



## **AUDIT COMMITTEE CHARTER**

Approved by the Board of Directors  
on 16<sup>th</sup> April 2015



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### *Abbreviations*

AC          Audit Committee

## THE AUDIT COMMITTEE CHARTER

### 1. MISSION

The Audit Committee (AC) assists the Board of Directors in fulfilling its responsibilities with respect to the accounting and financial reporting practices of Nestlé SA and its subsidiaries, the internal and external audit processes as well as its overview of the risk management processes.

### 2. COMPOSITION

The Board of Directors appoints the members of the AC and its Chairperson for a period of one year. The AC shall be chaired by an independent and non-executive member of the Board and include a minimum of two other 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 experience, the others should be familiar with the issues of accounting and audit.

### 3. POWERS AND DUTIES

The AC shall:

#### Financial reporting

- review, and challenge where necessary, the actions and judgements of management, in relation to the company's year-end financial accounts,
- review and discuss where necessary interim reports;

#### Internal control

- review management's and the internal auditor's reports on the effectiveness of the systems for internal control;
- review management's and the internal auditors' reports on the performance of an annual risk assessment (Art. 663b Code of Obligations);
- review management's reports on the company's compliance and risk management processes.

### Internal audit

- review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the company;
- ensure that the head of internal audit has direct access to the chairman and has a direct link to the AC;
- receive a report on the results of the internal auditors' work on a periodic basis;
- review and monitor management's responsiveness to the internal auditor's findings and recommendations;

### External audit

- oversee the company's relations with the external auditor;
- consider, and make recommendations on the appointment, reappointment or removal of the external auditor;
- approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided;
- discuss with the external auditor, before the audit commences, the nature and scope of the audit;
- review with the external auditors the findings of their work, including any major issues that arose during the course of the audit and have subsequently been resolved as well as issues that have not yet been resolved; key accounting and audit judgements; levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors, as to why certain errors might remain unadjusted;
- review significant issues raised in the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
- assess, at the end of the audit cycle, the effectiveness of the audit process;
- regularly review and recommend to the Board the company's policy in relation to the provision of non-audit services by the auditor and ensure that the provision of such services does not impair the external auditor's independence or objectivity.

The AC does not exercise any professional auditing and does not interfere with the management affairs. It gains a view of the organisation, the efficiency and of the findings of the auditors, reaction of management and then renders an annual report to the Board.

However, should the AC observe, during the course of its work anything which

- a) reveals any important violation of legal provisions, Nestlé internal guidelines or other rules that Nestlé must adhere to,
- b) could lead to the belief that there is an important financial breach, or
- c) any issues that could imply serious consequences for the reputation of the company,

it will inform the Board of these infractions, in case of emergency by informing directly the Chairman himself. The aim of this information procedure is not to complete the internal auditing system of management or to make up for it, but to allow Management to verify the efficiency of these systems, to intervene if necessary, and to assure itself of the responsiveness of the line management.

#### **4. ORGANISATION**

The AC shall meet at least two times a year and at the request of any of its members.

Generally, one of the external auditors and the head of internal audit participate in these meetings, as well as the Executive Vice-president in charge of Finance & Control and the Head of Group Accounting and Reporting. The Chairman, the CEO and members of the Executive Board may be invited to attend meetings or portions thereof. The AC Chairperson may ask other members of management to attend the meeting or make presentations.

At least once a year, the AC shall meet with the internal or external auditors without the presence of members of management.

The AC Chairperson shall prepare an agenda in advance of each meeting. At least two members of the AC must be present to have a quorum.

The AC Chairperson shall appoint a secretary for the meetings. Minutes of the proceedings and the resolutions of the AC shall be signed by the Chairperson and the secretary and made available prior to the next meeting and approved at that next meeting.

The AC has complete and unrestricted access to Nestlé's management, books and records and may obtain any information it requires from the appropriate services.

The AC may appoint independent legal, accounting or other counsel, at the company's expense, if it thinks it appropriate.

The AC Chairperson shall report to the Board of Directors after each meeting of the AC by means of a short account of its activities and findings. The AC is at the disposal of the Chairman as well as of the Board at all times during board meetings.

## **5. OTHER RESPONSIBILITIES**

The AC shall

- a) review and reassess the adequacy of this Charter and submit proposed changes to the Board of Directors for approval;
- b) conduct an annual self-evaluation of the AC's own performance.