



Nestlé

Good Food, Good Life

Invitation to the Annual General Meeting 2018 of Nestlé S.A.

151st Annual General Meeting
Thursday, 12 April 2018 at 2:30 p.m.
at Beaulieu Lausanne,
Avenue des Bergières 10,
1004 Lausanne, Switzerland



Table of Contents

Letter from the Chairman	3
Agenda and Proposals of the Board of Directors	7
Admission cards, proxies, documentation, information	15

for information only

Letter from the Chairman

Dear Shareholder,

In a world of unprecedented change, we remain a steady, strong and focused Company with a clear strategy leading to sustainable value creation. Society in general and our industry in particular are facing substantial change. Consumers' tastes are shifting rapidly and so are the ways we engage with them using fast evolving digital technologies. Addressing these and other changes is a challenge for our industry and yet a tremendous opportunity for our Company.

What has and will not change is what our Company stands for. Our purpose – *enhancing quality of life and contributing to a healthier future* – and our values rooted in respect, which guide us every day.

In 2017, the Board of Directors reaffirmed Nestlé's value creation model, which focuses on top and bottom line growth and capital efficiency to deliver substantial, sustained shareholder value. Our commitment to margin expansion, streamlining the portfolio and a prudent approach toward capital allocation and M&A will help us achieve this. Furthermore, the Board approved a CHF 20 bn share buy back program to continue to return capital to shareholders.

Our Board has been engaged in facilitating a smooth transition to a new CEO and a new Chairman. Under our new leadership, we reconfirmed our Nutrition, Health and Wellness strategy. We added four new independent directors in the past three years and selected new candidates with special attention to enhancing the diverse skill set and breadth of experiences on our Board. We continued our strong engagement with our shareholders and other stakeholders. We expanded the mission of our Nomination and Sustainability Committee to cover all aspects of sustainability and our environment, and we strengthened risk oversight by our Audit Committee.

At our upcoming Annual General Meeting we will have the opportunity to say thank you to three long-standing members of our Board of Directors, who will not stand for re-election due to our term limits:

Our Vice-Chairman, Mr Andreas Koopmann, will retire from our Board after fifteen years of highly appreciated services provided to our Company. He also has chaired the Board's Nomination and Sustainability Committee and served on the Company's Chairman's and Corporate Governance Committee as well as its Compensation Committee.

Mr Steven G. Hoch and Ms Nāina Lal Kidwai will also not stand for re-election after twelve years of service. Mr Hoch, a direct descendant of one of our Company's founding families, was a member of the Board's Nomination and Sustainability Committee. Ms Kidwai served on the Board's Audit Committee. Both contributed their particular financial

expertise to the Company as part of the Chairman's and Corporate Governance Committee's Asset & Liability Management Reviews.

The Board wishes to extend its sincere gratitude to Mr Koopmann, Mr Hoch and Ms Kidwai for many years of dedicated service to the Company.

We will propose to you the re-election of the Chairman and all other Board members for annual terms as required by Swiss law. As per our usual practice, each candidate is presented on our website and will be introduced at the General Meeting.

If elected, I will be honored to continue to serve as the Chairman of the Board of Directors.

Mr Henri de Castries, if elected, will continue to perform the role of Lead Independent Director and chair the Board's Nomination and Sustainability Committee. Following Mr Koopmann's retirement, Mr de Castries will be named Vice Chairman of the Board of Directors.

We propose to you the election of three new members of the Board of Directors:

Mr Kasper Rorsted, a Danish citizen, is the CEO of adidas. Kasper Rorsted brings deep experience in the consumer goods and technology sectors. Prior to his CEO role at leading sporting goods company adidas, Kasper Rorsted served as CEO of Henkel, a multinational maker of cleaning products, beauty care items and adhesives, following senior executive roles at technology companies including Hewlett-Packard, Compaq, and Oracle.

Mr Pablo Isla, a Spanish citizen, is the Chairman and CEO of Inditex, one of the world's largest retail fashion companies, holding brands such as Zara. Pablo Isla brings extensive retail experience, with expertise in e-commerce, innovative business and supply chain models, and environmental, social, and governance (ESG) leadership. Previously, he was co-executive Chairman of Altadis and General Secretary of Banco Popular, after serving as General Manager of the National Heritage Department of the Spanish Treasury.

Ms Kimberly A. Ross, a US citizen, is the former Senior Vice President and Chief Financial Officer of Baker Hughes and currently serves as Non-Executive Board Member of Chubb Limited and PQ Corporation. Ms Ross brings extensive financial expertise and operational leadership experience in industries relevant to Nestlé. She was previously Executive Vice President and CFO of Avon Products, and before that served as Executive Vice President and CFO of food retailer Royal Ahold.

We will also propose the election of the members of the Compensation Committee. 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 2017.

We remain committed, on the base of our Articles of Association, to aim for long-term, sustainable value creation. In 2017, Nestlé was recognized as the leader in the food products industry in the Dow Jones Sustainability Index. As always, we will continue to actively engage with our shareholders and other stakeholders and listen to their feedback.

2017 marked an important year for our Company, as the new leadership took charge. We are confident that our strong executive team will ensure the long-term strategic direction of the Company set by the Board of Directors. We thank you for your continued trust in our Company.

I look forward to seeing you in Lausanne on 12 April 2018.

Yours sincerely,



Paul Bulcke
Chairman of the Board of Directors

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Agenda and Proposals of the Board of Directors

1 Annual Report 2017

1.1 Annual Review, financial statements of Nestlé S.A. and consolidated financial statements of the Nestlé Group for 2017; 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 2017

1.2 Advisory vote on the Compensation Report 2017

Proposal

Acceptance of the Compensation Report 2017 (advisory vote)

Explanation

As per Nestlé S.A.'s Articles of Association, the Board of Directors submits the Compensation Report 2017 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 for the financial year 2017

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

Proposal

Retained earnings

Balance brought forward from 2016	CHF	5 111 232 705
Profit for the year 2017	CHF	8 584 500 298
	CHF	<u>13 695 733 003</u>

Proposed appropriation

Dividend for 2017, CHF 2.35 per share on 3 070 581 236 shares ¹	CHF	<u>7 215 865 905</u>
Balance to be carried forward	CHF	<u>6 479 867 098</u>

1 Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (13 April 2018). 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 2.35 per share, representing a net amount of CHF 1.5275 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is 13 April 2018. The shares will be traded ex-dividend as of 16 April 2018. The net dividend will be payable as from 18 April 2018.

4 Elections

4.1 Re-election of the Chairman and the members of the Board of Directors

Proposal

Individual re-elections of Mr Paul Bulcke as member and as Chairman of the Board of Directors, and of Messrs Ulf Mark Schneider, Henri de Castries, Beat W. Hess, Renato Fassbind, Jean-Pierre Roth, Ms Ann M. Veneman, Ms Eva Cheng, Ms Ruth K. Oniang'oo, Mr Patrick Aebischer as well as 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

At the Annual General Meeting 2017, the shareholders elected the Chairman and all members of the Board of Directors for a term of office of one year in accordance with the Articles of Association. Their mandates will expire at the end of the Annual General Meeting of 12 April 2018.

Messrs Andreas Koopmann and Steven G. Hoch, as well as Ms Naina Lal Kidwai will not stand for further re-election. Having joined the Board of Directors in 2003, Mr Koopmann served the Company for many years as Vice Chairman, as a member and then Chairman of the Nomination and Sustainability Committee, as well as a member of the Chairman's and Corporate Governance Committee and of the Compensation Committee. Mr Hoch and Ms Kidwai both joined the Board of Directors in 2006. Mr Hoch served as a member of the Nomination and Sustainability Committee and Ms Kidwai as a member of the Audit Committee.

The Board wishes to extend its sincere gratitude to Messrs Koopmann and Hoch, as well as to Ms Kidwai for their 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 Paul Bulcke, Belgian, born 1954, Chairman of the Board of Directors, Chairman of the Chairman's and Corporate Governance Committee and member of the Nomination and Sustainability Committee. Mr Bulcke was the CEO (Administrateur délégué) of Nestlé S.A. from 2008 to 2016. As a Nestlé S.A. representative, he serves as Vice Chairman of L'Oréal S.A., France. Mr Bulcke is also a Board member of Roche Holding Ltd, Switzerland. The Board proposes to re-elect Mr Bulcke as a member and also as Chairman of the Board of Directors in a single vote.
- 4.1.2 Mr Ulf Mark Schneider, German/American, born 1965, CEO (Administrateur délégué) of Nestlé S.A., member of the Chairman's and Corporate Governance Committee. Mr Schneider was the CEO of Fresenius Group from 2003 until June 2016.
- 4.1.3 Mr Henri de Castries, French, born 1954, Lead Independent Director, Chairman of the Nomination and Sustainability Committee, member of the Chairman's and Corporate Governance Committee and of the Audit Committee. Mr de Castries was Chairman and CEO of AXA, France, until September 2016. He serves as a Board member of HSBC Holdings plc, United Kingdom.
- 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. Mr Hess also serves as Chairman of LafargeHolcim Ltd and as Vice Chairman of Sonova Holding AG, both in 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. Mr Fassbind serves as Vice Chairman of the Board of Directors of Swiss Re AG and is a Board member of Kühne + Nagel International AG, both in Switzerland.
- 4.1.6 Mr Jean-Pierre Roth, Swiss, born 1946, member of the Compensation Committee. Mr Roth serves as a Board member of Swatch Group, Switzerland, of MKS (Switzerland) SA, and is Vice Chairman of Arab Bank (Switzerland) Ltd.
- 4.1.7 Ms Ann M. Veneman, American, born 1949, member of the Nomination and Sustainability Committee. Ms Veneman also serves as a Board member of Alexion Pharmaceuticals, Inc., USA.

- 4.1.8 Ms Eva Cheng, Chinese, born 1952, member of the Audit Committee. Ms Cheng 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.
- 4.1.9 Ms Ruth K. Oniang’o, Kenyan, born 1946, Food and Nutrition Scientist. Ms Oniang’o is adjunct Professor of Nutrition at Tufts University, USA. She also runs rural development activities with rural women farmers in Africa.
- 4.1.10 Mr Patrick Aebischer, Swiss, born 1954, member of the Compensation Committee. He is the President Emeritus of the Swiss Federal Institute of Technology Lausanne (EPFL). Mr Aebischer serves on the Boards of Logitech International S.A., Switzerland, and of Lonza Group Ltd, Switzerland. He is Chairman of the Advisory Board of the Novartis Venture Fund.
- 4.1.11 Ms Ursula M. Burns, American, born 1958, was the Chairman of the Board of Xerox Corporation until January 2018. She serves on the Boards of American Express Company, Exxon Mobil Corporation, the Ford Foundation and Uber Technologies Inc. Ms Burns also provides leadership counsel to various community, educational and non-profit organisations.

For further details on the nominees as well as their qualifications, see biographies in the Corporate Governance Report 2017 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 Kasper Rorsted, Mr Pablo Isla and Ms Kimberly A. Ross 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 Kasper Rorsted, Danish, born 1962, is the CEO of adidas, and was the CEO of Henkel from 2008 to 2016. Prior to joining Henkel as Senior Vice President in 2005 and being appointed Management Board Member in 2007, Mr Rorsted held senior executive roles at technology companies including Hewlett-Packard, Compaq and Oracle. His education includes International Business Studies at Copenhagen Business School, Denmark, and Executive Programs at Harvard Business School. He serves as a member of the Supervisory Board of Bertelsmann, Germany. As a CEO with an extensive background in Fast Moving Consumer Goods and highly relevant expertise in technology, he will in particular enrich the knowledge of the Board in these fields.
- 4.2.2 Mr Pablo Isla, Spanish, born 1964, is the CEO and Chairman of Inditex, one of the world's largest fashion retailers holding brands such as Zara. He is the former Co-Executive Chairman of Altadis, and was the General Secretary and an Executive Member of Banco Popular, Spain. For the Government of Spain, he acted as the General Manager of the National Heritage Department of the Treasury Ministry and was previously the Spanish State Attorney (Abogado del Estado) of the Ministry for Transport, Tourism and Communication. He was also the Official Delegate of the Spanish Government for the Commission on International Trade Law at the United Nations in New York. Mr Isla holds an LLB from Complutense University of Madrid, Spain, and is member of the Spanish State Attorney Corps. The Board believes that as a CEO with strong global business background in Fast Moving Consumer Goods, he will contribute significantly to the Board's expertise.
- 4.2.3 Ms Kimberly A. Ross, American, born 1965, is the former Chief Financial Officer of Baker Hughes, a global industrial services company based in the USA. She served as the Chief Financial Officer at Avon Products between 2011 and 2014, and at Royal Ahold from 2001 to 2011. Before that she was a Senior Manager of Ernst & Young, held various management roles at Joseph E. Seagram & Sons Inc. and began her finance career at Anchor Glass Container Corporation. Ms Ross holds a BA in Accounting of the University of South Florida, USA. Furthermore, she serves as a Non-Executive Board member of Chubb Limited, USA, and of PQ Corporation, USA. The Board believes that with her long experience across different industries, her international experience and extensive financial background, she will particularly enrich the Board's financial competencies.

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

4.3 Election of the members of the Compensation Committee

Proposal

Individual elections of Messrs Beat W. Hess, Jean-Pierre Roth, Patrick Aebischer and Ms Ursula M. Burns 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.

4.3.1 Mr Beat W. Hess

4.3.2 Mr Jean-Pierre Roth

4.3.3 Mr Patrick Aebischer

4.3.4 Ms Ursula M. Burns

4.4 Election of the statutory auditors

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

Proposal

Election of KPMG SA, Geneva branch, as statutory auditors (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

In line with Nestlé's Articles of Association, the Board proposes the election of the law firm Hartmann Dreyer to serve as Independent Representative.

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

Pursuant to Nestlé's Articles of Association, the Board of Directors submits the compensation of the Board of Directors and of the Executive Board for approval by the shareholders.

5.1 Compensation of the Board of Directors

Proposal

Approval, prospectively, for the period from the Annual General Meeting 2018 to the Annual General Meeting 2019, 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 million, including CHF 4 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 2019 to 31 December 2019, of a total maximum amount of compensation for the 13 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.

6 Capital reduction

Proposal

Cancellation of 49 160 000 own shares repurchased under the share buy back programme, and reduction of the share capital by CHF 4916000

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

“Article 3 Share capital

The share capital of Nestlé is CHF 306300000 (three hundred and six million three hundred thousand Swiss francs) divided into 3063000000 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 49 160 000 own shares repurchased until 6 February 2018 under Nestlé S.A.’s ongoing share buy back program of up to CHF 20 billion, which was launched on 4 July 2017 on a second trading line on the SIX Swiss Exchange. The share capital in Article 3 of the Articles of Association is to be reduced reflecting the cancellation of the above 49 160 000 shares.

The auditors KPMG SA confirmed in their Audit Report to the Annual General Meeting 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.

Admission cards, proxies, documentation, information

Admission cards

Only shareholders who are on record in the share register with voting rights on 5 April 2018 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 22 March 2018 will automatically receive an invitation to the Annual General Meeting. They can order an admission card for themselves or for a personal representative using the "Reply Form", which should be returned to the Share Transfer Office in Cham by 5 April 2018, at the latest.

Shareholders whose registration in the share register with voting rights is made on or after 23 March 2018 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.

Proxy to the Independent Representative

If you wish to be represented by the Independent Representative, Hartmann Dreyer, Attorneys-at-law, please use the "Reply Form" and specify your voting instructions to the Independent Representative on the reverse side of the "Reply Form", which should be sent to the Share Transfer Office in Cham or directly to the Independent Representative by using the envelope enclosed. Alternatively, you have the possibility to give voting instructions to the Independent Representative electronically by accessing the voting platform "Sherpany" via www.sherpany.com/nestle.

Documentation

Please find enclosed the summary of the Annual Report 2017 with an overview of the financial results for the business year 2017 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 2017 (which includes the Corporate Governance and Compensation Reports 2017) by ticking the corresponding box on the "Reply Form". Using the same document, you can also pre-order the Half-Yearly Report January–June 2018, which will be published in July 2018. These documents will also be available on our website (www.nestle.com/investors/publications). Furthermore, the full Annual Report 2017 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.

Information

Find all shareholder information at www.nestle.com/investors.

Nestlé S.A.
Board of Directors
Cham and Vevey (Switzerland), 13 March 2018

for information only



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