 25

Notices

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

Articles of Association amended by the Annual General Meeting of April 15, 2021

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Principal exchange rates

CHF per		2021	2020	2021	2020
		Year ending rates		Weighted average annual rates	
1 US Dollar	USD	0.915	0.881	0.915	0.937
1 Euro	EUR	1.034	1.083	1.081	1.070
100 Chinese Yuan Renminbi	CNY	14.344	13.482	14.179	13.596
1 Pound Sterling	GBP	1.235	1.203	1.257	1.202
100 Mexican Pesos	MXN	4.470	4.430	4.505	4.395
100 Brazilian Reais	BRL	16.389	16.951	16.988	18.175
100 Philippine Pesos	PHP	1.793	1.834	1.855	1.893
1 Canadian Dollar	CAD	0.718	0.691	0.730	0.698
100 Indian Rupee	INR	1.232	1.206	1.236	1.267
100 Russian Rubles	RUB	1.222	1.178	1.243	1.292
100 Japanese Yen	JPY	0.794	0.854	0.831	0.877
1 Australian Dollar	AUD	0.664	0.679	0.686	0.646

Consolidated income statement for the year ended December 31, 2021

In millions of CHF

	Notes	2021	2020
Sales	3	**87 088**	**84 343**
Other revenue		382	338
Cost of goods sold		(45 468)	(42 971)
Distribution expenses		(7 919)	(7 861)
Marketing and administration expenses		(17 294)	(17 370)
Research and development costs		(1 670)	(1 576)
Other trading income	4	171	238
Other trading expenses	4	(3 131)	(908)
Trading operating profit	3	**12 159**	**14 233**
Other operating income	4	698	1 919
Other operating expenses	4	(1 178)	(1 356)
Operating profit		**11 679**	**14 796**
Financial income	5	80	109
Financial expense	5	(953)	(983)
Profit before taxes, associates and joint ventures		**10 806**	**13 922**
Taxes	13	(2 261)	(3 365)
Income from associates and joint ventures	14	8 651	1 815
Profit for the year		**17 196**	**12 372**
of which attributable to non-controlling interests		291	140
of which attributable to shareholders of the parent (Net profit)		16 905	12 232
As percentages of sales			
Trading operating profit		14.0%	16.9%
Profit for the year attributable to shareholders of the parent (Net profit)		19.4%	14.5%
Earnings per share (in CHF)			
Basic earnings per share	15	6.06	4.30
Diluted earnings per share	15	6.06	4.29

Consolidated statement of comprehensive income for the year ended December 31, 2021

In millions of CHF

	Notes	2021	2020
Profit for the year recognized in the income statement		**17 196**	**12 372**
Currency retranslations, net of taxes	17	2 130	(2 931)
Changes in cash flow hedge and cost of hedge reserves, net of taxes		368	(54)
Share of other comprehensive income of associates and joint ventures	14/17	157	(265)
Items that are or may be reclassified subsequently to the income statement		2 655	(3 250)
Remeasurement of defined benefit plans, net of taxes	10/17	2 204	(166)
Fair value changes on equity instruments, net of taxes	17	52	124
Share of other comprehensive income of associates and joint ventures	14/17	455	(340)
Items that will never be reclassified to the income statement		2 711	(382)
Other comprehensive income for the year	17	**5 366**	**(3 632)**
Total comprehensive income for the year		**22 562**	**8 740**
of which attributable to non-controlling interests		285	76
of which attributable to shareholders of the parent		22 277	8 664

Consolidated balance sheet as at December 31, 2021

before appropriations

In millions of CHF

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	12/16	6 988	5 235
Short-term investments	12	7 007	3 374
Inventories	6	11 982	10 101
Trade and other receivables	7/12	11 155	10 746
Prepayments		575	477
Derivative assets	12	278	310
Current income tax assets		1 204	708
Assets held for sale	2	68	3 117
Total current assets		**39 257**	**34 068**
Non-current assets			
Property, plant and equipment	8	28 345	25 840
Goodwill	9	31 012	27 620
Intangible assets	9	22 223	20 148
Investments in associates and joint ventures	14	11 806	12 005
Financial assets	12	2 824	2 594
Employee benefits assets and reimbursement rights	10	2 417	468
Deferred tax assets	13	1 258	1 285
Total non-current assets		**99 885**	**89 960**
Total assets		**139 142**	**124 028**

In millions of CHF

	Notes	2021	2020
Liabilities and equity			
Current liabilities			
Financial debt	12	10 092	12 019
Trade and other payables	7/12	20 907	18 515
Accruals		5 051	4 917
Provisions	11	532	508
Derivative liabilities	12	464	254
Current income tax liabilities		2 962	2 661
Liabilities directly associated with assets held for sale	2	12	848
Total current liabilities		**40 020**	**39 722**
Non-current liabilities			
Financial debt	12	36 482	27 928
Employee benefits liabilities	10	3 779	5 118
Provisions	11	1 106	1 029
Deferred tax liabilities	13	3 794	2 636
Other payables	12	234	1 081
Total non-current liabilities		**45 395**	**37 792**
Total liabilities		**85 415**	**77 514**
Equity	17		
Share capital		282	288
Treasury shares		(6 194)	(6 643)
Translation reserve		(22 266)	(24 397)
Other reserves		(45)	(365)
Retained earnings		81 363	76 812
Total equity attributable to shareholders of the parent		**53 140**	**45 695**
Non-controlling interests		587	819
Total equity		**53 727**	**46 514**
Total liabilities and equity		**139 142**	**124 028**

Consolidated cash flow statement for the year ended December 31, 2021

In millions of CHF

	Notes	2021	2020
Operating activities			
Operating profit	16	11 679	14 796
Depreciation and amortization	16	3 440	3 465
Impairment	16	2 614	711
Net result on disposal of businesses	4	(235)	(1 678)
Other non-cash items of income and expense	16	(253)	248
Cash flow before changes in operating assets and liabilities		**17 245**	**17 542**
Decrease/(increase) in working capital	16	(173)	314
Variation of other operating assets and liabilities	16	(427)	(699)
Cash generated from operations		**16 645**	**17 157**
Interest paid		(753)	(815)
Interest and dividend received		43	76
Taxes paid		(2 722)	(2 645)
Dividends and interest from associates and joint ventures	14	651	604
Operating cash flow		**13 864**	**14 377**
Investing activities			
Capital expenditure	8	(4 880)	(4 076)
Expenditure on intangible assets	9	(461)	(288)
Acquisition of businesses, net of cash acquired	2	(6 394)	(4 520)
Disposal of businesses, net of cash disposed of	2	3 530	3 916
Investments in associates and joint ventures	14	(715)	(498)
Divestments in associates and joint ventures	14	9 294	316
Inflows/(outflows) from treasury investments		(3 610)	(749)
Other investing activities		192	232
Investing cash flow		**(3 044)**	**(5 667)**
Financing activities			
Dividend paid to shareholders of the parent	17	(7 681)	(7 700)
Dividends paid to non-controlling interests		(302)	(268)
Acquisition (net of disposal) of non-controlling interests		(601)	(1)
Purchase (net of sale) of treasury shares [(a)]		(6 548)	(6 814)
Inflows from bonds and other long term financial debt	12	11 339	10 330
Outflows from bonds, lease liabilities and other long term financial debt	12	(4 474)	(3 182)
Inflows/(outflows) from short term financial debt	12	(885)	(2 747)
Financing cash flow		**(9 152)**	**(10 382)**
Currency retranslations		89	(562)
Increase/(decrease) in cash and cash equivalents		**1 757**	**(2 234)**
Cash and cash equivalents at beginning of year		5 235	7 469
Cash and cash equivalents at end of year		**6 992**	**5 235**
Cash and cash equivalents classified as held for sale		(4)	—
Cash and cash equivalents as per balance sheet	16	**6 988**	**5 235**

(a) Mostly relates to share buyback program launched in 2020.

Consolidated statement of changes in equity for the year ended December 31, 2021

In millions of CHF

	Share capital	Treasury shares	Translation reserve	Other reserves	Retained earnings	**Total equity attributable to shareholders of the parent**	Non-controlling interests	**Total equity**
Equity as at January 1, 2020	**298**	**(9 752)**	**(21 526)**	**(45)**	**83 060**	**52 035**	**827**	**52 862**
Profit for the year	—	—	—	—	12 232	**12 232**	140	**12 372**
Other comprehensive income for the year	—	—	(2 871)	(321)	(376)	**(3 568)**	(64)	**(3 632)**
Total comprehensive income for the year	—	—	(2 871)	(321)	11 856	**8 664**	76	**8 740**
Dividends	—	—	—	—	(7 700)	**(7 700)**	(268)	**(7 968)**
Movement of treasury shares	—	(6 911)	—	—	7	**(6 904)**	—	**(6 904)**
Equity compensation plans	—	360	—	—	(227)	**133**	(3)	**130**
Changes in non-controlling interests [(a)]	—	—	—	—	(394)	**(394)**	186	**(208)**
Reduction in share capital [(b)]	(10)	9 660	—	—	(9 650)	**—**	—	**—**
Total transactions with owners	(10)	3 109	—	—	(17 964)	**(14 865)**	(85)	**(14 950)**
Other movements [(c)]	—	—	—	1	(140)	**(139)**	1	**(138)**
Equity as at December 31, 2020	**288**	**(6 643)**	**(24 397)**	**(365)**	**76 812**	**45 695**	**819**	**46 514**
Equity as at January 1, 2021	**288**	**(6 643)**	**(24 397)**	**(365)**	**76 812**	**45 695**	**819**	**46 514**
Profit for the year	—	—	—	—	16 905	**16 905**	291	**17 196**
Other comprehensive income for the year	—	—	2 131	523	2 718	**5 372**	(6)	**5 366**
Total comprehensive income for the year	—	—	2 131	523	19 623	**22 277**	285	**22 562**
Dividends	—	—	—	—	(7 681)	**(7 681)**	(302)	**(7 983)**
Movement of treasury shares	—	(6 551)	—	—	72	**(6 479)**	—	**(6 479)**
Equity compensation plans	—	222	—	—	(80)	**142**	(1)	**141**
Changes in non-controlling interests [(a)]	—	—	—	—	(382)	**(382)**	(214)	**(596)**
Reduction in share capital [(b)]	(6)	6 778	—	—	(6 772)	**—**	—	**—**
Total transactions with owners	(6)	449	—	—	(14 843)	**(14 400)**	(517)	**(14 917)**
Other movements [(c)]	—	—	—	(203)	(229)	**(432)**	—	**(432)**
Equity as at December 31, 2021	**282**	**(6 194)**	**(22 266)**	**(45)**	**81 363**	**53 140**	**587**	**53 727**

(a) Movements reported under retained earnings include put options for the acquisition of non-controlling interests.
(b) Reduction in share capital, see Note 17.1.
(c) Other movements in Other reserves relate mainly to cash flow hedge transactions. In addition, Other movements in Retained earnings is explained further in Note 14 in the table of movement of carrying value of Associates and joint ventures.

Notes

1. Accounting policies

Accounting convention and accounting standards
The Consolidated Financial Statements comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Swiss law.

They have been prepared on a historical cost basis, unless stated otherwise. All significant consolidated companies, joint arrangements and associates have a December 31 accounting year-end.

The Consolidated Financial Statements 2021 were approved for issue by the Board of Directors on February 16, 2022, and are subject to approval by the Annual General Meeting on April 7, 2022.

Accounting policies
Accounting policies are included in the relevant notes to the Consolidated Financial Statements and are presented as text highlighted with a grey background. The accounting policies below are applied throughout the financial statements.

Key accounting judgements, estimates and assumptions
The preparation of the Consolidated Financial Statements requires Group Management to exercise judgement and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. Estimated climate impacts, current and probable stated regulatory changes and Nestlé's environmental commitments have been taken into account. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Information about potential impacts under alternative scenarios (including among others the policies aligned with the Paris ambition) on the medium and long term are discussed in Nestlé's TCFD (Task Force on Climate-related Financial Disclosures) report to be issued on March 8, 2022. Management believes that financial statements as of December 31, 2021, reflect the most reasonable view of the value of the assets and liabilities at this date.

Those areas that involved a higher degree of judgement or uncertainty are explained further in the relevant notes, including:
- assessment of control and estimating the fair value of net assets acquired in business combinations (see Note 2);
- classification and measurement of assets held for sale (see Note 2);
- recognition and estimation of revenue (see Note 3);
- presentation of additional line items and subtotals in the income statement (see Note 4);
- identification of a lease and lease term (see Note 8);
- identification of cash generating units (CGUs) and estimation of recoverable amount for impairment tests (see Note 9);
- assessment of useful lives of intangible assets, including assessment as finite or indefinite (see Note 9);
- measurement of employee benefit obligations (see Note 10);
- recognition and measurement of provisions (see Note 11); and
- estimation of current and deferred taxes, including uncertain tax positions (see Note 13).

The impacts of COVID-19 on those judgements and uncertainties have been taken into account considering that the long-term economic impacts of COVID-19 remain difficult to predict or quantify due to its pervasive effects.

Foreign currencies
The functional currency of the Group's entities is the currency of their primary economic environment.

In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the income statement, except when deferred in Other comprehensive income as qualifying cash flow hedges.

On consolidation, assets and liabilities of foreign operations reported in their functional currencies are translated into Swiss Francs, the Group's presentation currency, at year-end exchange rates. Income and expense are translated into Swiss Francs at the annual weighted average rates of exchange or at the rate on the date of the transaction for significant items.

Differences arising from the retranslation of opening net assets of foreign operations, together with differences arising from the translation of the net results for the year of foreign operations, are recognized in Other comprehensive income.

When there is a change of control in a foreign operation, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on disposal.

Hyperinflationary economies
Several factors are considered when evaluating whether an economy is hyperinflationary, including the cumulative three-year inflation, and the degree to which the population's behaviors and government policies are consistent with such a condition.

The balance sheet and results of subsidiaries operating in hyperinflationary economies are restated for the changes in the general purchasing power of the local currency, using official indices at the balance sheet date, before translation into Swiss Francs and, as a result, are stated in terms of the measuring unit current at the balance sheet date. The hyperinflationary economies in which the Group operates are listed in Note 20.

Other revenue
Other revenue are primarily sales-based royalties and license fees from third parties (including associates and joint ventures) which have been earned during the period.

Expenses
Cost of goods sold is determined on the basis of the cost of purchase or of production (comprised of the costs of raw and packaging material, direct labor, energy, manufacturing overheads and depreciation of factory assets, which are allocated to products using activity-based drivers), adjusted for the variation of inventories. It includes the cost of royalties due to third party licensors for the use of their intellectual property, which are accrued in accordance with the respective agreement. Cost of goods sold also includes amortization of intangible assets related to acquired licenses to sell products or to use technology, and as well as maintenance and depreciation of equipment used in the sales process like coffee machines and water coolers.

All other expenses, including those in respect of advertising and promotions, are recognized when the Group receives the risks and rewards of ownership of the goods or when it receives the services. Government grants that are not related to assets are credited to the income statement as a deduction of the related expense when they are received, if there is reasonable assurance that the terms of the grant will be met.

Distribution expenses encompass the costs of storing products and transporting products between factories, warehouses and customer locations. It includes the costs of outsourced transportation services, salaries and wages of drivers, warehouse employees and customer service staff, as well as depreciation and running costs of warehouses and related storage, transportation and handling equipment.

Marketing and administration expenses include the costs of advertising and consumer promotion activities, merchandising, sales teams and head office functions such as finance, human resources, legal, information technology, supply chain and general management. It is primarily comprised of salaries, depreciation and maintenance of real estate, and the costs of third-party services.

Additional details of research and development, other trading income and expenses and other operating income and expenses are provided in the respective notes.

Changes in accounting standards
A number of standards have been modified on miscellaneous points with effect from January 1, 2021, which have no material impact on the Group's Financial Statements. These include COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16), and Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform – Phase 2.

Changes in IFRS that may affect the Group after December 31, 2021
There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

2. Scope of consolidation, acquisitions and disposals of businesses, assets held for sale and acquisitions of non-controlling interests

Scope of consolidation
The Consolidated Financial Statements comprise those of Nestlé S.A. and of its subsidiaries (the Group).

Companies which the Group controls are fully consolidated from the date at which the Group obtains control. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Though the Group generally holds a majority of voting rights in the companies which are controlled, this applies irrespective of the percentage of interest in the share capital if control is obtained through agreements with other shareholders.

As part of the Consolidated Financial Statements, the list of the principal subsidiaries is provided in the section Companies of the Nestlé Group, joint arrangements and associates after Note 21.

Business combinations
Where not all of the equity of a subsidiary is acquired the non-controlling interests are recognized at the non-controlling interest's share of the acquiree's net identifiable assets. Upon obtaining control in a business combination achieved in stages, the Group remeasures its previously held equity interest at fair value and recognizes a gain or a loss in the income statement.

2.1 Modification of the scope of consolidation

Acquisitions
In 2021, the significant acquisition was:
– Core brands and related business of The Bountiful Company, mainly North America – vitamins, minerals and nutritional supplements (Nutrition and Health Science) – 99.4%, early August.

Among several other non-significant acquisitions, the Group acquired in early March, Essentia Water, a premium functional water brand (Water) and in early July, Nuun, a functional hydration products brand (Nutrition and Health Science).

In 2020, the significant acquisitions were:
– Aimmune, North America – food allergy treatment products (Nutrition and Health Science) – 100%, October.
– Zenpep, North America – nutritional health products (Nutrition and Health Science) – 100%, May.
– Freshly, United States – healthy prepared meals (Prepared dishes and cooking aids) – 92%, end of October.

Among several other non-significant acquisitions, Vital Proteins, an American collagen brand and a lifestyle and wellness platform, has been acquired in 2020.

Disposals

In 2021, there was one significant disposal:

– Nestlé Waters North America, USA and Canada – regional spring water brands, purified water and beverage delivery service businesses (Water) – 100%, end of March.

In 2020, there was one significant disposal:

– US Ice Cream business, North America – ice cream (Milk products and Ice cream) – 100%, end of January.

Among several other non-significant disposals, the Herta charcuterie business and the Yinlu business have been disposed of in 2020.

2.2 Acquisitions of businesses

The major classes of assets acquired and liabilities assumed at the acquisition date are:

In millions of CHF

	2021			2020				
	The Bountiful Company	Other	**Total**	Aimmune	Zenpep	Freshly	Other	**Total**
Inventories	559	15	**574**	248	40	11	68	**367**
Other assets	288	41	**329**	2	—	55	108	**165**
Property, plant and equipment	313	40	**353**	34	—	71	86	**191**
Intangible assets (a)	2 820	486	**3 306**	1 828	1 143	551	668	**4 190**
Financial debt	(33)	(36)	**(69)**	(135)	—	(86)	(109)	**(330)**
Other liabilities	(269)	(34)	**(303)**	(43)	(6)	(47)	(78)	**(174)**
Deferred taxes	(710)	(41)	**(751)**	(187)	—	(109)	(20)	**(316)**
Fair value of identifiable net assets/(liabilities)	**2 968**	**471**	**3 439**	**1 747**	**1 177**	**446**	**723**	**4 093**

(a) Mainly intellectual property rights, customer lists, trademarks and trade names, composed of CHF 581 million (2020: CHF 1631 million) of finite life, CHF nil of non-commercialized intangibles (2020: CHF 642 million) and of CHF 2725 million (2020: CHF 1917 million) of indefinite life intangible assets.

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

	2021			2020				
	The Bountiful Company	Other	**Total**	Aimmune	Zenpep	Freshly	Other	**Total**
Fair value of consideration transferred	5 410	1 038	**6 448**	1 869	1 302	947	991	**5 109**
Non-controlling interests	16	—	**16**	—	—	35	146	**181**
Fair value of pre-existing interests (a)	—	—	**—**	565	—	201	—	**766**
Subtotal	5 426	1 038	**6 464**	2 434	1 302	1 183	1 137	**6 056**
Fair value of identifiable net (assets)/liabilities	(2 968)	(471)	**(3 439)**	(1 747)	(1 177)	(446)	(723)	**(4 093)**
Goodwill	**2 458**	**567**	**3 025**	**687**	**125**	**737**	**414**	**1 963**

(a) In 2020, includes a revaluation gain of CHF 326 million on the 26% stake already held in Aimmune and a revaluation gain of CHF 183 million on the 16% stake already held in Freshly (see Note 14).

Since the valuation of the assets and liabilities of acquired businesses is still in process, the values are determined provisionally.

In millions of CHF

	2021			2020				
	The Bountiful Company	Other	**Total**	Aimmune	Zenpep	Freshly	Other	**Total**
Fair value of consideration transferred	5 410	1 038	**6 448**	1 869	1 302	947	991	**5 109**
Cash and cash equivalents acquired	(37)	(5)	**(42)**	(227)	—	(48)	(10)	**(285)**
Consideration payable	(48)	(14)	**(62)**	—	—	(287)	(38)	**(325)**
Payment of consideration payable on prior years acquisitions	—	50	**50**	—	—	—	21	**21**
Cash outflow on acquisitions	**5 325**	**1 069**	**6 394**	**1 642**	**1 302**	**612**	**964**	**4 520**

The consideration transferred consists of payments made in cash with some consideration remaining payable.

With regards to Freshly for the year ended December 31, 2020, the consideration payable included an amount of contingent consideration with an estimated fair value of CHF 287 million at the date of acquisition. The contingent consideration is in the form of an earn-out. Using a valuation methodology consistent with the prior year, updated with revised forecasts, it has been reassessed at end of December 31, 2021, and adjusted downwards by CHF 264 million (reflected in Other operating income and expenses, see Note 4.2).

The Bountiful Company

On August 9, 2021, the Group acquired the core brands and related business of The Bountiful Company. The Bountiful Company is a pure-play leader in the growing global nutrition and supplement category. The transaction includes the brands *Nature's Bounty*, *Solgar*, *Osteo Bi-Flex* and *Puritan's Pride* as well as the company's US private label business. These brands will be integrated into Nestlé Health Science and will complement the existing health and nutrition portfolio in terms of brands. By combining The Bountiful Company's core assets together with Nestlé's science and innovation in health and nutrition, Nestlé is well placed to accelerate benefits in prevention and treatment solutions to consumers across the world. The goodwill arising on this acquisition includes elements such as creating a leading position in the area of vitamins, minerals, herbals and supplements (VMHS) and geographic growth potential. It is not expected to be deductible for tax purposes.

Sales and profit for the year of The Bountiful Company business included in the 2021 Consolidated Financial Statements amount respectively to CHF 787 million and CHF 29 million. The Group's total sales and profit for the year would have amounted to CHF 88 126 million and CHF 17 276 million respectively if the acquisition had been effective January 1, 2021.

Aimmune

On October 13, 2020, Nestlé acquired Aimmune, a biopharmaceutical company developing and commercializing treatments for potentially life-threatening food allergies (Aimmune). Aimmune's *Palforzia* is the first FDA-approved treatment to help reduce the frequency and severity of allergic reaction to peanuts, including anaphylaxis, in children aged 4 through 17. The acquisition is an extension of Nestlé Health Science's food allergy portfolio, creating a broader spectrum of solutions for children living with food allergies. The goodwill arising on this acquisition includes elements such as creating a leading position in the area of food allergy prevention treatment and its related growth potential in combination with current Nestlé Health Science Medical Nutrition business as well as synergies with the acquisition of Zenpep done earlier in the year 2020. It is not expected to be deductible for tax purposes.

Zenpep

On May 11, 2020, Nestlé acquired the Zenpep gastrointestinal medication business from Allergan. This expands Nestlé Health Science Medical Nutrition business and complements its portfolio of therapeutic products. *Zenpep*, available in the United States, is a medication for people who cannot digest food properly because their pancreas does not provide enough enzymes to break down fat, protein and carbohydrates. The goodwill arising on this acquisition includes elements such as market share and growth potential in the area of digestive diseases through current Nestlé Health Science Medical Nutrition business. It is expected to be deductible for tax purposes.

Freshly

On October 30, 2020, Nestlé acquired Freshly. Freshly delivers a menu of fresh, prepared meals to customers across United States. This transaction brings together Nestlé's deep understanding of what and how people eat at home with Freshly's highly specialized consumer analytics platform and distribution network to fuel growth opportunities within the Freshly business and across Nestlé's portfolio. The goodwill arising on this acquisition includes elements such as market share and growth potential in direct-to-consumer food in the US as well as leveraging Nestlé expertise and presence in large-scale prepared meal manufacturing and research and development. It is not expected to be deductible for tax purposes.

Acquisition-related costs

Acquisition-related costs have been recognized under other operating expenses in the income statement (see Note 4.2) for an amount of CHF 55 million (2020: CHF 45 million).

Acquisitions planned after December 31, 2021

On February 2, 2022, the Group announced that it had agreed to purchase a majority stake in Orgain, a leader in plant-based nutrition, from founder Dr. Andrew Abraham and Butterfly Equity, who will continue to be minority share owners. The agreement includes the option for Nestlé Health Science to fully acquire Orgain in 2024. Orgain was founded in 2009 and has grown to become a leader in plant-based protein powder and organic nutritional protein ready-to-drink shake in the US.

The transaction is subject to customary regulatory approvals and is expected to close in 2022.

2.3 Disposals of businesses

In 2021, the gain on disposal of businesses is mainly composed of the gain on disposal of the Nestlé Waters North America business (part of the Zone AMS operating segment).

In 2020, the gain on disposals of businesses is mainly composed of the gain on disposal of the US Ice Cream business (part of the Zone AMS operating segment) and the gain on disposal of the businesses of Herta charcuterie and Yinlu, included below in Other.

In millions of CHF

	2021			2020		
	Nestlé Waters North America	Other	**Total**	US Ice Cream	Other	**Total**
Cash, cash equivalents and short-term investments	57	2	**59**	1	114	**115**
Inventories	135	13	**148**	189	162	**351**
Trade and other receivables, prepayments and other assets	463	9	**472**	37	193	**230**
Property, plant and equipment	1 985	23	**2 008**	453	498	**951**
Goodwill and intangible assets	811	3	**814**	1 673	211	**1 884**
Financial assets	257	—	**257**	—	—	**—**
Financial liabilities	(383)	(4)	**(387)**	(22)	(229)	**(251)**
Trade and other payables, accruals and other liabilities	(706)	(17)	**(723)**	(11)	(557)	**(568)**
Employee benefits and provisions	(242)	(37)	**(279)**	(1)	(100)	**(101)**
Deferred tax liabilities	(103)	—	**(103)**	(85)	(40)	**(125)**
Non-controlling interests	—	(9)	**(9)**	—	—	**—**
Net assets disposed of or impaired after classification as held for sale	**2 274**	**(17)**	**2 257**	**2 234**	**252**	**2 486**
Cumulative other comprehensive income items, net, reclassified to income statement	1 064	—	**1 064**	612	86	**698**
Profit/(loss) on disposals, net of disposal costs and impairments of assets held for sale	196	39	**235**	1 080	598	**1 678**
Total disposal consideration, net of disposal costs	**3 534**	**22**	**3 556**	**3 926**	**936**	**4 862**
Cash and cash equivalents disposed of	(57)	—	**(57)**	(1)	(93)	**(94)**
Disposal costs not yet paid	—	—	**—**	14	57	**71**
Loan granted to Froneri [(a)]	—	—	**—**	(582)	—	**(582)**
Shares in associates [(b)]	—	(15)	**(15)**	—	(273)	**(273)**
Consideration receivable	(15)	—	**(15)**	—	(63)	**(63)**
Receipt of consideration receivable on prior years' disposals	—	61	**61**	—	(5)	**(5)**
Cash inflow on disposals, net of disposal costs	**3 462**	**68**	**3 530**	**3 357**	**559**	**3 916**

(a) See Note 14 Associates and joint ventures.
(b) In 2020 related to Herta.

2.4 Assets held for sale

Assets held for sale and disposal groups
Non-current assets held for sale and disposal groups are presented separately in the current section of the balance sheet when the following criteria are met: the Group is committed to selling the asset or disposal group, it is available for immediate sale in its current condition, an active plan of sale has commenced, and in the judgement of Group Management it is highly probable that the sale will be completed within 12 months. Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting policy. Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less costs of disposal. Assets held for sale are no longer amortized or depreciated.

As of December 31, 2021, there are no significant assets held for sale and liabilities directly associated with assets held for sale.

As of December 31, 2020, assets held for sale and liabilities directly associated with assets held for sale are mainly composed of the Nestlé Waters North America business which was disposed of in 2021 (see Note 2.3).

The composition of assets held for sale and liabilities directly associated with assets held for sale at the end of 2021 and of 2020 are the following:

In millions of CHF

	2021			2020
	Total	Nestlé Waters North America	Other	**Total**
Cash, cash equivalents and short-term investments	**4**	—	—	**—**
Inventories	**4**	114	10	**124**
Trade and other receivables, prepayments and other assets	**5**	319	12	**331**
Property, plant and equipment	**55**	1 837	66	**1 903**
Goodwill and intangible assets	**—**	756	3	**759**
Assets held for sale	**68**	**3 026**	**91**	**3 117**
Financial liabilities	**(10)**	(348)	—	**(348)**
Trade and other payables and accruals	**(2)**	(96)	(12)	**(108)**
Other liabilities	**—**	(56)	(11)	**(67)**
Employee benefits and provisions	**—**	(222)	(5)	**(227)**
Deferred taxes	**—**	(98)	—	**(98)**
Liabilities directly associated with assets held for sale	**(12)**	**(820)**	**(28)**	**(848)**
Net assets held for sale	**56**	**2 206**	**63**	**2 269**

2.5 Acquisitions of non-controlling interests

Acquisitions and disposals of non-controlling interests
The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity holders in their capacity as equity holders. For purchases of shares from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. The same principle is applied to disposals of shares to non-controlling interests.

In 2021, the Group increased its ownership interests in certain subsidiaries, primarily in the United States leading to a decrease of non-controlling interests amounting to CHF 221 million. The consideration to non-controlling interests was in the form of cash of CHF 601 million and the recognition of a payable of CHF 446 million. Part of the consideration was recorded as a liability in previous years for CHF 502 million. The equity attributable to shareholders of the parent was negatively impacted by CHF 324 million.

3. Analyses by segment

Nestlé is organized into three geographic zones as well as globally managed businesses. The Company manufactures and distributes food and beverage products in the following categories: powdered and liquid beverages, water, milk products and ice cream, infant nutrition, prepared dishes and cooking aids, confectionery and petcare. Nestlé also manufactures and distributes nutritional science products through its globally managed business Nestlé Health Science. The Group has factories in 79 countries and sales in 186 countries and employs around 276 000 people.

Segment reporting

Basis for segmentation

Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker (CODM), which is defined as the Executive Board.

The CODM considers the business from both a geographic and product perspective, through three geographic Zones as well as Globally Managed Businesses (GMB). Zones and GMBs that meet the quantitative threshold of 10% of total sales, trading operating profit or assets for all operating segments, are presented on a stand-alone basis as reportable segments. Even though it does not meet the reporting threshold, Nespresso is voluntarily reported separately considering its financial contribution to the Group. Therefore, the Group's reportable segments are:

- Zone Europe, Middle East and North Africa (EMENA);
- Zone Americas (AMS);
- Zone Asia, Oceania and sub-Saharan Africa (AOA);
- Nespresso, presented separately since 2021; and
- Nestlé Health Science, presented separately since 2021.

Other business activities and operating segments are combined and presented in Other businesses.

As most operating segments represent geographic Zones, information by product is also disclosed. The seven product groups that are disclosed represent the highest categories of products that are followed internally.

Revenue and results by segment

Segment results (Trading operating profit) represent the contribution of the different segments to central overheads, unallocated research and development costs and the trading operating profit of the Group. Specific corporate expenses as well as specific research and development costs are allocated to the corresponding segments. In addition to the Trading operating profit, Underlying Trading operating profit is shown on a voluntary basis because it is one of the key metrics used by Group Management to monitor the performance of the Group.

Depreciation and amortization include depreciation of property, plant and equipment (including right-of-use assets under leases) and amortization of intangible assets.

Invested capital and other information by segment

No segment assets and liabilities are regularly provided to the CODM to assess segment performance or to allocate resources and therefore segment assets and liabilities are not disclosed. However the Group discloses the invested capital, goodwill and intangible assets by segment and by product on a voluntary basis, and uses the assets directly allocated to the segments to determine if a segment is reportable.

Invested capital comprises property, plant and equipment, trade receivables and some other receivables, assets held for sale, inventories, prepayments, less trade payables, accruals and some other payables, liabilities directly associated with assets held for sale, non-current other payables.

Goodwill and intangible assets are not included in invested capital since the amounts recognized are not comparable between segments due to differences in the intensity of acquisition activity and changes in accounting standards which were applicable at various points in time when the Group undertook significant acquisitions. Nevertheless, an allocation of goodwill and intangible assets by segment and product and the related impairment expenses are provided.

Inter-segment eliminations represent inter-company balances between the different segments.

Invested capital and goodwill and intangible assets by segment represent the situation at the end of the year, while the figures by product represent the annual average, as this provides a better indication of the level of invested capital.

Capital additions represent the total cost incurred to acquire property, plant and equipment (including right-of-use assets under leases), intangible assets and goodwill, including those arising from business combinations.

Unallocated items

Unallocated items represent items whose allocation to a segment or product would be arbitrary. They mainly comprise:

– corporate expenses and related assets/liabilities;
– research and development costs and related assets/liabilities; and
– some goodwill and intangible assets.

Revenue

Sales represent amounts received and receivable from third parties for goods supplied to the customers and for services rendered. Sales are recognized when control of the goods has transferred to the customer, which is mainly upon arrival at the customer.

Revenue is measured as the amount of consideration which the Group expects to receive, based on the list price applicable to a given distribution channel after deduction of returns, sales taxes, pricing allowances, other trade discounts and couponing and price promotions to consumers. The level of discounts, allowances and promotional rebates is recognized as a deduction from revenue at the time that the related sales are recognized or when the rebate is offered to the customer (or consumer if applicable). They are estimated using judgements based on historical experience and the specific terms of the agreements with the customers. Payments made to customers for commercial services received are expensed. The Group has a range of credit terms which are typically short term, in line with market practice and without any financing component.

The Group does not generally accept sales returns, except in limited cases mainly in the Infant Nutrition business. Historical experience is used to estimate such returns at the time of sale. No asset is recognized for products to be recoverable from these returns, as they are not anticipated to be resold.

Trade assets (mainly coffee machines and water coolers) may be sold or leased separately to customers.

Arrangements where the Group transfers substantially all the risks and rewards incidental to ownership to the customer are treated as finance lease arrangements. Operating lease revenue for trade asset rentals is recognized on a straight-line basis over the lease term.

Sales are disaggregated by product group and geography in Notes 3.2 and 3.4.

3.1 Operating segments
Revenue and results

In millions of CHF

	Sales (a)	Underlying Trading operating profit (b)	Trading operating profit	Net other trading income/(expenses) (c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
							2021
Zone EMENA	21 128	3 903	3 772	(131)	(33)	(135)	(901)
Zone AMS	33 779	7 012	6 601	(411)	(112)	(69)	(991)
Zone AOA	20 735	4 524	2 477	(2 047)	(138)	(57)	(704)
Nespresso	6 418	1 475	1 456	(19)	1	(12)	(302)
Nestlé Health Science	4 822	654	628	(26)	—	(16)	(241)
Other businesses (d)	206	(32)	(121)	(89)	(16)	—	(36)
Unallocated items (e)	—	(2 417)	(2 654)	(237)	(46)	(22)	(265)
Total	**87 088**	**15 119**	**12 159**	**(2 960)**	**(344)**	**(311)**	**(3 440)**

In millions of CHF

	Sales (a)	Underlying Trading operating profit (b)	Trading operating profit	Net other trading income/(expenses) (c)	of which impairment of property, plant and equipment	of which restructuring costs	Depreciation and amortization
							2020 *
Zone EMENA	20 226	3 766	3 575	(191)	(43)	(162)	(852)
Zone AMS	34 010	6 975	6 724	(251)	(126)	—	(1 106)
Zone AOA	20 730	4 599	4 466	(133)	(82)	(53)	(705)
Nespresso	5 885	1 392	1 390	(2)	(3)	1	(324)
Nestlé Health Science	3 326	549	534	(15)	—	(4)	(160)
Other businesses (d)	166	(73)	(101)	(28)	(25)	(1)	(46)
Unallocated items (e)	—	(2 305)	(2 355)	(50)	(23)	(1)	(272)
Total	**84 343**	**14 903**	**14 233**	**(670)**	**(302)**	**(220)**	**(3 465)**

* 2020 figures restated following Nestlé Health Science and Nespresso disclosed as reportable segments from 2021 onwards (previously combined and presented in Other businesses).

(a) Inter-segment sales are not significant.
(b) Trading operating profit before Net other trading income/(expenses).
(c) Included in Trading operating profit.
(d) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.
(e) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

Invested capital and other information

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Capital additions
					2021
Zone EMENA	8 550	5 414	—	(21)	1 537
Zone AMS	11 073	22 278	—	(35)	3 006
Zone AOA	4 132	9 773	(353)	(1 620)	1 065
Nespresso	1 039	606	—	—	445
Nestlé Health Science	1 889	14 439	(168)	—	6 594
Other businesses (a)	(1 047)	103	—	(73)	38
Unallocated items (b) and inter-segment eliminations	1 532	622	—	—	292
Total	**27 168**	**53 235**	**(521)**	**(1 749)**	**12 977**

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Capital additions
					2020 *
Zone EMENA	7 616	5 538	—	—	1 432
Zone AMS	11 175	21 594	(31)	—	3 562
Zone AOA	4 117	11 270	—	—	941
Nespresso	901	598	—	(1)	275
Nestlé Health Science	1 365	8 706	(5)	—	4 833
Other businesses (a)	(576)	172	(372)	—	46
Unallocated items (b) and inter-segment eliminations	1 442	649	—	—	278
Total	**26 040**	**48 527**	**(408)**	**(1)**	**11 367**

* 2020 figures restated following Nestlé Health Science and Nespresso disclosed as reportable segments from 2021 onwards (previously combined and presented in Other businesses).

(a) Composed of businesses not under the direct control of the Zones or GMBs and Group procurement activities.
(b) Refer to the Segment reporting accounting policies above for the definition of unallocated items.
(c) Included in Operating profit.
(d) Included in Trading operating profit.

3.2 Products
Revenue and results

In millions of CHF

						2021
	Sales	Underlying Trading operating profit (a)	Trading operating profit	Net other trading income/(expenses) (b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	23 975	5 631	5 406	(225)	(46)	(60)
Water	4 040	364	257	(107)	(8)	(57)
Milk products and Ice cream	10 700	2 707	2 642	(65)	—	(20)
Nutrition and Health Science	13 157	2 307	243	(2 064)	(134)	(54)
Prepared dishes and cooking aids	12 146	2 040	1 931	(109)	(78)	(43)
Confectionery	7 514	1 205	1 093	(112)	(22)	(45)
PetCare	15 556	3 282	3 241	(41)	(10)	(10)
Unallocated items (c)	—	(2 417)	(2 654)	(237)	(46)	(22)
Total	**87 088**	**15 119**	**12 159**	**(2 960)**	**(344)**	**(311)**

In millions of CHF

						2020 *
	Sales	Underlying Trading operating profit (a)	Trading operating profit	Net other trading income/(expenses) (b)	of which impairment of property, plant and equipment	of which restructuring costs
Powdered and Liquid Beverages	22 256	5 035	4 851	(184)	(93)	(38)
Water	6 421	639	522	(117)	(19)	(77)
Milk products and Ice cream	11 007	2 652	2 615	(37)	(20)	(5)
Nutrition and Health Science	12 160	2 640	2 490	(150)	(55)	(37)
Prepared dishes and cooking aids	11 523	2 171	2 147	(24)	(24)	(40)
Confectionery	6 975	990	874	(116)	(67)	(28)
PetCare	14 001	3 081	3 089	8	(1)	6
Unallocated items (c)	—	(2 305)	(2 355)	(50)	(23)	(1)
Total	**84 343**	**14 903**	**14 233**	**(670)**	**(302)**	**(220)**

* 2020 figures restated following Nestlé Health Science and Nespresso disclosed as reportable segments from 2021 onwards (previously combined and presented in Other businesses).

(a) Trading operating profit before Net other trading income/(expenses).
(b) Included in Trading operating profit.
(c) Refer to the Segment reporting accounting policies above for the definition of unallocated items.

Invested capital and other information

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
				2021
Powdered and Liquid Beverages	5 549	7 174	—	(116)
Water	1 745	1 156	—	—
Milk products and Ice cream	2 526	904	—	(8)
Nutrition and Health Science	5 122	24 035	(521)	(1 616)
Prepared dishes and cooking aids	2 665	6 325	—	(3)
Confectionery	2 540	753	—	(6)
PetCare	5 714	9 690	—	—
Unallocated items (a) and intra-group eliminations	1 623	1 929	—	—
Total	**27 484**	**51 966**	**(521)**	**(1 749)**

In millions of CHF

	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (b)	Impairment of intangible assets (c)
				2020 *
Powdered and Liquid Beverages	5 245	7 519	(372)	(1)
Water	3 209	1 313	—	—
Milk products and Ice cream	2 356	1 336	—	—
Nutrition and Health Science	4 712	19 242	(5)	—
Prepared dishes and cooking aids	2 988	5 275	(31)	—
Confectionery	2 596	717	—	—
PetCare	4 698	9 786	—	—
Unallocated items (a) and intra-group eliminations	1 781	1 975	—	—
Total	**27 585**	**47 163**	**(408)**	**(1)**

* 2020 figures restated following Nestlé Health Science and Nespresso disclosed as reportable segments from 2021 onwards (previously combined and presented in Other businesses).

(a) Refer to the Segment reporting accounting policies above for the definition of unallocated items.
(b) Included in Operating profit.
(c) Included in Trading operating profit.

3.3a Reconciliation from Underlying Trading operating profit to Profit before taxes, associates and joint ventures

In millions of CHF

	2021	2020
Underlying Trading operating profit [a] as per Note 3.1	**15 119**	**14 903**
Net other trading income/(expenses) as per Note 4.1	(2 960)	(670)
Trading operating profit as per Note 3.1	**12 159**	**14 233**
Impairment of goodwill and non-commercialized intangible assets	(521)	(408)
Net other operating income/(expenses) excluding impairment of goodwill and non-commercialized intangible assets	41	971
Operating profit	**11 679**	**14 796**
Net financial income/(expense)	(873)	(874)
Profit before taxes, associates and joint ventures	**10 806**	**13 922**

(a) Trading operating profit before Net other trading income/(expenses).

3.3b Reconciliation from invested capital and goodwill and intangible assets to total assets

In millions of CHF

	2021	2020
Invested capital as per Note 3.1	27 168	26 040
Liabilities included in invested capital	24 931	23 123
Subtotal	52 099	49 163
Intangible assets and goodwill as per Note 3.1 [a]	53 235	48 527
Other assets	33 808	26 338
Total assets	**139 142**	**124 028**

(a) In 2021, there is no intangible assets and goodwill classified as assets held for sale (2020: CHF 759 million), see Note 2.4.

3.4 Disaggregation of sales by geographic area (country and type of market)

The Group disaggregates revenue from the sale of goods by major product group as shown in Note 3.2. Disaggregation of sales by geographic area is based on customer location and is therefore not a view by management responsibility as disclosed by operating segments in Note 3.1.

In millions of CHF

	2021	2020
EMENA	**25 797**	**24 541**
France	3 804	3 946
United Kingdom	3 405	2 883
Germany	2 442	2 445
Russia	1 719	1 555
Italy	1 625	1 508
Spain	1 492	1 409
Switzerland	1 137	1 134
Rest of EMENA	10 173	9 661
AMS	**39 085**	**37 728**
United States	26 260	26 014
Mexico	2 962	2 564
Brazil	2 925	2 790
Canada	2 376	2 122
Rest of AMS	4 562	4 238
AOA	**22 206**	**22 074**
Greater China Region	5 558	5 986
Philippines	2 656	2 769
India	1 737	1 605
Japan	1 627	1 607
Australia	1 484	1 394
Rest of AOA	9 144	8 713
Total sales	**87 088**	**84 343**
of which developed markets	51 209	49 379
of which emerging markets	35 879	34 964

3.5 Geography

Sales and non-current assets in Switzerland and countries which individually represent at least 10% of the Group sales or 10% of the Group non-current assets are disclosed separately.

The analysis of sales is stated by customer location.

Non-current assets relate to property, plant and equipment (including right-of-use assets under leases), intangible assets and goodwill. Property, plant and equipment and intangible assets are attributed to the country of their legal owner. Goodwill is attributed to the countries of the subsidiaries where the related acquired business is operated.

In millions of CHF

	2021		2020	
	Sales	Non-current assets	Sales	Non-current assets
United States	26 260	33 287	26 014	27 376
Switzerland	1 137	20 023	1 134	18 360
Rest of the world	59 691	28 270	57 195	27 872
Total	**87 088**	**81 580**	**84 343**	**73 608**

3.6 Customers

There is no single customer amounting to 10% or more of Group's revenues.

4. Net other trading and operating income/(expenses)

Other trading income/(expenses)

These comprise restructuring costs, impairment of property, plant and equipment and intangible assets (other than goodwill and non-commercialized intangible assets), litigations and onerous contracts, result on disposal of property, plant and equipment, and specific other income and expenses that fall within the control of operating segments.

Restructuring costs are restricted to dismissal indemnities and employee benefits paid to terminated employees upon the reorganization of a business or function.

Other operating income/(expenses)

These comprise impairment of goodwill and non-commercialized intangible assets, results on disposals of businesses (including impairment and subsequent remeasurement of businesses classified as held for sale, as well as other directly related disposal costs like restructuring costs directly linked to businesses disposed of and legal, advisory and other professional fees), acquisition-related costs, the effect of the hyperinflation accounting, and income and expenses that fall beyond the control of operating segments or relate to events such as natural disasters including extreme weather events linked to climate change, as well as expropriation of assets.

4.1 Net other trading income/(expenses)

In millions of CHF	Notes	2021	2020
Other trading income		**171**	**238**
Restructuring costs		(311)	(220)
Impairment of property, plant and equipment [(a)] and intangible assets [(b)]	8/9	(2 093)	(303)
Litigations and onerous contracts [(c)]		(561)	(239)
Miscellaneous trading expenses		(166)	(146)
Other trading expenses		**(3 131)**	**(908)**
Total net other trading income/(expenses)		**(2 960)**	**(670)**

(a) Including impairment of assets held for sale.
(b) Excluding impairment of non-commercialized intangible assets.
(c) Including contract termination related to the restructuring of the Wyeth business.

4.2 Net other operating income/(expenses)

In millions of CHF	Notes	2021	2020
Profit on disposal of businesses	2	257	1 804
Miscellaneous operating income [(a)]		441	115
Other operating income		**698**	**1 919**
Loss on disposal of businesses	2	(22)	(126)
Impairment of goodwill and non-commercialized intangible assets	9	(521)	(408)
Miscellaneous operating expenses [(b)]		(635)	(822)
Other operating expenses		**(1 178)**	**(1 356)**
Total net other operating income/(expenses)		**(480)**	**563**

(a) Including the reassessment of a contingent consideration (see Note 2.2).
(b) Miscellaneous operating expenses include mainly expenses of transitional services provided to disposed businesses, natural disasters and costs related to COVID-19. COVID-19 expenses amounted to around CHF 100 million (2020: CHF 160 million) and relate primarily to safety related costs (gloves, masks, cleaning and sanitizing, screening and vaccines among others).

In 2021, profit on disposal of businesses mainly relates to the result of disposal of the Nestlé Waters North America business of CHF 196 million and in 2020 mainly relates to the result of disposal of the US Ice Cream business of CHF 1080 million (see Note 2.3).

5. Net financial income/(expense)

Net financial income/(expense) includes net financing cost of net financial debt and net interest income/(expense) on defined benefit plans.

Net financing cost comprises the interest income earned on cash and cash equivalents and short-term investments, as well as the interest expense on financial debt (including leases), collectively termed "net financial debt" (see Note 16.5). These headings also include other income and expense such as exchange differences on net financial debt and results on related foreign currency and interest rate hedging instruments. Certain borrowing costs are capitalized as explained under the section on Property, plant and equipment.

In millions of CHF

	Notes	2021	2020
Interest income		42	77
Interest expense		(815)	(831)
Net financing cost of net financial debt		**(773)**	**(754)**
Interest income on defined benefit plans		38	29
Interest expense on defined benefit plans		(136)	(152)
Net interest income/(expense) on defined benefit plans	10	**(98)**	**(123)**
Other financial income/(expense)		(2)	3
Net financial income/(expense)		**(873)**	**(874)**

6. Inventories

Raw materials are valued at the lower of purchase cost calculated using the FIFO (first-in, first-out) method and net realizable value. Work in progress, sundry supplies and finished goods are valued at the lower of their weighted average cost (including an allocation of factory overheads and depreciation) and net realizable value. The cost of inventories includes the gains/losses on cash flow hedges for the purchase of raw materials and finished goods.

In millions of CHF

	2021	2020
Raw materials, work in progress and sundry supplies	5 789	4 521
Finished goods	6 467	5 822
Allowance for write-down to net realizable value	(274)	(242)
	11 982	**10 101**

Inventories amounting to CHF 302 million (2020: CHF 283 million) are pledged as security for financial liabilities.

Inventories amounting to CHF 43 924 million (2020: CHF 41 443 million) were recognized as an expense during the year and included in Cost of goods sold.

7. Trade and other receivables/payables

7.1 Trade and other receivables

Recognition and measurement
Trade and other receivables are recognized initially at their transaction price and subsequently measured at amortized cost less loss allowances. Other receivables are comprised mainly of receivables for indirect taxes.

Expected credit losses
The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual credit loss experience over the preceding three to five years on the total balance of non-credit impaired trade receivables, adjusted considering forward-looking information where relevant (such as a significant deterioration in the economic environment). The Group's credit loss experience has shown that aging of receivable balances is primarily due to negotiations about variable consideration.

The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- significant financial difficulty of the customer; or
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization.

Impairment losses related to trade and other receivables are not presented separately in the consolidated income statement but are reported under the heading Marketing and administration expenses.

In millions of CHF			2021			2020
	Gross carrying amount	Expected credit loss allowance	**Total**	Gross carrying amount	Expected credit loss allowance	**Total**
Trade receivables (not credit impaired)	8 639	(75)	**8 564**	8 146	(59)	**8 087**
Other receivables (not credit impaired)	2 600	(17)	**2 583**	2 682	(34)	**2 648**
Credit impaired trade and other receivables	192	(184)	**8**	224	(213)	**11**
Total	**11 431**	**(276)**	**11 155**	**11 052**	**(306)**	**10 746**

The five major customers represent 13% (2020: 13%) of trade and other receivables, none of them individually exceeding 7% (2020: 7%).

Based on the historic trend and expected performance of the customers, the Group believes that the above expected credit loss allowance sufficiently covers the risk of default.

7.2 Trade and other payables by type

Recognition and measurement

Trade and other payables are recognized initially at their transaction price and subsequently measured at amortized cost.

Supplier finance arrangements

The Group participates in supplier finance arrangements under which suppliers may elect to receive early payment from financial institutions by factoring their receivables from the Group. The arrangements avoid concentration of liquidity risk, since the due dates of the payments by the Group are based on the agreed trade terms with the suppliers, are compliant with the applicable regulations and remain consistent with the normal operating cycle of its business.

The Group continues to present invoices eligible to be settled through these programs as Trade payables considering that the original liability is neither legally released nor substantially modified on entering into such arrangements. Related payments are included within operating cash flows because they remain operational in nature.

In millions of CHF	2021	2020
Due within one year		
Trade payables	15 625	13 802
Social security and sundry taxes and levies	1 872	1 946
Other payables	3 410	2 767
	20 907	**18 515**

8. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets.

In millions of CHF

	Notes	2021	2020
Property, plant and equipment – owned	8.1	25 639	23 230
Right-of-use assets – leased	8.2b	2 706	2 610
		28 345	**25 840**

8.1 Owned assets

Owned property, plant and equipment are shown on the balance sheet at their historical cost.

Depreciation is assessed on components that have homogeneous useful lives by using the straight-line method to depreciate the initial cost down to the residual value over the estimated useful lives. The residual values are 30% on head offices and nil for all other asset types. The useful lives are as follows:

Buildings	20–40 years
Machinery and equipment	10–25 years
Tools, furniture, information technology and sundry equipment	3–15 years
Vehicles	3–10 years

Land is not depreciated.

Useful lives, components and residual amounts are reviewed annually. Such a review takes into consideration the nature of the assets, their intended use including but not limited to the closure of facilities, and the evolution of technology, and competitive pressures.

Depreciation of property, plant and equipment is allocated to the appropriate headings of expenses by function in the income statement.

Borrowing costs incurred during the course of construction are capitalized if the assets under construction are significant and if their construction requires a substantial period to complete (typically more than one year). The capitalization rate is determined on the basis of the short-term borrowing rate for the period of construction.

Government grants are recognized as deferred income which is released to the income statement over the useful life of the related assets.

In millions of CHF

	Land and buildings	Machinery and equipment	Tools, furniture and other equipment	Vehicles	Assets under construction and advance payments	**Total**
Net carrying amount						
At January 1, 2021	8 538	9 738	1 583	86	3 285	**23 230**
Additions [(a)]	394	776	432	15	3 445	**5 062**
Acquisitions through business combinations	164	73	23	1	41	**302**
Classification from assets under construction	471	1 281	248	14	(2 014)	**—**
Depreciation	(411)	(1 360)	(597)	(26)	—	**(2 394)**
Impairments	(117)	(137)	(23)	(3)	—	**(280)**
Disposals	(23)	(30)	(21)	(1)	(1)	**(76)**
Classification (to)/from held for sale and disposals of businesses	(35)	(21)	3	3	(1)	**(51)**
Currency retranslations and others	—	(89)	(17)	3	(51)	**(154)**
At December 31, 2021	**8 981**	**10 231**	**1 631**	**92**	**4 704**	**25 639**
Gross value	14 954	27 412	6 637	314	4 704	**54 021**
Accumulated depreciation and impairments	(5 973)	(17 181)	(5 006)	(222)	—	**(28 382)**
Net carrying amount						
At January 1, 2020	10 467	11 046	1 917	134	1 988	**25 552**
Additions [(a)]	211	728	455	11	2 663	**4 068**
Acquisitions through business combinations	52	54	10	1	—	**117**
Classification from assets under construction	72	856	168	14	(1 110)	**—**
Depreciation	(420)	(1 366)	(637)	(33)	—	**(2 456)**
Impairments	(87)	(160)	(22)	(11)	—	**(280)**
Disposals	(22)	(38)	(23)	(3)	—	**(86)**
Classification (to)/from held for sale and disposals of businesses	(892)	(737)	(240)	(13)	—	**(1 882)**
Currency retranslations and others	(843)	(645)	(45)	(14)	(256)	**(1 803)**
At December 31, 2020	**8 538**	**9 738**	**1 583**	**86**	**3 285**	**23 230**
Gross value	14 282	25 927	6 379	311	3 285	**50 184**
Accumulated depreciation and impairments	(5 744)	(16 189)	(4 796)	(225)	—	**(26 954)**

(a) Including borrowing costs.

At December 31, 2021, net property, plant and equipment of CHF 156 million are pledged as security for financial liabilities (2020: CHF 150 million).

At December 31, 2021, the Group was committed to expenditure amounting to CHF 2270 million (2020: CHF 2182 million).

Impairment of property, plant and equipment
Reviews of the carrying amount of the Group's property, plant and equipment are performed when there is an indication of impairment. An indicator could be technological obsolescence (including changes due to a transition to a low carbon economy), unfavorable development of a business under competitive pressures or severe economic slowdown in a given market as well as reorganization of the operations to leverage their scale.

In assessing value in use, the estimated future cash flows are discounted to their present value, based on the time value of money and the risks specific to the country where the assets are located. The risks specific to the asset are included in the determination of the cash flows.

Impairment of property, plant and equipment arises mainly from the plans to optimize industrial manufacturing capacities by closing or selling inefficient production facilities as well as underperforming businesses.

8.2 Leases – Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less which are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate specific to the country, term and currency of the contract. Lease payments can include fixed payments; variable payments that depend on an index or rate known at the commencement date; and extension option payments or purchase options which the Group is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

ROU assets are included in the heading Property, plant and equipment, and the lease liability is included in the headings current and non-current Financial debt.

8.2a Description of lease activities

Real estate leases

The Group leases land and buildings for its office and warehouse space and retail stores. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are typically made for a fixed period of 5–15 years and may include extension options which provide operational flexibility. If the Group exercised all extension options not currently included in the lease liability, the additional payments would amount to CHF 0.6 billion (undiscounted) at December 31, 2021.

Vehicles leases

The Group leases trucks for distribution in specific businesses and cars for management and sales functions. The average contract duration is 6 years for trucks and 3 years for cars.

Other leases

The Group also leases Machinery and equipment and Tools, furniture and other equipment that combined are insignificant to the total leased asset portfolio.

8.2b Right-of-use assets

In millions of CHF

	Land and buildings	Vehicles	Other	**Total**
Net carrying amount				
At January 1, 2021	2 264	186	160	**2 610**
Additions	532	89	149	**770**
Depreciation	(487)	(95)	(80)	**(662)**
Impairments	(56)	—	—	**(56)**
Classification (to)/from held for sale and change of scope of consolidation, net	37	(4)	2	**35**
Currency retranslations and others	17	(7)	(1)	**9**
At December 31, 2021	**2 307**	**169**	**230**	**2 706**
Net carrying amount				
At January 1, 2020	2 727	291	192	**3 210**
Additions	448	150	69	**667**
Depreciation	(481)	(116)	(74)	**(671)**
Impairments	(7)	(15)	—	**(22)**
Classification (to)/from held for sale and change of scope of consolidation, net	(260)	(108)	(16)	**(384)**
Currency retranslations and others	(163)	(16)	(11)	**(190)**
At December 31, 2020	**2 264**	**186**	**160**	**2 610**

8.2c Other lease disclosures

A maturity analysis of lease liabilities is shown in Note 12.2b.

The Group incurred interest expense on lease liabilities of CHF 66 million (2020: CHF 79 million). The expense relating to short-term leases and variable lease payments not included in the measurement of lease liabilities is not significant. The total cash outflow for leases amounted to CHF 879 million (2020: CHF 961 million).

There are no significant lease commitments for leases not commenced at year-end.

9. Goodwill and intangible assets

Goodwill

Goodwill is initially recognized during a business combination (see Note 2). Subsequently it is measured at cost less impairment.

Intangible assets

This heading includes intangible assets that are internally generated or acquired, either separately or in a business combination, when they are identifiable and can be reliably measured. Internally generated intangible assets (mainly management information system software) are capitalized provided that there is an identifiable asset that will be useful in generating future benefits in terms of savings, economies of scale, etc. Payments made to third parties in order to in-license or acquire intellectual property rights, compounds and products are capitalized as non-commercialized intangible assets, as they are separately identifiable and are expected to generate future benefits.

Non-commercialized intangible assets are not amortized, but tested for impairment (see Impairment of goodwill and intangible assets below). Any impairment charge is recorded in the consolidated income statement under Other operating expenses. They are reclassified as commercialized intangible assets once development is complete, usually when approval for sales has been granted by the relevant regulatory authority.

Commercialized indefinite life intangible assets mainly comprise certain brands, trademarks, operating rights and intellectual property rights which can be renewed without significant cost and are supported by ongoing marketing activities. They are not amortized but tested for impairment annually or more frequently if an impairment indicator is present. Any impairment charge is recorded in the consolidated income statement under Other trading expenses. The assessment of the classification of intangible assets as indefinite is reviewed annually.

Finite life intangible assets are amortized over the shorter of their contractual or useful economic lives. They comprise mainly management information systems, and commercialized patents and rights to carry on an activity (e.g. exclusive rights to sell products or to perform a supply activity). They are amortized assuming a zero residual value, either on a straight-line basis or in limited cases using an output method if this better reflects the pattern in which the asset's future economic benefits are expected to be consumed. Useful lives are as follows: management information systems over 3 to 8 years; other finite intangible assets over shorter of the estimated useful life or the related contractual period, from 5 to 25 years. Useful lives and residual values are reviewed annually. Amortization of finite life intangible assets starts when they are available for use and is allocated to the appropriate headings of expenses by function in the income statement. Any impairment charge is recorded in the consolidated income statement under Other trading expenses.

Research and development

Internal research costs are charged to the income statement in the year in which they are incurred. Development costs are only recognized as assets on the balance sheet if all the recognition criteria set by IAS 38 – Intangible Assets are met before the products are launched on the market. Development costs are generally charged to the income statement in the year in which they are incurred due to uncertainties inherent in the development of new products because the expected future economic benefits cannot be reliably determined. As long as the products have not reached the market place (or obtained regulatory approval if necessary), there is no reliable evidence that positive future cash flows would be obtained.

Capitalized development costs are subsequently accounted for as described in the section Intangible assets above.

In millions of CHF

	Goodwill	Brands and intellectual property rights	Operating rights and others	Management information systems	Total intangible assets	of which internally generated
Net carrying amount						
At January 1, 2021	27 620	13 778	5 326	1 044	20 148	949
Expenditure	—	3	206	252	461	232
Acquisitions through business combinations	3 025	2 756	530	20	3 306	—
Amortization	—	(42)	(69)	(273)	(384)	(243)
Impairments [(a)/(c)]	(353)	(1 743)	(172)	(2)	(1 917)	(2)
Disposals	—	—	—	(1)	(1)	(1)
Classification (to)/from held for sale and disposals of businesses	(67)	—	(1)	(1)	(2)	—
Currency retranslations	787	447	161	4	612	13
At December 31, 2021	**31 012**	**15 199**	**5 981**	**1 043**	**22 223**	**948**
of which indefinite useful life [(b)]	—	13 589	4 415	—	18 004	—
of which non-commercialized intangible assets	—	566	209	—	775	—
At December 31, 2021						
Gross value	34 830	17 038	6 555	5 089	28 682	4 687
Accumulated amortization and impairments	(3 818)	(1 839)	(574)	(4 046)	(6 459)	(3 739)
Net carrying amount						
At January 1, 2020	28 896	11 306	5 328	1 190	17 824	1 080
Expenditure	—	5	51	232	288	191
Acquisitions through business combinations	1 963	3 505	678	7	4 190	—
Amortization	—	(26)	(59)	(253)	(338)	(220)
Impairments [(c)]	(402)	—	(6)	(1)	(7)	(1)
Disposals	—	(7)	(2)	(2)	(11)	—
Classification (to)/from held for sale and disposals of businesses	(706)	(130)	(152)	(94)	(376)	(69)
Currency retranslations	(2 131)	(875)	(512)	(35)	(1 422)	(32)
At December 31, 2020	27 620	**13 778**	**5 326**	**1 044**	20 148	**949**
of which indefinite useful life [(b)]	—	12 231	4 261	—	16 492	—
of which non-commercialized intangible assets	—	626	199	—	825	—
At December 31, 2020						
Gross value	31 607	13 900	5 668	4 957	24 525	4 588
Accumulated amortization and impairments	(3 987)	(122)	(342)	(3 913)	(4 377)	(3 639)

(a) Total impairment of goodwill of CHF 353 million relates to the Nutrition CGU in Greater China Region (see Note 9.1.1). Total impairment of intangible assets of CHF 1917 million includes CHF 1613 related to the Wyeth brands impairment (see Note 9.1.1) and CHF 168 million of non-commercialized intangible assets.
(b) Of which CHF 4397 million (2020: CHF 4243 million) are perpetual rights to market, sell and distribute certain Starbucks' consumer and foodservice products globally, classified under the caption Operating rights and others.
(c) Of which CHF 168 million (2020: CHF 6 million) of non-commercialized intangible assets.

In addition to the above, the Group has entered into long-term agreements to in-license or acquire intellectual property or operating rights from third parties or related parties. If agreed objectives or performance targets are achieved, these agreements would require potential milestone payments and other payments by the Group, which may be capitalized as intangible assets (see accounting policy in Note 9 – Intangible assets).

As of December 31, 2021, the Group's committed payments (undiscounted and not risk-adjusted) and their estimated timing are:

In millions of CHF

	2021			2020		
	Unconditional commitments	Potential milestone payments	**Total**	Unconditional commitments	Potential milestone payments	**Total**
Within one year	—	102	**102**	—	80	**80**
In the second year	—	229	**229**	—	85	**85**
In the third and fourth year	—	196	**196**	—	222	**222**
Thereafter	—	816	**816**	—	870	**870**
Total	**—**	**1 343**	**1 343**	**—**	**1 257**	**1 257**
of which related parties	—	47	**47**	—	48	**48**

Impairment of goodwill and intangible assets (including non-commercialized intangible assets)

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment at least annually and when there is an indication of impairment. Finite life intangible assets are tested when there is an indication of impairment.

The annual impairment tests are performed at the same time each year and at the cash generating unit (CGU) level. The Group defines its groups of CGUs for goodwill impairment testing based on the way that it monitors and derives economic benefits from the acquired goodwill. The CGUs are generally defined at the level of the product category per Zone, or at the level of the GMB if the products are managed on a global basis.

For indefinite life intangible assets, the Group performs the test at the level of the smallest identifiable assets or group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Finally, non-commercialized intangible assets are tested at the level of the intangible asset itself.

The impairment tests are performed by comparing the carrying value of the assets of these CGUs with their recoverable amount, usually based on their fair value less costs of disposal, but occasionally on their value in use.

An impairment loss in respect of goodwill is never subsequently reversed.

9.1 Impairment

9.1.1 Impairment charge during the year

The 2021 impairment charge on intangible assets and goodwill (see Note 4) mainly relates to the Nutrition business in Zone AOA and to other various non-significant impairments of intangible assets (predominantly in Nestlé Health Science and in Other businesses).

In the second half of 2021, due to the worsening performance of the Wyeth brands and Nutrition business in China, the Nutrition business in AOA was reorganized from a Regionally Managed Business to a Locally Managed Business and the Wyeth business was restructured. As a result, the composition of the goodwill cash generating unit (CGU) of the Nutrition business has been redefined resulting in two goodwill CGUs: Greater China Region, and Zone AOA (excluding Greater China Region). As part of this process, goodwill was reallocated to the units affected using a relative value approach based on the discounted cashflows of the underlying businesses. The two separate CGUs were subsequently tested for impairment.

Considering how brand and production assets generate cash inflows and how management monitors the business, the Nestlé Nutrition Worldwide brands, which were managed together and had highly interdependent cash inflows, were tested at Nutrition worldwide level. In the second half of 2021, due to a restructuring of management responsibilities and route-to-market, the Wyeth brands and other Nutrition brands were tested separately.

Due to the presence of indicators of impairment, impairment tests of the Wyeth brands, the Nutrition CGU in Greater China Region, and the Nutrition CGU in Zone AOA (excluding Greater China Region) were concluded during the year-end closing. Those tests were based on updated financial projections prepared by the Nutrition management during the second half of 2021. Determination of the recoverable amount incorporates certain key assumptions, some of which are subject to considerable uncertainty. These assumptions include, but are not limited to: birth rates in China and the rest of Zone AOA, the regulatory environment for infant nutrition in China, commercial success of new products launches, the duration of the COVID-19 pandemic and related economic and social impacts.

Impairments were recognized under the heading Other trading expenses (see Note 4.1) for the Wyeth brands and under the heading Other operating expenses (see Note 4.2) for the goodwill in the Nutrition Greater China Region CGU. These were based on a determination of the fair value less costs of disposal (see Note 9.1.2), as follows:

	Wyeth brands	Nutrition Greater China Region CGU
Key assumptions		
Sales growth	Low single digit	Flat
Margin evolution	Moderate improvement	Moderate improvement
Terminal growth rate	1.3%	0.3%
Discount rate	7.9%	7.3%
Financial impact (in millions of CHF)		
Impairment	1 613	353
Recoverable amount after impairment	2 641	1 548

Except for the impairment of the Wyeth brands, the goodwill in Greater China Region and an impairment of Property, plant and equipment (refer to Note 4.1), there was no other significant impairment of the carrying amounts of other assets related to the Nutrition business. The Goodwill and intangible assets are included in the Zone AOA segment disclosed in Note 3.1.

In 2020, non-significant impairments of goodwill (mainly in Other businesses) have been recognized, primarily as a result of revisions to projected cash flows after taking into consideration the impact of the COVID-19 pandemic.

9.1.2 Annual impairment tests

Goodwill impairment reviews have been conducted for more than 30 Cash Generating Units (CGU). Impairment reviews on intangible assets with indefinite useful life ("IAIUL") were performed at the level of the smallest identifiable assets or group of assets.

The following table sets out the key assumptions for CGUs that have significant Goodwill or IAIUL allocated to them.

	Goodwill carrying amount (a)	IAIUL carrying amount (a)	Period of cash flow projections	Average annual sales growth	Annual margin evolution	Terminal growth rate	Discount rate
2021							
CGU							
PetCare Zone AMS	7 311	220	5 years	6.3%	Stable	1.6%	5.6%
Nutrition Zone AOA (excluding Greater China Region)	5 355	1 258	5 years	3.8%	Stable	2.3%	9.3%
Food Zone AMS	3 350	2 189	5 years	7.0%	Stable	1.8%	6.2%
Nestlé Health Science	5 699	5 711	5 years	9.5%	Improvement	2.5%	6.3%
Beverages Zone AMS	1 150	4 071	5 years	3.3%	Stable	1.9%	6.2%
Subtotal	22 865	13 449					
Other CGUs	8 147	4 555					
Total	**31 012**	**18 004**					
2020							
CGU							
PetCare Zone AMS	7 042	212	5 years	5.1%	Declining	1.5%	6.0%
Nutrition Zone AOA (including Greater China Region)	5 501	3 918	5 years	0.4%	Stable	2.8%	8.0%
Food Zone AMS	3 233	2 096	5 years	5.6%	Stable	1.6%	5.7%
Nestlé Health Science	3 050	3 213	5 years	10.4%	Improvement	2.5%	5.9%
Beverages Zone AMS	1 110	3 934	5 years	3.6%	Stable	1.7%	6.7%
Subtotal	19 936	13 373					
Other CGUs	7 684	3 119					
Total	**27 620**	**16 492**					

(a) In millions of CHF

For each significant CGU the recoverable amount is higher than its carrying amount. The recoverable amount has usually been determined based upon a fair value less costs of disposal calculation. Generally, no directly observable market inputs are available to assess the fair value less costs of disposal. Therefore, the calculation is based on net present value techniques (fair value measurements categorized within Level 3 of the fair value hierarchy). Cash flows have been projected over 5 years. They have been extrapolated using a steady or declining terminal growth rate.

Finally, the following has been taken into account in the impairment tests:
- The cash flows have been discounted at post-tax weighted average rates. The discount rates have been computed based on external sources of information and reflect the time value of money and the risks specific to the CGU (including country risk).
- The cash flows were based upon financial plans approved by Group Management which are consistent with the Group's approved strategy for this period. They are based on past performance and current initiatives. The business risk is included in the determination of the cash flows.
- The terminal growth rates have been determined to reflect the long-term view of the nominal evolution of the business taking into account the latest outlook for long-term inflation.
- The cash flows, the discount rates and the terminal growth rates include inflation.

The Group assesses the uncertainty of these estimates by performing sensitivity analyses. Management believes that no reasonably possible change in any of the above key assumptions would cause the CGU's recoverable amount to fall below its carrying value except for the CGU Nutrition Zone AOA (excluding Greater China Region). For this CGU, changes in the key assumptions greater than the amounts below, most likely for the discount rate, would lead to the fair value less costs of disposal being less than the carrying amount:

	Sensitivity
Average annual sales growth	Decrease by 315 basis points
Annual margin evolution	Decrease by 330 basis points
Terminal growth rate	Decrease by 130 basis points
Discount rate	Increase by 100 basis points

10. Employee benefits

10.1 Employee remuneration

The Group's salaries of CHF 10 358 million (2020: CHF 10 880 million) and welfare expenses of CHF 3973 million (2020: CHF 3618 million) represent a total of CHF 14 331 million (2020: CHF 14 498 million). In addition, certain Group employees are eligible to long-term incentives in the form of equity compensation plans, for which the cost amounts to CHF 241 million (2020: CHF 269 million). Employee remuneration is allocated to the appropriate headings of expenses by function.

10.2 Post-employment benefits

The liabilities of the Group arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method. Actuarial advice is provided both by external consultants and by actuaries employed by the Group. The actuarial assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the country in which the plan is located. Such plans are either externally funded (in the form of independently administered funds) or unfunded. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability or an asset on the balance sheet.
Pension cost charged to the income statement consists of service cost (current and past service cost, gains and losses arising from curtailment and settlement) and administration costs (other than costs of managing plan assets), which are allocated to the appropriate heading by function, and net interest expense or income, which is presented as part of net financial income/(expense). The actual return less interest income on plan assets, changes in actuarial assumptions, and differences between actuarial assumptions and what has actually occurred are reported in Other comprehensive income. Some benefits are also provided by defined contribution plans. Contributions to such plans are charged to the income statement as incurred.

Certain disclosures are presented by geographic area. The three regions disclosed are Europe, Middle East and North Africa (EMENA), Americas (AMS) and Asia, Oceania and sub-Saharan Africa (AOA). Each region includes the corresponding Zones as well as the portion of the GMB activity in that region.

Pensions and retirement benefits

Apart from legally required social security arrangements, the majority of Group employees are eligible for benefits through pension plans in case of retirement, death in service, disability and in case of resignation. Those plans are either defined contribution plans or defined benefit plans based on pensionable remuneration and length of service.

The Group manages its pension plans by geographic area and the major plans, classified as defined benefit plans under IAS 19, are located in EMENA (Switzerland, United Kingdom and Germany) and in AMS (USA). In accordance with applicable legal frameworks, these plans have Boards of Trustees or General Assemblies which are generally independent from the Group and are responsible for the management and governance of the plans. The Group oversees the pension plans through the Group Corporate Pension Board.

In Switzerland, Nestlé's pension plan is a cash balance plan where contributions are expressed as a percentage of the pensionable salary. The pension plan guarantees the amount accrued on the members' savings accounts, as well as a minimum interest on those savings accounts. At retirement date, the savings accounts are converted into pensions. However, members may opt to receive a part of the pension as a lump sum. Increases of pensions in payment are granted on a discretionary basis by the Board of Trustees, subject to the financial situation of the plan. To be noted that there is also a defined benefit plan that has been closed to new entrants in 2013 and whose members below age 55 as of that date were transferred to the cash balance plan. This heritage plan is a hybrid between a cash balance plan and a plan based on a final pensionable salary. Finally, the Group has committed to make additional contributions in coordination with a decrease in conversion rates applicable since July 1, 2018. CHF 179 million had been contributed as at December 31, 2021, and CHF 140 million is expected to be paid until 2038.

In the United Kingdom, Nestlé's pension plan is a hybrid arrangement combining a defined benefit career average section plus a defined contribution section. The defined benefit section was closed to new entrants during 2016. In the defined benefit section, from August 2017 onwards, members accrue a pension defined on their capped salary each year, plus defined contribution provision above the capped salary. Accrued pensions are automatically revalued according to inflation, subject to caps. Similarly, pensions in payment are increased annually in line with inflation, subject to caps as applicable. At retirement, there is a lump sum option. Finally, the funding of the shortfall of the Nestlé UK Pension Fund is defined on the basis of a triennial independent actuarial valuation in accordance with local regulations. As a result, an amount of CHF 438 million (equivalent GBP 348 million) has been paid by Nestlé UK Ltd during the year in accordance with the last valuation. No further funding shortfall payments are expected to date. The next triennial valuation is planned as at December 31, 2021, and is due to be completed by the end of March 2023.

In Germany, there are cash balance plans, where members benefit from a guarantee on their savings accounts. Contributions to the plans are expressed as a percentage of the pensionable salary. Increases to pensions in payment are granted in accordance with legal requirements. There is also a heritage plan, based on final pensionable salary, which has been closed to new entrants since 2006. In 2020, in order to lower the local pension discount rate, an extraordinary contribution of CHF 312 million (equivalent EUR 289 million) was paid.

In the USA, Nestlé's primary pension plan is a pension equity design, under which members earn pension credits each year based on a schedule related to the sum of their age and service with Nestlé. A member's benefit is the sum of the annual pension credits earned multiplied by an average earning payable as a lump sum. However, in lieu of the lump sum, members have the option of converting the benefit to a monthly pension annuity. The plan does not provide for automatic pension increases and members do not contribute to the plan. This plan was closed to new entrants at the end of 2015 and replaced by a defined contribution scheme. The pension plan is sufficiently funded on a local statutory basis such that no contributions were required in 2021.

Post-employment medical benefits and other employee benefits

Subsidiaries, principally in AMS, maintain medical benefit plans, classified as defined benefit plans under IAS 19, which cover eligible retired employees. The obligations for other employee benefits consist mainly of end of service indemnities, which do not have the character of pensions.

Risks related to defined benefit plans

The main risks to which the Group is exposed in relation to operating defined benefit plans are:

- market and liquidity risks: these are the risks that the investments do not meet the expected returns over the medium to long-term. This also encompasses the mismatch between assets and liabilities. In order to minimize the risks, the structure of the portfolios is reviewed and asset-liability matching analyses are performed on a regular basis.
- mortality risk: the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the plans and consequently increases in the plans' liabilities. In order to minimize this risk, mortality assumptions are reviewed on a regular basis.

As certain of the Group's pension arrangements permit benefits to be adjusted in the case that downside risks emerge, the Group does not always have full exposure to the risks described above.

Plan amendments and restructuring events

Plans within the Group are regularly reviewed as to whether they are aligned with market practice in the local context. Should a review indicate that a plan needs to be changed, prior agreement with the local Board of Trustees or the General Assembly, the regulator and, if applicable, the members, is sought before implementing plan changes.

During the year, there were individually non-significant plan amendments and restructuring activities leading to curtailments and settlements amounting to net related past service costs of CHF 2 million (2020: CHF 8 million income).

Asset-liability management and funding arrangement

Plan trustees or General Assemblies are responsible for determining the mix of asset classes and target allocations of Nestlé's plans with the support of investment advisors. Periodic reviews of the asset mix are made by mandating external consultants to perform asset liability matching analyses. Such analyses aim at comparing dynamically the fair value of assets and the liabilities in order to determine the most adequate strategic asset allocation.

The overall investment policy and strategy for the Group's funded defined benefit plans is guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. As those risks evolve with the development of capital markets and asset management activities, the Group addresses the assessment and control process of the major investment pension risks. In order to protect the Group's defined benefit plans funding ratio and to mitigate the financial risks, protective measures on the investment strategies are in force, considering sustainability, social and climate factors. To the extent possible, the risks are shared equally amongst the different stakeholders.

10.2a Reconciliation of assets and liabilities recognized in the balance sheet

In millions of CHF

	2021			2020		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**
Present value of funded obligations	24 617	67	**24 684**	26 018	70	**26 088**
Fair value of plan assets	(26 220)	(40)	**(26 260)**	(24 775)	(37)	**(24 812)**
Excess of liabilities/(assets) over funded obligations	(1 603)	27	**(1 576)**	1 243	33	**1 276**
Present value of unfunded obligations	782	1 506	**2 288**	845	1 726	**2 571**
Unrecognized assets	27	—	**27**	18	—	**18**
Net defined benefit liabilities/(assets)	**(794)**	**1 533**	**739**	**2 106**	**1 759**	**3 865**
Reimbursement rights			**(168)**			**—**
Other employee benefit liabilities			**791**			**785**
Net liabilities			**1 362**			**4 650**
Reflected in the balance sheet as follows:						
Employee benefit assets and reimbursement rights			**(2 417)**			**(468)**
Employee benefit liabilities			**3 779**			**5 118**
Net liabilities			**1 362**			**4 650**

10.2b Funding situation by geographic area of defined benefit plans

In millions of CHF

	2021				2020			
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
Present value of funded obligations	19 156	4 452	1 076	**24 684**	20 264	4 619	1 205	**26 088**
Fair value of plan assets	(20 576)	(4 615)	(1 069)	**(26 260)**	(19 094)	(4 659)	(1 059)	**(24 812)**
Excess of liabilities/(assets) over funded obligations	(1 420)	(163)	7	**(1 576)**	1 170	(40)	146	**1 276**
Present value of unfunded obligations	312	1 600	376	**2 288**	361	1 842	368	**2 571**

10.2c Movement in the present value of defined benefit obligations

In millions of CHF			2021			2020
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**
At January 1	26 863	1 796	**28 659**	26 948	2 144	**29 092**
of which funded defined benefit plans	26 018	70	**26 088**	26 176	66	**26 242**
of which unfunded defined benefit plans	845	1 726	**2 571**	772	2 078	**2 850**
Currency retranslations	142	11	**153**	(1 116)	(337)	**(1 453)**
Service cost	531	37	**568**	496	36	**532**
of which current service cost	526	40	**566**	499	41	**540**
of which past service cost and (gains)/losses arising from settlements	5	(3)	**2**	(3)	(5)	**(8)**
Interest expense	357	67	**424**	442	78	**520**
Actuarial (gains)/losses	(986)	(213)	**(1 199)**	1 463	94	**1 557**
Employees contributions	115	—	**115**	115	—	**115**
Benefits paid on funded defined benefit plans	(1 258)	(8)	**(1 266)**	(1 527)	(5)	**(1 532)**
Benefits paid on unfunded defined benefit plans	(140)	(106)	**(246)**	(52)	(101)	**(153)**
Classification (to)/from held for sale and change of scope of consolidation, net	5	(2)	**3**	15	(25)	**(10)**
Reclassification from other benefits to defined benefit retirement plans	—	—	**—**	84	(84)	**—**
Transfer from/(to) defined contribution plans	(230)	(9)	**(239)**	(5)	(4)	**(9)**
At December 31	**25 399**	**1 573**	**26 972**	**26 863**	**1 796**	**28 659**
of which funded defined benefit plans	24 617	67	**24 684**	26 018	70	**26 088**
of which unfunded defined benefit plans	782	1 506	**2 288**	845	1 726	**2 571**

10.2d Movement in fair value of defined benefit plan assets

In millions of CHF	2021			2020		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**
At January 1	(24 775)	(37)	**(24 812)**	(24 498)	(32)	**(24 530)**
Currency retranslations	(144)	1	**(143)**	1 016	—	**1 016**
Interest income	(327)	(1)	**(328)**	(399)	—	**(399)**
Actual return on plan assets, excluding interest income	(1 594)	(3)	**(1 597)**	(1 542)	(3)	**(1 545)**
Employees' contributions	(115)	—	**(115)**	(115)	—	**(115)**
Employer contributions	(773)	(8)	**(781)**	(786)	(7)	**(793)**
Benefits paid on funded defined benefit plans	1 258	8	**1 266**	1 527	5	**1 532**
Administration expenses	20	—	**20**	22	—	**22**
Transfer (from)/to defined contribution plans	230	—	**230**	—	—	**—**
At December 31	**(26 220)**	**(40)**	**(26 260)**	**(24 775)**	**(37)**	**(24 812)**

The major classes of plan assets as a percentage of total plan assets of the Group's defined benefit plans are as follows:

	2021	2020
Equities (a)	20%	24%
of which US equities	5%	6%
of which European equities	11%	14%
of which other equities	4%	4%
Debts	54%	50%
of which government debts (a)	41%	35%
of which corporate debts (b)	13%	15%
Real estate (b)	11%	11%
Alternative investments (b)	7%	7%
of which hedge funds	3%	4%
of which private equities	4%	3%
Cash/Deposits	8%	8%

(a) Almost all have a quoted market price in an active market.
(b) Almost all are either not quoted or are quoted in a market which is not active.

Equities and government debts represent 61% (2020: 59%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds and private equities represent 31% (2020: 33%) of the plan assets. Almost all of them are either not quoted or quoted in a market which is not active.

The plan assets of funded defined benefit plans include property occupied by subsidiaries with a fair value of CHF 6 million (2020: CHF 8 million). Furthermore, funded defined benefit plans may invest in Nestlé S.A. (or related) shares. There was no direct investment at end of 2021 and 2020. The Group's investment management principles allow such investment only when the position in Nestlé S.A. (or related) shares is passive, i.e. in line with the weighting in the underlying benchmark.

The Group expects to contribute CHF 369 million to its funded defined benefit plans in 2022.

10.2e Expenses recognized in the income statement

In millions of CHF

	2021			2020		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**
Service cost	531	37	**568**	496	36	**532**
Net interest (income)/expense	32	66	**98**	45	78	**123**
Administration expenses	20	—	**20**	22	—	**22**
Defined benefit expenses	**583**	**103**	**686**	**563**	**114**	**677**
Defined contribution expenses			**347**			**294**
Total			**1 033**			**971**

10.2f Remeasurement of defined benefit plans reported in other comprehensive income

In millions of CHF

	2021			2020		
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**
Actual return on plan assets, excluding interest income	1 594	3	**1 597**	1 542	3	**1 545**
Experience adjustments on plan liabilities	41	27	**68**	(101)	(40)	**(141)**
Change in demographic assumptions on plan liabilities	(75)	41	**(34)**	187	(1)	**186**
Change in financial assumptions on plan liabilities	1 020	145	**1 165**	(1 549)	(53)	**(1 602)**
Transfer from/(to) unrecognized assets and other	(8)	—	**(8)**	9	—	**9**
Remeasurement of defined benefit plans – actuarial gains/(losses)	**2 572**	**216**	**2 788**	**88**	**(91)**	**(3)**

10.2g Principal financial actuarial assumptions

The principal financial actuarial assumptions are presented by geographic area. Each item is a weighted average in relation to the relevant underlying component.

				2021				2020
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
Discount rates	1.1%	3.6%	4.9%	**1.8%**	0.7%	3.2%	4.2%	**1.5%**
Expected rates of salary increases	2.0%	3.2%	4.2%	**2.5%**	2.0%	3.1%	5.2%	**2.5%**
Expected rates of pension adjustments	1.3%	0.3%	1.6%	**1.1%**	1.2%	0.3%	1.6%	**1.0%**
Medical cost trend rates [(a)]		6.1%		**6.1%**		6.2%		**6.2%**

(a) Medical cost trend rates represent the expected medical cost trend rates for next year. For plans in USA and Canada, medical cost trend rate is assumed to decrease to 4.5% by 2028 and respectively 4% by 2040. Some non-material post-employment medical plans in EMENA and AOA have not been considered in the average.

10.2h Mortality tables and life expectancies by geographic area for the Group's major defined benefit pension plans

Expressed in years

		2021	2020	2021	2020
Country	Mortality table		Life expectancy at age 65 for a male member currently aged 65		Life expectancy at age 65 for a female member currently aged 65
EMENA					
Switzerland	LPP 2020	21.7	21.7	23.4	23.4
United Kingdom	S3NA	21.2	21.2	23.7	23.6
Germany	Heubeck Richttafeln 2018	21.2	21.0	23.5	23.4
AMS					
USA	Pri-2012	20.9	20.8	22.9	22.8

Life expectancy is reflected in the defined benefit obligations by using the best estimate of the mortality of plan members. When appropriate, base tables are adjusted to take into consideration expected changes in mortality e.g. allowing for future longevity improvements.

10.2i Sensitivity analyses on present value of defined benefit obligations by geographic area

The table below gives the present value of the defined benefit obligations when major assumptions are changed.

In millions of CHF

				2021				2020
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
As reported	19 468	6 052	1 452	**26 972**	20 625	6 461	1 573	**28 659**
Discount rates								
Increase of 50 basis points	18 046	5 717	1 393	**25 156**	19 101	6 061	1 490	**26 652**
Decrease of 50 basis points	21 076	6 424	1 519	**29 019**	22 356	6 904	1 666	**30 926**
Expected rates of salary increases								
Increase of 50 basis points	19 576	6 095	1 476	**27 147**	20 765	6 534	1 606	**28 905**
Decrease of 50 basis points	19 367	6 012	1 430	**26 809**	20 492	6 439	1 543	**28 474**
Expected rates of pension adjustments								
Increase of 50 basis points	20 458	6 061	1 482	**28 001**	21 712	6 485	1 623	**29 820**
Decrease of 50 basis points	18 965	6 045	1 423	**26 433**	20 015	6 450	1 549	**28 014**
Medical cost trend rates								
Increase of 50 basis points	19 470	6 085	1 452	**27 007**	20 626	6 514	1 579	**28 719**
Decrease of 50 basis points	19 467	6 022	1 450	**26 939**	20 624	6 412	1 572	**28 608**
Mortality assumption								
Setting forward the tables by 1 year	18 690	5 918	1 425	**26 033**	19 840	6 357	1 542	**27 739**
Setting back the tables by 1 year	20 250	6 171	1 477	**27 898**	21 405	6 638	1 603	**29 646**

All sensitivities are calculated using the same actuarial method as for the disclosed present value of the defined benefit obligations at year-end.

10.2j Weighted average duration of defined benefit obligations by geographic area

Expressed in years

				2021				2020
	EMENA	AMS	AOA	**Total**	EMENA	AMS	AOA	**Total**
At December 31	15.7	12.1	10.3	**14.6**	16.0	13.4	11.5	**15.2**

11. Provisions and contingencies

Provisions
Provisions comprise liabilities of uncertain timing or amount that arise from restructuring plans, environmental, litigation and other risks. Provisions are recognized when a legal or constructive obligation stemming from a past event exists and when the future cash outflows can be reliably estimated. Provisions are measured at the present value of the expenditures unless the impact of discounting is immaterial. Obligations arising from restructuring plans are recognized when detailed formal plans have been established and when there is a valid expectation that such plans will be carried out by either starting to implement them or announcing their main features. Obligations under litigation reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date.

Contingent assets and liabilities
Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Group.

11.1 Provisions

In millions of CHF

	Restructuring	Environmental	Legal and indirect Tax	Other	**Total**
At January 1, 2021	553	26	608	350	**1 537**
Currency retranslations	(6)	(1)	(17)	(1)	**(25)**
Provisions made during the year [(a)]	321	41	357	173	**892**
Amounts used	(332)	(2)	(94)	(85)	**(513)**
Reversal of unused amounts	(72)	(1)	(95)	(53)	**(221)**
Classification (to)/from held for sale	—	—	—	2	**2**
Modification of the scope of consolidation	(1)	—	(1)	(32)	**(34)**
At December 31, 2021	**463**	**63**	**758**	**354**	**1 638**
of which expected to be settled within 12 months					**532**
At January 1, 2020	816	30	696	422	**1 964**
Currency retranslations	(16)	(2)	(69)	(60)	**(147)**
Provisions made during the year [(a)]	287	2	204	75	**568**
Amounts used	(446)	(3)	(62)	(57)	**(568)**
Reversal of unused amounts	(91)	(1)	(78)	(77)	**(247)**
Classification (to)/from held for sale	15	—	—	(1)	**14**
Modification of the scope of consolidation	(12)	—	(83)	48	**(47)**
At December 31, 2020	**553**	**26**	**608**	**350**	**1 537**
of which expected to be settled within 12 months					**508**

(a) Including discounting of provisions.

Restructuring

Restructuring provisions arise from a number of projects across the Group. These include plans to optimize production, sales and administration structures, mainly in the geography EMENA. Restructuring provisions are expected to result in future cash outflows when implementing the plans (usually over one to three years).

Legal and indirect tax

Legal provisions have been set up to cover legal and administrative settlements that arise in the ordinary course of the business. Indirect tax provisions include disputes and uncertainties on non-income taxes (mainly VAT and sales taxes). They cover numerous separate cases whose detailed disclosure could be detrimental to the Group interests. The Group does not believe that any of these cases will have a material adverse impact on its financial position. The timing of outflows is uncertain as it depends upon the outcome of the cases. Group Management does not believe it is possible to make assumptions on the evolution of the cases beyond the balance sheet date.

Other

Other provisions are mainly constituted by onerous contracts and various damage claims having occurred during the year but not covered by insurance companies. Onerous contracts result from termination of contracts or supply agreements above market prices in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received or for which no benefits are expected to be received.

11.2 Contingencies

The Group is exposed to contingent liabilities amounting to a maximum possible payment of CHF 1535 million (2020: CHF 1443 million) representing possible payments for litigations of CHF 1505 million (2020: CHF 1373 million) and payments for other items of CHF 30 million (2020: CHF 70 million). Possible payments for litigations relate mainly to labor, civil and tax litigations in Latin America.

Related to the French Competition Authority’s allegations against certain Nestlé subsidiaries in France (namely allegations of restricted competition relating to, among others, communication on the removal of bisphenol A from metal packaging), a reliable estimate of the potential financial impact is currently not possible.

Contingent assets for litigation claims in favor of the Group amount to a probable recoverable amount of CHF 58 million (2020: CHF 198 million), mainly in Latin America.

12. Financial instruments

Financial assets – Classes and categories

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Group classifies financial assets in the following categories:

- measured at amortized cost;
- measured at fair value through the income statement (abbreviated as FVTPL, fair value through profit or loss); and
- measured at fair value through Other comprehensive income (abbreviated as FVOCI).

For an equity investment that is not held for trading, the Group may irrevocably elect to classify it as measured at FVOCI. This election is made at initial recognition on an investment by investment basis.

Financial assets – Recognition and derecognition

The settlement date is used for initial recognition and derecognition of financial assets as these transactions are generally under contracts whose terms require delivery within the time frame established by regulation or convention in the market place (regular-way purchase or sale). Financial assets are derecognized when substantially all the Group's rights to cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets – Measurement

Financial assets are initially recognized at fair value plus directly attributable transaction costs. However when a financial asset measured at FVTPL is recognized, the transaction costs are expensed immediately. Subsequent remeasurement of financial assets is determined by their category, which is revisited at each reporting date.

Commercial paper and time deposits are held by the Group's treasury unit in a separate portfolio in order to provide interest income and mitigate the credit risk exposure of the Group. The Group considers that these investments are held within a business model whose objective is achieved by collecting contractual cash flows. The contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as measured at amortized cost.

Investments in equities, debt funds, equity funds as well as other financial assets not giving rise on specified dates to cash flows that are solely payments of principal and interest are classified at FVTPL. These investments are mainly related to liquidity management and self-insurance activities.

Financial assets – Impairment

The Group assesses whether its financial assets carried at amortized cost and FVOCI are impaired on the basis of expected credit losses (ECL). This analysis requires the identification of significant increases in the credit risk of the counterparties. Considering that the majority of the Group's financial assets are trade receivables, the analysis also integrates statistical data reflecting the past experience of losses incurred due to default, as well as any relevant forward-looking information. See Note 7.1 for impairments related to trade receivables.

The Group measures loss allowances for investments in debt securities and time deposits that are determined to have low credit risk at the reporting date at an amount equal to 12 month expected credit losses.

The Group considers a debt security to have low credit risk when the credit rating is 'investment grade' according to internationally recognized rating agencies. To assess whether there is a significant increase in credit risk since initial recognition, the Group considers available reasonable and supportive information such as changes in the credit rating of the counterparty. If there is a significant increase in credit risk the loss allowance is measured at an amount equal to lifetime expected losses.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls due to a credit default event of the counterparty (i.e. the difference between the cash flows in accordance with the contract and the cash flows that the Group expects to receive).

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Impairment losses on other financial assets related to treasury activities are presented under Financial expense.

The model and some of the assumptions used in calculating these ECLs are key sources of estimation uncertainty.

Financial liabilities at amortized cost

Financial liabilities are initially recognized at fair value, net of transaction costs incurred.

Subsequent to initial measurement, financial liabilities are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the income statement over the contractual terms using the effective interest rate method. This category includes the following classes of financial liabilities: trade and other payables; commercial paper; bonds; lease liabilities and other financial liabilities.

Financial liabilities at amortized cost are classified as current or non-current depending whether these are due within 12 months after the balance sheet date or beyond.

Financial liabilities are derecognized (in full or partly) when either the Group is discharged from its obligation, they expire, are cancelled or replaced by a new liability with substantially modified terms.

12.1 Financial assets and liabilities

12.1a By class and by category

In millions of CHF

Classes	At amortized cost (a)	At fair value to income statement	At fair value to Other comprehensive income	**Total categories**	At amortized cost (a)	At fair value to income statement	At fair value to Other comprehensive income	**Total categories**
				2021				2020
Cash at bank and in hand	2 685	—	—	**2 685**	2 139	—	—	**2 139**
Commercial paper	5 511	—	—	**5 511**	3 271	—	—	**3 271**
Time deposits	562	—	—	**562**	687	—	—	**687**
Bonds and debt funds	88	5 721	2	**5 811**	87	3 078	2	**3 167**
Equity and equity funds	—	354	472	**826**	—	347	347	**694**
Other financial assets	732	692	—	**1 424**	569	676	—	**1 245**
Liquid assets (b) and non-current financial assets	9 578	6 767	474	**16 819**	6 753	4 101	349	**11 203**
Trade and other receivables	11 155	—	—	**11 155**	10 746	—	—	**10 746**
Derivative assets (c)	—	278	—	**278**	—	310	—	**310**
Total financial assets	**20 733**	**7 045**	**474**	**28 252**	**17 499**	**4 411**	**349**	**22 259**
Trade and other payables	(21 118)	(23)	—	**(21 141)**	(19 319)	(277)	—	**(19 596)**
Financial debt	(46 574)	—	—	**(46 574)**	(39 947)	—	—	**(39 947)**
Derivative liabilities (c)	—	(464)	—	**(464)**	—	(254)	—	**(254)**
Total financial liabilities	**(67 692)**	**(487)**	**—**	**(68 179)**	**(59 266)**	**(531)**	**—**	**(59 797)**
Net financial position	**(46 959)**	**6 558**	**474**	**(39 927)**	**(41 767)**	**3 880**	**349**	**(37 538)**
of which at fair value	—	6 558	474	**7 032**	—	3 880	349	**4 229**

(a) Carrying amount of these instruments is a reasonable approximation of their fair value. For bonds included in financial debt, see Note 12.1d.
(b) Liquid assets are composed of cash and cash equivalents and short-term investments.
(c) Include derivatives held in hedge relationships and those that are undesignated (categorized as held-for-trading), see Note 12.2d.

12.1b Fair value hierarchy of financial instruments

The Group classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

- Level 1: the fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include exchange-traded commodity derivatives and financial assets such as investments in equity and debt securities.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps is determined by discounting estimated future cash flows.
- Level 3: the fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Group carries such instruments at cost less impairment, if applicable.

In millions of CHF

	2021	2020
Derivative assets	139	119
Bonds and debt funds	5 161	2 558
Equity and equity funds	332	339
Other financial assets	68	62
Derivative liabilities	(11)	(4)
Prices quoted in active markets (Level 1)	**5 689**	**3 074**
Derivative assets	139	191
Bonds and debt funds	545	509
Equity and equity funds	358	296
Other financial assets	608	597
Derivative liabilities	(453)	(250)
Valuation techniques based on observable market data (Level 2)	**1 197**	**1 343**
Financial assets	169	89
Financial liabilities [(a)]	(23)	(277)
Valuation techniques based on unobservable input (Level 3)	**146**	**(188)**
Total financial instruments at fair value	**7 032**	**4 229**

(a) Contingent consideration on acquisition (see Note 2.2 Acquisitions of businesses for description).

There have been no significant transfers between the different hierarchy levels in 2021 and in 2020.

12.1c Changes in liabilities arising from financing activities

In millions of CHF

	2021	2020
At January 1	(39 942)	(37 401)
Currency retranslations and exchange differences	(196)	2 351
Changes in fair values	50	(80)
Changes arising from acquisition and disposal of businesses and classification to/(from) held for sale	(48)	257
(Inflows)/outflows on interest derivatives	(14)	(12)
Increase in lease liabilities	(777)	(660)
Inflows from bonds and other long term financial debt	(11 339)	(10 330)
Outflows from bonds, lease liabilities and other long term financial debt	4 474	3 182
(Inflows)/outflows from short term financial debt	885	2 747
Other movements	—	4
At December 31	**(46 907)**	**(39 942)**
of which current financial debt	(10 092)	(12 019)
of which non-current financial debt	(36 482)	(27 928)
of which derivatives hedging financial debt	(333)	5

12.1d Bonds

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2021	2020
Nestlé S.A., Switzerland	CHF	600	0.75%	0.69%	2018–2028		602	603
	CHF	900	0.25%	0.26%	2018–2024		900	900
Nestlé Holdings, Inc., USA	USD	550	1.88%	2.03%	2016–2021		—	484
	USD	600	1.38%	1.52%	2016–2021		—	528
	GBP	500	1.00%	1.17%	2017–2021		—	601
	USD	800	2.38%	2.55%	2017–2022		731	702
	USD	650	2.38%	2.50%	2017–2022		594	572
	USD	300	2.25%	2.35%	2017–2022		274	264
	EUR	850	0.88%	0.92%	2017–2025	(a)	877	919
	CHF	550	0.25%	0.24%	2017–2027	(a)	550	550
	CHF	150	0.55%	0.54%	2017–2032	(a)	150	150
	USD	600	3.13%	3.28%	2018–2023		548	527
	USD	1 000	3.10%	3.17%	2018–2021	(b)	—	880
	USD	1 500	3.35%	3.41%	2018–2023	(b)	1 370	1 319
	USD	900	3.50%	3.59%	2018–2025	(b)	821	790
	USD	1 250	3.63%	3.72%	2018–2028	(b)	1 137	1 094
	USD	1 250	3.90%	4.01%	2018–2038	(b)	1 127	1 085
	USD	2 100	4.00%	4.11%	2018–2048	(b)	1 885	1 815
	USD	1 150	0.38%	0.49%	2020–2024	(b)	1 049	1 009
	USD	750	0.63%	0.77%	2020–2026	(b)	682	656
	USD	1 100	1.00%	1.06%	2020–2027	(b)	1 002	965
	USD	1 000	1.25%	1.37%	2020–2030	(b)	906	872
	GBP	600	0.63%	0.75%	2021–2025	(a)	739	—
	GBP	400	1.38%	1.46%	2021–2033	(a)	489	—
	USD	300	1.13%	1.19%	2021–2026		274	—
	USD	1 500	0.61%	0.66%	2021–2024	(b)	1 370	—
	USD	1 000	1.50%	1.58%	2021–2028	(b)	910	—
	USD	1 000	1.88%	1.91%	2021–2031	(b)	912	—
	USD	500	2.50%	2.55%	2021–2041	(b)	454	—
	USD	500	1.15%	1.22%	2021–2027	(b)	456	—
	USD	500	2.63%	2.69%	2021–2051	(b)	451	—
	CAD	2 000	2.19%	2.23%	2021–2029	(a)	1 437	—
Subtotal							22 697	17 285

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2021	2020
Subtotal from previous page							22 697	17 285
Nestlé Finance International Ltd., Luxembourg	EUR	500	2.13%	2.20%	2013–2021		—	541
	EUR	500	0.75%	0.90%	2014–2021		—	541
	EUR	850	1.75%	1.89%	2012–2022		878	919
	GBP	400	2.25%	2.34%	2012–2023	(c)	501	505
	EUR	500	0.75%	0.92%	2015–2023	(d)	519	549
	EUR	500	0.38%	0.54%	2017–2024		515	539
	EUR	750	1.25%	1.32%	2017–2029		772	808
	EUR	750	1.75%	1.83%	2017–2037		767	804
	EUR	1 000	1.13%	1.27%	2020–2026		1 028	1 075
	EUR	1 000	1.50%	1.63%	2020–2030		1 024	1 071
	EUR	850	0.13%	0.25%	2020–2027		872	913
	EUR	650	0.00%	0.05%	2020–2024		671	703
	EUR	1 000	0.38%	0.56%	2020–2032		1 015	1 062
	EUR	500	0.00%	(0.26%)	2020–2025		522	549
	EUR	500	0.00%	0.16%	2020–2033		508	531
	EUR	500	0.38%	0.40%	2020–2040		515	539
	EUR	1 250	0.00%	0.00%	2021–2026		1 293	—
	EUR	750	0.25%	0.32%	2021–2029		772	—
	EUR	500	0.63%	0.69%	2021–2034		513	—
	EUR	650	0.88%	1.01%	2021–2041		656	—
Nestlé Hungária Kft., Hungary	HUF	115 000	1.75%	1.53%	2021–2028		327	—
Other bonds							164	216
Total carrying amount (*)							**36 529**	**29 150**
of which due within one year							2 550	3 632
of which due after one year							33 979	25 518
Fair value (*) of bonds, based on prices quoted (level 2)							37 651	31 532

(*) Carrying amount and fair value of bonds exclude accrued interest.

Several bonds are hedged by currency and/or interest derivatives. The fair value of these derivatives is shown under derivative assets for CHF 17 million (2020: CHF 71 million) and under derivative liabilities for CHF 114 million (2020: CHF 2 million).

(a) Subject to an interest rate and currency swap that creates a liability at fixed rates in the currency of the issuer.
(b) Sold in the United States only to qualified institutional buyers and outside the United States to non-US persons.
(c) Subject to an interest rate swap.
(d) Out of which EUR 375 million is subject to an interest rate swap.

12.2 Financial risks

In the course of its business, the Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk, commodity price risk and equity price risk). This note presents the Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Group is managed. The Board of Directors determines the financial control principles as well as the principles of financial planning. The Chief Executive Officer organizes, manages and monitors all financial risks, including asset and liability matters.

The Asset and Liability Management Committee (ALMC), chaired by the Chief Financial Officer, is the governing body for the establishment and subsequent execution of the Nestlé Group's Financial Asset and Liability Management Policy. It ensures implementation of strategies and achievement of objectives of the Group's financial asset and liabilities management, which are executed by the Center Treasury, the Regional Treasury Centers and, in specific local circumstances, by the subsidiaries. Approved treasury management guidelines define and classify risks as well as determine, by category of transaction, specific approval, execution and monitoring procedures. The activities of the Centre Treasury and of the Regional Treasury Centers are monitored by an independent Middle Office, which verifies the compliance of the strategies and/or operations with the approved guidelines and decisions taken by the ALMC.

12.2a Credit risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on financial assets (liquid, non-current and derivatives) and on trade and other receivables.

The Group aims to minimize the credit risk of liquid assets, non-current financial assets and derivative assets through the application of risk management policies. Credit limits are set based on each counterparty's size and risk of default. The methodology used to set the credit limit considers the counterparty's balance sheet, credit ratings, risk ratios and default probabilities. Counterparties are monitored regularly, taking into consideration the evolution of the above parameters, as well as their share prices and credit default swaps. As a result of this review, changes on credit limits and risk allocation are carried out. The Group avoids the concentration of credit risk on its liquid assets by spreading them over several institutions and sectors.

Trade receivables are subject to credit limits, control and approval procedures in all the subsidiaries. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables (see Note 7.1). Nevertheless, commercial counterparties are constantly monitored following the similar methodology used for financial counterparties.

The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking into account any collateral held or other credit enhancements, is equal to the carrying amount of the Group's financial assets.

Credit rating of financial assets

This includes liquid assets, non-current financial assets and derivative assets. The credit risk of the financial assets is assessed based on the risk of the counterparties including the associated country risk. The Group uses an internationally recognized credit scale to present the information. The Group deals mainly with financial institutions located in Switzerland, the European Union and North America.

In millions of CHF

	2021	2020
Investment grade A– and above	14 328	8 836
Investment grade BBB+, BBB and BBB–	803	986
Non-investment grade (BB+ and below)	937	778
Not rated [(a)]	1 029	913
	17 097	**11 513**

(a) Mainly equity securities and other investments for which no credit rating is available.

12.2b Liquidity risk

Liquidity risk management

Liquidity risk is the risk that a company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Such risk may result from inadequate market depth or disruption or refinancing problems. The Group's objective is to manage this risk by limiting exposures in financial instruments that may be affected by liquidity problems and by maintaining sufficient back-up facilities. The Group does not expect any refinancing issues and in October 2021 successfully extended the tenor of both its revolving credit facilities by around one year:

- A new USD 3.7 billion and EUR 3.4 billion revolving credit facility with an initial maturity date of October 2022. The Group has the ability to convert the facility into a one year term loan.
- A USD 2.7 billion and EUR 2.0 billion revolving credit facility with a new maturity date of October 2026.

The facilities serve primarily as a backstop to the Group's short-term debt.

Contractual maturities of financial liabilities and derivatives (including interest)

In millions of CHF

	In the first year	In the second year	In the third to the fifth year	After the fifth year	Contractual amount	Carrying amount
2021						
Trade and other payables	**(20 912)**	**(120)**	**(87)**	**(24)**	**(21 143)**	**(21 141)**
Commercial paper [(a)]	(4 311)	—	—	—	(4 311)	(4 303)
Bonds [(a)]	(3 109)	(3 483)	(12 020)	(23 894)	(42 506)	(36 529)
Lease liabilities	(635)	(485)	(966)	(1 089)	(3 175)	(2 930)
Other financial debt	(2 729)	(118)	(43)	(7)	(2 897)	(2 812)
Total financial debt	**(10 784)**	**(4 086)**	**(13 029)**	**(24 990)**	**(52 889)**	**(46 574)**
Financial liabilities (excluding derivatives)	**(31 696)**	**(4 206)**	**(13 116)**	**(25 014)**	**(74 032)**	**(67 715)**
Non-currency derivative assets	151	8	—	—	159	159
Non-currency derivative liabilities	(12)	(1)	—	—	(13)	(13)
Gross amount receivable from currency derivatives	21 011	53	1 771	2 764	25 599	25 309
Gross amount payable from currency derivatives	(21 272)	(92)	(1 907)	(2 831)	(26 102)	(25 641)
Net derivatives	**(122)**	**(32)**	**(136)**	**(67)**	**(357)**	**(186)**
of which derivatives under cash flow hedges [(b)]	151	1	—	—	152	152
2020						
Trade and other payables	**(18 518)**	**(611)**	**(437)**	**(30)**	**(19 596)**	**(19 596)**
Commercial paper [(a)]	(4 995)	—	—	—	(4 995)	(4 992)
Bonds [(a)]	(4 131)	(2 960)	(9 318)	(17 583)	(33 992)	(29 150)
Lease liabilities	(615)	(554)	(935)	(1 082)	(3 186)	(2 779)
Other financial debt	(2 886)	(49)	(157)	(13)	(3 105)	(3 026)
Total financial debt	**(12 627)**	**(3 563)**	**(10 410)**	**(18 678)**	**(45 278)**	**(39 947)**
Financial liabilities (excluding derivatives)	**(31 145)**	**(4 174)**	**(10 847)**	**(18 708)**	**(64 874)**	**(59 543)**
Non-currency derivative assets	138	14	12	—	164	164
Non-currency derivative liabilities	(12)	—	—	—	(12)	(12)
Gross amount receivable from currency derivatives	18 565	10	951	709	20 235	20 288
Gross amount payable from currency derivatives	(18 709)	(44)	(986)	(697)	(20 436)	(20 384)
Net derivatives	**(18)**	**(20)**	**(23)**	**12**	**(49)**	**56**
of which derivatives under cash flow hedges [(b)]	29	1	—	—	30	30

(a) Commercial paper of CHF 4240 million (2020: CHF 3639 million) and bonds of CHF 874 million (2020: CHF 671 million) have maturities of less than three months.
(b) The periods when the cash flow hedges affect the income statement do not differ significantly from the maturities disclosed above.

12.2c Market risk

The Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and future transactions.

Foreign currency risk

The Group is exposed to foreign currency risk from transactions and translation.

Transactional exposures arise from transactions in foreign currency. They are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs through the use of currency forwards, futures, swaps and options.

Exchange differences recorded in the income statement represented a loss of CHF 58 million in 2021 (2020: loss of CHF 126 million). They are allocated to the appropriate headings of expenses by function.

Translation exposure arises from the consolidation of the financial statements of foreign operations in Swiss Francs, which is, in principle, not hedged.

Value at Risk (VaR) based on historic data for a 250-day period and a confidence level of 95% results in a potential one-day loss for currency risk of less than CHF 25 million in 2021 (2020: less than CHF 15 million).

The Group cannot predict the future movements in exchange rates, therefore the above VaR number neither represents actual losses nor considers the effects of favorable movements in underlying variables. Accordingly, the VaR number may only be considered indicative of future movements to the extent the historic market patterns repeat in the future.

Interest rate risk

The Group is exposed primarily to fluctuation in USD and EUR interest rates. Interest rate risk on financial debt is managed based on duration and interest management targets set by the ALMC through the use of fixed rate debt and interest rate swaps.

Taking into account the impact of interest derivatives, the proportion of financial debt subject to fixed interest rates for a period longer than one year represents 76% (2020: 67%).

Based on the level of Liquid assets and Debt exposed to floating interest rates at year end, an increase of interest rates of 100 basis points would cause a decrease in Net financing cost of CHF 32 million on an annualized basis (2020: an increase in Net financing cost of CHF 20 million).

Price risk

Commodity price risk

Commodity price risk arises from transactions on the world commodity markets to secure supplies of green coffee, cocoa beans, cereals and grains and other commodities necessary for the manufacture of some of the Group's products.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Nestlé Group policy on commodity price risk management. The Global Procurement Organization is responsible for managing commodity price risk based on internal directives and centrally determined limits, generally using exchange-traded commodity derivatives. The commodity price risk exposure of future purchases is managed using a combination of derivatives (mainly futures and options) and executory contracts. This activity is monitored by an independent Middle Office. Given the short product business cycle of the Group, the majority of the anticipated future raw material transactions outstanding at the balance sheet date are expected to occur in the next year.

Equity price risk

The Group is exposed to equity price risk on investments. To manage the price risk arising from these investments, the Group diversifies its portfolios in accordance with the Guidelines set by the Board of Directors.

12.2d Derivative assets and liabilities and hedge accounting

Derivative financial instruments

The Group's derivatives mainly consist of currency forwards, options and swaps; commodity futures and options and interest rate swaps. Derivatives are mainly used to manage exposures to foreign exchange, interest rate and commodity price risk as described in section 12.2c Market risk.

Derivatives are initially recognized at fair value. They are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the income statement unless they are in a qualifying hedging relationship.

Hedge accounting

The Group designates and documents the use of certain derivatives and other financial assets or financial liabilities as hedging instruments against changes in fair values of recognized assets and liabilities (fair value hedges) and highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and verified at regular intervals and at least on a quarterly basis to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group excludes from the designation of the hedging relationship the hedging cost element. Subsequently, this cost element impacts the income statement at the same time as the underlying hedged item.

For the designation of hedging relationships on commodities, the Group applies the component hedging model when the hedged item is separately identifiable and measurable in the contract to purchase the materials.

Fair value hedges

The Group uses fair value hedges to mitigate foreign currency and interest rate risks of its recognized assets and liabilities, being mostly financial debt.

Changes in fair values of hedging instruments designated as fair value hedges and the adjustments for the risks being hedged in the carrying amounts of the underlying transactions are recognized in the income statement.

Cash flow hedges

The Group uses cash flow hedges to mitigate a particular risk associated with a recognized asset or liability or highly probable forecast transactions, such as anticipated future export sales, purchases of equipment, and goods, as well as the variability of expected interest payments and receipts.

The effective part of the changes in fair value of hedging instruments is recognized in other comprehensive income, while any ineffective part is recognized immediately in the income statement. Ineffectiveness for hedges of foreign currency and commodity price risk may result from changes in the timing of the forecast transactions than originally foreseen. When the hedged item results in the recognition of a non-financial asset or liability, including acquired businesses, the gains or losses previously recognized in other comprehensive income are included in the measurement of the cost of the asset or of the liability. Otherwise the gains or losses previously recognized in other comprehensive income are recognized in the income statement at the same time as the hedged transaction.

Undesignated derivatives
Derivatives which are not designated in a hedging relationship are classified as undesignated derivatives. They are used in the framework of approved risk management policies.

Derivatives by hedged risks

In millions of CHF			2021			2020
	Contractual or notional amounts	Fair value assets	Fair value liabilities	Contractual or notional amounts	Fair value assets	Fair value liabilities
Fair value hedges [(a)]						
Foreign currency and interest rate risk on net financial debt	15 797	43	319	9 271	96	83
Cash flow hedges						
Foreign currency risk on future purchases or sales	7 311	83	61	7 052	71	155
Commodity price risk on future purchases	2 548	142	12	917	124	3
Interest rate risk on net financial debt	—	—	—	440	—	7
Designated in a hedging relationship	25 656	268	392	17 680	291	248
Undesignated derivatives		10	72		19	6
		278	**464**		**310**	**254**
Conditional offsets [(b)]						
Derivative assets and liabilities		(65)	(65)		(40)	(40)
Use of cash collateral received or deposited		(27)	(39)		(36)	—
Balances after conditional offsets		186	360		234	214

(a) The carrying amount of the hedged item recognized in the statement of financial position is approximately equal to the notional of the hedging instruments.
(b) Represent amounts that would be offset in case of default, insolvency or bankruptcy of counterparties.

A description of the types of hedging instruments by risk category is included in Note 12.2c Market risk.

The majority of hedge relationships are established to ensure a hedge ratio of 1:1.

Impact on the income statement of fair value hedges

The majority of fair value hedges are related to financing activities and are included in Net financing cost.

In millions of CHF	2021	2020
on hedged items	292	24
on hedging instruments	(290)	(24)

Ineffective portion of gains/(losses) of cash flow hedges is not significant.

12.2e Capital risk management

The Group's capital management is driven by the impact on shareholders of the level of total capital employed. It is the Group's policy to maintain a sound capital base to support the continued development of its business.

The Board of Directors seeks to maintain a prudent balance between different components of the Group's capital. The ALMC monitors the capital structure and the net financial debt by currency (see Note 16.5 for the definition of net financial debt).

The operating cash flow-to-net financial debt ratio highlights the ability of a business to repay its debts. As at December 31, 2021, the ratio was 42.1% (2020: 45.9%). The Group's subsidiaries have complied with local statutory capital requirements as appropriate.

13. Taxes

The Group is subject to taxes in different countries all over the world. Taxes and fiscal risks recognized in the Consolidated Financial Statements reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include but are not limited to change in tax laws and interpretation thereof in the various jurisdictions where the Group operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the income statement in the period in which they are incurred, unless anticipated.

Taxes include current and deferred taxes on profit as well as actual or potential withholding taxes on current and expected transfers of income from subsidiaries and tax adjustments relating to prior years. Income tax is recognized in the income statement, except to the extent that it relates to items directly taken to equity or other comprehensive income, in which case it is recognized against equity or other comprehensive income.

Deferred taxes are based on the temporary differences that arise when taxation authorities recognize and measure assets and liabilities with rules that differ from the principles of the Consolidated Financial Statements. They also arise on temporary differences stemming from tax losses carried forward.

Deferred taxes are calculated under the liability method at the rates of tax expected to prevail when the temporary differences reverse subject to such rates being substantially enacted at the balance sheet date. Any changes of the tax rates are recognized in the income statement unless related to items directly recognized against equity or other comprehensive income. Deferred tax liabilities are recognized on all taxable temporary differences excluding non-deductible goodwill. Deferred tax assets are recognized on all deductible temporary differences provided that it is probable that future taxable income will be available.

13.1 Components of taxes recognized in the income statement

In millions of CHF

	2021	2020
Current taxes [a]	(2 616)	(2 814)
Deferred taxes	(346)	(661)
Taxes reclassified to other comprehensive income	765	140
Taxes reclassified to equity	(64)	(30)
Total taxes	**(2 261)**	**(3 365)**

(a) Current taxes related to prior years include a tax income of CHF 551 million (2020: tax income of CHF 629 million).

13.2 Reconciliation of taxes recognized in the income statement

In millions of CHF

		2021		2020
Profit before taxes		**10 806**		**13 922**
Expected tax expense at weighted average applicable tax rate [a]	20.0%	(2 157)	19.8%	(2 760)
Tax effect of permanent differences on disposal of businesses	0.2%	(21)	1.3%	(180)
Tax effect of permanent differences on impairment of goodwill	0.2%	(24)	0.7%	(97)
Tax effect of other permanent differences	(1.6%)	174	0.8%	(103)
Prior years' taxes [b]	(3.2%)	343	(4.3%)	592
Transfers to unrecognized deferred tax assets	1.6%	(168)	1.9%	(262)
Transfers from unrecognized deferred tax assets	(0.3%)	31	(0.2%)	22
Changes in tax rate on deferred taxes	0.4%	(48)	0.2%	(23)
Withholding taxes on transfers of income	3.6%	(393)	4.1%	(563)
Other	0.0%	2	(0.1%)	9
Tax expense at effective tax rate	**20.9%**	**(2 261)**	**24.2%**	**(3 365)**

(a) The weighted average applicable tax rate in 2021 increased compared to 2020 as a result of a change in the geographical mix of profits.
(b) The prior years' tax credits result from a revision of prior year tax exposure due to progress on resolving audits and agreeing the tax treatment of major intercompany transactions with the tax authorities in certain jurisdictions.

The expected tax expense at weighted average applicable tax rate is the result from applying the domestic statutory tax rates to profits before taxes of each entity in the country it operates. For the Group, the weighted average applicable tax rate varies from one year to the other depending on the relative weight of the profit of each individual entity in the Group's profit as well as the changes in the statutory tax rates.

13.3 Reconciliation of deferred taxes by type of temporary differences recognized on the balance sheet

In millions of CHF

	Property, plant and equipment	Goodwill and intangible assets	Employee benefits	Working capital, provisions and other	Unused tax losses and unused tax credits	**Total**
At January 1, 2021	(1 206)	(1 997)	913	738	201	**(1 351)**
Currency retranslations	(10)	(91)	11	—	(1)	**(91)**
(Expense)/income in income statement	(72)	388	8	(41)	46	**329**
(Expense)/income in other comprehensive income and equity	—	—	(585)	(90)	—	**(675)**
Classification (to)/from held for sale	(154)	(32)	70	22	22	**(72)**
Modification of the scope of consolidation	125	(687)	(58)	(16)	(40)	**(676)**
At December 31, 2021	**(1 317)**	**(2 419)**	**359**	**613**	**228**	**(2 536)**
At January 1, 2020	(1 400)	(2 074)	1 458	1 219	322	**(475)**
Currency retranslations	104	211	(124)	(159)	(45)	**(13)**
(Expense)/income in income statement	(92)	344	(190)	(289)	(279)	**(506)**
(Expense)/income in other comprehensive income and equity	—	—	(163)	8	—	**(155)**
Classification (to)/from held for sale	167	35	(77)	(112)	(22)	**(9)**
Modification of the scope of consolidation	15	(513)	9	71	225	**(193)**
At December 31, 2020	**(1 206)**	**(1 997)**	**913**	**738**	**201**	**(1 351)**

In millions of CHF

	2021	2020
Reflected in the balance sheet as follows:		
Deferred tax assets	1 258	1 285
Deferred tax liabilities	(3 794)	(2 636)
Net assets/(liabilities)	**(2 536)**	**(1 351)**

13.4 Unrecognized deferred taxes

At December 31, 2021, the unrecognized deferred tax assets amount to CHF 994 million (2020: CHF 1001 million).

The deductible temporary differences as well as the unused tax losses and tax credits for which no deferred tax assets are recognized expire as follows:

In millions of CHF

	2021	2020
Within one year	169	79
Between one and five years	426	376
More than five years	3 003	3 294
	3 598	**3 749**

In addition, the Group has unremitted earnings that are either considered indefinitely reinvested in foreign subsidiaries or not. For the component of unremitted earnings which are expected to be repatriated in the foreseeable future and which are subject to withholding and other taxes on remittance, a deferred tax liability has been recorded. The unrecognized deferred tax liability on unremitted earnings that are considered indefinitely reinvested is not significant for the Group as the major part of these earnings is not subject to withholding and other taxes on remittance.

14. Associates and joint ventures

Associates are companies where the Group has the power to exercise a significant influence but does not exercise control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, and the determination of whether the Group has significant influence requires the exercise of judgement. It may be evidenced when the Group has 20% or more of the voting rights in the investee or has obtained representation on the Board of Directors or otherwise participates in the policy-making process of the investee.

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement.

Associates and joint ventures are accounted for using the equity method. The interest in the associate or joint venture also includes long-term loans which are in substance extensions of the Group's investment in the associate or joint venture. The net assets and results are adjusted to comply with the Group's accounting policies. The carrying amount of goodwill arising from the acquisition of associates and joint ventures is included in the carrying amount of investments in associates and joint ventures.

In millions of CHF

	2021				2020			
	L'Oréal	Other associates	Joint ventures	**Total**	L'Oréal	Other associates	Joint ventures	**Total**
At January 1	8 640	1 757	1 608	**12 005**	8 791	1 584	1 130	**11 505**
Currency retranslations	(413)	(47)	(2)	**(462)**	(25)	(37)	(77)	**(139)**
Investments	—	641	33	**674**	—	520	765	**1 285**
Divestments and reclassifications	(1 587)	(3)	(6)	**(1 596)**	—	(345)	(46)	**(391)**
Share of results	1 156	17	33	**1 206**	886	126	149	**1 161**
Impairment	—	—	3	**3**	—	(4)	(16)	**(20)**
Share of other comprehensive income	552	—	60	**612**	(523)	2	(84)	**(605)**
Dividends and interest received	(571)	(35)	(51)	**(657)**	(534)	(80)	(37)	**(651)**
Other [(a)]	(223)	215	29	**21**	45	(9)	(176)	**(140)**
At December 31	**7 554**	**2 545**	**1 707**	**11 806**	**8 640**	**1 757**	**1 608**	**12 005**

(a) In 2021, mainly the impact of the share buyback program in L'Oréal. In addition, the Group's stake in IVC Evidensia was diluted following the merger of IVC Evidensia with VetStrategy in November. The increase of the Group's share of the net assets of the combined entity is included under Other associates (CHF 250 million). The corresponding gain on the partial deemed disposal of IVC Evidensia was recognized under the heading Income from associates and joint ventures.
In 2020, under Joint ventures, mainly the impact of an equity reduction at Froneri following partial buyback and redistribution of management shareholding.

Increase of investments in Other associates in 2021 mainly relates to an increase in stake in IVC Evidensia in May. In 2020, it mainly related to *Herta* charcuterie business of CHF 280 million (of which CHF 273 million as a contribution in kind, see Note 2.3) and Aimmune of CHF 188 million.

In 2020, investments in Joint ventures mainly related to an increase of capital of Froneri (see Note 14.3) of CHF 183 million as well as a loan granted of CHF 582 million to finance the acquisition by Froneri of the US Ice Cream business (see Note 2.2).

In 2021, divestments in L'Oréal relate to 22.26 million shares sold to L'Oréal (see Note 14.1).

In 2020, divestments under Other associates mainly related to CHF 257 million with regards to the full acquisitions of Aimmune and Freshly (see Note 2.2), in which the Group held respectively about 26% and 16%.

As part of the carrying amount of the investment, Associates and joint ventures value at December 31, 2021 includes loans granted by the Group to Associates and joint ventures of CHF 1646 million (2020: CHF 1481 million).

Income from associates and joint ventures

In millions of CHF	2021	2020
Share of results	1 206	1 161
Impairment	3	(20)
Profit on partial disposal of L'Oréal shares [a]	7 184	—
Profit on disposal of Other associates [b]	258	222
Revaluation gain [c]	—	452
	8 651	**1 815**

(a) Includes a cumulative loss of CHF 13 million recognized by L'Oréal in its accumulated other comprehensive income reserves and a cumulative loss of CHF 506 million recognized by the Group in its currency translation reserve that has been recycled to the income statement.
(b) In 2021 includes a profit on the partial deemed disposal of the Group's stake in IVC Evidensia (see footnote (a) of the previous table of Note 14).
(c) In 2020 included a revaluation gain of CHF 509 million on the shareholding already held in Aimmune and Freshly, respectively 26% and 16% (see Note 2.2) as well as a total of CHF 57 million of cumulative currency translation loss reclassified to income statement related to Aimmune and Freshly.

14.1 Associate – L'Oréal

The Group holds 107 621 021 shares in L'Oréal (whose ultimate parent company is domiciled in France), the world leader in cosmetics, representing a 20.1% participation in its equity after elimination of its treasury shares (2020: 129 881 021 shares representing a 23.2% participation).

On December 15, 2021, the Group sold 22 260 000 shares to L'Oréal for CHF 9276 million for cancellation. As a result, the participation in its equity after elimination of its treasury shares was reduced from 23.2% to 20.1%.

At December 31, 2021, the market value of the shares held amounts to CHF 46.4 billion (2020: CHF 43.7 billion).

Summarized financial information of L'Oréal

In billions of CHF

	2021	2020
Total current assets	12.5	15.8
Total non-current assets	32.0	31.4
Total assets	**44.5**	**47.2**
Total current liabilities	17.2	12.0
Total non-current liabilities	2.9	3.8
Total liabilities	**20.1**	**15.8**
Total equity	**24.4**	**31.4**
Total sales	**34.9**	**30.0**
Profit from continuing operations	5.0	3.8
Other comprehensive income	2.3	(2.3)
Total comprehensive income	**7.3**	**1.5**

Reconciliation of the carrying amount

In billions of CHF

	2021	2020
Share held by the Group in the equity of L'Oréal	4.9	7.3
Goodwill and other adjustments	2.7	1.3
Carrying amount of L'Oréal	**7.6**	**8.6**

14.2 Other associates
The Group holds a number of other associates that are individually not material, the main ones being IVC Evidensia (veterinary services provider in Europe and North America), Lactalis Nestlé Produits Frais (chilled dairy business in Europe) and Herta (cold cuts and meat-based products).

14.3 Joint ventures
The Group holds a number of joint ventures operating in the food and beverage sectors. These joint ventures are individually not significant to the Group, the main ones being Froneri and Cereal Partners Worldwide from which the Group earned CHF 224 million (2020: CHF 225 million) of royalties (see Note 18.2) for the use of its brands, trademarks and other intellectual property.

A list of the principal joint ventures and associates is provided in the section Companies of the Nestlé Group, joint arrangements and associates.

15. Earnings per share

	2021	2020
Basic earnings per share (in CHF)	6.06	4.30
Net profit (in millions of CHF)	16 905	12 232
Weighted average number of shares outstanding (in millions of units)	2 788	2 845
Diluted earnings per share (in CHF)	6.06	4.29
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	16 905	12 232
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units)	2 791	2 849
Reconciliation of weighted average number of shares outstanding (in millions of units)		
Weighted average number of shares outstanding used to calculate basic earnings per share	2 788	2 845
Adjustment for share-based payment schemes, where dilutive	3	4
Weighted average number of shares outstanding used to calculate diluted earnings per share	2 791	2 849

16. Cash flow statement

16.1 Operating profit

In millions of CHF

	2021	2020
Profit for the year	17 196	12 372
Income from associates and joint ventures	(8 651)	(1 815)
Taxes	2 261	3 365
Financial income	(80)	(109)
Financial expense	953	983
	11 679	**14 796**

16.2 Non-cash items of income and expense

In millions of CHF

	2021	2020
Depreciation of property, plant and equipment	3 056	3 127
Impairment of property, plant and equipment	344	302
Impairment of goodwill	353	402
Amortization of intangible assets	384	338
Impairment of intangible assets	1 917	7
Net result on disposal of businesses	(235)	(1 678)
Net result on disposal of assets	(83)	(85)
Non-cash items in financial assets and liabilities	(293)	202
Equity compensation plans	130	123
Other	(7)	8
	5 566	**2 746**

16.3 Decrease/(increase) in working capital

In millions of CHF

	2021	2020
Inventories	(1 414)	(1 740)
Trade and other receivables	(824)	36
Prepayments and accrued income	(94)	(4)
Trade and other payables	2 115	1 193
Accruals	44	829
	(173)	**314**

16.4 Variation of other operating assets and liabilities

In millions of CHF	2021	2020
Variation of employee benefits assets and liabilities	(609)	(460)
Variation of provisions	148	(248)
Other	34	9
	(427)	**(699)**

16.5 Reconciliation of free cash flow and net financial debt

In millions of CHF	2021	2020
Operating cash flow	13 864	14 377
Capital expenditure	(4 880)	(4 076)
Expenditure on intangible assets	(461)	(288)
Other investing activities	192	232
Free cash flow	**8 715**	**10 245**
Acquisition of businesses	(6 394)	(4 520)
Financial liabilities and short-term investments acquired in business combinations	(69)	(310)
Disposal of businesses	3 530	3 916
Financial liabilities and short-term investments transferred on disposal of businesses and reclassification to/(from) held for sale	21	567
Acquisition (net of disposal) of non-controlling interests	(601)	(1)
Investments in associates and joint ventures	(715)	(498)
Divestments in associates and joint ventures	9 294	316
Dividend paid to shareholders of the parent	(7 681)	(7 700)
Dividends paid to non-controlling interests	(302)	(268)
Purchase (net of sale) of treasury shares	(6 548)	(6 814)
Increase in lease liabilities	(777)	(660)
Currency retranslations and exchange differences	(82)	1 574
Other movements	11	(28)
(Increase)/decrease of net financial debt	**(1 598)**	**(4 181)**
Net financial debt at beginning of year	(31 319)	(27 138)
Net financial debt at end of year	**(32 917)**	**(31 319)**
of which		
Current financial debt	(10 092)	(12 019)
Non-current financial debt	(36 482)	(27 928)
Cash and cash equivalents	6 988	5 235
Short-term investments	7 007	3 374
Derivatives [(a)]	(338)	19

(a) Related to Net debt and included in Derivative assets and Derivative liabilities balances of the Consolidated balance sheet.

16.6 Cash and cash equivalents at end of year

Cash and cash equivalents include cash at bank and in hand and other short-term highly liquid investments with maturities of three months or less from the initial recognition.

In millions of CHF

	2021	2020
Cash at bank and in hand	2 685	2 139
Time deposits	546	676
Commercial paper	3 757	2 420
Cash and cash equivalents as per balance sheet	**6 988**	**5 235**

17. Equity

17.1 Share capital issued

The ordinary share capital of Nestlé S.A. issued and fully paid is composed of 2 815 000 000 registered shares with a nominal value of CHF 0.10 each (2020: 2 881 000 000 registered shares). Each share confers the right to one vote. No shareholder may be registered with the right to vote for shares which it holds, directly or indirectly, in excess of 5% of the share capital. Shareholders have the right to receive dividends.

The share capital changed in 2021 and 2020 as a consequence of share buyback programs launched in July 2017 and in January 2020. The cancellation of shares was approved at the Annual General Meetings on April 15, 2021 and April 23, 2020. The share capital was reduced by 66 000 000 shares from CHF 288 million to CHF 282 million in 2021 and by 95 000 000 shares from CHF 298 million to CHF 288 million in 2020.

Started in January 2020, the share buyback program of up to CHF 20 billion was terminated on December 30, 2021. On January 3, 2022 a new share buyback program of up to CHF 20 billion started and is expected to be completed by the end of December 2024. The volume of monthly share buybacks depends on market conditions. Should any extraordinary dividend payments or sizeable acquisitions take place during the period of the share buyback, the amount of the share buyback will be reduced accordingly.

17.2 Conditional share capital

The conditional capital of Nestlé S.A. amounts to CHF 10 million as in the preceding year. It confers the right to increase the ordinary share capital, through the exercise of conversion or option rights granted in connection with convertible debentures or debentures with option rights or other financial market instruments, by the issue of a maximum of 100 000 000 registered shares with a nominal value of CHF 0.10 each. Thus, the Board of Directors has at its disposal a flexible instrument enabling it, if necessary, to finance the activities of the Company through convertible debentures.

17.3 Treasury shares

Number of shares in millions of units

	2021	2020
Purpose of holding		
Share buyback program	50.9	59.7
Long-Term Incentive Plans	4.5	4.8
	55.4	**64.5**

At December 31, 2021, the treasury shares held by the Group represent 2.0% of the share capital (2020: 2.2%). Their market value amounts to CHF 7061 million (2020: CHF 6729 million).

17.4 Number of shares outstanding

Number of shares in millions of units

	Shares issued	Treasury shares	**Outstanding shares**
At January 1, 2021	2 881.0	(64.5)	**2 816.5**
Purchase of treasury shares	—	(59.2)	**(59.2)**
Treasury shares delivered in respect of equity compensation plans	—	2.3	**2.3**
Treasury shares cancelled	(66.0)	66.0	**—**
At December 31, 2021	**2 815.0**	**(55.4)**	**2 759.6**
At January 1, 2020	2 976.0	(96.0)	**2 880.0**
Purchase of treasury shares	—	(67.1)	**(67.1)**
Treasury shares delivered in respect of equity compensation plans	—	3.6	**3.6**
Treasury shares cancelled	(95.0)	95.0	**—**
At December 31, 2020	**2 881.0**	**(64.5)**	**2 816.5**

17.5 Translation reserve and other reserves

The translation reserve and the other reserves represent the cumulative amount attributable to shareholders of the parent of items that may be reclassified subsequently to the income statement.

The translation reserve comprises the cumulative gains and losses arising from translating the financial statements of foreign operations that use functional currencies other than Swiss Francs. It also includes the changes in the fair value of hedging instruments used for net investments in foreign operations.

The other reserves mainly comprise the Group's share in the items that may be reclassified subsequently to the income statement by the associates and joint ventures (reserves equity accounted for).

The other reserves also comprise the hedging reserve of the subsidiaries. The hedging reserve consists of the effective portion of the gains and losses on hedging instruments related to hedged transactions that have not yet occurred.

17.6 Retained earnings
Retained earnings represent the cumulative profits as well as remeasurement of defined benefit plans attributable to shareholders of the parent.

17.7 Non-controlling interests
The non-controlling interests comprise the portion of equity of subsidiaries that are not owned, directly or indirectly, by Nestlé S.A. These non-controlling interests are individually not material for the Group.

17.8 Other comprehensive income

In millions of CHF

2021	Translation reserve	Hedging reserves	Reserves of associates and joint ventures	Retained earnings	**Total equity attributable to shareholders of the parent**	Non-controlling interests	**Total equity**
Currency retranslations							
– Recognized	619	(7)	6	—	**618**	—	**618**
– Reclassified to income statement	1 570	—	—	—	**1 570**	—	**1 570**
– Taxes	(58)	—	—	—	**(58)**	—	**(58)**
	2 131	(7)	6	—	**2 130**	—	**2 130**
Fair value changes on equity instruments							
– Recognized	—	—	—	59	**59**	—	**59**
– Taxes	—	—	—	(7)	**(7)**	—	**(7)**
	—	—	—	52	**52**	—	**52**
Changes in cash flow hedge and cost of hedge reserves							
– Recognized	—	354	—	—	**354**	—	**354**
– Reclassified to income statement	—	131	—	—	**131**	1	**132**
– Taxes	—	(118)	—	—	**(118)**	—	**(118)**
	—	367	—	—	**367**	1	**368**
Remeasurement of defined benefit plans							
– Recognized	—	—	—	2 798	**2 798**	(10)	**2 788**
– Taxes	—	—	—	(587)	**(587)**	3	**(584)**
	—	—	—	2 211	**2 211**	(7)	**2 204**
Share of other comprehensive income of associates and joint ventures							
– Recognized	—	—	144	455	**599**	—	**599**
– Reclassified to income statement	—	—	13	—	**13**	—	**13**
	—	—	157	455	**612**	—	**612**
Other comprehensive income for the year	**2 131**	**360**	**163**	**2 718**	**5 372**	**(6)**	**5 366**

In millions of CHF

2020

	Translation reserve	Hedging reserves	Reserves of associates and joint ventures	Retained earnings	**Total equity attributable to shareholders of the parent**	Non-controlling interests	**Total equity**
Currency retranslations							
– Recognized	(3 668)	1	(3)	—	**(3 670)**	(58)	**(3 728)**
– Reclassified to income statement	758	—	—	—	**758**	—	**758**
– Taxes	39	—	—	—	**39**	—	**39**
	(2 871)	1	(3)	—	**(2 873)**	(58)	**(2 931)**
Fair value changes on equity instruments							
– Recognized	—	—	—	163	**163**	—	**163**
– Taxes	—	—	—	(39)	**(39)**	—	**(39)**
	—	—	—	124	**124**	—	**124**
Changes in cash flow hedge and cost of hedge reserves							
– Recognized	—	(101)	—	—	**(101)**	(1)	**(102)**
– Reclassified to income statement	—	25	—	—	**25**	—	**25**
– Taxes	—	22	—	—	**22**	1	**23**
	—	(54)	—	—	**(54)**	—	**(54)**
Remeasurement of defined benefit plans							
– Recognized	—	—	—	5	**5**	(8)	**(3)**
– Taxes	—	—	—	(165)	**(165)**	2	**(163)**
	—	—	—	(160)	**(160)**	(6)	**(166)**
Share of other comprehensive income of associates and joint ventures							
– Recognized	—	—	(265)	(340)	**(605)**	—	**(605)**
	—	—	(265)	(340)	**(605)**	—	**(605)**
Other comprehensive income for the year	**(2 871)**	**(53)**	**(268)**	**(376)**	**(3 568)**	**(64)**	**(3 632)**

17.9 Reconciliation of the other reserves

In millions of CHF

	Hedging reserves	Reserves of associates and joint ventures	**Total**
At January 1, 2021	17	(382)	**(365)**
Other comprehensive income for the year	360	163	**523**
Other movements	(203)	—	**(203)**
At December 31, 2021	**174**	**(219)**	**(45)**
At January 1, 2020	69	(114)	**(45)**
Other comprehensive income for the year	(53)	(268)	**(321)**
Other movements	1	—	**1**
At December 31, 2020	**17**	**(382)**	**(365)**

17.10 Dividend

In accordance with Swiss law, the dividend is treated as an appropriation of profit in the year in which it is approved at the Annual General Meeting and subsequently paid.

The dividend related to 2020 was paid on April 21, 2021, in accordance with the decision taken at the Annual General Meeting on April 15, 2021. Shareholders approved the proposed dividend of CHF 2.75 per share, resulting in a total dividend of CHF 7681 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the Annual General Meeting on April 7, 2022, a dividend of CHF 2.80 per share will be proposed, resulting in an estimated total dividend of CHF 7882 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Consolidated Financial Statements for the year ended December 31, 2021, do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending December 31, 2022.

18. Transactions with related parties

18.1 Compensation of the Board of Directors and the Executive Board

Board of Directors

Members of the Board of Directors receive an annual compensation that varies with the Board and the Committee responsibilities as follows:

– Board members: CHF 280 000;
– members of the Chair's and Corporate Governance Committee: additional CHF 200 000 (Chair CHF 300 000);
– members of the Compensation Committee, the Nomination Committee and the Sustainability Committee: additional CHF 70 000 (Chair CHF 150 000); and
– members of the Audit Committee: additional CHF 100 000 (Chair CHF 150 000).

The fees for the Chair of the Board and the CEO are included in their total compensation.

Half of the compensation is paid through the granting of Nestlé S.A. shares at the ex-dividend closing price. These shares are subject to a three-year blocking period. The full compensation is paid in arrears.

With the exception of the Chair and the CEO, members of the Board of Directors also receive an annual expense allowance of CHF 15 000 each. This allowance covers travel and hotel accommodation in Switzerland, as well as sundry out-of-pocket expenses. For Board members from outside Europe, the Company reimburses additionally their airline tickets. When the Board meets outside of Switzerland, all expenses are borne and paid directly by the Company.

The Chair of the Board is entitled to cash compensation, as well as Nestlé S.A. shares which are blocked for three years.

In millions of CHF

	2021	2020
Chair's compensation	3	3
Other Board members		
Remuneration – cash	3	3
Shares	3	3
Total [(a)]	**9**	**9**

(a) For the detailed disclosures regarding the remunerations of the Board of Directors that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

Executive Board

The total annual remuneration of the members of the Executive Board comprises a salary, a bonus (based on the achievement of the Group's, functional and business objectives), equity compensation and other benefits. Members of the Executive Board can choose to receive part or all of their bonus in Nestlé S.A. shares at the average closing price of the last ten trading days of January of the year of the payment of the bonus. The CEO has to take a minimum of 50% in shares. These shares are subject to a three-year blocking period.

In millions of CHF

	2021	2020
Remuneration – cash	14	13
Bonus – cash	11	11
Bonus – shares	5	5
Equity compensation plans [(a)]	14	12
Pension	3	3
Total [(b)]	**47**	**44**

(a) Equity compensation plans are equity-settled share-based payment transactions whose cost is recognized over the vesting period as required by IFRS 2.
(b) For the detailed disclosures regarding the remunerations of the Executive Board that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

18.2 Transactions with associates and joint ventures

The main transactions with associates and joint ventures are:
– royalties received on brand licensing (see Note 14.3);
– dividends and interest received as well as loans granted (see Note 14);
– research and development commitments (see Note 9);
– in-licensing and intellectual property purchase (see Note 9);
– purchases and sales of finished and unfinished goods.
These transactions are undertaken on arm's length terms.

18.3 Other transactions

– Group's pension plans considered as related parties, refer to Note 10 Employee benefits;
– Directors of the Group: no personal interest in any transaction of significance for the business of the Group.

19. Guarantees

At December 31, 2021 and December 31, 2020, the Group has no significant guarantees given to third parties.

20. Effects of hyperinflation

The 2021 and 2020 figures include the following countries considered as hyperinflationary economies:
- Argentina;
- Iran;
- Venezuela;
- Zimbabwe;
- Lebanon; and
- Syria.

None of them has a significant impact on the Group accounts.

21. Events after the balance sheet date

The values of assets and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting events warrant a modification of these values. These adjustments are made up to the date of approval of the Consolidated Financial Statements by the Board of Directors.

At February 16, 2022, the date of approval for issue of the Consolidated Financial Statements by the Board of Directors, the Group has no subsequent events which either warrant a modification of the value of its assets and liabilities, or any additional disclosure, except the acquisition of Orgain as described in Note 2.2.

As previously announced, Nestlé implemented new Zone structure as of January 1, 2022. This change in organization will impact the 2022 Financial Statements.

Companies of the Nestlé Group, joint arrangements and associates

In the context of the SIX Swiss Exchange Directive on Information relating to Corporate Governance, the principal affiliated companies are disclosed if they fulfil at least two of the following three disclosure criteria:

1) The amount exceeds **CHF 40 million or equivalent** on:
   – total sales/services for operating companies;
   – financial/property income for sub-holding, financial and property companies;
   – share held by the Group in their profit for joint ventures and associates; and/or
2) The amount exceeds **CHF 20 million or equivalent** on:
   – the total balance sheet for affiliated companies;
   – the Group's investment for joint ventures and associates; and/or
3) Average number of employees during the financial year **equal or greater than 250 FTE.**

Entities directly held by Nestlé S.A. that are below the disclosure criteria are listed with a °.
Main operating entity in a given country that is below the disclosure criteria is listed with a [NiM].

All companies listed below are fully consolidated except for:
[1] Joint ventures accounted for using the equity method;
[2] Joint operations accounted for in proportion to the Nestlé contractual specified share (usually 50%);
[3] Associates accounted for using the equity method.

Countries within the continents are listed according to the alphabetical order of the country names.
Percentage of capital shareholding corresponds to voting powers unless stated otherwise.
Δ Companies listed on the stock exchange
◊ Sub-holding, financial and property companies

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Europe						
Austria						
Nespresso Österreich GmbH & Co. OHG		Wien		100%	EUR	35 000
Nestlé Österreich GmbH		Wien		100%	EUR	7 270 000
Azerbaijan						
Nestlé Azerbaijan LLC	°	Baku	<0.1%	100%	USD	200 000
Belarus						
LLC Nestlé Bel	°	Minsk	<0.1%	100%	BYN	410 000
Belgium						
Nespresso Belgique S.A.		Bruxelles		100%	EUR	550 000
Nestlé Belgilux S.A.		Bruxelles		100%	EUR	3 818 140
Nestlé Waters Benelux S.A.		Etalle		100%	EUR	5 601 257
Bosnia and Herzegovina						
Nestlé Adriatic BH d.o.o.	°	Sarajevo	9.4%	100%	BAM	21 510
Bulgaria						
Nestlé Bulgaria A.D.		Sofia		100%	BGN	10 234 933
Croatia						
Nestlé Adriatic d.o.o.		Zagreb		100%	HRK	14 685 500

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Czech Republic						
Nestlé Cesko s.r.o.		Praha		100%	CZK	300 000 000
Tivall CZ, s.r.o.		Krupka		100%	CZK	400 000 000
Denmark						
Nestlé Danmark A/S		Copenhagen		100%	DKK	44 000 000
Finland						
Suomen Nestlé Oy		Espoo		100%	EUR	6 000 000
France						
Centres de Recherche et Développement Nestlé S.A.S.		Issy-les-Moulineaux		100%	EUR	3 138 230
Nespresso France S.A.S.		Paris		100%	EUR	1 360 000
Nestlé Excellence Supports France S.A.S.		Issy-les-Moulineaux		100%	EUR	1 356 796
Nestlé France S.A.S.		Issy-les-Moulineaux		100%	EUR	130 925 520
Nestlé Health Science France S.A.S.		Issy-les-Moulineaux		100%	EUR	57 943 072
Nestlé Holding France S.A.S.	◊	Issy-les-Moulineaux		100%	EUR	739 559 392
Nestlé Purina PetCare Commercial Operations France S.A.S.		Issy-les-Moulineaux		100%	EUR	48 666 450
Nestlé Purina PetCare France S.A.S.		Issy-les-Moulineaux		100%	EUR	21 091 872
Nestlé Waters S.A.S.	◊	Issy-les-Moulineaux		100%	EUR	254 825 042
Nestlé Waters Marketing & Distribution S.A.S.		Issy-les-Moulineaux		100%	EUR	26 740 940
Nestlé Waters Supply Est S.A.S.		Issy-les-Moulineaux		100%	EUR	17 539 660
Nestlé Waters Supply Sud S.A.S.		Issy-les-Moulineaux		100%	EUR	7 309 106
Société des Produits Alimentaires de Caudry S.A.S.		Issy-les-Moulineaux		100%	EUR	8 670 319
Société Industrielle de Transformation de Produits Agricoles S.A.S.		Issy-les-Moulineaux		100%	EUR	9 718 000
Cereal Partners France SNC	1)	Noisiel		50%	EUR	3 000 000
L'Oréal S.A.	Δ3)	Paris	20.1%	20.1%	EUR	107 621 021
Listed on the Paris stock exchange, market capitalization EUR 232.5 billion, quotation code (ISIN) FR0000120321						
Lactalis Nestlé Produits Frais S.A.S.	3)	Laval		40%	EUR	69 208 832
Georgia						
Nestlé Georgia LLC	NiM	Tbilisi		100%	CHF	700 000
Germany						
Mucos Emulsionsgesellschaft mbH Chemisch-Pharmazeutische Betriebe		Berlin		100%	EUR	102 258
Nestlé Deutschland AG		Frankfurt am Main		100%	EUR	214 266 628
Nestlé Product Technology Centre Lebensmittelforschung GmbH		Freiburg i. Br.		100%	EUR	52 000
Nestlé Purina PetCare Deutschland GmbH		Bonn		100%	EUR	30 000
Nestlé Unternehmungen Deutschland GmbH	◊	Frankfurt am Main	15%	100%	EUR	60 000 000
Nestlé Wagner GmbH		Saarbrücken		100%	EUR	25 000
Nestlé Waters Deutschland GmbH		Frankfurt am Main		100%	EUR	10 566 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Greece						
Nestlé Hellas Single Member SA		Maroussi		100%	EUR	5 269 765
Hungary						
Nestlé Hungária Kft.		Budapest		100%	HUF	6 000 000 000
Ireland (Republic of)						
Nestlé (Ireland) Ltd		Dublin		100%	EUR	1 270
Wyeth Nutritionals Ireland Ltd		Askeaton		100%	EUR	8 741 000
Italy						
Nespresso Italiana S.p.A.		Assago		100%	EUR	250 000
Nestlé Italiana S.p.A.		Assago		100%	EUR	25 582 492
Nestlé Purina Commerciale Srl		Assago		100%	EUR	1 000 000
Sanpellegrino S.p.A.		San Pellegrino Terme		100%	EUR	58 742 145
Kazakhstan						
Nestlé Food Kazakhstan LLP		Almaty	<0.1%	100%	KZT	91 900
Lithuania						
UAB "Nestlé Baltics"		Vilnius		100%	EUR	31 856
Luxembourg						
Compagnie Financière du Haut-Rhin S.A.	◊	Luxembourg		100%	EUR	105 200 000
Nestlé Finance International Ltd	◊	Luxembourg	100%	100%	EUR	440 000
Nestlé Treasury International S.A.	°◊	Luxembourg	100%	100%	EUR	1 000 000
NTC-Europe S.A.	◊	Luxembourg	100%	100%	EUR	3 565 000
Froneri Lux Topco Sàrl [(a)]	1)	Luxembourg	47.1%	47.1%	EUR	97 648
Islay New Group Holding S.A. [(b)]	3)	Luxembourg		19.4%	GBP	103 823 544
Macedonia						
Nestlé Adriatik Makedonija d.o.o.e.l.	NiM	Skopje-Karpos		100%	MKD	31 060 400
Malta						
Nestlé Malta Ltd	NiM	Lija		100%	EUR	116 470
Moldova						
LLC Nestlé	°	Chișinău	100%	100%	MDL	18 615
Montenegro						
Nestle Adriatic Crna Gora d.o.o.	NiM	Podgorica		100%	EUR	5 307

(a) Voting powers amount to 50%
(b) Voting powers amount to 22%

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Netherlands						
East Springs International N.V.	◊	Amsterdam		100%	EUR	25 370 000
MCO Health B.V.		Almere		100%	EUR	418 000
Nespresso Nederland B.V.		Amsterdam		100%	EUR	680 670
Nestlé Nederland B.V.		Amsterdam		100%	EUR	11 346 000
Tailsco B.V.		Amsterdam		83%	EUR	1
Norway						
AS Nestlé Norge		Bærum		100%	NOK	81 250 000
Poland						
Nestlé Polska S.A.		Warszawa		100%	PLN	42 459 600
Nestlé Purina Manufacturing Operations Poland Sp. Z o.o.		Nowa Wieś Wroclawska		100%	PLN	495 923 700
Cereal Partners Poland Torun-Pacific Sp. Z o.o.	1)	Toruń		50%	PLN	14 572 838
Portugal						
Nestlé Portugal, Unipessoal, Lda.		Oeiras		100%	EUR	30 000 000
Romania						
Nestlé Romania S.R.L.		Bucharest		100%	RON	132 906 800
Russia						
Nestlé Kuban LLC		Timashevsk		100%	RUB	21 041 793
Nestlé Rossiya LLC		Moscow		100%	RUB	880 154 115
Serbia (Republic of)						
Nestlé Adriatic S d.o.o., Beograd-Surcin		Beograd-Surcin		100%	RSD	12 222 327 814
Slovak Republic						
Nestlé Slovensko s.r.o.		Prievidza		100%	EUR	13 277 568
Slovenia						
Nestlé Adriatic Trgovina d.o.o.	NiM	Ljubljana		100%	EUR	8 763
Spain						
Nestlé España S.A.		Esplugues de Llobregat		100%	EUR	100 000 000
Nestlé Global Services Spain, S.L.		Esplugues de Llobregat		100%	EUR	3 000
Suplementos Solgar, S.L.	°	Madrid	40%	100%	EUR	504 000
Herta Foods, S.L.	3)	Gurb		40%	EUR	489 113 988
Sweden						
Nestlé Sverige AB		Helsingborg		100%	SEK	20 000 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Switzerland						
Deswico Sàrl	°◊	Vevey	100%	100%	CHF	20 000
Entreprises Maggi S.A.	◊	Cham	100%	100%	CHF	100 000
Intercona Re AG	◊	Châtel-St-Denis		100%	CHF	35 000 000
Nestlé Enterprises SA		Vevey		100%	CHF	3 514 000
Nestlé Nespresso S.A.		Lausanne		100%	CHF	2 000 000
Nestlé Operational Services Worldwide S.A.		Bussigny-près-Lausanne		100%	CHF	100 000
Nestlé Suisse S.A.		Vevey		100%	CHF	250 000
Nestlé Ventures S.A.	°◊	Vevey	100%	100%	CHF	250 000
Nestlé Waters (Suisse) S.A.		Henniez		100%	CHF	5 000 000
Nestrade S.A.		La Tour-de-Peilz		100%	CHF	6 500 000
Nutrition-Wellness Venture AG	°◊	Vevey	100%	100%	CHF	100 000
Provestor AG	◊	Cham		100%	CHF	2 000 000
Société des Produits Nestlé S.A.		Vevey	100%	100%	CHF	8 900 000
Sofinol S.A.		Manno		100%	CHF	3 000 000
CPW Operations Sàrl	°1)	Prilly	50%	50%	CHF	40 000
Turkey						
Erikli Su ve Mesrubat Sanayi ve Ticaret A.S.		Bursa		100%	TRY	20 700 000
Nestlé Türkiye Gida Sanayi A.S.		Istanbul		99.9%	TRY	35 000 000
Ukraine						
JSC “Lviv Confectionery Factory” “Svitoch”		Lviv		100%	UAH	88 111 060
LLC Nestlé Ukraine		Kyiv		100%	UAH	799 965
LLC Technocom		Kharviv	100%	100%	UAH	119 658 066
PJSC Volynholding		Torchyn		100%	UAH	100 000
United Kingdom						
Lily’s Kitchen Ltd		London		100%	GBP	1 164
Mindful Chef Ltd		London		67.3%	GBP	534
Nespresso UK Ltd		Gatwick		100%	GBP	275 000
Nestec York Ltd		Gatwick		100%	GBP	500 000
Nestlé Holdings (UK) PLC	◊	Gatwick		100%	GBP	77 940 001
Nestlé NB Financing (International) Ltd	°◊	Gatwick	100%	100%	CHF	2
Nestlé NB Financing (UK) Ltd	°◊	Gatwick	100%	100%	CHF	2
Nestlé Purina UK Commercial Operations Ltd		Gatwick		100%	GBP	10 001
Nestlé Purina UK Manufacturing Operations Ltd		Gatwick		100%	GBP	44 000 000
Nestlé UK Ltd		Gatwick		100%	GBP	129 972 342
Nestlé VP LLP		London	<0.1%	100%	GBP	0
Nestlé Waters UK Ltd		Gatwick		100%	GBP	640
Tailsco Ltd		London		83%	GBP	17
The Nature’s Bounty Co. Ltd		Manchester		99.4%	GBP	1 089
Cereal Partners UK	1)	Herts		50%	GBP	—
Phagenesis Ltd	°3)	Manchester	29.2%	29.2%	GBP	16 146

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Africa						
Algeria						
Nestlé Algérie SpA	°	Alger	<0.1%	49%	DZD	650 000 000
Nestlé Industrie Algérie SpA	°	Alger	49%	49%	DZD	1 100 000 000
Angola						
Nestlé Angola Lda	NiM	Luanda		100%	AOA	1 791 870 000
Burkina Faso						
Nestlé Burkina Faso S.A.		Ouagadougou		100%	XOF	50 000 000
Cameroon						
Nestlé Cameroun S.A.		Douala		100%	XAF	4 323 960 000
Côte d'Ivoire						
Nestlé Côte d'Ivoire S.A.	Δ	Abidjan		88.1%	XOF	5 517 600 000
Listed on the Abidjan stock exchange, market capitalization XOF 101.6 billion, quotation code (ISIN) CI0009240728						
Egypt						
Nestlé Egypt S.A.E.		Giza	100%	100%	EGP	80 722 000
Nestlé Waters Egypt S.A.E.		Cairo		99.8%	EGP	90 140 000
Gabon						
Nestlé Gabon, S.A.	NiM	Libreville		90%	XAF	344 000 000
Ghana						
Nestlé Central and West Africa Ltd		Accra		100%	GHS	145 746 000
Nestlé Ghana Ltd		Accra		76%	GHS	20 100 000
Kenya						
Nestlé Equatorial African Region Ltd	°	Nairobi	100%	100%	KES	132 000 000
Nestlé Kenya Ltd		Nairobi		100%	KES	226 100 400
Mali						
Nestlé Mali S.A.U.	NiM	Bamako		100%	XOF	10 000 000
Mauritius						
Nestlé's Products (Mauritius) Ltd	NiM	Port Louis		100%	MUR	2 488 071
Morocco						
Nestlé Maroc S.A.		El Jadida		94.6%	MAD	156 933 000
Mozambique						
Nestlé Mocambique Lda	°	Maputo	<0.1%	100%	MZN	2 631 711 200

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Nigeria						
Nestlé Nigeria Plc	Δ	Ilupeju	3.1%	69.3%	NGN	396 328 126
Listed on the Nigerian Stock Exchange, market capitalization NGN 1233.8 billion, quotation code (ISIN) NGNESTLE0006						
Senegal						
Nestlé Sénégal S.A.		Dakar		100%	XOF	1 620 000 000
South Africa						
Nestlé (South Africa) (Pty) Ltd		Johannesburg		100%	ZAR	759 735 000
Tunisia						
Nestlé Tunisie Distribution S.A.	NiM	Tunis		100%	TND	100 000
Zambia						
Nestlé Zambia Trading Ltd	°	Lusaka	99.8%	100%	ZMW	2 317 500
Zimbabwe						
Nestlé Zimbabwe (Private) Ltd		Harare		100%	ZWL	19 626 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Americas						
Argentina						
Eco de Los Andes S.A.		Buenos Aires		50.9%	ARS	92 524 285
Enzimas S.A.	°	Buenos Aires	99.9%	100%	ARS	9 000 000
Nestlé Argentina S.A.		Buenos Aires	96.3%	100%	ARS	9 660 396 000
Bolivia						
Industrias Alimentícias Fagal S.R.L.		Santa Cruz	1.5%	100%	BOB	175 556 000
Nestlé Bolivia S.A.	NiM	Santa Cruz	<0.1%	100%	BOB	191 900
Brazil						
Chocolates Garoto S.A.		Vila Velha		100%	BRL	264 766 192
Nestlé Brasil Ltda		São Paulo	100%	100%	BRL	2 088 124 538
Nestlé Nordeste Alimentos e Bebidas Ltda		Feira de Santana	15.8%	100%	BRL	1 674 270 610
SOCOPAL – Sociedade Comercial de Corretagem de Seguros e de Participações Ltda	°	São Paulo	100%	100%	BRL	2 155 600
Dairy Partners Americas Brasil Ltda	1)	São Paulo	49%	49%	BRL	300 806 368
Canada						
Atrium Innovations Inc.		Westmount (Québec)		100%	CAD	229 364 710
Bountiful Canada Vitamins ULC		Vancouver (B.C.)		100%	CAD	100
Nestlé Canada Inc.		Toronto (Ontario)		100%	CAD	99 938 540
Cayman Islands						
Hsu Fu Chi International Limited	◊	Grand Cayman		60%	SGD	7 950 000
Chile						
Chocolates del Mundo S.A.		Quilicura		100%	CLP	1 592 620 167
Nestlé Chile S.A.		Santiago de Chile	99.8%	99.8%	CLP	11 832 926 000
Aguas CCU – Nestlé Chile S.A.	3)	Santiago de Chile		49.8%	CLP	49 799 375 321
Colombia						
Comestibles La Rosa S.A.		Bogotá	<0.1%	100%	COP	126 397 400
Dairy Partners Americas Manufacturing Colombia Ltda		Bogotá		100%	COP	200 000 000
Nestlé de Colombia S.A.		Bogotá	<0.1%	100%	COP	1 291 305 400
Nestlé Purina PetCare de Colombia S.A.		Bogotá	<0.1%	100%	COP	17 030 000 000
Costa Rica						
Compañía Nestlé Costa Rica S.A.		Heredia		100%	CRC	18 000 000
Cuba						
Los Portales S.A.		La Habana		50%	USD	24 110 000
Nescor, S.A.	°	Artemisa	50.9%	50.9%	USD	32 200 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Dominican Republic						
Nestlé Dominicana S.A.		Santo Domingo	98.5%	99.9%	DOP	1 657 445 000
Silsa Dominicana S.A.	°	Santo Domingo	6%	99.9%	USD	50 000
Ecuador						
Ecuajugos S.A.		Quito	<0.1%	100%	USD	521 583
Industrial Surindu S.A.		Quito	<0.1%	100%	USD	3 000 000
Nestlé Ecuador S.A.		Quito	<0.1%	100%	USD	1 776 760
El Salvador						
Nestlé El Salvador, S.A. de C.V.		San Salvador	<0.1%	100%	USD	4 457 200
Guatemala						
Malher, S.A.		Ciudad de Guatemala	<0.1%	100%	GTQ	100 075 000
Nestlé Guatemala S.A.		Ciudad de Guatemala	<0.1%	100%	GTQ	23 460 600
Honduras						
Nestlé Hondureña S.A.		Tegucigalpa		100%	PAB	200 000
Jamaica						
Nestlé Jamaica Ltd		Kingston		100%	JMD	49 200 000
Mexico						
Manantiales La Asunción, S.A.P.I. de C.V. (c)		Ciudad de México		40%	MXN	1 035 827 492
Marcas Nestlé, S.A. de C.V.		Ciudad de México		100%	MXN	500 051 000
Nescalín, S.A. de C.V.	◊	Ciudad de México		100%	MXN	445 876 740
Nespresso México, S.A. de C.V.		Ciudad de México		100%	MXN	210 050 000
Nestlé México, S.A. de C.V.		Ciudad de México		100%	MXN	4 407 532 730
Nestlé Servicios Corporativos, S.A. de C.V.		Ciudad de México		100%	MXN	170 200 000
Nestlé Servicios Industriales, S.A. de C.V.		Ciudad de México		100%	MXN	1 050 000
Ralston Purina México, S.A. de C.V.		Ciudad de México		100%	MXN	60 283 210
Nicaragua						
Compañía Centroamericana de Productos Lácteos, S.A.		Managua		92.6%	NIO	10 294 900
Nestlé Nicaragua, S.A.		Managua		100%	USD	150 000
Panama						
Nestlé Centroamerica, S.A.		Ciudad de Panamá		100%	USD	1 000 000
Nestlé Panamá, S.A.		Ciudad de Panamá		100%	PAB	17 500 000
Paraguay						
Nestlé Business Services Latam S.A.		Asunción		100%	PYG	100 000 000
Nestlé Paraguay S.A.	NiM	Asunción		100%	PYG	100 000 000

(c) Voting powers amount to 51%

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Peru						
Nestlé Marcas Perú, S.A.C.		Lima	50%	100%	PEN	5 536 832
Nestlé Perú, S.A.		Lima	99.5%	99.5%	PEN	88 964 263
Puerto Rico						
Swirl, Corp.	°	Guaynabo	100%	100%	USD	100
Trinidad and Tobago						
Nestlé Caribbean, Inc.		Valsayn		100%	USD	100 000
Nestlé Trinidad and Tobago Ltd		Valsayn	100%	100%	TTD	35 540 000
United States						
Blue Bottle Coffee, LLC		Wilmington (Delaware)		100%	USD	0
Freshly Inc.		Dover (Delaware)		100%	USD	0
Garden of Life LLC		Wilmington (Delaware)		100%	USD	—
Gerber Products Company		Fremont (Michigan)		100%	USD	1 000
HVL LLC		Wilmington (Delaware)		100%	USD	—
Merrick Pet Care, Inc.		Dallas (Texas)		100%	USD	1 000 000
NDHH, LLC	◊	Wilmington (Delaware)		100%	USD	1
Nespresso USA, Inc.		Wilmington (Delaware)		100%	USD	1 000
Nestlé Capital Corporation	◊	Wilmington (Delaware)		100%	USD	1 000 000
Nestlé HealthCare Nutrition, Inc.		Wilmington (Delaware)		100%	USD	50 000
Nestlé Holdings, Inc.	◊	Wilmington (Delaware)		100%	USD	100 000
Nestlé Nutrition R&D Centers, Inc.		Wilmington (Delaware)		100%	USD	10 000
Nestlé Prepared Foods Company		Philadelphia (Pennsylvania)		100%	USD	476 760
Nestlé Purina PetCare Company		St. Louis (Missouri)		100%	USD	1 000
Nestlé Purina PetCare Global Resources, Inc.		Wilmington (Delaware)		100%	USD	0
Nestlé R&D Center, Inc.		Wilmington (Delaware)		100%	USD	10 000
Nestlé Regional GLOBE Office North America, Inc.		Wilmington (Delaware)		100%	USD	1 000
Nestlé USA, Inc.		Wilmington (Delaware)		100%	USD	1 000
Pure Encapsulations, LLC		Wilmington (Delaware)		100%	USD	—
Puritan's Pride, Inc.		New York (New York)		99.4%	USD	0
Red Maple Insurance Company	◊	Williston (Vermont)		100%	USD	1 200 000
Rexall Sundown, Inc.		Plantation (Florida)		99.4%	USD	0
Solgar Holdings, Inc.		Wilmington (Delaware)		99.4%	USD	1 000
The Nature's Bounty Co.		Wilmington (Delaware)		99.4%	USD	10
Vital Proteins LLC	◊	Wilmington (Delaware)		100%	USD	0
Vitality Foodservice, Inc.		Dover (Delaware)		100%	USD	1 240
Vitaminpacks Inc.		Wilmington (Delaware)		98.3%	USD	1 076
Uruguay						
Nestlé del Uruguay S.A.		Montevideo		100%	UYU	375 426 189
Venezuela						
Nestlé Venezuela, S.A.		Caracas	100%	100%	VES	0

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Asia						
Afghanistan						
Nestlé Afghanistan Ltd	°	Kabul	100%	100%	USD	1 000 000
Bahrain						
Nestlé Bahrain Trading WLL	NiM	Manama		49%	BHD	200 000
Bangladesh						
Nestlé Bangladesh Limited		Dhaka	99.4%	100%	BDT	100 000 000
Greater China Region						
Dongguan Hsu Chi Food Co., Limited		Dongguan		60%	HKD	700 000 000
Guangzhou Refrigerated Foods Limited		Guangzhou		95.5%	CNY	390 000 000
Nestlé (China) Limited		Beijing	100%	100%	CNY	3 252 353 500
Nestlé Dongguan Limited		Dongguan		100%	CNY	536 000 000
Nestlé Health Science (China) Limited		Taizhou City		100%	USD	32 640 000
Nestlé Hong Kong Limited		Hong Kong		100%	HKD	250 000 000
Nestlé Nespresso Beijing Limited		Beijing		100%	CNY	7 000 000
Nestlé Purina PetCare Tianjin Limited		Tianjin		100%	CNY	240 000 000
Nestlé Qingdao Limited		Laixi		100%	CNY	930 000 000
Nestlé Shanghai Limited		Shanghai		95%	CNY	200 000 000
Nestlé Shuangcheng Limited		Shuangcheng		97%	CNY	435 000 000
Nestlé Taiwan Limited		Taipei		100%	TWD	100 000 000
Nestlé Tianjin Limited		Tianjin		100%	CNY	785 000 000
Shanghai Nestlé Product Services Limited		Shanghai		100%	CNY	83 000 000
Shanghai Totole First Food Limited		Shanghai		100%	CNY	72 000 000
Shanghai Totole Food Limited		Shanghai		100%	USD	7 800 000
Sichuan Haoji Food Co., Limited		Puge		80%	CNY	80 000 000
Suzhou Hexing Food Co., Limited		Suzhou		100%	CNY	40 000 000
Wyeth (Hong Kong) Holding Co., Limited	◊	Hong Kong		100%	HKD	1 354 107 000
Wyeth (Shanghai) Trading Co., Limited		Shanghai		100%	USD	2 000 000
Wyeth Nutritional (China) Co., Limited		Suzhou		100%	CNY	900 000 000
India						
Nestlé India Ltd	Δ	New Delhi	34.3%	62.8%	INR	964 157 160
Listed on the Bombay Stock Exchange, market capitalization INR 1899.9 billion, quotation code (ISIN) INE239A01016						
Indonesia						
P.T. Nestlé Indonesia		Jakarta		91.7%	IDR	152 753 440 000
P.T. Wyeth Nutrition Sduaenam		Jakarta		90%	IDR	2 500 000 000
Iran						
Nestlé Iran (Private Joint Stock Company)		Tehrān		95.9%	IRR	358 538 000 000
Nestlé Parsian (Private Joint Stock Company)	°	Tehrān	60%	100%	IRR	1 000 000 000

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Israel						
Materna Industries Limited Partnership		Kibbutz Maabarot		100%	ILS	10 000
Nespresso Israel Ltd		Tel Aviv		100%	ILS	1 000
OSEM Food Industries Ltd		Shoam		100%	ILS	176
OSEM Investments Ltd		Shoam		100%	ILS	110 644 443
Tivall Food Industries Ltd		Kiryat Gat		100%	ILS	41 861 167
Japan						
Blue Bottle Coffee Japan, G.K.		Tokyo	25%	100%	JPY	10 000 000
Nestlé Japan Ltd		Kōbe		100%	JPY	4 000 000 000
Nestlé Nespresso K.K.		Kōbe		100%	JPY	10 000 000
Jordan						
Nestlé Jordan Trading Company Ltd		Amman	50%	87%	JOD	410 000
Korea (Republic of)						
Blue Bottle Coffee Korea Ltd	°	Seoul	25%	100%	KRW	1 785 540 000
Nestlé Korea Yuhan Chaegim Hoesa		Seoul		100%	KRW	15 594 500 000
LOTTE-Nestlé (Korea) Co., Ltd	1)	Cheongju		50%	KRW	52 783 120 000
Kuwait						
Nestlé Kuwait General Trading Company WLL		Safat	49%	49%	KWD	300 000
Lebanon						
Société pour l'Exportation des Produits Nestlé S.A.		Baabda	100%	100%	CHF	1 750 000
Malaysia						
Nestlé (Malaysia) Bhd.	Δ◊	Petaling Jaya		72.6%	MYR	267 500 000
Listed on the Kuala Lumpur stock exchange, market capitalization MYR 31.5 billion, quotation code (ISIN) MYL4707OO005						
Nestlé Asean (Malaysia) Sdn. Bhd.		Petaling Jaya		72.6%	MYR	42 000 000
Nestlé Manufacturing (Malaysia) Sdn. Bhd.		Petaling Jaya		72.6%	MYR	132 500 000
Nestlé Products Sdn. Bhd.		Petaling Jaya		72.6%	MYR	28 500 000
Wyeth Nutrition (Malaysia) Sdn. Bhd.		Petaling Jaya		100%	MYR	1 969 505
Myanmar						
Nestlé Myanmar Limited	°	Yangon	95%	95%	USD	9 469 600
Oman						
Nestlé Oman Trading LLC		Muscat		49%	OMR	300 000
Pakistan						
Nestlé Pakistan Ltd	Δ	Lahore		61.6%	PKR	453 495 840
Listed on the Pakistan Stock Exchange, market capitalization PKR 259.6 billion, quotation code (ISIN) PK0025101012						

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Palestinian Territories						
Nestlé Trading Private Limited Company	°	Bethlehem	97.5%	97.5%	JOD	200 000
Philippines						
Nestlé Business Services AOA, Inc.		Bulacan	100%	100%	PHP	70 000 000
Nestlé Philippines, Inc.		Cabuyao	100%	100%	PHP	2 300 927 400
Wyeth Philippines, Inc.		Makati City	100%	100%	PHP	743 134 900
CPW Philippines, Inc.	°1)	Makati City	50%	50%	PHP	7 500 000
Qatar						
Nestlé Qatar Trading LLC		Doha	49%	49%	QAR	1 680 000
Saudi Arabia						
Al Manhal Water Factory Co. Ltd		Riyadh		90%	SAR	7 000 000
Nestlé Saudi Arabia LLC		Jeddah		75%	SAR	27 000 000
Springs Water Factory Co. Ltd		Dammam		89.8%	SAR	5 000 000
Singapore						
Nestlé Singapore (Pte) Ltd		Singapore		100%	SGD	1 000 000
Nestlé TC Asia Pacific Pte Ltd	°◊	Singapore	100%	100%	JPY	10 000 000 000
					SGD	2
Wyeth Nutritionals (Singapore) Pte Ltd		Singapore		100%	SGD	220 506 420
Sri Lanka						
Nestlé Lanka PLC	Δ	Colombo	91.9%	91.9%	LKR	537 254 630
Listed on the Colombo stock exchange, market capitalization LKR 65.3 billion, quotation code (ISIN) LK0128N00005						
Syria						
Nestlé Syria S.A.		Damascus		100%	SYP	800 000 000
Thailand						
Nestlé (Thai) Ltd		Bangkok		100%	THB	880 000 000
Nestlé Roh (Thailand) Ltd	°	Bangkok	<0.1%	100%	THB	250 000 000
Perrier Vittel (Thailand) Ltd		Bangkok		100%	THB	235 000 000
Quality Coffee Products Ltd		Bangkok	30%	50%	THB	500 000 000
United Arab Emirates						
Nestlé Dubai Manufacturing LLC		Dubai		49%	AED	300 000
Nestlé Middle East FZE		Dubai		100%	AED	3 000 000
Nestlé Middle East Manufacturing LLC		Dubai		49%	AED	300 000
Nestlé Treasury Centre-Middle East & Africa Ltd	◊	Dubai		100%	USD	2 997 343 684
Nestlé UAE LLC		Dubai		49%	AED	2 000 000
Nestlé Waters Factory H&O LLC		Dubai		51%	AED	22 300 000

Companies	City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Uzbekistan					
Nestlé Food MChJ XK	Tashkent	<0.1%	100%	UZS	12 922 977 969
Vietnam					
La Vie Limited Liability Company	Long An		65%	USD	2 663 400
Nestlé Vietnam Ltd	Bien Hoa	100%	100%	KVND	1 261 151 498

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Oceania						
Australia						
Nestlé Australia Ltd		Sydney		100%	AUD	274 000 000
Cereal Partners Australia Pty Ltd	1)	Sydney		50%	AUD	107 800 000
Fiji						
Nestlé (Fiji) Ltd	°	Lami	33%	100%	FJD	3 000 000
French Polynesia						
Nestlé Polynésie S.A.S.	NiM	Papeete		100%	XPF	5 000 000
New Caledonia						
Nestlé Nouvelle-Calédonie S.A.S.	NiM	Nouméa		100%	XPF	64 000 000
New Zealand						
Nestlé New Zealand Limited		Auckland		100%	NZD	300 000
Papua New Guinea						
Nestlé (PNG) Ltd		Lae		100%	PGK	11 850 000

Technical assistance, research and development units

All scientific research and technological development is undertaken in a number of dedicated centres, specialized as follows:

Technical Assistance	TA
Development centres	D
Research centres	R
Research & Development centres	R&D
Product Technology centres	PTC

The Technical Assistance centre is Société des Produits Nestlé S.A. (SPN), a technical, scientific, commercial and business assistance company. The units of SPN, specialized in all areas of the business, supply permanent know-how and assistance to operating companies in the Group within the framework of licence and equivalent contracts. SPN is also responsible for all scientific research and technological development, which it undertakes itself or through affiliated companies. The centres involved are listed below:

		City of operations				
Switzerland						
Nestlé Research		Ecublens			R	
Nestlé Product Technology Centre Beverage		Orbe			PTC	
Nestlé Product Technology Centre Dairy		Konolfingen			PTC	
Nestlé Product Technology Centre Nestlé Nutrition		Konolfingen			PTC	
Nestlé Product Technology Centre Nestlé Professional		Orbe			PTC	
Nestlé Research		Lausanne			R	
Nestlé System Technology Centre		Orbe			R and PTC	
Société des Produits Nestlé S.A.		Vevey			TA	
Australia						
CPW R&D Centre	1)	Wahgunyah			R&D	
Chile						
Nestlé Development Centre		Santiago de Chile			D	
Côte d'Ivoire						
Nestlé R&D Centre		Abidjan			R&D	
France						
Nestlé Development Centre Dairy		Lisieux			D	
Nestlé Product Technology Centre Water		Vittel			PTC	
Nestlé R&D Centre		Aubigny			R&D	
Nestlé R&D Centre		Tours			R&D	
Froneri Development Center Glaces S.A.S.	1)	Beauvais			PTC	

		City of operations				
Germany						
Nestlé Product Technology Centre Food		Singen			PTC	
Greater China Region						
Nestlé R&D Centre		Beijing			R&D	
India						
Nestlé Development Centre		Gurgaon			D	
Ireland (Republic of)						
Nestlé Development Centre		Askeaton			D	
Singapore						
Nestlé Development Centre		Singapore			D	
Nestlé Development Unit Ice Cream		Singapore			D	
United Kingdom						
Nestlé Product Technology Centre Confectionery		York			PTC	
CPW R&D Centre	1)	Staverton			R&D	
United States						
Nestlé Development Centre		Fremont (Michigan)			D	
Nestlé Development Centre		Marysville (Ohio)			D	
Nestlé Development Centre		Solon (Ohio)			D	
Nestlé Product Technology Centre Health Science		Bridgewater (New Jersey)			PTC	
Nestlé Product Technology Centre PetCare		St. Louis (Missouri)			PTC	
Nestlé R&D Centre		St. Joseph (Missouri)			R&D	
CPW R&D Centre	1)	Minneapolis (Minnesota)			R&D	

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

Lausanne, 16 February 2022

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Nestlé S.A. and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, including a summary of significant accounting policies, as at 31 December 2021 and for the year then ended.

In our opinion, the consolidated financial statements (pages 70 to 170) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code)* 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a

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separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Measurement of revenue as it relates to trade spend

Risk	As described in Notes 1 and 3 of the consolidated financial statements, revenue from the sale of goods is recognized when control of the goods has transferred to the customer and is measured net of discounts, allowances and promotional rebates (collectively 'trade spend'). The measurement of revenue, therefore, involves estimates related to various trade spend arrangements with a broad customer base across different countries. Organic growth, which represents sales growth after removing the impact of acquisitions and divestitures and exchange rate movements, is an important component in the determination of measurable financial objectives linked to management incentive schemes. The risk of revenue being misstated, through error, misinterpretation or misapplication of accounting standards and policies or intentional manipulation, may result from the pressure that local management may feel to achieve performance targets. The nature of the misstatements may include bias in estimates, unrecorded accruals, or the misclassification of trade spend in the income statement resulting in a misstatement of sales. We deemed the measurement of trade spend to be a key audit matter due to the materiality and complexity in estimating the amount of trade spend that is ultimately claimed. Management estimates the level of trade spend using judgments based on historical experience and the specific terms of the agreements with the customers. The estimates require the use of assumptions that are complex, given the diversity of trade spend arrangements and the uncertainty related to future outcomes, including changes in buying patterns resulting from COVID-19.

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Our audit response	Our audit procedures included the following: **Accounting policies:** We assessed the Group's revenue recognition accounting policies, including the recognition and classification criteria for trade spend. **Processes and controls:** We gained an understanding of the types of arrangements, processes, systems and internal controls related to trade spend. – We tested the integrity of the general IT control environment relating to the most significant IT systems relevant to revenue recognition and tested selected IT application controls. – We tested selected internal controls in some markets related to measuring and accounting for trade spend. **Data analytics:** We evaluated monthly trends of sales and trade spend. We performed relationship analysis focused on the change in trade spend as a percentage of sales to assess the level of trade spend by category, and by customer, in the context of the local markets. For a sample of trade spend, we considered if those items were classified according to the Group's accounting policies. **Test of details:** For a sample of trade spend arrangements, we reconciled key inputs and assumptions used in the estimates with internal and external sources of information, such as the contracts with the relevant customers or other third-party support. We recalculated the accrual and income statement amounts to test mathematical accuracy. We assessed manual journal entries impacting trade spend to identify significant or unusual items and obtained underlying documentation. We considered the ageing of trade spend accruals. We tested transactions with customers recorded after the reporting date to assess the completeness of accruals and assessed whether recorded in the correct period. **Assessing disclosure:** We assessed the disclosure provided in Note 1 and Note 3 of the financial statements in relation to the relevant accounting standards.

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Our results: Our audit procedures did not lead to any reservations concerning the trade spend accrual and related net revenue recognized.

Carrying value of goodwill and indefinite life intangibles assets

Risk	As described in Notes 1 and 9 of the consolidated financial statements, the Company has CHF 31.0 billion of goodwill and CHF 18.0 billion of indefinite life intangibles assets, the sum of which represents 35% of total assets and 91% of equity. For all cash generating units (CGUs) with goodwill or indefinite-life intangibles, indicators of impairment are assessed at each reporting date and an impairment test is performed at least annually. In the year ended 31 December 2021, impairment charges of CHF 2.1 billion have been recorded on goodwill and indefinite life intangibles assets, primarily related to the Wyeth brands and goodwill in the Nutrition CGU in Greater China Region. In the second half of 2021, due to the worsening performance of the Wyeth brands and Nutrition in China, management of the Nutrition business in AOA was reorganized from a regionally managed business to a locally managed business and restructuring was undertaken for Wyeth. As a result, the composition of the goodwill CGU of the Nutrition business in AOA has been redefined resulting in two CGUs: Nutrition CGU in Greater China Region and Nutrition CGU in Zone AOA (excluding Greater China Region). Concurrently, the Wyeth brands was tested for impairment separately from other nutrition brands. The assessment of indicators of impairment and impairment testing are subjective in nature. The recoverability of goodwill and indefinite life intangible assets is assessed using forecasted financial information within a discounted cash flow model. The recoverable amount is sensitive to changes in key assumptions, including sales growth, operating margins, discount and terminal growth rates. The inputs, as well as allocation of assets to CGUs, are subject to management judgment. The key assumptions in the determination of projected cash flows (see note 9.1) reflected the foreseeable impacts of birth rates in China and rest of AOA, regulatory environment for infant nutrition in China, commercial success of new product launches, duration

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	of the COVID-19 pandemic and related economic impact in those regions. The recoverable amount of the Wyeth brands and the impairment charge taken are therefore subject to a high degree of estimation uncertainty.
Our audit response	Our audit procedures included the following: **Determination of cash generating units (CGUs):** We gained an understanding of management's judgements with respect to the determination of CGUs, including the changes to the CGUs in the current year to the Wyeth brands and Nutrition CGU in Greater China Region and Nutrition CGU in Zone AOA (excluding Greater China Region). We gained an understanding of the judgements and inputs applied in the allocation of assets to CGUs and recalculated key inputs. We assessed the determination of CGUs and the allocation of assets to those CGUs. **Process and controls:** We gained an understanding of the impairment process and confirmed the existence of key controls. **Historical comparisons and current context:** We obtained an understanding of the current macro-economic context, the impact of the ongoing COVID-19 pandemic on forecasted financial information and the outlook for each CGU through both external research and discussions with selected stakeholders within the Group. We compared the forecasted financial information (sales growth and operating margins) with historical data. Where the forecasted financial information differed from our expectations given the current context and historical data, we obtained supporting explanations. Specifically, for the Nutrition CGU in Greater China Region and the Wyeth brands, we gained an understanding of the outlook on birth rates in China and rest of AOA, the regulatory environment for infant formula and the plan for new product launches. Where possible, we compared management's forecasts to external information, particularly for birth rates. Further, we challenged the Group on its forecasted sales growth and operating margins considering past performance and the current economic environment. **Personnel interviews:** Forecasted financial information (sales growth and operating margin) is forecasted bottom-up and reviewed centrally. We compared judgments made and

information obtained both at the local level and at Group level for consistency. We assessed and challenged assumptions with reference to information from market research and perspectives from category leadership and zone leadership.

Assessment of methodology: With the assistance of our valuation specialists, we replicated management's impairment models and tested the mathematical accuracy. Further, we assessed the appropriateness of the methodology used and the consistent application thereof to the CGUs tested.

Evaluation of technical parameters: We independently derived a range of weighted average cost of capital (WACC) and terminal growth rates, with the assistance of our valuation specialists, compared these to those calculated by the Group and identified differences in assumptions between the two calculations. We challenged the Group on such differences and assessed the discount rates in relation to other key inputs, including whether the uncertainty with respect to future cashflows is adequately considered in the WACC.

Sensitivity analysis: Using data analytics, we performed sensitivity analysis around the key assumptions such as sales growth rate, operating margin, terminal growth rate, and WACC. We focused on those assumptions and CGUs that were most sensitive and judgmental.

Assessing indicators of impairment: We obtained management's assessment regarding indicators of impairment and challenged selected indicators based on our knowledge of internal and external factors.

Assessing disclosure: We assessed the adequacy of the disclosure provided in Note 1 and Note 9 of the financial statements in relation to the relevant accounting standards.

Our results: Our audit procedures did not lead to any reservations concerning the valuation, presentation and disclosure of goodwill or indefinite life intangible assets.

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Completeness and valuation of uncertain tax positions

Risk	Nestlé's global footprint results in significant complexity as its worldwide operations are subject to a diversity of international tax regulations. The cross-border activity and scrutiny of the transfer pricing applied to intercompany transactions vary by tax jurisdiction. In addition to the complexity of its tax environment, there is a level of unpredictability of tax authority's assessment of Nestlé's tax filings, which inherently results in the application of management judgment in ascertaining reasonable estimates, which may lead to liabilities for uncertain tax positions being understated or overstated. The identification and valuation of uncertain tax positions is a key audit matter because of the significant level of judgment and expertise required to interpret local country tax legislation and corresponding risks. Nestlé's policy on uncertain tax position can be found in Notes 1 and 13 of the consolidated financial statements.
Our audit response	Our audit procedures included the following: **Processes and controls:** We gained an understanding of the processes for identifying, measuring, and recognizing uncertain tax positions both centrally and locally, and confirmed the existence of controls in the process. **Historical comparisons and current context:** We obtained an understanding of the current macro-economic context that may affect uncertain tax positions which are recognized or unrecognized. We validated our understanding of the current environment in relation to other key areas of the audit. Furthermore, our tax specialists, including transfer pricing specialists, considered impacts of changes in tax legislation or business operations in the identification, measurement and recognition of uncertain tax positions. We reviewed available information related to significant on-going tax audits. We reviewed the recognized and unrecognized positions in comparison to tax audits' outcomes, when available, and gained an understanding if there were any deviations in the outcome compared to amounts recognized. **Personnel interviews:** Through interviews in the local markets and at Group level, we compared judgments made and information obtained for consistency.

Methodology implementation: We assessed the application of the relevant standards, including but not limited to IFRIC 23, Uncertainty over Income Tax Treatments, in the identification, measurement and recognition of uncertain tax positions. With the assistance of our tax specialists, including transfer pricing specialists, we assessed the intercompany transfer pricing models for compliance with applicable laws, regulations and transfer pricing guidelines and evaluated management's judgment regarding tax risks. We reperformed management's calculations of uncertain tax positions.

Key assumptions: In reviewing the calculations, we identified the key assumptions of identified risk provisions, whether recognized or unrecognized, and tested the validity of these assumptions with our tax specialists. The key assumptions include, but are not limited to, number of years for which the risk occurs; use of generally accepted benchmarks; business models within the Group and availability of mutual agreement procedures in the case of disputes related to profit allocation across the Group to reduce double taxation. We focused our attention on those assumptions and inputs that were most sensitive and judgmental.

Our results: Our audit procedures did not lead to any reservations concerning the completeness and valuation of uncertain tax positions.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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, ISAs and Swiss Auditing Standards 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 these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Jeanne Boillet
Licensed audit expert
(Auditor in charge)

André Schaub
Licensed audit expert

Financial information – 5 year review

In millions of CHF (except for data per share and employees)

	2021		2020
Results			
Sales	87 088		84 343
Underlying Trading operating profit (a)	15 119		14 903
as % of sales	17.4%		17.7%
Trading operating profit (a)	12 159		14 233
as % of sales	14.0%		16.9%
Taxes	2 261		3 365
Profit for the year attributable to shareholders of the parent (Net profit)	16 905		12 232
as % of sales	19.4%		14.5%
Total amount of dividend	7 882	(c)	7 681
Depreciation of property, plant and equipment (d)	3 056		3 127
Balance sheet and Cash flow statement			
Current assets	39 257		34 068
Non-current assets	99 885		89 960
Total assets	139 142		124 028
Current liabilities	40 020		39 722
Non-current liabilities	45 395		37 792
Total equity	53 727		46 514
Net financial debt (a)	32 917		31 319
Ratio of net financial debt to total equity (gearing)	61.3%		67.3%
Operating cash flow	13 864		14 377
as % of net financial debt	42.1%		45.9%
Free cash flow (a)	8 715		10 245
Capital additions (d)	12 977		11 367
as % of sales	14.9%		13.5%
Data per share			
Weighted average number of shares outstanding (in millions of units)	2 788		2 845
Basic earnings per share	6.06		4.30
Underlying earnings per share (a)	4.42		4.21
Dividend	2.80	(c)	2.75
Pay-out ratio based on basic earnings per share	46.2%	(c)	64.0%
Stock prices (high)	128.90		112.62
Stock prices (low)	95.00		83.37
Yield (b)	2.2/2.9	(c)	2.4/3.3
Market capitalization	**351 682**		**293 644**
Number of employees (in thousands)	**276**		**273**

(a) Certain financial performance measures, that are not defined by IFRS, are used by management to assess the financial and operational performance of the Group. The "Alternative Performance Measures" document published under https://www.nestle.com/investors/publications provides the definition of these non-IFRS financial performance measures.
(b) Calculated on the basis of the dividend for the year concerned, which is paid in the following year, and on high/low stock prices.
(c) As proposed by the Board of Directors of Nestlé S.A.
(d) Including right-of-use assets – leased since 2017.

2019	2018	2017	
			Results
92 568	91 439	89 590	Sales
16 260	15 521	14 771	Underlying Trading operating profit [a]
17.6%	17.0%	16.5%	as % of sales
13 674	13 789	13 277	Trading operating profit [a]
14.8%	15.1%	14.8%	as % of sales
3 159	3 439	2 773	Taxes
12 609	10 135	7 156	Profit for the year attributable to shareholders of the parent (Net profit)
13.6%	11.1%	8.0%	as % of sales
7 700	7 230	7 124	Total amount of dividend
3 488	3 604	3 560	Depreciation of property, plant and equipment [d]
			Balance sheet and Cash flow statement
35 663	41 003	31 884	Current assets
92 277	96 012	101 326	Non-current assets
127 940	137 015	133 210	Total assets
41 615	43 030	38 189	Current liabilities
33 463	35 582	32 792	Non-current liabilities
52 862	58 403	62 229	Total equity
27 138	30 330	21 369	Net financial debt [a]
51.3%	51.9%	34.3%	Ratio of net financial debt to total equity (gearing)
15 850	15 398	14 199	Operating cash flow
58.4%	50.8%	66.4%	as % of net financial debt
11 934	10 765	9 358	Free cash flow [a]
5 482	14 711	6 569	Capital additions [d]
5.9%	16.1%	7.3%	as % of sales
			Data per share
2 929	3 014	3 092	Weighted average number of shares outstanding (in millions of units)
4.30	3.36	2.31	Basic earnings per share
4.41	4.02	3.55	Underlying earnings per share [a]
2.70	2.45	2.35	Dividend
62.8%	72.9%	101.7%	Pay-out ratio based on basic earnings per share
113.20	86.50	86.40	Stock prices (high)
79.86	72.92	71.45	Stock prices (low)
2.4/3.4	2.8/3.4	2.7/3.3	Yield [b]
301 772	**237 363**	**256 223**	**Market capitalization**
291	**308**	**323**	**Number of employees (in thousands)**

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Income statement for the year ended December 31, 2021

In millions of CHF

	Notes	2021	2020
Income from Group companies	2	11 857	2 096
Profit on disposal and revaluation of assets	3	10 795	3 070
Financial income	4	180	132
Total income		**22 832**	**5 298**
Personnel expenses		(105)	(108)
Other expenses		(29)	(53)
Write-downs and amortization of shareholdings and loans		(538)	(324)
Financial expenses	5	(8)	(241)
Taxes	6	268	(69)
Total expenses		**(412)**	**(795)**
Profit for the year		**22 420**	**4 503**

Balance sheet as at December 31, 2021

before appropriations

In millions of CHF

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	7	177	330
Other current receivables	8	11 862	354
Prepayments and accrued income		25	109
Total current assets		**12 064**	**793**
Non-current assets			
Financial assets	9	12 480	14 455
Shareholdings	10	13 266	13 349
Property, plant and equipment		1	1
Total non-current assets		**25 747**	**27 805**
Total assets		**37 811**	**28 598**
Liabilities			
Current liabilities			
Interest-bearing liabilities	11	313	1 149
Other current liabilities	12	5 893	4 089
Accruals and deferred income		284	92
Provisions	13	303	215
Total current liabilities		**6 793**	**5 545**
Non-current liabilities			
Interest-bearing liabilities	11	1 502	1 503
Provisions	13	27	500
Total non-current liabilities		**1 529**	**2 003**
Total liabilities		**8 322**	**7 548**
Equity			
Share capital	14 /15	282	288
Legal retained earnings			
– General legal reserve	15	1 953	1 947
Voluntary retained earnings			
– Special reserve	15	2 859	2 859
– Profit brought forward	15	8 015	17 971
– Profit for the year	15	22 420	4 503
Treasury shares	15/16	(6 040)	(6 518)
Total equity		**29 489**	**21 050**
Total liabilities and equity		**37 811**	**28 598**

Notes to the annual accounts

1. Accounting policies

General
Nestlé S.A. (the Company) is the ultimate holding company of the Nestlé Group, domiciled in Cham and Vevey, which comprises subsidiaries, associated companies and joint ventures throughout the world.

The accounts are prepared in accordance with accounting principles required by Swiss law (32nd title of the Swiss Code of Obligations). They are prepared under the historical cost convention and on an accrual basis. Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Foreign currency translation
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward contract. Non-monetary assets and liabilities are carried at historical rates. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are included in the respective income statement captions depending upon the nature of the underlying transactions. The aggregate unrealized exchange difference is calculated by reference to original transaction date exchange rates and includes hedging transactions. Where this gives rise to a net loss, it is charged to the income statement whilst a net gain is deferred.

Hedging
The Company uses forward foreign exchange contracts, options, financial futures and currency swaps to hedge foreign currency flows and positions. Unrealized foreign exchange differences on hedging instruments are matched and accounted for with those on the underlying asset or liability. Long-term loans, in foreign currencies, used to finance investments in shareholdings are generally not hedged.

The Company also uses interest rate swaps to manage interest rate risk. The swaps are accounted for at fair value at each balance sheet date and changes in the market price are recorded in the income statement.

The positive fair values of forward exchange contracts and interest rate swaps are included in prepayments and accrued income. The negative fair values of forward exchange contracts and interest rate swaps are included in accruals and deferred income.

Income statement
In accordance with Swiss law dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting rather than as an appropriation of profit in the year to which they relate.

Taxes
This caption includes taxes on profit, capital and withholding taxes on transfers from Group companies.

Financial assets and shareholdings
The carrying value of financial assets and shareholdings comprises the cost of investment, excluding the incidental costs of acquisition, less any write-downs.

Financial assets and shareholdings are written down on a conservative basis, taking into account the profitability of the company concerned.

Property, plant and equipment
The Company owns land and buildings which have been depreciated in the past. Office furniture and equipment are fully depreciated on acquisition.

Provisions
Provisions include present obligations as well as contingencies. Provisions for Swiss taxes are made on the basis of the Company's taxable capital, reserves and profit for the year. A general provision is maintained to cover possible foreign tax liabilities.

2. Income from Group companies

This represents dividends and other income from Group companies. In 2021, a royalties true-up for prior years for an amount of CHF 565 million is included.

3. Profit on disposal and revaluation of assets

In 2021, a net gain of CHF 9201 million from the sale of L'Oréal shares, CHF 1051 million from the revaluation of participations and CHF 519 million (2020: CHF 2616 million) from the sale of participations to Société des Produits Nestlé S.A. are included.

4. Financial income

In millions of CHF

	2021	2020
Income on loans to Group companies	125	21
Other financial income	55	111
	180	**132**

5. Financial expenses

In millions of CHF

	2021	2020
Expenses related to loans from Group companies	—	(1)
Other financial expenses	(8)	(240)
	(8)	**(241)**

6. Taxes

In millions of CHF

	2021	2020
Direct taxes	(154)	(47)
Prior years adjustments	480	61
Withholding taxes on income from foreign sources	(58)	(83)
	268	**(69)**

7. Cash and cash equivalents

Cash and cash equivalents include deposits with maturities of less than three months.

8. Other current receivables

In millions of CHF

	2021	2020
Amounts owed by Group companies (current accounts)	11 798	211
Other receivables	64	143
	11 862	**354**

9. Financial assets

In millions of CHF

	2021	2020
Loans to Group companies	12 403	14 427
Other investments	77	28
	12 480	**14 455**

10. Shareholdings

In millions of CHF

	2021	2020
At January 1	13 349	20 775
Net increase/(decrease)	(1 047)	(7 317)
Revaluation/(write-down)	964	(109)
At December 31	**13 266**	**13 349**

A list of direct and significant indirect Group companies held by Nestlé S.A. with the percentage of the capital controlled is included in the Consolidated Financial Statements of the Nestlé Group. In 2021, Nestlé S.A. has sold or contributed shareholdings with a net book value of CHF 1864 million to its subsidiary Société des Produits Nestlé S.A. (also see Note 3).

11. Interest-bearing liabilities

Current interest-bearing liabilities are amounts owed to Group companies.
Non-current interest-bearing liabilities concern two bonds issued by Nestlé S.A. in 2018.

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	2021	2020
Nestlé S.A., Switzerland	CHF	600	0.75%	0.69%	2018–2028	602	603
	CHF	900	0.25%	0.26%	2018–2024	900	900
Total carrying amount						**1 502**	**1 503**

12. Other current liabilities

In millions of CHF

	2021	2020
Amounts owed to Group companies	5 677	3 798
Other liabilities	216	291
	5 893	**4 089**

13. Provisions

In millions of CHF

	2021				2020
	Uninsured risks	Swiss and foreign taxes	Other	**Total**	**Total**
At January 1	475	112	128	**715**	**932**
Provisions made in the period	—	157	3	**160**	**69**
Amounts used	—	(33)	(16)	**(49)**	**(252)**
Unused amounts reversed	(475)	(8)	(13)	**(496)**	**(34)**
At December 31	**—**	**228**	**102**	**330**	**715**
of which expected to be settled within 12 months				**303**	**215**

14. Share capital

	2021	2020
Number of registered shares of nominal value CHF 0.10 each	2 815 000 000	2 881 000 000
In millions of CHF	282	288

According to article 5 of the Company's Articles of Association, no person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. In addition, article 11 provides that no person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. The Company was not aware of any shareholder holding, directly or indirectly, 5% or more of the share capital.

15. Changes in equity

In millions of CHF

	Share capital	General legal reserve	Special reserve	Retained earnings	Treasury shares	**Total**
At January 1, 2021	288	1 947	2 859	22 474	(6 518)	**21 050**
Cancellation of 66 000 000 shares (share buyback program)	(6)	6	—	(6 779)	6 779	**—**
Profit for the year	—	—	—	22 420	—	**22 420**
Dividend for 2020	—	—	—	(7 681)	—	**(7 681)**
Movement of treasury shares	—	—	—	—	(6 301)	**(6 301)**
At December 31, 2021	**282**	**1 953**	**2 859**	**30 435**	**(6 040)**	**29 489**

16. Treasury shares

In millions of CHF

	2021		2020	
	Number	Amount	Number	Amount
Share buyback programs	50 936 859	5 624	59 694 659	6 137
Long-term incentive plans	4 470 842	416	4 849 627	381
	55 407 701	**6 040**	**64 544 286**	**6 518**

The share capital has been reduced by 66 000 000 shares from CHF 288 million to CHF 282 million through the cancellation of shares purchased as part of the share buyback program. The purchase value of those cancelled shares amounts to CHF 6779 million.

During the year, 57 242 200 shares were purchased as part of the share buyback program for CHF 6266 million.

The Company held 4 470 842 shares to cover long-term incentive plans. During the year, 2 282 785 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 180 million. All treasury shares are valued at acquisition cost.

The total of own shares of 55 407 701 held by Nestlé S.A. at December 31, 2021, represents 2.0% of the Nestlé S.A. share capital (64 544 286 own shares held at December 31, 2020, by Nestlé S.A. representing 2.2% of the Nestlé S.A. share capital).

17. Contingencies

At December 31, 2021, the total of the guarantees mainly for credit facilities granted to Group companies and commercial paper programs, together with the buyback agreements relating to notes issued, amounted to a maximum of CHF 92 702 million (2020: CHF 83 768 million).

18. Performance Share Units, Restricted Stock Units, Phantom Shares and Shares granted

In millions of CHF

	2021		2020	
	Number	Amount	Number	Amount
Performance Share Units, Restricted Stock Units and Phantom Shares granted to Nestlé S.A. employees [(a)]	187 570	18	168 378	18
Share plan for short-term bonus Executive Board [(b)]	51 516	5	66 911	7
Share plan for Board members [(c)]	—	6	—	5
	239 086	**29**	**235 289**	**30**

(a) The Performance Shares and Restricted Stock Units are valued at the average closing price of the first ten trading days, after the publication of the annual results (for the Grant in March) and of the last ten trading days of September (for the Grant in October), corresponding to CHF 97.20 (grant in March) and CHF 113.27 (grant in October). Includes 146 608 Performance Share Units granted to Executive Board (2020: 127 583). The Phantom Shares are valued at CHF 159.82 per Unit in 2021.

(b) Nestlé S.A. shares received as part of the short-term bonus are valued at the average closing price of the last ten trading days of January.

(c) 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 Nestlé S.A. 2022 Financial Statements. In 2021, 51 331 shares have been delivered to the Board.

19. Full-time equivalents

For Nestlé S.A., the annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 250.

20. Shares

Shares ownership of the non-executive members of the Board of Directors and closely related parties

	2021	2020
	Number of shares held (a)	Number of shares held (a)
Paul Bulcke, Chairman	1 449 177	1 421 941
Henri de Castries, Vice Chairman, Lead Independent Director	31 126	27 698
Renato Fassbind	33 439	30 480
Ann M. Veneman	22 804	21 160
Eva Cheng	7 513	5 399
Patrick Aebischer	14 108	8 814
Kasper B. Rorsted	4 675	3 360
Pablo Isla	6 690	3 731
Kimberly A. Ross	6 344	4 559
Dick Boer	4 628	2 984
Dinesh Paliwal	12 280	1 484
Hanne Jimenez de Mora	3 835	2 520
Lindiwe M. Sibanda	—	—
Members who retired from the Board during the year	—	6 214
Total as at December 31	**1 596 619**	**1 540 344**

(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.

Shares ownership of the members of the Executive Board and closely related parties

	2021	2020
	Number of shares held (a)	Number of shares held (a)
Ulf Mark Schneider, CEO	465 313	404 616
Laurent Freixe	58 925	73 438
Chris Johnson	164 322	136 798
Marco Settembri	127 258	94 750
François-Xavier Roger	90 000	72 138
Magdi Batato	51 949	41 508
Stefan Palzer	22 061	9 883
Béatrice Guillaume-Grabisch	37 519	23 211
Leanne Geale	4 015	—
Bernard Meunier	7 785	—
Grégory Behar	30 852	21 247
Sanjay Bahadur	65 491	51 846
David Rennie	5 401	—
Members who retired from the Executive Board during the year	—	253 428
Total as at December 31	**1 130 891**	**1 182 863**

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

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

For the detailed disclosures regarding the remunerations of the Board of Directors and the Executive Board that are required by Swiss law, refer to the Compensation report of Nestlé S.A. with the audited sections highlighted with a blue bar.

21. Events after the balance sheet date

There are no subsequent events which either warrant a modification of the value of the assets and liabilities or any additional disclosure.

Proposed appropriation of profit

In CHF	2021	2020
Retained earnings		
Profit brought forward	14 552 006 210	17 875 863 039
Dividends on own shares not distributed [(a)]	241 804 173	95 416 026
Cancellation of 66 000 000 shares (share buyback program)	(6 778 698 422)	—
Profit for the year	22 419 903 013	4 503 477 145
	30 435 014 974	**22 474 756 210**
We propose the following appropriation:		
Dividend for 2021, CHF 2.80 per share on 2 815 000 000 shares [(b)] (2020: CHF 2.75 on 2 881 000 000 shares)	7 882 000 000	7 922 750 000
	7 882 000 000	**7 922 750 000**
Profit to be carried forward	**22 553 014 974**	**14 552 006 210**

(a) The amount of CHF 7 922 750 000 proposed to be distributed as dividend for 2020 was reduced by CHF 241 804 173 due to 87 928 790 own shares held by the Nestlé Group at the dividend payment date.
(b) Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (April 8, 2022). No dividend is paid on own shares held by the Nestlé Group.

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the gross dividend will amount to CHF 2.80 per share, representing a net amount of CHF 1.82 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is April 8, 2022. The shares will be traded ex-dividend as of April 11, 2022. The net dividend will be payable as from April 13, 2022.

The Board of Directors

Cham and Vevey, February 16, 2022

Building a better working world

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

Lausanne, 16 February 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Nestlé S.A., which comprise the income statement, balance sheet and notes (pages 185 to 195), as at 31 December 2021 and for the year then ended.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the Company's Articles of Association.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Jeanne Boillet	André Schaub
Licensed audit expert (Auditor in charge)	Licensed audit expert

Notes

Concept
Nestlé S.A., Group Governance and
Group Accounting and Reporting

Photography
Matthew Joseph

Prepress
Images3 S.A. (Switzerland)