Nestlé Good food, Good life

Corporate Governance Report 2022
Compensation Report 2022
Financial Statements 2022

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Front cover

Nescafé Classic
As the world's leading and preferred coffee brand, every second of every day, the world enjoys another 5600 cups of *Nescafé*, including *Nescafé Classic* with a medium-dark roast that gives it a full flavor and wonderfully invigorating taste.

Corporate Governance Report 2022

Situation at December 31, 2022

(1) The full Board of Directors Regulations and Committee Charters are published at 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 2022 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, 2022.

To avoid duplication of information, cross-references to other reports are made in some sections, namely to the Annual Review 2022, the Financial Statements 2022, 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 57) or at: www.nestle.com/investors/corporate-governance/articles.

The Consolidated Financial Statements of the Nestlé Group 2022 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 2022, page 70, 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 32 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 2022, 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, 2022, the market capitalization of Nestlé S.A. was CHF 285 864 667 900. For further information, see also page 75 of the Annual Review 2022 and visit our website at www.nestle.com/investors.

Please refer to the Consolidated Financial Statements of the Nestlé Group 2022, page 156, 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 2022, page 156, 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 on January 3, 2022, holding, directly or indirectly, 5.04% of Nestlé S.A.'s share capital. Nestlé S.A.'s holding of own shares reached 3.00% on December 30, 2022 (announced on January 4, 2023). Apart from the foregoing, Nestlé S.A. is not aware of any other shareholder holding, as at December 31, 2022, Nestlé S.A. shares in excess of 3% of the share capital.

During 2022, the Company published on the electronic publication platform of the SIX Swiss Exchange one disclosure notification pertaining to the holding of Nestlé S.A. shares by BlackRock, Inc., New York, one disclosure notification relating to the announcement by The Capital Group Companies, Inc., Los Angeles, that its holding in Nestlé S.A. shares had fallen below 3%, 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 at 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 286 956 414 shares, i.e., 10.44% of the shares of the Company as at December 31, 2022. At the same date, Citibank N.A., London, as depositary for the shares represented by American Depositary Receipts, was the registered holder of 191 675 492 shares, i.e., 6.97% of the shares of the Company. Also on December 31, 2022, Nortrust Nominees Ltd., London, was a registered Nominee N of 107 766 978 shares of the Company, representing 3.92% 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 275 000 000. 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 3.64% 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 share buyback programs: A share buyback program of up to CHF 20 billion, launched on July 4, 2017, and completed on December 30, 2019, a share buyback program of up to CHF 20 billion, launched on January 3, 2020, and terminated on December 30, 2021, and the ongoing share buyback program of up to CHF 20 billion, launched on January 3, 2022, and due to be completed by the end of December 2024. The resulting cancellations of shares were approved at the 2020, 2021 and 2022 Annual General Meetings.

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 CHF 281 500 000.

On April 7, 2022, the Annual General Meeting resolved to cancel 65 000 000 shares, leading to a reduction of the share capital to the present CHF 275 000 000.

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

For the breakdown of capital ("equity") for 2022, 2021 and 2020, see the consolidated statement of changes in equity in the Consolidated Financial Statements of the Nestlé Group 2022, page 77, and 2021, page 75 (www.nestle.com/sites/default/files/2023-02/2022-financial-statements-en.pdf).

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 2 750 000 000 at December 31, 2022.

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, 2022, there are no outstanding convertible bonds or warrants/options issued by Nestlé S.A. or by subsidiaries on Nestlé S.A. shares.

Board of Directors

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	Former Executive Chairman, Inditex Former State Attorney Government Spain Banco Popular España
6	Eva Cheng	1952	Business Administration and History	Former Amway China Chairperson and EVP, Amway Corporation
7	Patrick Aebischer	1954	Medicine and Neuroscience	President Emeritus, Swiss Federal Institute of Technology Lausanne (EPFL)
8	Kimberly A. Ross	1965	Business Administration and Finance & Accounting	Former CFO, Baker Hughes, Avon Products, Royal Ahold NV WeWork
9	Dick Boer	1957	Business Administration	Former President and CEO, Ahold Delhaize NV
10	Dinesh Paliwal	1957	Engineering, Applied Sciences, Business Administration	Former Chairman and CEO, Harman International Former President, ABB Ltd.
11	Hanne Jimenez de Mora	1960	Business Administration	Former Partner, McKinsey & Company Co-founder and former Chairperson, a-connect group
12	Lindiwe M. Sibanda	1963	Agriculture Sciences, Animal Physiology & Nutrition	Director, Chairwoman and Policy Advisor for Agriculture and Sustainable Food Systems
13	Chris Leong	1967	Management	Former SVP Nokia, WPP
14	Luca Maestri	1963	Economics and Business Administration	Former CFO Xerox, Nokia Siemens, General Motors

(a) For more complete information on qualifications: please refer to section 3.2 and the individual CVs at 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. L'Oréal S.A.	Food & Beverages	FMCG/CEO	Belgian/Swiss	April 10, 2008	2023
CEO, Nestlé S.A.	Food & Beverages	CEO	German/US	April 06, 2017	2023
Stellantis N.V.	Insurance & Finance	Insurance/CEO	French	April 19, 2012	2023
Vice Chairman, Swiss Re AG Kühne + Nagel International SA	Finance	Financial Management/ CFO	Swiss	April 16, 2015	2023
Various advisory mandates incl. General Atlantic	Retail	Finance/Legal/ FMCG/CEO	Spanish	April 07, 2018	2023
Haier Smart Home Co., Ltd.	Health & Wellness Home Appliances	FMCG/ Sustainability	Chinese	April 11, 2013	2023
Logitech SA PolyPeptide Group AG	Science	Scientist	Swiss	April 16, 2015	2023
Cigna Corporation	Finance Personal Care Food Retail Oil & Gas	Financial Management/ FMCG/CFO	US	April 07, 2018	2023
Shell plc. SHV Holdings N.V. Just Eat Takeaway.com	Food Retail Digital	FMCG/CEO	Dutch	April 11, 2019	2023
Lead Director, Raytheon Technologies Partner, KKR & Co. Inc. Executive Chairman, Marelli	Technology Digital Finance	Information Systems/ CEO/Sustainability	US/Indian	April 11, 2019	2023
AB Volvo Microcaps AG	Management Consulting	Customer Service/ Corporate Strategy/ Sustainability	Swiss	April 23, 2020	2023
Professor, University of Pretoria, South Africa Linds Agriculture Services Pvt Ltd.	Agriculture, Sustainable Food Systems	Public Policy/ Sustainability/ Academia	Zimbabwean	April 15, 2021	2023
Chief Marketing Officer, Schneider Electric	Digital, Communications, Retail, Energy Management	Brand Marketing/ Digital Customer Experience	Malaysian	April 07, 2022	2023
CFO, Apple Inc.	Technology	Financial Management/ CFO/Information Systems	Italian/USA	April 07, 2022	2023

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 at 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 but remained a 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.

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, 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, the European Round Table of Industrialists (ERT), Belgium, as well as 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.

In 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 as Head of Corporate Staff, Audit between 1990 and 1997 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, a function he relinquished in March 2022.

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

In May 2022, Pablo Isla joined General Atlantic, USA, as a Global Senior Advisor.

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 on 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 packaging company Amcor Limited.

From 2015 to 2022, she served as President of the Our Hong Kong Foundation, a public policy think thank in Hong Kong.

Presently, Eva Cheng serves as Independent Non-Executive Director on the board of Haier Smart Home Co. Ltd. in Hong Kong, China.

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 until the end of 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 at +ND Capital and a member of the Foundation Board of the Verbier Festival. In addition, Patrick Aebischer serves as Vice Chairman of the Geneva Science and Diplomacy Anticipator Foundation, Switzerland.

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

Kimberly A. Ross is a member of the board of Cigna Corporation, 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. He then 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 November 2022, he joined the board of Just Eat Takeaway.com (JET) as Chairman and serves on the board of Shell plc. since 2020. Furthermore, 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). He is Executive Chairman of Marelli and a Partner at KKR & Co. Inc. NY, USA. He also serves on the Board of Trustees of Miami University, Ohio, USA.

Hanne Jimenez de Mora

Early in her career, Hanne Jimenez de Mora held brand manager and controller roles at Procter & Gamble in Scandinavia and the Middle East. She was a partner at McKinsey & Company in Switzerland until 2002. At McKinsey, she primarily focused on corporate strategy and post-merger integration for global companies. She was the co-lead of the marketing practice and responsible for recruiting in Switzerland. Hanne Jimenez de Mora is co-founder and former Chairperson of a-connect (group) AG, a global management consultant firm based in Zurich. She has held non-executive director roles at large publicly traded companies since 2002. Hanne Jimenez de Mora is a member of the board of AB Volvo, Sweden, and is Chairperson of Microcaps AG, Switzerland. She serves as Vice Chair and a Supervisory Board member of IMD Business School, Switzerland.

Lindiwe M. Sibanda

Lindiwe Majele Sibanda is Extraordinary Professor at the University of Pretoria, South Africa, as well as the Managing Director of Linds Agriculture Services PvT Ltd., Harare, Zimbabwe.

She served as Vice President, Country Support, Policy and Partnerships for the Alliance for a Green Revolution in Africa (AGRA) in Kenya. For 13 years, she worked in South Africa as the CEO and Head of Mission of the pan-African Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) operating in 19 African countries.

From 2016 to 2018, she served on the EAT-Lancet Commission on healthy diets from sustainable food systems and as a member of the Australian Centre for International Agriculture Research (ACIAR) Policy Advisory Council.

Lindiwe Sibanda serves on a number of advisory boards, including Chairwoman of the Consultative Group of International Agriculture Research Centers (CGIAR) System Board and SDG 12.3 Champions. She previously served as Co-Chair of the Global Alliance for Climate Smart Agriculture (GACSA), Rome, Italy.

Chris Leong

Chris Leong started her career in 1991 with WWP plc., UK, in several senior executive positions, including managing WPP's agencies Bates Asia, Ogilvy Europe and Grey Global Group based in Asia. Between 2005 and 2011, she held various global positions at Nokia, including Senior Vice President Global Marketing and Senior Vice President for Greater China, Japan and Korea.

Chris Leong was appointed Chief Marketing Officer and a member of the Executive Committee at Schneider Electric SE, France, in 2015, prior to which she was Executive Vice President for Digital Customer Experience (2013) and Senior Vice President for LifeSpace Asia Pacific (2012).

In 2017, 2018 and 2022, she was named to Forbes World's Most Influential CMOs as well as to the PRovoke Media Influence 100 in 2021.

Luca Maestri

Luca Maestri started his career at General Motors Corporation in 1988 and took on increasing levels of responsibility around the world, culminating in his appointment as Vice President and Chief Financial Officer of General Motors Europe.

From 2008 to 2011, he was CFO at Nokia Siemens Networks, Germany. Between 2011 and 2013, Luca Maestri was CFO at Xerox Corporation, USA. In 2013, he joined Apple Inc., USA, as Vice President and Corporate Controller, and he has held the positions of Senior Vice President and Chief Financial Officer since 2014.

3.3 Mandates outside Nestlé

Pursuant to art. 21^{sexies} 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. 21^{sexies}.

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)			
Eva Cheng			•		
Patrick Aebischer		•			
Kimberly A. Ross					•
Dick Boer		•		•	
Dinesh Paliwal		•	•		
Hanne Jimenez de Mora	•			• (Chair)	
Lindiwe M. Sibanda				•	
Chris Leong				•	
Luca Maestri					•

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 other risk-related topics.

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 at 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. 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 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 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 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 2022	Frequency	Average duration (hours)
Board of Directors of Nestlé S.A.	11 times	2:55
Chair's and Corporate Governance Committee	8 times	2:20
Compensation Committee	6 times	0:57
Nomination Committee	5 times	0:50
Sustainability Committee	4 times	1:50
Audit Committee	4 times	2:08

Board members	Board meetings attended				
Paul Bulcke	11	Eva Cheng	10	Hanne Jimenez de Mora	11
Ulf Mark Schneider	11	Patrick Aebischer	11	Lindiwe M. Sibanda	11
Henri de Castries	11	Kimberly A. Ross	11	Chris Leong	7
Renato Fassbind	11	Dick Boer	11	Luca Maestri	7
Pablo Isla	11	Dinesh Paliwal	11		

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 2022, Nestlé in India). 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 2022 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 2022.

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. For example, 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. in 2018 and the Swiss Market in 2019 and 2021. Due to the pandemic, no Board visit was possible in 2020. In 2022, the Board visited Nestlé India.

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 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.

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

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 and Compliance, may attend the meetings.

The Compensation Committee reviews the Company's compensation system and principles. The Head of Human Resources may attend the meetings, 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 62 of the Annual Review 2022.

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 integrity reporting system 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 69 and 74 of the Annual Review 2022.

Executive Board

4. Executive Board

4.1 Members of the Executive Board (December 31, 2022)

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 Latin America
Marco Settembri	1959	Italian	Business Administration EVP & CEO: Zone Europe
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
Steve Presley	1968	US	Finance & Accounting EVP & CEO: Zone North America
Remy Ejel	1969	French/ Lebanese	Marketing and Arts EVP & CEO: Zone Asia, Oceania and Africa
David Zhang	1971	Chinese	Business Administration and Economics EVP & CEO: Zone Greater China
Grégory Behar	1969	Swiss	Mechanical Engineering and Business Administration Deputy EVP & CEO: Nestlé Health Science
Sanjay Bahadur	1959	Swiss/ 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 at 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 assumed increasing responsibility 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 with 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.

In 2022, he was appointed CEO of Zone Latin America.

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, of Froneri Lux Topco Sàrl, Luxembourg, and of the Executive Committee of the World Business Council for Sustainable Development.

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.

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). In 2022, he was appointed CEO of Zone Europe.

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.

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 Switzerland in 1991 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

(*) 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

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. Since May 2018, he is a member of the Swiss Academy of Technical Sciences and he is Chairman of IDH, the Sustainable Trade Initiative since 2020.

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 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.

In 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 a 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 board of Holcim Ltd., a member of the Management Board of the CEELI Institute, o.p.s, Prague, Czech Republic, and Treasurer of the Swiss-American Chamber of Commerce.

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.

Steve Presley

Steve Presley started his career with Nestlé in 1997 as a controller for the beverage factory in Suffolk, Virginia. He held various roles within the Beverage Division, including Vice President of Finance and Vice President/General Manager of Premium Ready-to-Drink Beverages. In 2009, Steve Presley was named President of Nestlé Business Services, and in 2013 he was appointed Chief Financial Officer for Nestlé USA. In 2016, his role was expanded to include leading Nestlé USA's strategic transformation.

In 2018, Steve Presley was appointed Chairman and CEO of Nestlé USA.

Effective January 2022, he joined the Nestlé S.A. Executive Board as Executive Vice President and CEO of Zone North America.

Steve Presley is a director of the board of Food Marketing Institute, USA, and a member of the CEO Roundtable of the American Heart Association.

Remy Ejel

Remy Ejel joined Nestlé in Saudi Arabia in 1998 and held various executive positions in different markets and countries over the years. In 2007, he assumed the role of Assistant Regional Manager in Zone Asia Oceania and Africa (AOA) at Nestlé Headquarters in Switzerland, supporting all African countries for four years, before returning to the Middle East as Business Executive Officer Confectionery. He was appointed Country Manager for Saudi Arabia in 2013.

In 2016, Remy Ejel was appointed Chairman and CEO for the Southern Africa Region, where he led the successful development of the business. In 2020, he was appointed Chairman and CEO of Nestlé Middle East & North Africa.

Effective January 2022, Remy Ejel was appointed to the Executive Board of Nestlé S.A. as Executive Vice President and CEO of Zone Asia, Oceania and Africa.

David Zhang

Before joining Nestlé, David Zhang worked in the pharmaceutical and FMCG industry for nearly 20 years, for Carrier Air Conditioner, Yusai Cosmetics, Wyeth and others.

In 2012, David Zhang joined Nestlé as Senior Operation Director of Wyeth Nutrition China, and he served as Vice President of Grocery Retail Sales of Nestlé Greater China Region in 2015 and 2016.

From 2017 to 2021, he held the position of Chief Executive Officer of Shanghai Totole Food Ltd.

In 2021, he was appointed Business Executive Officer for Food of Nestlé Greater China Region.

Effective January 2022, David Zhang joined the Nestlé S.A. Executive Board as Executive Vice President and CEO of Zone Greater China.

As a representative of Nestlé, David Zhang is a board member of Sichuan Haoji Food Co. Ltd., China.

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.

In 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, and Amazentis SA, Switzerland.

Sanjay Bahadur

Sanjay Bahadur joined Nestlé in June 1982 as a 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 a 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. 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. 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.

Compensation, shareholdings and loans

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.

5. Compensation, shareholdings and loans

Please refer to the Compensation Report 2022, 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 17, 2022, EY were appointed as auditors of the Financial Statements of Nestlé S.A. and the Consolidated Financial Statements of Nestlé Group for the financial year 2022.

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 2022 amount to CHF 33.8 million including fees for services related to the review of Environmental, Social and Governance (ESG) information.

8.3 Additional fees

In addition, EY provided non-audit services amounting to CHF 9.1 million, including CHF 5.7 million for tax services, CHF 1.1 million for IS/IT advisory support, CHF 1.1 million for mergers and disposals services, and CHF 1.2 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 2022, 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 open and consistent communication 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 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 annually issues 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 and investor seminars, are accompanied by a presentation broadcast "live" on the internet.

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 group 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 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 75 of the Annual Review 2022 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, 2022

Executive Board
Ulf Mark Schneider
Laurent Freixe
Marco Settembri
François-Xavier Roger
Magdi Batato
Stefan Palzer
Béatrice Guillaume-Grabisch
Leanne Geale
Bernard Meunier
Steve Presley
Remy Ejel
David Zhang
Greg Behar
Sanjay Bahadur
David Rennie

Chairman
Paul Bulcke

Secretary to the Board
David Frick

Chief Executive Officer
Ulf Mark Schneider

Zone EUR: Europe
Marco Settembri

Zone NA: North America
Steve Presley

Zone LATAM: Latin America
Laurent Freixe

Zone AOA: Asia, Oceania and Africa
Remy Ejel

Zone GC: Greater China
David Zhang

Strategic Business Units, Marketing and Sales
Bernard Meunier

Nestlé Health Science
Greg Behar

Nestlé Coffee Brands Group
David Rennie

Innovation Technology and R&D
Stefan Palzer

Finance & Control
François-Xavier Roger

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 2022

Compensation Report 2022

Introduction

The future success of Nestlé is dependent on its ability to attract, motivate and retain the right talented employees. Among the various programs to support this ambition is a competitive remuneration policy. Nestlé believes in a performance culture as well as good corporate governance and corporate social responsibility.

Therefore, remuneration at Nestlé is based on the following principles:

– pay for performance to support the Company's short-term and long-term objectives;
– compensation aligned with long-term Group strategy and shareholders' interests;
– coherence in our remuneration plans and levels throughout the Company;
– competitiveness versus external market comparisons;
– appropriate balance of fixed and variable remuneration and short-term and long-term rewards.

This Compensation Report shall be submitted to the advisory vote of the shareholders at the Annual General Meeting 2023.

At the 2022 Annual General Meeting, shareholders approved the total compensation budgets for the Board of Directors and the Executive Board with large majorities.

To ensure complete accountability, the shareholders will be able to retrospectively vote on the Compensation Report and payouts in a consultative vote.

Changes to Compensation

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

Governance

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

As of December 31, 2022, the governance for setting the compensation of the members of the Board of Directors and the Executive Board is defined as follows:

Compensation of	Recommended by	Approved by
Board of Directors as a whole	Board of Directors	Shareholders
Executive Board as a whole	Board of Directors	Shareholders
Chair of the Board, CEO	Compensation Committee	Board of Directors (a)
Non-executive members of the Board of Directors	Compensation Committee	Board of Directors (b)
Members of the Executive Board	CEO together with Chair	Compensation Committee (c)

(a) Chair as well as CEO not voting on own compensation, and not participating in the relevant meetings.
(b) Members not voting on own compensation to the extent that Committee fees are concerned.
(c) Executive Board members not participating in the relevant meetings.

Compensation Committee (CC)

The CC is governed by the Compensation Committee Charter (see point 3.5.2 in the Corporate Governance section). The Committee consists of the Chair, who is an independent and non-executive member of the Board. The other members shall be a minimum of three other non-executive members of the Board.

The members of the CC have been elected by the shareholders for one year. The Chair was appointed by the Board of Directors. On December 31, 2022, the composition of the CC is as follows:

Chair	Members
Pablo Isla	Patrick Aebischer
	Dick Boer
	Dinesh Paliwal

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

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

Board of Directors

Principles of compensation for the members of the Board of Directors

Governance

Pursuant to art. 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 that these are manifestly disproportionate to the performance rendered in return and to the Company's economic situation (including as a result of fraud or accounting misstatement).

Principles

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

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

Compensation 2022 for the members of the Board of Directors

Board membership fees and allowances

With the exception of the Chair and the CEO, each member of the Board of Directors receives a Board membership fee of CHF 280 000 and an Expense Allowance of CHF 15 000. These figures have remained unchanged since 2006.

(a) The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.
(b) Novartis, Roche, Richemont, ABB, UBS and Credit Suisse.

Members of a Board Committee receive the following additional fees [(a)]:

	Chair	Members
Chair's and Corporate Governance Committee	CHF 300 000	CHF 200 000
Compensation Committee	CHF 150 000	CHF 70 000
Nomination Committee	CHF 150 000	CHF 70 000
Sustainability Committee	CHF 150 000	CHF 70 000
Audit Committee	CHF 150 000	CHF 100 000

(a) The Chair and the CEO Committee fees are included in their total remuneration.

Committee membership on December 31, 2022

	Chair's and Corporate Governance Committee	Compensation Committee	Nomination Committee	Sustainability Committee	Audit Committee
Paul Bulcke, Chairman	• (Chair)		•		
Ulf Mark Schneider, Chief Executive Officer	•				
Henri de Castries, Vice-Chairman, Lead Independent Director	•		• (Chair)		•
Pablo Isla	•	• (Chair)			
Renato Fassbind	•				• (Chair)
Eva Cheng			•		
Patrick Aebischer		•			
Kimberly A. Ross					•
Dick Boer		•		•	
Dinesh Paliwal		•	•		
Hanne Jimenez de Mora	•			• (Chair)	
Lindiwe M. Sibanda				•	
Chris Leong				•	
Luca Maestri					•

The above fees and allowances cover the period between the Annual General Meeting 2022 and the Annual General Meeting 2023. They are paid in two instalments in arrears. Board membership and Committee fees are paid 50% in cash and 50% in Nestlé S.A. shares, which are subject to a three-year blocking period. The blocking period remains applicable upon termination of the mandate.

The number of Nestlé S.A. shares is determined by taking the closing price of the share on the SIX Swiss Exchange on the ex-dividend date of the respective financial year.

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

Compensation payout 2022

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

Audited (*)

Summary of compensation 2022 **

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

** The above table shows the annual compensation due covering the twelve-month period starting with the Annual General Meeting.

(a) The cash amount includes the expense allowance of CHF 15 000. The Chairman receives no expense allowance.

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

(c) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 148 156 in 2022. For details of additional fees, see page 41.

(d) The CEO's compensation is disclosed in its entirety under compensation of the Executive Board.

(*) Sections highlighted with a blue bar are audited by the statutory auditor. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.

Audited (*)

Summary of compensation 2021**

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

** The above table shows the annual compensation due covering the twelve-month period starting with the Annual General Meeting.
(a) The cash amount includes the expense allowance of CHF 15 000. The Chairman receives no expense allowance.
(b) The Board is paid in arrears (25% in October 2021 and 75% in April 2022). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2022. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2022. The actual number of shares delivered will be published in the Compensation Report 2022. In 2021, 51 331 shares have been delivered to the Board.
(c) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 141 989 in 2021. For details of additional fees, see page 41.
(d) The CEO's compensation is disclosed in its entirety under compensation of the Executive Board.

(*) Sections highlighted with a blue bar are audited by the statutory auditor. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.

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

Audited

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

(a) The Chairman is paid in arrears. The Nestlé S.A. shares equivalent to 100% of the annual remuneration will be delivered at the end of the Board year in April 2023. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2023. The actual number of shares delivered will be published in the Compensation Report 2023.
(b) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 127 932 in 2022 and in 2021.

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

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

(a) Including shares subject to a three-year blocking period.

There are no stock options held by any non-executive member of the Board of Directors and closely related parties.

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

Compensation and loans for former members of the Board of Directors

There was no compensation conferred during 2022 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier, except for CHF 25 000 paid to one former member of the Board who serves as a member of the Creating Shared Value (CSV) Council. Similarly, there are no loans outstanding to former members of the Board of Directors.

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

In 2022, no compensation was paid to related parties of members of the Board of Directors and there were no loans outstanding to related parties.

Executive Board

Principles of compensation for members of the Executive Board

Governance

Pursuant to art. 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 2022, the main Long-Term Incentive instrument was the Performance Share Unit Plan (PSUP). PSUs have a vesting period of three years, with a further holding period of two years for Executive Board members, leading to a total restriction period of five years. Their alignment with shareholder interests is reinforced through payouts being tied to underlying Earnings per Share (EPS) growth, relative Total Shareholder Return (TSR) performance and Return on Invested Capital (ROIC).

Coherence in remuneration plans and levels throughout the Company

The Company aims to align remuneration plans across the Group and to ensure that compensation rewards are appropriate for the added responsibilities of positions held. This is reflected in the relative remuneration levels of the Executive Board.

(*) Nestlé S.A.'s Articles of Association can be found on page 57 and at www.nestle.com/investors/corporate-governance/articles
(**) The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

Compensation to be internationally competitive by using selected benchmarks

The compensation packages for the members of the Executive Board need to be competitive in a dynamic international environment. Nestlé targets its overall remuneration policy to be between the median and the 75th percentile of the selected external benchmarks (please refer to page 47). Whenever appropriate, the benchmark values are adjusted for the size of Nestlé. The market competitiveness of the compensation of the Executive Board is therefore periodically assessed using the services of Willis Towers Watson, a reputed international human capital and benefits consultancy.

The total compensation package consists of the following elements:

1. Base Salary

The Base Salary is the foundation of the total compensation. It reflects the experience, expertise and sustained performance of the Executive Board member, as well as taking into account external market competitiveness. It also serves as the basis for determining the Short-Term Bonus target levels and the allocation of Long-Term Incentives. The Base Salary is reviewed annually by the Compensation Committee. Criteria for adjustments are individual contribution and the level of competitiveness against the benchmarks.

2. Short-Term Bonus

The Short-Term Bonus is intended to reward results achieved against annual collective and individual objectives related to Nestlé's overall business strategy. The Short-Term Bonus is paid in cash and/or in Nestlé S.A. shares (*), which are subject to a three-year blocking period.

Governance

Pursuant to art. 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.

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

Objectives 2022

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

In 2022, the following target levels were applicable
- CEO: 150%;
- Executive Vice President: 100%;
- Deputy Executive Vice President: 80%.

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

In case an executive reaches all objectives in full, the bonus payout will correspond to the targeted level. If one or more objectives are not reached, the bonus is reduced. The bonus payout is capped at a maximum of 130% of the target. There is no guarantee for the payout of a minimum bonus.

Members of the Executive Board can elect to receive part or all of their Short-Term Bonus in Nestlé S.A. shares (*). The CEO has to take a minimum of 50% in shares.

The number of shares granted is determined using the average market closing price of the last ten trading days of January 2023.

Group objectives

Every year, the Board of Directors defines a set of key quantitative operational objectives, which comprise the main elements in determining the annual Group performance for the following year. These are linked to measurable financial objectives. In 2022, their weighting was 60% Organic Growth and 40% Profitability (Underlying Trading Operating Profit margin).

Additional quantitative and qualitative objectives, set by the Board of Directors in line with Nestlé's strategy, are also used to determine the Nestlé Group performance. This set of additional objectives reflects Nestlé's Creating Shared Value framework and includes the proportion of products with Nutrition, Health & Wellness benefits, market shares, capital expenditure, structural cost optimization, progress on digitalization, strengthening Nestlé's values and culture, and further progress on quality, safety, sustainability and compliance.

The above objectives are kept under review by the Board of Directors to ensure that they are aligned with Nestlé's business objectives and its strategic ambition.

Business and functional objectives

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

Environmental, Social and Governance (ESG) objectives

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

(*) or American Depositary Receipts

3. Long-Term Incentives

Long-Term Incentives are intended to reward sustained business success and overall shareholder value creation as well as to retain key senior management members.

Governance

Pursuant to art. 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 2022

In 2022, members of Nestlé's Executive Board were eligible to receive Long-Term Incentives in the form of Performance Share Units under the Performance Share Unit Plan (PSUP). The grant value for Long-Term Incentives in 2022 was the following:

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

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

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

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

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

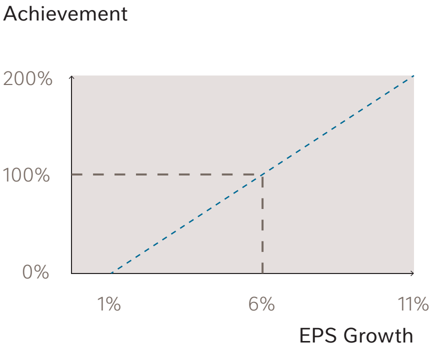
All three performance measures will be subject to Compensation Committee review in case of extraordinary events.

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

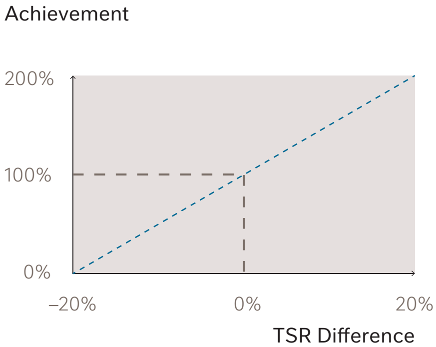
(*) Nestlé S.A.'s Articles of Association can be found on page 57 and at www.nestle.com/investors/corporate-governance/articles

The following charts show the different potential levels of achievement for each of the three measures for the 2022 PSUP grant.

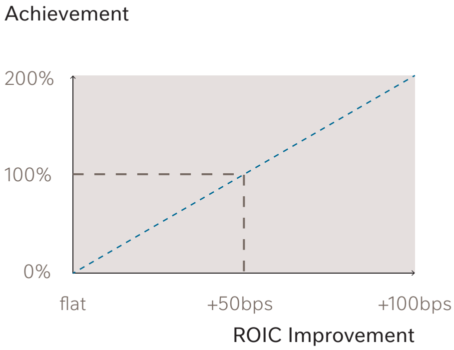
Average Underlying EPS Growth (constant currencies)



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	Short-Term Bonus (*)	Long-Term Incentives (PSUP) (**)
100%	150% (at target)	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	Short-Term Bonus (*)	Long-Term Incentives (PSUP) (**)
100%	100% (at target)	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 Incentive Plans

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

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

5. Other benefits

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

6. Pension benefits

Executive Board members are affiliated to the Nestlé Pension Plan in Switzerland like all other employees. The Plan was changed from a defined contribution plan with a retirement pension objective to a Swiss-type defined contribution plan in 2013. In 2018, the Nestlé Pension Plan was adapted to reflect the lower interest rate environment and the increase in life expectancy. The Heads of Zone North America and of Zone Greater China are also affiliated to the local pension plans. The employer's contributions for future pension benefits are included in the compensation amount.

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

Benchmarks of Executive Board compensation

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

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

Share ownership policy

Following an appropriate build-up period, each Executive Board member is required to hold shares at least equal to twice his/her annual base salary, absent specific circumstances. The CEO is required to hold shares at least equal to five times his annual base salary.

An additional two-year blocking period is imposed on Nestlé S.A. shares delivered to Executive Board members upon vesting of PSUs, bringing the total restriction period to five years. The blocking period remains applicable upon termination of employment.

Loans

The Company does not, as a rule, grant loans, except that it may provide advances, generally repayable over a three-year period to members of the Executive Board who have been transferred to Switzerland from other Nestlé locations in line with the Nestlé Corporate Expatriation Policy.

Loans to Executive Board members may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation (art. 21^{septies} of the Articles of Association).

Contracts of employment and severance payments

Members of the Executive Board are subject to a notice period of 12 months. During this time, unless there was termination for cause, entitlement to the Annual Base Salary and prorated Short-Term Bonus continues. Long-Term Incentives are forfeited upon voluntary resignation or termination for cause; Long-Term Incentives immediately vest in all other cases of termination of employment. There are no severance payments or change of control provisions ("golden parachutes"). Non-compete provisions are in line with the Articles of Association and are activated by the Company only as necessary on a case-by-case basis.

The compensation of the members of the Executive Board is subject to forfeiture or claw back if the compensation paid or granted is rejected by the General Meeting of Nestlé S.A. in a final vote.

Audited

Compensation 2022 for members of the Executive Board

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

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

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

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

The above compensation table includes the following:

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

(a) Nestlé S.A. shares or American Depositary Receipts delivered as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2023.
(b) The Performance Shares are valued at the average closing price of the first ten trading days, after the publication of the annual results.
(c) Since the Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 2 371 449 in 2022 and CHF 2 090 880 in 2021.
(d) or American Depositary Receipts

Explanations
- On December 31, 2022, the Executive Board consisted of 15 members.
- Chris Johnson left the Executive Board on January 1, 2022.
- Steve Presley was appointed member of the Executive Board effective January 1, 2022.
- Remy Ejel was appointed member of the Executive Board effective January 1, 2022.
- David Zhang was appointed member of the Executive Board effective January 1, 2022.
- For other benefits, see section 5 above.
- Performance Share Units granted in 2022 are disclosed at market value, which corresponds to CHF 118.59 (*).
- The values in the table above differ in some respect from the compensation disclosure in Note 18.1 of the Consolidated Financial Statements of the Nestlé Group 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The differences relate to the timing of valuation of Performance Share Units, whose values are spread over three years under IFRS but reported fully at the grant date in this report.

Payout levels
- The Short-Term Bonus payout for the Executive Board was 105.3% in 2022, based on the achievement of the relevant Group and individual quantitative and qualitative objectives (2021: 109%).
- The Performance Share Units granted in 2020 vest in February 2023 with a payout of 77% of the initial PSU award (PSUs granted in 2019 vested in 2022 with a payout of 114%).

Events after the balance sheet date
- Lisa Gibby was appointed member of the Executive Board effective January 1, 2023.

(*) USD 138.56 for US Performance Share units

Audited

Highest total compensation for a member of the Executive Board

In 2022, the highest total compensation for a member of the Executive Board was conferred to Ulf Mark Schneider, the CEO. The amounts below are included in the Executive Board compensation disclosed above.

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

(a) Nestlé S.A. shares delivered as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2023.
(b) The Performance Shares are valued at the average closing price of the first ten trading days, after the publication of the annual results.
(c) Since the Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 499 728 in 2022 and CHF 512 732 in 2021.

Explanations

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

Payout levels

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

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

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

(a) Including shares subject to a three-year blocking period, and further two-year holding period.

There are no stock options held by any member of the Executive Board and closely related parties.

Audited

Other audited information regarding the Executive Board

Loans to members of the Executive Board

On December 31, 2022, there were no loans outstanding to any member of the Executive Board.

Additional fees and remuneration of the Executive Board

One member of the Executive Board, in his role of CEO of Nestlé Health Science, also participated in 2022 in the Nestlé Health Science Long-Term Incentive plan, a Phantom Share Unit plan based on the long-term development of that business. He was attributed 3744 Units in 2022, with a share price of CHF 165.91 per Unit (vesting period of three years, value capped at two times the Unit price at grant).

For the sake of full transparency, two members of the Executive Board served on the board of directors of Froneri Ltd. ("Froneri"), in which Nestlé holds a minority equity interest of 44%. Nestlé does not exercise control over Froneri. In 2022, these members of the Executive Board did not receive any compensation from Froneri.

Compensation and loans for former members of the Executive Board

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

On December 31, 2022, there were no loans outstanding to former members of the Executive Board.

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

In 2022, no compensation was paid to related parties of members of the Executive Board, and there were no loans outstanding to related parties.

Sections highlighted with a blue bar are audited by the statutory auditor. *They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.*

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

Lausanne, 15 February 2023

Report of the statutory auditor

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation Report of Nestlé S.A. (the Company) for the year ended 31 December 2022. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited" and highlighted with a blue bar on pages 38 to 53 of the Compensation Report.

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

Basis for opinion

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

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

Other information

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

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

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

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

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

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

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

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

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

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

Ernst & Young Ltd

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 7, 2022

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 275 000 000 (two hundred and seventy-five million Swiss francs) divided into 2 750 000 000 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 21bis

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 7, 2022

Financial Statements 2022

Consolidated Financial Statements of the Nestlé Group 2022

Principal exchange rates

CHF per

		2022	2021	2022	2021
		Year-end rates		Weighted average annual rates	
1 US Dollar	USD	0.925	0.915	0.956	0.915
1 Euro	EUR	0.985	1.034	1.004	1.081
100 Chinese Yuan Renminbi	CNY	13.297	14.344	14.148	14.179
100 Brazilian Reais	BRL	17.722	16.389	18.555	16.988
100 Mexican Pesos	MXN	4.743	4.470	4.750	4.505
1 Pound Sterling	GBP	1.116	1.235	1.175	1.257
100 Philippine Pesos	PHP	1.660	1.793	1.752	1.855
1 Canadian Dollar	CAD	0.682	0.718	0.735	0.730
100 Indian Rupee	INR	1.117	1.232	1.216	1.236
1 Australian Dollar	AUD	0.627	0.664	0.663	0.686
100 Chilean Pesos	CLP	0.108	0.107	0.109	0.120

Consolidated income statement for the year ended December 31, 2022

In millions of CHF

	Notes	2022	2021
Sales	3	**94 424**	**87 088**
Other revenue		356	382
Cost of goods sold		(51 745)	(45 468)
Distribution expenses		(8 386)	(7 919)
Marketing and administration expenses		(16 850)	(17 294)
Research and development costs		(1 696)	(1 670)
Other trading income	4	107	171
Other trading expenses	4	(3 015)	(3 131)
Trading operating profit	3	**13 195**	**12 159**
Other operating income	4	340	698
Other operating expenses	4	(1 209)	(1 178)
Operating profit		**12 326**	**11 679**
Financial income	5	210	80
Financial expense	5	(1 250)	(953)
Profit before taxes, associates and joint ventures		**11 286**	**10 806**
Taxes	13	(2 730)	(2 261)
Income from associates and joint ventures	14	1 040	8 651
Profit for the year		**9 596**	**17 196**
of which attributable to non-controlling interests		326	291
of which attributable to shareholders of the parent (Net profit)		9 270	16 905
As percentages of sales			
Trading operating profit		14.0%	14.0%
Profit for the year attributable to shareholders of the parent (Net profit)		9.8%	19.4%
Earnings per share (in CHF)			
Basic earnings per share	15	3.42	6.06
Diluted earnings per share	15	3.42	6.06

Consolidated statement of comprehensive income for the year ended December 31, 2022

In millions of CHF

	Notes	2022	2021
Profit for the year recognized in the income statement		**9 596**	**17 196**
Currency retranslations, net of taxes	17	(1 399)	2 130
Changes in cash flow hedge and cost of hedge reserves, net of taxes		214	368
Share of other comprehensive income of associates and joint ventures	14/17	167	157
Items that are or may be reclassified subsequently to the income statement		(1 018)	2 655
Remeasurement of defined benefit plans, net of taxes	10/17	(378)	2 204
Fair value changes on equity instruments, net of taxes	17	167	52
Share of other comprehensive income of associates and joint ventures	14/17	95	455
Items that will never be reclassified to the income statement		(116)	2 711
Other comprehensive income for the year	17	**(1 134)**	**5 366**
Total comprehensive income for the year		**8 462**	**22 562**
of which attributable to non-controlling interests		342	285
of which attributable to shareholders of the parent		8 120	22 277

Consolidated balance sheet as at December 31, 2022

before appropriations

In millions of CHF

	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	12/16	5 511	6 988
Short-term investments	12	1 176	7 007
Inventories	6	15 019	11 982
Trade and other receivables	7/12	11 116	11 155
Prepayments		549	575
Derivative assets	12	309	278
Current income tax assets		1 285	1 204
Assets held for sale		97	68
Total current assets		**35 062**	**39 257**
Non-current assets			
Property, plant and equipment	8	30 141	28 345
Goodwill	9	31 262	31 012
Intangible assets	9	20 237	22 223
Investments in associates and joint ventures	14	13 023	11 806
Financial assets	12	3 253	2 824
Employee benefits assets and reimbursement rights	10	1 161	2 417
Deferred tax assets	13	1 043	1 258
Total non-current assets		**100 120**	**99 885**
Total assets		**135 182**	**139 142**

In millions of CHF

	Notes	2022	2021
Liabilities and equity			
Current liabilities			
Financial debt	12	10 892	10 092
Derivative liabilities	12	352	464
Trade and other payables	7/12	20 523	20 907
Accruals		5 114	5 051
Provisions	11	620	532
Current income tax liabilities		2 447	2 962
Liabilities directly associated with assets held for sale		28	12
Total current liabilities		**39 976**	**40 020**
Non-current liabilities			
Financial debt	12	43 420	36 482
Derivative liabilities	12	470	—
Employee benefits liabilities	10	2 884	3 779
Provisions	11	1 113	1 106
Deferred tax liabilities	13	3 671	3 794
Other payables	12	856	234
Total non-current liabilities		**52 414**	**45 395**
Total liabilities		**92 390**	**85 415**
Equity	17		
Share capital		275	282
Treasury shares		(9 303)	(6 194)
Translation reserve		(23 559)	(22 266)
Other reserves		(63)	(45)
Retained earnings		74 632	81 363
Total equity attributable to shareholders of the parent		**41 982**	**53 140**
Non-controlling interests		810	587
Total equity		**42 792**	**53 727**
Total liabilities and equity		**135 182**	**139 142**

Consolidated cash flow statement for the year ended December 31, 2022

In millions of CHF

	Notes	2022	2021
Operating activities			
Operating profit	16	12 326	11 679
Depreciation and amortization	16	3 541	3 440
Impairment	16	2 726	2 614
Net result on disposal of businesses	4	79	(235)
Other non-cash items of income and expense	16	216	(253)
Cash flow before changes in operating assets and liabilities		**18 888**	**17 245**
Decrease/(increase) in working capital	16	(3 133)	(173)
Variation of other operating assets and liabilities	16	(514)	(427)
Cash generated from operations		**15 241**	**16 645**
Interest paid		(953)	(753)
Interest and dividend received		118	43
Taxes paid		(3 107)	(2 722)
Dividends and interest from associates and joint ventures	14	608	651
Operating cash flow		**11 907**	**13 864**
Investing activities			
Capital expenditure	8	(5 095)	(4 880)
Expenditure on intangible assets	9	(266)	(461)
Acquisition of businesses, net of cash acquired	2	(1 710)	(6 394)
Disposal of businesses, net of cash disposed of	2	160	3 530
Investments in associates and joint ventures	14	(918)	(715)
Divestments in associates and joint ventures	14	—	9 294
Inflows/(outflows) from treasury investments		5 902	(3 610)
Other investing activities		24	192
Investing cash flow		**(1 903)**	**(3 044)**
Financing activities			
Dividend paid to shareholders of the parent	17	(7 618)	(7 681)
Dividends paid to non-controlling interests		(284)	(302)
Acquisition (net of disposal) of non-controlling interests		(605)	(601)
Purchase (net of sale) of treasury shares [(a)]		(10 679)	(6 548)
Inflows from bonds and other long term financial debt	12	10 936	11 339
Outflows from bonds, lease liabilities and other long term financial debt	12	(3 283)	(4 474)
Inflows/(outflows) from short term financial debt	12	148	(885)
Financing cash flow		**(11 385)**	**(9 152)**
Currency retranslations		(100)	89
Increase/(decrease) in cash and cash equivalents		**(1 481)**	**1 757**
Cash and cash equivalents at beginning of year		6 992	5 235
Cash and cash equivalents at end of year		**5 511**	**6 992**
Cash and cash equivalents classified as held for sale		—	(4)
Cash and cash equivalents as per balance sheet	16	**5 511**	**6 988**

(a) Mostly relates to share buyback programs launched in 2022 and 2020.

Consolidated statement of changes in equity for the year ended December 31, 2022

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, 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**
Equity as at January 1, 2022	**282**	**(6 194)**	**(22 266)**	**(45)**	**81 363**	**53 140**	**587**	**53 727**
Profit for the year	—	—	—	—	9 270	**9 270**	326	**9 596**
Other comprehensive income for the year	—	—	(1 408)	380	(122)	**(1 150)**	16	**(1 134)**
Total comprehensive income for the year	—	—	(1 408)	380	9 148	**8 120**	342	**8 462**
Dividends	—	—	—	—	(7 618)	**(7 618)**	(284)	**(7 902)**
Movement of treasury shares	—	(10 653)	—	—	(93)	**(10 746)**	—	**(10 746)**
Equity compensation plans	—	209	—	—	(69)	**140**	(1)	**139**
Changes in non-controlling interests [(a)]	—	—	—	—	(685)	**(685)**	168	**(517)**
Reduction in share capital [(b)]	(7)	7 335	—	—	(7 328)	**—**	—	**—**
Total transactions with owners	(7)	(3 109)	—	—	(15 793)	**(18 909)**	(117)	**(19 026)**
Other movements [(c)]	—	—	115	(398)	(86)	**(369)**	(2)	**(371)**
Equity as at December 31, 2022	**275**	**(9 303)**	**(23 559)**	**(63)**	**74 632**	**41 982**	**810**	**42 792**

(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 2022 were approved for issue by the Board of Directors on February 15, 2023, and are subject to approval by the Annual General Meeting on April 20, 2023.

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 judgments, 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. Information about potential impacts under alternative scenarios (including among others the policies aligned with the Paris ambition and Nestlé's environmental commitments) on the medium and long term, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) methodology, has been considered. Management believes that the Financial Statements as of December 31, 2022, reflect the most reasonable view of the value of the assets and liabilities at this date. The implications for the Group and the global economy of the war in Ukraine (described in Note 2) as well as potential escalations are highly uncertain, and remain difficult to predict or quantify. Actual results and outcomes could differ from the judgments and estimates taken into account in these Consolidated Financial Statements.

Those areas that involved a higher degree of judgment 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 and fair value of considerations received with regards of disposal of businesses (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).

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

Operating expenses are presented in the income statement using the function of expense method, as this is the method used by management to analyze performance and is commonly used in the consumer goods industry, and thus provides more relevant information.

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

Several amendments apply for the first time in 2022 including among others Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) and Fees in the "10 per cent" Test for Derecognition of Financial Liabilities (Amendment to IFRS 9). None of these had a material impact on the Group's Financial Statements.

Changes in IFRS that may affect the Group after December 31, 2022

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 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.

Following the outbreak of the war in Ukraine in late February 2022, several countries imposed sanctions on Russia, Belarus and certain regions in Ukraine. These new circumstances strongly limited the freedom of Nestlé Russia Region businesses to operate. In accordance with the accounting policy described above, the Group has assessed and confirmed that the changes in the legal and operating environment of Russia and Ukraine have not impacted the ability to exercise control over the Group entities in these countries.

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 2022, the significant acquisition was:
– Orgain, North America – nutritional health products (Nutrition and Health Science) – 51%, April.

Among several other non-significant acquisitions, in September Nestlé Health Science closed the acquisitions of Puravida in Brazil (a premium consumer health business) and The Better Health Company in New Zealand (a vitamins, minerals and supplements business).

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, in early March the Group acquired Essentia Water, a premium functional water brand (Water) and in early July Nuun, a functional hydration products brand (Nutrition and Health Science).

Disposals

In 2022, there was no significant disposal.

Among several non-significant disposals, Freshly, a healthy prepared meals business has been contributed to a newly created associated company Sous Chef TopCo, L.P. ("Sous Chef") over which Nestlé has significant influence (see Note 14), resulting in loss of control. Before the disposal, impairment charges have been recorded through the year, primarily in Other trading expenses (see Note 4.1).

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.

2.2 Acquisitions of businesses

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

In millions of CHF		2022			2021	
	Orgain	Other	**Total**	The Bountiful Company	Other	**Total**
Inventories	172	61	**233**	559	15	**574**
Other assets	36	100	**136**	288	41	**329**
Property, plant and equipment	3	63	**66**	313	40	**353**
Intangible assets [(a)]	623	209	**832**	2 820	486	**3 306**
Financial debt	(3)	(42)	**(45)**	(33)	(36)	**(69)**
Other liabilities	(63)	(52)	**(115)**	(269)	(34)	**(303)**
Deferred taxes	(40)	(16)	**(56)**	(710)	(41)	**(751)**
Fair value of identifiable net assets/(liabilities)	**728**	**323**	**1 051**	**2 968**	**471**	**3 439**

(a) Mainly intellectual property rights, customer lists, trademarks and trade names, composed of CHF 102 million (2021: CHF 581 million) of finite life, and of CHF 730 million (2021: CHF 2725 million) of indefinite life intangible assets.

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

The goodwill arising on acquisitions and the cash outflow are:

In millions of CHF

	2022			2021		
	Orgain	Other	**Total**	The Bountiful Company	Other	**Total**
Fair value of consideration transferred	896	825	**1 721**	5 410	1 038	**6 448**
Non-controlling interests	193	1	**194**	16	—	**16**
Subtotal	1 089	826	**1 915**	5 426	1 038	**6 464**
Fair value of identifiable net (assets)/liabilities	(728)	(323)	**(1 051)**	(2 968)	(471)	**(3 439)**
Goodwill	**361**	**503**	**864**	**2 458**	**567**	**3 025**

In millions of CHF

	2022			2021		
	Orgain	Other	**Total**	The Bountiful Company	Other	**Total**
Fair value of consideration transferred	896	825	**1 721**	5 410	1 038	**6 448**
Cash and cash equivalents acquired	6	(15)	**(9)**	(37)	(5)	**(42)**
Consideration payable	—	(89)	**(89)**	(48)	(14)	**(62)**
Payment of consideration payable on prior years acquisitions	—	87	**87**	—	50	**50**
Cash outflow on acquisitions	**902**	**808**	**1 710**	**5 325**	**1 069**	**6 394**

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

Orgain

On April 1, 2022, the Group purchased 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 options giving the right to Dr. Abraham and Butterfly Equity to sell their shares and an option for Nestlé Health Science to buy their shares, both based on the 12-month period ending June 2024 results. Orgain complements Nestlé Health Science's existing portfolio of nutrition products that support healthier lives. The goodwill arising on this acquisition includes synergies with existing Nestlé Health Science's organization and growth expansion in geography and in new channels of distribution for plant-based nutrition. It is expected to be deductible for tax purposes.

Sales of Orgain included in the 2022 Financial Statements amount to CHF 372 million. The Group's total sales would have amounted to CHF 94 543 million if the acquisition had been effective January 1, 2022. The contribution of Orgain to the profit of the Group is not significant.

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.

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 46 million (2021: CHF 55 million).

2.3 Disposals of businesses

There were no significant disposals of business during the year.

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

In millions of CHF

	2022	2021		
	Total	Nestlé Waters North America	Other	**Total**
Cash, cash equivalents and short-term investments	**12**	57	2	**59**
Inventories	**58**	135	13	**148**
Trade and other receivables, prepayments and other assets	**16**	463	6	**469**
Deferred tax assets	**11**	—	3	**3**
Property, plant and equipment	**175**	1 985	23	**2 008**
Goodwill and intangible assets	**333**	811	3	**814**
Financial assets	**—**	257	—	**257**
Financial liabilities	**(27)**	(383)	(4)	**(387)**
Trade and other payables, accruals and other liabilities	**(31)**	(706)	(17)	**(723)**
Employee benefits and provisions	**(14)**	(242)	(37)	**(279)**
Deferred tax liabilities	**—**	(103)	—	**(103)**
Non-controlling interests	**—**	—	(9)	**(9)**
Net assets disposed of	**533**	**2 274**	**(17)**	**2 257**
Cumulative other comprehensive income items, net, reclassified to income statement	**29**	1 064	—	**1 064**
Profit/(loss) on disposals, net of disposal costs	**(79)**	196	39	**235**
Total disposal consideration, net of disposal costs	**483**	**3 534**	**22**	**3 556**
Cash and cash equivalents disposed of	**(12)**	(57)	—	**(57)**
Shares in associates (a)	**(296)**	—	(15)	**(15)**
Consideration receivable	**(32)**	(15)	—	**(15)**
Receipt of consideration receivable on prior years' disposals	**17**	—	61	**61**
Cash inflow on disposals, net of disposal costs	**160**	**3 462**	**68**	**3 530**

(a) In 2022, related to the fair value of the equity interest in Sous Chef received as part of the disposal of Freshly (see Notes 2.1 and 14), which was determined using a discounted cash flow methodology based on the forecasted business plans of entities held by Sous Chef (the combination of Freshly and Kettle Cuisine, see Notes 2.1 and 14).

2.4 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 2022, there is no significant transaction with 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 (settled in 2022). 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 five 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 77 countries and sales in 188 countries and employs around 275 000 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 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.

As of January 1, 2022, following the creation of Zone North America (NA) and Zone Greater China (GC) the Group is organized into five Zones and two significant GMBs. Therefore, the Group's reportable segments are:

- Zone North America (NA);
- Zone Europe (EUR);
- Zone Asia, Oceania and Africa (AOA);
- Zone Latin America (LATAM);
- Zone Greater China (GC);
- Nespresso; and
- Nestlé Health Science.

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 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 and 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, allocations 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 judgments 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
							2022
Zone NA	26 328	5 528	4 904	(624)	(82)	(43)	(713)
Zone EUR	19 128	3 138	2 719	(419)	(199)	(92)	(829)
Zone AOA	18 484	4 237	4 133	(104)	(26)	(44)	(566)
Zone LATAM	11 819	2 501	2 401	(100)	(16)	(11)	(366)
Zone GC	5 351	862	840	(22)	(12)	(15)	(179)
Nespresso	6 448	1 388	1 309	(79)	(24)	(7)	(290)
Nestlé Health Science	6 602	899	(596)	(1 495)	(41)	(42)	(287)
Other businesses (d)	264	(17)	(19)	(2)	(4)	—	(38)
Unallocated items (e)	—	(2 433)	(2 496)	(63)	1	(19)	(273)
Total	**94 424**	**16 103**	**13 195**	**(2 908)**	**(403)**	**(273)**	**(3 541)**

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 NA	23 693	4 804	4 548	(256)	(81)	(59)	(667)
Zone EUR	18 794	3 439	3 316	(123)	(31)	(134)	(824)
Zone AOA	17 894	4 288	3 399	(889)	(11)	(46)	(593)
Zone LATAM	10 086	2 208	2 053	(155)	(31)	(10)	(324)
Zone GC	5 175	700	(466)	(1 166)	(129)	(12)	(188)
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)**

* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022.
Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

(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

					2022
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Capital additions
Zone NA	8 218	19 870	(71)	(311)	2 272
Zone EUR	7 997	4 932	—	—	1 489
Zone AOA	5 188	7 677	—	—	930
Zone LATAM	5 185	1 962	—	—	805
Zone GC	572	1 725	—	—	207
Nespresso	1 616	600	—	(3)	520
Nestlé Health Science	2 825	14 060	(565)	(1 373)	1 795
Other businesses (a)	(1 175)	102	—	—	43
Unallocated items (b) and inter-segment eliminations	1 513	571	—	—	203
Total	**31 939**	**51 499**	**(636)**	**(1 687)**	**8 264**

In millions of CHF

					2021 *
	Invested capital	Goodwill and intangible assets	Impairment of goodwill and non-commercialized intangible assets (c)	Impairment of intangible assets (d)	Capital additions
Zone NA	6 945	20 392	—	(22)	2 319
Zone EUR	7 637	5 016	—	(21)	1 475
Zone AOA	4 569	8 306	—	(793)	866
Zone LATAM	4 128	1 886	—	(13)	687
Zone GC	476	1 865	(353)	(827)	261
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**

* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

(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

2022

	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	25 218	5 593	5 358	(235)	(63)	(47)
Water	3 536	277	241	(36)	(8)	(21)
Milk products and Ice cream	11 289	2 568	2 508	(60)	(17)	(16)
Nutrition and Health Science	15 678	2 990	1 323	(1 667)	(62)	(68)
Prepared dishes and cooking aids	12 484	2 038	1 508	(530)	(101)	(57)
Confectionery	8 118	1 364	1 259	(105)	(42)	(14)
PetCare	18 101	3 706	3 494	(212)	(111)	(31)
Unallocated items (c)	—	(2 433)	(2 496)	(63)	1	(19)
Total	**94 424**	**16 103**	**13 195**	**(2 908)**	**(403)**	**(273)**

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)**

* The new Zones' organization as of January 1, 2022 had no impact on the information by product.

(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)
				2022
Powdered and Liquid Beverages	6 377	7 016	—	(3)
Water	1 455	1 093	—	—
Milk products and Ice cream	2 834	1 050	—	—
Nutrition and Health Science	5 906	26 075	(565)	(1 373)
Prepared dishes and cooking aids	2 943	6 258	(71)	(311)
Confectionery	2 431	757	—	—
PetCare	7 354	9 759	—	—
Unallocated items (a) and intra-group eliminations	1 700	1 836	—	—
Total	**31 000**	**53 844**	**(636)**	**(1 687)**

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)**

* The new Zones' organization as of January 1, 2022 had no impact on the information by product.

(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

	2022	2021
Underlying Trading operating profit [a] as per Note 3.1	**16 103**	**15 119**
Net other trading income/(expenses) as per Note 4.1	(2 908)	(2 960)
Trading operating profit as per Note 3.1	**13 195**	**12 159**
Impairment of goodwill and non-commercialized intangible assets	(636)	(521)
Net other operating income/(expenses) excluding impairment of goodwill and non-commercialized intangible assets	(233)	41
Operating profit	**12 326**	**11 679**
Net financial income/(expense)	(1 040)	(873)
Profit before taxes, associates and joint ventures	**11 286**	**10 806**

(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

	2022	2021
Invested capital as per Note 3.1	31 939	27 168
Liabilities included in invested capital	24 977	24 931
Subtotal	56 916	52 099
Intangible assets and goodwill as per Note 3.1	51 499	53 235
Other assets	26 767	33 808
Total assets	**135 182**	**139 142**

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

	2022	2021
NA	**33 000**	**28 636**
United States	30 314	26 260
Canada	2 686	2 376
EUR	**22 291**	**22 228**
France	3 558	3 804
United Kingdom	3 409	3 405
Germany	2 316	2 442
Rest of EUR	13 008	12 577
of which Switzerland	1 109	1 137
AOA	**20 967**	**20 217**
Philippines	2 667	2 656
India	1 960	1 737
Australia	1 510	1 484
Rest of AOA	14 830	14 340
LATAM	**12 323**	**10 449**
Brazil	3 756	2 925
Mexico	3 457	2 962
Chile	1 302	1 280
Rest of LATAM	3 808	3 282
GC	**5 843**	**5 558**
Greater China	5 843	5 558
Total sales	**94 424**	**87 088**
of which developed markets	55 112	51 209
of which emerging markets	39 312	35 879

3.5 Geography

Sales and non-current assets in Switzerland and countries which individually represent at least 10% of Group sales or 10% of 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 generating the cash flows supporting the goodwill (see Note 9.1.2).

In millions of CHF

		2022		2021
	Sales	Non-current assets	Sales	Non-current assets
United States	30 314	31 630	26 260	33 287
Switzerland	1 109	18 006	1 137	20 023
Rest of the world	63 001	32 004	59 691	28 270
Total	**94 424**	**81 640**	**87 088**	**81 580**

3.6 Customers

There is no single customer amounting to 10% or more of the 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, results 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 wars and 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	2022	2021
Other trading income		**107**	**171**
Restructuring costs		(273)	(311)
Impairment of property, plant and equipment [(a)] and intangible assets [(b)/(c)]	8/9	(2 090)	(2 093)
Litigations and onerous contracts [(d)]		(400)	(561)
Miscellaneous trading expenses		(252)	(166)
Other trading expenses [(e)]		**(3 015)**	**(3 131)**
Total net other trading income/(expenses)		**(2 908)**	**(2 960)**

(a) Including impairment and/or reversal of impairment of assets held for sale.
(b) Excluding impairment of non-commercialized intangible assets.
(c) In 2022, including mainly:
i) CHF 1373 million related to Palforzia (see Note 9.1) – Nestlé Health Science operating segment; and
ii) CHF 311 million related to the Freshly's brand before disposal (see Notes 2.1 and 14) – Zone NA operating segment.
(d) In 2021, including contract termination related to the restructuring of the Wyeth business.
(e) In 2022, the outbreak of the war in Ukraine in late February 2022 (see Note 2) impacted Other trading expenses as follows:
i) CHF 106 million impairment of property, plant and equipment (Zone EUR and Nespresso operating segments), mainly related to assets under construction which would not be completed, points of sale which have been closed, and other assets where there were indicators of impairment;
ii) CHF 54 million of various claims and onerous contracts; and
iii) CHF 67 million of miscellaneous trading expenses.

4.2 Net other operating income/(expenses)

In millions of CHF

	Notes	2022	2021
Profit on disposal of businesses	2	20	257
Miscellaneous operating income [(a)]		320	441
Other operating income		**340**	**698**
Loss on disposal of businesses	2	(99)	(22)
Impairment of goodwill and non-commercialized intangible assets [(b)]	9	(636)	(521)
Miscellaneous operating expenses [(c)]		(474)	(635)
Other operating expenses		**(1 209)**	**(1 178)**
Total net other operating income/(expenses)		**(869)**	**(480)**

(a) In 2022, including CHF 136 million of hyperinflation adjustments.
In 2021, including the reassessment of CHF 264 million of a contingent consideration liability related to a business combination.
(b) In 2022, mainly includes CHF 553 million related to Palforzia's non-commercialized intangibles assets (see Note 9.1).
(c) Miscellaneous operating expenses include among other expenses of transitional services provided to disposed businesses and natural disasters, particularly in 2021 with costs related to COVID-19 of around CHF 100 million, primarily safety related costs (gloves, masks, cleaning and sanitizing, screening and vaccines among others). COVID-19 costs are part of the underlying trading profit in 2022.

In 2021, profit on disposal of businesses mainly related to the result of disposal of the Nestlé Waters North America business of CHF 196 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 (see Note 8).

In millions of CHF

	Notes	2022	2021
Interest income		140	42
Interest expense		(1 124)	(815)
Net financing cost of net financial debt		**(984)**	**(773)**
Interest income on defined benefit plans		70	38
Interest expense on defined benefit plans		(125)	(136)
Net interest income/(expense) on defined benefit plans	10	**(55)**	**(98)**
Other financial income/(expense)		(1)	(2)
Net financial income/(expense)		**(1 040)**	**(873)**

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

	2022	2021
Raw materials, work in progress and sundry supplies	7 529	5 789
Finished goods	7 818	6 467
Allowance for write-down to net realizable value	(328)	(274)
	15 019	**11 982**

Inventories amounting to CHF 294 million (2021: CHF 302 million) are pledged as security for financial liabilities.

Inventories amounting to CHF 49 889 million (2021: CHF 43 924 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

	2022			2021		
	Gross carrying amount	Expected credit loss allowance	**Total**	Gross carrying amount	Expected credit loss allowance	**Total**
Trade receivables (not credit impaired)	8 884	(89)	**8 795**	8 639	(75)	**8 564**
Other receivables (not credit impaired)	2 294	(9)	**2 285**	2 600	(17)	**2 583**
Credit impaired trade and other receivables	247	(211)	**36**	192	(184)	**8**
Total	**11 425**	**(309)**	**11 116**	**11 431**	**(276)**	**11 155**

The five major customers represent 15% (2021: 13%) of trade and other receivables, none of them individually exceeding 8% (2021: 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

	2022	2021
Due within one year		
Trade payables	15 798	15 625
Social security and sundry taxes and levies	1 766	1 872
Other payables	2 959	3 410
	20 523	**20 907**

8. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

In millions of CHF

	Notes	2022	2021
Property, plant and equipment – owned	8.1	27 540	25 639
Right-of-use assets – leased	8.2b	2 601	2 706
		30 141	**28 345**

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, 2022	8 981	10 231	1 631	92	4 704	**25 639**
Additions [(a)]	293	666	439	15	4 041	**5 454**
Acquisitions through business combinations	11	27	9	—	4	**51**
Reclassification from assets under construction	548	1 289	270	3	(2 110)	**—**
Depreciation	(435)	(1 400)	(593)	(22)	—	**(2 450)**
Impairments	(97)	(216)	(16)	(1)	—	**(330)**
Disposals	(29)	(34)	(20)	(1)	(1)	**(85)**
Classification (to)/from held for sale and disposals of businesses	(106)	(99)	(1)	—	(3)	**(209)**
Currency retranslations and others	(123)	(295)	(20)	16	(108)	**(530)**
At December 31, 2022	**9 043**	**10 169**	**1 699**	**102**	**6 527**	**27 540**
Gross value	15 117	27 852	6 750	313	6 527	**56 559**
Accumulated depreciation and impairments	(6 074)	(17 683)	(5 051)	(211)	—	**(29 019)**
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**
Reclassification 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)**

(a) Including borrowing costs.

At December 31, 2022, net property, plant and equipment of CHF 118 million are pledged as security for financial liabilities (2021: CHF 156 million).

At December 31, 2022, the Group was committed to expenditure amounting to CHF 3326 million (2021: CHF 2270 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, 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. Planned retirement of property, plant and equipment due to a transition to a low carbon economy, Nestlé's commitments regarding recyclable or reusable packaging, reduction of virgin plastic and Nestlé's Net Zero Roadmap on greenhouse gas emissions are also considered as triggers for impairment.

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, underperforming businesses and related to the war in Ukraine (see Note 2 and Note 4.1). As the majority of Nestlé emissions are classified in Scope 3 (i. e. indirect emissions that occur across the Nestlé's value chain and outside of the Nestlé's direct control), property, plant and equipment are not materially exposed to climate transition risks, and no other significant climate-related triggers for impairment have been identified.

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 judgment 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 1.0 billion (undiscounted) at December 31, 2022.

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, 2022	2 307	169	230	**2 706**
Additions	612	78	92	**782**
Depreciation	(476)	(86)	(85)	**(647)**
Impairments	(76)	—	—	**(76)**
Classification (to)/from held for sale and change of scope of consolidation, net	(3)	—	1	**(2)**
Currency retranslations and others [(a)]	(161)	(9)	8	**(162)**
At December 31, 2022	**2 203**	**152**	**246**	**2 601**
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**

(a) Including CHF 101 million of derecognition of right-of-use assets that are being sub-leased.

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 72 million (2021: CHF 66 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 877 million (2021: CHF 879 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 on a straight-line basis. 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, 2022	31 012	15 199	5 981	1 043	22 223	948
Expenditure	—	30	8	228	266	211
Acquisitions through business combinations	864	731	96	5	832	3
Amortization	—	(47)	(93)	(304)	(444)	(270)
Impairments [(a)]	(71)	(2 238)	(13)	(1)	(2 252)	—
Disposals	—	—	—	—	—	—
Classification (to)/from held for sale and disposals of businesses	(22)	(299)	(6)	(6)	(311)	—
Currency retranslations	(521)	(98)	24	(3)	(77)	(3)
At December 31, 2022	**31 262**	**13 278**	**5 997**	**962**	**20 237**	**889**
of which indefinite useful life [(b)]	—	13 002	4 428	—	17 430	—
of which non-commercialized intangible assets	—	56	198	—	254	—
At December 31, 2022						
Gross value	34 926	17 213	6 654	5 240	29 107	4 869
Accumulated amortization and impairments	(3 664)	(3 935)	(657)	(4 278)	(8 870)	(3 980)
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)]	(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)

(a) In 2022, total impairment of intangible assets of CHF 2252 million includes CHF 1926 million related to *Palforzia's* intangible assets (see Note 9.1.1) including CHF 553 million of non-commercialized intangible assets and CHF 311 million related to Freshly brand before disposal (see Note 2.1).
In 2021, total impairment of goodwill of CHF 353 million relates to the Nutrition CGU in Greater China (see Note 9.1.1) and total impairment of intangible assets of CHF 1917 million includes CHF 1613 million related to the Wyeth brands impairment (see Note 9.1.1) and CHF 168 million of non-commercialized intangible assets.

(b) Of which CHF 4412 million (2021: CHF 4397 million) are perpetual rights to market, sell and distribute certain Starbucks' consumer and food service products globally, classified under the caption Operating rights and others.

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, 2022, the Group's committed payments (undiscounted and not risk-adjusted) and their estimated timing are:

In millions of CHF

	2022			2021		
	Unconditional commitments	Potential milestone payments	**Total**	Unconditional commitments	Potential milestone payments	**Total**
Within one year	—	168	**168**	—	102	**102**
In the second year	—	69	**69**	—	229	**229**
In the third and fourth year	—	70	**70**	—	196	**196**
Thereafter	—	1 112	**1 112**	—	816	**816**
Total	**—**	**1 419**	**1 419**	**—**	**1 343**	**1 343**
of which related parties	—	—	**—**	—	47	**47**

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 generate 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 2022 impairment charge on intangible assets and goodwill mainly relates to the impairment of *Palforzia's* intangible assets composed of intellectual property rights, trademarks and trade names and non-commercialized intangibles (operating segment Nestlé Health Science) and other various non-significant impairments of intangible assets and goodwill (predominantly in Zone NA operating segment, which relates to Freshly's brand, see Notes 2.1 and 14).

Slower than expected adoption by patients and healthcare professionals has impacted the penetration of the United States market for *Palforzia*, the peanut allergy treatment that was acquired in 2020 under the Aimmune Therapeutics acquisition. Considering this situation, the Group announced in the second half of the year that it had decided to explore strategic options for *Palforzia* and decided to cease investments in further developments of non-commercialized intangibles. As a result, an impairment charge of CHF 1.6 billion was recorded in the second half of the year for Brand and intellectual property rights based on a fair value less costs of disposal valuation. Before this change of strategy, an impairment charge of CHF 0.3 billion had been recognized in the first half of the year under Impairment of intangible assets on the intellectual property rights after revisions to projected cash flows considering the business performance since acquisition. Impairments for *Palforzia* were recognized under the heading Other trading expenses (see Note 4.1) for the patents and brand, and under the heading Other operating expenses (see Note 4.2) for non-commercialized intangible assets (capitalized cost of trials prior to granting of approval by the relevant authorities).

In 2021, the impairment charge on intangible assets and goodwill (see Note 4) mainly related to the Nutrition business in Zone AOA and Zone GC as well as the Wyeth brands, and to other various non-significant impairments of intangible assets (predominantly in Nestlé Health Science and in Other businesses).

Due to the presence of indicators of impairment, impairment tests of the Wyeth brands, the Nutrition CGU in Greater China, and the Nutrition CGU in Zone AOA (excluding Greater China) were concluded during the 2021 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 incorporated certain key assumptions, some of which were subject to considerable uncertainty. These assumptions included, but were 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 product launches, the duration of the COVID-19 pandemic and related economic and social impacts.

Impairments in 2021 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 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 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 and an impairment of Property, plant and equipment (refer to Note 4.1), there was no other significant impairment in 2021 of the carrying amounts of other assets related to the Nutrition business. The Goodwill and intangible assets were included in the Zone AOA and Zone GC operating segments.

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 impairment reviews have been performed considering the impact of sanctions and the company’s portfolio adjustment following the outbreak of the war in Ukraine in late February 2022 (see Note 2). The reviews of intangible assets and goodwill CGUs did not result in a need for impairment for CGUs with Russian operations.

The following table sets out the key assumptions for CGUs that have significant Goodwill or IAIUL allocated to them. With the overall increase in risk-free rates in the second half of the year and as the annual impairment tests are usually performed in the first half of the year, the Group assessed whether the resulting increase in discount rates represented an impairment indicator. For the CGUs that were not sensitive to the increase in discount rates, the annual impairment tests were not re-opened in the second half of the year. Only impairment tests of sensitive CGUs or CGUs impacted by significant business acquisition activities were reviewed in the second half of the year based on the increased interest rates. The assumptions presented below are based on the most recent full impairment test performed either in the first or second half of the year.

	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
2022 (b)							
CGU							
PetCare Zone NA	7 003	222	5 years	6.3%	Stable	2.0%	5.9%
Nutrition Zone AOA	5 207	1 185	5 years	2.4%	Stable	3.0%	10.9%
Food Zone NA	2 914	1 621	5 years	3.9%	Stable	2.0%	5.9%
Nestlé Health Science	6 427	5 917	5 years	6.6%	Improvement	2.7%	6.9%
Beverages Zone NA	947	4 006	5 years	4.7%	Stable	2.0%	5.9%
Subtotal	22 498	12 951					
Other CGUs	8 764	4 479					
Total	**31 262**	**17 430**					
2021							
CGU							
PetCare Zone AMS	7 311	220	5 years	6.3%	Stable	1.6%	5.6%
Nutrition Zone AOA (excluding Greater China)	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**					

(a) In millions of CHF
(b) As of January 1, 2022, the Group is organized into five Zones and two significant GMBs (see Note 3). As a result, the Group reviewed the CGUs identified for testing goodwill to re-align them with the new management structure, and the goodwill was re-allocated on a relative fair value basis.

For each significant CGU the recoverable amount is higher than its carrying amount. The recoverable amount has 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.

- Climate change risks, including transition and physical risks, over the medium to longer term have been taken into account in assessing the risks of the cash flows. Impacts on the underlying assumptions on future forecasts of CGUs and their portfolio strategy have been considered. Sales growth, margin evolution and terminal growth have been adjusted if necessary, considering the resilience of the CGUs to climate change risks as well as Nestlé's commitments to tackle climate change (including the Group's "Net Zero Roadmap"). In addition, the headroom of the CGUs was compared to information obtained from Nestlé's climate scenario modeling prepared in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework. The outcomes of the scenarios analyzed (selected high, intermediate and low emissions scenarios) were probability weighted and proportionally allocated and compared to the headroom of each CGU. The process did not lead to any impairment charges.
- 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, and Nestlé Health Science. For those CGUs, changes in the key assumptions greater than the amounts below (most likely for the discount rate for Nutrition Zone AOA and the discount rate or annual margin evolution for Nestlé Health Science), would lead to the fair value less costs of disposal being less than the carrying amount:

	Nutrition Zone AOA Sensitivity	Nestlé Health Science Sensitivity
Average annual sales growth	Decrease by 290 basis points	Decrease by 700 basis points
Annual margin evolution	Decrease by 290 basis points	Decrease by 240 basis points
Terminal growth rate	Decrease by 130 basis points	Decrease by 150 basis points
Discount rate	Increase by 100 basis points	Increase by 120 basis points

10. Employee benefits

10.1 Employee remuneration

The Group's salary expenses of CHF 10 756 million (2021: CHF 10 358 million) and welfare expenses of CHF 4117 million (2021: CHF 3973 million) represent a total of CHF 14 873 million (2021: CHF 14 331 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 181 million (2021: CHF 241 million). Employee remuneration is allocated to the appropriate headings of expenses by function (see Note 1, section Expenses).

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 funded 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 five regions disclosed are North America (NA), Europe (EUR), Asia, Oceania and Africa including Middle East (AOA), Latin America (LATAM) and Greater China (GC). 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 EUR (Switzerland, United Kingdom and Germany) and in NA (USA). In accordance with applicable legal frameworks, these plans have governing bodies which have a fiduciary responsibility to oversee the management 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 197 million had been contributed as at December 31, 2022, and CHF 116 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 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 in 2021 in accordance with the previous valuation as at December 31, 2018. The last triennial valuation as at December 31, 2021 was completed in 2022 and confirmed that no deficit contributions were required.

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 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 contributions paid to the plan in 2022 amount to CHF 61 million. Finally, in August 2022, a buyout transaction with a third-party insurance company was completed and USD 819 million (equivalent CHF 783 million) of defined benefit obligations were removed from the Group balance sheet. This transaction did not change the pension benefits provided to pensioners.

Post-employment medical benefits and other employee benefits

Subsidiaries, principally in NA and LATAM, 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 when relevant.
- 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 generally 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 governing body, the regulator and, if applicable, the members, is sought before implementing plan changes.

During the year, there were plan amendments and restructuring activities (among others risk transfers of pensioners' liabilities and medical cost-sharing) leading to curtailments and settlements, individually not significant, amounting to net related settlement and negative past service costs/(income) of CHF 78 million (2021: CHF 2 million expense).

Asset-liability management and funding arrangement

Governing bodies are responsible for determining the mix of asset classes and target allocations of Nestlé's plans with the support of investment advisors and/or local asset management firms. Periodic reviews of the asset mix are made by external parties to assess the portfolio structure adequacy. 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. The Group has a policy guiding the pension plan governing bodies to review the impact of climate risk on their investment portfolios and apply TCFD recommendations in case it is required by local pension legislation. 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

	2022			2021		
	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	16 819	64	**16 883**	24 617	67	**24 684**
Fair value of plan assets	(18 817)	(38)	**(18 855)**	(26 220)	(40)	**(26 260)**
Excess of liabilities/(assets) over funded obligations	(1 998)	26	**(1 972)**	(1 603)	27	**(1 576)**
Present value of unfunded obligations	765	1 199	**1 964**	782	1 506	**2 288**
Unrecognized assets [(a)]	1 240	3	**1 243**	27	—	**27**
Net defined benefit liabilities/(assets)	**7**	**1 228**	**1 235**	**(794)**	**1 533**	**739**
Reimbursement rights			**(147)**			**(168)**
Other employee benefit liabilities			**635**			**791**
Net liabilities			**1 723**			**1 362**
Reflected in the balance sheet as follows:						
Employee benefit assets and reimbursement rights			**(1 161)**			**(2 417)**
Employee benefit liabilities			**2 884**			**3 779**
Net liabilities			**1 723**			**1 362**

(a) Primarily from Swiss and German pension plans for which the net asset was limited to nil as at December 31, 2022. There was no economic benefit allowing an asset to be recognized.

10.2b Funding situation by geographic area of defined benefit plans [(a)]

In millions of CHF

	2022						2021 *					
	EUR	NA	AOA	LATAM	GC	**Total**	EUR	NA	AOA	LATAM	GC	**Total**
Present value of funded obligations	13 315	2 344	781	408	35	**16 883**	19 156	4 030	1 034	422	42	**24 684**
Fair value of plan assets	(15 166)	(2 332)	(883)	(445)	(29)	**(18 855)**	(20 576)	(4 161)	(1 032)	(454)	(37)	**(26 260)**
Excess of liabilities/(assets) over funded obligations	(1 851)	12	(102)	(37)	6	**(1 972)**	(1 420)	(131)	2	(32)	5	**(1 576)**
Present value of unfunded obligations	171	880	480	433	—	**1 964**	222	1 101	466	499	—	**2 288**

* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

(a) Before asset ceiling.

10.2c Movement in the present value of defined benefit obligations

In millions of CHF

	2022			2021		
	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	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**
Currency retranslations	(673)	35	**(638)**	142	11	**153**
Service cost	470	(55)	**415**	531	37	**568**
of which current service cost	460	33	**493**	526	40	**566**
of which past service cost and (gains)/losses arising from settlements	10	(88)	**(78)**	5	(3)	**2**
Interest expense	384	65	**449**	357	67	**424**
Actuarial (gains)/losses	(5 949)	(195)	**(6 144)**	(986)	(213)	**(1 199)**
Employees contributions	110	—	**110**	115	—	**115**
Benefits paid on funded defined benefit plans (a)	(2 094)	(7)	**(2 101)**	(1 258)	(8)	**(1 266)**
Benefits paid on unfunded defined benefit plans	(71)	(112)	**(183)**	(140)	(106)	**(246)**
Classification (to)/from held for sale and change of scope of consolidation, net	(1)	—	**(1)**	5	(2)	**3**
Reclass from other benefits to defined benefit retirement plans	41	(41)	**—**	—	—	**—**
Transfer from/(to) defined contribution plans	(32)	—	**(32)**	(230)	(9)	**(239)**
At December 31	**17 584**	**1 263**	**18 847**	**25 399**	**1 573**	**26 972**
of which funded defined benefit plans	16 819	64	**16 883**	24 617	67	**24 684**
of which unfunded defined benefit plans	765	1 199	**1 964**	782	1 506	**2 288**

(a) Including the buyout transaction in the USA described in Note 10.2, section Pensions and retirement benefits.

10.2d Movement in fair value of defined benefit plan assets

In millions of CHF	2022			2021		
	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	(26 220)	(40)	**(26 260)**	(24 775)	(37)	**(24 812)**
Currency retranslations	739	3	**742**	(144)	1	**(143)**
Interest income	(395)	(1)	**(396)**	(327)	(1)	**(328)**
Actual return on plan assets, excluding interest income	5 385	2	**5 387**	(1 594)	(3)	**(1 597)**
Employees' contributions	(110)	—	**(110)**	(115)	—	**(115)**
Employer contributions	(357)	(9)	**(366)**	(773)	(8)	**(781)**
Benefits paid on funded defined benefit plans [(a)]	2 094	7	**2 101**	1 258	8	**1 266**
Administration expenses	18	—	**18**	20	—	**20**
Transfer (from)/to defined contribution plans	29	—	**29**	230	—	**230**
At December 31	**(18 817)**	**(38)**	**(18 855)**	**(26 220)**	**(40)**	**(26 260)**

(a) Including the buyout transaction in the USA described in Note 10.2, section Pensions and retirement benefits.

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

	2022	2021
Equities [(a)]	17%	20%
of which US equities	4%	5%
of which European equities	9%	11%
of which other equities	4%	4%
Debts	52%	54%
of which government debts [(a)]	37%	41%
of which corporate debts [(b)]	15%	13%
Real estate [(b)]	14%	11%
Alternative investments [(b)]	8%	7%
of which hedge funds	2%	3%
of which private equities	6%	4%
Cash/Deposits	9%	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 54% (2021: 61%) of the plan assets. Almost all of them are quoted in an active market. Corporate debts, real estate, hedge funds and private equities represent 37% (2021: 31%) 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 8 million (2021: CHF 6 million). Furthermore, funded defined benefit plans may invest in Nestlé S.A. (or related) shares. There was no direct investment at end of 2022 and 2021. 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 573 million to its funded defined benefit plans in 2023.

10.2e Unrecognized assets

Movements of unrecognized assets and fair value of plan assets including asset ceiling are as follows:

In millions of CHF

			2022			2021
	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 1 January	27	—	**27**	18	—	**18**
Currency retranslations	(9)	—	**(9)**	(1)	—	**(1)**
Limitation of interest income	2	—	**2**	2	—	**2**
Changes due to asset ceiling	1 220	3	**1 223**	8	—	**8**
At 31 December	**1 240**	**3**	**1 243**	**27**	**—**	**27**

In millions of CHF

			2022			2021
	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**	Defined benefit retirement plans	Post-employment medical benefits and other benefits	**Total**
Fair value of plan assets at 31December						
Excluding limit on asset recognition	(18 817)	(38)	**(18 855)**	(26 220)	(40)	**(26 260)**
Asset ceiling	1 240	3	**1 243**	27	—	**27**
Including limit on asset recognition	**(17 577)**	**(35)**	**(17 612)**	**(26 193)**	**(40)**	**(26 233)**

10.2f Expenses recognized in the income statement

In millions of CHF

	2022			2021		
	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	470	(55)	**415**	531	37	**568**
Net interest (income)/expense	(9)	64	**55**	32	66	**98**
Administration expenses	18	—	**18**	20	—	**20**
Defined benefit expenses	**479**	**9**	**488**	**583**	**103**	**686**
Defined contribution expenses			**365**			**347**
Total			**853**			**1 033**

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

In millions of CHF

	2022			2021		
	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	(5 385)	(2)	**(5 387)**	1 594	3	**1 597**
Experience adjustments on plan liabilities	(611)	(51)	**(662)**	41	27	**68**
Change in demographic assumptions on plan liabilities	165	15	**180**	(75)	41	**(34)**
Change in financial assumptions on plan liabilities	6 395	231	**6 626**	1 020	145	**1 165**
Transfer from/(to) unrecognized assets and other	(1 220)	(3)	**(1 223)**	(8)	—	**(8)**
Remeasurement of defined benefit plans – actuarial gains/(losses)	**(656)**	**190**	**(466)**	**2 572**	**216**	**2 788**

10.2h 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.

						2022						2021 *
	EUR	NA	AOA	LATAM	GC	**Total**	EUR	NA	AOA	LATAM	GC	**Total**
Discount rates	3.3%	5.4%	5.6%	9.3%	3.2%	**4.1%**	1.1%	2.8%	5.0%	8.0%	1.2%	**1.8%**
Expected rates of salary increases	2.0%	3.6%	4.7%	3.8%	3.3%	**2.7%**	2.0%	3.1%	4.3%	3.8%	3.1%	**2.5%**
Expected rates of pension adjustments	1.2%	0.0%	1.7%	1.7%	0.0%	**1.0%**	1.3%	0.0%	1.5%	1.7%	1.3%	**1.1%**
Medical cost trend rates (a)		6.4%		6.6%		**6.5%**		5.9%		6.3%		**6.1%**

* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

(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 2031 and respectively 4% by 2040. As for the largest plan in LATAM, the related medical cost trend of 6.6% corresponds to an estimated long-term average increase. Some non-material post-employment medical plans in EUR and AOA have not been considered in the average.

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

Expressed in years

		2022	2021	2022	2021
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	
EUR					
Switzerland	LPP 2020	21.8	21.7	23.5	23.4
United Kingdom	S3NA	21.0	21.2	23.8	23.7
Germany	Heubeck Richttafeln 2018	21.3	21.2	23.7	23.5
NA					
USA	Pri-2012	20.6	20.9	22.6	22.9

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.

10.2j 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

		EUR	NA	AOA	LATAM	GC	**Total**
2022	As reported	13 486	3 224	1 261	841	35	**18 847**
	Discount rates						
	Increase of 50 basis points	12 708	3 077	1 219	805	34	**17 843**
	Decrease of 50 basis points	14 345	3 386	1 309	883	36	**19 959**
	Expected rates of salary increases						
	Increase of 50 basis points	13 541	3 250	1 282	846	36	**18 955**
	Decrease of 50 basis points	13 429	3 198	1 243	839	34	**18 743**
	Expected rates of pension adjustments						
	Increase of 50 basis points	14 091	3 288	1 282	850	35	**19 546**
	Decrease of 50 basis points	13 228	3 223	1 248	836	35	**18 570**
	Medical cost trend rates						
	Increase of 50 basis points	13 487	3 228	1 263	852	35	**18 865**
	Decrease of 50 basis points	13 481	3 219	1 261	833	35	**18 829**
	Mortality assumption						
	Setting forward the tables by 1 year	13 048	3 181	1 244	822	35	**18 330**
	Setting back the tables by 1 year	13 930	3 265	1 279	861	35	**19 370**
2021	As reported	19 378	5 131	1 500	921	42	**26 972**
	Discount rates						
	Increase of 50 basis points	17 957	4 844	1 441	873	41	**25 156**
	Decrease of 50 basis points	20 978	5 450	1 573	974	44	**29 019**
	Expected rates of salary increases						
	Increase of 50 basis points	19 478	5 170	1 530	925	44	**27 147**
	Decrease of 50 basis points	19 278	5 095	1 478	917	41	**26 809**
	Expected rates of pension adjustments						
	Increase of 50 basis points	20 363	5 131	1 534	930	43	**28 001**
	Decrease of 50 basis points	18 871	5 131	1 474	914	43	**26 433**
	Medical cost trend rates						
	Increase of 50 basis points	19 379	5 138	1 501	947	42	**27 007**
	Decrease of 50 basis points	19 376	5 125	1 499	897	42	**26 939**
	Mortality assumption						
	Setting forward the tables by 1 year	18 596	5 023	1 477	895	42	**26 033**
	Setting back the tables by 1 year	20 156	5 223	1 528	948	43	**27 898**

* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

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

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

Expressed in years

						2022						2021 *
	EUR	NA	AOA	LATAM	GC	**Total**	EUR	NA	AOA	LATAM	GC	**Total**
At December 31	12.5	10.1	10.5	10.2	6.2	**11.9**	15.7	12.1	11.0	11.8	7.3	**14.6**

* 2021 figures restated following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA.

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, 2022	463	63	758	354	**1 638**
Currency retranslations	(12)	(3)	(6)	(12)	**(33)**
Provisions made during the year [(a)]	264	16	298	376	**954**
Amounts used	(264)	(6)	(96)	(132)	**(498)**
Reversal of unused amounts	(46)	—	(143)	(127)	**(316)**
Classification (to)/from held for sale	—	—	—	—	**—**
Modification of the scope of consolidation	(4)	—	—	(8)	**(12)**
At December 31, 2022	**401**	**70**	**811**	**451**	**1 733**
of which expected to be settled within 12 months					**620**
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**

(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 EUR. 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 2019 million (2021: CHF 1535 million) representing possible payments for litigations of CHF 2002 million (2021: CHF 1505 million) and payments for other items of CHF 17 million (2021: CHF 30 million). Possible payments for litigations relate mainly to various investigations as well as labor, civil and tax litigations in LATAM.

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 60 million (2021: CHF 58 million), mainly in LATAM.

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 mitigate the credit risk exposure of the Group and provide interest income. 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 months' 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	2022 At amortized cost (a)	2022 At fair value to income statement	2022 At fair value to Other comprehensive income	2022 Total categories	2021 At amortized cost (a)	2021 At fair value to income statement	2021 At fair value to Other comprehensive income	2021 Total categories
Cash at bank and in hand	2 466	—	—	**2 466**	2 685	—	—	**2 685**
Commercial paper	3 040	—	—	**3 040**	5 511	—	—	**5 511**
Time deposits	671	—	—	**671**	562	—	—	**562**
Bonds and debt funds	63	709	2	**774**	88	5 721	2	**5 811**
Equity and equity funds	—	268	769	**1 037**	—	354	472	**826**
Other financial assets	1 271	681	—	**1 952**	732	692	—	**1 424**
Liquid assets (b) and non-current financial assets	7 511	1 658	771	**9 940**	9 578	6 767	474	**16 819**
Trade and other receivables	11 116	—	—	**11 116**	11 155	—	—	**11 155**
Derivative assets (c)	—	309	—	**309**	—	278	—	**278**
Total financial assets	**18 627**	**1 967**	**771**	**21 365**	**20 733**	**7 045**	**474**	**28 252**
Trade and other payables	(21 379)	—	—	**(21 379)**	(21 118)	(23)	—	**(21 141)**
Financial debt	(54 312)	—	—	**(54 312)**	(46 574)	—	—	**(46 574)**
Derivative liabilities (c)	—	(822)	—	**(822)**	—	(464)	—	**(464)**
Total financial liabilities	**(75 691)**	**(822)**	**—**	**(76 513)**	**(67 692)**	**(487)**	**—**	**(68 179)**
Net financial position	**(57 064)**	**1 145**	**771**	**(55 148)**	**(46 959)**	**6 558**	**474**	**(39 927)**
of which at fair value	—	1 145	771	**1 916**	—	6 558	474	**7 032**

(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

	2022	2021
Derivative assets	73	139
Bonds and debt funds	225	5 161
Equity and equity funds	535	332
Other financial assets	58	68
Derivative liabilities	(70)	(11)
Prices quoted in active markets (Level 1)	**821**	**5 689**
Derivative assets	222	139
Bonds and debt funds	468	545
Equity and equity funds	405	358
Other financial assets	609	608
Derivative liabilities	(752)	(453)
Valuation techniques based on observable market data (Level 2)	**952**	**1 197**
Financial assets	143	169
Financial liabilities (a)	—	(23)
Valuation techniques based on unobservable input (Level 3)	**143**	**146**
Total financial instruments at fair value	**1 916**	**7 032**

(a) Contingent consideration on acquisition.

There have been no significant transfers between the different hierarchy levels in 2022 and in 2021.

12.1c Changes in liabilities arising from financing activities

In millions of CHF	2022	2021
At January 1	(46 907)	(39 942)
Currency retranslations and exchange differences	644	(196)
Changes in fair values	31	50
Changes arising from acquisition and disposal of businesses and classification to/(from) held for sale	(8)	(48)
(Inflows)/outflows on interest derivatives	(20)	(14)
Increase in lease liabilities	(785)	(777)
Inflows from bonds and other long term financial debt	(10 936)	(11 339)
Outflows from bonds, lease liabilities and other long term financial debt	3 283	4 474
(Inflows)/outflows from short term financial debt	(148)	885
At December 31	**(54 846)**	**(46 907)**
of which current financial debt	(10 892)	(10 092)
of which non-current financial debt	(43 420)	(36 482)
of which derivatives hedging financial debt	(534)	(333)

12.1d Bonds

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2022	2021
Nestlé S.A., Switzerland	CHF	900	0.25%	0.26%	2018–2024		900	900
	CHF	600	0.75%	0.69%	2018–2028		602	602
	CHF	675	1.63%	1.65%	2022–2026		674	—
	CHF	475	2.13%	2.15%	2022–2030		474	—
	CHF	350	2.50%	2.46%	2022–2034		351	—
	CHF	360	1.63%	1.67%	2022–2025		360	—
	CHF	260	2.63%	2.57%	2022–2035		262	—
	CHF	310	2.25%	2.18%	2022–2029		311	—
Nestlé Holdings, Inc., USA	USD	800	2.38%	2.55%	2017–2022		—	731
	USD	650	2.38%	2.50%	2017–2022		—	594
	USD	300	2.25%	2.35%	2017–2022		—	274
	EUR	850	0.88%	0.92%	2017–2025	(a)	836	877
	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		555	548
	USD	1 500	3.35%	3.41%	2018–2023	(b)	1 386	1 370
	USD	900	3.50%	3.59%	2018–2025	(b)	830	821
	USD	1 250	3.63%	3.72%	2018–2028	(b)	1 150	1 137
	USD	1 250	3.90%	4.01%	2018–2038	(b)	1 140	1 127
	USD	2 100	4.00%	4.11%	2018–2048	(b)	1 907	1 885
	USD	1 150	0.38%	0.49%	2020–2024	(b)	1 062	1 049
	USD	750	0.63%	0.77%	2020–2026	(b)	690	682
	USD	1 100	1.00%	1.06%	2020–2027	(b)	1 014	1 002
	USD	1 000	1.25%	1.37%	2020–2030	(b)	917	906
	GBP	600	0.63%	0.75%	2021–2025	(a)	668	739
	GBP	400	1.38%	1.46%	2021–2033	(a)	442	489
	USD	300	1.13%	1.19%	2021–2026		277	274
	USD	1 500	0.61%	0.66%	2021–2024	(b)	1 386	1 370
	USD	1 000	1.50%	1.58%	2021–2028	(b)	920	910
	USD	1 000	1.88%	1.91%	2021–2031	(b)	922	912
	USD	500	2.50%	2.55%	2021–2041	(b)	459	454
	USD	500	1.15%	1.22%	2021–2027	(b)	461	456
	USD	500	2.63%	2.69%	2021–2051	(b)	456	451
	CAD	2 000	2.19%	2.23%	2021–2029	(a)	1 365	1 437
	GBP	300	2.13%	2.25%	2022–2027	(a)	333	—
	GBP	600	2.50%	2.53%	2022–2032	(a)	668	—
	USD	750	4.00%	4.07%	2022–2025	(b)	692	—
	USD	500	4.13%	4.20%	2022–2027	(b)	461	—
	USD	500	4.25%	4.31%	2022–2029	(b)	461	—
	USD	1 250	4.30%	4.38%	2022–2032	(b)	1 149	—
	USD	1 000	4.70%	4.76%	2022–2053	(b)	915	—
Subtotal							28 156	22 697

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	Comments	2022	2021
Subtotal from previous page							28 156	22 697
Nestlé Finance International Ltd., Luxembourg	EUR	850	1.75%	1.89%	2012–2022		—	878
	GBP	400	2.25%	2.34%	2012–2023	(c)	437	501
	EUR	500	0.75%	0.92%	2015–2023	(d)	487	519
	EUR	500	0.38%	0.54%	2017–2024		492	515
	EUR	750	1.25%	1.32%	2017–2029		735	772
	EUR	750	1.75%	1.83%	2017–2037		731	767
	EUR	1 000	1.13%	1.27%	2020–2026		980	1 028
	EUR	1 000	1.50%	1.63%	2020–2030		976	1 024
	EUR	850	0.13%	0.25%	2020–2027		832	872
	EUR	650	0.00%	0.05%	2020–2024		640	671
	EUR	1 000	0.38%	0.56%	2020–2032		969	1 015
	EUR	500	0.00%	(0.26%)	2020–2025		496	522
	EUR	500	0.00%	0.16%	2020–2033		485	508
	EUR	500	0.38%	0.40%	2020–2040		491	515
	EUR	1 250	0.00%	0.00%	2021–2026		1 231	1 293
	EUR	750	0.25%	0.32%	2021–2029		736	772
	EUR	500	0.63%	0.69%	2021–2034		489	513
	EUR	650	0.88%	1.01%	2021–2041		626	656
	EUR	600	0.88%	0.95%	2022–2027		589	—
	EUR	600	1.25%	1.33%	2022–2031		587	—
	EUR	800	1.50%	1.63%	2022–2035		777	—
	EUR	500	3.00%	3.13%	2022–2028		489	—
	EUR	500	3.25%	3.38%	2022–2031		488	—
	EUR	500	3.38%	3.49%	2022–2034		487	—
Nestlé Hungária Kft., Hungary	HUF	115 000	1.75%	1.53%	2021–2028		286	327
Other bonds							92	164
Total carrying amount (*)							**43 784**	**36 529**
of which due within one year							2 905	2 550
of which due after one year							40 879	33 979
Fair value (*) of bonds, based on prices quoted (Level 2)							39 293	37 651

(*) 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 11 million (2021: CHF 17 million) and under derivative liabilities for CHF 484 million (2021: CHF 114 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

	2022	2021
A– and above	6 432	14 328
BBB+, BBB and BBB–	722	803
BB+ and below	1 455	937
Not rated [(a)]	1 640	1 029
	10 249	**17 097**

(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 2022 successfully extended the tenor of both its revolving credit facilities:

– A USD 3.0 billion and EUR 3.5 billion revolving credit facility with an initial maturity date of October 2023. The Group has the ability to convert the facility into a one year term loan.
– A USD 2.2 billion and EUR 2.3 billion revolving credit facility with a new maturity date of October 2027.

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
2022	**Trade and other payables**	**(20 523)**	**(475)**	**(418)**	**(23)**	**(21 439)**	**(21 379)**
	Commercial paper [(a)]	(3 829)	—	—	—	(3 829)	(3 822)
	Bonds [(a)]	(3 707)	(5 214)	(14 008)	(29 702)	(52 631)	(43 784)
	Lease liabilities	(658)	(546)	(1 119)	(1 016)	(3 339)	(2 992)
	Other financial debt	(3 769)	(54)	(72)	(55)	(3 950)	(3 714)
	Total financial debt	**(11 963)**	**(5 814)**	**(15 199)**	**(30 773)**	**(63 749)**	**(54 312)**
	Financial liabilities (excluding derivatives)	**(32 486)**	**(6 289)**	**(15 617)**	**(30 796)**	**(85 188)**	**(75 691)**
	Non-currency derivative assets	71	10	5	1	87	87
	Non-currency derivative liabilities	(82)	(1)	—	—	(83)	(83)
	Gross amount receivable from currency derivatives	23 126	82	2 590	2 801	28 599	27 460
	Gross amount payable from currency derivatives	(23 179)	(137)	(2 882)	(3 118)	(29 316)	(27 977)
	Net derivatives	**(64)**	**(46)**	**(287)**	**(316)**	**(713)**	**(513)**
	of which derivatives under cash flow hedges [(b)]	8	1	—	—	9	9
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

(a) Commercial paper of CHF 3829 million (2021: CHF 4240 million) and bonds of CHF 864 million (2021: CHF 874 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 202 million in 2022 (2021: loss of CHF 58 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 15 million in 2022 (2021: less than CHF 25 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 80% (2021: 76%).

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 an increase in Net financing cost of CHF 41 million on an annualized basis (2021: a decrease in Net financing cost of CHF 32 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

	2022			2021		
	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	13 282	57	594	15 797	43	319
Cash flow hedges						
Foreign currency risk on future purchases or sales	9 192	139	133	7 311	83	61
Commodity price risk on future purchases	1 911	73	70	2 548	142	12
Designated in a hedging relationship	24 385	269	797	25 656	268	392
Undesignated derivatives		40	25		10	72
		309	**822**		**278**	**464**
Conditional offsets [(b)]						
Derivative assets and liabilities		(135)	(135)		(65)	(65)
Use of cash collateral received or deposited		(28)	(226)		(27)	(39)
Balances after conditional offsets		146	461		186	360

(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

	2022	2021
on hedged items	592	292
on hedging instruments	(593)	(290)

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, 2022, the ratio was 24.7% (2021: 42.1%). 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

	2022	2021
Current taxes [a]	(2 566)	(2 616)
Deferred taxes	(48)	(346)
Taxes reclassified to other comprehensive income	(9)	765
Taxes reclassified to equity	(107)	(64)
Total taxes	**(2 730)**	**(2 261)**

(a) Current taxes related to prior years include a tax expense of CHF 30 million (2021: tax income of CHF 551 million).

13.2 Reconciliation of taxes recognized in the income statement

In millions of CHF

		2022		2021
Profit before taxes		**11 286**		**10 806**
Expected tax expense at weighted average applicable tax rate [a]	20.9%	(2 357)	20.0%	(2 157)
Tax effect of permanent differences on disposal of businesses	(1.3%)	151	0.2%	(21)
Tax effect of permanent differences on impairment of goodwill	0.1%	(16)	0.2%	(24)
Tax effect of other permanent differences	(1.0%)	113	(1.6%)	174
Prior years' taxes [b]	0.2%	(19)	(3.2%)	343
Transfers to unrecognized deferred tax assets	1.1%	(119)	1.6%	(168)
Transfers from unrecognized deferred tax assets	(0.3%)	33	(0.3%)	31
Changes in tax rate on deferred taxes	0.1%	(12)	0.4%	(48)
Withholding taxes on transfers of income	4.0%	(449)	3.6%	(393)
Other	0.4%	(55)	0.0%	2
Tax expense at effective tax rate	**24.2%**	**(2 730)**	**20.9%**	**(2 261)**

(a) The weighted average applicable tax rate in 2022 increased compared to 2021 as a result of a change in the geographical mix of profits.
(b) In 2021, the prior years' tax credits resulted 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, 2022	(1 317)	(2 419)	359	613	228	**(2 536)**
Currency retranslations	27	26	17	(53)	(1)	**16**
(Expense)/income in income statement	(25)	(119)	(83)	8	3	**(216)**
(Expense)/income in other comprehensive income and equity	—	—	87	81	—	**168**
Classification (to)/from held for sale	—	—	—	—	—	**—**
Modification of the scope of consolidation	(4)	(14)	(2)	(41)	1	**(60)**
At December 31, 2022	**(1 319)**	**(2 526)**	**378**	**608**	**231**	**(2 628)**
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)**

In millions of CHF

	2022	2021
Reflected in the balance sheet as follows:		
Deferred tax assets	1 043	1 258
Deferred tax liabilities	(3 671)	(3 794)
Net assets/(liabilities)	**(2 628)**	**(2 536)**

13.4 Unrecognized deferred taxes

At December 31, 2022, the unrecognized deferred tax assets amount to CHF 1072 million (2021: CHF 994 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

	2022	2021
Within one year	233	169
Between one and five years	349	426
More than five years	3 300	3 003
	3 882	**3 598**

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.

13.5 Developments in international taxation

The Organisation for Economic Co-operation and Development (OECD) initiative to combat base erosion and profit shifting (BEPS) has led to the development of a number of measures which countries plan to introduce. These include the Pillar Two initiative, focused on the introduction of a minimum corporate tax rate, with the possibility of top-up taxes being introduced in cases where jurisdictions do not comply with the minimum tax rate. The Group is currently assessing the accounting implications and the jurisdictions that could give rise to additional taxation as a result of the implementation of the Pillar 2 Model Rules in national laws, which is not expected to be material for the Group.

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 judgment. 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

	2022				2021			
	L'Oréal	Other associates	Joint ventures	**Total**	L'Oréal	Other associates	Joint ventures	**Total**
At January 1	7 554	2 545	1 707	**11 806**	8 640	1 757	1 608	**12 005**
Currency retranslations	(362)	(174)	(46)	**(582)**	(413)	(47)	(2)	**(462)**
Investments	—	1 147	22	**1 169**	—	641	33	**674**
Divestments and reclassifications	—	(5)	—	**(5)**	(1 587)	(3)	(6)	**(1 596)**
Share of results	1 151	(213)	156	**1 094**	1 156	17	33	**1 206**
Impairment	—	(106)	(3)	**(109)**	—	—	3	**3**
Share of other comprehensive income	173	63	26	**262**	552	—	60	**612**
Dividends and interest received	(530)	(33)	(45)	**(608)**	(571)	(35)	(51)	**(657)**
Other [(a)]	(77)	70	3	**(4)**	(223)	215	29	**21**
At December 31	**7 909**	**3 294**	**1 820**	**13 023**	**7 554**	**2 545**	**1 707**	**11 806**

(a) In 2022, additional recognition of an increase of the Group's share of the net assets in IVC Evidensia following the merger with VetStrategy in November 2021.
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 2022, increase in investments of Other associates mainly relate to the fair value of a non-controlling equity interest received in Sous Chef TopCo, L.P. in exchange for the contribution, in November, of the Freshly business (see Notes 2.1 and 2.2), and loans granted to the associate at its formation. Freshly has been combined with Kettle Cuisine, a US supplier of prepared food, to form Sous Chef, which is controlled by L Catterton. Sous Chef is involved in offering a wide assortment of fresh food products to customers across geographies and a variety of channels. In 2021, increase of investments in Other associates mainly related to an increase in stake in IVC Evidensia in May.

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

As part of the carrying amount of the investment, Associates and joint ventures value at December 31, 2022 includes loans granted by the Group to Associates and joint ventures of CHF 2315 million (2021: CHF 1646 million). In addition, as of December 31, 2022 the Group has a potential commitment to acquire another parties' ownership interests in an associate through a put mechanism, which is exercisable in the future dependent on certain performance conditions.

Income from associates and joint ventures

In millions of CHF

	2022	2021
Share of results	1 094	1 206
Impairment	(109)	3
Profit on partial disposal of L'Oréal shares [(a)]	—	7 184
Profit on disposal of Other associates [(b)]	55	258
	1 040	**8 651**

(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) 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).

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 (2021: 107 621 021 shares representing a 20.1% 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, 2022, the market value of the shares held amounts to CHF 35.4 billion (2021: CHF 46.4 billion).

Summarized financial information of L’Oréal

In billions of CHF	2022	2021
Total current assets	13.8	12.5
Total non-current assets	32.3	32.0
Total assets	**46.1**	**44.5**
Total current liabilities	13.5	17.2
Total non-current liabilities	5.8	2.9
Total liabilities	**19.3**	**20.1**
Total equity	**26.8**	**24.4**
Total sales	**38.4**	**34.9**
Profit from continuing operations	5.7	5.0
Other comprehensive income	0.9	2.3
Total comprehensive income	**6.6**	**7.3**

Reconciliation of the carrying amount

In billions of CHF	2022	2021
Share held by the Group in the equity of L'Oréal	5.4	4.9
Goodwill and other adjustments	2.5	2.7
Carrying amount of L'Oréal	**7.9**	**7.6**

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), Herta (cold cuts and meat-based products in Europe) and Sous Chef (fresh food products in North America).

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 220 million (2021: CHF 224 million) in 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

	2022	2021
Basic earnings per share (in CHF)	3.42	6.06
Net profit (in millions of CHF)	9 270	16 905
Weighted average number of shares outstanding (in millions of units)	2 707	2 788
Diluted earnings per share (in CHF)	3.42	6.06
Net profit, net of effects of dilutive potential ordinary shares (in millions of CHF)	9 270	16 905
Weighted average number of shares outstanding, net of effects of dilutive potential ordinary shares (in millions of units)	2 709	2 791
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	2 707	2 788
Adjustment for share-based payment schemes, where dilutive	2	3
Weighted average number of shares outstanding used to calculate diluted earnings per share	2 709	2 791

16. Cash flow statement

16.1 Operating profit

In millions of CHF

	2022	2021
Profit for the year	9 596	17 196
Income from associates and joint ventures	(1 040)	(8 651)
Taxes	2 730	2 261
Financial income	(210)	(80)
Financial expense	1 250	953
	12 326	**11 679**

16.2 Non-cash items of income and expense

In millions of CHF

	2022	2021
Depreciation of property, plant and equipment	3 097	3 056
Impairment of property, plant and equipment	403	344
Impairment of goodwill	71	353
Amortization of intangible assets	444	384
Impairment of intangible assets	2 252	1 917
Net result on disposal of businesses	79	(235)
Net result on disposal of assets	(11)	(83)
Non-cash items in financial assets and liabilities	235	(293)
Equity compensation plans	128	130
Other	(136)	(7)
	6 562	**5 566**

16.3 Decrease/(increase) in working capital

In millions of CHF

	2022	2021
Inventories	(3 428)	(1 414)
Trade and other receivables	(321)	(824)
Prepayments and accrued income	9	(94)
Trade and other payables	492	2 115
Accruals	115	44
	(3 133)	**(173)**

16.4 Variation of other operating assets and liabilities

In millions of CHF	2022	2021
Variation of employee benefits assets and liabilities	(296)	(609)
Variation of provisions	143	148
Other	(361)	34
	(514)	**(427)**

16.5 Reconciliation of free cash flow and net financial debt

In millions of CHF	2022	2021
Operating cash flow	11 907	13 864
Capital expenditure	(5 095)	(4 880)
Expenditure on intangible assets	(266)	(461)
Other investing activities	24	192
Free cash flow	**6 570**	**8 715**
Acquisition of businesses	(1 710)	(6 394)
Financial liabilities and short-term investments acquired in business combinations	(40)	(69)
Disposal of businesses	160	3 530
Financial liabilities and short-term investments transferred on disposal of businesses and reclassification to/(from) held for sale	37	21
Acquisition (net of disposal) of non-controlling interests	(605)	(601)
Investments in associates and joint ventures	(918)	(715)
Divestments in associates and joint ventures	—	9 294
Dividend paid to shareholders of the parent	(7 618)	(7 681)
Dividends paid to non-controlling interests	(284)	(302)
Purchase (net of sale) of treasury shares	(10 679)	(6 548)
Increase in lease liabilities	(785)	(777)
Currency retranslations and exchange differences	597	(82)
Other movements	33	11
(Increase)/decrease of net financial debt	**(15 242)**	**(1 598)**
Net financial debt at beginning of year	(32 917)	(31 319)
Net financial debt at end of year	**(48 159)**	**(32 917)**
of which		
Current financial debt	(10 892)	(10 092)
Non-current financial debt	(43 420)	(36 482)
Cash and cash equivalents	5 511	6 988
Short-term investments	1 176	7 007
Derivatives [(a)]	(534)	(338)

(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	2022	2021
Cash at bank and in hand	2 466	2 685
Time deposits	667	546
Commercial paper	2 378	3 757
Cash and cash equivalents as per balance sheet	**5 511**	**6 988**

17. Equity

17.1 Share capital issued

The ordinary share capital of Nestlé S.A. issued and fully paid is composed of 2 750 000 000 registered shares with a nominal value of CHF 0.10 each (2021: 2 815 000 000 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 2022 and 2021 as a consequence of share buyback programs launched in January 2020 and in January 2022. The cancellation of shares was approved at the Annual General Meetings on April 7, 2022 and April 15, 2021. The share capital was reduced by 65 000 000 shares from CHF 282 million to CHF 275 million in 2022 and by 66 000 000 shares from CHF 288 million to CHF 282 million in 2021.

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 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

	2022	2021
Purpose of holding		
Share buyback program	77.6	50.9
Long-Term Incentive Plans	4.3	4.5
	81.9	**55.4**

At December 31, 2022, the treasury shares held by the Group represent 3.0% of the share capital (2021: 2.0%). Their market value amounts to CHF 8770 million (2021: CHF 7061 million).

17.4 Number of shares outstanding

Number of shares in millions of units

	Shares issued	Treasury shares	**Outstanding shares**
At January 1, 2022	2 815.0	(55.4)	**2 759.6**
Purchase of treasury shares	—	(93.2)	**(93.2)**
Treasury shares delivered in respect of equity compensation plans	—	1.7	**1.7**
Treasury shares cancelled	(65.0)	65.0	**—**
At December 31, 2022	**2 750.0**	**(81.9)**	**2 668.1**
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**

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 (equity reserves 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

2022

	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	(1 476)	1	—	—	**(1 475)**	8	**(1 467)**
– Reclassified to income statement	34	—	—	—	**34**	—	**34**
– Taxes	34	—	—	—	**34**	—	**34**
	(1 408)	1	—	—	**(1 407)**	8	**(1 399)**
Fair value changes on equity instruments							
– Recognized	—	—	—	231	**231**	—	**231**
– Taxes	—	—	—	(64)	**(64)**	—	**(64)**
	—	—	—	167	**167**	—	**167**
Changes in cash flow hedge and cost of hedge reserves							
– Recognized	—	290	—	—	**290**	1	**291**
– Reclassified to income statement	—	(29)	—	—	**(29)**	2	**(27)**
– Taxes	—	(49)	—	—	**(49)**	(1)	**(50)**
	—	212	—	—	**212**	2	**214**
Remeasurement of defined benefit plans							
– Recognized	—	—	—	(474)	**(474)**	8	**(466)**
– Taxes	—	—	—	90	**90**	(2)	**88**
	—	—	—	(384)	**(384)**	6	**(378)**
Share of other comprehensive income of associates and joint ventures							
– Recognized	—	—	167	95	**262**	—	**262**
– Reclassified to income statement	—	—	—	—	**—**	—	**—**
	—	—	167	95	**262**	—	**262**
Other comprehensive income for the year	**(1 408)**	**213**	**167**	**(122)**	**(1 150)**	**16**	**(1 134)**

2021

In millions of CHF

	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**

17.9 Reconciliation of the other reserves

In millions of CHF

	Hedging reserves	Reserves of associates and joint ventures	**Total**
At January 1, 2022	174	(219)	**(45)**
Other comprehensive income for the year	213	167	**380**
Other movements	(398)	—	**(398)**
At December 31, 2022	**(11)**	**(52)**	**(63)**
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)**

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 2021 was paid on April 13, 2022, in accordance with the decision taken at the Annual General Meeting on April 7, 2022. Shareholders approved the proposed dividend of CHF 2.80 per share, resulting in a total dividend of CHF 7618 million.

Dividend payable is not accounted for until it has been ratified at the Annual General Meeting. At the Annual General Meeting on April 20, 2023, a dividend of CHF 2.95 per share will be proposed, resulting in an estimated total dividend of CHF 8113 million. For further details, refer to the Financial Statements of Nestlé S.A.

The Consolidated Financial Statements for the year ended December 31, 2022, do not reflect this proposed distribution, which will be treated as an appropriation of profit in the year ending December 31, 2023.

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 Nestlé S.A. shares which are blocked for three years.

In millions of CHF

	2022	2021
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 objectives, the business and functional objectives as well as the Environmental, Social and Governance (ESG) 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

	2022	2021
Remuneration – cash	18	14
Bonus – cash	13	11
Bonus – shares *	4	5
Equity compensation plans [a]	17	14
Pension	3	3
Total [b]	**55**	**47**

(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.

* or American Depositary Receipts.

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);
- purchases and sales of finished and unfinished goods.

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, 2022 and December 31, 2021, the Group has no significant guarantees given to third parties.

20. Effects of hyperinflation

The 2022 and 2021 figures include the following countries considered as hyperinflationary economies:
- Argentina;
- Iran;
- Venezuela;
- Zimbabwe;
- Lebanon;
- Syria; and
- Türkiye since 2022.

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 15, 2023, 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 disclosures.

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 meet 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;
   – the 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) The average number of employees during the financial year is **equal or greater than 250 FTE.**

Entities directly held by Nestlé S.A. that fall below the disclosure criteria are listed with a °.
A main operating entity in a given country that falls 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.
The 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

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Croatia						
Nestlé Adriatic d.o.o.		Zagreb		100%	HRK	14 685 500
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	740 548 192
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 EMENA S.A.S.	◊	Issy-les-Moulineaux		100%	EUR	44 856 144
Nestlé Waters Management & Technology S.A.S.		Issy-les-Moulineaux		100%	EUR	10 538 113
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 Industrielle de Transformation de Produits Agricoles S.A.S.		Issy-les-Moulineaux		100%	EUR	9 718 000
Cereal Partners France SNC	1)	Issy-les-Moulineaux		50%	EUR	3 000 000
L'Oréal S.A.	Δ3)	Paris	20.1%	20.1%	EUR	107 082 474
Listed on the Paris stock exchange, market capitalization EUR 179.1 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						
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

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Germany (continued)						
Nestlé Unternehmungen Deutschland GmbH	◊	Frankfurt am Main	15%	100%	EUR	60 000 000
Nestlé Waters Deutschland GmbH		Frankfurt am Main		100%	EUR	10 566 000
Terra Canis GmbH		München		100%	EUR	60 336
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	98 800
Islay New Group Holding S.A. [b]	3)	Luxembourg		18.9%	GBP	106 542 904
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

(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
Montenegro						
Nestle Adriatic Crna Gora d.o.o.	NiM	Podgorica		100%	EUR	5 307
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
Norway						
AS Nestlé Norge		Bærum		100%	NOK	10 010 000
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	895 923 700
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
Nestlé Purina PetCare España, S.A.		Castellbisbal		100%	EUR	12 000 000
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						
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 SA		Vevey		100%	CHF	2 000 000
Nestlé Operational Services Worldwide SA		Vevey		100%	CHF	100 000
Nestlé Orange Holdings GmbH	°◊	Cham	100%	100%	CHF	20 000
Nestlé Suisse S.A.	NiM	Vevey		100%	CHF	250 000
Nestlé Ventures SA	°◊	Vevey	100%	100%	CHF	250 000
Nestlé Waters (Suisse) SA		Henniez		100%	CHF	5 000 000
Nestrade SA		La Tour-de-Peilz		100%	CHF	6 500 000
Nutrition-Wellness Venture SA	°◊	Vevey	100%	100%	CHF	100 000
Société des Produits Nestlé S.A.		Vevey	100%	100%	CHF	8 900 000
Sofinol S.A.		Manno		100%	CHF	3 000 000
CPW Operations S.à r.l.	°1)	Prilly	50%	50%	CHF	40 000
Türkiye						
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
Dikey Vitamin Kozmetik ve Gida Takviveleri Pazarlama Ticaret A.S.	3)	Istanbul		37.5%	TRY	5 694 070
Ukraine						
LLC Lviv Confectionery Factory "Svitoch"		Lviv		100%	UAH	88 111 060
LLC Nestlé Ukraine		Kyiv		100%	UAH	799 965
LLC Technocom		Kharkiv	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		69.6%	GBP	534
Nespresso UK Ltd		Gatwick		100%	GBP	275 000
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		83.1%	GBP	17
The Nature's Bounty Co. Ltd		Manchester		99.8%	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 182.0 billion, quotation code (ISIN) CI0009240728						
Egypt						
Food and Beverage Trading Egypt LLC		Cairo		99.9%	EGP	2 000 000
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
Mauritius						
Nestlé's Products (Mauritius) Ltd	NiM	Port Louis		100%	MUR	2 488 071
Morocco						
Nestlé Maroc S.A.		El Jadida		94.7%	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	4.5%	70.7%	NGN	396 328 126
Listed on the Nigerian Stock Exchange, market capitalization NGN 871.9 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
Zambia						
Nestlé Zambia Trading Ltd	°	Lusaka	0.2%	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	50.6%	100%	ARS	18 370 089 000
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 Ltda		Vila Velha		100%	BRL	575 615 927
Nestlé Brasil Ltda		São Paulo	74%	100%	BRL	2 821 056 388
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
Tradal Brazil Comércio, Importações e Exportações Ltda		São Paulo		100%	BRL	15 577 426
Dairy Partners Americas Brasil Ltda	1)	São Paulo	49%	49%	BRL	595 806 368
Canada						
Atrium Innovations Inc.		Westmount (Québec)		100%	CAD	229 364 710
Bountiful Canada Vitamins ULC		Vancouver (British Columbia)		99.8%	CAD	200
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		99.8%	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

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Cuba						
Nescor, S.A.	°	Artemisa	50.9%	50.9%	USD	32 200 000
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
Terrafertil S.A.		Tabacundo		80%	USD	525 800
El Salvador						
Nestlé El Salvador, S.A. de C.V.		San Salvador	<0.1%	100%	USD	4 457 200
Guatemala						
Genoveva, S.A.	°	Ciudad de Guatemala	<0.1%	100%	GTQ	5 069 414
Malher Export, S.A.	°	Ciudad de Guatemala	<0.1%	100%	GTQ	5 000
Nestlé Guatemala S.A.		Ciudad de Guatemala	<0.1%	100%	GTQ	123 535 600
Honduras						
Malher de Honduras, S.A. de C.V.	°	Tegucigalpa	<0.1%	100%	HNL	25 000
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
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
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	10 588 706
Nestlé Panamá, S.A.		Ciudad de Panamá		100%	PAB	7 911 294

(c) Voting powers amount to 51%

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
Paraguay						
Nestlé Business Services Latam S.A.		Asunción		100%	PYG	100 000 000
Nestlé Paraguay S.A.	NiM	Asunción		100%	PYG	100 000 000
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%	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						
Aimmune Nestlé Health Science US R&D, LLC		Wilmington (Delaware)		100%	USD	—
Blue Bottle Coffee, LLC		Wilmington (Delaware)		100%	USD	0
Essentia Sub, LLC		Wilmington (Delaware)		100%	USD	—
Garden of Life LLC		Wilmington (Delaware)		100%	USD	—
Gerber Products Company		Fremont (Michigan)		100%	USD	1 000
HVL LLC		Wilmington (Delaware)		100%	USD	—
Malher, Inc.		Stafford (Texas)		100%	USD	1 000
Nation Pizza Products, LLC		Wilmington (Delaware)		100%	USD	—
NDHH, LLC	◊	Wilmington (Delaware)		100%	USD	0
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
Nuun & Company, Inc.		Wilmington (Delaware)		100%	USD	0
Orgain, LLC		Wilmington (Delaware)		51%	USD	—
Pure Encapsulations, LLC		Wilmington (Delaware)		100%	USD	—
Puritan's Pride, Inc.		New York (New York)		99.8%	USD	0
Rexall Sundown, Inc.		Plantation (Florida)		99.8%	USD	0
Solgar Holdings, Inc.		Wilmington (Delaware)		99.8%	USD	1 000
Sweet Earth Inc.		Wilmington (Delaware)		100%	USD	0
Tejas Industries, LLC		Dallas (Texas)		100%	USD	1 000
The Nature's Bounty Co.		Wilmington (Delaware)		99.8%	USD	10

Companies		City	% capital shareholdings by Nestlé S.A.	% ultimate capital shareholdings	Currency	Capital
United States (continued)						
Vital Proteins LLC	◊	Wilmington (Delaware)		100%	USD	100 000 000
Vitality Foodservice, Inc.		Dover (Delaware)		100%	USD	1 240
Vitaminpacks Inc.		Wilmington (Delaware)		98.3%	USD	1 076
JustForFoodDogs, Inc.	3)	Irvine (California)		29%	USD	1 000
Sous Chef TopCo, L.P.	3)	Greenwich (Connecticut)		45.5%	USD	1 100 000
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%	CNY	3 525 353 500
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%	CNY	15 316 450
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 1890.3 billion, quotation code (ISIN) INE239A01016						
Indonesia						
P.T. Nestlé Indonesia		Jakarta		91.7%	IDR	152 753 440 000
P.T. Wyeth Nutrition Sduaenam		Jakarta		99.2%	IDR	2 500 000 000
Iran						
Nestlé Iran (Private Joint Stock Company)		Tehrān		95.9%	IRR	358 538 000 000

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		Shoham		100%	ILS	176
OSEM Investments Ltd		Shoham		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						
Ghadeer Mineral Water Co. WLL		Amman		100%	JOD	1 785 000
Nestlé Jordan Trading Company Ltd		Amman		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 32.8 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
Myanmar						
Nestlé Myanmar Limited	NiM	Yangon		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 266.2 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
Pure Water Factory Co. Ltd		Madinah		90%	SAR	5 000 000
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 48.6 billion, quotation code (ISIN) LK0128N00005						
Syria						
Nestlé Syria S.A.	NiM	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	71 886 000

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) Pte Ltd	NiM	Lami		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
New Zealand Health Manufacturing Limited		Auckland		100%	NZD	0
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 Coffee	Orbe	PTC
Nestlé Product Technology Centre Dairy	Konolfingen	PTC
Nestlé Product Technology Centre 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
Chile		
Nestlé Development Centre	Santiago de Chile	D
Côte d'Ivoire		
Nestlé R&D Centre	Abidjan	R&D
France		
Nestlé Development Centre	Lisieux	D
Nestlé Product Technology Centre Waters	Vittel	PTC
Nestlé R&D Centre	Aubigny	R&D
Nestlé Research	Tours	R
Germany		
Nestlé Product Technology Centre Food	Singen	PTC
Greater China Region		
Nestlé R&D Centre	Beijing	R&D

		City of operations				
India						
Nestlé Development Centre		Gurgaon			D	
Ireland (Republic of)						
Nestlé Development Centre		Askeaton			D	
Singapore						
Nestlé R&D Centre		Singapore			R&D	
United Kingdom						
Nestlé Product Technology Centre Confectionery		York			PTC	
United States						
Nestlé Development Centre		Fremont (Michigan)			D	
Nestlé Development Centre		Marysville (Ohio)			D	
Nestlé Development Centre		Solon (Ohio)			D	
Nestlé Product Technology Centre Nestlé Health Science		Bridgewater (New Jersey)			PTC	
Nestlé Product Technology Centre PetCare		St. Louis (Missouri)			PTC	
Nestlé R&D Centre		St. Joseph (Missouri)			R&D	

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

Lausanne, 15 February 2023

Report of the statutory auditor

Report on the audit of the 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, as at 31 December 2022 and for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 72 to 173) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of 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 (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards (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 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'). For certain trade spend arrangements settled retrospectively, management estimates the level of trade spend using judgments based on historical experience and the specific terms of the agreements with the customers. The measurement of revenue, therefore, involves estimates related to various arrangements with a broad customer base across different countries. Organic growth, which represents sales growth after removing, among other things, the impact of acquisitions, divestitures and exchange rate movements, is an important component in the determination of measurable financial objectives linked to management incentive schemes. There is a risk of revenue being misstated, through error, misinterpretation or misapplication of accounting standards and policies or intentional manipulation, as a result of the pressure that local management may feel to achieve growth targets. The nature of the misstatements may include bias in estimates, unrecorded accruals, or the misclassification of trade spend in the income statement. 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 by customers. The estimates require the use of assumptions that are complex, given the high volume and diversity of trade spend arrangements as well as the uncertainty related to future outcomes, including changes in buying patterns resulting from the current economic environment.

Building a better working world

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 system 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 quarterly 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 reviewed manual journal entries impacting trade spend to identify significant or unusual items and obtained underlying documentation.

We assessed 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 consolidated financial statements in relation to the relevant accounting standards.

Building a better working world

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 intangibles assets

Risk	As described in Notes 1 and 9 of the consolidated financial statements, the Company has CHF 31.3 billion of goodwill and CHF 20.2 billion of intangibles assets, the sum of which represents 38% of total assets and 120% of equity. For all cash generating units (CGUs) with goodwill, indefinite-life intangibles, or non-commercialized intangibles, indicators of impairment are assessed at each reporting date and an impairment test is performed at least annually. Finite life intangible assets are assessed for indicators of impairment at each reporting date and an impairment test is only performed when indicators are present. During 2022, management re-assessed the CGUs due to a change in the reportable segments (see Note 9). As such, management reallocated the goodwill and intangible assets to the new CGUs on a relative fair value basis. In the second half of 2022, management announced a strategic review of Palforzia due to continued underperformance of the peanut allergy treatment since acquisition in 2020. As a result, all Palforzia assets were tested for impairment, resulting in impairment charges of CHF 1.9 billion, which constitutes the majority of the total impairment of CHF 2.3 billion recorded this year in the consolidated financial statements as described in Note 9. The assessment of indicators of impairment and impairment testing are subjective in nature. The recoverability of goodwill and 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, including the impacts that climate risks and environmental commitments may have on future cashflows, as well as allocation of assets to CGUs, are subject to management judgment.

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. 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 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 Palforzia assets, we gained an understanding of the progress of the strategic review of the business including the scenarios analysed to calculate the impairment charges recorded. We challenged management on the consistency of information used across its impairment tests for the various assets.

We obtained an understanding of how management considered climate change risks, including transition and physical risks, in the future cashflows of its CGUs. With assistance from our sustainability specialists, we challenged management's assessment and the consistency of potential climate risks across the various zones and product categories as it related to sales growth and operating margin evolution. We evaluated any adjustments made to sales growth, annual operating margin evolution, and terminal growth rates in the impairment models and performed additional sensitivities over these assumptions where needed. Additionally, we gained an understanding of how management used information prepared in accordance with the Taskforce on Climate-related Financial Disclosure (TCFD) framework (as described in Note 9). We assessed the consistency of information used, including the scenario's analyzed and the probability weighting used and recalculated the allocation of the potential climate transition risk.

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 product 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 consolidated 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 intangible assets.

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

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the 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 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 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.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the 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)

	2022		2021
Results			
Sales	94 424		87 088
Underlying Trading operating profit (a)	16 103		15 119
as % of sales	17.1%		17.4%
Trading operating profit (a)	13 195		12 159
as % of sales	14.0%		14.0%
Taxes	2 730		2 261
Profit for the year attributable to shareholders of the parent (Net profit)	9 270		16 905
as % of sales	9.8%		19.4%
Total amount of dividend	8 113	(c)	7 618
Depreciation of property, plant and equipment	3 097		3 056
Balance sheet and Cash flow statement			
Current assets	35 062		39 257
Non-current assets	100 120		99 885
Total assets	135 182		139 142
Current liabilities	39 976		40 020
Non-current liabilities	52 414		45 395
Total equity	42 792		53 727
Net financial debt (a)	48 159		32 917
Ratio of net financial debt to total equity (gearing)	112.5%		61.3%
Operating cash flow	11 907		13 864
as % of net financial debt	24.7%		42.1%
Free cash flow (a)	6 570		8 715
Capital additions	8 264		12 977
as % of sales	8.8%		14.9%
Data per share			
Weighted average number of shares outstanding (in millions of units)	2 707		2 788
Basic earnings per share	3.42		6.06
Underlying earnings per share (a)	4.80		4.42
Dividend	2.95	(c)	2.80
Pay-out ratio based on basic earnings per share	86.3%	(c)	46.2%
Stock prices (high)	129.50		128.90
Stock prices (low)	104.98		95.00
Yield (b)	2.3/2.8	(c)	2.2/2.9
Market capitalization	**285 865**		**351 682**
Number of employees (in thousands)	**275**		**276**

(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.

2020	2019	2018	
			Results
84 343	92 568	91 439	Sales
14 903	16 260	15 521	Underlying Trading operating profit [(a)]
17.7%	17.6%	17.0%	as % of sales
14 233	13 674	13 789	Trading operating profit [(a)]
16.9%	14.8%	15.1%	as % of sales
3 365	3 159	3 439	Taxes
12 232	12 609	10 135	Profit for the year attributable to shareholders of the parent (Net profit)
14.5%	13.6%	11.1%	as % of sales
7 681	7 700	7 230	Total amount of dividend
3 127	3 488	3 604	Depreciation of property, plant and equipment
			Balance sheet and Cash flow statement
34 068	35 663	41 003	Current assets
89 960	92 277	96 012	Non-current assets
124 028	127 940	137 015	Total assets
39 722	41 615	43 030	Current liabilities
37 792	33 463	35 582	Non-current liabilities
46 514	52 862	58 403	Total equity
31 319	27 138	30 330	Net financial debt [(a)]
67.3%	51.3%	51.9%	Ratio of net financial debt to total equity (gearing)
14 377	15 850	15 398	Operating cash flow
45.9%	58.4%	50.8%	as % of net financial debt
10 245	11 934	10 765	Free cash flow [(a)]
11 367	5 482	14 711	Capital additions
13.5%	5.9%	16.1%	as % of sales
			Data per share
2 845	2 929	3 014	Weighted average number of shares outstanding (in millions of units)
4.30	4.30	3.36	Basic earnings per share
4.21	4.41	4.02	Underlying earnings per share [(a)]
2.75	2.70	2.45	Dividend
64.0%	62.8%	72.9%	Pay-out ratio based on basic earnings per share
112.62	113.20	86.50	Stock prices (high)
83.37	79.86	72.92	Stock prices (low)
2.4/3.3	2.4/3.4	2.8/3.4	Yield [(b)]
293 644	**301 772**	**237 363**	**Market capitalization**
273	**291**	**308**	**Number of employees (in thousands)**

156th Financial Statements of Nestlé S.A.

Income statement for the year ended December 31, 2022

In millions of CHF

	Notes	2022	2021
Income from Group companies	2	8 989	11 857
Profit on disposal and revaluation of assets	3	12	10 795
Other income		14	—
Financial income	4	190	180
Total income		**9 205**	**22 832**
Personnel expenses		(107)	(105)
Other expenses		(63)	(29)
Write-downs and amortization of shareholdings and loans		(98)	(538)
Financial expenses	5	(27)	(8)
Taxes	6	(75)	268
Total expenses		**(370)**	**(412)**
Profit for the year		**8 835**	**22 420**

Balance sheet as at December 31, 2022

before appropriations

In millions of CHF

	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	7	155	177
Other current receivables	8	443	11 862
Prepayments and accrued income		53	25
Total current assets		**651**	**12 064**
Non-current assets			
Financial assets	9	17 672	12 480
Shareholdings	10	13 881	13 266
Property, plant and equipment		1	1
Total non-current assets		**31 554**	**25 747**
Total assets		**32 205**	**37 811**
Liabilities			
Current liabilities			
Interest-bearing liabilities	11	7 076	313
Other current liabilities	12	623	5 893
Accruals and deferred income		92	284
Provisions	13	232	303
Total current liabilities		**8 023**	**6 793**
Non-current liabilities			
Interest-bearing liabilities	11	4 058	1 502
Provisions	13	16	27
Total non-current liabilities		**4 074**	**1 529**
Total liabilities		**12 097**	**8 322**
Equity			
Share capital	14 /15	275	282
Legal retained earnings			
– General legal reserve	15	1 960	1 953
Voluntary retained earnings			
– Special reserve	15	2 859	2 859
– Profit brought forward	15	15 482	8 015
– Profit for the year	15	8 835	22 420
Treasury shares	15/16	(9 303)	(6 040)
Total equity		**20 108**	**29 489**
Total liabilities and equity		**32 205**	**37 811**

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 chapter 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 can use forward foreign exchange contracts, options 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 amount 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.

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 2022, a net gain of CHF 10 million from the sale of participations to Société des Produits Nestlé S.A. is included. 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 from the sale of participations to Société des Produits Nestlé S.A. are included.

4. Financial income

In millions of CHF

	2022	2021
Income on loans to Group companies	135	125
Other financial income	55	55
	190	**180**

5. Financial expenses

In millions of CHF

	2022	2021
Expenses related to loans from Group companies	(3)	—
Other financial expenses	(24)	(8)
	(27)	**(8)**

6. Taxes

In millions of CHF

	2022	2021
Direct taxes	(57)	(154)
Prior-year adjustments	21	480
Withholding taxes on income from foreign sources	(39)	(58)
	(75)	**268**

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

	2022	2021
Amounts owed by Group companies (current accounts)	386	11 798
Other receivables	57	64
	443	**11 862**

9. Financial assets

In millions of CHF

	2022	2021
Loans to Group companies	17 636	12 403
Other investments	36	77
	17 672	**12 480**

10. Shareholdings

In millions of CHF

	2022	2021
As at January 1	13 266	13 349
Net increase/(decrease)	609	(1 047)
Revaluation/(write-down)	6	964
As at December 31	**13 881**	**13 266**

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 2022, Nestlé S.A. has sold or contributed shareholdings with a net carrying amount of CHF 536 million (2021: 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 one amount owed to a Group company (CHF 124 million) and eight bonds issued by Nestlé S.A.

In millions of CHF

Issuer		Face value in millions	Coupon	Effective interest rate	Year of issue/ maturity	2022	2021
Nestlé S.A., Switzerland	CHF	600	0.75%	0.69%	2018–2028	602	602
	CHF	900	0.25%	0.26%	2018–2024	900	900
	CHF	260	2.63%	2.57%	2022–2035	262	—
	CHF	350	2.50%	2.46%	2022–2034	351	—
	CHF	475	2.13%	2.15%	2022–2030	474	—
	CHF	310	2.25%	2.18%	2022–2029	311	—
	CHF	675	1.63%	1.65%	2022–2026	674	—
	CHF	360	1.63%	1.67%	2022–2025	360	—
Total carrying amount						**3 934**	**1 502**

12. Other current liabilities

In millions of CHF

	2022	2021
Amounts owed to Group companies	330	5 677
Other liabilities	293	216
	623	**5 893**

13. Provisions

In millions of CHF

	2022			2021
	Swiss and foreign taxes	Other	**Total**	**Total**
As at January 1	228	102	**330**	**715**
Provisions made in the period	56	13	**69**	**160**
Amounts used	(72)	(4)	**(76)**	**(49)**
Unused amounts reversed	(21)	(54)	**(75)**	**(496)**
As at December 31	**191**	**57**	**248**	**330**
of which expected to be settled within 12 months			**232**	**303**

14. Share capital

	2022	2021
Number of registered shares with nominal value CHF 0.10 each	2 750 000 000	2 815 000 000
In millions of CHF	275	282

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. Apart from BlackRock, Inc., which disclosed holding 5.04% on January 3, 2022, 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**
As at January 1, 2022	282	1 953	2 859	30 435	(6 040)	**29 489**
Cancellation of 65 000 000 shares (share buyback program)	(7)	7	—	(7 335)	7 335	**—**
Profit for the year	—	—	—	8 835	—	**8 835**
Dividend for 2021	—	—	—	(7 618)	—	**(7 618)**
Movement of treasury shares	—	—	—	—	(10 598)	**(10 598)**
As at December 31, 2022	**275**	**1 960**	**2 859**	**24 317**	**(9 303)**	**20 108**

16. Treasury shares

In millions of CHF

	2022		2021	
	Number	Amount	Number	Amount
Share buyback programs	77 534 276	8 863	50 936 859	5 624
Long-term incentive plans	4 324 340	440	4 470 842	416
	81 858 616	**9 303**	**55 407 701**	**6 040**

The share capital has been reduced by 65 000 000 shares from CHF 282 million to CHF 275 million through the cancellation of shares purchased as part of the share buyback program. The purchase value of those cancelled shares amounts to CHF 7335 million.

During the year, 91 597 417 shares were purchased as part of the share buyback program for CHF 10 575 million.

The Company held 4 324 340 shares to cover long-term incentive plans. During the year, 1 746 163 shares were delivered as part of the Nestlé Group remuneration plans for a total value of CHF 162 million. All treasury shares are valued at acquisition cost.

The total of own shares of 81 858 616 held by Nestlé S.A. as at December 31, 2022 represents 3.0% of the Nestlé S.A. share capital (55 407 701 own shares held as at December 31, 2021 by Nestlé S.A. representing 2.0% of the Nestlé S.A. share capital).

17. Contingencies

As at December 31, 2022, the total of the guarantees mainly for credit facilities granted to Group companies, bonds and commercial paper programs, together with the buyback agreements relating to notes issued, amounted to a maximum of CHF 93 562 million (2021: CHF 92 702 million).

18. Performance Share Units, Restricted Stock Units, Phantom Shares and Shares granted

In millions of CHF

	2022		2021	
	Number	Amount	Number	Amount
Performance Share Units, Restricted Stock Units and Phantom Shares granted to Nestlé S.A. employees [(a)]	159 822	19	187 570	18
Share plan for short-term bonus Executive Board [(b)]	39 400	5	51 516	5
Share plan for Board members [(c)]	—	6	—	6
	199 222	**30**	**239 086**	**29**

(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 118.59 (grant in March) and CHF 106.72 (grant in October). Includes 130 162 Performance Share Units granted to Executive Board by Nestlé S.A. (2021: 146 608). The Phantom Shares are valued at CHF 165.91 per Unit in 2022.

(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 2022 and 75% in April 2023). The Nestlé S.A. shares equivalent to 50% of the annual remuneration will be delivered at the end of the Board year in April 2023. They will be valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date 2023. The actual number of shares delivered will be published in the Nestlé S.A. 2023 Financial Statements. In 2022, 50 861 shares were 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

Share ownership of the non-executive members of the Board of Directors and closely related parties

	2022	2021
	Number of shares held (a)	Number of shares held (a)
Paul Bulcke, Chairman	1 477 385	1 449 177
Henri de Castries, Vice Chairman, Lead Independent Director	34 068	31 126
Renato Fassbind	35 978	33 439
Eva Cheng	9 327	7 513
Patrick Aebischer	15 519	14 108
Pablo Isla	9 229	6 690
Kimberly A. Ross	7 876	6 344
Dick Boer	6 321	4 628
Dinesh Paliwal	13 691	12 280
Hanne Jimenez de Mora	5 246	3 835
Lindiwe M. Sibanda	1 411	—
Chris Leong	—	—
Luca Maestri	—	—
Members who retired from the Board during the year	—	27 479
Total as at December 31	**1 616 051**	**1 596 619**

(a) Including shares subject to a three-year blocking period.

There are no stock options held by any non-executive member of the Board of Directors and closely related parties.

Share ownership of the members of the Executive Board and closely related parties

	2022	2021
	Number of shares held (a)	Number of shares held (a)
Ulf Mark Schneider, CEO	490 142	465 313
Laurent Freixe	48 087	58 925
Marco Settembri	148 230	127 258
François-Xavier Roger	103 267	90 000
Magdi Batato	52 137	51 949
Stefan Palzer	27 738	22 061
Béatrice Guillaume-Grabisch	53 957	37 519
Leanne Geale	19 519	4 015
Bernard Meunier	11 779	7 785
Steve Presley	—	—
Rémy Ejel	8 520	—
David Zhang	4 036	—
Grégory Behar	33 885	30 852
Sanjay Bahadur	74 816	65 491
David Rennie	14 161	5 401
Members who retired from the Executive Board during the year	—	164 322
Total as at December 31	**1 090 274**	**1 130 891**

(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	2022	2021
Retained earnings		
Profit brought forward	22 553 014 974	14 552 006 210
Dividends on own shares not distributed [(a)]	263 816 717	241 804 173
Cancellation of 65 000 000 shares (share buyback program) (2021: cancellation of 66 000 000 shares)	(7 335 027 036)	(6 778 698 422)
Profit for the year	8 835 205 673	22 419 903 013
	24 317 010 328	**30 435 014 974**
We propose the following appropriation:		
Dividend for 2022, CHF 2.95 per share on 2 750 000 000 shares [(b)] (2021: CHF 2.80 on 2 815 000 000 shares)	8 112 500 000	7 882 000 000
	8 112 500 000	**7 882 000 000**
Profit to be carried forward	**16 204 510 328**	**22 553 014 974**

(a) The amount of CHF 7 882 000 000 proposed to be distributed as dividend for 2021 was reduced by CHF 263 816 717 due to 94 220 256 treasury 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 21, 2023). No dividend is paid on treasury 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 2.95 per share, representing a net amount of CHF 1.9175 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is April 21, 2023. The shares will be traded ex-dividend as of April 24, 2023. The net dividend will be payable as from April 26, 2023.

The Board of Directors

Cham and Vevey, February 15, 2023

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

Lausanne, 15 February 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nestlé S.A. (the Company), which comprise the income statement, balance sheet and notes (pages 189 to 199) as at 31 December 2022 for the year then ended.

In our opinion, the financial statements comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

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

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

Key audit matters

We have determined that there are no key audit matters to be communicated in our report.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Building a better working world

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Jeanne Boillet	André Schaub
Licensed audit expert	Licensed audit expert
(Auditor in charge)	