



Nestlé

Good Food, Good Life

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Invitation to the Annual General Meeting 2016 of Nestlé S.A.

149th Annual General Meeting

Thursday, 7 April 2016 at 2:30 p.m., at Beaulieu Lausanne,
Avenue des Bergières 10, 1004 Lausanne, Switzerland

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Letter from the Chairman

Dear Shareholder,

Despite many external challenges, our Company under the leadership of our CEO, Mr Paul Bulcke, yet again delivered solid growth among the best in its industry and improved margins and underlying earnings per share in constant currencies.

At our upcoming shareholders meeting, we will have the opportunity to thank Mr Daniel Borel, who will retire from our Board after reaching the 12 year term-limit. He has rendered highly appreciated services to our Company as a member of the Board and its Compensation Committee, which he chaired from 2008 to 2014.

We will propose to you the re-election of all other Board members for annual terms. Once you have elected all members of the Board, we will propose to you the election of the Chairman and the members of the Compensation Committee in separate votes. This reflects the letter and the spirit of the new Swiss law.

Last year, you approved with large majorities the total compensation budgets for the Board and the Executive Board. To ensure complete accountability, you will this year be able to retrospectively vote on the compensation actually paid out and compare it with the compensation budgets approved last year: We have voluntarily committed in our Articles of Association to submit our Compensation Report annually to such a retrospective, consultative vote of shareholders. With this system we provide maximum transparency to our shareholders, while we preserve the stability that we need to run our Company competitively.

The new legal framework gives our shareholders new powers and responsibilities. We urge you to exercise your voting rights in the long-term interests of our Company. We are committed, on the base of our Articles of Association, to defy short-term pressures and aim for long-term, sustainable value creation. Therefore, we actively engage with the providers of capital and other stakeholders to ensure our sustainable long-term growth.

We recognize that we can only create long-term value for our shareholders, if we also create value for society. The Board has decided to re-emphasize this aspect by expanding the mission of our Nomination Committee. Going forward, our Board's Nomination and Sustainability Committee will regularly review measures which ensure the Company's sustainability and how its long-term strategy relates to its ability to create shared value. Recently, Nestlé was recognized in its industry for Best Corporate Governance in Europe 2016 by the Ethical Boardroom Magazine. It was a welcome recognition of how our strategy and governance lead to the creation of value in the long-term.

In the context of my re-election as Chairman, I would like to confirm my intention to step down as Chairman following the 2017 Annual General Meeting. The Board is currently working on its succession planning. This will be announced well ahead of the shareholder meeting in 2017.

This year, we are celebrating our 150th anniversary and, for this reason, I have asked Mr Albert Pfiffner and Mr Hans-Jörg Renk to update our recent history in a book, which will be published on the occasion of our Anniversary: “Nestlé 150 Years. Nutrition, Health and Wellness. 1866-2016” documents the most recent part of our progressive 150-year journey towards nutrition, health and wellness. We will offer it to you as a small token of appreciation. You may request a copy of it using the enclosed reply form. I hope it will contribute to your understanding of our strategies and the long-term orientation of your Company.

In addition, on 2 June 2016, we will inaugurate “nest”, a meeting place and centre of discovery built on the original site of our Company in Vevey founded by Henri Nestlé. We invite you to visit these themed exhibitions, which will provide the public with a glimpse of Nestlé’s current and future projects, its role in society in general and its contribution in terms of nutrition, health and wellness. Visitors will also be able to explore our Company’s history.

You will also have the opportunity to discover the new Alimentarium in Vevey, set to become the leading global centre of excellence and education in the field of food and nutrition, when it reopens on the same date. Finally, you may visit the new exhibition of Nestlé’s art collection at the Musée Jenisch in Vevey.

2016 will be an important year for our Company. We thank you for your trust on our journey. We recognize our Annual General Meeting as an event that helps us align the interests of our business and all our stakeholders. I look forward to seeing you in Lausanne on 7 April 2016.

Yours sincerely,



Peter Brabeck-Letmathe
Chairman of the Board

Agenda and Proposals of the Board of Directors

1 Annual Report 2015

1.1 Annual Review, financial statements of Nestlé S.A. and consolidated financial statements of the Nestlé Group for 2015; reports of the statutory auditors

Proposal

Approval of the Annual Review, the financial statements of Nestlé S.A. and the consolidated financial statements of the Nestlé Group for 2015

1.2 Advisory vote on the Compensation Report 2015

Proposal

Acceptance of the Compensation Report 2015 (advisory vote)

Explanation

As per our established practice, which was incorporated by the shareholders into Nestlé S.A.'s Articles of Association in 2014, the Board of Directors submits the Compensation Report 2015 to an advisory vote of the shareholders. The Compensation Report is part of the Corporate Governance Report included in the Annual Report. It is available on the internet (www.nestle.com/investors/publications) or from the Share Transfer Office in Cham.

2 Discharge of the Board of Directors and of the Management

Proposal

Discharge to the members of the Board of Directors and of the Management

3 Appropriation of profit resulting from the balance sheet of Nestlé S.A.

Proposal

Retained earnings

Balance brought forward from 2014	CHF	4 997 707 777
Profit for the year 2015	CHF	7 825 389 939
	CHF	<u>12 823 097 716</u>

Proposed appropriation

Dividend for 2015, CHF 2.25 per share on 3 112 160 000 shares ¹	CHF	<u>7 002 360 000</u>
Balance to be carried forward	CHF	<u>5 820 737 716</u>

¹ Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (8 April 2016). No dividend is paid on own shares held by the Nestlé Group. The respective amount will be attributed to the special reserve.

Provided that the proposal of the Board of Directors is approved, the gross dividend will amount to CHF 2.25 per share, representing a net amount of CHF 1.4625 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is 8 April 2016. The shares will be traded ex-dividend as of 11 April 2016. The net dividend will be payable as from 13 April 2016.

4 Elections

4.1 Re-elections to the Board of Directors

Proposal

Individual re-elections of Messrs Peter Brabeck-Letmathe, Paul Bulcke, Andreas Koopmann, Beat W. Hess, Renato Fassbind, Steven G. Hoch, Ms Naina Lal Kidwai, Mr Jean-Pierre Roth, Ms Ann M. Veneman, Mr Henri de Castries, Ms Eva Cheng, Ms Ruth K. Oniang'o and Mr Patrick Aebischer as members of the Board of Directors (each for a term of office until the end of the next Annual General Meeting)

Explanation

At the Annual General Meeting 2015 the shareholders elected all members of the Board of Directors for a term of office of one year in accordance with the Articles of Association. The mandates of all Board members will expire at the end of the Annual General Meeting of 7 April 2016.

Mr Daniel Borel will not stand for further re-election as he has reached the 12-year term limit. Having joined the Board of Directors in 2004, Mr Borel was a member of the Compensation Committee and served as Chairman of that Committee from 2008 to 2014. The Board wishes to extend its gratitude to Mr Borel for his highly appreciated services during all these years.

Pursuant to Nestlé's Articles of Association, the Board proposes the individual re-election of each of the following Directors, who have provided most valuable services to the Company as members of the Board of Directors:

4.1.1 Mr Peter Brabeck-Letmathe, Austrian, born 1944, former CEO (Administrateur délégué) of Nestlé S.A., Chairman of the Board of Directors, Chairman of the Chairman's and Corporate Governance Committee and member of the Nomination Committee. As a Nestlé S.A. representative, he serves as Vice Chairman of L'Oréal S.A., France. Peter Brabeck-Letmathe is also Chairman of Delta Topco, Jersey, and member of the Board of Exxon Mobil Corporation, USA.

4.1.2 Mr Paul Bulcke, Belgian, born 1954, CEO of Nestlé S.A., Member of the Chairman's and Corporate Governance Committee. He is also a Board member of Roche Holding Ltd., Switzerland.

- 4.1.3 Mr Andreas Koopmann, Swiss, born 1951. Vice Chairman of the Board of Directors, Chairman of the Nomination Committee, member of the Chairman's and Corporate Governance Committee and of the Compensation Committee. He also serves as Chairman of Georg Fischer AG, Switzerland, and is a Board member of Credit Suisse Group, Switzerland, of CSD Group, Switzerland, and of Sonceboz SA, Switzerland.
- 4.1.4 Mr Beat W. Hess, Swiss, born 1949, Chairman of the Compensation Committee and member of the Chairman's and Corporate Governance Committee. He also serves as Vice Chairman of LafargeHolcim Ltd, Switzerland, and of Sonova Holding AG, Switzerland.
- 4.1.5 Mr Renato Fassbind, Swiss, born 1955, Chairman of the Audit Committee and member of the Chairman's and Corporate Governance Committee. He serves as Vice Chairman of the Board of Directors of Swiss Re AG and is a member of the Board of Kühne + Nagel International AG, both in Switzerland.
- 4.1.6 Mr Steven G. Hoch, American/Swiss, born 1954, member of the Nomination Committee. He is a Partner of Brown Advisory LLC, USA.
- 4.1.7 Ms Naina Lal Kidwai, Indian, born 1957, member of the Audit Committee. She is Chairperson of Max Financial Services Ltd and serves as a Board member of Cipla Ltd., both in India.
- 4.1.8 Mr Jean-Pierre Roth, Swiss, born 1946, member of the Compensation Committee. He serves as Chairman of the Board of Directors of Geneva Cantonal Bank, Switzerland, and is a Board member of Swatch Group, Switzerland, and of Swiss Re AG, Switzerland.
- 4.1.9 Ms Ann M. Veneman, American, born 1949, member of the Nomination Committee. She also serves as a Board member of Alexion Pharmaceuticals, Inc., USA.
- 4.1.10 Mr Henri de Castries, French, born 1954, member of the Audit Committee. He is the Chairman and Chief Executive Officer of the AXA Group, France. He also serves as a Board member of HSBC Holdings plc, UK.
- 4.1.11 Ms Eva Cheng, Chinese, born 1952, member of the Audit Committee. She is a Board member of Trinity Limited and of Haier Electronics Group Co. Ltd., both listed in Hong Kong, China, as well as a Board member of Amcor Ltd., listed in Australia.

- 4.1.12 Ms Ruth K. Oniang'o, Kenyan, born 1946, Food and Nutrition Scientist. She is adjunct Professor of Nutrition at Tufts University in the USA. She serves as Vice Chairperson of the Global Forum on Agricultural Research (GFAR) and as Chairperson of both the Sasakawa Africa Association (SAA) and the Sasakawa Africa Fund for Extension Education (SAFE).
- 4.1.13 Mr Patrick Aebischer, Swiss, born 1954. He is the President of the Swiss Federal Institute of Technology Lausanne (EPFL) and is also a Professor in neurosciences and Director of the Neurodegenerative Disease Research Laboratory at the Brain Mind Institute EPFL. Patrick Aebischer serves on the Board of Lonza Group Ltd., Switzerland, and is Chairman of the Advisory Board of the Novartis Venture Fund.

For further details on the nominees as well as their qualifications, see biographies in the Corporate Governance Report 2015 or on the internet (www.nestle.com/investors/corporate-governance/management/boardofdirectors).

4.2 Election of the Chairman of the Board of Directors

Proposal

Election of Mr Peter Brabeck-Letmathe as Chairman of the Board of Directors (for a term of office until the end of the next Annual General Meeting)

Explanation

At the Annual General Meeting 2015 the shareholders elected Peter Brabeck-Letmathe as Chairman of the Board of Directors for a term of office of one year. The Board proposes the re-election of Mr Peter Brabeck-Letmathe as Chairman of the Board of Directors, who has provided outstanding services to the Company over many years.

4.3 Election of the members of the Compensation Committee

Proposal

Individual elections of Messrs Beat W. Hess, Andreas Koopmann, Jean-Pierre Roth and Patrick Aebischer as members of the Compensation Committee (each for a term of office until the end of the next Annual General Meeting)

Explanation

At the Annual General Meeting 2014 the shareholders voted for the first time on the composition of the Compensation Committee. Following the retirement of Mr Daniel Borel, the Board proposes the individual election of the following candidates, for a term of office until the end of the next Annual General Meeting. If elected, Mr Beat W. Hess will be appointed Chairman of the Compensation Committee.

4.3.1 Mr Beat W. Hess

4.3.2 Mr Andreas Koopmann

4.3.3 Mr Jean-Pierre Roth

4.3.4 Mr Patrick Aebischer

4.4 Election of the statutory auditors

(financial statements of Nestlé S.A. and consolidated financial statements of the Nestlé Group)

Proposal

Re-election of KPMG SA, Geneva branch (for a term of office until the end of the next Annual General Meeting)

4.5 Election of the Independent Representative

Proposal

Election of Hartmann Dreyer, Attorneys-at-law, P.O. Box 736, 1701 Fribourg, Switzerland, as Independent Representative (for a term of office until the end of the next Annual General Meeting)

Explanation

According to Nestlé's Articles of Association, the Board proposes the election of the law firm Hartmann Dreyer to serve as Independent Representative until the end of the Annual General Meeting 2017.

5 Compensation of the Board of Directors and of the Executive Board

At the Annual General Meeting 2014, the shareholders revised Nestlé's Articles of Association to introduce an annual and separate approval by the General Meeting of the compensation of the Board of Directors and of the Executive Board, as required by Swiss corporate law.

5.1 Compensation of the Board of Directors

Proposal

Approval, prospectively, for the period from the Annual General Meeting 2016 to the Annual General Meeting 2017, of a total compensation for the 12 non-executive members of the Board of Directors (including the Chairman, but excluding the CEO) of CHF 10.5 million, including CHF 4.3 million in cash remuneration, CHF 5.6 million in Nestlé S.A. shares blocked for a 3-year period (discounted by 16% to account for the

blocking period of 3 years) and CHF 0.6 million for social security contributions and other fees

Explanation

Please refer to the enclosed Report of the Board of Directors on the proposals for the compensation of the Board of Directors and of the Executive Board.

5.2 Compensation of the Executive Board

Proposal

Approval, prospectively, for the period from 1 January 2017 to 31 December 2017, of a total maximum amount of compensation for the 14 members of the Executive Board, including the CEO, of CHF 60 million, including CHF 15 million for base salary, CHF 20 million for short-term bonus (based on maximum target achievement, discounted in the case of the CEO by 16% for the 50% paid in blocked Nestlé S.A. shares), CHF 16 million for long-term incentive plans (based on fair value at grant), CHF 5 million for contributions for future pension benefits and CHF 4 million for social security contributions, other benefits and unforeseen expenses

Explanation

Please refer to the enclosed Report of the Board of Directors on the proposals for the compensation of the Board of Directors and of the Executive Board.

6 Capital reduction

Proposal

Cancellation of 76 240 000 own shares repurchased under the share buy-back programme, and reduction of the share capital by CHF 7 624 000

Amendment of Article 3 of the Articles of Association as follows:

“Article 3 Share capital

The share capital of Nestlé is CHF 311 216 000 (three hundred and eleven million two hundred and sixteen thousand Swiss francs) divided into 3 112 160 000 fully paid up registered shares with a nominal value of CHF 0.10 each.”

Explanation

The Board of Directors proposes that the shareholders approve the cancellation of 76 240 000 own shares repurchased under Nestlé S.A.’s share buy-back programme of CHF 8 billion, which was launched on 25 August 2014 on a second trading line on the SIX Swiss Exchange and completed on 7 December 2015. The share capital in Article 3 of the Articles of Association is to be reduced reflecting the cancellation of the above 76 240 000 shares.

In their Audit Report to the Annual General Meeting, the auditors KPMG SA confirmed that the claims of the creditors are fully covered even after the capital reduction.

The capital reduction by cancellation of shares can only be accomplished after publication of three notices to creditors in accordance with article 733 of the Swiss Code of Obligations. Such notices to creditors will be published after the Annual General Meeting in the Swiss Official Gazette of Commerce. After the two-month waiting period required by law has lapsed, the capital reduction will be effected and entered in the Commercial Register.

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Admission cards, proxies, documentation

Admission cards

Only shareholders who are on record in the share register with voting rights on 31 March 2016 at 12:00 noon (CEST) are entitled to exercise their voting rights. The registration of shares for voting purposes does not affect the tradeability of such shares.

All shareholders registered with voting rights on 17 March 2016 will automatically receive the invitation to the Annual General Meeting. They may then order their admission card at any time by 31 March 2016, at the latest, from the Share Transfer Office in Cham by means of the enclosed "Request for admission card/Appointment of individual proxy".

Shareholders whose registration in the share register with voting rights is made on or after 18 March 2016 until 31 March 2016 at 12:00 noon (CEST) and who wish to attend the Annual General Meeting are asked to contact the Share Transfer Office to order an admission card. Only shareholders or their duly appointed representative will be entitled to participate in person in the Annual General Meeting.

Proxies

If you are unable to attend the Annual General Meeting in person, you can be represented either by another person duly appointed by you or by the Independent Representative, Hartmann Dreyer, Attorneys-at-law, P.O. Box 736, 1701 Fribourg, Switzerland. For an individual proxy, please use the enclosed "Request for admission card/Appointment of individual proxy", for a proxy to the Independent Representative, use the enclosed "Proxy and Voting instructions to the Independent Representative". The relevant document is to be sent to the Share Transfer Office in Cham or directly to the Independent Representative by using the appropriate envelope.

Alternatively, you have the possibility to give voting instructions to the Independent Representative electronically. If you wish to do so, please access the electronic platform "Sherpany" via www.sherpany.com/nestle and follow the instructions.

Documentation

You will find enclosed the summary of the Annual Report 2015 which will give you a brief overview of the financial results of the business year 2015 of Nestlé S.A. and of the Nestlé Group. If you wish to have more detailed information on the financial results and an insight into our different areas of activity, we invite you to order the full Annual Report 2015 (which includes the Corporate Governance and Compensation Reports 2015) by ticking the corresponding box on the enclosed "Request for admission card/Appointment of individual proxy". Should you also wish to receive the Half-Yearly Report January–June 2016, which will be published in August 2016, we invite you to tick the corresponding box on the same document. These documents will also be available on our website (www.nestle.com/investors/publications). Further, the Annual Report 2015 containing the financial statements of Nestlé S.A., the consolidated financial statements of the Nestlé Group and the reports of the statutory auditors are available for inspection by the shareholders at Nestlé's registered offices located at Avenue Nestlé 55, 1800 Vevey, Switzerland.

Please address all correspondence regarding the Annual General Meeting to the Share Transfer Office of Nestlé S.A., P.O. Box 665, 6330 Cham 1, Switzerland, telephone +41 41 785 20 20, telefax +41 41 785 20 24 or e-mail shareregister@nestle.com.

Nestlé S.A.
Board of Directors

Cham and Vevey (Switzerland), 8 March 2016

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