



Nestlé Good food, Good life

153rd Annual General Meeting of Nestlé S.A. Lausanne, 23 April 2020

Speeches

Paul Bulcke

Chairman of the Board

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Chief Executive Officer

Disclaimer

This speech might not reflect absolutely all exact words spoken.

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Address by Mr. Paul Bulcke

Chairman of the Board

Translation of the original French text. Check against delivery.

Ladies and Gentlemen, dear Shareholders,

I am speaking to you today in very unusual circumstances. I sincerely regret that we are unable to meet in person this year because of the pandemic that is affecting us all. It is our duty to keep our distance.

As we wrote in our letter to you, we have decided to hold this Nestlé Annual General Meeting of April 23, 2020 under restricted conditions. This is to ensure the smooth running of the Group while taking care of everyone's health.

We are living in unprecedented times. We are facing a crisis that affects us all, everywhere in the world. It is a moment that calls for solidarity and that requires each one of us to take responsibility and play our part. Nestlé, a food and beverage company with an international presence, is aware of its responsibilities. Nestlé is committed to securing the supply of its products to meet needs around the world, while safeguarding the safety and health of all its employees. In addition, Nestlé is carrying out major relief and community support efforts, adapted to local conditions.

With this in mind, I would like to express my admiration and to sincerely thank all our employees and our partners for their commitment and willingness to mobilize in this difficult period. Above all, I would like to thank those who are on the front line of our response to this situation. Their courage and determination, in these complex times, are exemplary.

I would also like to take this opportunity to pay tribute to José Lopez, a former member of the Executive Board, colleague and friend, who recently passed away following a brave battle against cancer. José was a dedicated leader with a tireless passion to make the world a better place. He was uncompromising in his commitment not only to quality and sustainable development, but above all to people. His personality and humanity left a deep impression on Nestlé and will remain in our memories.

Dear Shareholders, Ladies and Gentlemen,

Let us return to 2019. Nestlé continued to develop its business in a reliable and sustainable way, while building for the future by investing in innovation, research, its brands and its employees. In a very competitive and demanding business context, Nestlé delivered strong operating and financial results across all indicators.

These results validate Nestlé's long-term value creation model, which is based on the balanced pursuit of resource-efficient top- and bottom-line as well as improved capital efficiency. Together, these elements enable us to continue generating value for shareholders and for society, over time.

Our 'Nutrition, Health and Wellness' strategy is closely aligned with current and future opportunities and challenges; a strategy that is therefore increasingly relevant to both the success of the business and the prosperity of society.

It is based on a fundamental understanding of what the food and beverage industry must deliver today – namely high-quality food and nutritional products for all. Food and nutrition must be available, accessible and affordable for all, and must be produced in a sustainable manner that ensures resilient livelihoods and that respects nature and the planet's resources.

It is inspired by Nestlé's purpose: "enhancing quality of life and contributing to a healthier future." And it is put into practice through Creating Shared Value – the fundamental principle that determines how Nestlé conducts its business and that makes Nestlé a force for good in society.

It is Nestlé's long-standing belief that a company can only survive and be successful over time if it simultaneously creates value for all stakeholders in society: our shareholders, our employees, our consumers, our customers, our suppliers and our communities. Creating Shared Value – the 'how' – is closely linked to our business strategy – the 'what' – and to our purpose – the 'why'.

Dear Shareholders,

Nestlé's strategic direction continues to stand the test of time. It is complemented by the continual renewal of our Board of Directors. Over the last five years, including today's proposed nomination, Nestlé will have welcomed ten new independent directors to its Board of Directors, enhancing its diversity and adding new perspectives and experiences in different areas that are

highly relevant for our business. A critical task for the Board of Directors is to be able to ask all the right questions, in the right way and at the right time. Hence the diversity of our Board of Directors in terms of nationalities, genders, perspectives, experiences, expertise and skills.

With this in mind, we are today proposing the election of a new member to the Board of Directors – Mrs. Hanne Jimenez de Mora. Mrs. de Mora brings to the table her extensive expertise in management, which she acquired in particular as an entrepreneur and founder of successful companies.

I moreover take this opportunity to pay tribute to Beat Hess, who is retiring from the Board after 12 years of dedicated service. Beat has been a greatly valued and highly regarded member of our Board of Directors and several of our Committees. He has chaired the Compensation Committee for the past six years and was a member of the Audit Committee for three years. Since 2012, he has also shared his expertise as a member of the Chairman's and Corporate Governance Committee of Nestlé. During all these years, Beat has been an indispensable advisor on many subjects. I would like to thank him warmly for his valuable contributions to Nestlé.

Dear Shareholders, at Nestlé we have always firmly believed in consistency and dependability, and never more so than in these uncertain times. This consistency and this dependability are reflected in the proposal for a dividend of CHF 2.70 per share put forward by our Board of Directors today. This demonstrates the financial stability of the company, supported by prudent and responsible financial management, and on which so many of you have come to depend.

Ladies and Gentlemen,

We are currently going through an unprecedented crisis. At a time when we are facing not only health but also economic consequences, Nestlé is also looking to the future – a future that is surely even more complex and above all more ambiguous than ever.

We therefore have an obligation and a responsibility, not only to take part in the current urgent societal response, but also to remain level-headed and to continue to shape and build a more sustainable future, in the broadest sense, for all.

It is in this spirit that Nestlé is actively contributing, as in the past, to the search for and implementation of real and tangible solutions to environmental challenges.

In 2019, we announced our ambition to achieve zero net greenhouse gas emissions by 2050, a commitment that helps accelerate the actions and initiatives underway at Nestlé to address climate change. This is alongside our commitment to making 100% of our packaging recyclable or reusable by 2025. Through these commitments, and others besides, Nestlé is deploying its resources and expertise to support the transformation of the global food system in a relevant and sustainable way. As we do every year, we will continue to keep you informed of our concrete actions and our progress.

Ladies and Gentlemen, dear Shareholders,

Nestlé stands for consistency and dependability. These two elements are the hallmarks of our company – today, tomorrow and beyond. They are the result of individual and collective actions undertaken throughout the Nestlé Group. Let me then conclude by thanking, on behalf of the Board of Directors, all Nestlé employees around the world for their commitment, responsibility and dedication in 2019, as well as for their outstanding efforts at this time.

I firmly believe that our strategic focus on 'Nutrition, Health and Wellness' remains as relevant as ever to the expectations of the market and of society. It fully reflects the motivation that has been at the heart of Nestlé's purpose for more than 150 years: innovation in nutrition. Thanks to this drive, Nestlé will continue to deliver on its commitments. On behalf of the Board of Directors and Executive Board, I thank you, our shareholders, for your trust in, and commitment, to Nestlé.

I look forward to meeting you face-to-face next year under normal circumstances. Until then, stay safe and well.

I will now give the floor to our CEO, Mark Schneider.

Address by Mr. U. Mark Schneider

Chief Executive Officer

Thank you, Paul.

Dear Shareholders, Ladies and Gentlemen,

The COVID-19 crisis continues to impact all our lives in powerful ways. I would like to echo the words of our Chairman, Paul Bulcke, and express my regrets that due to this pandemic we are not able to meet with you in person this year.

Nestlé feels a special responsibility at this time. As a provider of food and beverage products we have an essential role to play. We will continue to do everything we can to produce and deliver food and beverage products to meet global demand at this time of need.

We are dedicated to safeguarding employee health with enhanced safety measures at all our sites. We are working hard to support our frontline employees, for example in factories and distribution centers, and to honor their additional efforts. In the event of temporary stoppages, for example due to government-enforced lockdowns, Nestlé will pay their salaries in full for a minimum of 12 weeks.

This is the time to demonstrate the values of our Nestlé family. Our people are leading substantial local relief efforts in the 187 countries where we operate. From food bank donations to partnering with relief organizations, I am humbled by how our team is helping.

Let me take this opportunity to express my deep gratitude to our employees worldwide. Nestlé owes its resilience and position in the food industry to them. Their passion for our consumers as well as their dedication to serving their communities are truly impressive.

Now let's turn to Nestlé's financial performance in 2019. It was a successful year. We also made significant progress in our portfolio transformation, implementing all strategic moves announced during the year and more.

The 2019 results are very encouraging and fully in line with the guidance we gave you. The Group reported sales of 92.6 billion Swiss francs. Organic growth increased to 3.5%. Underlying trading operating profit, which excludes restructuring costs and other items, reached 16.3 billion Swiss francs.

Nestlé's underlying trading operating profit margin was 17.6%, up 60 basis points in constant currency from the previous year. We reached our 2020 target range of 17.5% to 18.5% one year ahead of plan. By driving organic revenue growth, profitability and capital efficiency at the same time, we assure long-term success for the company and for you, our shareholders.

Our net profit attributable to shareholders increased by nearly 24% to 12.6 billion Swiss francs. This corresponds to earnings per share of CHF 4.30. Our net profit benefited from the sale of Nestlé Skin Health. Underlying earnings per share increased by 11.1% in constant currency and by 9.8% on a reported basis.

Free cash flow increased by nearly 11% to 11.9 billion Swiss francs, mainly due to higher operating profit and disciplined capital expenditure.

This substantial free cash flow allowed a significant return to you – our shareholders – of 16.9 billion Swiss francs through share buybacks and dividends.

We believe strongly in being dependable, especially in this time of uncertainty. Reliable and timely dividend payments are of significant value to many of our shareholders. In that spirit, we are pleased to propose today a dividend of CHF 2.70 per share.

Central to these reliable shareholder returns is a commitment to innovation and creating shared value.

Launching innovation at speed and scale is fundamental for Nestlé. This priority is reflected in our research and development budget – the highest in the industry.

The successful launch of our Starbucks range last year demonstrates this commitment. Fast innovation drove rapid product rollout across 40 countries, with a very positive response from consumers.

Our responsiveness to the market is also evident in last year's launch of plant-based hamburgers in Europe and the United States. Plant-based analogues for ground beef, meatballs, sausages and chicken also hold great promise.

These two examples highlight our strength and ability to bring must-have products to the market, fast.

Creating shared value – for shareholders and for society at large guides us in our approach to business. This fundamental conviction dates back to our company's origins.

Individuals, communities and society are increasingly looking to companies for leadership in tackling the major environmental and societal problems we are facing. This past year, we have reaffirmed our sustainability leadership through bold commitments and decisive actions, in particular around sustainable packaging.

It is important that we consider all possible solutions to reduce packaging waste. Therefore, we are investing 250 million Swiss francs into a venture fund to explore better sustainable packaging options, including refillable containers and biodegradable materials. To accelerate this work, we inaugurated the Institute of Packaging Sciences to support our efforts for a waste-free future.

One challenge is that most plastic is made from fossil fuels. Recycled plastics approved for contact with food are scarce. For this reason, we are investing more than 1.5 billion Swiss francs to create incentives for potential suppliers. By committing to purchase up to 2 million metric tons of food-grade recycled plastics in the next five years at a premium, we aim to boost recycling rates for the entire industry.

In addition to supporting innovative and sustainable packaging solutions, we are taking action to help remove plastic waste from the environment. Last year, over 19 000 employees and family members gathered worldwide to remove 140 tons of plastic waste from beaches, rivers and lakeshores. From Australia to right here on the shores of Lake Geneva, Nestlé team members from the shop floor to the Executive Board showed that they care deeply about the environment. We are looking forward to repeating this event in 2020 and beyond.

Ladies and Gentlemen, we believe that business can – and should – be a force for good. Looking ahead, Nestlé continues its commitments to innovation, growth, efficiency and sustainability. This is how we are positioning Nestlé for sustainable success – for you, our shareholders, and for society at large.

I thank you for your commitment and your trust. Please stay healthy and safe. We look forward to seeing you in person in 2021.



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