

**Invitation
to the Annual General Meeting 2017
of Nestlé S.A.**



15 Years

of Good Food, Good Life

**150th Annual General Meeting
Thursday, 6 April 2017 at 2:30 p.m.,
at Beaulieu Lausanne,
Avenue des Bergières 10,
1004 Lausanne, Switzerland**



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for information only

Letter from the Chairman

Dear Shareholder,

In an environment marked by deflation and low raw material prices, we continued to privilege volume growth, resulting in real internal growth at the top end of the industry in both emerging and developed markets, with improved margins and underlying earnings per share in constant currencies.

Our upcoming Annual General Meeting marks a transition. On 27 June 2016, our Board of Directors announced its succession plans for the Chairman and the CEO, as I will not stand for re-election in line with the Company's governance. Having served Nestlé for 50 years, of which 11 years as CEO and 12 years as Chairman, I will have reached the mandatory age of retirement and will relinquish all my Board functions.

The Board of Directors has decided to propose Paul Bulcke, who served the Company for 38 years and as our CEO for 9 years, for election as Chairman. This concluded a process that our Board started over two years ago and included the evaluation of various different options. In order to prepare for this future role as active, non-executive Chairman and respect a minimum cooling-off period, Mr Bulcke resigned from his position as CEO at the end of 2016. Under his successful leadership at the helm of the Company, Nestlé has experienced industry-outperforming development and made further progress in its journey to become the leading Nutrition, Health and Wellness company.

The Board reconfirmed the long-term orientation for Nestlé as a Nutrition, Health and Wellness company and expressed the intention of fully integrating both Nestlé Health Science and Nestlé Skin Health into the Nestlé organization reporting directly to the CEO.

With this reconfirmation of the long-term strategy and the organizational integration in mind, the Board appointed Ulf Mark Schneider as the CEO of Nestlé S.A. per 1 January 2017, and proposes him for election to the Board of Directors at the upcoming Annual General Meeting. Ulf Mark Schneider, 51 years old and a German and U.S. citizen, has been CEO of Fresenius Group since 2003. He has both a graduate and a doctoral degree of the University of St. Gallen and holds an MBA from Harvard Business School. You will have an opportunity to meet him at our meeting.

Together with Paul Bulcke, who is highly experienced in the area of fast moving consumer goods, the new team is ideally suited to accelerate Nestlé's journey to become the world's preeminent Nutrition, Health and Wellness company whilst fostering Nestlé's values and principles. With our excellent executive team, Nestlé is well prepared to face the continuously difficult external environment and deliver on both its long-term and short-term performance goals.

As per our governance, we will propose the re-election of all other Board members for annual terms and the election of the Chairman and the members of the Compensation Committee in separate votes. Also, you will be able to approve our compensation budgets for the Board of Directors and the Executive Board and to retrospectively vote on the compensation report for 2016.

Mr Henri de Castries, if elected, will take over the role of Lead Independent Director as from the AGM 2017 and chair the Board's Nomination and Sustainability Committee, taking over this role from our Vice Chairman of many years, Mr Andreas Koopmann.

As a new member of the Board of Directors, we propose to you, in addition to Mark Schneider, the election of Ms Ursula M. Burns, Chairman of the Board of Xerox Corporation since 2010 and its Chief Executive Officer from 2009-2016. She joined Xerox in 1980 and advanced through engineering and manufacturing functions to leadership positions in manufacturing, operations and product development. With her extensive operating and management experience and expertise in global business and technology, she will especially enrich the Board's technological competencies.

We remain committed, on the base of our Articles of Association, to aim for long-term, sustainable value creation. Therefore, we actively engage with our shareholders and other stakeholders. Our Board's Nomination and Sustainability Committee regularly reviews measures which ensure that our long-term strategy creates shared value both for our shareholders and society at large. In 2016, Nestlé was recognized as industry leader in the Dow Jones Sustainability Index and received the award for Best Corporate Governance Switzerland by Capital Finance International.

This year, we are having our 150th Annual General Meeting. This concludes our anniversary year, which was marked by our employee celebrations and memorialized in the book "Nestlé 150 Years. Nutrition, Health and Wellness. 1866-2016". We inaugurated *nest*, our meeting place and centre of discovery built on the original site of our Company in Vevey founded by Henri Nestlé. We opened the new Alimentaryum in Vevey, set to become the leading global centre of excellence and education in the field of food and nutrition. Finally, we exhibited Nestlé's art collection at the Musée Jenisch in Vevey.

2017 marks an important year for our Company, when the new leadership takes charge. We are confident that the new team will ensure the long-term strategic direction of the Company set by the Board of Directors. We thank you for your continued trust on our journey.

I look forward to seeing you in Lausanne on 6 April 2017.

Yours sincerely,



Peter Brabeck-Letmathe
Chairman of the Board of Directors

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Agenda and Proposals of the Board of Directors

1 Annual Report 2016

1.1 Annual Review, financial statements of Nestlé S.A. and consolidated financial statements of the Nestlé Group for 2016; 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 2016

1.2 Advisory vote on the Compensation Report 2016

Proposal

Acceptance of the Compensation Report 2016 (advisory vote)

Explanation

As per Nestlé S.A.'s Articles of Association, the Board of Directors submits the Compensation Report 2016 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 2015	CHF	5 820 737 716
Profit for the year 2016	CHF	6 448 462 989
	CHF	<u>12 269 200 705</u>

Proposed appropriation

Dividend for 2016, CHF 2.30 per share on 3 112 160 000 shares ¹	CHF	<u>7 157 968 000</u>
Balance to be carried forward	CHF	<u>5 111 232 705</u>

1 Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (7 April 2017). 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 2.30 per share, representing a net amount of CHF 1.4950 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is 7 April 2017. The shares will be traded ex-dividend as of 10 April 2017. The net dividend will be payable as from 12 April 2017.

4 Elections

4.1 Re-elections to the Board of Directors

Proposal

Individual re-elections of Messrs Paul Bulcke, Andreas Koopmann, Henri de Castries, Beat W. Hess, Renato Fassbind, Steven G. Hoch, Ms Naina Lal Kidwai, Mr Jean-Pierre Roth, Ms Ann M. Veneman, 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 2016 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 6 April 2017. Due to the age limit set forth in the Board regulations, Mr Peter Brabeck-Letmathe will not stand for re-election.

The Board wishes to extend its gratitude to Mr Peter Brabeck-Letmathe, who served Nestlé for 50 years, for outstanding and invaluable services. Peter Brabeck-Letmathe joined the Board in 1997 and was simultaneously appointed Chief Executive Officer (CEO). In 2001, he was elected Vice Chairman and in 2005 Chairman of the Board of Directors. On 10 April 2008 Peter Brabeck-Letmathe relinquished his function as CEO remaining Chairman of the Board of Directors. Most recently Peter Brabeck-Letmathe was Chairman of the Board of Directors of Nestlé S.A., Chairman of the Chairman's and Corporate Governance Committee, as well as a member of the Nomination and Sustainability Committee.

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 Paul Bulcke, Belgian, born 1954, member of the Chairman's and Corporate Governance Committee. After a long career with the Company, he was the CEO of Nestlé S.A. from 10 April 2008 until 31 December 2016. He is also a Board member of Roche Holding Ltd, Switzerland.
The Board wishes to thank Mr Paul Bulcke for his strong and successful leadership as CEO and supports his continued services to the Company.
- 4.1.2 Mr Andreas Koopmann, Swiss, born 1951, Vice Chairman of the Board of Directors, Chairman of the Nomination and Sustainability Committee (until the end of the Annual General Meeting of 6 April 2017), 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.
- 4.1.3 Mr Henri de Castries, French, born 1954, member of the Audit Committee. He was Chairman and CEO of AXA until September 2016. He also serves as a Board member of HSBC Holdings plc, United Kingdom. If elected, he will act as the Company's Lead Independent Director and Chairman of the Nomination and Sustainability Committee.
- 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 Chairman of LafargeHolcim Ltd, Switzerland, and as Vice Chairman 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 and Sustainability 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. and Larsen+Toubro Ltd., all 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 MKS (Switzerland) SA.

- 4.1.9 Ms Ann M. Veneman, American, born 1949, member of the Nomination and Sustainability Committee. She also serves as a Board member of Alexion Pharmaceuticals, Inc., USA.
- 4.1.10 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.
- 4.1.11 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).
- 4.1.12 Mr Patrick Aebischer, Swiss, born 1954. He is the President Emeritus of the Swiss Federal Institute of Technology Lausanne (EPFL). Patrick Aebischer serves on the Board of Logitech International S.A., Switzerland, and of Lonza Group Ltd, Switzerland. He 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 2016 or on the internet (www.nestle.com/investors/corporate-governance/management/boardofdirectors).

4.2 Elections to the Board of Directors

Proposal

Individual elections of Mr Ulf Mark Schneider and Ms Ursula M. Burns as members of the Board of Directors (each for a term of office until the end of the next Annual General Meeting)

Explanation

The Board proposes to elect the following candidates as members of the Board of Directors:

- 4.2.1 Mr Ulf Mark Schneider, German/American, born 1965, is the CEO of Nestlé S.A. since 1 January 2017. Mark Schneider was the CEO of Fresenius Group from 2003 until June 2016. He has a graduate and a doctoral degree from the University of St. Gallen and holds an MBA from Harvard Business School.

4.2.2 Ms Ursula M. Burns, American, born 1958, is the Chairman of the Board of Xerox Corporation since 2010 and was its Chief Executive Officer from 2009-2016. She joined Xerox in 1980 and advanced through engineering and manufacturing functions to leadership positions in manufacturing, operations and product development. She also serves on the Boards of American Express Company, Exxon Mobil Corporation and the Ford Foundation. Ursula M. Burns also provides leadership counsel to various community, educational and non-profit organisations. She holds a Bachelor of Science degree in mechanical engineering from the Polytechnic Institute of New York University and a Master of Science degree in mechanical engineering from Columbia University. With her strong global business background and expertise in technology and business processes, she will especially enrich the Board's technological competencies.

For further details on the nominees as well as their qualifications and current mandates, see biographies in the internet (www.nestle.com/investors/corporate-governance/management/boardofdirectors).

4.3 Election of the Chairman of the Board of Directors

Proposal

Election of Mr Paul Bulcke as Chairman of the Board of Directors (for a term of office until the end of the next Annual General Meeting)

Explanation

The Board proposes the election of Mr Paul Bulcke as Chairman of the Board of Directors. Under his prior successful leadership at the helm of the Company for over 8 years, Nestlé has experienced industry-outperforming development and made further progress in its journey to become the leading Nutrition, Health and Wellness company.

4.4 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

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.

4.4.1 Mr Beat W. Hess

4.4.2 Mr Andreas Koopmann

4.4.3 Mr Jean-Pierre Roth

4.4.4 Mr Patrick Aebischer

4.5 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)

4.6 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

In line with 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 2018.

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 2017 to the Annual General Meeting 2018, of a total compensation for the 13 non-executive members of the Board of Directors (including the Chairman, but excluding the CEO) of CHF 10.0 million, including CHF 4.0 million in cash remuneration, CHF 5.5 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 0.5 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 2018 to 31 December 2018, of a total maximum amount of compensation for the 14 members of the Executive Board, including the CEO, of CHF 60 million, including CHF 16 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 4 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.

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Admission cards, proxies, documentation

Admission cards

Only shareholders who are on record in the share register with voting rights on 30 March 2017 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.

Shareholders registered with voting rights on 16 March 2017 will automatically receive the invitation to the Annual General Meeting. They can order an admission card for themselves or for an individual representative using the document "Request for admission card/Appointment of individual proxy" which is to be returned to the Share Transfer Office in Cham by 30 March 2017, at the latest.

Shareholders whose registration in the share register with voting rights is made on or after 17 March 2017 and who wish to attend the Annual General Meeting are asked to contact the Share Transfer Office. Only shareholders or their duly appointed representative will be entitled to participate in person in the Annual General Meeting.

Proxies to the Independent Representative

If you wish to be represented by the Independent Representative, Hartmann Dreyer, Attorneys-at-law, please use the document "Proxy and Voting instructions to the Independent Representative", which 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 by accessing the electronic platform "Sherpany" via www.sherpany.com/nestle.

Documentation

Please find enclosed the summary of the Annual Report 2016 with an overview of the financial results of the business year 2016 of Nestlé S.A. and of the Nestlé Group. For 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 2016 (which includes the Corporate Governance and Compensation Reports 2016) by ticking the corresponding box on the document "Request for admission card/Appointment of individual proxy". By the same document, you can also pre-order the Half-Yearly Report January–June 2017, which will be published in July 2017. These documents will also be available on our website (www.nestle.com/investors/publications). Further, the full Annual Report 2016 is 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, 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), 7 March 2017

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