

NESTLÉ S.A.

**CECP 2019 CEO INVESTOR FORUM  
PRESENTATION TRANSCRIPT**

**DELIVERING RESULTS WITH A LONG-TERM WINNING STRATEGY**

25th February 2019, 13:20 EST

Speaker:

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**Mark Schneider, Chief Executive Officer, Nestlé S.A.****Slide: Title slide**

Thank you for the kind introduction and a warm welcome. My thanks to the organizers CECP for this invitation. On behalf of the more 300,000 Nestlé associates around the world it is a particular pleasure to be here today and to present to you about our long-term vision, our long-term agenda and also the sustainability and social agenda that our company has been working on for a long period of time.

Let me say right up front this is a difficult slot, right after a delicious lunch. As you know I worked in healthcare before so I know exactly what is going on inside each and every one of you right now. In speakers circles they call this Death Valley and I will try and make this as interesting as possible but if I see you nodding off I totally understand.

**Slide – Disclaimer**

I won't spend too much time on the safe harbor statement but take it as read.

**Slide – Delivering results with a long-term winning strategy**

The outline of the presentation is that I will give you an overview of our purpose and our business to get us started. I will talk about the long-term value creation model of our company. Then I will give you four specific examples in the Creating shared value section, our priorities that we pursue at the present time. I will finish off with some of the financial results that we have been delivering for the long term.

**Slide – Our purpose**

Before I even get into the specifics of our purpose let me say very simply purpose is back in fashion. I am sure you all noticed. A good example was this year BlackRock CEO letter where this whole notion of purpose was stressed very much.

The old 1980's mantra of 'we are here to make money' is simply no longer good enough. People want to know how you make money, why, and what is the societal purpose that you are serving in doing that and what are some of the long-term consequences of what you are doing. I think against this backdrop you need to judge the long-term strategy of a company, I need to judge the long-term agenda. A good purpose can unite, a good purpose endorse and this is not in contradiction to long-term financial success.

Now to understand our purpose it is important to understand how the company got founded 150 years ago. So Henri Nestlé was a pharmacist in the Swiss town of Vevey and what he

invented in the 1860's is the precursor to what you would know as Infant formula today. So Farine Lactée was a mixture of condensed milk and ground-up cereal. It helped save the life of a child in the immediate neighborhood and it went on to make significant contributions in reducing child mortality.

So when we talk about 'Enhancing quality of life and contributing to a healthier future' this is something that is very closely connected to what the company was founded on.

This is something that, to this day, we pursue with very strong vigor.

### Slide – Our business

Now in terms of the business our total revenue is around \$90m. You see here our geographic profile. Our Zone Americas, North and South America, almost half of the company. The United States is the largest individual country market. We have 70 plants in this country, employ around 50,000 people and we have a sales number of around \$30bn in the United States.

You see a pretty strong presence of course in our European home market and also a strong, growing business in particular Asia and Africa.

In terms of the businesses we are involved in the largest one is Beverages which our term for Coffee largely. Coffee, we are the inventor of soluble coffee, we are also the inventor of capsule coffee; our *Nespresso* system, I think is known around the world for being the quality leader in that space, at that by now has grown into our most significant product category.

The next one is what our business got founded on and that is our Nutrition business, these days it's no longer just infant nutrition it's also medical nutrition that serves the ageing population.

Milk products, Dairy products, very closely connected again to our companies roots. PetCare is a business we have built up over the last 20-30 years, very patiently, to be one of the world market leaders now. Prepared dishes and cooking aids is also a category that serves very much the convenience aspect. Confectionery and Water round off that product spectrum.

As you look at the bottom, as I said more than 300,000 associates around the world. I also listed our total payroll, about CHF 16bn and I also list, a little unusual, the taxes we pay around the world, globally close to CHF 4bn. Let me say in that context that, even before the latest OECD transparency drives, this whole notion of paying our taxes and doing our duty to society is very near and dear to us. Taxes, as Winston Churchill said, are the price to pay for a civilized society. So we never bragged about how little taxes we pay and while we will always try to be efficient about taxes we always try to do this within reason.

**Slide – Pursuing on our Nutrition, Health and Wellness strategy**

Moving on to our strategy, clearly with some of the latest portfolio moves our focus on Food and Beverage has become clearer than ever before. Within Food and Beverage it is important to be, in addition to the health component and to something that's delicious that we bring out this whole notion of convenience. In a time-starved world that is important.

Ideally if you grew all your food in your backyard and if you prepared everything from the ground up you wouldn't have much need for Nestlé products. But that is not the life we lead. The life we lead is basically one where we want health nutritious food and delicious food but at the same time we have limited time in preparing it. This is where we come in, in terms of processing and giving it some added convenience so you can use it without investing all that time.

In addition to Food and Beverage we pursue our nutritional health product strategy. So this is built around medical nutrition, some vitamins, minerals, supplements that really allow people to lead a healthier life.

Underpinning all of that is our commitment to Creating Shared Value, this whole notion that when you pursue business every stakeholder that's connected to you should benefit in the long-term.

**Slide – Our long-term value creation model**

Here you see our financial long-term value creation model. It really rests on three important aspects that we try to pursue and balance.

One is, from the left to right, organic growth. To us organic growth is really important as we are in a growing business of Food and Beverage in a rising world population. So organic growth to us is the lifeline of our organization, it shows how much our products are in demand with our consumers and whether we get good prices for them. It really opens up a whole lot of energy and opportunity inside every organization.

The next one is efficiency, so improving margins is important over time so that the growth also results also in improving profitability. The last one, allocating capital prudently and this whole notion of capital efficiency is important so that you really, over time, achieve competitive capital returns.

When those three things are being pursued in balance good things happen. When you pursue only one or two of these, at the expense of the third one, then usually there is trouble around the corner.

Note please at the bottom again this is all resting on this commitment of Creating Shared Value. We believe that in this journey, as you try to improve on all of these three pillars, Increasing growth, Improving margins and Allocating capital efficiently, if you do that at the expense, at the long-term expense, of any of the stakeholders you are dealing with, at some point the people will feel that they are getting the short end of the stick. Hence it is not a long-term strategy. So the stakeholders around you need to be happy for this to be a truly long-term model.

#### **Slide – Cranking up our innovation engine**

One of the key underpinnings of long-term organic growth to us is innovation. This truly drives the opportunity in Food and Beverage. In the interests of time I won't go through all of these examples here, but you see on the left-hand side of the slide some of the recent trends. On the right-hand side of the slide you see some of the specific products that we have been bringing to the market recently.

As we are pursuing new Food and Beverage options as consumers ever faster than before it is important that we also cut our cycle times when it comes to bringing these new products to the market. In the past the development time for a new product would take about 2-3 years now it's down to 6-9 months. That's pretty much on a par with the best-in-class small to mid-size focused competitors out there.

#### **Slide – Developing our portfolio**

With changing consumer tastes we also saw a need to tweak our portfolio but please note I didn't start on this notion. So it is important over time to adjust our portfolio through buying and selling, but buying and selling alone, U.S. investors know that better than I do, cannot be a value building strategy for a company in its own right. It can complement some of the operating things we are doing but if only through buying and selling we would try to achieve value I guess your conclusion would be that U.S. investors can do so in a cheaper way.

So every time we sell something there is a complex carve out procedure. Every time we buy something what we buy has to be integrated in a proper way so that we can fulfil our business plans. Hence our switching costs in getting out of something and getting into

something are much higher than yours. That's one more reason why portfolio management needs to be done with prudence.

As you look at the last two years we were selling some activities, for example our U.S. Confectionery business where market share had been less than 5%, we also sold some non-core assets such as for example our *Gerber Life* Insurance business.

We have two businesses under strategic review, our Nestlé Skin Health business and also our *Herta* cold cuts and meat based products business.

Then we have acquired a few businesses over the past two years, most notably the *Starbucks* CPG global license and U.S. business which I think us a whole lot of opportunity in the Coffee space and of course control of a third major dominant brand name in the space next to *Nescafé* and *Nespresso*. In addition to that we also beefed up our medical nutrition area with the acquisition of *Atrium Innovations* which is best known for its brand *Garden of Life*.

#### **Slide – Creating Shared Value**

Let's switch gears and talk about this whole approach of Creating Shared Value which is something which from the inception of the company we have very strongly believed in. The term itself was only coined about two decades ago but I think the mind-set, to us that's the soundtrack to how we do business. It's important to look at this triangle and see where it resides, certainly above compliance and above sustainability because those two at the bottom we kind of take for granted but the Creating Shared Value mind-set that is something that as philosophy and as an approach to business permeates everything we do.

Having joined the company about 2 ½ years ago I can tell you that upon joining and when talking to the board of directors this whole notion of what approach to business do you personally stand for, what are your values, how do you conduct your business and how have you conducted it in the past. That was a key discussion I had with all of these people who were involved in the hiring process. That's also something I carry forward with senior hires that I am responsible for.

On the right-hand side you see the three frames in which we categorize the Creating Shared Value activities. So clearly there is a lot of work for individuals and families for example around nutrition. There is a lot of work for communities, think for example about the communities that we source from in an agricultural setting or where we operate some of our facilities. We have 413 plants that we operate around the world. Then for the planet, those

are some of the sustainability goals such as for example related to CO<sub>2</sub> emissions or plastic waste.

#### **Slide – Nestlé’s materiality assessment**

Our corporate risk group every year conducts a materiality assessment. So here are the two impact axes, one is the impact on Nestlé’s business and the other one is the importance to our stakeholders. That matrix gets discussed in a great amount of detail with our executive board every year. The executive board is the senior leadership team of the company. Then we also discuss this once a year in detail with our board of directors.

#### **Slide – Key issues, example initiatives and partnerships**

On the following page I have taken now some of the key areas that have been identified as part of this matrix. I will show you some of the specific projects that we are working on to improve our impact in these areas.

So I will be talking first of all about this notion of the nutritional profile of our products. I will second talk about responsible sourcing and supply chain stewardship. Then I will talk about the plastics waste area which has been getting a lot more attention recently over the past year. Finally when it comes to some internal projects we are focusing on, I will talk about our drive to improve the gender balance inside the company.

#### **Slide – Contributing to healthier lives: Improving the nutritional profile of our products**

So first on the nutritional profile, while certainly we try to improve the nutrition for all age groups I think in particular for children it’s important to form the right, life-long nutritional habits. So this is why we kicked off this Nestlé for healthier kids campaign last year. You see here on the left hand side this is me during the kick-off campaign which we started in Dubai in April 2018. This is an umbrella campaign that covers all of our locations worldwide. In addition to improving of course our products this also involves working a lot with schools and other institutions to help children learn the right nutritional habits, provide more information and also provide tools to parents and care givers so they can give the right advice and teach the right things to children.

You see on the right-hand side some examples of nutritionally improved products. To me progress in this area is one of those were we are doing good and doing well at the same time because when we did some post mortems on nutritionally improved products it did turn out

that those show a significantly better growth and also significantly better profitability. So these days when you run a Food and Beverage company it's no longer just about maximizing the amount of food products you are selling. It is about selling the right things and selling something that is higher value and serves a better purpose for the consumers around the world.

**Slide – Supporting communities  
Responsible sourcing and supply-chain stewardship**

The next area, responsible sourcing is one that also goes right back to the founding of the company. As you can imagine, from the beginning, this business had a huge need for dairy, milk products and so we are the inventor of the modern day milk district. So working together in a collaborative fashion with milk farmers around us to be sure we have a safe source of supply and they have a safe source of demand. This is a model that we invented in Switzerland in the 1860's and it was a pretty significant success that we exported it to nearly every country we do business in. These days when you go to Pakistan, when you go to South America, everyone in agriculture knows what a milk district is. This whole notion of working with fragile agricultural communities that are exposed to the weather, to the elements, to the vagaries of nature around the world and being a reliable partner to them, in good years and not so good years, I think that is something that is very close to Nestlé's DNA.

I think in all categories, whether it is Dairy, Coffee, Cocoa or others you will find farmers who for the second, third, fourth, fifth generation have been working with us as a trusted customer and they really like the fact that we stick with them through thick and thin.

Being a good customer also means providing technological assistance where we can, so in addition to a whole lot of central R&D, some of the basic educational work we do on the ground to help farmers to improve their yields. Also in some cases provide micro finance and credit, something that makes Nestlé stand out. So where we are competing for scarce, high quality material typically you see Nestlé win out simply as a result of this iconic standing we have agricultural communities around the world.

What I am pointing to on the right-hand side is again a case of doing well and doing good at the same time. All of this work really translates, in my opinion, in to a better agricultural sourcing, better quality and long-term also a better financial model.

**Slide – Leading the way to a waste-free future:  
Packaging**



The third area, plastics waste that is one that has gathered a lot of pace over the past year. There is a lot of consumer concern, rightfully so, so a lot of regulatory interest. I think this is one of those problems that has been building over time where 30-40 years ago plastic packaging was seen as a miraculous solution to packaging problems. It would involve a much longer shelf-life for products, be a major contributor to food safety. It was really seen as a solution for the better. It took then a fairly long period of time for all of us collectively to understand that there are some unintended consequences when it comes to plastics waste accumulating in the oceans and around the world.

So now that we are aware of this I think that it's important to work on solutions with a large degree of urgency. It's important for us not only to be at the mercy of packaging and plastic manufacturers here, so we have founded last year our own research institute where we do research into these materials, we will also do research into how packaging materials interact with food because we want to be a pace maker on this, we don't just want to be a passenger.

What's important, and I know that there is a lot of emphasis on recycling, but let's be realistic. Many parts of the world do not have existing recycling systems and will not have fully functioning recycling systems for long periods of time. In addition to recyclability where we have a very strong commitment out by the year 2025. We are also doing research into issues such as bio-degradability and compost ability. So as we do this we are not inadvertently supporting a throw-away society we are simply trying to react to the reality around us. So when you take countries such as Indonesia, or Mexico or others that have a vast surface area, a rugged terrain or any other challenges related to the geography it is unlikely that in short period of time you will see a successful recycling system there and hence we are trying to cater to that reality.

For most established economies, when you think about the United States, when you think about Western Europe we do believe that a circular economy and recycling certainly is the best solution and hence we are trying to contribute to that. But having a full suite of options and a range of options I think is certainly the best way since the world around us is pretty complex.

**Slide – Fostering diversity and inclusion:  
Investing in human capital**

Last but not least diversity and inclusion. Like most companies we are coming from a background where we are still quite a bit away from gender balance, in our associate base and leadership range, so we are certainly trying to make progress here. We have achieved

30% female participation in our management ranks as of last year but that is certainly far away from where we want to be. So we are kicking off next month a fairly ambitious three program to improve female participation in our leadership ranks.

In addition to that, we are also supporting much wider women's empowerment campaigns, when you think about Africa and Latin America, so this whole notion of giving women, in societies where equal opportunities are not a given, their own livelihood through entrepreneurial activities or job opportunities is something that is very near and dear to us. So when you think about for example micro distribution in Africa, this is one of these areas where we have truly been doing pioneering work to help the case of women and help their financial independence.

On the right-hand side, youth employment opportunities, that's also a key area where we have been putting a lot of effort in as part of our global youth initiative. So this whole notion of giving youth access to job opportunities and education and sources of self-help is very important to us. Here again we are very shaped by our experience and background in agricultural communities where in some cases youth unemployment and bleak economic prospects are rampant. I believe that in most of these countries that are particularly challenging, when you think about South America, Africa, I think we are making major progress and are recognized by governments around the world for our commitment to this area.

#### **Slide – A long-term approach delivers strong total shareholder return**

So this concludes the Creating Shared Value part of the presentation. Before finishing let me show you some of the long-term shareholder results. As you can see here from the left-hand side of the chart whether it is a ten year time horizon, five year, three year, one year, compared to a relevant sample of STOXX companies I think our returns compare very favorably.

Then when you look at the right hand side you are seeing also a fairly regular commitment to returning cash in a disciplined manor to our shareholders. Both in the form of dividends and also share buybacks that we have done frequently over the past ten years. In total, since 2008, we have returned CHF 118bn to our shareholders. Obviously these two tools serve two different purposes. The dividend is clearly the best way to reward long-term shareholders who are on their journey with us. We are very committed to a steadily rising dividend, we have been increasing our dividend for the 24<sup>th</sup> consecutive year.

Then share buybacks are of course a very good tool when it comes to making targeted changes to your balance sheet structure. So for example two years ago when we announced our latest share buyback program what was driving that was a conscious decision to increase the level of leverage in our balance sheet. That sort of change of course can best be done through a one-time share buyback program.

#### **Slide – 2018 results**

Long term success should never be in contrast to short term intensity so this is just a quick re-cap of our 2018 results. As you can see everything is, in a very pleasant manner, pointing from the lower left-hand corner to the upper right-hand corner and this is the way it should be.

#### **Slide – Aligning the interest of key stakeholders: Strong governance supports sustainable value creation**

Let me say that long term financial success should not only be embodied and exemplified by the executive leadership team, I think it also has a lot to do with appropriate corporate governance. What I am showing you here is the skill grid of our board of directors including our latest two nominees. We have been now proposing nine new board members to our board of directors since 2015 so we are committed to a frequent change and rejuvenation on the board of directors. You see here that on all different dimensions, from geography to professional background I think we are trying to have a broad set of diverse backgrounds in our board of directors. I think this diverse set of experiences and having a broad-based discussion is certainly one of the ingredients to success and avoiding that you are suffering from a one-sided management approach.

#### **Slide – Putting it all together**

With that let me try to pull it all together for you and I will leave some additional time for questions and answers.

So you have seen our purpose that I outlined initially. Enhancing the quality of life and contributing to a healthier future. A purpose needs to resonant, it really needs to serve a specific job for society.

But then what is more important than the purpose alone is how you go about it as you pursue that purpose. We are very much about doing this in a way that creates shared value so that everyone benefits and there is a fairly equal sharing of some of the upsides that jointly get

created. So that is something we strongly believe in. As you see this is not a recent fad this is something that really goes back to the DNA, to the founding of the company and something we will be committed to going forward.

I appreciate your attention and look forward to your questions.

### **Question and Answer Session**

<b>Question on;</b>	<b>Balancing capital allocation priorities</b>
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**Tim Youmans, Hermes EOS :**

The company just announced recently an acceleration of the existing buyback program. How does the company balance these competing capital allocation priorities? You talk about driving innovation and investing in employees, individuals and their families and planning to create long-term shared value. How does the company manage this tensions and make these decisions like accelerating the buyback program.

**Mark Schneider, Chief Executive Officer, Nestlé S.A.**

I think in this particular case it is simply reflecting the fact that we had better than anticipated free cash flow generation in 2018. As we shared with our investors during the recent conference call we also continued good news on the free cash flow front for 2019. As you saw from our portfolio transformation slide we do have two businesses under review that at some point or another will probably lead to some additional cash flow. So here was a way to accelerate a program that was out there already, by about six months. So the real impact to our cash situation over all is fairly minimal. It is not an upsizing of the share buyback program we are simply just accelerating it slightly.

Over all you are absolutely right it is all about balancing the short-term and the long-term and when it comes to our R&D commitment, for example, at a time when we are trying to look for and find efficiencies everywhere in the company we did not touch our R&D. We fairly heftily re-organized our R&D to get more output from it but we never look at R&D as a source of savings. In fact we see it as the long-term source of competitive advantage. The same applies to the labor force and the employees so investing in our own workforce, I didn't get into that in the interests of time on all the multipliers and work that we have done we see very strong returns. Not only to the company but also to the immediate surroundings and the communities we do business with and hence these are good and sound decisions and we are not looking as savings in that area.

<b>Question on;</b>	<b>Future of food in Africa</b>
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**Bruce Piasecki, AHC Group :**

I have always admired how Nestlé has grown across 150 years. Could you give us an insight into what your long-term plans are for the future of food in Africa?

**Mark Schneider, Chief Executive Officer, Nestlé S.A.**

That's really important because we are seeing a significant growth, particularly in sub-Saharan Africa. But in order to be successful there you have to pursue different strategies from what we are pursuing in other emerging and developed markets. So what we call extreme affordability is a key criteria to be successful there and also to fulfil our societal purpose. So there is no point in upgrading the products and premiumizing the products endlessly if the surrounding population simply doesn't have the purchasing power to afford these products. So this whole notion for example of affordable, micro-nutrient fortification is very important to us. We have done this on a voluntary basis to many products, including something as simple as a bouillon cube for people who prepare broth and soup. This whole notion of truly fighting for every penny of additional for cost and still getting some additional value into the product is important there.

Financially if you compare such a product to something that is highly premiumized it is not equally attractive but interestingly it is a much more stable thing. Often what we find with highly premiumized products, they might be very attractive over the short-term but they are subject to fads, like something is in fashion this week but then out of fashion next week so things gyrate up and down. These extremely affordable products they do have an attractive financial profile, it is not as good as the premiumized ones but typically they are there to stay for a long time. Hence they act as an important stabilizer for the business and here again it is one of those cases of doing well and doing good at the same time. I think that stable aspect is one that stands us in good stead as well.

<b>Question on;</b>	<b>Importance of geographical location of Nestlé's incorporation</b>
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**Participant:**

Do you think you would be able to maintain the balance that you have been talking about if you were a company formed and fully organized in the United States as opposed to the history that your company has had.

**Mark Schneider, Chief Executive Officer, Nestlé S.A.**

Look it is hard to speculate about the past, but when you look at the present about 40% of our shareholders are U.S. shareholders, hence at this point it is no longer that relevant where exactly you are incorporated. As I look at that long-term focus, that has as many fans in the U.S. investment community as it has in a European setting. I think that as long as it is proven and really, over time, delivers the results you are committing to people will buy into that. So there is no difference.

<b>Question on;</b> <b>Balance of margin and cost cutting</b>
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**Alistair Gray, Financial Times:**

You have highlighted the importance of balancing margin and cost cutting, clearly one of your big competitors has had difficulties in recent days and I wonder whether this shows the dangers of focusing too much on cost.

**Mark Schneider, Chief Executive Officer, Nestlé S.A.**

Probably not the best thing for me to comment on competitors, so let me focus on us and I think for us that approach has worked well. Even at the time when margin expansion was very much on investor's minds we stuck with that balance model. Here again you have to deliver. It is one thing to talk about a balanced approach but both of these metrics have to move over time and when they do, good things happen.

The good thing, when you look at it from an EPS perspective, if you make meaningful progress on growth and on margin you don't have to have stellar numbers, but if you make meaningful progress on both it adds up to a beautiful EPS picture and we believe that's the more resilient way to grow.

<b>Question on;</b> <b>Nestlé's sourcing program</b>
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**Participant** [name and company unclear]

My question is about your sourcing program. Is the entire sourcing supply chain covered by the program you have described? If not what percentage and could you please elaborate on the cost of this program.

**Mark Schneider, Chief Executive Officer, Nestlé S.A.**

The principles of this sourcing program apply to everything we do. Of course if there is something where we have direct relationship with the supplier we get more specifically

involved as opposed to something that you buy on the world market. So it depends a little bit on the individual transaction.

But the principles are the same no matter what product group you are looking at. I think these days when it comes to supply chain clarity and understanding who you are dealing with since you are being held accountable, even for things that happened several steps up in your supply chain, being very close to your suppliers is very important. Not only to do good for them but to protect yourself.

Especially for some of the exotic markets, this whole notion of trusting on the one-hand but verifying on the other hand is very important. We do this, not only from audits on the ground, but we are also pioneering the use of technology to be sure that we have another source of information. For example on Palm oil that does not contribute to de-forestation we pioneered the use of satellite technology. So every time we buy palm oil we get the GPS co-ordinates of where it is coming from and then through satellite technology we check on whether the de-forestation commitments are being kept. We were the first food company to do that. It's a good example of how we leverage scale, know-how and technology to really pioneer sourcing practices. It is now being adopted by several other food companies and I am personally convinced that before long this will be more or less the gold standard when it comes to de-forestation free palm oil sourcing.

<b>Question on; Tax transparency</b>
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**Mediator:**

I have a quick question for you. You mentioned your CHF 4bn in taxes and the transparency behind that, and you even quoted Churchill on that. So why do you think that is controversial and is that a call to action to more tax transparency?

**Mark Schneider, Chief Executive Officer, Nestlé S.A.:**

Well I think this is what the OECD is working on and rightfully so because I think there were quite a few cases of abuse in the past. I think it is important. Again whilst everyone is interested in tax efficiency, we are personally and as a corporation we can't be different, we are stewards of the capital we are given. Let's do so within reason and let's step away from oppressive tax avoidance strategies.

<b>Question on; Decentralization at Nestlé</b>
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**Participant:**

How do you balance between the centralization of Vevey and your local markets? How do strike that balance in a large corporate organization?

**Mark Schneider, Chief Executive Officer, Nestlé S.A.:**

Excellent question and I am in the lucky position to inherit a structure that, in a local business such as Food and Beverage, fortunately has never gone all the way towards a global structure when globalization was all the rage. So 10-15 years ago the Food and Beverage industry was no exception. Everyone talked about globalization and how globalization would carry the day.

Nestlé, as a result of its early growth and early multinational expansion, has always had a very decentralized structure. In addition to 34 billionaire global brands, we also have literally hundreds, in fact more than 2,000 brands in total, so a lot of them only have local relevance but on a local scale they resonant very strongly with the consumer. So we have never given up on that local item and now, in a world that so much focuses again all matters local, I think that resilience is really paying off.

So I think that everything that can be standardized, behind the curtain, that is not undermining local connectivity and that local connection to the market and to the consumer, we try to exploit. But anything that really the local consumer feels is part of the relationship that needs to stay local and that's part of how we define Food and Beverage. Also when you think about your own food habits and as you watch other people's eating habits this is a very local matter. Not only by continent but even as you drill into eating matters just think about the United States or think about Europe, neighboring countries and the vastly different habits here. This is something you have to respect when you are in the Food and Beverage business.

**END OF TRANSCRIPT**