



Nestlé

Good Food, Good Life

Invitation to the Annual General Meeting 2014 of Nestlé S.A.

**147th Annual
General Meeting
Thursday, 10 April 2014,
at 2:30 p.m.,
at Beaulieu Lausanne,
Avenue des Bergières 10,
1004 Lausanne,
Switzerland**



Letter from the Chairman

Dear Shareholder,

Let me first acknowledge the strong performance of our management under the leadership of our CEO, Mr Paul Bulcke. The Company yet again delivered solid growth across all businesses, improved margins and an increase in the underlying earnings per share in a very challenging environment.

At our upcoming shareholders meeting, we will have the opportunity to thank Mr Jean-Pierre Meyers, who will retire from our Board after many years of highly appreciated services to our Company. For several years he also served on the Board's Audit and Compensation Committees.

At the same time we will propose to you the re-election of all Board members standing for re-election as required by the revised Swiss corporate law that went into effect on January 1, 2014. Once you have elected all members of the Board, we will propose to you the election of the Chairman and the members of the Compensation Committee in separate votes. This embodies both the literal text and, importantly, the spirit of the new law.

This leads me to another important agenda item, which is the revision of our Articles of Association triggered by the new law. We propose this revision a year ahead of legal requirements in order to create the legal certainty that we need for our company and to live up to our own commitment to be at the forefront of corporate governance practices in Switzerland. The revision is explained in more detail in the enclosed Report by the Board of Directors.

Our proposed new Articles aim to implement the new law in a principle based approach and try at best to avoid unintended consequences. Let me highlight a few provisions.

By choosing a prospective approach to the approval of the compensation of the Board and the Executive Board, we want to provide maximum transparency and fairness to our shareholders, while we preserve the stability that we need to run our company efficiently and competitively. At the same time, to ensure complete transparency, we will commit in our Articles to maintain our established practice of submitting our Compensation Report annually to a separate, consultative vote of shareholders on a retrospective basis. This will give shareholders a complete picture of our compensation system and will allow them

to compare the compensation payout with the maximum compensation approved in the prior year.

Other provisions relate to the powers of the general meeting, the exercise of voting rights, the powers of the Compensation Committee, principles of compensation, and the number of mandates outside Nestlé that our Board and Executive Board members can hold. It is worthwhile mentioning that in our case each outside mandate in a listed or non-listed company by a member of the Executive Board will be subject to a specific approval by the Board of Directors.

We have implemented the new requirements aiming to reflect international best governance and help establish best practices on the new Swiss requirements, which are unique. Accordingly, we pursue a balanced approach that reconciles the views from our Swiss and international shareholders.

In line with Swiss law and practice, we propose to vote on the new Articles in a single vote. This eliminates the risk of conflicting votes on different parts of the Articles and reflects the comprehensiveness of the new law, which was adopted by the Swiss people in a single vote as well.

The new law will have a profound influence on the governance of Swiss corporations. Some consequences were intended – like the greater “say on pay” by shareholders or the empowerment of the Chairman and the Compensation Committee. Other consequences were probably unintended – like the transfer of power from boards of directors with a strong Swiss presence to more international shareholders and proxy advisors, the more legalistic nature of the shareholder meeting and the potential advancement of short-termism.

In line with the above, we are reinforcing our communication with our shareholders and other stakeholders on the basis of our commitment, set forth in our Articles of Association, to aim for long-term, sustainable value creation. The new legal framework gives our shareholders new powers and responsibilities. It is therefore of increased importance that you exercise your voting rights. To facilitate this we are now offering shareholders the opportunity to give voting instructions to the Independent Representative not only in writing but also over the internet (see enclosed account opening form).

Thank you again for the trust that you have placed in our Company. We do all we can to honour it. I count on your active participation and look forward to seeing you in Lausanne on 10 April 2014.

Yours sincerely,



Peter Brabeck-Letmathe
Chairman of the Board

For information only

Agenda and Proposals of the Board of Directors

1 Annual Report 2013

1.1 Annual Report, financial statements of Nestlé S.A. and consolidated financial statements of the Nestlé Group for 2013; reports of the statutory auditors

Proposal

Approval of the Annual Report, the financial statements of Nestlé S.A. and the consolidated financial statements of the Nestlé Group for 2013

1.2 Advisory vote on the Compensation Report 2013

Proposal

Acceptance of the Compensation Report 2013 (advisory vote)

Explanation

As per our practice established five years ago, the Board of Directors submits the Compensation Report 2013 to a separate advisory vote of the shareholders in accordance with the Swiss Code of Best Practice for Corporate Governance. The Compensation Report is part of the Corporate Governance Report, included in the Annual Report. It is available on the internet (www.nestle.com) or from the Share Transfer Office in Cham.

2 Release of the Board of Directors and of the Management

Proposal

Release of the members of the Board of Directors and of the Management

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

Proposal

Retained earnings

Balance brought forward from 2012	CHF	4 757 545
Profit for the year 2013	CHF	7 457 959 285
	CHF	<u>7 462 716 830</u>

Proposed appropriation

Dividend for 2013, CHF 2.15 per share on 3 221 645 395 shares ¹	CHF	<u>6 926 537 599</u>
Balance to be carried forward	CHF	<u>536 179 231</u>

Provided that the proposal of the Board of Directors is approved, the gross dividend will amount to CHF 2.15 per share, representing a net amount of CHF 1.3975 per share after payment of the Swiss withholding tax of 35%. The last trading day with entitlement to receive the dividend is 11 April 2014. The shares will be traded ex-dividend as of 14 April 2014. The net dividend will be payable as from 17 April 2014.

4 **Revision of the Articles of Association – Adaptation to new Swiss Company Law**

Proposal

Approval of the proposed revised Articles of Association as published in the Swiss Official Gazette of Commerce

Explanation

Please refer to the Report of the Board of Directors on the Revision of the Articles of Association. The text of the proposed revised Articles of Association is included in the Report of the Board of Directors and published on our website (www.nestle.com) as well as in the Swiss Official Gazette of Commerce.

¹ Depending on the number of shares issued as of the last trading day with entitlement to receive the dividend (11 April 2014). No dividend is paid on own shares held by the Nestlé Group. The respective amount will be attributed to the special reserve.

5 Elections

5.1 Re-elections to the Board of Directors

Proposal

Individual re-election of Messrs Peter Brabeck-Letmathe, Paul Bulcke, Andreas Koopmann, Rolf Hänggi, Beat Hess, Daniel Borel, Steven G. Hoch, Ms Naina Lal Kidwai, Ms Titia de Lange, Mr Jean-Pierre Roth, Ms Ann M. Veneman, Mr Henri de Castries and Ms Eva Cheng as members of the Board of Directors (each for a term of office until the end of the next Annual General Meeting)

Explanation

At the Annual General Meeting of 10 April 2014 the mandate as Director of Mr Jean-Pierre Meyers will expire. Having joined the Board of Directors in 1991, Mr Meyers served on the Audit Committee from 2002 until 2008 and on the Compensation Committee from 2009 on. He does not wish to stand for further re-election. The Board wishes to extend its gratitude to Mr Jean-Pierre Meyers for his highly appreciated services during all those years.

According to the new legal requirements, the Board thus proposes the individual re-election of each of the following Directors, who have provided most valuable services to the Company as members of the Board of Directors:

- 5.1.1 Mr Peter Brabeck-Letmathe, Austrian, born 1944, former CEO (Administrateur délégué) of Nestlé S.A., Chairman of the Board of Directors, Chairman of the Chairman's and Corporate Governance Committee and member of the Nomination Committee. 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 Exxon Mobil Corporation, USA.
- 5.1.2 Mr Paul Bulcke, Belgian, born 1954, CEO of Nestlé S.A., Member of the Chairman's and Corporate Governance Committee. As a representative of Nestlé S.A., he serves as a Board member of L'Oréal S.A., France. He is also a Board member of Roche Holding Ltd., Switzerland.

- 5.1.3 Mr Andreas Koopmann, Swiss, born 1951, 1st Vice Chairman of the Board of Directors, Chairman of the Nomination Committee, member of the Chairman's and Corporate Governance Committee and of the Compensation Committee. He also serves as Chairman of Georg Fischer AG, Switzerland, and is a Board member of Credit Suisse Group, Switzerland, as well as of CSD Group, Switzerland.
- 5.1.4 Mr Rolf Hänggi, Swiss, born 1943, 2nd Vice Chairman of the Board of Directors, Chairman of the Audit Committee and member of the Chairman's and Corporate Governance Committee. Mr Rolf Hänggi is a private consultant and was formerly Deputy CEO and a Board member of Zurich Insurance Company, Switzerland, Vice Chairman of Roche Holding Ltd., Switzerland, and served as well as Chairman of Rüd, Blass & Cie AG, Switzerland.
- 5.1.5 Mr Beat Hess, Swiss, born 1949, member of the Chairman's and Corporate Governance Committee. He currently serves as Vice Chairman of Holcim Ltd, Switzerland, and of Sonova Holding AG, Switzerland, and was Group Legal Director and member of the Group Executive Committee of Royal Dutch Shell plc, The Hague, Netherlands.
- 5.1.6 Mr Daniel Borel, Swiss, born 1950, member of the Compensation Committee. He is co-founder and member of the Board of Directors of Logitech International S.A., Switzerland.
- 5.1.7 Mr Steven G. Hoch, American/Swiss, born 1954, member of the Nomination Committee. He is the CEO of Highmount Capital, LLC, USA.
- 5.1.8 Ms Naina Lal Kidwai, Indian, born 1957, member of the Audit Committee. She is the Country Head of the HSBC Group of Companies in India and Group General Manager of HSBC and a member of the Board of Directors of HSBC Asia Pacific.
- 5.1.9 Ms Titia de Lange, Dutch, born 1955, is Professor at the Rockefeller University, New York, where she holds the Leon Hess Professorship as well. She is also the Director of the Anderson Cancer Center at that same University.

- 5.1.10 Mr Jean-Pierre Roth, Swiss, born 1946, member of the Compensation Committee. He serves as Chairman of the Board of Directors of Geneva Cantonal Bank, Switzerland, is a Board member of Swatch Group, Switzerland, and of Swiss Re, Switzerland. Formerly he was the Chairman of the Governing Board of the Swiss National Bank.
- 5.1.11 Ms Ann M. Veneman, American, born 1949, member of the Nomination Committee. She also serves as a Board member of Alexion Pharmaceuticals, Inc., USA, and of S&W Seed Company, USA, and was formerly Secretary of the U.S. Department of Agriculture and Executive Director of the United Nations Children's Fund.
- 5.1.12 Mr Henri de Castries, French, born 1954, member of the Audit Committee. He also serves as Chairman and Chief Executive Officer of the AXA Group, France.
- 5.1.13 Ms Eva Cheng, Chinese, born 1952, former Corporate Executive Vice President of Amway Corporation responsible for Asian markets and Executive Chairman of Amway China Co. Ltd. She is a Board member of Trinity Limited, Esprit Holdings Ltd., Haier Electronics Group Co. Ltd. and Link Management Ltd. All four companies are listed in Hong Kong, China. Ms Cheng is also a Board Member of Amway (Malaysia) Holdings Berhad, Malaysia (until April 2014).

For further details on the nominees as well as their qualifications, see biographies in the Corporate Governance Report 2013 or on the internet (www.nestle.com).

5.2 Election of the Chairman of the Board of Directors

Proposal

Election of Mr Peter Brabeck-Letmathe as Chairman of the Board of Directors (for a term of office until the end of the next Annual General Meeting)

Explanation

According to the new legal requirements, the Board proposes the election of Mr Peter Brabeck-Letmathe as Chairman of the Board of Directors.

5.3 Election of the members of the Compensation Committee

Proposal

Individual election of Messrs Beat Hess, Daniel Borel, Andreas Koopmann and Jean-Pierre Roth as members of the Compensation Committee (each for a term of office until the end of the next Annual General Meeting)

Explanation

According to the new legal requirements, the Board proposes the individual election of each of the following Directors as members of the Compensation Committee. If elected, Mr Beat Hess will be appointed Chairman of the Compensation Committee.

5.3.1 Mr Beat Hess

5.3.2 Mr Daniel Borel

5.3.3 Mr Andreas Koopmann

5.3.4 Mr Jean-Pierre Roth

5.4 Re-election of the statutory auditors

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

Proposal

Re-election of KPMG SA, Geneva branch (for a term of office until the end of the next Annual General Meeting)

5.5 Election of the Independent Representative

Proposal

Election of the law firm Hartmann Dreyer, Attorneys-at-law, Boulevard de Pérolles 7, 1701 Fribourg, Switzerland, as Independent Representative (for a term of office until the end of the next Annual General Meeting)

Explanation

According to the new legal requirements, the Board proposes the election of the law firm Hartmann Dreyer to serve as Independent Representative until the end of the Annual General Meeting 2015.

Admission cards, proxies, documentation

Admission cards

Only shareholders who are on record in the share register with voting rights on 3 April 2014 at 12:00 noon (CEST) are entitled to exercise their voting rights. The registration of shares for voting purposes does not affect the tradeability of such shares.

All shareholders registered with voting rights on 20 March 2014 will automatically receive by mail the invitation to the Annual General Meeting. They may then order their admission card at any time by 3 April 2014, at the latest, from the Share Transfer Office in Cham by means of the enclosed reply form.

Shareholders whose registration in the share register with voting rights is made on or after 21 March 2014 until 3 April 2014 at 12:00 noon (CEST) and who wish to attend the Annual General Meeting are asked to contact the Share Transfer Office to order an admission card. Only shareholders or their duly appointed representative will be entitled to participate in the Annual General Meeting.

Proxies

If you are unable to attend the Annual General Meeting in person, you can be represented either by another person duly appointed by you, or by the Independent Representative, Mr Jean-Ludovic Hartmann, attorney-at-law, Boulevard de Pérolles 7, 1701 Fribourg, Switzerland. The enclosed reply form can be used to grant a proxy as well as to give voting instructions to the Independent Representative. The reply form is to be sent to the Share Transfer Office in Cham or directly to the Independent Representative by using the appropriate envelope.

You alternatively have the possibility to give voting instructions to the Independent Representative electronically. If you wish to do so, please follow the "Sherpany Account Opening Instructions" and send the attached "Sherpany Account Opening Form" to the Share Transfer Office in Cham in order to validate your access to the electronic platform "Sherpany". If you have already registered with "Sherpany" you can provide voting instructions once you have added Nestlé S.A. to your personal list on said electronic platform.

Documentation

You will find enclosed the summary of the Annual Report 2013 which will give you a brief overview of the financial results of the business year 2013 of Nestlé S.A. and of the Nestlé Group. If you wish to have more detailed information on the financial results and an insight into our different areas of activity, we invite you to order the full Annual Report 2013 (which includes the Corporate Governance and Compensation Reports 2013) by ticking the corresponding box on the enclosed reply form. Should you also wish to receive the Half-Yearly Report January-June 2014, which will be published in August 2014, we invite you to tick the corresponding box on the same reply form. These documents will also be available on our website (www.nestle.com). Further, the Annual Report 2013 containing the financial statements of Nestlé S.A., the consolidated financial statements of the Nestlé Group and the reports of the statutory auditors will be available for inspection by the shareholders from 11 March 2014, at Nestlé's registered offices located at Avenue Nestlé 55, 1800 Vevey, Switzerland.

Please address all correspondence regarding the Annual General Meeting to the Share Transfer Office of Nestlé S.A., P.O. Box 380, 6330 Cham, Switzerland, telephone +41 41 785 20 20, telefax +41 41 785 20 24 or e-mail shareregister@nestle.com.

Nestlé S.A.
Board of Directors

Cham and Vevey (Switzerland), 11 March 2014



Nestlé

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