

# **Corporate Governance Report 2015**



## **Compensation Report 2015**

## **Articles of Association of Nestlé S.A.**

**Amended by the  
Annual General Meeting  
of 16 April 2015**



# Corporate Governance Report 2015



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## Situation at 31 December 2015

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(1) The full Board of Directors Regulations and Committee Charters are published on [www.nestle.com/investors/corporate-governance/boardcommittees](http://www.nestle.com/investors/corporate-governance/boardcommittees)

(2) The term Executive Committee, as used in the SIX Directive, is replaced by Executive Board throughout this document.

# Group structure and shareholders

## Preliminary remarks

The Nestlé Corporate Governance Report 2015 follows the SIX Swiss Exchange Directive on Information relating to Corporate Governance. Additional information can be found in the Compensation Report. Nestlé S.A. complies with the recommendations of the Swiss Code of Best Practice for Corporate Governance, as in force at 31 December 2015.

To avoid duplication of information, cross-referencing to other reports is made in some sections, namely the Annual Review 2015, the Financial Statements 2015 that comprise the Consolidated Financial Statements of the Nestlé Group and the Financial Statements of Nestlé S.A., as well as the Articles of Association of Nestlé S.A., whose full text can be consulted in this report or on [www.nestle.com/investors/corporate-governance](http://www.nestle.com/investors/corporate-governance).

The Consolidated Financial Statements of the Nestlé Group 2015 comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with Swiss law. Where necessary, these disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive on Financial Reporting.

## 1. Group structure and shareholders

### 1.1 Group structure

Please refer to the Annual Review 2015, page 56 for the overview of Directors and Officers.

#### 1.1.1 Description of the issuer's operational group structure

For the general organisation chart of Nestlé S.A., refer to page 26 of this document. The Group's Management structure is represented in the analysis by operating segments (refer to Note 3 of the Consolidated Financial Statements of the Nestlé Group 2015).

#### 1.1.2 All listed companies belonging to the issuer's group

The registered offices of Nestlé S.A. are in Vevey and Cham (Switzerland). Nestlé S.A. shares are listed on the SIX Swiss Exchange in Switzerland (ISIN code: CH0038863350). At 31 December 2015, the market capitalization of Nestlé S.A. was CHF 229 946 933 000. For further information see also page 61 of the Annual Review 2015 and visit our website on [www.nestle.com/investors](http://www.nestle.com/investors).

Please refer to the Consolidated Financial Statements of the Nestlé Group 2015, page 140 for the list of the Companies of the Nestlé Group, joint arrangements and associates, with an indication of their company name, registered office, share capital, place of listing, securities' ISIN number, their market capitalisation and the Company's participation.

#### 1.1.3 The non-listed companies belonging to the issuer's group

Please refer to the Consolidated Financial Statements of the Nestlé Group 2015, page 140 for the enumeration of the Companies of the Nestlé Group, joint arrangements and associates, with an indication of their company name, registered office, share capital and the Company's participation.

## 1.2 Significant shareholders

On 31 December 2015, Nestlé S.A. held 103 934 100 treasury shares representing 3.3% of the share capital, including 76 240 000 shares repurchased under Nestlé S.A.'s Share Buy-Back Programme of CHF 8 billion completed on 7 December 2015 (refer to Note 19 of the 2015 Financial Statements of Nestlé S.A.). BlackRock, Inc., New York, announced on 17 December 2009 holding, together with affiliates, directly or indirectly, 3.7% of Nestlé S.A.'s share capital at that time. Apart from the foregoing, Nestlé S.A. is not aware of any other shareholder holding, as at 31 December 2015, Nestlé S.A. shares in excess of 3% of the share capital.

During 2015, the Company published on the electronic publication platform of the SIX Swiss Exchange disclosure notifications pertaining (i) to the holding of Nestlé S.A. shares by Norges Bank (the Central Bank of Norway), Norway, whose holding reached the threshold of 3% on 16 April 2015 and fell below this threshold on 17 April 2015; (ii) to the holding of its own shares which exceeded the threshold of 3% on 21 October 2015 as a consequence of acquisitions under the then ongoing Share Buy-Back Programme.

With respect to nominees, Chase Nominees Ltd, London, was a registered Nominee N (refer to point 2.6.3. below) of 242 116 869 shares, i.e. 7.6% of the shares of the Company as at 31 December 2015. At the same date, Citibank N.A., London, as depositary for the shares represented by American Depositary Receipts, was the registered holder of 243 575 492 shares, i.e. 7.6% of the shares of the Company. Also on 31 December 2015, Nortrust Nominees Ltd, London, was a registered Nominee N of 119 498 040 shares of the Company, representing 3.7% of the shares.

## 1.3 Cross-shareholdings

The Company is not aware of cross-shareholdings exceeding 5% of the capital or voting rights on both sides.

## 2. Capital structure

### 2.1 Capital

The ordinary share capital of Nestlé S.A. is CHF 318 840 000. The conditional share capital is CHF 10 000 000. Nestlé S.A. does not have any authorised share capital.

### 2.2 Conditional capital

The share capital may be increased in an amount not to exceed CHF 10 000 000 by issuing up to 100 000 000 registered shares with a nominal value of CHF 0.10 each through the exercise of conversion rights and/or option rights granted in connection with the issuance by Nestlé or one of its subsidiaries of newly or already issued convertible debentures, debentures with option rights or other financial market instruments. Thus the Board of Directors has at its disposal a flexible instrument enabling it, if necessary, to finance the activities of the Company through convertible debentures.

For a description of the group of beneficiaries and of the terms and conditions of the issuance of conditional capital, refer to art. 3<sup>bis</sup> of the Articles of Association of Nestlé S.A.

### 2.3 Changes in capital

The share capital was reduced once in the last three financial years as a consequence of a Share Buy-Back Programme. On 16 April 2015, the Annual General Meeting approved the cancellation of 36 400 000 shares resulting in a reduction of the share capital to the present CHF 318 840 000.

For the breakdown of capital ("equity") for 2015, 2014 and 2013 see the changes in equity in the Consolidated Financial Statements of the Nestlé Group 2015 and 2014.

### 2.4 Shares and participation certificates

Nestlé S.A.'s capital is composed of registered shares only. The number of registered shares with a nominal value of CHF 0.10 each, fully paid up, was 3 188 400 000 at 31 December 2015.

According to art. 11 par. 1 of the Articles of Association, each share recorded in the share register as a share with voting rights confers the right to one vote to its holder. See also point 2.6.1 below.

Shareholders have the right to receive dividends. There are no participation certificates.

## 2.5 Dividend-right certificates

There are no dividend-right certificates.

## 2.6 Limitations on transferability and nominee registrations

### 2.6.1 Limitations on transferability along with an indication of group clauses in the Articles of Association and rules for granting exceptions

According to art. 5 par. 5 of the Articles of Association, no person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all their shares through nominees pursuant to that article. Legal entities that are linked to one another, through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent the regulations concerning the limitation on registration or the nominees, shall be counted as one person or nominee (art. 5 par. 7 of the Articles of Association). The limitation on registration also applies to shares acquired or subscribed by the exercise of subscription, option or conversion rights (art. 5 par. 10 of the Articles of Association). See also art. 5 par. 6 and 9 of the Articles of Association and point 2.6.3 below.

### 2.6.2 Reasons for granting exceptions in the year under review

Please refer to points 2.6.3 and 6.1.2 below.

### 2.6.3 Admissibility of nominee registrations, indication of percent clauses and registration conditions

Pursuant to art. 5 par. 6 and 9 of the Articles of Association, the Board of Directors has issued regulations concerning the application of art. 5 of the Articles of Association. The regulations on nominees set forth rules for the entry of nominees as shareholders in the share register. They allow the registration of:

- Nominees N (“N” as Name of beneficial owner disclosed): where trading and safekeeping practices make individual registration of beneficial owners difficult or impractical, shareholders may register their holdings through a Nominee N with voting rights, subject to the specific understanding that the identity and holdings of beneficial owners are to be disclosed to the Company, periodically or upon request. Voting rights of Nominees are to be exercised on the basis of voting instructions received from the beneficial owners. Holdings of a Nominee N,

or Nominees N acting as an organised group or pursuant to a common agreement, may not exceed 5% of the share capital of the Company. Holdings exceeding the 5% limit (respectively the limit fixed by the Board of Directors, see point 6.1.2 below) are registered without voting rights.

The responsibility for disclosure of beneficial owners and their holdings resides with the nominees registered in the share register.

- Nominees A (“A” as Anonymous beneficial owner): registration without voting rights.

In line with its regulations, in order to facilitate trading of the shares on the Stock Exchange, the Board of Directors has authorised certain nominees to exceed the 5% limit to be registered as nominees with voting rights.

### 2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

Please refer to point 6.1.3 below.

## 2.7 Convertible bonds and options

As at 31 December 2015, there are no outstanding convertible bonds or warrants/options issued by Nestlé S.A. or by subsidiaries on Nestlé S.A. shares. The only options issued by Nestlé S.A. are employee options allocated under the Nestlé Management Stock Option Plan (MSOP). Grants under this plan were discontinued in 2013.

# Board of Directors

## 3. Board of Directors

### 3.1 Members of the Board of Directors

Name	Year of birth	Nationality	Education/Qualifications <sup>(a)</sup>	First Election	Expires <sup>(b)</sup>
Peter Brabeck-Letmathe Chairman	1944	Austrian	Economics	1997	2016
Paul Bulcke CEO	1954	Belgian	Economics and Business Administration	2008	2016
Andreas Koopmann Vice Chairman	1951	Swiss	Mechanical Engineering and Business Administration	2003	2016
Beat Hess	1949	Swiss	Law	2008	2016
Renato Fassbind	1955	Swiss	Economics, Business Administration and Accountancy	2015	2016
Daniel Borel	1950	Swiss	Physics and Computer Science	2004	2016
Steven G. Hoch	1954	American/Swiss	International Relations and Economics	2006	2016
Naïna Lal Kidwai	1957	Indian	Economics and Business Administration	2006	2016
Jean-Pierre Roth	1946	Swiss	Economics and Finance	2010	2016
Ann M. Veneman	1949	American	Law and Public Policy	2011	2016
Henri de Castries	1954	French	HEC, Law degree and ENA	2012	2016
Eva Cheng	1952	Chinese	Business Administration, History	2013	2016
Ruth K. Oniang'o	1946	Kenyan	Food Science and Human Nutrition	2015	2016
Patrick Aebischer	1954	Swiss	Medicine and Neuroscience	2015	2016

(a) For more complete information on qualifications: please refer to section 3.2 and the individual CVs on [www.nestle.com/investors/corporate-governance/boardcommittees](http://www.nestle.com/investors/corporate-governance/boardcommittees)

(b) As from 2014, all Board members are elected annually in accordance with the revised Swiss Corporate law and Nestlé S.A.'s Articles of Association.

#### 3.1.1 Management tasks of the members of the Board of Directors

With the exception of Paul Bulcke, all members of the Board of Directors are non-executive members. Peter Brabeck-Letmathe is active Chairman and has certain responsibilities for the direction and control of the Group including Nestlé Health Science S.A., Nestlé Skin Health S.A. and Nestlé's engagement with L'Oréal.

#### 3.1.2 Information on non-executive members of the Board of Directors

With the exception of Peter Brabeck-Letmathe, all non-executive members of the Board of Directors are independent, were not previously members of the Nestlé management and have no important business connections with Nestlé. Pursuant to Nestlé's Organizational Regulations, a director shall be considered independent, if he is not and has not been employed as an executive officer at the Company or any of its principal subsidiaries or as employee or affiliate of the Group's external auditor for the past three years and does not maintain, in the sole determination of the Board, a material direct or indirect business relationship with the Company or any of its subsidiaries. Directors with immediate family members who would not qualify as independent shall not be considered independent, subject to a three-year cooling-off period.

Subject to specific exceptions granted by the Board, members are subject to twelve-year term limits.

#### 3.1.3 Cross-involvement

None.

### 3.2 Professional background and other activities and functions (\*)

#### **Peter Brabeck-Letmathe** **Chairman**

Peter Brabeck-Letmathe joined the Nestlé Group's operating company as a salesman in Austria in 1968. Between 1970 and 1987, he held a series of responsibilities in Latin America. In 1987, he was transferred to Nestlé's International Headquarters in Vevey, Switzerland, as Vice President and was named Executive Vice President in 1992. At the Annual General Meeting of Shareholders in June 1997, Peter Brabeck-Letmathe was elected member of the Board of Nestlé S.A. In 1997, the Board of Directors of Nestlé S.A. appointed him Chief Executive Officer (CEO). In 2001, he was elected Vice Chairman and in 2005 Chairman of the Board of Directors. As of 10 April 2008, Peter Brabeck-Letmathe relinquished his function as CEO remaining Chairman of the Board of Directors.

As a Nestlé S.A. representative, he serves as Vice Chairman of L'Oréal S.A., France.

Peter Brabeck-Letmathe is also a member of the Board of Exxon Mobil Corporation, Texas, USA, and Chairman of Delta Topco, Jersey.

He also represents Nestlé as Vice Chairman at the Foundation Board of the World Economic Forum (WEF) and, on behalf of Nestlé, chairs the 2030 Water Resources Group (WRG). In addition, he is a member of the Hong Kong-Europe Business Council as well as Vice Chairman of the Foundation Board of the Verbier Festival, Switzerland.



#### **Paul Bulcke** **CEO**

Paul Bulcke began his career in 1977 as a financial analyst for Scott Graphics International in Belgium before moving to the Nestlé Group in 1979 as a marketing trainee. From 1980 to 1996, he held various responsibilities in Nestlé Peru, Nestlé Ecuador and Nestlé Chile before moving back to Europe as Managing Director of Nestlé Portugal, Nestlé Czech and Slovak Republic, and Nestlé Germany. In 2004, he was appointed Executive Vice President, responsible for Zone Americas. In April 2008, Paul Bulcke



was elected member of the Board of Directors of Nestlé S.A. and the Board appointed him Chief Executive Officer (CEO).

Paul Bulcke is a Board member of Roche Holding Ltd., Switzerland. As a representative of Nestlé, Paul Bulcke serves as Co-Chairman of the Board of Directors of Cereal Partners Worldwide S.A., Switzerland.

Furthermore, Paul Bulcke is also a member of the Board of Trustees of Avenir Suisse, Switzerland, the European Round Table of Industrialists (ERT), Belgium, the Board of the Consumer Goods Forum and its Governance Committee, IMD Foundation Board as well as of the International Business Council of the World Economic Forum (WEF).

#### **Andreas Koopmann** **Vice Chairman**

Andreas Koopmann began his career in 1979 as Assistant to the Chairman and CEO of Bruno Piatti AG, Switzerland, and from 1980 to 1982 was Assistant to the Group Executive at Motor Columbus AG, Holding, Switzerland. From 1982, he was at Bobst Group, starting as Vice President of Engineering and Manufacturing in Roseland, New Jersey, USA. In 1989, he returned to Switzerland, holding a number of senior positions in the company, including member of the Group Executive Committee in charge of Manufacturing. He was a member of the Board of Directors for Bobst Group from 1998 to 2002 and was appointed CEO in 1995, a position he held until May 2009. From 2010 to 2012, Andreas Koopmann was Chairman of Alstom (Suisse) S.A. and Country President.

Presently, he serves as Chairman of Georg Fischer AG, as a Board member of Credit Suisse Group, the CSD Group, as well as of Sonceboz SA. Andreas Koopmann is also a member of the Board of Directors of economiesuisse.



(\*) Mandates and functions are listed in the following order: (1) mandates in listed companies, (2) mandates in non-listed companies, (3) mandates held at the request of Nestlé or companies controlled by it, (4) mandates held in associations, charitable organizations, foundations, trusts and employee welfare foundations.

### Beat Hess

Beat Hess started his career in 1977 at BBC Brown Boveri Ltd in Baden as Legal Counsel where he was promoted to General Counsel in 1986. From 1988 to 2003, he was Senior Group Officer, General Counsel and Secretary for ABB Ltd in Zurich. From 2003 until his retirement in January 2011, Beat Hess was Group Legal Director and a member of the Group Executive Committee of Royal Dutch Shell plc, The Hague, The Netherlands.

Beat Hess is a member of the Board and Vice Chairman of LafargeHolcim Ltd, as well as a member of the Board and Vice Chairman of Sonova Holding AG, Switzerland. He is also a member of the Curatorium of The Hague Academy of International Law.



### Renato Fassbind

Renato Fassbind started his career in 1982 as Managing Director of Kunz Consulting AG. From 1984 until 1990 he was Auditor and ultimately Head of Internal Audit at F. Hoffmann-La Roche AG.

Renato Fassbind then joined ABB Ltd and served between 1990–1997 as Head of Corporate Staff Audit, and then as Chief Financial Officer and member of the Executive Board from 1997 to 2002. Subsequently, he joined Diethelm Keller Holding AG as Chief Executive Officer from 2002 to 2004. He joined Credit Suisse Group AG as Chief Financial Officer and member of the Executive Board from 2004 until 2010.

Currently Renato Fassbind serves as Vice Chairman of the Board of Directors of Swiss Re AG, is the Chairman of its Audit Committee and member of its Compensation Committee. Furthermore, Renato Fassbind sits on the Board of Kühne + Nagel International AG and is a member of its Audit Committee.



### Daniel Borel

Daniel Borel is the co-founder of Logitech. He served as Chairman and CEO of Logitech S.A. from 1982 to 1988 and of Logitech International S.A. from 1992 to 1998. Since 1998, he has served as Chairman of Logitech International S.A. As of January 2008, Daniel Borel handed over the office of Chairman



remaining a member of the Board of Directors of Logitech International S.A until September 2015.

In addition, he is President of the EPFL Plus Foundation and serves as Chairman of swissUp, a Foundation for Excellence in Education in Switzerland, and is a member of the Board of Defitech Foundation, Switzerland.

### Steven G. Hoch

Steven G. Hoch started his career in 1978 at the Chemical Bank in New York and Zurich, where he held a series of positions in commercial banking, principally advising multinational companies. Steven G. Hoch was Senior Vice President at Bessemer Trust Company, N.A., New York, from 1990 to 1994, and a member of the Executive Committee at Pell Rudman Trust Company, Boston, from 1994 to 2002. Since 2002, he served as a founder and CEO of Highmount Capital LLC, a US-based investment management and fiduciary firm. In 2015, Highmount joined Brown Advisory, where he serves as a Partner and a member of the International Advisory Board.

Steven G. Hoch is Chairman of the American Swiss Foundation and serves as Chairman of the Corporation Board, as well as Chairman of the Investment Committee of the Woods Hole Oceanographic Institution, USA. He served two terms as a member of the National Board of the Smithsonian Institution, USA, and is an Advisory Board member of the Smithsonian Tropical Research Institute, Panama.



### Naina Lal Kidwai

Naina Lal Kidwai started her career in 1982 and until 1994 was at ANZ Grindlays Bank Plc.

From 1994 to 2002, she was Vice Chairperson and Head of Investment Banking at Morgan Stanley India before moving to HSBC. Naina Lal Kidwai was Chairperson of the HSBC Group of Companies in India until her retirement in October 2015. She was elected President of the Federation of Indian Chambers of Commerce & Industry (FICCI) for 2013.

Furthermore, Naina Lal Kidwai is Chairperson of Max Financial Services Ltd and is a Board member of Cipla Ltd., India. She serves the BRICS Business Council, the Institute of Chinese Studies Advisory Board and chairs



the India Advisory Board of the Harvard Business School, where she is also a Global Advisor. Other engagements include being on the Board of the Aspen Institute India, NCAER (National Council of Applied Economics Research) and NIBM (National Institute Bank Management). Her interests in the environment include being on the Board of Shakti Sustainable Energy Foundation, the World Economic Forums' Global Agenda Council on Water and Sanitation, The Energy and Resources Institute's (TERI) Governing Council and a global commissioner on the Economy and Climate of the New Climate Economy (NCE).

Naina Lal Kidwai was given the Padma Shri Award by the Indian government in 2007 for her contribution to trade and industry and has been recognised in India and abroad with awards and rankings in lists of top women in business.

### Jean-Pierre Roth

Jean-Pierre Roth spent his whole career at the Swiss National Bank, which he joined in 1979. After various senior positions, he was appointed a member of the Governing Board in 1996 before becoming its Chairman in 2001 until 2009. From 2001 he was a member of, and since 2006 the Chairman of the Board of Directors of the Bank of International Settlements until his retirement in 2009. Jean-Pierre Roth also served as Swiss Governor of the International Monetary Fund from 2001 until 2009 and as a Swiss representative on the Financial Stability Board from 2007 until 2009.

As of 2010, Jean-Pierre Roth has been a member of the Board of Swatch Group AG. Since July 2010, he serves as Chairman of the Board of Directors of Geneva Cantonal Bank, and is a Board member of the global (re)insurance company Swiss Re. In May 2014 he joined the Board of MKS (Switzerland) SA, a company active in gold processing and trading. Furthermore, Jean-Pierre Roth is a member of the Advisory Board of the University of Geneva, the Feris Endowment Fund IHEI, Geneva, and of the Foundation Board and Programme Committee of Avenir Suisse, Switzerland.



### Ann M. Veneman

An attorney by training, Ann M. Veneman was Secretary of the United States Department of Agriculture (USDA) from 2001 to 2005. She then served a five-year term as the Executive Director of the United Nations Children's Fund. Earlier in her career she practiced law and was in various positions in the USDA. She also served four years as the Secretary of the California Department of Food and Agriculture. She is currently a member of the Boards of Alexion Pharmaceuticals, Landesa, National 4-H Council and the Global Health Innovative Technology Fund. She is on a number of advisory boards including BRAC, Terra Vesco, The Feed Project, Driptech and The Chicago Council Global Agriculture Development Initiative. She is a member of the Council on Foreign Relations, and the Trilateral Commission.

In 2009, she was named to the Forbes The World's 100 Most Powerful Women list, and she has been the recipient of numerous awards and honours throughout her career.

Ann M. Veneman also serves as member of the Nestlé CSV Council.



### Henri de Castries

Henri de Castries started his career in the French Finance Ministry Inspection Office, auditing government agencies from 1980 to 1984. In 1984, he joined the French Treasury Department. As of 1989, he joined AXA Corporate Finance Division. Two years later, he was appointed Senior Executive Vice President for the Group's asset management, financial and real-estate business. Henri de Castries was Chairman of the AXA Management Board from May 2000 to April 2010. Since April 2010, following a modification of the corporate governance structure, he is Chairman and CEO of AXA.

In addition to his professional duties, Henri de Castries is Chairman of AXA Hearts in Action, AXA's volunteer community outreach programme and is a member of the Board of the Association pour l'aide aux jeunes infirmes, an organisation dedicated to helping disabled youth, as well as a member of the Board of the Musée du Louvre, France.

Furthermore, Henri de Castries has been appointed Officer of the French Legion d'Honneur (Légion d'Honneur) and Officer of the French National Order of Merit (Ordre national du Mérite).



### **Eva Cheng**

Eva Cheng joined Amway Corporation – a US-based global consumer product company – in 1977 as an Executive Assistant in Hong Kong and moved to become Corporate Executive Vice President in 2005 responsible for Greater China and Southeast Asia Region, a position she held until her retirement in 2011. Eva Cheng is most well known for leading Amway's entry into China in 1991. She also held Amway China's Chairperson and CEO position since market launch until her retreat in 2011.



In 2008 and 2009, Eva Cheng was twice named to the Forbes The World's 100 Most Powerful Women list. She had also received numerous awards and honours for her business leadership and community service.

Presently, Eva Cheng serves on the Boards of Trinity Limited, Haier Electronics Group Co. Ltd. in Hong Kong, China, and Amcor Ltd., Australia. She is also the Executive Director of the Our Hong Kong Foundation, a member of the Executive Committee of the All-China Women's Federation, a Director of China Children and Teenagers Foundation, a Member of the China People's Political Consultative Conference – Guangdong Commission and a Permanent Honorary Director of the Chinese General Chamber of Commerce in Hong Kong.

### **Ruth K. Oniang'o**

Ruth K. Oniang'o was formerly Professor of Food Science and Nutrition at Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya, and is adjunct Professor of Nutrition at Tufts University, USA. She is also Founder and Executive Director of the Rural Outreach Program Kenya, as well as Founder and Editor-in-Chief of the African Journal of Food, Agriculture, Nutrition and Development (AJFAND).



Ruth K. Oniang'o is a former Member of Parliament in Kenya and she works in rural developments focused on women smallholder farmers, and the youth.

Furthermore, she chairs the Boards of the Sasakawa Africa Association (SAA) and the Sasakawa Africa Fund for Extension Education (SAFE). She is also Vice Chairperson of the Global Forum on Agricultural Research (GFAR). Other engagements include being a Board member of the

USTADI Foundation, Kenya and a Trustee of the International Center for Research in Tropical Agriculture.

Ruth K. Oniang'o also serves as member of the Nestlé CSV Council.

### **Patrick Aebischer**

Patrick Aebischer was trained as an MD and neuroscientist at the University of Geneva and University of Fribourg, Switzerland.



From 1984 to 1992, he worked at Brown University, USA, as Research Scientist, Assistant and then Associate Professor of Medical Sciences. In 1991, he became the Chairman of the Section of Artificial Organs, Biomaterials and Cellular Technology of the Division of Biology and Medicine of Brown University. In 1992, he returned to Switzerland as a Professor and Director of Surgical Research Division and Gene Therapy Center at the University Hospital of Lausanne (CHUV). Since 2000, Patrick Aebischer is the President of the Swiss Federal Institute of Technology Lausanne (EPFL). He is also a Professor in neurosciences and Director of the Neurodegenerative Disease Research Laboratory at the Brain Mind Institute EPFL.

Furthermore, Patrick Aebischer is founder of three start-ups: CytoTherapeutics Inc. (1989), Modex Therapeutics Inc. (1996) and Amazentis SA (2007).

Currently, he serves as Board member of Lonza Group Ltd., Chairman of the Advisory Board of the Novartis Venture Fund, Board member of CSEM – Centre Suisse d'Electronique et de Microtechnique as well as member of the Foundation Boards of the World Economic Forum (WEF) and the Verbier Festival, Switzerland.

### 3.3 Mandates outside Nestlé

Pursuant to art. 21<sup>sexies</sup> of the Articles of Association, no member of the Board of Directors may hold more than 4 additional mandates in listed companies and 5 additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

- a) mandates in companies which are controlled by Nestlé;
- b) mandates which a member of the Board of Directors holds at the request of Nestlé or companies controlled by it. No member of the Board of Directors shall hold more than 10 such mandates; and
- c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors shall hold more than 10 such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

The Board of Directors has promulgated regulations that determine additional restrictions.

All members of the Board of Directors comply with the provisions set out in art. 21<sup>sexies</sup>.

### 3.4 Elections and terms of office

Pursuant to art. 6 par. 2 of the Articles of Association, the General Meeting has the competence to elect and remove the members of the Board of Directors.

The Chairman of the Board of Directors, the members of the Board of Directors and the members of the Compensation Committee are elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting (art. 15 of the Articles of Association).

Members of the Board of Directors whose term of office has expired are immediately eligible for re-election.

The Board of Directors elects one or two Vice Chairmen and the members of the Committees other than the Compensation Committee.

The term of office of a Board member shall expire no later than at the Annual General Meeting following the member's 72nd birthday.

For the principles of the selection procedure, see point 3.5.2 below (Nomination Committee).

For the time of first election and term of office, see point 3.1 above.

### 3.5 Internal organisational structure

#### 3.5.1 Allocation of tasks within the Board of Directors

	Chairman's and Corporate Governance Committee	Compensation Committee	Nomination Committee	Audit Committee
Peter Brabeck-Letmathe Chairman	• (Chair)		•	
Paul Bulcke CEO	•			
Andreas Koopmann Vice Chairman	•	•	• (Chair)	
Beat Hess	•	• (Chair)		
Renato Fassbind	•			• (Chair)
Daniel Borel		•		
Steven G. Hoch			•	
Nāina Lal Kidwai				•
Jean-Pierre Roth		•		
Ann M. Veneman			•	
Henri de Castries				•
Eva Cheng				•
Ruth K. Oniang'o				
Patrick Aebischer				

#### 3.5.2 Tasks and area of responsibility for each Committee of the Board of Directors <sup>(1)</sup>

The powers and responsibilities of each Committee are established in the applicable Committee Charter, which is approved by the Board. Each Committee is entitled to engage outside counsel.

The **Chairman's and Corporate Governance Committee** consists of the Chairman, the Vice Chairman, the CEO (Administrateur délégué) and any other member elected by the Board. It liaises between the Chairman and the full Board of Directors in order to act as a consultant body to the Chairman and to expedite whenever necessary the handling of the Company's business. The Committee regularly reviews the Corporate Governance of the Company and prepares recommendations for the Board. It also advises on certain finance-related matters including the Company's financing and financial management and periodically reviews its asset and liability management.

While the Committee has limited authority as per the Board Regulations, it may in exceptional and urgent matters deal with business matters which might arise between Board meetings. In all cases it keeps the Board fully apprised. It reviews the Board's annual work plan.

The **Compensation Committee** consists of the Vice Chairman and a minimum of two other non-executive members of the Board. All members are independent (art. 19<sup>bis</sup> par. 1 of the Articles of Association). The members of the Compensation Committee are elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting. Members of the Compensation Committee whose term of office has expired are immediately eligible for re-election. The Compensation Committee determines the principles for remuneration of the members of the Board of Directors and submits them to the Board for approval. It oversees and discusses the remuneration principles for Nestlé S.A. and the Nestlé Group. It prepares the proposals of the Board to be submitted for approval by the General Meeting in relation to the compensation of the Board and the Executive Board. In addition, it proposes the remuneration of the Chairman, the CEO and approves the individual remuneration of the members of the Executive Board. It reports on its decisions to the Board and keeps the Board updated on the overall remuneration policy of the Nestlé Group.

(1) For complete information please refer to the Board of Directors Regulations and Committee Charters on [www.nestle.com/investors/corporate-governance](http://www.nestle.com/investors/corporate-governance)

The **Nomination Committee** consists of a Chairperson, who is an independent and non-executive member of the Board; the other members are the Chairman of the Board of Directors and a minimum of two independent and non-executive members of the Board. The Nomination Committee establishes the principles for the selection of candidates to the Board, selects candidates for election or re-election to the Board and prepares a proposal for the Board's decision. The nomination process for the Board of Directors is highly structured and seeks to ensure a balance of necessary competencies and an appropriate diversity of its members. The candidates to the Board must possess the necessary profile, qualifications and experience to discharge their duties. Newly appointed Board members receive an appropriate introduction into the business and affairs of the Company and the Group. If required, the Nomination Committee arranges for further training.

The Nomination Committee reviews, at least annually, the independence of the members of the Board as well as their outside mandates, and it prepares the annual self-evaluation of the Board and its Committees. It oversees the long-term succession planning of the Board. It establishes criteria to select candidates and performs a regular gap analysis. It ensures an appropriately wide net is cast on key successions. It meets as frequently as necessary to fulfill its tasks and prepares the relevant *in camera* sessions of the Board of Directors.

Going forward, the Committee will become the Board's Nomination and Sustainability Committee (see page 28).

The **Audit Committee** consists of a Chairperson, who is an independent and non-executive member of the Board, and a minimum of two other non-executive 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 expertise, the others must be familiar with the issues of accounting and audit. In discharging its responsibilities, it has unrestricted access to the Company's management, books and records. The Audit Committee supports the Board of Directors in its supervision of financial controls through a direct link to KPMG (external auditors) and the Nestlé Group Audit (corporate internal auditors).

The Audit Committee's main duties include the following:

- to discuss Nestlé's internal accounting procedures;
- to make recommendations to the Board of Directors regarding the nomination of external auditors to be appointed by the shareholders;
- to discuss the audit procedures, including the proposed scope and the results of the audit;
- to keep itself regularly informed on important findings of the audits and of their progress;
- to oversee the quality of the internal and external auditing;
- to present the conclusions on the approval of the Financial Statements to the Board of Directors;
- to review certain reports regarding internal controls and the Group's annual risk assessment.

The Audit Committee regularly reports to the Board on its findings and proposes appropriate actions. The responsibility for approving the annual Financial Statements remains with the Board of Directors.

Meetings held in 2015	Frequency	Average duration (hours)
Board of Directors of Nestlé S.A.	9 times	3:40
Chairman's and Corporate Governance Committee	8 times	4:40
Compensation Committee	3 times	1:20
Nomination Committee	4 times	0:55
Audit Committee	4 times	2:30

### 3.5.3 Work methods of the Board of Directors and its Committees

The Board meets as often as necessary, at least quarterly, and on notice by the Chairman or by the person designated by him. In addition, the Board must be convened as soon as a Board member requests the Chairman to call a meeting. All Committees provide a detailed report to the full Board at each meeting in a dedicated Chairman's session.

The Board reserves at least one day per year to discuss the strategic long-term plan of the Company. In addition, every year the Board visits one operating company for three to five days, in 2015 Nestlé in Dubai (UAE). The average attendance at the Board meetings was 98%, one Board member having missed one meeting. All Board members attended all Committee meetings. The Company would individually disclose each member of the Board of Directors with an attendance rate of less than 75%. Board meetings, with the exception of certain Chairman's and *in camera* sessions, are attended by all members of the Executive Board. In addition, selected members of the Executive Board and senior management participate in certain Committee meetings.

The Company performs annual self-evaluations of the Board and its Committees including confidential, anonymous feedback and individual interviews. Findings are appropriately addressed.

### 3.5.4 Lead Director

Our Vice Chairman assumes the role of a prime intermediary (Lead Director) between the Board and the Chairman. He may convene and he chairs Board meetings and *in camera* sessions where the Chairman is not present or conflicted.

## 3.6 Definition of areas of responsibility

The governing bodies have responsibilities as follows:

### 3.6.1 Board of Directors <sup>(1)</sup>

The Board of Directors is the ultimate governing body of the Company. It is responsible for long-term strategy and the ultimate supervision of the Group. It oversees our economic, social and environmental sustainability. The Board attends to all matters which are not reserved for the Annual General Meeting or another governance body of the Company by law, the Articles of Association or specific regulations issued by the Board of Directors.

The Board has the following main duties:

- a) the ultimate direction of the Company, in particular the conduct, management and supervision of the business of the Company, and the provision of necessary directions;
- b) the determination of the Company's organisation;
- c) the determination of accounting and financial control principles, as well as the principles of financial planning;
- d) the appointment and removal of any Vice Chairman, the Committee members (except the members of the Compensation Committee) and their Chairmen and members of the Executive Board;
- e) the ultimate supervision of the Chairman and the members of the Executive Board, in particular with respect to their compliance with the law, the Articles of Association, the Board Regulations and instructions given from time to time by the Board;
- f) the preparation of the Annual Report including the Compensation Report as well as the General Meetings and execution of their resolutions;
- g) the notification of the court in the event of overindebtedness;

(1) For complete information, please refer to the Board of Directors Regulations and Committee Charters on [www.nestle.com/investors/corporate-governance/boardcommittees](http://www.nestle.com/investors/corporate-governance/boardcommittees)

h) the discussion and approval of:

- the Group's long-term strategy and annual investment budget;
- major financial operations;
- any significant policy issue dealing with the Company's or the Group's general structure or with financial, commercial and industrial policy;
- Corporate Governance Principles of the Company;
- the review of and decision on any report submitted to the Board;
- the Group's annual risk assessment; and
- the compensation proposals to the General Meeting.

### 3.6.2 Executive Board

The Board of Directors delegates to the CEO, with the authorisation to subdelegate, the power to manage the Company's and the Group's business, subject to law, the Articles of Association and the Regulations of the Board of Directors.

The CEO chairs the Executive Board and delegates to its members individually the powers necessary for carrying out their responsibilities, within the limits fixed in the Executive Board Regulations.

## 3.7 Information and control instruments vis-à-vis the Executive Board

The Board of Directors is, on a regular basis, informed on material matters involving the Company's and the Group's business. The members of the Executive Board attend the Board of Directors meetings and report on significant projects and events. In addition, regular written reports are provided, including consolidated financial information, capital investment, compliance and strategy progress reports.

The Chairman and the CEO ensure the proper information flow between the Executive Board and the Board of Directors.

The Board of Directors receives regular and ad hoc reports from the Board's Committees, the Chairman, the CEO, as well as from the Executive Board. The minutes of Committee meetings are made available to the full Board. The Board pays a visit to a major market every year, where it meets members of senior management.

Furthermore, the Audit Committee reviews the financial performance and assesses the effectiveness of the internal and external audit processes as well as the internal risk management organisation and processes.

Members of the Executive Board and other senior management attend the Audit Committee meetings, except for certain *in camera* sessions.

Additional information and control instruments include:

- the external auditors, KPMG (auditors of Nestlé S.A. and of the Consolidated Financial Statements of the Nestlé Group), who conduct their audit in compliance with Swiss law and in accordance with Swiss Auditing Standards and with International Standards on Auditing.
- the Nestlé Group and Market Audit function, the corporate internal auditors, which has a direct link to the Audit Committee. It comprises a unit of international auditors who travel worldwide, completing audit assignments.
- Group Risk Services, the corporate risk management unit, providing assistance to all corporate entities with regard to risk management, loss prevention, claims handling and insurance. A top-level risk assessment is performed once a year for all businesses. For more information, please refer to the Annual Review 2015.
- Group Compliance and other risk- and control-related functions provide additional guidance and oversight. Risk and compliance activities are regularly co-ordinated through the Group Compliance Committee to ensure a holistic, entity-wide approach. For more information, please refer to page 60 of the Annual Review 2015.

# Executive Board

## 4. Executive Board

### 4.1 Members of the Executive Board

Name	Year of birth	Nationality	Education/Current function
Paul Bulcke	1954	Belgian	Economics and Business Administration CEO
Luis Cantarell	1952	Spanish	Economics and Business Administration EVP: Zone EMENA (Europe, Middle East and North Africa)
Laurent Freixe	1962	French	Business Administration EVP: Zone Americas
Chris Johnson	1961	American	Economics and Business Administration EVP: Nestlé Business Excellence
Patrice Bula	1956	Swiss	Economics and Business Administration EVP: Strategic Business Units, Marketing, Sales and Nespresso
Wan Ling Martello	1958	American	Business Administration and Accountancy, Postgraduate in Management Information Systems EVP: Zone Asia, Oceania and Sub-Saharan Africa
Stefan Catsicas	1958	Swiss	Natural Sciences and Postgraduate in Neurosciences EVP: Chief Technology Officer: Innovation, Technology and R&D
Marco Settembri	1959	Italian	Business Administration EVP: Nestlé Waters
François-Xavier Roger	1962	French	Business Administration and Accounting EVP: CFO (includes Finance and Control, Legal, IP, Tax, Treasury, Investor Relations)
Magdi Batato	1959	Swiss	Mechanical Engineering and PhD in Thermodynamics EVP: Operations
Peter Vogt	1955	Swiss	Economics and Finance & Accounting Deputy EVP: Human Resources
Martial Rolland	1963	French	International Management and Business Administration Deputy EVP: Nestlé Professional
Heiko Schipper	1969	Dutch	Business Economics Deputy EVP: Nestlé Nutrition
David P. Frick	1965	Swiss	Law SVP: Corporate Governance, Compliance and Corporate Services

(EVP: Executive Vice President; SVP: Senior Vice President)

For complete information, please refer to individual CVs on [www.nestle.com/investors/corporate-governance](http://www.nestle.com/investors/corporate-governance)

## 4.2 Professional background and other activities and functions (\*)

### Paul Bulcke

Please refer to point 3.2 above.

### Luis Cantarell

In 1976, Luis Cantarell joined Nestlé España S.A. and was subsequently appointed Head of the Nutrition Division of Nestlé Spain and Market Head of Nestlé Portugal. He started in the Group's nutrition business as Senior Vice President responsible for the Nutrition Strategic Business Division in 2001. In November 2005, Luis Cantarell was appointed Executive Vice President, Nestlé S.A., in charge of Zone Europe. From 2008 to 2010, he was responsible for Zone Americas. From 2011 to 2014, Luis Cantarell was President and CEO of Nestlé Health Science S.A. and in 2012 he additionally assumed responsibility for Nestlé Nutrition. Effective October 2014, Luis Cantarell took over Zone EMENA (Europe, Middle East and North Africa) and remained on the Board of Nestlé Health Science S.A.



Luis Cantarell is a member of the Board of Grupo J. Uriach, S.L., Barcelona, Spain.

As a representative of Nestlé, Luis Cantarell is a Board member of Osem Investments Ltd., Israel and Lactalis Nestlé Produits Frais S.A.S, France, a member of the Boards of Directors of Cereal Partners Worldwide S.A. and of Beverage Partners Worldwide S.A., Switzerland. In addition, he is a member of the Board of FoodDrinkEurope and of the Executive Board of Efficient Consumer Response (ECR) Europe and Association des Industries de Marque de l'Union Européenne (AIM) in Belgium.

### Laurent Freixe

Laurent Freixe joined Nestlé France in 1986 as a sales representative and got increasing responsibilities in the field of sales and marketing. In 1999, he became a member of the Management Committee and was nominated Head of the Nutrition Division. In 2003, Laurent Freixe became Market Head of Nestlé Hungary. In January 2007, he was appointed Market Head of the Iberian Region taking responsibility for Spain and Portugal. From November 2008 to October 2014, Laurent Freixe served as Executive Vice President in charge of Zone Europe.



Effective October 2014, he was appointed Executive Vice President for Zone Americas.

As a representative of Nestlé, he is a member of the Board of Directors of Cereal Partners Worldwide S.A., Switzerland, and of the Regional Board of Directors of the Consumer Goods Forum in Latin America.

### Chris Johnson

Chris Johnson started his career with Nestlé in 1983 as a marketing trainee at Carnation Inc. During his first eight years, he took on increasing responsibilities mainly in the commercial area at Nestlé USA and then, from 1991, in Japan. Senior Area Manager for the Asian region of Nestlé Waters in Paris from 1995, he was then transferred to Taiwan in 1998 as Market Head. From 2000, Chris Johnson led the worldwide development and implementation of GLOBE (Global Business Excellence; IS/IT), the Strategic Supply Chain as well as eNestlé. He was appointed Deputy Executive Vice President in April 2001, and later moved back to Japan in 2007 as Market Head. From January 2011 to October 2014, Chris Johnson was Executive Vice President responsible for Zone Americas.



Effective October 2014, he was appointed Executive Vice President of Nestlé S.A. in charge of Nestlé Business Excellence.

Chris Johnson is a Board member of GS1, Belgium and Treasurer of the Swiss-American Chamber of Commerce.

(\*) Mandates and functions are listed in the following order: (1) mandates in listed companies, (2) mandates in non-listed companies, (3) mandates held at the request of Nestlé or companies controlled by it, (4) mandates held in associations, charitable organizations, foundations, trusts and employee welfare foundations.

### Patrice Bula

Patrice Bula joined Nestlé in 1980 and was entrusted with various responsibilities in Marketing and Sales in Kenya, Japan and Taiwan before being promoted to Market Head for Taiwan in 1992, Market Head for Czech Republic in 1995, then Head for the South and Eastern Africa Region in 1997. In 2000 he was appointed Head of Chocolate, Confectionery and Biscuits Strategic Business Unit based at Nestlé's International Headquarters in Vevey. In October 2003, Patrice Bula was transferred as Market Head of Nestlé Germany and in August 2007 he took up the role as Market Head for the Greater China Region.

As of May 2011, Patrice Bula was appointed to the Executive Board of Nestlé S.A. as Executive Vice President with responsibility for the Strategic Business Units, Marketing and Sales, and Nespresso.

Patrice Bula serves on the Board of Schindler Holding Ltd., Switzerland.

As a representative of Nestlé, Patrice Bula serves as a Board member of Beverage Partners Worldwide S.A. and of Cereal Partners Worldwide S.A., Switzerland. He is a Board member of both Yinlu Food Group Companies and Hsu Fu Chi Group Companies, China.



### Wan Ling Martello

Wan Ling Martello joined Nestlé S.A. as Executive Vice President in November 2011 and was the Chief Financial Officer from April 2012 until May 2015. As of May 2015, she was appointed Executive Vice President of Nestlé S.A. in charge of Zone AOA (Asia, Oceania and Sub-Saharan Africa). Wan Ling Martello came to Nestlé S.A. from Walmart Stores Inc., where she was EVP, Global eCommerce in 2010 and 2011. From 2005 to 2009 she was SVP, CFO & Strategy for Walmart International. Prior to Walmart, Wan Ling Martello built her career in the consumer packaged goods industry. She worked at Kraft in increasingly broader finance roles from 1985 to 1995. She was the Corporate Controller at Borden Foods during its turnaround years owned by KKR in 1995 until 1998. Wan Ling Martello was the CFO and then the President of the U.S. business of NCH, a former subsidiary of AC Nielsen, from 1998 to 2005.



Wan Ling Martello serves on the Board of Alibaba Group Holding Ltd.

As a representative of Nestlé, Wan Ling Martello is a member of the Board of Cereal Partners Worldwide S.A., Switzerland.

### Stefan Catsicas

Stefan Catsicas started his career at the pharmaceutical company Glaxo in Geneva, Switzerland, as Head of Neurobiology at the company's Institute of Molecular Biology. He continued his career in academia at the University of Lausanne as Professor and Chairman of the Cell Biology and Morphology Institute, and later as Vice President Research and Professor of Cellular Engineering at the Swiss Federal Institute of Technology (EPFL) in Lausanne, Switzerland.

In 2005 Stefan Catsicas co-founded a private group of biotechnology companies and he returned to academia in 2011 as Provost and Executive Vice President of the King Abdullah University of Science and Technology in Saudi Arabia.

Effective September 2013, Stefan Catsicas was appointed to the Executive Board of Nestlé S.A. as Executive Vice President, Chief Technology Officer, Head of Innovation, Technology, Research and Development.

Furthermore, Stefan Catsicas serves on the Boards of Biomedical Research Council of A\*STAR, Singapore, "Fondation Latsis Internationale", Switzerland, as well as on the Board of "Fondation Solar Impulse", Switzerland, the International Board of Governors of the New York Academy of Sciences, USA, and the Economic Advisory Board of Swiss Innovation Park, Switzerland.



### Marco Settembri

Marco Settembri joined Nestlé S.A. with Nestlé Italiana in 1987 and was entrusted with various responsibilities, mainly in the PetCare area. He was appointed Managing Director of the Sanpellegrino water business in 2004 and largely contributed to the successful consolidation of the water activities in Italy and to the development of a strong export stream of the emblematic Italian brands. In 2006, he took over the position of Market Head in Italy in addition to his responsibility as Head of



Nestlé Waters Italy. In 2007, Marco Settembri was appointed CEO of Nestlé Purina PetCare Europe.

Effective December 2013, Marco Settembri was appointed to the Executive Board of Nestlé S.A. as Executive Vice President, Head of Nestlé Waters of the Nestlé Group.

#### **François-Xavier Roger**

François-Xavier Roger joined Nestlé S.A. as Executive Vice President in July 2015 as Chief Financial Officer.

François-Xavier Roger came to Nestlé S.A. from Takeda Pharmaceutical, Tokyo, where he was CFO since 2013. From 2008 to 2013, he was Chief Financial Officer of Millicom based in Luxembourg. As of 2000 to 2008, he worked as Chief Financial Officer for Danone Asia, followed by Head of Finance, Treasury and Tax for the Danone Group based in Paris, France.



#### **Magdi Batato**

Magdi Batato joined Nestlé S.A. in 1991 in Switzerland as Engineer in Industrial Services, Energy & Environment. His factory and production management experiences took him to Germany, Lebanon and South Africa. In 2004, he was transferred to Malaysia as Executive Director of Production and, in 2009, he moved to Nestlé UK & Ireland as Head of Group Technical. In May 2012, he took up the position of Market Head Pakistan.

Effective October 2015, he was appointed Executive Vice President of Nestlé S.A. in charge of Operations.



#### **Peter Vogt**

Peter Vogt joined Nestlé in 1980 as a trainee in marketing before being appointed in Japan as Product Specialist. He returned to the Swiss market in 1985. Starting 1987, Peter Vogt resumed his international career with a series of assignments in Asia, first as Manager Hong Kong, then as Marketing Division Manager in Malaysia in April 1990 and finally as Market Head Sri Lanka until the end of 1995. In 1996, he returned to Europe to take over the Swiss Frozen Food & Ice Cream business and became Market Head Nordic Region in 2000. From 2002 to 2004, he was in charge of the newly created Nestlé Ice Cream Europe unit. Peter Vogt returned to Asia as Market Head Indonesia in 2005 and was nominated Market Head Malaysia and Singapore in 2009.

As of March 2013, Peter Vogt was appointed to the Executive Board of Nestlé S.A. as Deputy Executive Vice President, Human Resources and Centre Administration.



#### **Martial Rolland**

Martial Rolland joined Nestlé in 1988. He started his international career in 1989 in India, first in sales then in marketing.

He was then transferred to Thailand as Group Brand Manager and, in September 1995, to Pakistan as Commercial Manager, heading both marketing and sales functions. In 2000, he moved to Turkey to run Nestlé's dairy company, before taking over as Market Head. In 2004, Martial Rolland returned to India to take over the position of Market Head for South Asia Region (SAR). He became Market Head of France in 2010.

Effective May 2013, Martial Rolland was appointed to the Executive Board of Nestlé S.A. as Deputy Executive Vice President in charge of Nestlé Professional.



### Heiko Schipper

Heiko Schipper joined Nestlé in 1996 as a trainee in marketing before being appointed in Bangladesh as Regional Sales Manager in the course of the same year. He was then, in 1999, transferred to Nestlé Indonesia as Group Product Manager Dairy.



In 2003, he returned to Nestlé's International Headquarters in Vevey, Switzerland, in the position of Marketing Advisor, Dairy SBU. Starting 2005, Heiko Schipper resumed his international career with a series of assignments in Asia. First as Business Executive Manager, Dairy, Philippines, then as Business Executive Manager, Dairy (2007), as Regional Business Head, Infant Nutrition & Dairy (2010), and finally as Managing Director, Nestlé Food & Beverage Division of Nestlé Greater China Region. At the end of 2013, he returned to Nestlé's International Headquarters where he was appointed Global Business Head, Infant Nutrition at Nestlé Nutrition.

As of October 2014, Heiko Schipper was appointed to the Executive Board of Nestlé S.A. as Deputy Executive Vice President, Head of Nestlé Nutrition.

### David P. Frick

David P. Frick began his career at the Meilen District Court in Zurich and as an assistant to the Banking Law Chair at Zurich University Law School.

From 1994, he was an attorney in the International Corporate and Litigation practice groups of Cravath, Swaine & Moore, the New York law firm.



In 1999, he became Group General Counsel and Managing Director of Credit Suisse Group, Zurich, where he was appointed a Member of the Executive Board and served as the company's Head of Legal and Compliance.

David P. Frick joined Nestlé S.A. in 2006 and serves as Senior Vice President, Corporate Governance, Compliance and Corporate Services.

He is a member of the Board of Allianz Suisse, Switzerland and represents Nestlé on the Board of Aéroport International de Genève.

Furthermore, he is a member of the Board of economiesuisse and chairs its Legal Commission. David P. Frick represents Nestlé at SwissHoldings and serves on the SIX Regulatory Board, ICC Switzerland and the Legal Committee for the Swiss-American Chamber of Commerce.

### 4.3 Mandates outside Nestlé

Pursuant to art. 21<sup>sexies</sup> of the Articles of Association, no member of the Executive Board may hold more than 2 additional mandates in listed companies and 4 additional mandates in non-listed companies. Each of these mandates is subject to a specific approval by the Board of Directors.

The following mandates are not subject to these limitations:

- a) mandates in companies which are controlled by Nestlé;
- b) mandates which a member of the Executive Board holds at the request of Nestlé or companies controlled by it. No member of the Executive Board shall hold more than 10 such mandates; and
- c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Executive Board shall hold more than 10 such mandates.

Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

The Board of Directors has promulgated regulations that determine additional restrictions.

All members of the Executive Board comply with the provisions set out in art. 21<sup>sexies</sup>.

### 4.4 Management contracts

There are no management contracts with third parties at Nestlé.

## Compensation, shareholdings and loans

### 5. Compensation, shareholdings and loans

Please refer to the Compensation Report 2015.

## Shareholders' participation

### 6. Shareholders' participation

#### 6.1 Voting rights restrictions and representation

6.1.1/ Voting rights restrictions and rules on granting exceptions /

6.1.3 Reasons for granting exceptions in the year under review

Each share registered with the right to vote entitles the holder to one vote at General Meetings ("one share, one vote"). Only persons entered in the share register as shareholders with voting rights may exercise the voting rights or the other rights related thereto (art. 5 par. 2 of the Articles of Association).

No person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent such a limit shall be counted as one shareholder (art. 11 par. 2 of the Articles of Association; see art. 11 par. 3 of the Articles of Association for exceptions to this voting restriction).

To permit the exercise of voting rights in respect of shares held by nominees, in line with art. 11 par. 4 of the Articles of Association, the Board of Directors may by means of regulations or agreements depart from the limit of 5% of the share capital as recorded in the commercial register (art. 5 par. 6 and 9 of the Articles of Association). The Board of Directors has granted exceptions to vote shares which in aggregate are in excess of 5% of the share capital to the following Nominees N: Chase Nominees, London, and Citibank N.A., London, as depositary for shares represented by American Depositary Receipts (please refer to point 2.6.3).

Pursuant to art. 5 par. 9 and 11 par. 4, the Board of Directors has conferred to Credit Suisse and UBS AG as custodians the right to vote shares in excess of 5% on the basis of specific instructions provided by their clients for particular General Meetings.

#### 6.1.4 Procedure and conditions for abolishing voting rights restrictions in the Articles of Association

A resolution to amend the provisions of the Articles of Association relating to:

- i) restrictions on the exercise of voting rights and the change or removal of such restrictions, or
- ii) the limitation on registration or the limitation on voting rights and the change or removal of such limitations requires a majority of two-thirds of the shares represented and the absolute majority of the nominal value represented at the General Meeting (art. 13 of the Articles of Association). See also art. 11 par. 4 of the Articles of Association.

#### 6.1.5 Rules on participation in the General Meeting of shareholders

There are no restrictions to the legal regime set out by Swiss law in the Articles of Association. Shareholders with voting rights may have their shares represented by the proxy of their choice.

#### 6.1.6 Rules on instructions to the independent proxy and on the electronic participation in the General Meeting of shareholders

The legal regime set out by Swiss law applies to instructions in written or electronic form to the independent proxy for participation in the General Meeting of shareholders. There are no specific provisions relating to these in the Articles of Association.

### 6.2 Quorums required by the Articles of Association

Please refer to art. 13 of the Articles of Association.

### 6.3 Convocation of the General Meeting of shareholders

Nestlé S.A. statutory rules (art. 7 to 9 of the Articles of Association) do not differ from applicable legal provisions. An Extraordinary General Meeting requested by one or more shareholders whose combined holdings represent at least 10% of the share capital as recorded in the commercial register must be held as promptly as practicable following such request (art. 8 par. 2 of the Articles of Association).

### 6.4 Inclusion of items on the agenda

One or more shareholders with voting rights whose combined holdings represent at least 0.15% of the share capital as recorded in the commercial register may request that an item be included in the agenda of the General Meeting by making the request in writing to the Board of Directors at the latest 45 days before the meeting and specifying the agenda items and the proposals made (art. 9 par. 2 and 3 of the Articles of Association).

### 6.5 Entries in the share register

The relevant date to determine the shareholders' right to participate in the General Meeting on the basis of the registrations appearing in the share register is set by the Board of Directors.

## Change of control and defence measures

### 7. Change of control and defence measures

#### 7.1 Duty to make an offer

Nestlé S.A. does not have a provision on opting out or opting up in the Articles of Association.

Thus, the provisions regarding the legally prescribed threshold of 33⅓% of the voting rights for making a public takeover offer set out in art. 135 of the Swiss Financial Market Infrastructure Act are applicable.

#### 7.2 Clauses on change of control

There are no such agreements.

## Auditors

### 8. Auditors

#### 8.1 Duration of the mandate and term of office of the lead auditor

KPMG Klynveld Peat Marwick Goerdeler SA were first appointed on 22 May 1993, and KPMG SA (replacing KPMG Klynveld Peat Marwick Goerdeler SA) were first appointed on 23 April 2009 as auditors of Nestlé S.A.

On 16 April 2015, KPMG SA (hereafter "KPMG") were appointed as auditors of Nestlé S.A. and of the Consolidated Financial Statements of the Nestlé Group for a term of office of one year.

The audit report is signed jointly by two KPMG partners on behalf of KPMG. The first year that Mr Scott Cormack, in his capacity as lead auditor, signed the Financial Statements of Nestlé S.A. and the Consolidated Financial Statements of the Nestlé Group was for the year ending 31 December 2013.

#### 8.2 Auditing fees

The total of the auditing fees paid to KPMG in their capacity as Group auditors for 2015 amounts to CHF 36 million.

#### 8.3 Additional fees

Fees paid to KPMG as Group auditors related to additional services for 2015 amount to CHF 5.1 million, including CHF 2.4 million for tax services, CHF 0.7 million for mergers, acquisitions and disposals services, CHF 0.7 million for IS/IT advisory support and CHF 1.3 million for other various non-audit services.

#### 8.4 Information instruments pertaining to the external audit

KPMG presents to the Audit Committee a detailed report on the conduct of the Financial Statements audit, the findings on significant financial accounting and reporting issues together with the findings on the internal control system as well as an overview of issues found during the interim audit.

In 2015, KPMG participated in all four Audit Committee meetings at the end of which they met with the Audit Committee without the Group's management being present.

Nestlé Group Audit (corporate internal auditors) met four times with the Audit Committee. In addition, the head of internal audit regularly met with the Chairman of the Audit Committee for interim updates.

The Audit Committee reviews annually the appropriateness of retaining KPMG as the auditor of the Nestlé Group and Nestlé S.A., prior to proposing to the Board and to the Annual General Meeting of Nestlé S.A. the election of KPMG as auditors. The Audit Committee assesses the effectiveness of the work of the auditors in accordance with Swiss law, based on their understanding of the Group's business, control, accounting and reporting issues, together with the way in which matters significant at Group level or in the statutory accounts are identified and resolved.

The Audit Committee is also informed on the work of KPMG through regular briefings of its Chairman. The lead auditor is rotated every seven years in accordance with Swiss law. Audit fees are ultimately approved by the Audit Committee.

The Group and KPMG have agreed on clear guidelines as to non-audit services which it is appropriate for KPMG to provide. These services include due diligence on mergers, acquisitions and disposals and certain tax and business risk assurance and IS/IT advisory support. These guidelines ensure KPMG's independence in their capacity as auditors to the Group. KPMG monitors its independence throughout the year and confirms its independence to the Audit Committee annually.

## Information policy

### 9. Information policy

#### Investor Relations – guiding principles

Nestlé is committed to managing an open and consistent communication policy with shareholders, potential investors and other interested parties. The objective is to ensure that the perception of those parties about the historical record, current performance and future prospects of Nestlé is in line with management's understanding of the actual situation at Nestlé. The guiding principles of this policy are that Nestlé gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as full, simple, transparent and consistent as possible.

#### Methodology

Nestlé produces each year a detailed Annual Review, which reviews the business. It also provides detailed audited Financial Statements for the year under review, prepared according to the International Financial Reporting Standards (IFRS). These are complemented by the Half-Yearly Report.

Nestlé publishes its full-year and half-year results, and its first-quarter and nine-months' sales figures; it also publishes press releases at the time of any potentially price-sensitive event, such as significant acquisitions and divestments, joint venture agreements and alliances. Major announcements, such as results of corporate activity, are accompanied by a presentation which is broadcast "live" on the internet and which anyone can choose to access, whether or not that person is a shareholder.

Furthermore, Nestlé has an active investor relations programme, including both group meetings and one-to-one meetings. This includes the Annual General Meeting, as well as presentations at the time of its full-year and half-year results. The Group also has a programme of roadshows, which take place in most financial centres around the world, and hosts themed events for institutional investors and investment analysts at which members of line management give an overview of their particular areas of responsibility. These meetings focus either on recently announced financial results, recent corporate activity or the longer-term strategy of the Group; they are not an occasion for the disclosure of new information which might encourage an investment decision.

Specifically on governance topics, the Company engages into an active dialogue with investors through regular Chairman's roundtables, surveys and bilateral exchanges which are reported to the Chairman's and Corporate Governance Committee or the Board.

The Company utilises the World Wide Web ([www.nestle.com/investors](http://www.nestle.com/investors)) to ensure a rapid and equitable distribution of information. Nestlé does not just rely on people visiting the site to be updated on the latest developments within the Group: anyone can sign up on the site to be alerted automatically by Nestlé whenever there is a change to the Investor Relations website; also press releases are distributed to major wire and news services. There are links to non-financial information that may be of interest to investors, including areas such as the environment, sustainability, the Nestlé Corporate Business Principles and the Nestlé Human Resources Policy. A Corporate calendar of relevant dates is displayed on page 61 of the Annual Review 2015 and available on the Corporate website ([www.nestle.com/investors/events](http://www.nestle.com/investors/events)).

The Nestlé Investor Relations Department can be contacted, either through the website, or by telephone, fax, e-mail or letter.

### **Contact**

Investor Relations  
Nestlé S.A., Avenue Nestlé 55  
CH-1800 Vevey (Switzerland)  
Tel. +41 (0)21 924 35 09  
Fax +41 (0)21 924 48 00  
E-mail: [ir@nestle.com](mailto:ir@nestle.com)

# General Organisation of Nestlé S.A.

at 31 December 2015

## Executive Board

Paul Bulcke  
Luis Cantarell  
Laurent Freixe  
Chris Johnson  
Patrice Bula  
Wan Ling Martello  
Stefan Catsicas

Marco Settembri  
François-Xavier Roger  
Magdi Batato  
Peter Vogt  
Martial Rolland  
Heiko Schipper  
David P. Frick



# Compensation Report 2015



# Compensation Report 2015

## Introduction

The future success of Nestlé is dependent on its ability to attract, motivate and retain the right talented employees. Among the various programmes to support this ambition is a competitive remuneration policy. Nestlé believes in a performance culture as well as good corporate governance and corporate social responsibility.

Therefore, remuneration at Nestlé is based on the following principles:

- pay for performance to support the Company's short-term and long-term objectives;
- compensation aligned with long-term Group strategy and shareholders' interests;
- coherence in our remuneration plans and levels throughout the Company;
- competitiveness versus external market comparisons;
- appropriate balance of fixed and variable remuneration and short-term and long-term rewards.

As in previous years, this Compensation Report shall be submitted to the advisory vote of the shareholders at the next Annual General Meeting.

## Changes to the compensation system 2016

Significant changes were made to the compensation system and disclosures in 2015, as reflected throughout this report. No material change is foreseen to the Nestlé compensation system in 2016. The Board has decided to maintain the compensation system for another year following discussions with investors and additional benchmarking.

At last year's Annual General Meeting, shareholders approved the total compensation budgets for the Board and Executive Board with large majorities.

As explained at that time, to ensure complete accountability, the shareholders will this year be able to retrospectively vote on the compensation report and payouts in a consultative vote.

Throughout this report, the consistency of our compensation principles has been re-emphasized. Additional disclosures were included related to the objectives of our short-term bonus plan. Share ownership requirements and clawbacks for board and management compensation have been re-emphasized.

## Changes to the corporate governance system 2016

The Board of Directors has decided to re-emphasize the importance of measures related to the Company's economic, social and environmental sustainability by creating a Board-level Sustainability Committee. Accordingly, the mission of the Nomination Committee has been expanded. In addition to the Board's succession planning, the Nomination and Sustainability Committee regularly reviews measures which ensure the Company's sustainability and how its long-term strategy relates to its ability to create shared value.

## Governance

The Board of Directors has the overall responsibility for defining the compensation principles used in the Group. As from the Annual General Meeting 2015, and pursuant to art. 21<sup>bis</sup> of Nestlé's Articles of Association, the total compensation of the Board of Directors and of the Executive Board is subject to approval by the shareholders, upon proposals by the Board of Directors.

As of 31 December 2015, the governance for setting the compensation of the members of the Board of Directors and the Executive Board is defined as follows:

Compensation of	Recommended by	Approved by
Board of Directors as a whole	Board of Directors	Shareholders
Executive Board as a whole	Board of Directors	Shareholders
Chairman of the Board, CEO and Executive Board as a whole	Compensation Committee	Board of Directors <sup>(a)</sup>
Non-executive members of the Board of Directors	Compensation Committee	Board of Directors <sup>(b)</sup>
Members of the Executive Board	CEO together with Chairman	Compensation Committee

(a) Chairman as well as CEO not voting on own compensation, and not participating in the relevant meetings.

(b) Members not voting on own compensation to the extent that Committee fees are concerned.

## Compensation Committee (CC)

The CC is governed by the Compensation Committee Charter, please refer to point 3.5.2 in the Corporate Governance section. The Committee consists of the Chairperson who is an independent and non-executive member of the Board, the Vice Chairman of the Board and two other non-executive members of the Board.

The members of the CC have been elected by the shareholders for one year. The Chairperson was appointed by the Board of Directors. On 31 December 2015, the composition of the CC was as follows:

Chairman	Members
Beat Hess	Andreas Koopmann
	Daniel Borel
	Jean-Pierre Roth

The tasks and areas of responsibility of the CC are described on page 12 of the Corporate Governance Report 2015.

## Board of Directors

### Principles of compensation for the members of the Board of Directors

#### Governance

Pursuant to art. 21<sup>bis</sup> par. 1 of Nestlé's Articles of Association, the General Meeting shall approve annually the proposal of the Board of Directors in relation to the maximum aggregate amount of the compensation of the Board of Directors for the period until the next Annual General Meeting <sup>(a)</sup>.

In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation provided that:

- a) the Board of Directors takes into account (i) the proposed maximum aggregate amount of compensation; (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and (iii) Nestlé's compensation principles; and
- b) the Board of Directors submits the amount so determined to approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting (art. 21<sup>bis</sup> par. 2 of the Articles of Association).

The compensation of the members of the Board of Directors is subject to "clawback" rules in accordance with art. 678 of the Swiss Code of Obligations. Members of the Board of Directors could be obligated to return benefits received from the Company to the extent these are manifestly disproportionate to the performance rendered in return and to the Company's economic situation (including as a result of fraud or accounting misstatement).

#### Principles

The remuneration of the members of the Board of Directors is set to attract and retain highly qualified individuals to serve on the Board of Directors. The level of remuneration reflects the time and effort required from the members in fulfilling their Board and Committee responsibilities. The pay structure (cash and blocked shares) is designed to ensure the Board's focus on the long-term success of the Company. There is no variable compensation for non-executive members of the Board of Directors, in order to ensure a proper level of independence.

The principal benchmark used to define Board remuneration is a selection of large Swiss Market Index (SMI) companies <sup>(b)</sup>, adjusted for the size of Nestlé. These figures are periodically reviewed against this benchmark.

### Compensation 2015 for the members of the Board of Directors

#### Board membership fees and allowances

With the exception of the Chairman and the CEO, each member of the Board of Directors receives a Board membership fee of CHF 280 000 and an Expense Allowance of CHF 15 000. These figures have remained unchanged since 2006.

(a) The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

(b) Novartis, Roche, Richemont, ABB, Syngenta, UBS and Credit Suisse.

Members of a Board Committee receive the following additional fees <sup>(a)</sup>:

	Chair	Members
Chairman's and Corporate Governance Committee	CHF 300 000	CHF 200 000
Compensation Committee	CHF 150 000	CHF 70 000
Nomination Committee	CHF 100 000	CHF 40 000
Audit Committee	CHF 150 000	CHF 100 000

(a) The Chairman and the CEO Committee fees are included in their total remuneration.

### Committee membership on 31 December 2015

	Chairman's and Corporate Governance Committee	Compensation Committee	Nomination Committee	Audit Committee
Peter Brabeck-Letmathe	• (Chair)		•	
Paul Bulcke	•			
Andreas Koopmann	•	•	• (Chair)	
Beat Hess	•	• (Chair)		
Renato Fassbind	•			• (Chair)
Daniel Borel		•		
Steven G. Hoch			•	
Naïna Lal Kidwai				•
Jean-Pierre Roth		•		
Ann M. Veneman			•	
Henri de Castries				•
Eva Cheng				•
Ruth K. Oniang'o				
Patrick Aebischer				

The above fees and allowances cover the period between the Annual General Meeting 2015 and the Annual General Meeting 2016. Board membership and Committee fees are paid 50% in cash and 50% in Nestlé S.A. shares, which are subject to a three-year blocking period. The blocking period remains applicable upon termination of the mandate.

The number of Nestlé S.A. shares is determined by taking the closing price of the share on the SIX Swiss Exchange on the ex-dividend date of the respective financial year. For valuation purposes, the shares are discounted by 16.038% to account for the blocking period of three years. In 2015, the value was CHF 62.13.

At the Annual General Meeting of 16 April 2015, the shareholders approved a maximum compensation for the Board of Directors of CHF 11 million for 2015. The total actual compensation payout for 2015 including social security contributions was CHF 10 839 022.

## Audited Summary of compensation 2015 \*\*

	Cash in CHF <sup>(a)</sup>	Number of shares	Discount value of shares in CHF <sup>(b)</sup>	Total Cash & Shares	Social security & addit. fees <sup>(c)</sup>	Total Compensation
Peter Brabeck-Letmathe, Chairman	1 600 000	65 946	4 097 225	5 697 225	28 200	5 725 425
Paul Bulcke, Chief Executive Officer <sup>(d)</sup>	–	–	–	–	–	–
Andreas Koopmann, Vice Chairman	340 000	4 392	272 875	612 875	28 200	641 075
Beat Hess	330 000	4 257	264 487	594 487	28 200	622 687
Renato Fassbind	330 000	4 257	264 487	594 487	28 200	622 687
Daniel Borel	190 000	2 365	146 937	336 937	15 714	352 651
Steven G. Hoch	175 000	2 163	134 387	309 387	–	309 387
Näina Lal Kidwai	205 000	2 568	159 550	364 550	18 001	382 551
Jean-Pierre Roth	190 000	2 365	146 937	336 937	15 714	352 651
Ann M. Veneman	175 000	2 163	134 387	309 387	25 000	334 387
Henri de Castries	205 000	2 568	159 550	364 550	18 001	382 551
Eva Cheng	205 000	2 568	159 550	364 550	18 001	382 551
Ruth K. Oniang'o	155 000	1 892	117 550	272 550	37 398	309 948
Patrick Aebischer <sup>(e)</sup>	155 000	–	–	155 000	7 210	162 210
<b>Total for 2015</b>	<b>4 255 000</b>	<b>97 504</b>	<b>6 057 922</b>	<b>10 312 922</b>	<b>267 839</b>	<b>10 580 761</b>

## Summary of compensation 2014\*\*

	Cash in CHF <sup>(a)</sup>	Number of shares	Discount value of shares in CHF <sup>(b)</sup>	Total Cash & Shares	Social security & addit. fees <sup>(c)</sup>	Total Compensation
Peter Brabeck-Letmathe, Chairman	1 600 000	83 645	4 701 685	6 301 685	28 080	6 329 765
Paul Bulcke, Chief Executive Officer <sup>(d)</sup>	–	–	–	–	–	–
Andreas Koopmann, 1st Vice Chairman	340 000	4 855	272 900	612 900	28 080	640 980
Rolf Hänggi, 2nd Vice Chairman	330 000	4 705	264 468	594 468	28 080	622 548
Beat Hess	330 000	4 705	264 468	594 468	22 080	622 548
Daniel Borel	190 000	2 614	146 933	336 933	16 580	353 513
Steven G. Hoch	175 000	2 390	134 342	309 342	–	309 342
Näina Lal Kidwai	205 000	2 838	159 524	364 524	18 001	382 525
Titia de Lange	155 000	2 092	117 591	272 591	35 000	307 591
Jean-Pierre Roth	190 000	2 614	146 933	309 933	15 714	352 647
Ann M. Veneman	175 000	2 390	134 342	309 342	25 000	334 342
Henri de Castries	205 000	2 838	159 524	364 524	18 001	382 525
Eva Cheng	205 000	2 838	159 524	364 524	18 001	382 525
<b>Total for 2014</b>	<b>4 100 000</b>	<b>118 524</b>	<b>6 662 234</b>	<b>10 762 234</b>	<b>258 617</b>	<b>11 020 851</b>

\*\* For all Board members except the Chairman and the CEO, the above table shows the annual compensation paid during the respective year covering the twelve-month period starting with the Annual General Meeting.

(a) The cash amount includes the expense allowance of CHF 15 000. The Chairman receives no expense allowance.

(b) Nestlé S.A. shares received as part of Board membership and Committee fees are valued at the closing price of the share on the SIX Swiss Exchange on the ex-dividend date, discounted by 16.038% to account for the blocking period of three years.

(c) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 258 261 in 2015 and CHF 289 550 in 2014. For details of additional fees see page 34.

(d) The CEO's compensation is disclosed in its entirety under compensation of the Executive Board.

(e) As long as he remains President of EPFL and in accordance with an agreement with the Swiss Federal Council, Mr Patrick Aebischer does not receive any shares, and transfers his net cash compensation to EPFL.

(\*) Sections highlighted with a blue bar are audited by KPMG. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.

In 2015, Ms Ruth K. Oniang'o, Mr Patrick Aebischer and Mr Renato Fassbind joined the Board as new members. Ms Titia de Lange and Mr Rolf Hänggi retired from the Board during 2015.

Peter Brabeck-Letmathe, in his capacity as active Chairman, received a cash compensation as well as Nestlé S.A. shares, which are blocked for three years. This in particular reflects certain responsibilities for the direction and control of the Group including the Chairmanship of Nestlé Health Science S.A. as well as Nestlé Skin Health S.A., and the direct leadership of Nestlé's interests in L'Oréal (Vice Chairman of the Board of Directors) and Laboratoires innéo. He also represents Nestlé at the Foundation Board of the World Economic Forum (WEF) and on behalf of Nestlé chairs the 2030 Water Resource Group (WRG). He is a member of the Hong Kong-Europe Business Council. The remuneration includes all compensation received in relation to these activities. His total compensation was:

	2015		2014	
	Number	Value in CHF	Number	Value in CHF
Cash compensation		1 600 000		1 600 000
Blocked shares (discounted value)	65 946	4 097 225	83 645	4 701 685
<b>Total Cash &amp; Shares</b>		<b>5 697 225</b>		<b>6 301 685</b>
Company contribution to compulsory Swiss social security <sup>(a)</sup>		28 200		28 080
<b>Total compensation</b>		<b>5 725 425</b>		<b>6 329 765</b>

(a) Since Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included.  
The additional cost to the Company taking into account full social security employer contributions is CHF 253 249 in 2015 and CHF 284 178 in 2014.

In view of the progressive transfer of responsibilities from the Chairman to the CEO, the Board of Directors has upon proposal by the Compensation Committee approved a further reduction of approximately 10% in the remuneration of the Chairman for 2016.

## Shares and stock options ownership of the non-executive members of the Board of Directors and closely related parties on 31 December 2015

	Number of shares held <sup>(b)</sup>	Number of options held <sup>(c)</sup>
Peter Brabeck-Letmathe, Chairman	3 422 107	477 600
Andreas Koopmann, Vice Chairman	92 536	–
Beat Hess	32 765	–
Renato Fassbind	14 257	–
Daniel Borel	236 728	–
Steven G. Hoch	166 516	–
Naina Lal Kidwai	19 077	–
Jean-Pierre Roth	9 717	–
Ann M. Veneman	12 559	–
Henri de Castries	11 729	–
Eva Cheng	7 542	–
Ruth K. Oniang'o	1 892	–
Patrick Aebischer	–	–
<b>Total as at 31 December 2015</b>	<b>4 027 425</b>	<b>477 600</b>
<b>Total as at 31 December 2014</b>	<b>3 767 638</b>	<b>1 137 600</b>

(b) Including shares subject to a three-year blocking period.

(c) The ratio is one option for one Nestlé S.A. share.

## Audited Other audited information regarding the Board of Directors

### Loans

There are no loans to members of the Board of Directors.

Loans to a member of the Board of Directors may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation (art. 21<sup>septies</sup> of the Articles of Association).

### Additional fees and remuneration of the Board of Directors

There are no additional fees or remuneration paid by Nestlé S.A. or any of its Group companies, directly or indirectly, to members of the Board of Directors, except for CHF 25 000 paid to Ms A.M. Veneman and to Ms R.K. Oniang'o who serve as members of the Creating Shared Value (CSV) Council.

### Compensation and loans for former members of the Board of Directors

There is no compensation conferred during 2015 on former members of the Board of Directors who gave up their function during the year preceding the year under review or earlier. Similarly, there are no loans outstanding to former members of the Board of Directors.

### Compensation or loans to related parties of members of the Board of Directors

In 2015, no compensation was paid to related parties of members of the Board of Directors and there were no loans outstanding to related parties.

## Executive Board

### Principles of compensation for members of the Executive Board

#### Governance

Pursuant to art. 21<sup>bis</sup> par. 1 of Nestlé's Articles of Association, the General Meeting shall approve annually the proposal of the Board of Directors in relation to the maximum aggregate amount of the compensation of the Executive Board for the following financial year (\*).

In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation, provided that:

- a) the Board of Directors takes into account: (i) the proposed maximum aggregate amount of compensation; (ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and (iii) Nestlé's compensation principles; and
- b) the Board of Directors submits the amount(s) so determined to approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting (art. 21<sup>bis</sup> par. 2 of the Articles of Association).

If the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the Executive Board during a compensation period for which the General Meeting has already approved the compensation of the Executive Board, Nestlé or companies controlled by it shall be authorized to pay such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount shall not exceed 40% of the aggregate amount of compensation of the Executive Board last approved by the General Meeting per compensation period (art. 21<sup>ter</sup> of the Articles of Association).

#### Principles

The principles of compensation for members of the Executive Board are the following:

##### Pay for performance

The Total Direct Compensation for the members of the Executive Board includes a fixed portion (Annual Base Salary) and a variable portion (Short-Term Bonus and Long-Term Incentives). The fixed compensation takes into account individual performance. Variable compensation is determined based on collective and individual performance. These are intended to ensure a major part of executive rewards are contingent on achieving demanding performance goals.

(\*) The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

### Alignment with long-term company strategy and shareholder interests

Compensation for members of the Executive Board is aligned with company strategy and shareholders' interests. The Short-Term Bonus payout is determined by the degree of achievement of a number of objectives aligned to annual business plans. Long-Term Incentives are provided in the form of share-based instruments, therefore ensuring alignment with shareholders' interests. In 2015, the main Long-Term Incentive instrument was the Performance Share Unit Plan (PSUP), following the discontinuation of the Restricted Stock Unit Plan (RSUP). PSUs have a vesting period of three years, with a further holding period of two years, leading to a total restriction period of five years. Their alignment with shareholder interests is reinforced through pay-outs being tied to underlying Earnings per Share (EPS) growth and relative Total Shareholder Return (TSR) performance.

### Coherence in remuneration plans and levels throughout the Company

The Company aims to align remuneration plans across the Group and to ensure that compensation rewards appropriately for the added responsibilities of positions held. This is reflected in the relative remuneration levels of the Executive Board.

### Compensation to be internationally competitive by using selected benchmarks

The compensation packages for the members of the Executive Board need to be competitive in a dynamic international environment. Nestlé targets its overall remuneration policy to be between the median and the 75th percentile of the selected external benchmarks (please refer to page 40). Whenever appropriate, the benchmark values are adjusted for the size of Nestlé.

### Elements of Executive Board compensation

Periodically, the Compensation Committee uses the services of Willis Towers Watson, a reputed international compensation consultancy, to provide a detailed market comparison. The results of a recent study confirmed that Total Direct Compensation is broadly in line with the market median, adjusted for the size of Nestlé.

The total compensation package consists of the following elements:

#### 1. Base Salary

The Base Salary is the foundation of the total compensation. It reflects the experience, expertise and sustained performance of the Executive Board member as well as taking account of external market competitiveness. It also serves as the basis for determining the Short-Term Bonus target levels, and the allocation of Long-Term Incentives. The Base Salary is reviewed annually by the Compensation Committee. Criteria for adjustments are individual contribution and the level of competitiveness against the benchmarks.

#### 2. Short-Term Bonus

The Short-Term Bonus is intended to reward results achieved against annual collective and individual performance goals related to Nestlé's overall business strategy. The Short-Term Bonus is paid in cash and/or in Nestlé S.A. shares, which are subject to a three-year blocking period.

### Governance

Pursuant to art. 21<sup>quater</sup> of Nestlé's Articles of Association, variable compensation may comprise short-term compensation elements, and shall be subject to caps expressed as predetermined multipliers of the respective target levels.

Short-term compensation elements are governed by performance metrics that take into account the performance of Nestlé and/or parts thereof, targets in relation to the market, to other companies or to comparable benchmarks and/or individual targets, and achievement of which is generally measured based on a one-year period. The annual target level of the short-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a pre-determined multiplier of target level (art. 21<sup>quater</sup> of the Articles of Association).

The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.

### Objectives 2015

The Short-Term Bonus (Annual Bonus) is based on a bonus target expressed in % of the Annual Base Salary.

In 2015, the following target levels were applicable

- CEO: 150%;
- Executive Vice President: 100%;
- Deputy Executive Vice President: 80%.

For the CEO, 100% of the target was linked to the Nestlé Group performance. For the other members of the Executive Board, at least 50% of the target is linked to business performance, to ensure accountability for Nestlé's results: for Function Heads, 50% is tied to Group performance, 30% to functional objectives and 20% to their individual performance (quantitative and qualitative objectives); for Zone or Business Heads, 30% is tied to Group performance, 50% to business goals they are directly responsible for, and 20% to individual performance (quantitative and qualitative objectives). In case an executive reaches all objectives in full, the bonus payout will correspond to the targeted level. If one or more objectives are not reached, the bonus is reduced. The bonus payout is capped at a maximum of 130% of the target. There is no guarantee for the payout of a minimum bonus.

Members of the Executive Board can elect to receive part or all of their Short-Term Bonus in Nestlé S.A. shares. The CEO has to take a minimum of 50% in shares.

The number of shares granted is determined using the average market closing price of the last ten trading days of January 2016.

Every year, the Board of Directors defines a set of quantitative operational targets, which forms the decisive factor to measure the annual Nestlé Group performance for the following year. Additional quantitative and qualitative targets, set by the Board of Directors in line with the Nestlé strategic roadmap, are used as a framework to evaluate the Nestlé Group performance. Non-financial objectives include measures related to the Company's sustainability and its corporate social responsibility in line with our Creating Shared Value strategy.

### Group objectives

Quantitative operational targets are linked to measurable operational objectives. Examples include real internal growth, organic growth, trading operating profit or free cash flow.

Additional quantitative targets are linked to the Nestlé strategic roadmap. Examples include the proportion of products with Nutrition, Health & Wellness benefits, market shares, operational excellence savings, capital expenditure, or working capital reduction.

Group qualitative targets are linked to the strategic roadmap, as well as to sustainability and to Nestlé in the society. Examples include portfolio prioritization and resource allocation, sugar, salt and saturated fat reduction, delivering up to the Nestlé in Society report commitments, strengthening Nestlé's values and culture, or the continued drive for excellence on quality, safety, sustainability and compliance.

### Individual objectives

Functional objectives, business goals and individual objectives are determined by the CEO for each member of the Executive Board. They are related to the individual area of responsibility and are of financial or non-financial nature.

### 3. Long-Term Incentives

Long-Term Incentives are intended to reward sustained business success and overall shareholder value creation as well as to retain key senior management members.

#### Governance

Pursuant to art. 21<sup>quater</sup> of Nestlé's Articles of Association, variable compensation may comprise long-term compensation elements, and shall be subject to caps expressed as pre-determined multipliers of the respective target levels.

Long-term compensation elements are governed by performance metrics that take into account strategic objectives of Nestlé, and achievement of which is generally measured based on a multi-annual period. The annual target level of the long-term compensation elements is determined as a percentage of the base salary; depending on the achieved performance, the compensation may amount up to a pre-determined multiplier of the target level. Vesting periods, as determined by the Board of Directors or, to the extent delegated to it, the Compensation Committee shall be at least three years. See further art. 21<sup>quater</sup> par. 6 to 8 of the Articles of Association.

The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.

#### Target levels 2015

In 2015, members of Nestlé's Executive Board were eligible to receive Long-Term Incentives in the form of Performance Share Units under the Performance Share Unit Plan (PSUP). The grant value for Long-Term Incentives in 2015 was the following:

- CEO: 150% of the Annual Base Salary
- Executive Vice President and Deputy Executive Vice President: 100% of the Annual Base Salary

The fair value of Long-Term Incentives at grant is determined by using generally accepted pricing models.

Please refer to the explanations on page 41.

The PSUP provides units which entitle participants to receive Nestlé S.A. shares at the end of the three-year vesting period. These shares remain blocked for a further period of two years for Executive Board members.

The level at which PSUs vest is determined by the degree by which the two performance measures of the PSUP are met over the full three-year vesting period. These two criteria are:

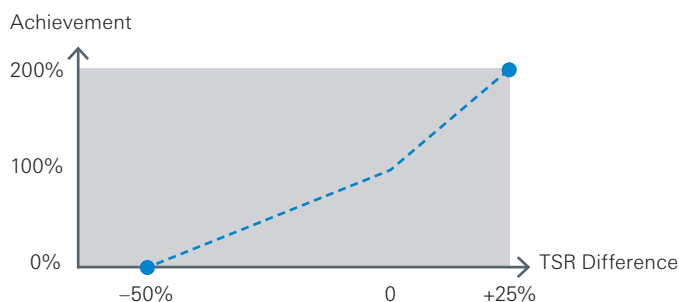
- the relative Total Shareholder Return (TSR) of the Nestlé S.A. share in relation to the STOXX Europe 600 Food & Beverage Net Return Index (as from 2014 the STOXX Global 1800 Food & Beverage Net Return Index); and
- the growth of underlying Earnings per Share in constant currencies.

Total Shareholder Return performance in relation to peers and growth of underlying Earnings per Share are the two most commonly used measures to determine senior management long-term performance in the industry. Nestlé considers that these two metrics together reflect a rounded view of the Company's performance over a multi-annual period.

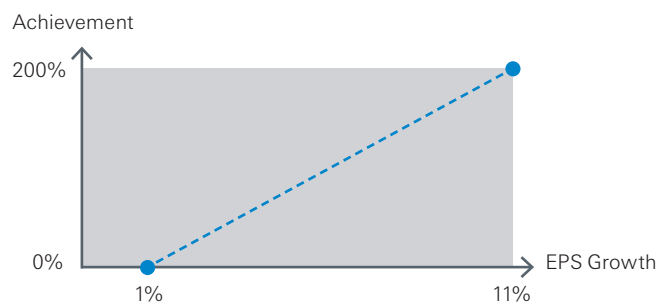
Each of the two measures has equal weighting in determining the vesting level of the initial PSU award.

The following charts show the different potential levels of achievement for each of the two measures for the 2015 PSUP grant.

### TSR Difference (Nestlé vs. Index)



### Average Underlying EPS Growth (constant currencies)



The total vesting level will be determined by applying, at the end of the vesting period, each one of the two measures to 50% of the grant, and by adding up both elements.

The vesting range of the PSU starts at 0% and is capped at 200% of the initial PSU award, thus providing alignment with strategy and shareholders' interests, as well as ensuring competitiveness versus external market comparisons.

## Overview of Executive Board compensation elements

### CEO

Base salary 100%	Short-Term Bonus (*) 150% (at target)	Long-Term Incentives (PSUP) 150%
---------------------	--	-------------------------------------

(\*) Payable between 50% and 100% in Nestlé S.A. shares with a three-year blocking period.

### Executive Vice Presidents

Base salary 100%	Short-Term Bonus (*) 100% (at target)	Long-Term Incentives (PSUP) 100%
---------------------	--	-------------------------------------

(\*) Payable between 0% and 100% in Nestlé S.A. shares with a three-year blocking period.

Maximum payout:

- Short-Term Bonus: capped at 130% of the target;
- PSUP: vesting ranges from 0% to 200% of the initial PSU award.

#### 4. Other benefits

The Company limits other benefits to a minimum. Typical elements are a car allowance (there are no Company cars provided to members of the Executive Board), a contribution towards health insurance premiums (below CHF 4000 per annum) as well as long-term service awards related to the 25 and 40 years of service to the Company, in line with the Company policy, as offered to other employees. Those Executive Board members who have been transferred to Switzerland from other Nestlé locations can receive benefits in line with the Nestlé Corporate Expatriation Policy.

#### 5. Pension benefits

Executive Board members domiciled in Switzerland are affiliated to the Nestlé Pension Plan in Switzerland like all other employees. The Plan was changed from a defined contribution plan with a retirement pension objective to a Swiss-type defined contribution plan during 2013. Beneficiaries of the Plan born in 1958 or before maintain their membership in the former plan.

Pensionable earnings include the Annual Base Salary, but not the variable compensation (Short-Term Bonus or Long-Term Incentives). Any part of the Annual Base Salary which exceeds the ceiling prescribed by Swiss Pension Law is covered directly by the Company.

#### Benchmarks of Executive Board compensation

The Compensation Committee has decided to use the STOXX Europe 50 Index (without financial industry companies) as the primary benchmark (\*), while taking account of trends in executive remuneration in the European Fast Moving Consumer Goods sector as well as more generally in major Swiss-listed companies. Nestlé being based in Europe, the Compensation Committee considers that it makes sense to benchmark Nestlé's compensation against that of the largest global European companies, even if Nestlé's long-term performance is measured against all global competitors, via the global Food & Beverage Index used for the PSUP.

#### Share ownership policy

The Company strongly encourages share ownership by the members of the Executive Board to ensure alignment with shareholder interests over time. As of the end of 2015, excluding unvested long-term incentive awards, the collective share ownership of the members of the Executive Board

was equal to approximately twice their combined annual total compensation.

As from 2015, an additional two-year blocking period is imposed on Nestlé S.A. shares delivered to Executive Board members upon vesting of PSUs, bringing the total restriction period to five years. The blocking period remains applicable upon termination.

#### Loans

The Company does not, as a rule, grant loans, except that it may provide advances, generally repayable over a three-year period to members of the Executive Board who have been transferred to Switzerland from other Nestlé locations in line with the Nestlé Corporate Expatriation Policy.

Loans to Executive Board members may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation (art. 21<sup>septies</sup> of the Articles of Association).

#### Contracts of employment and severance payments

As of 31 December 2015, members of the Executive Board are subject to a notice period of twelve months. During this time, unless there was termination for cause, entitlement to the Annual Base Salary and prorated Short-Term Bonus continues. Long-Term Incentives are forfeited upon voluntary resignation or termination for cause (except vested Stock Options which remain exercisable for a period of thirty days upon termination for cause); Long-Term Incentives (except Stock Options) immediately vest in all other cases of termination of employment. There are no severance payments or change of control provisions ("golden parachutes").

From 1 January 2016 on, the compensation of the members of the Executive Board is subject to forfeiture or clawback if the compensation paid or granted is rejected by the General Meeting of Nestlé S.A. in a final vote.

#### Benchmarks

See above elements of compensation for members of the Executive Board.

(\*) Companies included: ABB, Air Liquide, Anheuser-Busch Inbev, AstraZeneca, BASF, Bayer, BG, BHP Billiton, BP, BAT, Daimler, Deutsche Telekom, Diageo, Eni, Ericsson, GSK, Glencore Xstrata, LVMH, National Grid, Novartis, Reckitt Benckiser, Richemont, Rio Tinto, Roche, Shell, Sanofi, SAP, Schneider Electric, Siemens, Telefonica, Tesco, Total, Unilever and Vodafone.

**Compensation 2015 for members of the Executive Board**

The total compensation paid to members of the Executive Board in 2015 was CHF 47 111 225.

**Compensation for members of the Executive Board in CHF (including the CEO)**

	2015	2014
Annual Base Salary	14 962 500	13 875 000
Short-Term Bonus (cash)	9 084 874	6 651 106
Short-Term Bonus (discounted value of Nestlé S.A. share)	6 085 321	7 153 130
Performance Share Units (fair value at grant)	15 392 769	13 703 463
Other benefits	1 585 761	1 127 885
<b>Total</b>	<b>47 111 225</b>	<b>42 510 584</b>
% Fixed/Variable	35.1 – 64.9	35.3 – 64.7
Company contributions towards future pension benefits (in line with Nestlé's Pension Benefit Policy described above)	4 924 110	4 820 690
Company contributions to compulsory Swiss social security <sup>(a)</sup>	408 900	372 060
Additional remuneration and fees paid to members of the Executive Board	–	988 325
<b>Total including the elements above</b>	<b>52 444 235</b>	<b>48 691 659</b>

The above compensation table includes the following:

	2015	2014
Number of Nestlé S.A. shares granted	100 451	124 359
Number of Performance Share Units granted under the PSUP	216 708	215 125

(a) Since the Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 2 017 328 in 2015 and CHF 1 868 134 in 2014.

**Explanations**

- On 31 December 2015, the Executive Board consisted of 14 members.
- Mr Doreswamy Nandkishore left the Executive Board on 1 May 2015.
- Mr José Lopez retired on 1 October 2015.
- Mr François-Xavier Roger was appointed member of the Executive Board on 1 July 2015.
- Mr Magdi Batato was appointed member of the Executive Board on 1 October 2015.
- The increase between 2015 and 2014 is mainly due to the lower number of Executive Board members until October 2014. In addition, there were some overlaps during 2015 linked to the above changes.
- Other benefits include a car allowance, contribution towards health insurance premiums, long-term service awards and expatriate benefits.
- Nestlé S.A. shares received as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2016, discounted by 16.038% to account for the three-year blocking period.
- Performance Share Units granted in 2015 are disclosed at fair value at grant, which corresponds to CHF 71.03. The fair value is determined using a valuation model which

reflects the probability of overachievement or underachievement on the Total Shareholder Return measure, which is a market condition, and based on five-year historical data. The other inputs incorporated into the valuation model comprise the market price of Nestlé S.A. shares at grant date, discounted at a risk-free interest rate and adjusted for the dividends that participants are not entitled to receive during the vesting period of three years.

- The values in the table above differ in some respect from the compensation disclosure in Note 20.1 of the consolidated Financial Statements of the Nestlé Group 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The differences relate to the timing of valuation of Performance Share Units, whose values are spread over three years under IFRS but reported fully at the grant date in this report, and to the valuation of blocked shares, which are not subject to a discount for the blocking period under IFRS.

#### Payout levels

- The Short-Term Bonus payout for the Executive Board was 100% in 2015, based on the achievement of the relevant Group and individual quantitative and qualitative objectives (2014: 102%).
- The Performance Share Units granted in 2013 vest in March 2016 with a payout of 100% of the initial PSU award (PSUs granted in 2012 vested in 2015 with a payout of 105%).

#### Audited Highest total compensation for a member of the Executive Board

In 2015, the highest total compensation for a member of the Executive Board was conferred to Paul Bulcke, the CEO. The amounts below are included in the Executive Board compensation disclosed above.

	Number	2015 Value in CHF	Number	2014 Value in CHF
Annual Base Salary		2 500 000		2 500 000
Short-Term Bonus (cash)		–		–
Short-Term Bonus (discounted value of Nestlé S.A. share)	48 337	2 928 255	55 284	3 179 936
Performance Share Units (fair value at grant)	50 835	3 610 810	56 730	3 613 701
Other benefits		28 884		28 884
<b>Total</b>		<b>9 067 949</b>		<b>9 322 521</b>
% Fixed/Variable		27.9 – 72.1		27.1 – 72.9
Company contribution towards future pension benefits		2 076 056		2 077 412
Company contribution to compulsory Swiss social security <sup>(a)</sup>		28 200		28 080
<b>Total including the elements above</b>		<b>11 172 205</b>		<b>11 428 013</b>

Other benefits include a car allowance and a contribution towards health insurance premiums.

(a) Since the Company contributions to social security are based on full earnings, whereas benefits are capped, only contributions that lead to future benefits are included. The additional cost to the Company taking into account full social security employer contributions is CHF 438 799 in 2015 and CHF 452 030 in 2014.

## Explanations

- Nestlé S.A. shares received as part of the Short-Term Bonus are valued at the average closing price of the last ten trading days of January 2016, discounted by 16.038% to account for the three-year blocking period.
- Performance Share Units granted in 2015 are disclosed at fair value at grant, which corresponds to CHF 71.03.
- Please also refer to the explanations provided on page 41.

## Payout levels

- The Short-Term Bonus payout for the CEO was 93% in 2015, based on the achievement of Group quantitative and qualitative objectives (2014: 101%).
- The Performance Share Units granted in 2013 vest in March 2016 with a payout of 100% of the initial PSU award (PSUs granted in 2012 vested in 2015 with a payout of 105%).

**Shares and stock options held by members of the Executive Board****Total number of management stock options held on 31 December 2015  
by members of the Executive Board**

Grant date	Vesting date	Expiry date	Exercise price in CHF	Stock options outstanding
01.03.2012	01.03.2015	28.02.2019	55.57	890 170
03.03.2011	03.03.2014	02.03.2018	52.58	382 300
05.03.2010	05.03.2013	04.03.2017	53.29	298 500
<b>Total</b>				<b>1 570 970</b>

**Shares and stock options ownership of the members of the Executive Board  
and closely related parties on 31 December 2015**

	Number of shares held <sup>(a)</sup>	Number of options held <sup>(b)</sup>
Paul Bulcke, Chief Executive Officer	728 472	1 079 500
Luis Cantarell	169 510	143 170
Laurent Freixe	81 195	–
Chris Johnson	35 723	125 400
Patrice Bula	108 818	101 800
Wan Ling Martello	54 332	121 100
Stefan Catsicas	–	–
Marco Settembri	16 810	–
François-Xavier Roger	–	–
Magdi Batato	6 765	–
Peter R. Vogt	31 265	–
Martial Rolland	33 803	–
Heiko Schipper	–	–
David P. Frick	44 157	–
<b>Total as at 31 December 2015</b>	<b>1 310 850</b>	<b>1 570 970</b>
<b>Total as at 31 December 2014</b>	<b>1 227 923</b>	<b>2 399 800</b>

(a) Including shares subject to a three-year blocking period.

(b) The ratio is one option for one Nestlé S.A. share.

**Other audited information regarding the Executive Board**  
**Loans to members of the Executive Board**

On 31 December 2015, there were no loans outstanding to any member of the Executive Board.

**Additional fees and remuneration of the Executive Board**

In 2015, there were no additional fees or remuneration paid to any members of the Executive Board (in 2014, one member of the Executive Board participated in the Nestlé Health Science Long-Term Incentive Plan).

**Compensation and loans for former members of the Executive Board**

In 2015, there was no compensation paid to former members of the Executive Board (in 2014, a fee of CHF 166 667 was conferred to a former member of the Executive Board). On 31 December 2015, there were no loans outstanding to former members of the Executive Board.

**Compensation or loans to related parties of members of the Executive Board**

In 2015, no compensation was paid to related parties of members of the Executive Board, and there were no loans outstanding to related parties.

*Sections highlighted with a blue bar are audited by KPMG. They include all elements the Company needs to disclose pursuant to art. 14 to 16 of the Ordinance against excessive compensation in listed companies.*

# Report of the Statutory Auditor to the General Meeting

of Nestlé S.A., Cham & Vevey

We have audited the accompanying compensation report dated 17 February 2016 of Nestlé S.A. for the year ended 31 December 2015. The audit was limited to the information according to articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections highlighted with a blue bar at left on pages 32 to 44 of the compensation report.

## ***Responsibility of the Board of Directors***

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual remuneration packages.

## ***Auditor's Responsibility***

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Opinion***

In our opinion, the compensation report for the year ended 31 December 2015 of Nestlé S.A. complies with Swiss law and articles 14 to 16 of the Ordinance.



KPMG SA

A handwritten signature in black ink, appearing to read 'S. R. Cormack'.

Scott Cormack  
Licensed Audit Expert  
Auditor in charge

A handwritten signature in black ink, appearing to read 'L. Marty'.

Lukas Marty  
Licensed Audit Expert

Geneva, 17 February 2016



# Articles of Association of Nestlé S.A.

Amended by the  
Annual General Meeting  
of 16 April 2015



# Articles of Association of Nestlé S.A.

Translation\*

## I. General

### Article 1

#### **Corporate name; Registered offices; Duration**

- 1 Nestlé S.A. (Nestlé AG) (Nestlé Ltd.) (hereinafter “Nestlé”) is a company limited by shares incorporated and organised in accordance with the Swiss Code of Obligations.
- 2 The registered offices of Nestlé are in Cham and Vevey, Switzerland.
- 3 The duration of Nestlé is unlimited.

### Article 2

#### **Purpose**

- 1 The purpose of Nestlé is to participate in industrial, service, commercial and financial enterprises in Switzerland and abroad, in particular in the food, nutrition, health, wellness and related industries.
- 2 Nestlé may itself establish such undertakings or participate in, finance and promote the development of undertakings already in existence.
- 3 Nestlé may enter into any transaction which the business purpose may entail. Nestlé shall, in pursuing its business purpose, aim for long-term, sustainable value creation.

## II. Share Capital

### Article 3

#### **Share capital**

The share capital of Nestlé is CHF 318840000 (three hundred and eighteen million eight hundred and forty thousand Swiss francs) divided into 3 188 400 000 fully paid up registered shares with a nominal value of CHF 0.10 each.

### Article 3bis

#### **Conditional share capital**

- 1 The share capital of Nestlé may be increased in an amount not to exceed CHF 10 000 000 (ten million Swiss francs) by issuing up to 100 000 000 registered shares with a nominal value of CHF 0.10 each, which shall be fully paid up, through the exercise of conversion rights and/or option rights granted in connection with the issuance by Nestlé or one of its subsidiaries of newly or already issued convertible debentures, debentures with option rights or other financial market instruments.

- 2 The shareholders have no preferential rights to subscribe for these new shares. The current owners of conversion rights and/or option rights shall be entitled to subscribe for the new shares.
- 3 The new shares shall be subject, as soon as they are issued following the exercise of conversion and/or option rights, to the restrictions set forth in art. 5.
- 4 The Board of Directors may limit or withdraw the right of the shareholders to subscribe in priority to convertible debentures, debentures with option rights or similar financial market instruments when they are issued, if:
  - a) an issue by firm underwriting by a consortium with subsequent offering to the public without preferential subscription rights seems to be the most appropriate form of issue at the time, particularly in terms of the conditions for issue; or
  - b) the financial market instruments with conversion or option rights are issued in connection with the financing or refinancing of the acquisition of an enterprise or parts of an enterprise or participations or new investments.
- 5 Any financial market instruments with conversion or option rights which the Board of Directors decides not to offer directly or indirectly for prior subscription to the shareholders shall be subject to the following conditions:
  - a) Conversion rights may be exercised only for up to 15 years, and option rights only during 7 years from the date of issue of the relevant financial market instruments.
  - b) The new shares shall be issued according to the applicable conversion or option conditions. The respective financial instruments must be issued at the relevant market conditions.
  - c) The issue of new shares upon exercise of option or conversion rights shall be made at conditions taking into account the market price of the shares and/or comparable instruments with a market price at the time of issuance of the relevant convertible debenture, debenture with option rights or similar financial market instrument.

### Article 4

#### **Share certificates; Intermediated securities**

- 1 Nestlé may issue its registered shares in the form of single certificates, global certificates or uncertificated securities. Under the conditions set forth by statutory law, Nestlé may convert its registered shares from one form into another form at any time and without the approval of the shareholders. Nestlé shall bear the cost of any such conversion.

*\* This is an unofficial translation. In case of doubt or differences of interpretation, the official French and German versions of the Articles of Association shall prevail over the English text.*

- 2 If registered shares are issued in the form of single certificates or global certificates, they shall be signed by two members of the Board of Directors. Both signatures may be affixed in facsimile.
- 3 The shareholder has no right to demand a conversion of the form of the registered shares. Each shareholder may, however, at any time request a written confirmation from Nestlé of the registered shares held by such shareholder, as reflected in the share register.
- 4 Intermediated securities based on registered shares of Nestlé cannot be transferred by way of assignment. A security interest in any such intermediated securities cannot be granted by way of assignment.

#### Article 5

##### **Share register**

- 1 Nestlé shall maintain a share register showing the name and address of the holders or usufructuaries. Any change of address must be reported to Nestlé.
- 2 Only persons entered in the share register as shareholders with voting rights may exercise the voting rights or the other rights related thereto.
- 3 After the acquisition of shares, upon request of the shareholder to be recognised as such, any acquiring party shall be considered as a shareholder without voting rights, until it is recognised by Nestlé as a shareholder with voting rights. If Nestlé does not refuse the request to recognise the acquiring party within twenty days, the latter shall be deemed to be a shareholder with voting rights.
- 4 An acquirer of shares shall be recorded in the share register as a shareholder with voting rights provided he expressly declares to have acquired the shares in his own name and for his own account.
- 5 No person or entity shall be registered with voting rights for more than 5% of the share capital as recorded in the commercial register. This limitation on registration also applies to persons who hold some or all of their shares through nominees pursuant to this article. All of the foregoing does not apply in the case of the acquisition of an enterprise, or parts of an enterprise or participations through exchange of shares or in the cases provided in art. 685d par. 3 of the Swiss Code of Obligations.
- 6 The Board of Directors shall promulgate regulations relating to the registration of fiduciaries or nominees to ensure compliance with these Articles of Association.

- 7 Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent the regulations concerning the limitation on registration or the nominees, shall be counted as one person or nominee within the meaning of paragraphs 4 and 5 of this article.
- 8 After hearing the registered shareholder or nominee, the Board of Directors may cancel, with retroactive effect as of the date of registration, the registration of such shareholder or nominee if the registration was effected based on false information. The respective shareholder or nominee shall be informed immediately of the cancellation of the registration.
- 9 The Board of Directors shall specify the details and promulgate the necessary regulations concerning the application of this art. 5. Such regulations shall specify the cases in which the Board or a corporate body designated by the Board may allow exemptions from the limitation on registration or the regulation concerning nominees.
- 10 The limitation on registration provided for in this article shall also apply to shares acquired or subscribed by the exercise of subscription, option or conversion rights.

### **III. Organisation of Nestlé**

#### **A. General Meeting**

##### **Article 6**

##### **Powers of the General Meeting**

- 1 The General Meeting of shareholders is the supreme authority of Nestlé.
- 2 The following nontransferable powers shall be vested in the General Meeting:
  - a) to adopt and amend the Articles of Association;
  - b) to elect and remove the members of the Board of Directors, the Chairman of the Board of Directors and the members of the Compensation Committee;
  - c) to elect and remove the Auditors;
  - d) to elect and remove the Independent Representative;
  - e) to approve the annual report and the consolidated financial statements;
  - f) to approve the annual financial statements as well as to resolve on the use of the balance sheet profit, in particular, the declaration of dividends;
  - g) to approve the compensation of the Board of Directors and of the Executive Board pursuant to art. 21<sup>bis</sup>;

- h) to grant discharge to the members of the Board of Directors and the persons entrusted with management; and
- i) to take all decisions which by law or under these Articles of Association are within the powers of the General Meeting.

#### Article 7

##### **Annual General Meeting**

The Annual General Meeting shall be held each year within six months of the close of the financial year of Nestlé. The meeting shall be convened by the Board of Directors.

#### Article 8

##### **Extraordinary General Meeting**

- 1 Extraordinary General Meetings shall be convened by the Board of Directors or, if necessary, by the Auditors, as well as in the other cases foreseen by law.
- 2 The Board of Directors shall, if so requested by a General Meeting or at the request in writing, specifying the items and proposals to appear on the agenda, of one or more shareholders with voting rights whose combined holdings represent at least one tenth of the share capital as recorded in the commercial register, convene an Extraordinary General Meeting. The Extraordinary General Meeting shall be held as promptly as practicable following such request.

#### Article 9

##### **Notice of General Meetings; Agenda**

- 1 Annual or Extraordinary General Meetings shall be convened by notice in the "Swiss Official Gazette of Commerce" not less than twenty days before the date fixed for the meeting. Shareholders may in addition be informed by ordinary mail.
- 2 The notice of a meeting shall state the items on the agenda and the proposals of the Board of Directors and of the shareholders who requested that a General Meeting be convened (art. 8 par. 2) or that items be included in the agenda (art. 9 par. 3).
- 3 One or more shareholders with voting rights whose combined holdings represent at least 0.15% of the share capital of Nestlé as recorded in the commercial register may request that an item be included in the agenda of a General Meeting. Such a request must be made in writing to the Board of Directors at the latest 45 days before the meeting and shall specify the agenda items and the proposals made.

- 4 No resolution shall be passed at a General Meeting on matters which do not appear on the agenda except for:
  - a) a resolution convening an Extraordinary General Meeting; or
  - b) the setting up of a special audit.

#### Article 10

##### **Presiding officer; Minutes**

- 1 The Chairman or any member of the Board of Directors shall preside at General Meetings and carry all procedural powers.
- 2 Minutes of General Meetings shall be kept by the Secretary of the Board of Directors.

#### Article 11

##### **Voting rights; Representation of shareholders**

- 1 Each share recorded in the share register as share with voting rights confers one vote on its holder.
- 2 At General Meetings no person may exercise, directly or indirectly, voting rights, with respect to own shares or shares represented by proxy, in excess of 5% of the share capital as recorded in the commercial register. Legal entities that are linked to one another through capital, voting rights, management or in any other manner, as well as all natural persons or legal entities achieving an understanding or forming a syndicate or otherwise acting in concert to circumvent such a limit, shall be counted as one shareholder.
- 3 The foregoing limit does not apply to shares received and held by a shareholder pursuant to an acquisition of an enterprise, or parts of an enterprise or participations as referred in art. 5 par. 5.
- 4 In order to permit the exercise of voting rights in respect of shares held by nominees, the Board of Directors may by means of regulations or agreements with nominees depart from the limit foreseen in this article. It may also depart from such a limit within the framework of the regulations referred to in art. 5 par. 6 and par. 9. In addition, this limit shall not apply to the exercise of voting rights by the Independent Representative.
- 5 Each shareholder recorded in the share register with voting rights may be represented at the General Meeting by the Independent Representative or a third party. The Board of Directors shall determine the requirements regarding participation and representation in the General Meeting.

- 6 The Independent Representative shall be elected by the General Meeting for a term of office until completion of the next Annual General Meeting. Re-election is possible. If the office of the Independent Representative is vacant, the Board of Directors shall appoint the Independent Representative for the next General Meeting.

#### Article 12

##### **Quorum and decisions**

- 1 General Meetings shall be duly constituted irrespective of the number of shareholders present or of shares represented.
- 2 Unless provided otherwise by law or the Articles of Association, shareholders' resolutions and elections shall be decided by an absolute majority of the shares represented.
- 3 Votes shall be taken either on a show of hands or by electronic voting unless a vote by written ballot is ordered by the Presiding officer of the meeting. The Presiding officer may at any time order to repeat an election or resolution, if he doubts the results of the vote. In this case, the preceding election or resolution is deemed not having taken place.
- 4 If the first ballot fails to result in an election and more than one candidate is standing for election, the Presiding officer shall order a second ballot in which a relative majority shall be decisive.

#### Article 13

##### **Special quorum**

The approval of at least two thirds of the shares represented and the absolute majority of the nominal value represented at a General Meeting shall be required for resolutions with respect to:

- a) a modification of the purpose of Nestlé;
- b) the creation of shares with increased voting powers;
- c) restrictions on the transfer of registered shares and the change or removal of such restrictions;
- d) an authorized or conditional increase in share capital;
- e) an increase in share capital through the conversion of capital surplus, through a contribution in kind or for the purpose of an acquisition of assets, or a grant of special benefits upon a capital increase;
- f) the restriction or withdrawal of the right to subscribe;
- g) a change of the registered offices of Nestlé;
- h) the dissolution of Nestlé;
- i) restrictions on the exercise of voting rights and the change or removal of such restrictions;

- j) the limitation on registration (art. 5 par. 4 to 7) and the limitation on voting rights (art. 11 par. 2, 3 and 4) and the change or removal of such limitations;
- k) the change of the corporate name of Nestlé; and
- l) other matters as provided by statutory law.

#### B. Board of Directors

#### Article 14

##### **Number of Directors**

The Board of Directors shall consist of at least seven members.

#### Article 15

##### **Term of office**

- 1 The Chairman of the Board of Directors and the members of the Board of Directors shall be elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting.
- 2 Members of the Board of Directors whose term of office has expired shall be immediately eligible for re-election.
- 3 If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a new Chairman from amongst its members for the remaining term of office.

#### Article 16

##### **Organisation of the Board**

- 1 The Board of Directors shall elect one or two Vice-Chairmen. It shall appoint a Secretary and his substitutes, neither of whom need be members of the Board of Directors.
- 2 The Board of Directors shall, within the limits of the law and the Articles of Association, define its organisation and the assignment of responsibilities in the Board regulations pursuant to art. 19 par. 2.

#### Article 17

##### **Powers of the Board in general**

The Board of Directors shall conduct all the business of Nestlé to the extent that it is not within the powers of the General Meeting or not delegated pursuant to the Board regulations as set forth in art. 19 par. 2.

## Article 18

### **Specific powers of the Board**

The Board of Directors has the following non-transferable and inalienable duties:

- a) the ultimate direction of the business of Nestlé, in particular the conduct, management and supervision of the business of Nestlé, and the provision of necessary directions;
- b) the determination of the organisation in the Board regulations pursuant to art. 19 par. 2;
- c) the determination of accounting and financial control principles;
- d) the appointment and removal of the persons entrusted with the management and the granting of signatory powers to persons representing Nestlé;
- e) the ultimate supervision of the persons entrusted with the management of Nestlé, ensuring in particular their compliance with the law, the Articles of Association, regulations and instructions given;
- f) the preparation of the business report and the compensation report in accordance with the provisions of the law;
- g) the preparation of General Meetings and the carrying out of its resolutions;
- h) the determination of the manner in which the dividend shall be paid;
- i) the opening and closing of branch offices; and
- j) the notification of the court in case of overindebtedness.

## Article 19

### **Delegation of powers**

- 1 The Board of Directors may, within the limits of the law and the Articles of Association, appoint from amongst its members standing or ad hoc committees entrusted with the preparation and execution of its decisions or the supervision of specific parts of the business. The Board of Directors shall ensure that it is kept properly informed.
- 2 Unless otherwise provided by law, the Board of Directors may in accordance with the Board regulations delegate all or part of the management to one or more of its members, to one or more board committees, or to third parties.

## C. Compensation Committee

### Article 19<sup>bis</sup>

#### **Number of Members; Term of Office; Organisation**

- 1 The Compensation Committee consists of at least three independent members of the Board of Directors.
- 2 The members of the Compensation Committee shall be elected individually by the General Meeting for a term of office until completion of the next Annual General Meeting. Members of the Compensation Committee whose term of office has expired shall be immediately eligible for re-election.
- 3 If there are vacancies on the Compensation Committee, the Board of Directors shall appoint substitutes from amongst its members for the remaining term of office.
- 4 The Board of Directors shall elect a Chairman of the Compensation Committee. It shall, within the limits of the law and the Articles of Association, define the organisation of the Compensation Committee in regulations.

### Article 19<sup>ter</sup>

#### **Powers of the Compensation Committee**

- 1 The Compensation Committee supports the Board of Directors in establishing and periodically reviewing Nestlé's compensation strategy and guidelines and performance criteria as well as in preparing the proposals to the General Meeting regarding the compensation of the members of the Board of Directors and of the Executive Board. It may submit proposals and recommendations to the Board of Directors in other compensation-related issues.
- 2 The Board of Directors promulgates regulations to determine for which positions of the Board of Directors and of the Executive Board the Compensation Committee, together with the Chairman of the Board of Directors or on its own, shall submit proposals for the compensation, and for which positions it shall determine the compensation in accordance with the Articles of Association and the compensation guidelines established by the Board of Directors.
- 3 The Board of Directors may delegate further tasks and powers to the Compensation Committee.

#### D. Auditors

##### Article 20

###### **Number of Auditors; Term of office**

The General Meeting shall appoint, for a term of office until completion of the next Annual General Meeting, one or more Auditors of the annual financial statements of Nestlé and the consolidated financial statements of the Group, which shall be independent from Nestlé and meet the special professional standards required by law. The Auditors of Nestlé may be re-elected.

##### Article 21

###### **Rights and duties of Auditors**

The Auditors shall verify the annual financial statements of Nestlé and the consolidated financial statements of the Group and perform such other tasks as defined by law. The Auditors shall submit their reports to the General Meeting. Their rights and duties shall be as set out in the applicable Swiss laws.

#### **III<sup>bis</sup>. Compensation of the Board of Directors and of the Executive Board**

##### Article 21<sup>bis</sup>

###### **Approval of Compensation by General Meeting**

- 1 The General Meeting shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:
  - a) compensation of the Board of Directors for the period until the next Annual General Meeting;
  - b) compensation of the Executive Board for the following financial year.The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.
- 2 In the event the General Meeting has not approved a proposal of the Board of Directors, the Board of Directors shall determine the respective maximum aggregate amount or maximum partial amounts of compensation, provided that:
  - a) the Board of Directors takes into account:
    - i) the proposed maximum aggregate amount of compensation;
    - ii) the decision of the General Meeting and, to the extent known to the Board of Directors, the main reasons for the negative vote; and
    - iii) Nestlé's compensation principles; and
  - b) the Board of Directors submits the amount(s) so determined to approval by the same General Meeting, a subsequent Extraordinary General Meeting or the next Annual General Meeting.
- 3 Notwithstanding the preceding paragraph, Nestlé or companies controlled by it may pay out compensation prior to approval by the General Meeting subject to subsequent approval by a General Meeting.
- 4 The Board of Directors shall submit the annual compensation report to an advisory vote of the General Meeting.

#### Article 21<sup>ter</sup>

##### **Supplementary Amount for changes on the Executive Board**

If the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the Executive Board during a compensation period for which the General Meeting has already approved the compensation of the Executive Board, Nestlé or companies controlled by it shall be authorized to pay to such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount shall not exceed 40% of the aggregate amount of compensation of the Executive Board last approved by the General Meeting per compensation period.

#### Article 21<sup>quater</sup>

##### **General Compensation Principles**

- 1 Compensation of the non-executive members of the Board of Directors comprises fixed compensation elements only.
- 2 Compensation of the members of the Executive Board comprises fixed and variable compensation elements. Fixed compensation comprises the base salary and may comprise other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation elements, and shall be subject to caps expressed as predetermined multipliers of the respective target levels.
- 3 Short-term compensation elements are governed by performance metrics that take into account the performance of Nestlé and/or parts thereof, targets in relation to the market, to other companies or to comparable benchmarks and/or individual targets, and achievement of which is generally measured based on a one-year period. The annual target level of the short-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a predetermined multiplier of target level.
- 4 Long-term compensation elements are governed by performance metrics that take into account strategic objectives of Nestlé, and achievement of which is generally measured based on a multiannual period. The annual target level of the long-term compensation elements is determined as a percentage of the base salary; depending on achieved performance, the compensation may amount up to a predetermined multiplier of target level. Vesting periods, as determined by the Board of Directors or, to the extent delegated to it, the Compensation Committee, shall be at least three years.
- 5 The Board of Directors or, to the extent delegated to it, the Compensation Committee determines performance metrics and target levels, and their achievement.
- 6 Compensation may be paid or granted in the form of cash, shares, other benefits or in kind; compensation to members of the Executive Board may also be paid or granted in the form of financial instruments or similar units. The Board of Directors or, to the extent delegated to it, the Compensation Committee determines grant, vesting, blocking, exercise and forfeiture conditions; they may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture in the event of pre-determined events such as a termination of an employment or mandate agreement.
- 7 Compensation may be paid by Nestlé or companies controlled by it.
- 8 The Board of Directors values compensation according to the principles that apply to the compensation report.

### **III<sup>ter</sup>. Contracts with Members of the Board of Directors and of the Executive Board**

Article 21<sup>quinquies</sup>

#### **Basic Principles**

- 1 Nestlé or companies controlled by it may enter into agreements with members of the Board of Directors relating to their compensation for a fixed term or for an indefinite term; term and notice period may not exceed one year.
- 2 Nestlé or companies controlled by it may enter into contracts of employment with members of the Executive Board for a definite period of time not to exceed one year or for an indefinite period of time with a notice period not to exceed 12 months.
- 3 Contracts of employment with members of the Executive Board may contain a prohibition of competition for the time after the end of employment for a duration of up to 2 years. The annual consideration for such prohibition shall not exceed 50% of the total annual compensation last paid to such member of the Executive Board.

### **III<sup>quater</sup>. Mandates Outside Nestlé; Loans**

Article 21<sup>sexies</sup>

#### **Mandates outside Nestlé**

- 1 No member of the Board of Directors may hold more than 4 additional mandates in listed companies and 5 additional mandates in non-listed companies.
- 2 No member of the Executive Board may hold more than 2 additional mandates in listed companies and 4 additional mandates in non-listed companies. Each of these mandates shall be subject to approval by the Board of Directors.
- 3 The following mandates are not subject to these limitations:
  - a) mandates in companies which are controlled by Nestlé;
  - b) mandates which a member of the Board of Directors or of the Executive Board holds at the request of Nestlé or companies controlled by it. No Member of the Board of Directors or of the Executive Board shall hold more than 10 such mandates; and
  - c) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No Member of the Board of Directors or of the Executive Board shall hold more than 10 such mandates.
- 4 Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.
- 5 The Board of Directors shall promulgate regulations that, taking into account the position of the respective member, determine additional restrictions.

Article 21<sup>septies</sup>

#### **Loans**

Loans to a member of the Board of Directors or the Executive Board may only be granted at market conditions and may, at the time of grant, not exceed the respective member's most recent total annual compensation.

#### **IV. Business report and appropriation of profit resulting from the balance sheet**

##### **Article 22**

##### **Financial year**

The financial year shall commence on 1 January and shall end on 31 December.

##### **Article 23**

##### **Business report**

For every financial year the Board of Directors shall prepare a business report consisting of the annual financial statements of Nestlé, of the annual report and the consolidated financial statements.

##### **Article 24**

##### **Appropriation of profit resulting from the balance sheet**

The profit shall be allocated by the General Meeting within the limits set by applicable law. The Board of Directors shall submit its proposals to the General Meeting.

#### **V. Announcements, Communications**

##### **Article 25**

##### **Notices**

All notices and communications to be made by Nestlé shall be considered duly made if published in the "Swiss Official Gazette of Commerce", unless the law provides otherwise.

*Articles of Association amended by the Annual General Meeting of 16 April 2015*