



Good Food, Good Life

# Corporate Governance Report 2012

including  
Compensation Report 2012



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|--|-----------|--|
| <b>Situation at<br/>31 December 2012</b> | <b>3</b>  | <b>1. Group structure and shareholders</b>   |
|  | 3         | 1.1 Group structure  |
|  | 3         | 1.2 Significant shareholders   |
|  | 3         | 1.3 Cross-shareholdings  |
|  | <b>4</b>  | <b>2. Capital structure</b>  |
|  | 4         | 2.1 Capital  |
|  | 4         | 2.2 Conditional capital  |
|  | 4         | 2.3 Changes in capital   |
|  | 4         | 2.4 Shares and participation certificates  |
|  | 4         | 2.5 Profit sharing certificates  |
|  | 4         | 2.6 Limitations on transferability and nominee registrations                         |
|  | 5         | 2.7 Convertible bonds and options  |
|  | <b>6</b>  | <b>3. Board of Directors <sup>(1)</sup></b>  |
|  | 6         | 3.1 Members of the Board of Directors  |
|  | 7         | 3.2 Professional background and other activities and functions                       |
|  | 10        | 3.3 Elections and terms of office  |
|  | 11        | 3.4 Internal organisational structure  |
|  | 13        | 3.5 Definition of areas of responsibility  |
|  | 14        | 3.6 Information and control instruments vis-à-vis the Executive Board <sup>(2)</sup> |
|  | <b>15</b> | <b>4. Executive Board</b>  |
|  | 15        | 4.1 Members of the Executive Board   |
|  | 16        | 4.2 Professional background and other activities and functions                       |
|  | 19        | 4.3 Management contracts   |
|  | <b>20</b> | <b>5. Compensations, shareholdings and loans</b>                                     |
|  | <b>20</b> | <b>6. Shareholders' participation</b>  |
|  | 20        | 6.1 Voting rights and representation restrictions                                    |
|  | 20        | 6.2 Statutory quorums  |
|  | 20        | 6.3 Convocation of the General Meeting of shareholders                               |
|  | 20        | 6.4 Inclusion of item on the agenda  |
|  | 20        | 6.5 Inscriptions into the share register   |
|  | <b>21</b> | <b>7. Change of control and defence measures</b>                                     |
|  | 21        | 7.1 Duty to make an offer  |
|  | 21        | 7.2 Clauses on change of control   |
|  | <b>21</b> | <b>8. Auditors</b>   |
|  | 21        | 8.1 Duration of the mandate and term of office of the lead auditor                   |
|  | 21        | 8.2 Auditing fees  |
|  | 21        | 8.3 Additional fees  |
|  | 21        | 8.4 Information instruments pertaining to the external audit                         |
|  | <b>22</b> | <b>9. Information policy</b>   |
|  | <b>23</b> | <b>General Organisation of Nestlé S.A.</b>   |
|  | <b>25</b> | <b>Appendix 1: Compensation Report 2012</b>  |
|  | <b>38</b> | <b>Appendix 2: Articles of Association of Nestlé S.A.</b>                            |

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

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

# Preliminary remarks

The Nestlé Corporate Governance Report 2012 follows the SIX Swiss Exchange Directive on Information relating to Corporate Governance and takes into account the Swiss Code of Best Practice for Corporate Governance. Additional information can be found in the Compensation Report (Appendix 1).

To avoid duplication of information, cross-referencing to other reports is made in some sections, namely the Annual Report 2012, the 2012 Financial Statements 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 Appendix 2 or on [www.nestle.com](http://www.nestle.com).

The 2012 Consolidated Financial Statements of the Nestlé Group comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the interpretations issued by the IFRS Interpretations Committee (IFRIC). Where necessary, these disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive.

## 1. Group structure and shareholders

### 1.1 Group structure

Please refer to the Annual Report 2012 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 23 of this document. The Group's Management structure is represented in the analysis by operating segments (refer to Note 3 of the 2012 Consolidated Financial Statements of the Nestlé Group).

#### 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 (ISIN code: CH0038863350). At 31 December 2012, the market capitalization of Nestlé S.A. was CHF 190 038 000 000. For further information see also page 56 of the Annual Report 2012 and visit our website on [www.nestle.com/investors](http://www.nestle.com/investors).

Please refer to the 2012 Consolidated Financial Statements of the Nestlé Group, page 118 for a list of the principal affiliated and associated companies, with an indication of their company names, registered office, share capital, place of listing, securities' ISIN numbers, their market capitalisation and the Company's participation.

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

Please refer to the 2012 Consolidated Financial Statements of the Nestlé Group, page 118 for the enumeration of the principal affiliated and associated companies, with an indication of their company names, registered office, share capital and the Company's participation.

### 1.2 Significant shareholders

On 31 December 2012, Nestlé S.A. held, together with a Nestlé subsidiary, treasury shares representing less than 3% of the share capital (refer to Note 18 of the 2012 Consolidated Financial Statements of the Nestlé Group). During 2012, the Company published on the electronic publication platform of the SIX Swiss Exchange one disclosure notification pertaining to the holding of its own shares. This holding fell below the threshold of 3% on 2 July 2012 as a consequence of the capital reduction effected by the Company.

With respect to nominees, Chase Nominees Ltd, London, was a registered Nominee N (refer to point 2.6.3. below) of 370 011 590 shares, i.e. 11.5% of the shares of the Company as at 31 December 2012. At the same date, Citibank N.A., London, as a 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 2012, Nortrust Nominees Ltd, London, was a registered Nominee N of 110 148 499 shares of the Company, representing 3.4% of the shares. Further, Mellon Bank N.A., Everett, was a registered Nominee N of 104 701 337 shares, i.e. 3.3% of the shares of the Company as at 31 December 2012.

### 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 322 480 000. 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 issue 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 three times in the last three financial years as a consequence of several Share Buy-Back Programmes launched by the Company; the resulting cancellations of shares were approved at the Annual General Meetings of 15 April 2010, 14 April 2011 and 19 April 2012.

In 2010, the Annual General Meeting resolved to reduce the share capital by 185 000 000 shares to CHF 346 500 000.

In 2011, the share capital was further reduced by 165 000 000 shares to CHF 330 000 000. In 2012, the Annual General Meeting approved a reduction of the share capital by 75 200 000 shares to CHF 322 480 000.

For the breakdown of capital ("equity") for 2012, 2011 and 2010 see the changes in equity in the 2012 and 2011 Consolidated Financial Statements of the Nestlé Group.

### 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 3 224 800 000 at 31 December 2012.

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 Profit sharing certificates

There are no profit sharing certificates.

### 2.6 Limitations on transferability and nominee registrations

#### 2.6.1 Limitations on transferability for each share category, along with an indication of statutory group clauses, if any, 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. The 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, along with an indication of percent clauses, if any, and registration conditions

Pursuant to art. 5 par. 6 and 9 of the Articles of Association, the Board of Directors has issued regulations concerning nominees, setting forth rules for their entry as shareholders in the share register.

These regulations 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.

### 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 2012, 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). The features of this plan are detailed in Note 11 of the 2012 Consolidated Financial Statements of the Nestlé Group and in Note 14 of the 2012 Financial Statements of Nestlé S.A.

### 3. Board of Directors

#### 3.1 Members of the Board of Directors

| Name  | Year of birth | Nationality    | Education/Qualifications <sup>(a)</sup>            | First election | Term expires |
|---|---------------|----------------|--|----------------|--------------|
| Peter Brabeck-Letmathe<br>Chairman                | 1944          | Austrian       | Economics  | 1997           | 2013         |
| Paul Bulcke<br>CEO                                | 1954          | Belgian        | Economics and Business Administration              | 2008           | 2014         |
| Andreas Koopmann<br>1 <sup>st</sup> Vice Chairman | 1951          | Swiss          | Mechanical Engineering and Business Administration | 2003           | 2014         |
| Rolf Hänggi<br>2 <sup>nd</sup> Vice Chairman      | 1943          | Swiss          | Law and Finance                                    | 2004           | 2014         |
| Beat Hess   | 1949          | Swiss          | Law  | 2008           | 2014         |
| Daniel Borel                                      | 1950          | Swiss          | Physics and Computer Science                       | 2004           | 2015         |
| Jean-Pierre Meyers                                | 1948          | French         | Economics  | 1991           | 2014         |
| André Kudelski                                    | 1960          | Swiss          | Physics  | 2001           | 2013         |
| Steven G. Hoch                                    | 1954          | American/Swiss | International Relations and Economics              | 2006           | 2013         |
| Nāina Lal Kidwai                                  | 1957          | Indian         | Economics and Business Administration              | 2006           | 2014         |
| Titia de Lange                                    | 1955          | Dutch          | Biochemistry                                       | 2010           | 2013         |
| Jean-Pierre Roth                                  | 1946          | Swiss          | Economics and Finance                              | 2010           | 2013         |
| Ann M. Veneman                                    | 1949          | American       | Law and Public Policy                              | 2011           | 2014         |
| Henri de Castries                                 | 1954          | French         | HEC, Law degree and ENA                            | 2012           | 2015         |

(a) For more complete information on qualifications: please refer to individual CVs on [www.nestle.com/investors/corporategovernance](http://www.nestle.com/investors/corporategovernance).

#### a) 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 and Nestlé's engagements with L'Oréal, Galderma and Laboratoires innéov.

#### b) 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.

#### c) Cross-involvement

Peter Brabeck-Letmathe, Paul Bulcke and Jean-Pierre Meyers are on the Board of Directors of both Nestlé and L'Oréal.

### 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 Chairman of Delta Topco, Jersey, Vice Chairman of the Board of Directors of Credit Suisse Group, Switzerland, and member of the Board of the Exxon Mobil Corporation, Texas, USA.

In addition, he is Chairman of the Water Resources Group (WRG), USA, a member of the European Round Table of Industrialists, Belgium, a member of the Foundation Board of the World Economic Forum, Switzerland, as well as a member 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).

As a representative of Nestlé, Paul Bulcke serves as Board member of L'Oréal S.A., France, and as Co-

Chairman of the Supervisory Board of Cereal Partners Worldwide, Switzerland.

Furthermore, Paul Bulcke is a Board member of Roche Holding Ltd., Switzerland. He serves on the Board of the Consumer Goods Forum and co-chairs its Governance Committee.

#### **Andreas Koopmann, 1<sup>st</sup> 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, Switzerland, as a Board member of Credit Suisse Group, Switzerland, as well as of CSD Group, Switzerland.

#### **Rolf Hänggi, 2<sup>nd</sup> Vice Chairman**



In 1970 Rolf Hänggi started his career as a financial and investment analyst at Swiss Bank Corporation, Switzerland, before moving on to the Union Bank of Switzerland and then to the Baselland Cantonal Bank, Switzerland. In 1976 he joined Zurich Insurance Company and in 1986 became a member of the Corporate Executive Board and Head of finance and investments in securities, worldwide. He was appointed Deputy CEO of Zurich Insurance Company in 1988, serving as a Board member from 1993 to 1997, before becoming a private consultant.

In 1996, he was elected to the Board of Roche Holding Ltd, Switzerland and served as Vice Chairman until 2006. From 1994 to April 2009, Rolf Hänggi also served as Chairman of Rüd, Blass & Cie AG, Bankers, Switzerland.

Presently, he is a member of the Board of Trustees of the Foundation Luftbild Schweiz, Switzerland; he was a member of the Foundation Board, Werner

Abegg-Fonds, Switzerland until the end of the year 2011; and sits on the Advisory Board for the Mastercourse of Advanced Studies in Applied History at the University of Zurich, Switzerland.

### **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 Holcim Ltd, as well as a member of the Board and Vice Chairman of Sonova Holding AG, Switzerland. He is also a member of The Hague Academy of International Law.

### **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.

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.

### **Jean-Pierre Meyers**



From 1972 to 1980, Jean-Pierre Meyers was attached to the directorate of financial affairs at Société Générale. During the same time he was Assistant Professor at the Ecole Supérieure de Commerce in Rouen, France. From 1980 to 1984, he was a Director of the bank Odier Bungener Courvoisier. Jean-Pierre Meyers has been a Board member of L'Oréal S.A., France, since 1987 and Vice Chairman since 1994. He has also served as Vice Chairman of the Bettencourt-Schueller Foundation since 1988.

In addition, Jean-Pierre Meyers is CEO and a member of the Supervisory Board of Téthys S.A.S. in France.

### **André Kudelski**



André Kudelski started his career in 1984 at Kudelski SA, Switzerland, as a research and development engineer. In 1986, after having worked for few months in Silicon Valley, he returned to Kudelski SA and was appointed product manager for Pay-TV solutions. From 1989 to 1990, he was the director of the Pay-TV division (NagraVision) before taking over the position of Chairman and CEO of the Kudelski Group in 1991. In addition, he became Chairman of Nagra Plus SA, a joint venture of Kudelski SA and Canal Plus in 1992.

André Kudelski serves on the Board of Directors and the Audit Committee of Dassault Systèmes SA, France, and Edipresse SA, Switzerland. Furthermore, he is a Board member of HSBC Private Banking Holdings (Suisse) S.A. and Vice Chairman of the Board of Directors of the Swiss-American Chamber of Commerce and the Aéroport International de Genève.

### **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 multi-national companies. Steven G. Hoch was Senior Vice President and a member of the Management Committee at Bessemer Trust Company, N.A., New York, from 1990 to 1994, and a member of the Executive Committee and Head of Client Service at Pell Rudman Trust Company, Boston, from 1994 to 2002. In 2002, he founded Highmount Capital, LLC, a US-based investment management firm where he is a Senior Partner.

Steven G. Hoch is Chairman of the American Swiss Foundation and a member of the Executive Committee 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. Currently she is Country Head of the HSBC Group of Companies in India. In 2010, she was appointed to the Board of HSBC Asia-Pacific. She has been elected President of the Federation of Indian Chambers of Commerce & Industry (FICCI) for 2013.

She serves the Government of India on the Government-Industry Task Force. She 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 Climate Change and The Energy and Resources Institute's (TERI) Governing Council.

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.

### **Titia de Lange**



Titia de Lange earned her doctoral and post-doctoral degrees in biochemistry in Amsterdam, London and San Francisco. In 1997, she was appointed Professor at the Rockefeller University, New York, where since 1999 she holds as well the Leon Hess Professorship. In 2006 she became Associate Director of the Anderson Cancer Center at that same University. Titia de Lange is also an elected member of the American National Academy of Sciences and has worked extensively with the National Institutes of Health. In addition to these research activities, she currently serves on many scientific advisory boards and award committees of universities and other research centres around the world, as well as on review panels and editorial boards. Furthermore, she has been awarded numerous honours and awards since 1980.

For Nestlé, Titia de Lange serves as a member of the Nestlé Nutrition Council (NNC) – a group of international experts who advise Nestlé on nutrition.

### **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 and a member of the Foundation Board and Programme Committee of Avenir Suisse, Switzerland. Since 1 July 2010, he has served as Chairman of the Board of Directors of Geneva Cantonal Bank, and is a Board member of the global (re)insurance company Swiss Re.

### **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 was in various positions in the USDA and 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, the Close Up Foundation, Malaria No More, and 4-H. She is also Co-Chair of Mothers Day Every Day and on a number of advisory boards including BRAC, The Chicago Council Global Agriculture Development Initiative, and the Bipartisan Policy Council Nutrition and Physical Activity Initiative. She is a member of the Council on Foreign Relations, and the Trilateral Commission.

In 2009, she was named to the Forbes 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 Creating Shared Value Advisory Board.

## 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).

## 3.3 Elections and terms of office

The Annual General Meeting has the competence to elect and remove the members of the Board. In principle, the term of office of a Board member is three years. Outgoing Directors are re-eligible. Each year the Board is renewed by rotation in a way that, after a period of three years, all members will have been subject to re-election. Directors are elected individually.

The Board of Directors elects, for a one-year term, the Chairman, the Chief Executive Officer (CEO), two Vice Chairmen and the members of the Committees.

The term of office of a Board member expires no later than the Annual General Meeting following his or her 72<sup>nd</sup> birthday.

For the principles of the selection procedure: see point 3.4.2 below (Nomination Committee).

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

### 3.4 Internal organisational structure

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

|   | Chairman's and Corporate Governance Committee | Compensation Committee | Nomination Committee | Audit Committee |
|---|---|------------------------|----------------------|-----------------|
| Peter Brabeck-Letmathe<br>Chairman                | • (Chair)                                     |                        | •                    |                 |
| Paul Bulcke<br>CEO                                | •   |                        |                      |                 |
| Andreas Koopmann<br>1 <sup>st</sup> Vice Chairman | •   | •                      | • (Chair)            |                 |
| Rolf Hänggi<br>2 <sup>nd</sup> Vice Chairman      | •   |                        |                      | • (Chair)       |
| Beat Hess   | •   |                        |                      |                 |
| Daniel Borel                                      |   | • (Chair)              |                      |                 |
| Jean-Pierre Meyers                                |   | •                      |                      |                 |
| André Kudelski                                    |   |                        |                      | •               |
| Steven G. Hoch                                    |   |                        | •                    |                 |
| Nāina Lal Kidwai                                  |   |                        |                      | •               |
| Titia de Lange                                    |   |                        |                      |                 |
| Jean-Pierre Roth                                  |   | •                      |                      |                 |
| Ann M. Veneman                                    |   |                        | •                    |                 |
| Henri de Castries                                 |   |                        |                      | •               |

#### 3.4.2 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 two Vice Chairmen, the CEO (Administrateur délégué) and other members as 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** is chaired by an independent and non-executive member of the Board; the other members are one Vice Chairman and a minimum of two other non-executive members of the Board of Directors. All members are independent. The Compensation Committee determines the principles for remuneration of the members of the Board and submits them to the Board for approval. It oversees and discusses the remuneration principles for the Company and the Group. In addition, it proposes the remuneration of the Chairman, the CEO and approves the individual remunerations 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 Group.

The **Nomination Committee** includes a Chairperson, who is an independent and non-executive member of

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

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 candidates to the Board must possess the necessary profiles, 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. It reviews, at least annually, the independence of the members of the Board and it prepares the annual self-evaluation of the Board and its Committees. It oversees the long-term succession planning of the Board.

The **Audit Committee** consists of a Vice Chairman, who chairs the Committee, and a minimum of two other members of the Board, excluding the CEO and any former member of the Executive Board. 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 2012                         | Frequency | Average duration (hours) |
|---|-----------|--------------------------|
| Board of Directors of Nestlé S.A.             | 8 times   | 3:35                     |
| Chairman's and Corporate Governance Committee | 8 times   | 4:10                     |
| Compensation Committee                        | 3 times   | 1:35                     |
| Nomination Committee                          | 3 times   | 1:00                     |
| Audit Committee                               | 4 times   | 2:40                     |

### 3.4.3 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 2012 Nestlé in the United Kingdom. The average attendance at the Board meetings was 99%, one Board member having missed one meeting. 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.

### 3.5 Definition of areas of responsibility

The governing bodies have responsibilities as follows:

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

The Board of Directors is the ultimate governing body of the Company. It is responsible for the ultimate supervision of the Group. 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 the Chairman and the Vice Chairmen, of the Committee members 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, the Annual General Meeting and execution of its resolutions;
- g) the notification of the court in the event of overindebtedness;
- 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.

#### 3.5.2 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's Regulations.

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

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

The Board of Directors, on a regular basis, is 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 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 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 Note 23 of the 2012 Consolidated Financial Statements of the Nestlé Group.

- Group Compliance and other risk and control-related functions provide additional guidance and oversight. Risk and compliance activities are regularly coordinated through the Group Compliance Committee to ensure a holistic, entity-wide approach. For more information, please refer to page 10 of the Annual Report 2012.

## 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<br>CEO  |
| Werner J. Bauer               | 1950          | German      | Chemical Engineering<br>EVP: Chief Technology Officer: Innovation, Technology and R&D   |
| Luis Cantarell                | 1952          | Spanish     | Economics<br>EVP: Nestlé Nutrition, President and CEO Nestlé Health Science   |
| José Lopez                    | 1952          | Spanish     | Mechanical Engineering<br>EVP: Operations, GLOBE  |
| John J. Harris                | 1951          | American    | Business Administration<br>EVP: Nestlé Waters   |
| Laurent Freixe                | 1962          | French      | Business Administration<br>EVP: Zone Europe   |
| Chris Johnson                 | 1961          | American    | Economics and Business Administration<br>EVP: Zone Americas   |
| Patrice Bula                  | 1956          | Swiss       | Economics and Business Administration<br>EVP: Strategic Business Units, Marketing, Sales and Nespresso  |
| Doreswamy Nandkishore (Nandu) | 1958          | Indian      | Electrical Engineering and Postgraduate in Management<br>EVP: Zone Asia, Oceania and Africa   |
| Wan Ling Martello             | 1958          | American    | Business Administration and Accountancy, Postgraduate in Management Information Systems<br>EVP: CFO (includes Finance and Control, Legal, IP, Tax, Treasury, Global Nestlé Business Services) |
| Marc Caira                    | 1954          | Canadian    | Marketing<br>Deputy EVP: Nestlé Professional  |
| Jean-Marc Duvoisin            | 1959          | Swiss       | Economics and Political Science<br>Deputy EVP: Human Resources  |
| David P. Frick                | 1965          | Swiss       | Law<br>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/corporategovernance](http://www.nestle.com/investors/corporategovernance)

## 4.2 Professional background and other activities and functions

### Paul Bulcke

Please refer to point 3.2 above.

### Werner J. Bauer



Werner Bauer began his career in 1975 as an Assistant Professor in Chemical Engineering at the University of Erlangen-Nürnberg. In 1980, he was appointed Professor in Chemical Engineering at the Technical University, Hamburg, and in 1985 he obtained the Directorship of the Fraunhofer Institute for Food Technology and Packaging and a position as Professor in Food Biotechnology, Technical University, Munich.

In 1990, Werner Bauer became Head of the Nestlé Research Center, Lausanne, moving on to become Head of Nestlé Research and Development in 1996. After serving as Technical Manager and then Market Head for Nestlé Southern and Eastern Africa Region, he moved to the position of Executive Vice President and Head of Technical, Production, Environment, Research and Development in 2002. In 2007, he was appointed Chief Technology Officer, Head of Innovation, Technology, Research and Development.

As a representative of Nestlé, Werner Bauer is Chairman of Galderma Pharma S.A., Switzerland.

He is also Chairman of the Board of Trustees for the Bertelsmann Foundation and member of the Supervisory Board of Bertelsmann SE & Co. KGaA in Germany. Furthermore, Werner Bauer is a member of the Supervisory Board of GEA Group AG, Germany and is a Board member of "scienceindustries", Switzerland.

### Luis Cantarell



In 1976, Luis Cantarell joined Nestlé España S.A. and was appointed Head of Coffee Marketing in 1987 and later Head of the Nutrition Division of Nestlé Spain. In 1994, he transferred to Nestlé Headquarters, taking worldwide responsibility for Coffee Marketing within the Coffee & Beverages Strategic Business Unit. He returned to Spain in 1996 as Division Manager. From 1998 to 2001, he was Managing Director of Nestlé Portugal S.A., and in 2001 was nominated Senior Vice President in charge of the Group's Nutrition Strategic Business Division. In 2003, he was appointed Deputy Executive Vice President, before taking the position in November

2005 as Executive Vice President, Nestlé S.A., in charge of Zone Europe. From September 2008 to December 2010, Luis Cantarell was Executive Vice President of Nestlé S.A., responsible for Zone Americas. As of December 2010, Luis Cantarell was appointed President and CEO of Nestlé Health Science S.A. In addition to his responsibilities in Nestlé Health Science, Luis Cantarell assumes the position of Executive Vice President of Nestlé S.A. in charge of Nestlé Nutrition since December 2012.

As a representative of Nestlé, Luis Cantarell is a Board member of Accera, Inc., USA and is a member of the Strategic Committee of Galderma Pharma S.A., Switzerland.

### José Lopez



José Lopez joined Nestlé in 1979 as Engineering Trainee. From 1983 to 1995, he completed various technical assignments in Spain, USA, Japan and France. In 1995, he was appointed Technical Manager of the Oceania Region, becoming in 1997 the Operations Director responsible for Technical, Supply Chain and Exports. In 1999, José Lopez became Market Head responsible for the Malaysian/Singaporean Region; in 2003, he was appointed Market Head of Nestlé Japan. As Executive Vice President of Operations since 2007, José Lopez is responsible for Procurement, Manufacturing, Supply Chain, Quality Management, Health & Safety, Environment and Engineering. As of 2008, he has also been in charge of GLOBE (Global Business Excellence; IS/IT).

As a representative of Nestlé, José Lopez is a member of the Supervisory Board of Cereal Partners Worldwide, Switzerland.

Presently, José Lopez is Chairman of the Management Board of GS1 (formerly EAN International) in Belgium and a member of the Advisory Board of the University of Cambridge's Programme for Sustainability Leadership (CPSL).

### John J. Harris



John J. Harris began his career in 1974 as a Marketing Management Trainee at Carnation Company in the United States (acquired by Nestlé in 1985). From 1974 to 1987, John J. Harris held various positions in both Friskies PetCare and Carnation Products Division. In 1987, he was promoted to Vice President and General Manager of the Carnation Products Division.



In 1991, he was transferred to the Friskies PetCare Division as Vice President and General Manager and was instrumental in Friskies PetCare's acquisition of Alpo Pet Foods, announced in January 1995. In January 1997, John J. Harris was named Senior Vice President of Nestlé S.A. in Vevey responsible for the Nestlé Worldwide PetCare Strategic Business Unit. In March 1999, he returned to Nestlé USA as President of Friskies PetCare Company. In early 2001, he was nominated Chief Worldwide Integration Officer following the acquisition of Ralston Purina Company.

He was nominated Chief Executive Officer of Nestlé Purina PetCare Europe in 2002 and received added responsibility for Asia, Oceania and Africa in 2005.

Effective December 2007, John J. Harris was appointed Executive Vice President of Nestlé S.A. and Chairman and Chief Executive Officer of Nestlé Waters.

#### **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. As of November 2008, Laurent Freixe has been serving as Executive Vice President in charge of Zone Europe.

As a representative of Nestlé, he is Chairman of Beverage Partners Worldwide S.A. in Switzerland as well as Board member of Lactalis Nestlé Produits Frais S.A.S. in France and member of the Supervisory Board of Cereal Partners Worldwide, Switzerland.

In addition, Laurent Freixe is a member of the Domestic and Foreign Investment Advisory Council of Ukraine, Vice Chairman of Association des Industries de Marque (AIM) in Belgium, member of the Board of FoodDrinkEurope and member of the Executive Board of ECR Europe in Belgium.

#### **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. As of January 2011, Chris Johnson has been serving as Executive Vice President in charge of Zone Americas.

As a representative of Nestlé, Chris Johnson is Co-Chairman of the Supervisory Board of Dairy Partners Americas and a member of the Supervisory Board of Cereal Partners Worldwide, Switzerland.

In addition, Chris Johnson is a Board member of the Swiss-Latin American Chamber of Commerce and Treasurer of the Swiss-American Chamber of Commerce.

#### **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 2010, 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.

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

### **Doreswamy (Nandu) Nandkishore**



Nandu Nandkishore joined Nestlé as a mid-career hire in 1989 in India where, over the next seven years, he took on increasing responsibilities, mainly in marketing. His international career started in 1996 when he was transferred to Indonesia to run the Confectionery Business Unit.

In 2000, after a short period at Nestlé's International Headquarters in Vevey, Switzerland, he returned to Indonesia where he was promoted to Market Head of Indonesia in March 2003. In April 2005, Nandu Nandkishore became Market Head of Nestlé Philippines, which he ran until October 2009, when he returned to Nestlé's International Headquarters in Vevey, Switzerland to take up the role of Global Business Head, Infant Nutrition at Nestlé Nutrition.

In 2010, Nandu Nandkishore was nominated to the Executive Board of Nestlé S.A. as Deputy Executive Vice President in charge of Nestlé Nutrition – including Infant Nutrition, Performance Nutrition and Weight Management. As of October 2011, the Board of Directors appointed Nandu Nandkishore Executive Vice President responsible for Asia, Oceania, Africa and Middle East.

As a representative of Nestlé, he is Chairman of the Supervisory Board of both P.T. Nestlé Indonesia and P.T. Nestlé Indofood Citarasa Indonesia and a Board member of Hsu Fu Chi International Holdings Ltd., China. In addition, Nandu Nandkishore is a Board member of Osem Investments Ltd., Israel and a member of the Supervisory Board of Cereal Partners Worldwide S.A.

### **Wan Ling Martello**



Wan Ling Martello joined Nestlé S.A. as Executive Vice President in November 2011 and is the Chief Financial Officer since 1 April 2012.

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 turn-around years owned by KKR in 1995 until 1998. She 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 Committee of 100, a U.S. national organisation of Chinese American leaders. She is also a member of the Board of Trustees of the Museum of Chinese in America.

### **Marc Caira**



Marc Caira started at Nestlé Canada in 1977. In 1986, he was appointed Regional Sales Vice President and then, in 1990, Vice President FoodServices, eventually serving as President of FoodServices & Nescafé Beverages for Nestlé Canada from 1997 to 2000.

In October 2000, Marc Caira joined Parmalat Canada and became President and CEO of Parmalat North America in 2004.

In May 2006, Marc Caira returned to Nestlé and was appointed Deputy Executive Vice President in charge of FoodServices Strategic Business Division which became Nestlé Professional, a globally managed business unit, in 2009.

### **Jean-Marc Duvoisin**



Jean-Marc Duvoisin joined Nestlé in 1986, after a short period at the Centre he started his international career in the area of Sales & Marketing, first in Colombia, and then in Central America until 1997 as a Business Executive Manager in the Dairy, Infant Nutrition and Cereal sector. He came back to the Centre to Zone AMS as Operations Manager for two years after which he returned to Latin America where he assumed the role of Country Manager in 1999 in Ecuador. He became Market Head of the Bolivarian Region (Colombia, Ecuador and Venezuela) in 2003 and Market Head of Mexico in 2004. From 2007, Jean-Marc Duvoisin held the position of Senior Vice President, Head of Corporate Human Resources. Effective January 2010, he was appointed to the Executive Board of Nestlé S.A. as Deputy Executive Vice President, Human Resources and Centre Administration.

### **David P. Frick**



David P. Frick began his career in 1991 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 economiesuisse and chairs its Legal Commission. He also represents Nestlé at SwissHoldings and serves on the SIX Regulatory Board, the Committee on Extraterritoriality for the International Chamber of Commerce in Paris and the Legal Committee for the Swiss-American Chamber of Commerce.

### **4.3 Management contracts**

There are no management contracts with third parties at Nestlé.

## 5. **Compensations, shareholdings and loans**

Please refer to the Compensation Report, Appendix 1 of this document.

## 6. **Shareholders' participation**

### 6.1 **Voting rights and representation restrictions**

#### 6.1.1/ **All voting rights restrictions and rules /**

#### 6.1.2 **Reasons for granting exceptions in the year under review**

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 deposited with banks, in line with art. 11 par. 4 of the Articles of Association, the Board of Directors may grant and has granted exceptions to certain banks to vote shares deposited by their clients which in aggregate are in excess of 5% of the share capital.

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

#### 6.1.3 **Procedure and conditions for abolishing statutory voting rights restrictions**

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.

#### 6.1.4 **Statutory rules on participation in the General Meeting of shareholders if they differ from applicable legal provisions**

There are no restrictions to the legal regime provided by Swiss Law. Shareholders with voting rights may have their shares represented by the proxy of their choice.

### 6.2 **Statutory quorums**

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 item 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 **Inscriptions into 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.

## **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. 32 of the Swiss Stock Exchange Act are applicable.

### **7.2 Clauses on change of control**

There are no such agreements.

## **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 19 April 2012 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 Mark Baillache, 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 2006.

### **8.2 Auditing fees**

The total of the auditing fees paid to the auditors for 2012 amounts to CHF 43 million, of which KPMG, in their capacity as Group auditors, received CHF 40 million.

### **8.3 Additional fees**

Fees paid to the auditors for 2012 related to additional services amount to CHF 14 million, of which KPMG received CHF 1.8 million for tax services and CHF 2.2 million for other various non-audit services (mainly acquisition advisory support).

### **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 2012, 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 audit services which it is appropriate for KPMG to provide. These services include due diligence on mergers, acquisitions and disposals and 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.

## 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 Report, 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](http://www.nestle.com)) 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 Web site; 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 56 of the Annual Report 2012 and available on the Corporate Web site ([www.nestle.com](http://www.nestle.com)).

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

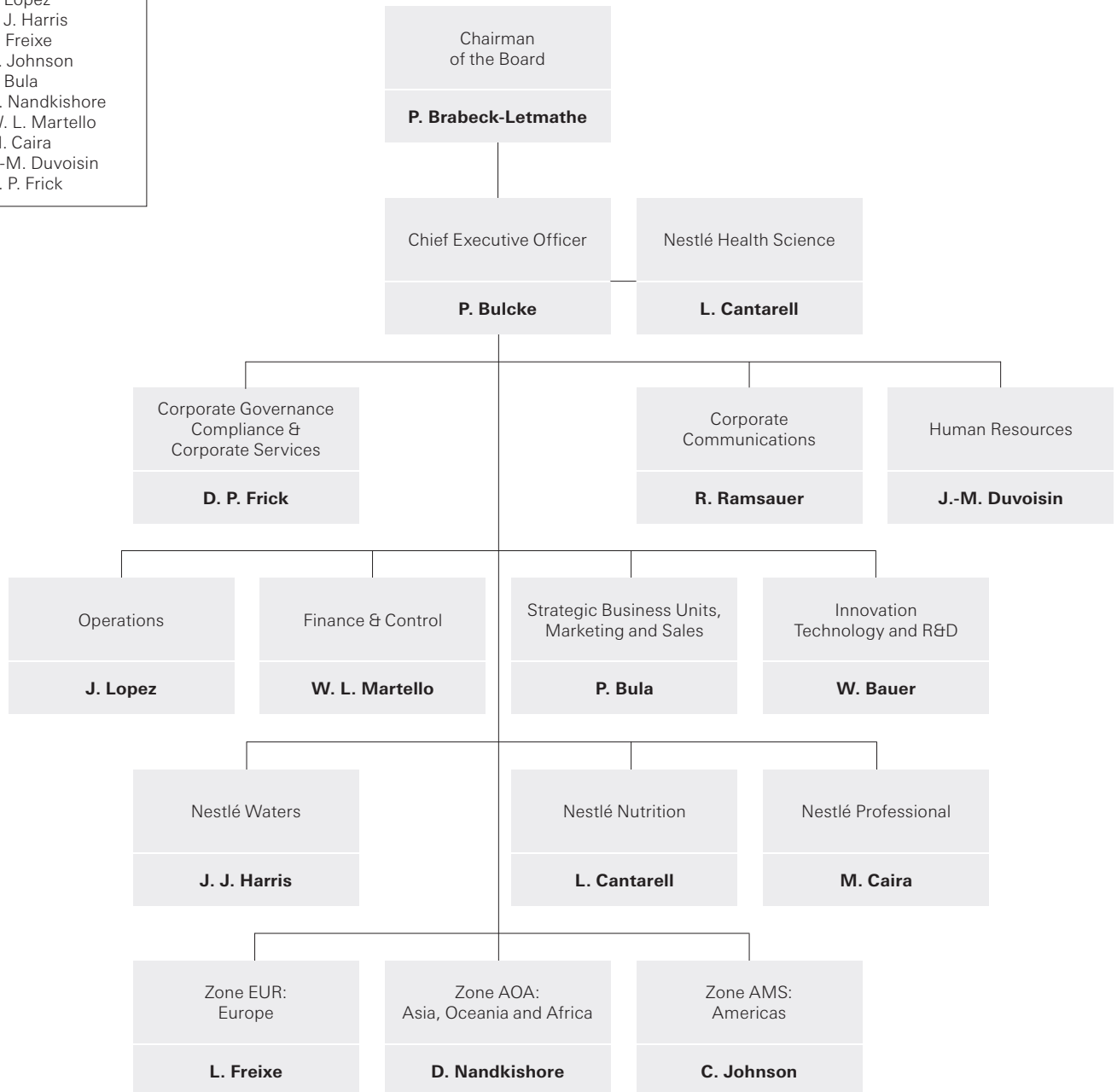
### Contact

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# General Organisation of Nestlé S.A.

31 December 2012

| Executive Board  |
|------------------|
| <b>P. Bulcke</b> |
| W. Bauer         |
| L. Cantarell     |
| J. Lopez         |
| J. J. Harris     |
| L. Freixe        |
| C. Johnson       |
| P. Bula          |
| D. Nandkishore   |
| W. L. Martello   |
| M. Caira         |
| J.-M. Duvoisin   |
| D. P. Frick      |







Appendix 1:

# Compensation Report 2012

# Compensation Report 2012

## Introduction

The future success of Nestlé is dependent on its ability to attract, motivate and retain good people. 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 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;
- appropriate balance of fixed and variable remuneration depending on hierarchical level to ensure a direct participation in results achieved.

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

## Changes to the compensation system

The Compensation Committee has decided on the following material changes to our compensation system for 2013:

- in line with current trends in top management compensation, the use of stock options for the Long-Term Incentive Plan will be discontinued as an instrument to deliver Long-Term Incentives to the members of the Executive Board. The Long-Term Incentive benefits will be delivered exclusively in the form of Performance Share Units;
- the Performance Criteria already used in the Performance Share Unit Plan 2012, i.e. the relative Total Shareholder Return and the Earnings per Share growth, will continue to be used with a weight of 50% for each of the two criteria. The grant levels remain unchanged;
- cash flow will be included as a new financial target for the Short-Term Bonus Plan.

## Governance

The Board of Directors has the overall responsibility for defining the compensation principles used in the Group. It approves the compensation of the members of the Board, its Chairman, the CEO and the Executive Board as a whole.

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                       |
|---|----------------------------|-----------------------------------|
| 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.

(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. The Committee consists of the Chairperson who is an independent and non-executive member of the Board, one of the Vice Chairmen of the Board and two other non-executive members of the Board.

The members of the CC and its Chairperson are appointed by the Board of Directors for one year.

On 31 December 2012, the composition of the CC was as follows:

| Chairman        | Members               |
|-----------------|-----------------------|
| Mr Daniel Borel | Mr Andreas Koopmann   |
|                 | Mr Jean-Pierre Meyers |
|                 | Mr Jean-Pierre Roth   |

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

### 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.

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

## Compensation 2012 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.

Members of a Board Committee receive the following additional fees:

|  | Chair       | Members     |
|--|-------------|-------------|
| Chairman's and Corporate Governance Committee <sup>(a)</sup> | –           | CHF 200 000 |
| Compensation Committee                                       | CHF 100 000 | CHF 40 000  |
| Nomination Committee   | CHF 100 000 | CHF 40 000  |
| Audit Committee  | CHF 150 000 | CHF 100 000 |

(a) The Chairman and the CEO receive no Committee fee.

## Committee membership on 31 December 2012

|                        | Chairman's and Corporate Governance Committee | Compensation Committee | Nomination Committee | Audit Committee |
|------------------------|---|------------------------|----------------------|-----------------|
| Peter Brabeck-Letmathe | • (Chair)                                     |                        | •                    |                 |
| Paul Bulcke            | •   |                        |                      |                 |
| Andreas Koopmann       | •   | •                      | • (Chair)            |                 |
| Rolf Hänggi            | •   |                        |                      | • (Chair)       |
| Beat Hess              | •   |                        |                      |                 |
| Daniel Borel           |   | • (Chair)              |                      |                 |
| Jean-Pierre Meyers     |   | •                      |                      |                 |
| André Kudelski         |   |                        |                      | •               |
| Steven G. Hoch         |   |                        | •                    |                 |
| Naina Lal Kidwai       |   |                        |                      | •               |
| Titia de Lange         |   |                        |                      |                 |
| Jean-Pierre Roth       |   | •                      |                      |                 |
| Ann M. Veneman         |   |                        | •                    |                 |
| Henri de Castries      |   |                        |                      | •               |

The above fees and allowances cover the period between the Annual General Meeting 2012 and the Annual General Meeting 2013. 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 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, discounted by 16.038% to account for the blocking period of three years. In 2012, the value was CHF 46.60.

## Summary of compensation

|   | Cash in CHF <sup>(a)</sup> | Number of shares | Discounted value of shares in CHF <sup>(b)</sup> | Total remuneration |
|---|----------------------------|------------------|--|--------------------|
| Peter Brabeck-Letmathe, Chairman <sup>(c)</sup>     | 1 600 000                  | 115 316          | 5 373 726  | 6 973 726          |
| Paul Bulcke, Chief Executive Officer <sup>(c)</sup> | –                          | –                | –  | –                  |
| Andreas Koopmann, 1 <sup>st</sup> Vice Chairman     | 325 000                    | 5 586            | 260 308  | 585 308            |
| Rolf Hänggi, 2 <sup>nd</sup> Vice Chairman          | 330 000                    | 5 676            | 264 502  | 594 502            |
| Beat Hess   | 255 000                    | 4 325            | 201 545  | 456 545            |
| Daniel Borel  | 205 000                    | 3 424            | 159 558  | 364 558            |
| Jean-Pierre Meyers                                  | 175 000                    | 2 883            | 134 348  | 309 348            |
| André Kudelski                                      | 205 000                    | 3 424            | 159 558  | 364 558            |
| Steven G. Hoch                                      | 175 000                    | 2 883            | 134 348  | 309 348            |
| Naïna Lal Kidwai                                    | 205 000                    | 3 424            | 159 558  | 364 558            |
| Titia de Lange                                      | 155 000                    | 2 523            | 117 572  | 272 572            |
| Jean-Pierre Roth                                    | 175 000                    | 2 883            | 134 348  | 309 348            |
| Ann M. Veneman                                      | 175 000                    | 2 883            | 134 348  | 309 348            |
| Henri de Castries                                   | 205 000                    | 3 424            | 159 558  | 364 558            |
| <b>Total for 2012</b>                               | <b>4 185 000</b>           | <b>158 654</b>   | <b>7 393 277</b>                                 | <b>11 578 277</b>  |
| <b>Total for 2011</b>                               | <b>4 340 000</b>           | <b>171 365</b>   | <b>7 510 927</b>                                 | <b>11 850 927</b>  |

(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) The Chairman and the Chief Executive Officer receive neither Board membership or Committee fees nor expense allowance.

In 2012, Mr Henri de Castries joined the Board as a new member. Mrs Carolina Müller-Möhl and Mr Jean-René Fourtou retired from the Board during 2012.

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 Nestlé Health Science and the direct leadership of Nestlé's interests in L'Oréal, Galderma and Laboratoires innéo. He also represented Nestlé at the European Round Table of Industrialists and at the Foundation Board of the World Economic Forum (WEF). All corresponding compensation is included in the disclosed amount. His total compensation was:

|                                   | 2012    |                  | 2011    |                  |
|-----------------------------------|---------|------------------|---------|------------------|
|                                   | Number  | Value in CHF     | Number  | Value in CHF     |
| Cash compensation                 |         | 1 600 000        |         | 1 600 000        |
| Blocked shares (discounted value) | 115 316 | 5 373 726        | 122 606 | 5 373 821        |
| <b>Total compensation</b>         |         | <b>6 973 726</b> |         | <b>6 973 821</b> |

**Shares and stock options ownership of the non-executive members of the Board of Directors and closely related parties on 31 December 2012**

|   | Number of shares held <sup>(a)</sup> | Number of options held <sup>(b)</sup> |
|---|--------------------------------------|---------------------------------------|
| Peter Brabeck-Letmathe, Chairman                | 2 556 377                            | 2 167 600                             |
| Andreas Koopmann, 1 <sup>st</sup> Vice Chairman | 78 559                               | –                                     |
| Rolf Hänggi, 2 <sup>nd</sup> Vice Chairman      | 78 116                               | –                                     |
| Beat Hess                                       | 20 141                               | –                                     |
| Daniel Borel                                    | 228 850                              | –                                     |
| Jean-Pierre Meyers                              | 1 428 457                            | –                                     |
| André Kudelski                                  | 53 460                               | –                                     |
| Steven G. Hoch                                  | 235 527                              | –                                     |
| Nāina Lal Kidwai                                | 19 640                               | –                                     |
| Titia de Lange                                  | 7 937                                | –                                     |
| Jean-Pierre Roth                                | 7 297                                | –                                     |
| Ann M. Veneman                                  | 5 565                                | –                                     |
| Henri de Castries                               | 3 424                                | –                                     |
| <b>Total as at 31 December 2012</b>             | <b>4 723 350</b>                     | <b>2 167 600</b>                      |
| Total as at 31 December 2011                    | 4 539 450                            | 2 733 600                             |

(a) Including blocked shares.

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

**Loans**

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

## Principles of compensation for members of the Executive Board

### 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 as well as the variable compensation is determined in line with collective and individual performance. Nestlé targets its remuneration to be between the median and the 75<sup>th</sup> percentile of the benchmark (please refer to page 32). Whenever appropriate, the benchmark values are adjusted for the size of Nestlé.

- **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 annual operating objectives. Long-Term Incentives are provided in the form of share-based instruments, therefore ensuring alignment with shareholders interests. In 2012, Long-Term Incentive instruments included Performance Share Units (PSUs), Options on Nestlé S.A. shares, which will be discontinued, and Restricted Stock Units (RSUs). These Long-Term Incentive instruments have a restriction (vesting) period of three years.

- **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.

## Elements of Executive Board compensation

Periodically, the Compensation Committee uses the services of 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 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 the individual contribution and the level of competitiveness against the benchmarks.

### 2. Short-Term Bonus

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

In 2012, the following target levels were applicable

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

For the CEO, 100% of the target is linked to Nestlé Group performance. For the other members of the Executive Board, 30% of the target is linked to the Nestlé Group performance and 70% is linked to individual performance (quantitative and qualitative objectives) as well as other relevant business or functional performance. 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.

The objectives are set at the beginning of each year; they are set in line with the Company's strategy. The Nestlé Group performance is determined by measurable operational objectives, most importantly organic growth, real internal growth, operating profit, as well as market share and working capital efficiency. Additional objectives used to evaluate Nestlé Group performance are related to the Nestlé strategic roadmap. Individual objectives are determined by the CEO for each member of the Executive Board. They are related to the individual area of responsibility and can be of financial or non-financial nature.

For competitive reasons Nestlé does not further specify the details of its objectives.

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.

### 3. Long-Term Incentives

In 2012, members of Nestlé's Executive Board were eligible to receive Long-Term Incentives in the form of Stock Options under the Management Stock Option Plan (MSOP) and Performance Share Units under the Performance Share Unit Plan (PSUP). The target grant value for Long-Term Incentives in 2012 was 150% of the Annual Base Salary for the CEO and 100% of the Annual Base Salary for the other members of the Executive Board. One half of the Long-Term Incentives grant was provided in the form of Stock Options and the other half in the form of Performance Share Units. The fair value of Long-Term Incentives at grant is determined by using generally accepted pricing models.

- In 2012, the **Management Stock Option Plan (MSOP)** provided non-tradable options on Nestlé S.A. shares. Each option gave the right to purchase at the exercise price one Nestlé S.A. share. The exercise price for the Stock Options corresponds to the average Nestlé S.A. share price of the last ten trading days preceding the grant date. The Stock Options vest three years after the grant. Upon vesting, the options have an exercise period of four years before they expire. The use of Stock Options will be discontinued.

- The **Performance Share Unit Plan (PSUP)** provides units which entitle participants to receive freely disposable Nestlé S.A. shares at the end of the three-year restriction period.

The level at which PSUs vest is determined by the degree by which the performance measure of the PSUP has been met. For the grant of PSU in 2012, a second performance measure was introduced. The two criteria are:

- the relative Total Shareholder Return of the Nestlé S.A. share in relation to the STOXX Europe 600 Food & Beverage Index;
- the growth of the underlying Earnings per Share in constant currencies.

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

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.

- The **Restricted Stock Unit Plan (RSUP)** provides units to a larger group of management which entitle participants to receive freely disposable Nestlé S.A. shares at the end of the three-year restriction period on a one for one ratio.

### 4. Other benefits

The Company limits other benefits to a minimum. Typical elements are a car allowance (there are no Company cars provided to the members of the Executive Board), a contribution towards health insurance premiums as well as long-term service awards in line with 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 is designed as a defined contribution plan with a retirement pension objective, expressed as a percentage of the Annual Base Salary.

This means that the 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 following benchmarks:

- STOXX Europe 50 index (without financial industry companies): this is the primary benchmark and includes the largest European companies;
- European Fast Moving Consumer Goods companies: this is a secondary benchmark and includes large and medium sized European companies which are operating in the same industry sector as Nestlé;
- large Swiss Market Index (SMI) companies: as another secondary benchmark this index includes industrial companies which are headquartered in Switzerland and reflects Swiss remuneration practices.



## Share ownership policy

The Company does not have a share ownership policy requiring members of the Executive Board to own and hold Nestlé S.A. shares.

## Loans

The Company does not, as a rule, grant loans, except that it may provide advances free of interest and 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.

## Contracts of employment and severance payments

Members of the Executive Board are subject to a notice period of six months. During this time, unless there was termination for cause, entitlement to Annual Base Salary and pro-rated Short-Term Bonus continue. Long-Term Incentives forfeit upon voluntary resignation or termination for cause (except vested Stock Options 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 or change of control provisions ("golden parachutes").

## Benchmarks

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

## Compensation 2012 for members of the Executive Board

The total compensation paid to members of the Executive Board in 2012 was CHF 43 882 674.

### Compensation for members of the Executive Board in CHF

|  | 2012              | 2011              |
|--|-------------------|-------------------|
| Annual Base Salary                                       | 13 628 333        | 13 059 165        |
| Short-Term Bonus (cash)                                  | 6 096 448         | 8 147 915         |
| Short-Term Bonus (discounted value of Nestlé S.A. share) | 8 364 277         | 6 173 378         |
| Stock Options (fair value at grant)                      | 6 797 288         | 7 050 204         |
| Performance Share Units (fair value at grant)            | 6 683 303         | 7 196 609         |
| Restricted Stock Units (fair value at grant)             | 270 593           | 447 864           |
| Other benefits   | 2 042 432         | 1 438 215         |
| <b>Total</b>   | <b>43 882 674</b> | <b>43 513 350</b> |
| % Fixed/Variable   | 35.7 – 64.3       | 33.3 – 66.7       |

The Company also made contributions of CHF 5 429 717 towards future pension benefits of the Executive Board members in line with Nestlé's Pension Benefit Policy described above (2011: CHF 3 883 588).

The above compensation table includes the following:

|  | 2012      | 2011      |
|--|-----------|-----------|
| Number of Nestlé S.A. shares granted                     | 156 254   | 137 645   |
| Number of Stock Options granted under the MSOP           | 1 497 200 | 1 272 600 |
| Number of Performance Share Units granted under the PSUP | 122 360   | 134 190   |
| Number of Restricted Stock Units granted under the RSUP  | 5 450     | 9 475     |

## Explanations

- On 31 December 2012, the Executive Board consisted of 13 members.
- Mr James Singh retired on 1 April 2012.
- Mr Kurt Schmidt left the Executive Board effective 1 December 2012.
- Mr Luis Cantarell was appointed member of the Executive Board effective 1 December 2012.
- Other benefits include 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 2013, discounted by 16.038% to account for the three-year blocking period.
- Stock Options granted in 2012 are disclosed at the fair value at grant date which corresponds to CHF 4.54.
- Performance Share Units granted in 2012 are disclosed at the fair value at grant, which corresponds to CHF 54.62.
- Restricted Stock Units granted in 2012 are disclosed at the fair value at grant, which correspond to CHF 49.65.
- The valuation of equity compensation plans mentioned in this report differs in some respect from compensation disclosures in Note 11 of the 2012 Consolidated Financial Statements of the Nestlé Group, which have been prepared in accordance with International Financial Reporting Standards (IFRS).
- Please also refer to Note 20.1 of the 2012 Consolidated Financial Statements of the Nestlé Group.

## Compensation for former members of the Executive Board

A fee of CHF 50 000 was conferred during 2012 to a former member of the Executive Board in compensation for ongoing services provided to the Company.

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

In 2012, the highest total compensation for a member of the Executive Board was conferred to Paul Bulcke, the CEO.

|  | 2012    |                  | 2011    |                  |
|--|---------|------------------|---------|------------------|
|  | Number  | Value in CHF     | Number  | Value in CHF     |
| Annual Base Salary                                       |         | 2 375 000        |         | 2 000 000        |
| Short-Term Bonus (cash)                                  |         | 223 035          |         | 856 045          |
| Short-Term Bonus (discounted value of Nestlé S.A. share) | 66 472  | 3 558 246        | 64 095  | 2 874 661        |
| Stock Options (fair value at grant)                      | 420 000 | 1 906 800        | 361 000 | 1 999 940        |
| Performance Share Units (fair value at grant)            | 34 300  | 1 873 466        | 38 040  | 2 040 085        |
| Other benefits   |         | 28 884           |         | 28 884           |
| <b>Total</b>   |         | <b>9 965 431</b> |         | <b>9 799 615</b> |
| % Fixed/Variable   |         | 24.1 – 75.9      |         | 20.7 – 79.3      |

The Company also made a contribution in 2012 of CHF 1 962 676 towards future pension benefits in line with Nestlé's Pension Benefit Policy described above (2011: CHF 949 676), as a consequence of having adjusted his base salary and decreased his variable compensation.

## Explanations

- Other benefits include a car allowance and a contribution towards health insurance premiums.
- 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 2013, discounted by 16.038% to account for the three-year blocking period.
- Stock Options granted in 2012 are disclosed at fair value at the time of grant which corresponds to CHF 4.54.
- Performance Share Units granted in 2012 are disclosed at fair value at grant, which corresponds to CHF 54.62.
- Please also refer to Note 20.1 of the 2012 Consolidated Financial Statements of the Nestlé Group.

## Shares and stock options held by members of the Executive Board

Total number of management stock options held on 31 December 2012 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                 | 1 611 470                 |
| 03.03.2011   | 03.03.2014   | 02.03.2018  | 52.58                 | 1 193 330                 |
| 05.03.2010   | 05.03.2013   | 04.03.2017  | 53.29                 | 783 800                   |
| 01.02.2009   | 01.02.2012   | 31.01.2016  | 40.53                 | 723 500                   |
| 01.02.2008   | 01.02.2011   | 31.01.2015  | 47.38                 | 297 000                   |
| 01.02.2007   | 01.02.2010   | 31.01.2014  | 44.50                 | 100 000                   |
| <b>Total</b> |              |             |                       | <b>4 709 100</b>          |

## Shares and stock options ownership of the members of the Executive Board and closely related parties on 31 December 2012

|                                      | Number of shares held <sup>(a)</sup> | Number of stock options held <sup>(b)</sup> |
|--------------------------------------|--------------------------------------|---|
| Paul Bulcke, Chief Executive Officer | 434 498                              | 1 737 000                                   |
| Werner Bauer                         | 231 527                              | 319 800                                     |
| Luis Cantarell                       | 87 610                               | 546 250                                     |
| José Lopez                           | 64 071                               | 395 600                                     |
| John J. Harris                       | 25 749                               | 384 400                                     |
| Laurent Freixe                       | 35 847                               | 261 400                                     |
| Chris Johnson                        | 20 158                               | 185 400                                     |
| Patrice Bula                         | 45 541                               | 171 400                                     |
| Doreswamy (Nandu) Nandkishore        | 63 674                               | 170 200                                     |
| Wan Ling Martello                    | –                                    | 121 100                                     |
| Marc Caira                           | –                                    | 229 950                                     |
| Jean-Marc Duvoisin                   | 63 028                               | 192 300                                     |
| David P. Frick                       | 34 453                               | –   |
| <b>Total as at 31 December 2012</b>  | <b>1 106 156</b>                     | <b>4 714 800</b>                            |
| Total as at 31 December 2011         | 872 473                              | 3 513 750                                   |

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

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

## Loans to members of the Executive Board

On 31 December 2012, there were no loans outstanding to any member of the Executive Board.

## Additional fees and remuneration

No additional fees and remunerations were conferred to any member of the Executive Board during 2012.



Appendix 2:

# Articles of Association of Nestlé S.A.

As revised on 19 April 2012

# Articles of Association of Nestlé S.A.

As revised on 19 April 2012

*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 322 480 000 (three hundred and twenty-two million four hundred and eighty thousand Swiss francs) divided into 3 224 800 000 fully paid up registered shares with a nominal value of CHF 0.10 each.

Article 3<sup>bis</sup>

### 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.

*\*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.*

#### 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.

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 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 and the Auditors of Nestlé;
- c) to approve the annual report and the consolidated financial statements;
- d) to approve the annual financial statements as well as the resolution on the use of the balance sheet profit, in particular, the declaration of dividends;
- e) to grant release to the members of the Board of Directors and the persons entrusted with management; and
- f) 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; Proxies**

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 deposited with banks, the Board of Directors may by means of regulations or agreements with banks 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 pursuant to the statutory rules on institutional shareholder representatives.



## 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 authorised 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 members of the Board of Directors shall be elected for a term of office of three years by the General Meeting. Each year the Board shall be renewed by rotation, to the extent possible in equal numbers and in such manner that, after a period of three years, all members will have been subject to re-election. Directors shall be elected individually.
- 2 In the event of an increase or a decrease in the number of Directors, the Board of Directors shall establish a new order of rotation. It follows that the term of office of some members may be less than three years.
- 3 Members of the Board of Directors whose term of office has expired shall be immediately eligible for re-election.
- 4 A year shall mean the period running between one Annual General Meeting and the next.

### Article 16

#### **Organisation of the Board; Remuneration**

- 1 The Board of Directors shall elect its Chairman and 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 define in the Board regulations pursuant to art. 19 par. 2 its organisation and the assignment of responsibilities.
- 3 The members of the Board of Directors are entitled to a directors' fee for their activities the amount of which is fixed by the Board of Directors.

### 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 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 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. Auditors

### Article 20

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

The General Meeting shall appoint, for a term of one year, 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. The Auditors shall submit their reports to the General Meeting. Their rights and duties shall be as set out in the Swiss Code of Obligations.

## 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 19 April 2012*