

Nestlé

Land	Schweiz
Versammlungstermin	Donnerstag, 18. April 2024 14:30
Versammlungsort	SwissTech Convention Center EPFL, rue Louis-Favre 2, 1024 Ecublens / Lausanne
Art der Versammlung	Ordentliche Generalversammlung
Wertpapiere	ISIN CH0038863350, Valor number 3886335

Schwerpunkte der Generalversammlung

PUNKT 1.2 - Konsultativabstimmung über den Vergütungsbericht. Die Transparenz des Vergütungsberichts ist ungenügend. Der Zusammenhang zwischen Vergütung und Performance ist nicht gegeben. Die Vergütungsstruktur genügt den Richtlinien von Ethos nicht. Ethos empfiehlt DAGEGEN zu stimmen (Punkt 5.2.a der Ethos Richtlinien).

PUNKT 1.3 - Genehmigung des Nachhaltigkeitsberichts. Der Bericht entspricht nicht einem anerkannten Standard. Der Bericht enthält keine ambitionierten und quantifizierbaren Ziele für alle wesentlichen Themen. Das Unternehmen legt keine jährliche Abstimmung über seinen Klimabericht vor und der Bericht genügt den Richtlinien von Ethos nicht. Das Unternehmen ist von schwerwiegenden Kontroversen betroffen, die nicht im Nachhaltigkeitsbericht behandelt werden. Ethos empfiehlt DAGEGEN zu stimmen (Punkte 2.1.a, 2.1.d, 2.1.f und 2.1.j der Ethos Richtlinien).

PUNKT 4.1.2 - Wiederwahl von Herrn Dr. Ulf Mark Schneider. Er ist gleichzeitig dauerhaftes Mitglied der Geschäftsleitung (CEO). Ethos empfiehlt DAGEGEN zu stimmen (Punkt 3.2.a der Ethos Richtlinien).

PUNKT 5.2 - Verbindliche prospektive Abstimmung über die gesamte Vergütung der Geschäftsleitung. Die gelieferten Informationen sind ungenügend. Die Struktur der Vergütung genügt den Richtlinien von Ethos nicht. Ethos empfiehlt DAGEGEN zu stimmen (Punkte 5.6.a und 5.6.d der Ethos Richtlinien).

PUNKT 7 - Aktionärsantrag: Änderung der Statuten betreffend den Verkauf von gesünderen und weniger gesunden Nahrungsmitteln. Der Antrag ist klar formuliert und ordnungsgemäss begründet. Der Antrag zielt darauf ab, die Praktiken des Unternehmens im Bereich Sozialverantwortung zu verbessern. Der Antrag ist mit den langfristigen Interessen der Mehrheit der Anspruchsgruppen des Unternehmens vereinbar. Ethos empfiehlt DAFÜR zu stimmen (Punkte 9.1, 9.2 und 9.3 der Ethos Richtlinien).

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1. Generalversammlungs-Übersicht

1.1 Stimmempfehlungen an dieser Generalversammlung

Traktandum	Vorschlag		Stimmempfehlung Ethos	VR Empfehlung
1.1	Genehmigung des Jahresberichts, der Jahresrechnung und der Konzernrechnung		DAFÜR	DAFÜR
1.2	Konsultativabstimmung über den Vergütungsbericht	●	DAGEGEN	DAFÜR
1.3	Genehmigung des Nachhaltigkeitsberichts	●	DAGEGEN	DAFÜR
2	Entlastung der Mitglieder des Verwaltungsrats und der Geschäftsleitung		DAFÜR	DAFÜR
3	Verwendung des Bilanzgewinns und Festsetzung der Dividende		DAFÜR	DAFÜR
4.1	Wahlen in den Verwaltungsrat			
4.1.1	Wiederwahl von Herrn Paul Bulcke als Mitglied und Präsident des Verwaltungsrats		DAFÜR	DAFÜR
4.1.2	Wiederwahl von Herrn Dr. Ulf Mark Schneider	●	DAGEGEN	DAFÜR
4.1.3	Wiederwahl von Herrn Dr. Renato Fassbind		DAFÜR	DAFÜR
4.1.4	Wiederwahl von Herrn Pablo Isla Álvarez de Tejera		DAFÜR	DAFÜR
4.1.5	Wiederwahl von Herrn Prof. Dr. Patrick Aebischer		DAFÜR	DAFÜR
4.1.6	Wiederwahl von Herrn Dick Boer		DAFÜR	DAFÜR
4.1.7	Wiederwahl von Herrn Dinesh C. Paliwal		DAFÜR	DAFÜR
4.1.8	Wiederwahl von Frau Hanne de Mora		DAFÜR	DAFÜR
4.1.9	Wiederwahl von Frau Lindiwe Majele Sibanda		DAFÜR	DAFÜR
4.1.10	Wiederwahl von Frau Chris Leong		DAFÜR	DAFÜR
4.1.11	Wiederwahl von Herrn Luca Maestri		DAFÜR	DAFÜR
4.1.12	Wiederwahl von Herrn Rainer M. Blair		DAFÜR	DAFÜR
4.1.13	Wiederwahl von Frau Marie-Gabrielle Ineichen-Fleisch		DAFÜR	DAFÜR
4.2	Neuwahl von Frau Geraldine Matchett		DAFÜR	DAFÜR
4.3	Wahlen in den Vergütungsausschuss			
4.3.1	Wiederwahl von Herrn Dick Boer als Mitglied des Vergütungsausschusses		DAFÜR	DAFÜR
4.3.2	Wiederwahl von Herrn Prof. Dr. Patrick Aebischer als Mitglied des Vergütungsausschusses		DAFÜR	DAFÜR
4.3.3	Wiederwahl von Herrn Pablo Isla Álvarez de Tejera als Mitglied des Vergütungsausschusses		DAFÜR	DAFÜR
4.3.4	Wiederwahl von Herrn Dinesh C. Paliwal als Mitglied des Vergütungsausschusses		DAFÜR	DAFÜR
4.4	Wiederwahl von Ernst & Young als Revisionsstelle		DAFÜR	DAFÜR

4.5	Wiederwahl von Hartmann Dreyer als unabhängigen Stimmrechtsvertreter		DAFÜR	DAFÜR
5.1	Verbindliche prospektive Abstimmung über die gesamte Vergütung des Verwaltungsrats		DAFÜR	DAFÜR
5.2	Verbindliche prospektive Abstimmung über die gesamte Vergütung der Geschäftsleitung	●	DAGEGEN	DAFÜR
6	Kapitalherabsetzung durch Vernichtung von zurückgekauften Aktien		DAFÜR	DAFÜR
7	Aktionärsantrag: Änderung der Statuten betreffend den Verkauf von gesünderen und weniger gesunden Nahrungsmitteln	●	DAFÜR	DAGEGEN
	Nicht vorgängig traktandierte Anträge von Aktionären/Aktionärinnen	●	DAGEGEN	

1.2 Abstimmungsergebnisse der Generalversammlung vom Donnerstag, 20. April 2023

Traktandum	Vorschlag	% JA	Resultat	Stimmempfehlung Ethos	VR Empfehlung
1.1	Genehmigung des Jahresberichts, der Jahresrechnung und der Konzernrechnung	100%	Annahme	DAFÜR	DAFÜR
1.2	Konsultativabstimmung über den Vergütungsbericht	82%	Annahme	● DAGEGEN	DAFÜR
2	Entlastung der Mitglieder des Verwaltungsrats und der Geschäftsleitung	95%	Annahme	● DAGEGEN	DAFÜR
3	Verwendung des Bilanzgewinns und Festsetzung der Dividende	100%	Annahme	DAFÜR	DAFÜR
4	Wahlen in den Verwaltungsrat		-		
4.1.1	Wiederwahl von Herrn Paul Bulcke als Mitglied und Präsident des Verwaltungsrats	91%	Annahme	DAFÜR	DAFÜR
4.1.2	Wiederwahl von Herrn Dr. Ulf Mark Schneider	89%	Annahme	● DAGEGEN	DAFÜR
4.1.3	Wiederwahl von Herrn Grafen Henri de La Croix de Castries	91%	Annahme	DAFÜR	DAFÜR
4.1.4	Wiederwahl von Herrn Dr. Renato Fassbind	99%	Annahme	DAFÜR	DAFÜR
4.1.5	Wiederwahl von Herrn Pablo Isla Álvarez de Tejera	99%	Annahme	DAFÜR	DAFÜR
4.1.6	Wiederwahl von Herrn Prof. Dr. Patrick Aebischer	99%	Annahme	DAFÜR	DAFÜR
4.1.7	Wiederwahl von Frau Kimberly Ross	99%	Annahme	DAFÜR	DAFÜR
4.1.8	Wiederwahl von Herrn Dick Boer	99%	Annahme	DAFÜR	DAFÜR
4.1.9	Wiederwahl von Herrn Dinesh Paliwal	93%	Annahme	DAFÜR	DAFÜR
4.1.10	Wiederwahl von Frau Hanne de Mora	99%	Annahme	DAFÜR	DAFÜR
4.1.11	Wiederwahl von Frau Lindiwe Majele Sibanda	99%	Annahme	DAFÜR	DAFÜR
4.1.12	Wiederwahl von Frau Chris Leong	99%	Annahme	DAFÜR	DAFÜR
4.1.13	Wiederwahl von Herrn Luca Maestri	99%	Annahme	DAFÜR	DAFÜR
4.2.1	Neuwahl von Herrn Rainer Blair	99%	Annahme	DAFÜR	DAFÜR
4.2.2	Neuwahl von Frau Marie-Gabrielle Ineichen-Fleisch	99%	Annahme	DAFÜR	DAFÜR

4.3	Wahlen in den Vergütungsausschuss	-			
4.3.1	Wiederwahl von Herrn Pablo Isla Álvarez de Tejera als Mitglied des Vergütungsausschusses	94%	Annahme		<i>DAFÜR</i> <i>DAFÜR</i>
4.3.2	Wiederwahl von Herrn Prof. Dr. Patrick Aebischer als Mitglied des Vergütungsausschusses	97%	Annahme		<i>DAFÜR</i> <i>DAFÜR</i>
4.3.3	Wiederwahl von Herrn Dick Boer als Mitglied des Vergütungsausschusses	97%	Annahme		<i>DAFÜR</i> <i>DAFÜR</i>
4.3.4	Wiederwahl von Herrn Dinesh C. Paliwal als Mitglied des Vergütungsausschusses	84%	Annahme		<i>DAFÜR</i> <i>DAFÜR</i>
4.4	Wiederwahl von Ernst & Young als Revisionsstelle	99%	Annahme		<i>DAFÜR</i> <i>DAFÜR</i>
4.5	Wiederwahl von Hartmann Dreyer als unabhängigen Stimmrechtsvertreter	100%	Annahme		<i>DAFÜR</i> <i>DAFÜR</i>
5.1	Verbindliche prospektive Abstimmung über die gesamte Vergütung des Verwaltungsrats	97%	Annahme		<i>DAFÜR</i> <i>DAFÜR</i>
5.2	Verbindliche prospektive Abstimmung über die gesamte Vergütung der Geschäftsleitung	91%	Annahme	●	<i>DAGEGEN</i> <i>DAFÜR</i>
6	Kapitalherabsetzung durch Vernichtung von zurückgekauften Aktien	100%	Annahme		<i>DAFÜR</i> <i>DAFÜR</i>
7	Statutenänderung	-			
7.1	Statutenänderung: Generalversammlung	89%	Annahme	●	<i>DAGEGEN</i> <i>DAFÜR</i>
7.2	Statutenänderung: andere Änderungen	96%	Annahme	●	<i>DAGEGEN</i> <i>DAFÜR</i>
	Verschiedenes	-		●	<i>DAGEGEN</i>

Präsenzmeldung

Die Stimmbeteiligung an der Generalversammlung 2023 war 58% der ausgegebenen Aktien. Die vertretenen Stimmen verteilten sich wie folgt:

- Unabhängiger Stimmrechtsvertreter: 99%
- Anwesende Aktionärinnen und Aktionäre: 1%

2. Proxy Analysis

1.1 Approve annual report, financial statements and accounts

FOR

The board of directors requests shareholder approval of the company's annual report and of the statutory and consolidated accounts for the fiscal year 2023, which are prepared in accordance with IFRS.

The company's key financial figures for the past 5 financial years can be found in section 3.2 of this report.

In 2023, Nestlé achieved organic sales growth of 7.1%, mainly due to the 7.5%-pricing increase related to cost inflation (and thus a negative real internal growth of 0.3%). By product category, the largest contributors to organic growth were PetCare (+12.1%) and Confectionary (+8.5%). Overall, total reported sales decreased by 1.5% to CHF 93.0 billion. Net acquisitions had a positive impact of 3.1% on total reported sales, largely related to the consolidation of the brand Orgain as of April 2022. E-commerce sales further grew by 13.4%, reaching 17.1% of total sales (target 2025: 25%).

Reported operating profit rose by 14.1% to CHF 14.1 billion in 2023. The strong 20.9% increase in the net income attributable to shareholders from CHF 9.3 billion in 2022 to CHF 11.2 billion in 2023 is mainly due to lower asset impairments and a decrease in reported taxes.

2023 Company milestones

- In the year under review, Nestlé's near- and long-term GHG emissions reduction targets for 2030 and 2050 have been re-approved by the SBTi to include the recently finalized specific Forest, Land and Agriculture (FLAG) sector objectives for 2030 and 2050. For further details regarding these targets, see ITEM 1.3, chapter B.2.1.
- On 1 September, Nestlé created with the private equity firm PAI Partners a joint venture for the European frozen pizza business, currently distributed under the Wagner, Buitoni and Garden Gourmet brands. This decision follows the Buitoni controversy that occurred in 2022 (see ITEM 1.3, chapter C). On 13 November 2023, Nestlé France announced the existence of exclusive negotiations with Italtizza (Italy's number one frozen pizza producer) to sell the Caudry factory, where the incriminated Buitoni's pizza were produced. The sale was finalized in February 2024.
- On 4 September, Nestlé divested Palforzia, its peanut allergy treatment business, to Stallergenes Greer, a biopharmaceutical company that specializes in the diagnosis and treatment of allergies. Palforzia was acquired by Nestlé in 2020 for USD 2.6 billion, but due to disappointing results, the business was placed under strategic review in November 2022 and a resulting impairment charge of CHF 1.6 billion was recorded for the second half of 2022 (in addition to an impairment of CHF 0.3 million already recorded in the first half of 2022).
- On 7 September, Nestlé announced an agreement with Advent International to acquire a majority stake in Grupo CRM, a premium chocolate player in Brazil. The transaction is expected to close in 2024.

Ethos' recommendation

In line with the provisions of the International Standards on Auditing (ISA), the audit report mentions 3 key audit matters that were most significant in the audit of the 2023 consolidated financial statements and how these key audit matters were addressed by Ernst & Young. However, the audit report does not mention the materiality threshold used by Ernst & Young or the scope of the audit, which Ethos regrets.

Ethos has no special concerns regarding the accuracy of the company's financial statements and accounts and, in accordance with its voting guidelines, recommends to vote FOR.

1.2 Advisory vote on the remuneration report

OPPOSE

The board of directors requests an advisory vote on the remuneration report included in the annual report as required by Swiss company law when the vote on the variable remuneration of the executive management is prospective. The remuneration report describes the remuneration policy and discloses the remuneration paid to both non-executive board members and members of the executive management. Section 4 of this report includes the description and detailed figures of the 2023 remuneration of the board of directors and of the members of the executive management of the company.

A) Changes implemented

In 2023, the following changes were introduced to the remuneration structure and report:

- Reduction in GHG emissions was added as fourth performance criterion of the long-term incentive plan.
- The disclosure on target achievement for the annual bonus and the LTIP is slightly increased. However, the disclosure remains insufficient for both the annual bonus and the LTIP (see below).
- 15% of the annual bonus depends on ESG criteria. The remuneration report discloses for the first time the weighting of each of the 5 ESG criteria.

B) Ethos' appraisal of the remuneration system

B.1) Disclosure

Concerns

- The description of the performance conditions pertaining to the annual bonus of the members of management is not sufficient, preventing shareholders from assessing whether the remuneration policy adequately aligns the interests of the members of the executive management to those of the shareholders and the company's long-term strategy. Nestlé only enumerates the criteria taken into account, but most of them are too vague (e.g.: progress on digitalization, strengthening Nestlé's values and culture, quality, safety, sustainability and compliance or affordable nutrition with micronutrients).
- Nestlé does not disclose ex post the level of achievement of the different performance criteria used to determine the payout under annual bonus, but only for the financial criteria and for the ESG criteria (as a whole).
- 15% of the annual bonus depends on ESG criteria. While the company now discloses the weighting of each ESG criterion and the global level of achievement, no specific quantitative indicators and level of achievement are provided. In addition, the definition of the ESG criteria could be more precise. For example one of the ESG criteria is "reduction of greenhouse gas emissions", but Nestlé does not mention the scope of emissions included.
- In 2023, reduction in GHG emissions was added as a criterion under the LTIP, accounting for 20% of the grant. As for the annual bonus, Nestlé does not mention the scope of emissions included in the target. Furthermore, Nestlé discloses a target of 20% reduction but does not mention the baseline.
- While the disclosure of the level of vesting of each performance criterion of the LTIP is now disclosed, Ethos would welcome a short explanation as shareholders cannot assess pay-for-performance without referring to the 2021 annual report where the targets of the LTIP 2021-2023 are disclosed. Furthermore, Nestlé does not publish the remuneration realised from the vesting of the LTIP, which Ethos regrets, especially in light of the important payouts under this plan.
- The CEO of Nestlé Health Science receives awards under a specific Nestlé Health Science phantom share unit plan. However, no information is provided regarding this plan, except that it is based on the long-term development of this business. In the year under review, the grant was revoked as the CEO, Mr. Greg Behar, resigned with effect as of 31 December 2023.

B.2) Remuneration structure: Board members

During the year under review, the chair of the board, Mr. Bulcke, received CHF 3'529'400 (unchanged), while the other members of the board received on average CHF 491'735 (-2.6%). The chair's remuneration is 7.2 times the average remuneration of the other members of the board.

Amounts paid compared to peers

Nestlé mentions in its remuneration report that it compares the remuneration of its board members to a peer group of large Swiss-based multinational listed companies: Novartis, Roche, Richemont, ABB, UBS and Credit Suisse. Since Nestlé is the largest capitalisation in Switzerland followed by Roche and Novartis, Ethos considers that Nestlé's peer group is relevant to benchmark remuneration. Based on Nestlé's peer group (excl. Credit Suisse), the median remuneration of the chair and the other board members are as follows:

Median remuneration of non-executive chairs	CHF	3'803'670
Median remuneration of other board members	CHF	373'909

In 2023, the board remuneration at Nestlé was as follows:

Chair	CHF	3'529'400
Other board members (average)	CHF	491'735

The remuneration of the chair is 7% below the median of the peer group (32% higher than the median for the other board members). Ethos notes that Nestlé is the largest company of the peer group.

Ethos has also compared Nestlé's board remuneration to the 10 largest capitalisations in the SPI and found that the remuneration is 67% above the median for the chair and 39% above the median for the other board members. While Nestlé's remuneration is high compared to the median, its size is much higher than that of its peers: its market capitalisation is 3.8 times the median of the peer group, its number of employees 3.3 times the median and its total revenues 2.6 times the median.

Positive features

- The non-executive directors do not receive any performance-related remuneration or options, which is compliant with best practice.
- Approx. 50% of their remuneration is paid in shares blocked for 3 years (except for the chair who receives his fees in shares), which helps to align their interests with those of the shareholders.

B.3) Remuneration structure: Executive management

The members of the executive management, including the CEO, have a base salary and can receive variable remuneration under 2 incentive plans, which are described in detail under section 4.5 of this report. For the year under review, the company CEO, Dr. Schneider, received a total remuneration of CHF 11'246'221 (+8.9%), of which 71% is variable. His total variable remuneration at grant corresponds to 3.34 times his base salary. The other members of the management received on average CHF 3'548'684 (+4.7%), of which 60% is variable. Their total variable remuneration at grant corresponds to 2.23 times their average base salary.

Amounts paid compared to peers

In 2022 (most recent figures available), the remuneration paid to the members of the executive management of companies similar to Nestlé (peers) was as follows:

Median base salary of CEOs	CHF	1'793'250
Median base salary of other executives	CHF	852'302
Median total remuneration of CEOs	CHF	9'278'555
Median total remuneration of other executives	CHF	3'697'999

NB: Nestlé being the largest capitalisation in Switzerland, Ethos has compared Nestlé's executive remuneration to the 10 largest companies listed in Switzerland, including Nestlé, based on their market capitalisation on 31 December 2023.

In 2023, the executive remuneration at Nestlé was as follows:

Base salary of the CEO	CHF	2'400'000
Base salary of the other executives (average)	CHF	956'111
Total remuneration of the CEO	CHF	11'246'221
Total remuneration of the other executives (average)	CHF	3'548'684

The base salary of the CEO is 34% above the median and his total remuneration is 21% above the median. The base salary of the other executives is on average 12% above the median and their total remuneration on average 4% below the median. The base salary of the CEO is high compared to the median but, as mentioned above when analysing board's remuneration, Nestlé's size is much higher than that of its peers.

The annual report states that the peer group used to benchmark the remuneration of the executive management is the STOXX Europe 50 Index (excluding financial services), referencing to the 75th percentile and taking into account trends in executive remuneration in the European Fast Moving Consumer Goods and pharma companies. In order to have an international benchmark, Ethos also compared the CEO's remuneration to the remuneration of the CEOs of the 22 largest European companies of the sector "Consumer Staples" (GICS 1 level). Dr. Schneider's base salary is 70% higher than the median and his total remuneration is 50% higher than the median.

Pay-for-performance connection

In order to assess the pay-for-performance connection, and thus the relevance of the level of bonus paid, Ethos reviews the performance of the company compared to 46 other companies active in the same industry as Nestlé (based on the Global Industry Classification Standard (GICS) level 3). Ethos considers that the sales growth, the evolution of EBITDA (relative to the sales at the beginning of the period) and the total shareholder return (TSR) give a good overview of the performance of the company.

For the 2023 financial year, the company ranks at the following percentiles (100 is best) for each of the indicators:

Sales growth	19th
Evolution of EBITDA	17th
TSR	45th

Based on the three indicators, the performance of the company is below the median of the peer group. Ethos considers that the target bonus should reward median performance. Therefore, Ethos considers that the payment of a small bonus would be appropriate. The remuneration report states that the payout ratio of the annual bonus was of 118% of the target bonus for the executive management, while the cap is set at 130% of the target. For the CEO, the annual bonus represents 123% of his target bonus and his therefore close to the cap of 130%.

Ethos considers that the pay-for-performance can be demonstrated based on different metrics when the level of achievement of each criterion versus the target is clearly explained. The lack of transparency of Nestlé's remuneration report does not allow such demonstration.

The long term incentive plan (LTIP) granted in 2021 for the performance period 2021-2023 vested at 92%. In order to assess the level of vesting of the LTIP, Ethos has reviewed Nestlé's performance against the same peer group as for the annual bonus, but for the 2021-2023 period.

For the 2021-2023 period, the company ranks at the following percentiles (100 is best) for each of the indicators:

Sales growth	21st
Evolution of EBITDA	45th
TSR	40th

Based on the three indicators, the performance of the company is below the median of the peer group. Therefore, Ethos considers that the payout of 92% of target under the LTIP seems not excessive.

Positive features

- The pay-for-performance connection of the 2020-2022 LTIP seems adequate.

Concerns

- As mentioned above, the pay-for-performance connection of the annual bonus is not demonstrated.
- While Nestlé publishes the remuneration of the CEO and the other executives at grant, the company does not disclose the realised remuneration to reflect the actual payouts under the LTIP. For 2023, based on Ethos' estimates, the CEO's total realised remuneration (including his fixed remuneration, his bonus for 2023 and the value realised from the vesting of the LTIP 2021-23) was CHF 11.0 million, of which CHF 7.7 million is variable. His realised variable remuneration represents 322% of his base salary, which is slightly above Ethos' limit of 300% for the CEO. It appears however excessive considering that the payout of the LTIP 2021-2023 is below target.
- Under the long-term plan, one of the performance conditions is relative TSR. Ethos has concerns over the fact that the vesting of the awards is possible for an underperformance of up to 20% compared to the index, which goes against the principle of pay-for-performance. Furthermore, Nestlé's relative TSR is compared to the STOXX Global 1800 Food & Beverage Gross Return Index. Since Nestlé's weight in the index is very important, a strong underperformance of Nestlé compared to the index is less likely to happen. Ethos considers that the TSR of Nestlé should be compared to the TSR of individual companies instead of using an index.

C) Ethos' recommendation

Despite a few improvements, Ethos has serious concerns over the lack of transparency of Nestlé's remuneration report compared to other large Swiss listed companies. Furthermore, in view of the above concerns regarding the level of remuneration of the CEO, the pay-for-performance connection of the annual bonus and the structure of the LTIP, Ethos, in accordance with point 5.2.a of its voting guidelines, recommends to OPPOSE.

1.3

Approve sustainability report

OPPOSE

The board of directors requests shareholder approval of the company's sustainability report for the fiscal year 2023.

Ethos notes that Nestlé considers this vote to be advisory, which Ethos considers not to be in line with art. 964c of the Swiss Code of Obligations (CO) which mentions that "the report on non-financial matters requires [...] the approval of the governing body responsible for approving the annual accounts". The term "approval" is also used for the approval of the annual financial statements, for which the vote is binding. In addition, the CO uses the term "advisory vote" when a vote is not binding, which is the case for the vote on the remuneration report.

A) Legal background

According to Art. 964a et seq. of the Swiss Code of Obligations, which entered into force on 1 January 2022 and apply as of the financial year 2023, large Swiss listed companies and companies supervised by the Swiss Financial Market Supervisory Authority (FINMA) that meet statutory thresholds* are required to publish a report on non-financial matters ("sustainability report" in this analysis) and submit it to the vote of shareholders. The content of the report shall cover at least the following topics: environmental matters, in particular CO2 goals, social issues, employee-related issues, respect for human rights and combating corruption. In addition, companies that import or process conflict minerals or offer products or services for which there is a reasonable child labor suspicion have to comply with new due diligence and transparency obligations**.

Verification of the sustainability report is not required by the law. In addition, the Swiss law does not provide any formal guidance related to the implementation of the sustainability reporting obligations with the exception of climate reporting, which is regulated by the Federal Council's Ordinance on Climate Disclosures which also applies to large Swiss listed companies FINMA supervised companies that meet statutory thresholds*. However, since the Ordinance entered into force on 1 January 2024, it will become mandatory as of the 2024 reporting year.

*Sustainability reporting obligations apply to Swiss listed companies and FINMA supervised companies (such as banks and insurance companies) of 500 or more employees and at least CHF 20 million in total assets or more than CHF 40 million in turnover.

**Nestlé partially fall within the scope of art. 964j-l and has to prepare and publish an annual report on compliance with its statutory due diligence obligations with respect to child labor. Nestlé is however exempted from the due diligence and reporting obligations on minerals and metals from conflict-affected areas.

B) Sustainability reporting analysis

Information on the reporting, climate change strategy, environment, corruption, employees and human rights can be found in section 7 of this report.

B.1) Quality and coverage of the reporting

Generally speaking, Ethos considers that sustainability reports should be prepared in accordance with a recognized reporting standard and should cover all relevant material topics for the company. Relevant key performance indicators (KPIs) should be published and externally verified and ambitious quantitative objectives on material topics should be set. The company should report on their achievement and disclose the measures set to reach the objectives.

Nestlé's Creating Shared Value (CSV) and Sustainability Report is externally verified and selected KPIs have been verified. The report has been produced with reference to the GRI standards but not in accordance with the standards. Nestlé has conducted a materiality analysis which identifies key material topics. The company has set short- and long-term climate targets that have been approved by the SBTi and that are aligned with a 1.5° scenario. Regarding some other material topics such as responsible sourcing, quantitative targets have also been set but it is not the case for all material topics such as employees' management, human rights or product safety.

The abovementioned report on due diligence obligations with respect to child labor is not available at the date of issuance of this report. The sustainability report includes a one-pager that lists the documents from which Nestlé's child labor report will get information from. Ethos regrets that the child labor report is not published within the sustainability report.

B.2) Analysis of material topics

The company has identified the following material topics, which are included in the report submitted to shareholder vote and aligned with the Sustainability Accounting Standards Boards (SASB) Standard:

- Environment: GHG emissions, environmental impacts of ingredient, water management, ecological impacts, packaging lifecycle management, circular economy and physical impacts of climate change.
- Social: social impacts of ingredient, product quality & safety, health & nutrition, human rights & labor practices, employees acquisition, talent management & retention, employee engagement, diversity & inclusion, employee health & safety, animal welfare, access & affordability, product labeling & marketing and community relations.
- Governance: business ethics, data privacy management and governance structures & mechanisms.

The company reports on all abovementioned material topics. Ethos considers that all relevant material topics for the company are covered.

Below, Ethos will provide an analysis of selected material topics.

B.2.1) Climate change

In view of the importance of climate change, Ethos considers that the company should adequately report on its climate strategy and its implementation. The reporting should reflect the company's strategy and efforts in reducing its GHG emissions.

A good overview of the quality of reporting on climate change and of the CO₂ emissions is provided in section 7 of this report.

Reporting of CO₂e emissions

At the time of issuance of this report, the company partially reports on its GHG emissions according to the GHG protocol. It reports scope 1 and 2 GHG emissions, but only the scope 2 using the market-based approach. It discloses its scope 3 emissions, but not the breakdown by category of scope 3 as per the GHG protocol (see section 7 of this report).

Given the size of the company and the significant emissions associated with its business model, Ethos considers that the reporting on GHG emissions lacks transparency on the granularity of its scope 3 emissions.

CO₂e emissions reduction targets

The company has set the following CO₂e emission reduction targets:

- Reduce absolute scope 1, 2 and 3* emissions by 20% by 2025 on a 2018 basis.
- Reduce absolute scope 1, 2 and 3* emissions by 50% by 2030 on a 2018 basis.
- Increase annual active sourcing of renewable electricity from 33.4% in 2018 to 100% by 2025 through 2030.
- Reduce absolute scope 3 Forest, Land and Agriculture (FLAG) emissions by 50% by 2030 on a 2018 basis.
- Reduce absolute scope 3 FLAG emissions by 75% by 2050 on a 2018 basis.
- Reach net zero emissions by 2050 by reducing absolute scope 1, 2 and 3* emissions by 90% on a 2018 basis.

*90% of Nestlé's emissions are covered by these targets. All categories of scope 3 are considered by Nestlé in its targets and reporting with the exception of: purchased services, capital goods, upstream leased assets, processing of sold products, direct use of sold products, franchises and investments. In addition, the targets include biogenic emissions and removals from bioenergy feedstocks.

Ethos has the following comments on the above-mentioned CO₂e emissions reduction targets:

- All targets are approved by the SBTi and are in line with 1.5°C scenario, which Ethos welcomes. To comply with SBTi requirements, the company added FLAG-specific targets in 2023.
- Ethos welcomes that the company now reports its targets progress against the 2018 baseline instead of a business-as-usual scenario with underlying growth assumptions.

Emissions reduction measures

The company mentions several key measures that are being or will be implemented to reduce the company's scope 1, 2 and 3 emissions. Nestlé has published a roadmap with the measures and their respective contribution to achieve the targets but it has not published a roadmap with a calendar for the implementation.

The key measures to reduce its scope 1 and 2 emissions are the following:

- Increase energy efficiency and transition to renewable energy sources across all sites.
- Direct investment in a US solar project and purchase of produced solar electricity to save approximately 126'294 tCO₂e per year.
- Replace natural gas boilers with biomass burners in three of its four Indonesian factories to save 20'000 tCO₂e per year.

The key measures to reduce the scope 3 emissions are the following:

- Nestlé increases its collaboration with suppliers and farmers on ingredients, including dairy. Regarding dairy, the company has a dairy climate plan and works with external partners on innovative solutions but their impacts are not measured. In addition, it established a dedicated team working with its largest dairy suppliers on interventions such as low-carbon feed and optimized diets. The Nestlé Institute of Agricultural Sciences also researches new dairy-related approaches such as methane-reducing feed supplements, since methane accounted for 34% of the Nestlé's ingredient emissions according to Nestlé data.
- Logistics: the company deployed a fleet of liquid natural gas powered trucks in Chile and trials a double-stacked rail train in the UK among other initiatives.
- Products: the company reformulates some products' recipes by including more plant-based ingredients instead of animal proteins, saving 740'000 tCO₂e.
- Food waste: the company uses agricultural side streams, recovers food waste in factories to use as biofuel and works with farmers and consumers to minimise waste but the reductions of these measures are not quantified by the company.
- Packaging: as part of its packaging sustainability strategy, Nestlé aims to use less packaging and to incorporate recycled materials in it.
- Agriculture: as part of its Agriculture Framework, the company takes actions around a five-pillar strategy, which includes diverse cropping systems and livestock integration, biodiversity, collective and landscape actions, soil health and water security and quality. However, the consequences of the investments associated with each of these measures are not quantified in terms of GHG emissions reductions.
- Sourcing: the company has set the target to have 100% of key ingredient volumes responsibly sourced by 2030 according to the company's own definition of responsible sourcing which includes regenerative practices and traceability requirements. However, the impact of this objective in terms of GHG emissions reduction by 2030 is not quantified by Nestlé.

Although the company does not report the achieved emissions reductions of each measure as of the end of 2023, the company estimates the emissions reductions associated with each of the above-mentioned measures and initiatives by 2030 as part of its Net Zero Roadmap updated in March 2023. In addition, the emissions reductions in the Net Zero Roadmap are compared to projected 2030 business-as-usual emissions and not the 2018 baseline which is a major concern to evaluate the absolute impacts of each measure of its SBTi approved targets.

Moving forward, Nestlé reports that it identified over 80% of the supply chain initiatives that will be needed to reach its objectives but does not give much details about them. It also reports that future reductions will come from investments in agroforestry, deforestation prevention and new farming practices in the dairy sector but does not give much details about them either.

In 2023, the company already reduced its net in-scope emissions by 13.58% in absolute terms versus the 2018 baseline, which includes removals (12.75% without removals) and represents 13.29m tCO₂e. Ethos considers that the company is lagging behind its 2025 target.

Nestlé reports the sources of its 2023 absolute emissions reductions versus the 2018 baseline following its own classification instead of the GHG protocol and one can notice that responsible sourcing is the main source of reduction with 28% followed by dairy & livestock sourcing (25%) and manufacturing (15%). Removals only accounted for less than 6% of the total reduction. The main lever of reduction comes from statistical land use change (sLUC) reductions from responsible sourcing certification schemes such as Rainforest Alliance certification and are difficult to measure and verify.

Climate transition plan analysis: ACT methodology

ACT is an initiative launched by the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) to encourage companies to move towards a path compatible with global warming of less than 2°C. To achieve this goal, two of its founding members, the Agence de l'Environnement et de la Maîtrise de l'Énergie (ADEME) and the Carbon Disclosure Project (CDP), have jointly developed a methodology that allows for a sectoral assessment of companies' transition plans.

The ACT score is a number on a scale ranging from 0 to 20 that reflects the degree of alignment of the company's strategy with sectoral decarbonisation trajectories. It is used as an indicator of the credibility of a company's ability to meet its climate targets. The rationale for using the ACT assessment, is that it assesses the elements that are likely to influence a company's ability to meet its targets. ACT assesses a company's objectives, investments, activities, decision-making processes, value chain, roles, responsibilities, management remuneration and skills. The ACT methodology is also recognised by the Glasgow Finance Alliance for Net Zero (GFANZ) as a tool for assessing the credibility of transition plans and for investors to engage with companies.

Nestlé obtained a 10/20 which is considered a relatively good score as the company has a transparent climate action plan, its net zero roadmap, with key actions and their expected reductions. Nestlé also has set ambitious SBTi approved targets and reports on its progress annually.

A summary of the ACT analysis key elements can be found on Ethos website:

<https://ethosfund.ch/sites/default/files/2024-03/Fiche%20Nestl%C3%A9%20ACT.pdf>

B.2.2) Employees

Employee retention

As a highly skilled workforce represents a critical resource and is essential to long-term success, employees' management represents a strategic issue that needs to be addressed.

As part of its People Strategy 2025 and Roadmap for Employee Health, Nestlé acknowledges the importance of employees' management and provides some KPIs on this topic such as an average of 15.1 hours of training per year per employee but no detailed information on programmes or quantitative objectives have been found and the company does not disclose its turnover. The company also reports that it rolled-out its Parental Support Policy across all its markets in 2023 but it is not publicly available.

Diversity and inclusion

Nestlé is expected to create a diversity and inclusion strategic plan and to implement programs aimed at fostering a safe and inclusive workplace, as well as improving the representation of women and discriminated groups at all levels of the company's structure.

Nestlé reports some KPIs regarding the share of women in management positions or women in the executive management (see section 7 of this report) and that all markets conducted a DE&I self-assessment to identify progress areas. However, Nestlé did not set any target regarding diversity and inclusion. The company also reports that it rolled-out its Policy against Discrimination across all its markets in 2023.

Occupational health and safety

The company's manufacturing processes have numerous potential hazards that may affect the health and safety of the company's workers.

The company reports its Recordable illness rate and Recordable injury rate which is decreasing over a 3-year period but it does not disclose its lost-time injury rate (LTIR). One fatality occurred in 2023 and Nestlé conducted an independent investigation to establish the cause and take actions. The company's strategy regarding health and safety is built around eight Nestlé Life-saving Rules but not much detail has been found regarding its implementation and no objectives have been set regarding this issue as part of its sustainability report and Salient Issue Action Plan.

B.2.3) Human Rights

Nestlé's value chain is exposed to potential human rights issues such as forced or child labor, which may negatively impact local communities and expose the company to significant reputational and regulatory risks given the growing body of legislation around these issues. Sustainable foods systems must also ensure that human rights are preserved to be considered resilient.

Nestlé adopts the UN Guiding Principles on Business and Human Rights and the OECD's Guidelines for Multinational Enterprises. It also updated its publicly available Human Rights Policy in 2023. Regarding human rights within its supply chain, Nestlé requires its direct and indirect suppliers to comply with its comprehensive Responsible Sourcing Standard. Indirect suppliers are those responsible for primary production of the materials and ingredient. The requirements are considered comprehensive in the scope of suppliers included, the topics covered such as forced labor, child labor, Free, Prior and Informed Consent (FPIC) or workers' rights and the associated enforcement process. It enforces its policies through assessments and on-site third-party audits.

However, it does not report on the outcome of the audits and assessments. Regarding Human Rights, the only relevant KPI disclosed by Nestlé is that 70.6% of its cocoa suppliers are covered by its Child Labor Monitoring and Remediation System (CLMRS) or equivalent standard.

Regarding actions and programmes, Nestlé launched a Salient Human Rights Issue Action Plans addressing 10 salient issues. The first steps consist of raising awareness and train employees on these issues as well as to improve processes such as the CLMRS and the Nespresso AAA Sustainable Quality Program. However, the company did not set quantitative relevant targets regarding this issue.

B.2.4) Responsible sourcing

Nestlé's sourcing process is complex and encompasses a wide range of potential social and environmental issues related to agricultural practices, deforestation and human rights for instance.

Nestlé defines responsible sourcing in its Responsible Sourcing Standard which is enforced as described in section B.2.3 on Human Rights. In addition, to be considered responsibly sourced, key ingredients must respect traceability requirements and implement regenerative agricultural practices.

The company has set the following responsible sourcing targets:

- The company has set the target to have 100% of its 14 key ingredients responsibly sourced, as per its own definition, by 2030. It reports that its current share of responsibly sourced key ingredients is 36.2% which represents a significant increase from 22% in 2022. In addition, Nestlé targets to source 20% of its 14 key ingredients with regenerative practices by 2025 and 50% by 2030. The current share of key ingredients sourced with regenerative practices is 15.2% and overall, the company is considered on track to meet its responsible sourcing targets.
- The company has also set the objectives to source 100% of certified palm oil in 2023. While it achieved the target in 2023, only 20% of the total volume has been RSPO segregated certified, which is considered best practices, and reported kernel oil shortages meant that Nestlé had to buy a significant share of credits to reach its targets as not enough certified kernel oil has been produced.
- Regarding coffee, 100% of its sourcing should come from its Nescafé Plan 2030 or Nespresso AAA Sustainable Quality Program by 2025 and currently 92.8% of the target is met.
- Regarding cocoa, 100% of its sourcing should come from the Nestlé Cocoa Plan by 2025 (85.5% in 2023), which includes Rainforest Alliance certified mass balance cocoa. It is relevant to note that Rainforest Alliance mass balance certification does not guarantee that the cocoa sourced by the company is deforestation-free and did not produce harm as the label is not considered best practices. These shortcomings come from the facts that audits are not public and not independent** and mass balance also includes production from non-certified products in the volume purchased by the company.
- Regarding animals, besides its Responsible Sourcing Standard, which lays out sourcing requirements for meat, poultry, egg products and dairy, 100% of its eggs sourcing should be cage-free by 2025 and the current share is 72.9%.

Overall, Nestlé's responsible sourcing targets are on track to be met but, due to shortages in supply, it may not reach all of them and therefore, it should intensify its work with its suppliers.

In addition, the company does not disclose other relevant KPIs or the outcomes of its supply chain assessments and third-party audits.

** https://www.greenpeace.org/static/planet4-international-stateless/2021/04/b1e486be-greenpeace-international-report-destruction-certified_finaloptimised.pdf

B.2.5) Healthy & safe products

With its global presence, Nestlé is at the centre of global health and nutrition challenges. Some populations lack access to nutritionally adequate and affordable diets. Nestlé also has the duty to ensure its food products are safe by avoiding contamination, mislabeling or other quality issues throughout the value chain.

In 2023, partly due to shareholders' pressure, Nestlé introduced an absolute target to reach CHF 20–25 billion of sales of its most nutritious products by 2030, which represents an approximated 50% growth from 2022 levels. However, this target is not considered ambitious enough by ShareAction (see the shareholder proposal under ITEM 7) for the following reasons:

- The absolute growth target is in line with its overall growth target.
- The company did not set any relative target which could have the advantage to reduce its share of unhealthy products and its negative impacts on populations.
- Nutritious products considered by Nestlé not only include products with a Health Star Rating (HSR) of 3.5 or above but also coffee and infant food and milk formula.

Currently, more than 50% of Nestlé's sales do not meet the HSR threshold of 3.5 or above but in 2023, Nestlé improved the HSR rating of more than 500 products. The company also reports several initiatives to improve the healthiness of its products such as the launch of new 'no added sugar' cereals, the improvement in its fortified offering which addresses locally relevant micronutrient gaps and increases plant-based proteins accessibility in countries like Nigeria. Nestlé also strengthened its commitment towards responsible marketing in 2023 by publishing two new policies regarding breast milk substitutes and communication to children.

Regarding food safety, 98.4% of the company's manufacturing and R&D sites and 92.9% of its direct suppliers were certified against the FSSC 22000 scheme which builds on the ISO 22000 standard. As part of its strategy, it aims to reach 100% of its sites certified. In addition, the company reports the number of product recalls, 13 in 2023, and that it investigates all food safety incidents internally.

B.2.6) Packaging and circular economy

Although packaging protects food and provides important information, it is a major source of pollution, in particular when such packaging is made of plastics or not designed following circularity principles. Therefore, packaging design that reduces the amount of packaging required and promotes reusability, as well as ensuring that packaging waste is properly managed, are key issues for the company.

In this regard, Nestlé has set packaging targets and tracks progress through various KPIs:

- Nestlé targets to design 95% of its plastic packaging for recycling by 2025 and "continue to work toward 100% being recyclable or reusable" but without setting a target date, it is not considered an ambitious target. In 2023, the company reached 83.5% of plastic packaging designed for circularity, progressing from 81.9% in 2022. If Nestlé keeps the same rate of progress in two remaining years, there is a risk that the 2025 target will not be reached.
- Nestlé targets to reduce the use of virgin plastics by one third by 2025 from a 2018 baseline and it already reached a 14.9% reduction in 2023.
- Nestlé continues to keep track of its packaging that is reusable, recyclable or compostable even though it does not have a target on this indicator anymore. In 2023, this share reached 86.6% but the vast majority of this share concerns packaging that are recyclable which does not guarantee that it will be recycled as there are significant challenges regarding recycling processes. Ethos regrets that the company's strategy is focused on recyclability and replacing single use plastic items with other single use materials instead of reusability.

The company takes part in various industry initiatives regarding this issue such as the Ellen MacArthur Foundation's New Plastics Economy initiative and devotes an undisclosed share of its R&D to this issue throughout its Institute of Packaging Sciences for instance.

Nestlé has improved the packaging design or recyclability of some of its products such as the introduction of compostable coffee pods or increasing the incorporation of recycled PET within water bottles but it recognises that packaging waste challenge is dependent on the development of proper infrastructures.

C) Controversies

The company is exposed to the following serious controversies:

- Nestlé is subject to several serious customer safety controversies in recent years. In 2023, Nestlé has been accused of illegal water filtration for several brands in France and Switzerland until 2022 which raises concerns regarding the quality of the bottled water currently sold by Nestlé. As part of its Annual Business Review, the company states it "regrets the situation and is currently engaging with the relevant authorities to ensure that its operating practices are fully compliant. The company emphasizes that its water products have always been, and remain, safe to drink". This issue follows the Buitoni controversy where several individuals, in majority children got severely ill after eating Buitoni pizzas and led to the death of two children as well as the sale of the Caudry manufacturing site. French authorities' investigations followed and two production lines were suspended for testing and Nestlé offered to create a victim compensation fund. However, it took Nestlé four months to apologise and recognise its responsibility in the scandal. Other issues were reported regarding baby food in the past.
- Nestlé is subject to a serious product sustainability controversy regarding plastic pollution. Nestlé has been flagged by multiple NGOs and interest groups as a main contributor of plastic pollution through its plastic packaging. Nestlé reports being aware of this issue and has set objectives on the topic but has a track record of failing to meet its own voluntary commitments. For example, Nestlé Waters committed to 60% recycling for PET bottles by 2018 but only achieved 28.9% recycling, showing almost no progress over the course of the commitment. A NGO-led investigation found that Nestlé is indeed a member or signatory of 8 initiatives that aim to address plastic pollution, but at the same time is part of 8 trade groups that lobby against legislation on the topic.
- Nestlé is subject to several anti-competitive cases reported against its Nestlé Waters division in France and Switzerland.

Ethos regrets that some of the above-mentioned controversies are not directly addressed in the sustainability report or elsewhere. In view of the severity of the cases, Ethos considers that the company should communicate on all of them.

D) Ethos' recommendation

Ethos cannot approve the sustainability report for the following key reasons:

- The report is not prepared in accordance with a recognised standard.
- At the time of issuance of Ethos' analysis, the company has not published its scope 2 GHG emissions with a location-based approach and its reporting of the categories of scope 3 GHG emissions is not disclosed in accordance with the GHG Protocol. Ethos notes that this information should be made available later in the year through the CDP report.
- The report does not mention the capital expenditures made (or required in the future) to achieve its GHG reduction targets.
- The report does not include quantitative targets for each material topic. In particular, no relevant quantitative targets have been found regarding employees' management and occupational health & safety.
- Nestlé is very exposed to human rights and child labour risks, but does not report on the outcome of its supply chain audits and assessments.
- Nestlé's nutrition target of absolute sales growth of healthy products is not considered ambitious. As a result, Ethos also supports the shareholder proposal filed by ShareAction (see ITEM 7).
- Nestlé lacks transparency regarding the source of its GHG emissions reductions in particular regarding the share of removals, reforestation projects and reductions resulting from direct interventions within its supply chain.
- Nestlé does not submit its climate report to an annual vote and the company does not fully meet the expectations from the ACT methodology with regards to its climate strategy and action plan.
- Nestlé is subject to several serious controversies, which are not all addressed in the sustainability report.

Ethos considers that quality of reporting this year is below what Ethos expects for a listed company of the size of Nestlé. Furthermore, Ethos regrets that Nestlé proposes a non-binding vote on the sustainability report. Ethos is of the firm opinion that the approval of the report is one of the non-transferable duties of the AGM. Therefore, Ethos, in accordance with points 2.1.a, 2.1.d, 2.1f and 2.1.j of its voting guidelines, recommends to OPPOSE.

2 Discharge board members and executive management FOR

The board of directors requests shareholders to discharge its members as well as those of the executive management of their responsibilities for their management of the company for the fiscal year 2023.

In line with the Swiss Code of Obligations, shareholders are requested to release the members of the board of directors and of the executive management from liability for their activities during the fiscal year under review. Shareholders that grant the discharge lose their right to file claims against the members of the board of directors and of the executive management for activities carried out during the year relating to facts that have been disclosed to shareholders. Nevertheless, all shareholders maintain their rights to file claims for facts that have not been disclosed to shareholders when the discharge was granted.

In January 2024, several newspapers revealed that Nestlé Waters (amongst many other market players) was potentially involved in illegal filtering of water for several of its brands in France and Switzerland until 2022.

The annual report mentions that "Nestlé is reviewing operating practices in its natural mineral water operations in several countries. With food safety as a primary goal, practices at some of its production sites may not be in line with the applicable regulatory framework. Nestlé regrets the situation and is currently engaging with the relevant authorities to ensure that its operating practices are fully compliant. The company emphasizes that its water products have always been, and remain, safe to drink. In addition, the unique mineral composition of its natural mineral water brands has always been consistent with the label."

Ethos welcomes that Nestlé communicates on the controversy in its annual report as it has not always been the case in similar situations. However, the communication raises concerns over the current situation in Nestlé's operation sites as the newspapers suggested that everything was now in order from a legal point of view, whereas Nestlé indicates that this may not yet be the case.

Since the discharge is related to the financial year 2023 and the abovementioned facts have been revealed in January 2024, Ethos will re-assess next year whether the Nestlé Waters issue is serious enough to refuse to grant discharge to the members of board of directors and of the executive management.

For the financial year 2023, the auditor's reports are not qualified and Ethos is not aware of any revealed facts that would give reason to oppose the discharge. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

3 Approve allocation of income and dividend FOR

The board of directors proposes to pay a total dividend of CHF 3.0 per share, which corresponds to a total cash outflow of CHF 8.01 billion, and that the amount at the disposal of the AGM be allocated as follows:

Available earnings brought forward	CHF	16'204'510'328
Dividends on Nestlé's own shares not distributed	CHF	283'919'753
Cancellation of 80 million shares from the share buyback programme	CHF	-9'136'617'465
2023 income of the parent company	CHF	12'671'082'922
At the disposal of the AGM	CHF	20'022'895'538
Dividend payment of CHF 2.95 per share	CHF	-8'010'000'000
Allocation to reserves	CHF	-
Carry forward to statutory accounts	CHF	12'012'895'538

The company's key indicators to analyse the adequacy of the proposed dividend can be found in section 3.2 of this report (in particular, dividend per share, earnings per share, payout ratio, dividend yield, free cash flow, net debt and net debt to EBITDA ratio).

Subject to shareholder approval, the dividend will be paid on 24 April 2024 and the shares will be traded ex-dividend from 22 April 2024.

The proposed dividend is covered by the net income and the free cash flow. In addition, the company's indebtedness level is acceptable. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.1 Elections to the board of directors

The board of directors proposes that all its incumbent members be re-elected to serve for another 1-year term, except Count Henri de La Croix de Castries and Ms. Kimberly Ross who are not standing for re-election at this AGM. In addition, the board proposes to newly appoint Ms. Geraldine Matchett for a 1-year term.

Main features of board composition after the AGM (for more details, see section 6 of this report)

Board size	14
Combination of the functions of Chair and CEO	No
% independent directors	78.6%
% executive directors*	7.1%
% women directors	35.7%
% independent directors in the audit committee	100.0%
% independent directors in the nomination committee	75.0%
Average age of directors	62.9
Average board tenure	5.0 years

* The CEO of the company, Dr. Ulf Mark Schneider, has been sitting on the board of directors since 2017.

As per Ethos' voting guidelines, the re-election of the chair of the sustainability committee cannot be approved in companies with high greenhouse gas (GHG) emissions and no convincing climate strategy in place. Nestlé is among the largest GHG emitters in the SPI index (in absolute terms and in terms of carbon intensity) and is targeted by the Climate Action 100+ initiative. As mentioned under ITEM 1, Ethos regrets that Nestlé has not implemented a Say on Climate resolution at this AGM. However, the net-zero roadmap was submitted at the 2021 AGM and Nestlé's climate strategy is convincing enough to approve the re-election of the chair of the sustainability committee, although several improvements could be made.

4.1.1 Re-elect Mr. Paul Bulcke as member and chair of the board FOR

The board proposes to re-elect Mr. Paul Bulcke (Belgian, 70) for a further 1-year term. He has been board member since 2008 and chair since 2017. Mr. Bulcke is also chair of the chair's committee and member of the nomination committee. He is considered affiliated due to his board tenure and as former CEO of the company (until 2017). Furthermore, according to the annual report, Mr. Bulcke has "responsibilities for the direction and control of Nestlé" including the support of Nestlé Health Science and the direct leadership of Nestlé's interests in L'Oréal (he is vice chair of L'Oréal in which Nestlé has a 20.1% participation).

Mr. Bulcke has reached Ethos' limit for board tenure (16 years). However, Ethos can make an exception to its guidelines because:

- Nestlé's Board regulations state the board members should step down at the latest at the AGM following their 72nd birthday.
- Mr. Bulcke has been sitting on the board as CEO from 2008 to 2016 and as non-executive chair as of 2017, which is not comparable to a 16-year tenure as non-executive board member.

Based on these elements, Ethos can support the re-election of Mr. Bulcke and recommends to vote FOR.

4.1.2 Re-elect Dr. Ulf Mark Schneider OPPOSE

The board proposes to re-elect Dr. Ulf Mark Schneider (German, 59) for a further 1-year term. He has been board member since 2017 and is currently member of the chair's committee. Dr. Schneider has been CEO of Nestlé since 1 January 2017 and Nestlé's group CEO traditionally sits on the board of Nestlé.

Ethos' voting guidelines stipulate that the re-election of permanent members of the executive management to the board of directors cannot be approved. This rule reflects the principle of separation of functions. Therefore, since Dr. Schneider is CEO, Ethos cannot accept his re-election as board member and, in accordance with point 3.2.a of its voting guidelines, recommends to OPPOSE.

- 4.1.3 Re-elect Dr. Renato Fassbind FOR**
- The board proposes to re-elect Dr. Renato Fassbind (Swiss, 69) for a further 1-year term. He has been board member since 2015 and is currently chair of the audit committee and member of the chair's committee. Dr. Fassbind is considered independent and Ethos, in accordance with its voting guidelines, recommends to vote FOR.
- 4.1.4 Re-elect Mr. Pablo Isla Álvarez de Tejera FOR**
- The board proposes to re-elect Mr. Pablo Isla Álvarez de Tejera (Spanish, 60) for a further 1-year term. He has been board member since 2018 and is currently chair of the remuneration committee as well as member of the chair's committee. Upon re-election he will proposed as new vice-chair and lead director, as new chair of the nomination committee and will relinquish his chairship of the remuneration committee but remain as member. Mr. Isla Álvarez de Tejera is considered independent and Ethos, in accordance with its voting guidelines, recommends to vote FOR.
- 4.1.5 Re-elect Prof. Dr. Patrick Aebischer FOR**
- The board proposes to re-elect Prof. Dr. Patrick Aebischer (Swiss, 70) for a further 1-year term. He has been board member since 2015 and is currently member of the remuneration committee.
- On 2 April 2019, Nestlé Health Science announced that it has entered into a global strategic partnership with Amazentis. Nestlé Health Science also took a stake in Amazentis and received global rights to use Amazentis patented Urolithin A technology for dietary supplements, select foods and beverages, and medical nutrition products. As Prof. Dr. Aebischer is chair, co-founder and co-owner of Amazentis, he cannot be considered independent. The overall board independence being sufficient, Ethos can accept his re-election and, in accordance with its voting guidelines, recommends to vote FOR.
- 4.1.6 Re-elect Mr. Dick Boer FOR**
- The board proposes to re-elect Mr. Dick Boer (Dutch, 67) for a further 1-year term. He has been board member since 2019 and is currently member of the remuneration committee (to become chair after the AGM) and of the sustainability committee. Mr. Boer is considered independent and Ethos, in accordance with its voting guidelines, recommends to vote FOR.
- 4.1.7 Re-elect Mr. Dinesh C. Paliwal FOR**
- The board proposes to re-elect Mr. Dinesh C. Paliwal (US Citizen, 67) for a further 1-year term. He has been board member since 2019 and is currently member of the nomination committee and of the remuneration committee. Mr. Paliwal is considered independent.
- Mr. Paliwal is Partner Private Equity at KKR, a US listed company. While he is not a member of the executive management at KKR, Ethos still considers that his function in the private equity business of KKR involves an important workload. As a consequence, Ethos welcomes that Mr. Paliwal stepped down last December from the board of RTX, a US listed company, where he was lead director.
- Ethos, in accordance with its voting guidelines, recommends to vote FOR.
- 4.1.8 Re-elect Ms. Hanne de Mora FOR**
- The board proposes to re-elect Ms. Hanne de Mora (Swiss, 64) for a further 1-year term. She has been board member since 2020 and is currently chair of the sustainability committee and member of the chair's committee. Ms. de Mora is considered independent and Ethos, in accordance with its voting guidelines, recommends to vote FOR.

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|--------|--|-----|
| 4.1.9 | <p>Re-elect Ms. Lindiwe Majele Sibanda</p> <p>The board proposes to re-elect Ms. Lindiwe Majele Sibanda (Zimbabwean, 61) for a further 1-year term. She has been board member since 2021 and is currently member of the sustainability committee. Ms. Sibanda is considered independent and Ethos, in accordance with its voting guidelines, recommends to vote FOR.</p> | FOR |
| 4.1.10 | <p>Re-elect Ms. Chris Leong</p> <p>The board proposes to re-elect Ms. Chris Leong (Malaysian, 57) for a further 1-year term. She has been board member since 2022 and is currently member of the sustainability committee. Ms. Leong is considered independent and Ethos, in accordance with its voting guidelines, recommends to vote FOR.</p> | FOR |
| 4.1.11 | <p>Re-elect Mr. Luca Maestri</p> <p>The board proposes to re-elect Mr. Luca Maestri (Italian, 61) for a further 1-year term. He has been board member since 2022 and is currently member of the audit committee. Mr. Maestri is considered independent and Ethos, in accordance with its voting guidelines, recommends to vote FOR.</p> | FOR |
| 4.1.12 | <p>Re-elect Mr. Rainer M. Blair</p> <p>The board proposes to re-elect Mr. Rainer M. Blair (US Citizen, 60) for a further 1-year term. He has been board member since 2023 and is considered independent. Therefore, Ethos, in accordance with its voting guidelines, recommends to vote FOR.</p> | FOR |
| 4.1.13 | <p>Re-elect Ms. Marie-Gabrielle Ineichen-Fleisch</p> <p>The board proposes to re-elect Ms. Marie-Gabrielle Ineichen-Fleisch (Swiss, 63) for a further 1-year term. She has been board member since 2023 and is currently member of the nomination committee. Ms. Ineichen-Fleisch is considered independent and Ethos, in accordance with its voting guidelines, recommends to vote FOR.</p> | FOR |
| 4.2 | <p>Elect Ms. Geraldine Matchett</p> <p>The board proposes to newly appoint Ms. Geraldine Matchett (Swiss, 52) for a 1-year term. She was co-CEO and CFO of Royal DSM from 2020 to 2023 and of DSM Firmenich after the merger, i.e. from May to September 2023. Previously, she was CFO of Royal DSM from 2014 to 2020 and CFO of SGS from 2010 to 2014.</p> <p>Ms. Matchett is also board member of ABB, a Swiss listed company, and is proposed as new board member of Swiss Re at the AGM to be held on 12 April 2024. She is considered independent.</p> <p>Ethos is not aware of any potential conflict of interests and therefore, in accordance with its voting guidelines, recommends to vote FOR.</p> | FOR |

4.3 Elections to the remuneration committee

The board of directors proposes that all incumbent members of the remuneration committee be re-elected to serve for another 1-year. Mr. Boer will newly chair the committee.

Main features of the remuneration committee composition after the AGM

Committee size	4
% independent members	75.0%
Number of executive members	0
Number of members with executive functions in other listed companies	0*

* Mr. Paliwal is Partner Private Equity at KKR, a US listed company, but is not member of the executive management.

The composition of the committee being in line with Ethos' guidelines, the re-election of the proposed nominees can be approved.

4.3.1 Re-elect Mr. Dick Boer to the remuneration committee FOR

The board proposes to re-elect Mr. Dick Boer to the remuneration committee for a further 1-year term. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.3.2 Re-elect Prof. Dr. Patrick Aebischer to the remuneration committee FOR

The board proposes to re-elect Prof. Dr. Patrick Aebischer to the remuneration committee for a further 1-year term. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.3.3 Re-elect Mr. Pablo Isla Álvarez de Tejera to the remuneration committee FOR

The board proposes to re-elect Mr. Pablo Isla Álvarez de Tejera to the remuneration committee for a further 1-year term. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.3.4 Re-elect Mr. Dinesh C. Paliwal to the remuneration committee FOR

The board proposes to re-elect Mr. Dinesh C. Paliwal to the remuneration committee for a further 1-year term. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.4 Re-elect Ernst & Young as auditors FOR

The board of directors recommends that shareholders ratify the re-appointment of Ernst & Young as the company's external auditors for a further 1-year term.

Ernst & Young has been the company's external auditor since 2020 (4 years).

Audit versus non-audit fees

Non-audit fees / Audit fees (2023) 26.0%

Non-audit fees / Audit fees (3-year aggregate) 27.0%

The breakdown of fees paid to the external auditor is adequately disclosed (see section 3.4 of this report). In light of the ratio of non-audit fees paid by the company to its external auditor, the re-appointment of the auditor can be accepted. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

4.5 Re-elect Hartmann Dreyer as independent proxy FOR

The board of directors proposes to re-elect the law firm Hartmann Dreyer as independent proxy for a further 1-year term. Ethos is not aware of any potential conflict of interest and, in accordance with its voting guidelines, recommends to vote FOR.

5.1 Binding prospective vote on the total remuneration of the board of directors FOR

The board of directors requests shareholder approval of the total maximum remuneration to be paid to the board of directors for the period from the 2024 AGM to the 2025 AGM (prospective vote).

The board requests a maximum total amount of CHF 10 million for its 13 non-executive members, including the chair (see section 5 of this report for details). Last year, the board requested CHF 10.5 million for 14 non-executive board members.

In 2023, the 14 non-executive members of the board received CHF 9'921'959. Based on 13 members, the requested amount therefore includes a 9% reserve on the total board remuneration paid in 2023. The reserve is not explained in the meeting agenda. As mentioned under ITEM 1.2, the remuneration paid to the chair for 2023 is 7% below the median of the peer group disclosed by Nestlé (32% higher than the median for the other board members).

Nestlé is the largest Swiss listed company in terms of market capitalisation. The other SMI companies, except Roche and Novartis, are substantially smaller in terms of market capitalisation, revenues and number of employees. For comparison purposes, the chair of Roche received CHF 5.8 million for 2023 and the chair of Novartis received CHF 3.8 million, which both exceed the remuneration received by Nestlé's chair. The chair of UBS, which is a substantially smaller company, received a higher remuneration than Nestlé's chair with CHF 4.7 million.

Generally speaking, Ethos is of the opinion that the amount of remuneration of the chairs of Swiss companies with the highest market capitalisations is too high, especially since they are generally not full-time chairs. Regarding Nestlé, Ethos notes the following:

- Nestlé chair's remuneration significantly decreased in the 2010s from approx. CHF 8 million to CHF 3.5 million in 2019 and remained stable since then.
- Mr. Bulcke is board member of only one other listed company, L'Oréal, where he is vice-chair and represents the interests of Nestlé (owner of a 20.1% participation). Therefore, his time commitments are focused on Nestlé and he can be considered a full-time chair.

Based on these elements, Ethos considers that the current level of remuneration of the non-executive board members, including Mr. Bulcke, can be accepted and Ethos, in accordance with its voting guidelines, recommends to vote FOR.

5.2

Binding prospective vote on the total remuneration of the executive management**OPPOSE**

The board of directors requests shareholder approval of the total maximum remuneration to be paid to the executive management for the 2025 financial year (prospective vote).

A) Board proposal

The board requests a maximum amount of CHF 80 million to be paid to the 16 members of the executive management, including the CEO (see section 5 of this report for details). Last year, the board requested CHF 72 million for 16 members of the management. The meeting agenda explains that the 11%-increase reflects "new hires, promotions and the change in the [annual bonus] structure".

Ethos considers that the explanation provided is not satisfactory as:

- Article 21ter of Nestlé's articles of association states that a supplementary amount (40% of the amount approved by shareholders) can be used if someone joins the executive management during the year. Therefore, upon approval of this ITEM, the board of directors will have at its disposal a supplementary amount of CHF 32 million for new hires or promotions to the executive management, which already gives sufficient flexibility.
- The changes in the annual bonus structure are not described by the company, whereas the part of the requested amount that is related to the annual bonus increases by 19% from CHF 23.5 million to CHF 28 million. It is only when comparing the description of the annual bonus in the meeting agenda to the current annual bonus system described in the remuneration report that shareholders can understand that the cap on the annual bonus will be increased from 130% to 150% of the target bonus. Ethos strongly regrets this lack of transparency as such an important change should be clearly described in the meeting agenda.

B) Ethos' appraisal of the amount requested

B.1) Base salaries (CHF 18.5 million)

As mentioned under ITEM 1.2, Ethos compared the base salaries of the members of the management of Nestlé to those paid at the 10 largest capitalisations in the SPI (including Nestlé). Nestlé CEO's base salary is 34% higher than the median base salary of the other CEOs while the average base salary of the other members of the management is 11% higher. For the CEO, the base salary is also 70% above the median of the 22 largest European companies of the sector "Consumer staples". While the CEO's base salary is high compared to those two medians, Ethos notes that Nestlé is significantly larger than most of the other companies included in the peer groups.

B.2) Other fixed remuneration (CHF 12.5 million)

The requested amount includes CHF 6.5 million for contributions for future pension benefits and CHF 6.0 million for social security contributions, other benefits and unforeseen expenses. The amount requested for the other fixed remuneration (CHF 12.5 million) is high compared to the other remuneration paid in 2023 (CHF 7.7 million). It corresponds to 68% of the amount requested for the base salaries, which Ethos considers excessive.

B.3) Short-term incentive (annual bonus, CHF 28 million)

The meeting agenda mentions the target bonus as a percentage of the base salary: 150% for the CEO, 100% for the executive vice presidents and 80% for the deputy executive vice presidents. In addition, the maximum bonus is capped at 150% of the target, which corresponds to 225% of the base salary for the CEO. The only change is that the cap is increased from 130% to 150% of target.

The meeting agenda also mentions that for the CEO and the CFO, 85% of the target bonus is linked to Nestlé Group's performance and 15% to ESG objectives. For the other members of the executive management the objectives are set as follows: for Function Heads, 50% of the bonus is tied to functional objectives, 35% to Group performance and 15% to ESG objectives; for Zone or Business Heads, 60% is tied to business objectives they are directly responsible for, 25% to Group performance and 15% to ESG objectives. Ethos regrets that the company is not more specific on what kind of metrics will be used for financial and extra-financial criteria.

In addition, the CEO of Zone North America participates in the Nestlé US short-term plan for 75% of his total grant value. This plan is capped at 150% of target. No additional details are provided, which Ethos regrets.

B.4) Long-term incentive (LTIP, CHF 21 million)

The LTIP consists of performance share units (PSUs) that vest after a 3-year performance period and an additional 2-year holding period. The CHF 21 million requested is based on the market value at date of grant and corresponds to a 100% target achievement. It does not include the leverage of up to two times the target grant. Ethos considers that Nestlé should submit a maximum budget of remuneration which would take into consideration the leverage of the long-term plan, in line with the spirit of the Swiss Code of Obligations.

The company discloses the performance conditions that will apply to the LTIP (relative TSR, underlying EPS growth in constant currency, ROIC improvement and reduction in greenhouse gas emissions). Ethos regrets that the weighting between the performance criteria is not disclosed. Under the current LTIP, the vesting scale for the relative TSR continues to allow for vesting of the shares in case of underperformance of Nestlé against the index, which is not best practice.

The target grant of performance shares is 150% of the base salary for the CEO and 100% for the other executives. The maximum vesting can go up to 200% of the target grant, i.e. 300% of the base salary for the CEO and 200% for the other executives. When added to the maximum potential bonus, the maximum variable remuneration of the CEO is 525% which significantly exceeds Ethos' guidelines.

The CEO of Nestlé Health Science receives 70% of his LTIP award under a specific Phantom Share Unit plan. Based on the short description of this plan provided in the meeting agenda, the vesting period is 3 years and the value at vesting is capped at two times the fair value at grant. Ethos regrets that no further details are provided regarding this plan.

In addition, the CEO of Zone North America participates also in the Nestlé US LTIP for 75% of his total grant value. The Nestlé US LTIP is a Phantom Performance Share Unit Plan based on the long-term results of Nestlé, with a target value of 250% of base salary. After a 3-year performance period, the payout can vary between 0% and 200% of the target, based on the same performance criteria as those of the regular LTIP. Ethos considers the initial grant and leverage under this plan as excessive.

C) Ethos' recommendation

The meeting agenda states that "the detailed plans for 2025 are not yet available at this point in time". Ethos regrets that the board of directors requests shareholder approval on remuneration systems that are not clearly defined yet.

As mentioned above, the potential variable remuneration significantly exceeds Ethos' guidelines and Ethos regrets the board's decision to further increase the maximum bonus. In addition, Ethos is of the opinion that proposing only the target grant for the LTIP (without including the important leverage) is not in line with the spirit of the Swiss Code of Obligations. Furthermore, in view of the important amounts involved, Ethos considers that the transparency regarding the performance conditions under both the bonus and the LTIP is insufficient. The description of the special remuneration plans for the CEO of Nestlé Health Science and the CEO of Zone North America is also insufficient. Therefore, Ethos, in accordance with points 5.6.a and 5.6.d of its voting guidelines, recommends to OPPOSE.

6	Reduce share capital via cancellation of shares	FOR
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The board of directors proposes to reduce the company's share capital by CHF 5'000'000 via the cancellation of 50 million registered shares with a nominal value of CHF 0.1. This corresponds to a 1.9% reduction of the issued share capital. The new share capital shall amount to CHF 262'000'000 divided into 2'620'000'000 registered shares with a nominal value of CHF 0.1.

The 50 million registered shares to be cancelled at this AGM were repurchased by Nestlé under the ongoing CHF 20 billion programme launched on 3 January 2022 on a second trading line of SIX Swiss Exchange.

The purpose of such programmes is to return cash to shareholders. Ethos, in accordance with its voting guidelines, recommends to vote FOR.

7	Shareholder proposal: amendment to the articles of association regarding sales of healthier and less healthy foods	FOR
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Shareholders of the company, represented by ShareAction, are requesting an amendment to the company's articles of association regarding sales of healthier and less healthy foods (article 23bis). The proposed article 23bis (new) would read as follows:

Article 23bis: Report on non-financial matters

- For each financial year, the board of directors shall prepare a report on sustainable development, social issues, employment matters, respect for human rights and anti-corruption, which presents the results achieved in relation to certain environmental, social and governance (ESG) key performance indicators (KPIs).
- These KPIs will include absolute and proportional sales figures for food and beverage according to their healthfulness, as defined by a government-endorsed Nutrient Profiling Model. The company will set a timebound target to increase the proportion of its sales derived from these healthier products.

ShareAction's position

While health is at the core of Nestlé's strategy, the company generates a majority of its revenue from products that are considered unhealthy as per the Health Star Rating (HSR) system thresholds, which exposes the company to financial, regulatory, legal and reputational risks.

The company answered its shareholders' previous concerns by setting an absolute growth sales target from nutritious products by 50% by 2030 but this growth is aligned with the company's overall growth targets. Therefore, the balance between healthy and less healthy products would remain similar by 2030 without a relative target on the share of healthy products.

In addition, ShareAction criticizes the inclusion of some products, such as coffee and infant food and milk, in the "nutritious" category despite these products not being covered by the HSR rating and not recommended by health professionals. Therefore, ShareAction also proposes that the absolute and relative targets include only products that are considered healthier based on a government-endorsed Nutrient Profiling Model such as the HSR.

Board's position

The board of directors recommends to oppose the shareholder proposal as it is not considered in the best interests of the company for the following reasons:

- Its current annual reporting on non-financial matters already exceeds competitors' transparency standards by disclosing more information on nutritional value of its product portfolio.
- The proposal limits the company's flexibility with regards to its product offering strategy, growth opportunities in some segments and investment in product innovation.
- A relative target would weaken other valuable portfolio segments and create opportunities for competitors while Nestlé's strength is its diversified and balanced portfolio.
- Already 50% of Nestlé's revenue comes from coffee, pet care and Nestlé Health Science products.

Ethos' position

As mentioned by Nestlé's board of directors and recognized by Ethos, the company is a leader in health and nutrition in terms of transparency regarding nutritional information of its product portfolio. However, given the increased regulatory and policy interventions as well as shifts in consumer demand, the healthiness of food companies' product portfolio is a key material aspect of company's sustainability and long-term shareholder value. In addition, competitors such as Unilever in 2022, following another shareholder resolution, are also moving towards more sustainable and healthier products by setting comprehensive and ambitious targets in this regard.

As a result, Nestlé should set ambitious relative targets regarding the healthiness of its products to keep its leading position and have a positive impact on global health, while limiting its exposure to regulatory, reputational and financial risks.

The company's new 2030 absolute target is not considered ambitious as it is aligned with its overall growth guidance of 4-6% per year and therefore, the balance between healthy and less healthy products will remain similar by 2030. Contrary to the board's opinion which includes coffee and petcare in its argumentation, less than 50% of the company's current sales come from products considered as healthy with a HSR of 3.5 or above.

While Ethos welcomes Nestlé's recent commitment with regards to absolute sales of healthy products and its progress towards offering more balanced and sustainable diets, Ethos considers that the proposed amendment to the articles of association represents a better guarantee that the share of more nutritious products will increase in the future in comparison to less healthy products. It also makes the board more accountable towards shareholders and set a clear mission to support balanced and sustainable diets.

Based on these elements, Ethos considers that the shareholder proposal aims at enhancing Nestlé social responsibility and is in line with the long-term interests of the majority of Nestlé's stakeholders. Therefore, Ethos, in accordance with points 9.1, 9.2 and 9.3 of its voting guidelines, recommends to vote FOR.

Additional unannounced proposals from the shareholders

OPPOSE

Ethos recommends to oppose any unannounced additional proposals made during the AGM either by the board or by a shareholder. The formal meeting agenda does not include this proposal, which is only included in the proxy card with no precise item number. While Ethos strongly regrets that the proxy card only refers to proposals made by a shareholder (and not by the board), Ethos, in accordance with point 10.1 of its voting guidelines, recommends to OPPOSE.

3. Company Information

3.1 Company description

Headquarters	Vevey (VD) and Cham (ZG), Switzerland
Activities*	Nestlé S.A., together with its subsidiaries, operates as a food and beverage company. The company operates through Zone North America; Zone Europe; Zone Asia, Oceania, and Africa; Zone Latin America; Zone Greater China; Nespresso; and Nestlé Health Science segments. It offers baby foods under the Cerelac, Gerber, Nido, and NaturNes brands; bottled water under the Nestlé Pure Life, Perrier, Vittel, Buxton, Erikli, and S.Pellegrino brands; cereals under the Fitness, Nesquik, cheerios, and Lion Cereals brands; and chocolate and confectionery products under the KitKat, Smarties, Aero, Nestlé Les Recettes de l'Atelier, Milkybar, Baci Perugina, Quality Street, and Fitness brands. The company provides coffee products under the Nescafé, Nespresso, Nescafé Dolce Gusto, Starbucks Coffee At Home, and Blue Bottle Coffee brands; culinary, chilled, and frozen foods under the Maggi, DiGiorno, Thomy, Garden Gourmet, Sweet Earth, Hot Pockets, Stouffer's, Buitoni, Lean, and Life Cuisine brands; dairy products under the Carnation, Nido, Bear, Coffee-Mate, and La Laitière brands; and drinks under the Nesquik, Nestea, Nescafé, and Milo brands. In addition, it offers food service products under the Milo, Nescafé, Maggi, Chef, Nestea, Stouffer's, Chef-Mate, Minor's, and Lean Cuisine brand names; healthcare nutrition products under the Boost, Garden of Life, Nature's Bounty, Persona, Vital Proteins, Solgar, Peptamen, Resource, Vitaflor, Impact, and Compleat brands; ice cream products under the Movenpick, Häagen-Dazs, Nestlé Ice Cream, and Extrême brands; and pet care products under the Purina, ONE, Alpo, Felix, Pro Plan, Cat Chow, Fancy Feast, Bakers, Friskies, Dog Chow, Beneful, and Gourmet brands. The company was founded in 1866 and is headquartered in Vevey, Switzerland.
Chairman	Paul Bulcke (since 2017), Belgian, aged 70
CEO	Dr. oec. Ulf Mark Schneider (since 2017), German, aged 59

*Activities data from S&P¹

3.2 Financial key figures

General information		2023	2022	2021	2020	2019
Market capitalisation	Millions CHF	260'170	295'663	350'518	290'369	302'550
Total enterprise value	Millions CHF	316'108	344'207	389'767	324'352	341'554
Total employees		270'000	275'000	276'000	273'000	291'000

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Income statement		2023	2022	2021	2020	2019
Total revenues	Millions CHF	93'351	94'780	87'470	84'681	92'865
Gross profit	Millions CHF	43'023	43'035	42'002	41'710	46'218
EBITDA	Millions CHF	18'156	18'344	17'145	16'826	18'676
EBIT	Millions CHF	15'658	15'754	14'640	14'285	15'898
EBT	Millions CHF	13'823	12'326	19'457	15'737	16'063
Net income attr. to shareholders	Millions CHF	11'209	9'270	16'905	12'232	12'609

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Balance sheet		2023	2022	2021	2020	2019
Cash and cash equivalents	Millions CHF	4'816	5'511	6'988	5'235	7'469
Total financial debt	Millions CHF	55'241	54'312	46'893	40'037	37'457
Net debt	Millions CHF	49'390	47'568	32'855	31'332	27'137
Shareholders equity	Millions CHF	35'742	41'982	53'140	45'695	52'035

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Cash flow		2023	2022	2021	2020	2019
Operating cash flow	Millions CHF	15'941	11'907	13'864	14'377	15'850
Capital expenditure	Millions CHF	-5'714	-5'095	-4'880	-4'076	-3'695
Investing cash flow	Millions CHF	-6'196	-1'903	-3'044	-5'667	8'356
Financing cash flow	Millions CHF	-9'758	-11'385	-9'152	-10'382	-21'156
Free cash flow	Millions CHF	10'227	6'812	8'984	10'301	12'155

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Ratios		2023	2022	2021	2020	2019
Return on assets (ROA)	%	7.5	7.2	7.0	7.1	7.5
Return on equity (ROE)	%	29.1	19.9	34.3	24.9	23.2
Net debt to EBITDA	%	2.7	2.6	1.9	1.9	1.5

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Per share data		2023	2022	2021	2020	2019
Share price at year-end	CHF	97.51	107.14	127.44	104.26	104.78
Dividend per share	CHF	3.00	2.95	2.80	2.75	2.70
EPS from cont. op.	CHF	4.24	3.42	6.06	4.30	4.30
Payout ratio	%	70.82	86.15	46.18	63.96	62.72
Dividend yield	%	3.1	2.8	2.2	2.6	2.6
Book value per share	CHF	13.64	15.73	19.26	16.22	18.07
TSR	%	-6.6	-14.0	25.4	2.1	34.8

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3.3 Capital

Issued Capital on 31.12.2023	In CHF	Number	Nominal Value	Issued Capital
	Registered shares	2'670'000'000	0.10	267'000'000
	Total issued capital			267'000'000

On 3 January 2022, a new share buyback programme of up to CHF 20 billion has been launched and will be completed by the end of December 2024. At the 2023 AGM, shareholders accepted to cancel 80 million shares, leading to a share capital of CHF 267'000'000.

Upon approval of the ITEM 6 of this AGM, 50 million additional shares repurchased will be cancelled, leading to a share capital of CHF 262'000'000.

Authorisation to issue shares without guaranteed pre-emptive rights on 31.12.2023	In CHF	Equity Type	Number	% of Issued Capital
	Conditional capital for the conversion of convertible bonds	Registered shares	100'000'000	3.7%
	Total authorisation			3.7%

There were no outstanding convertible bonds on 31 December 2023.

The company has no authorised share capital and no capital band.

Conditions to file a shareholder resolution	Date	31.12.2023	In CHF	Nominal value required	400'500
				Market value required	390'527'550
				% of listed voting capital	0.15%

The company's articles of association set the threshold to file a shareholder resolution to 0.15% of the share capital or voting rights.

Restriction on re-registration of shares or voting rights

Voting rights are limited to 5% of the share capital. This limitation also applies to nominees. However, exceptions may be granted by the board of directors. The board has granted exceptions to vote shares in excess of 5% to the following nominees: Chase nominees and Citibank as depositary for shares represented by American Depositary Receipts (ADR), and to the following custodians: Credit Suisse and UBS on the basis of special instructions provided by their clients for general meetings.

Important shareholders	Shareholder	% of Voting Rights	% of Capital	Comments
	Citibank	6.8%	6.8%	Depositary for shares represented by ADR*
	BlackRock	5.0%	5.0%	
	Nortrust Nominees	3.6%	3.6%	
	Nestlé	0.0%	1.8%	
	Total	15.4%	17.2%	

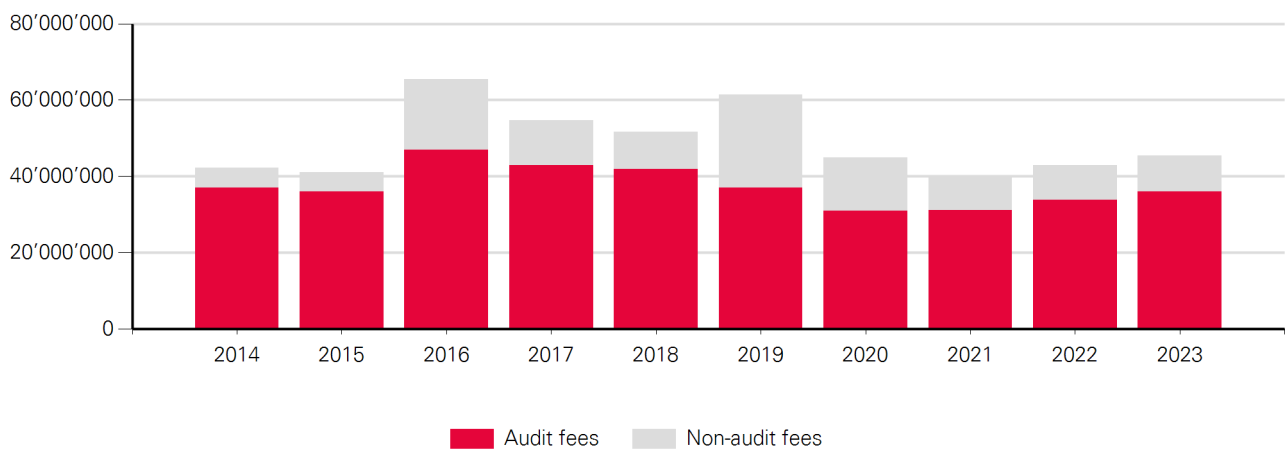
The above shareholdings are as of 20 March 2024.

* The company does not provide any information on how Citibank exercises the voting rights attached to the American Depositary Receipts (ADR). When contacted, the company representative explained that the uninstructed ADR are automatically voted according to the board's recommendations.

3.4 External Auditor

Auditor Ernst & Young, since 2020

Fees	In CHF	2023	2022	2021
Audit fees		36'100'000	33'800'000	31'200'000
Non-audit fees		9'400'000	9'100'000	8'800'000
Total		45'500'000	42'900'000	40'000'000



Comments Until 2019, the auditor was KPMG.

The lead auditor, Ms. Jeanne Boillet, has been in charge since 2020.

Audit fees also include fees for services related to the review of ESG information.

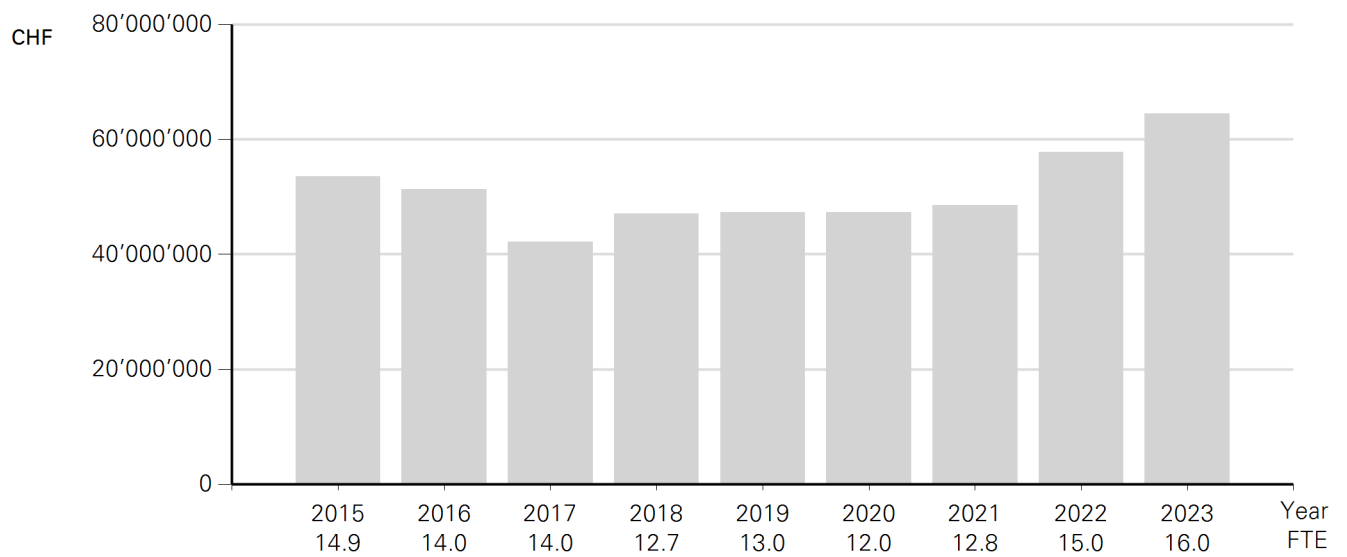
The non-audit fees are broken down as follows:

- Tax services : CHF 6.1 million
- IS/IT advisory support : CHF 1.2 million
- Mergers and disposals services : CHF 0.6 million
- Other various services : CHF 1.5 million

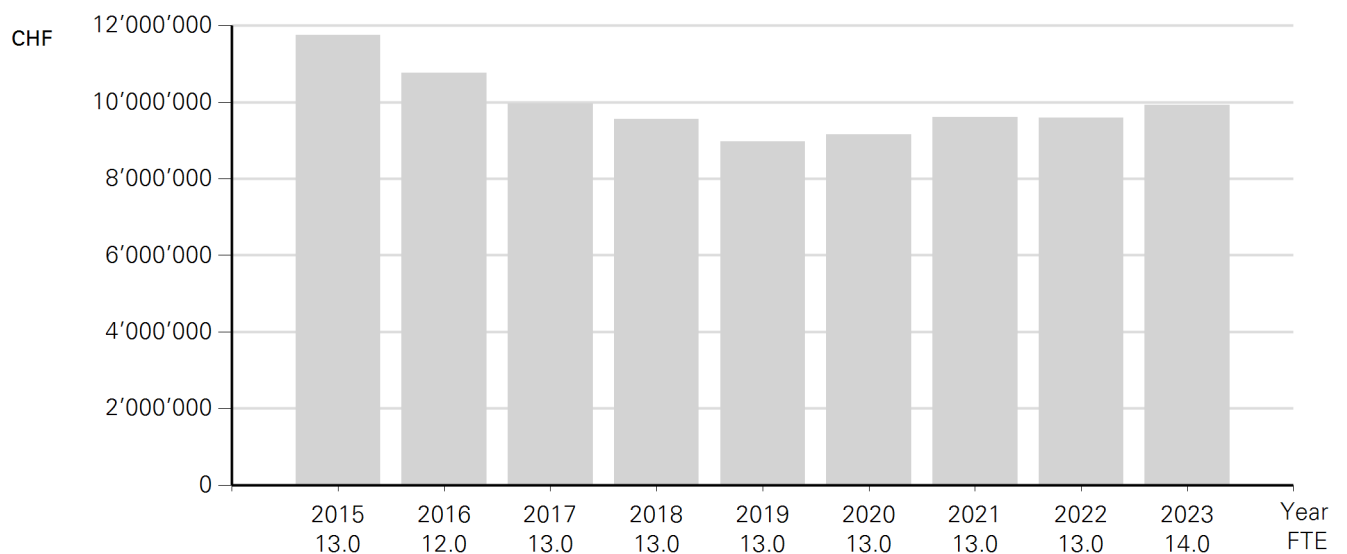
4. Remuneration Report

4.1 Evolution of the Aggregate Remuneration

A Members of the Executive Management



B Board Members (Outside Executive Management)



4.2 Global Remuneration Figures

A Members of the Executive Management

		2023 CHF	2022 CHF	Var.
Fixed	Base salary	16'741'666	15'793'750	6.0%
	Other	7'718'167	6'202'116	24.4%
Short-term incentives	Cash	15'666'017	12'831'032	22.1%
	Equity	4'755'855	4'550'692	4.5%
Long-term incentives	Restricted	0	0	0.0%
	Performance	19'594'778	18'400'725	6.5%
Total		64'476'483	57'778'315	11.6%
Total number of persons (FTE)		16.0	15.0	
Highest paid executive		11'246'221	10'323'643	8.9%
Average other executives		3'548'684	3'389'619	4.7%

B Board Members (Outside Executive Management)

		2023 CHF	2022 CHF	Var.
Fixed	Cash	3'145'000	2'990'000	5.2%
	Shares	6'450'000	6'310'000	2.2%
	Other	326'959	286'860	14.0%
Variable	Cash	0	0	0.0%
	Shares	0	0	0.0%
	Options	0	0	0.0%
Total		9'921'959	9'586'860	3.5%
Total number of persons (FTE)		14.0	13.0	
Highest paid non-executive		3'529'400	3'528'680	0.0%
Average other non-executives		491'735	504'848	-2.6%

Comments

Members of the executive management:

The remuneration of the executive management consists of the following elements:

- Base salary
- Short-term annual bonus paid in cash and shares blocked for 3 years (see point 4.5.B of this report)
- Long-term Incentives (LTI) consisting of performance share units (see point 4.5.C of this report)
- Pension contributions
- Other benefits (car allowance, contribution to health insurance premiums, long-term service awards and expatriate benefits)

The highest paid member of the executive management was Mr. Ulf Mark Schneider (CEO), both in 2022 and 2023.

Non-executive board members:

Non-executive board members (except the chair) receive an annual board membership fee of CHF 280'000 and an expense allowance of CHF 15'000. This structure is unchanged since 2006.

In addition, board members who are also members of key committees receive the following additional fees:

- Chair's committee: CHF 200'000 for membership, CHF 300'000 for chairship
- Audit committee: CHF 100'000 for membership, CHF 150'000 for chairship
- All other committees : CHF 70'000 for membership, CHF 150'000 for chairship

50% of the fees are paid in shares blocked for 3 years and 50% in cash.

The board fees are reported from AGM to AGM, and are paid in two instalments in arrears (25% in October 2023 and 75% in April 2024).

The highest paid non-executive director was Mr. Paul Bulcke (chair) in both 2022 and 2023.

4.3 Individual Remuneration Figures

Individual figures for 2023 (CHF)

A Members of the Executive Management

Name, Function	Fixed		Short-term incentives		Long-term incentives		Total
	Base salary	Other	Cash	Equity	Restricted	Performance	
U. Schneider, CEO	2'400'000	825'349	2'210'401	2'210'399	0	3'600'072	11'246'221
Average other executives	956'111	459'521	897'041	169'697	0	1'066'314	3'548'684

B Board Members (Outside Executive Management)

Name, Function	Fixed			Variable			Total
	Cash	Shares	Other	Cash	Shares	Options	
P. Bulcke, Ch	0	3'500'000	29'400	0	0	0	3'529'400
H. de La Croix de Castries, VCh, LD	380'000	365'000	29'400	0	0	0	774'400
P. Aebischer, Mbr	190'000	175'000	42'695	0	0	0	407'695
R. Blair, Mbr	155'000	140'000	15'435	0	0	0	310'435
D. Boer, Mbr	225'000	210'000	0	0	0	0	435'000
H. de Mora, Mbr	330'000	315'000	29'400	0	0	0	674'400
R. Fassbind, Mbr	330'000	315'000	29'400	0	0	0	674'400
M. Ineichen-Fleisch, Mbr	190'000	175'000	18'886	0	0	0	383'886
P. Isla Álvarez de Tejera, Mbr	330'000	315'000	29'400	0	0	0	674'400
C. Leong, Mbr	190'000	175'000	18'886	0	0	0	383'886
L. Maestri, Mbr	205'000	190'000	20'365	0	0	0	415'365
L. Majele Sibanda, Mbr	190'000	175'000	43'886	0	0	0	408'886
D. Paliwal, Mbr	225'000	210'000	19'806	0	0	0	454'806
K. Ross, Mbr	205'000	190'000	0	0	0	0	395'000

Comments

Members of the executive management:

Mr. Magdi Batato left the executive management on 1 January 2023. Ms. Lisa Gibby was appointed to the executive management effective 1 January 2023, and Ms. Stephanie Pullings Hart was appointed on 1 November 2023.

Non-executive board members:

Included in the above table (under "Other"), Mr. Patrick Aebischer received CHF 25'000 for serving on the Nestlé Science & Technology Advisory Council and Ms. Lindiwe Sibanda received CHF 25'000 for serving on the Creating Shared Value (CSV) Council.

4.4 Best Practice Checklist

A Members of the Executive Management

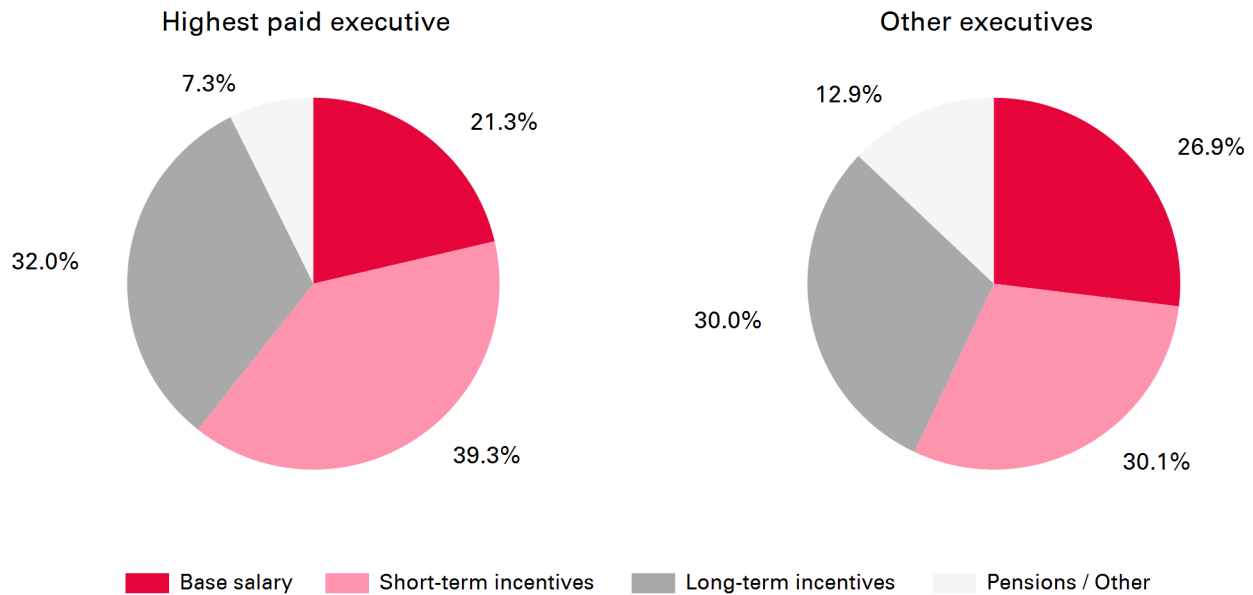
Company practice	Each member's remuneration disclosed separately	-
	All pay components disclosed separately (salary, bonus, LTI, pension)	Ok
	Peer group for setting the remuneration levels disclosed	Ok
	Peer group for benchmarking the company's performance under the variable remuneration plan(s) disclosed	Ok
	Accrual principle applied	Ok
	Performance criteria for short-term incentive adequately disclosed	-
	Precise ESG criteria for short-term incentive disclosed	-
	% of annual bonus depending on individual criteria disclosed	Ok
	Ex-post disclosure of the level of achievement of the performance objectives for the short-term incentive	-
	Performance criteria for the vesting of long-term incentive adequately disclosed	Ok
	Precise performance objectives for the vesting of the long-term incentive disclosed ex-ante	Ok
	Precise performance objectives for the vesting of the long-term incentive disclosed ex-post	Ok
	Level of vesting of the long-term incentive (in % of the initial grant) disclosed	Ok
	Value realised upon vesting of the long-term incentive disclosed	-
	Shares granted valued at fair market value	Ok
	Options granted valued at fair market value	Not relevant
	Minimum share ownership requirements exist	Ok
	Reconciliation of reported remuneration with amounts approved prospectively	Ok
Comments	The CEO is required to hold shares worth at least 500% of his annual base salary (200% for the other executives) following an appropriate build-up period.	

B Board Members (Outside Executive Management)

Company practice	Non-executive directors' fees partly paid in shares	Ok
	Non-executive directors do not receive options	Ok
	Non-executive directors do not receive performance based remuneration	Ok
	Minimum share ownership requirements exist	-
	Reconciliation of reported remuneration with amounts approved prospectively	Ok

4.5 Remuneration Structure (Executives)

A Remuneration Breakdown



B Short-term Incentives

Short-term incentives in % of base salary	On target	Maximum	Actual
Of highest paid executive	150.0%	195.0%	184.2%
Of other executives	NA	NA	111.6%

Performance criterion	Type	Weighting (highest paid)	Weighting (other executives)
Organic sales	Absolute	NA	NA
Capital expenditures	Absolute	NA	NA
Operating margin	Absolute	NA	NA
Cost targets	Absolute	NA	NA
Market share	Absolute	NA	NA
Compliance	Absolute	NA	NA
Data and digital	Absolute	NA	NA
Product quality	Absolute	NA	NA
ESG targets	Absolute	15.0%	15.0%
Safety	Absolute	NA	NA
Sustainability	Absolute	NA	NA

Comments

The on-target bonus is 150% of the base salary for CEO, 100% for the Executive Vice Presidents and 80% for the Deputy Executive Vice Presidents. The maximum bonus is capped at 130% of the target bonus.

The performance conditions are as follows:

- For the CEO and CFO: Group objectives* (85% weighting) and Environmental, Social and Governance (ESG)** objectives (15%).
- For Function Heads, Group objectives* (35% weighting), functional objectives of a financial and non-financial nature (50%) and ESG objectives** (15%).
- For Zone or Business Heads, Group objectives* (25% weighting), financial and non-financial business goals they are directly responsible for (60%) and ESG objectives** (15%).

* Group objectives are quantitative and qualitative and include: organic sales growth, underlying trading operating profit margin ("Operating margin" in the above table), quantitative and qualitative objectives linked to Nestlé's strategy such as the proportion of products with Nutrition, Health & Wellness benefits, market shares, capital expenditure, structural cost optimization, progress on digitalization, strengthening Nestlé's values and culture, and further progress on quality, safety, sustainability and compliance.

** The ESG objectives reflect selected performance measures from Nestlé's ESG/sustainability agenda. For 2023, they relate to affordable nutrition with micro nutrients, reduction of greenhouse gas emissions, plastic packaging designed for recycling, reduction of water use in factories and management positions held by women. Each of these 5 criteria have a weight of 3%.

The CEO has to take a minimum of 50% of his bonus in shares. All other members of the executive management can elect to receive part or all their bonus in shares. The shares are blocked for 3 years.

C Long-term Incentives

Incentive	Plan 1	Plan 2	Plan 3
Type of awards	PSUs	-	-
Fair value at grant date disclosed	Yes	-	-
Vesting period for time-vesting awards	NR	-	-
Performance period	3 years	-	-
Sale restriction after performance/vesting period	2 years	-	-
Absolute performance criteria for vesting	EPS & ROIC	-	-
Relative performance criteria for vesting	TSR	-	-
Sustainability criteria for vesting	CO2 reduction	-	-
Initial grant for the highest paid (in % of the base salary)	150%	-	-
Minimum final vesting (in % of initial grant)	0%	-	-
Maximum final vesting (in % of initial grant)	200%	-	-
Maximum payout (valued at date of grant, in % of the base salary)	300%	-	-

Comments

Plan 1

Under this plan, participants receive performance share units (PSUs) that are converted into shares at the end of a 3-year period depending on the company's performance. The shares received at the end of the performance period remain blocked for 2 additional years. The target grant value corresponds to 150% of the base salary for the CEO and 100% of the base salary for the other members of the executive management.

The level of vesting after the 3-year performance period is determined by the degree by which the following 3 performance measures are met:

- Average underlying EPS growth in constant currencies: 40% weighting
- Relative Total Shareholder Return (TSR) measured against the STOXX Global 1800 Food & Beverage Gross Return Index: 20% weighting.
- Return on Invested Capital (ROIC) improvement: 20% weighting
- Reduction in greenhouse gas emissions: 20% weighting

The vesting scale is as follows:

Average underlying EPS growth

- 1% growth and below: no vesting
- 6% growth: 100% vesting
- 11% growth and above: 200% vesting

Vesting is determined by linear interpolation between the above points.

Relative TSR

- TSR is 20% below the TSR of the benchmark: no vesting
- TSR matching the TSR of the benchmark: 100% vesting
- TSR is 20% or more above the TSR of the benchmark: 200% vesting

Vesting is determined by linear interpolation between the above points.

ROIC improvement

- No improvement or deterioration: no vesting
- ROIC improvement of 50 basis points: 100% vesting
- ROIC improvement of 100 basis points or above: 200% vesting

Vesting is determined by linear interpolation between the above points.

Reduction of Greenhouse Gas (GHG) emissions

- 18% reduction or below: no vesting
- 20% reduction: 100% vesting
- 22% reduction or above: 200% vesting

Vesting is determined by linear interpolation between the above points. No information about the base period or the scopes covered is provided in the remuneration report.

In February 2024, the PSUs granted under the 2021 plan vested with a payout factor of 92%. The previous payout are:

- 2020 plan: 77%
- 2019 plan: 114%
- 2018 plan: 177%
- 2017 plan: 189%
- 2016 plan: 127%
- 2015 plan: 85%
- 2014 plan: 72%
- 2013 plan: 100%
- 2012 plan: 105%
- 2011 plan: 70%

4.6 Share and Option Holdings

A Members of the Executive Management

Name	Function	31.12.2023 Shares	31.12.2023 Options	31.12.2022 Shares	31.12.2022 Options
U. Schneider	CEO	532'540	0	490'142	0
Total other executives	--	498'982	0	600'132	0
Total		1'031'522	0	1'090'274	0

B Board Members (Outside Executive Management)

Name	Function	31.12.2023 Shares	31.12.2023 Options	31.12.2022 Shares	31.12.2022 Options
P. Bulcke	Ch	1'507'911	0	1'477'385	0
H. de La Croix de Castries	VCh, LD	37'252	0	34'068	0
P. Aebischer	Mbr	17'046	0	15'519	0
R. Blair	Mbr	153	0	NA	NA
D. Boer	Mbr	8'153	0	6'321	0
H. de Mora	Mbr	9'864	0	5'246	0
R. Fassbind	Mbr	38'726	0	35'978	0
M. Ineichen-Fleisch	Mbr	6'290	0	NA	NA
P. Isla Álvarez de Tejera	Mbr	11'977	0	9'229	0
C. Leong	Mbr	1'527	0	0	0
L. Maestri	Mbr	1'658	0	0	0
L. Majele Sibanda	Mbr	2'938	0	1'411	0
D. Paliwal	Mbr	15'523	0	13'691	0
K. Ross	Mbr	4'975	0	7'876	0
Total		1'663'993	0	1'606'724	0

5. Remuneration Requested

Executive Management

Item	Component	Type	Amount requested (CHF)	Nb. of pers. (FTE)	Modality
5.2	Base salaries	Cash	18'500'000	16.0	Prospective
5.2	Short-term variable remuneration	Cash, shares	28'000'000	16.0	Prospective
5.2	Long-term variable remuneration	Shares	21'000'000	16.0	Prospective
5.2	Pension contributions	Other	6'500'000	16.0	Prospective
5.2	Other remuneration	Other	6'000'000	16.0	Prospective

Total remuneration requested for the executive management: 80'000'000

Comments

Ethos notes that the amount requested for the long-term variable remuneration (CHF 21 million) corresponds to the value of the initial grant of performance share units (PSUs) under the long-term plan. The leverage of up to 2 times the initial grant (in case of overachievement of the performance objectives at the end of a 3-year performance period) is not included in the requested amount. Therefore, the requested amount of CHF 80 million does not represent the maximum potential remuneration.

Board of Directors

Item	Component	Type	Amount requested (CHF)	Nb. of pers. (FTE)	Modality
5.1	Fixed fees	Cash	3'000'000	13.0	Prospective
5.1	Fixed fees	Shares	6'500'000	13.0	Prospective
5.1	Social security contributions	Other	500'000	13.0	Prospective

Total remuneration requested for the board of directors: 10'000'000

6. Board of Directors

Composition after the General Meeting of 18.04.2024

Committee	Executive	Affiliated non-executive	Independent non-executive	Total
Board of Directors	1	2	11	14
Audit committee	0	0	2	2
Nomination committee	0	1	3	4
Remuneration committee	0	1	3	4
Chair's committee	1	1	3	5
Sustainability committee	0	0	4	4

Election procedure for directors	Individual
Mandate duration	1 year
Mandatory age limit	72
Number of board meetings during the past year	8 (3h15 on average)
Number of audit committee meetings during the past year	4 (2h00 on average)
Number of remuneration committee meetings during the past year	6 (1h10 on average)
Number of nomination committee meetings during the past year	5 (0h51 on average)
Number of chair's committee meetings during the past year	10 (1h55 on average)
Number of sustainability committee meetings	4 (2h00 on average)
Individual attendance rate at board meetings disclosed	Yes

The following changes in the board's composition will take place at the AGM:

- Mr. Henri de Castries (chair of the nomination committee as well as member of the audit and of the chair's committee) and Ms. Kimberly A. Ross (member of the audit committee) have decided not to stand for re-election.
- Ms. Geraldine Matchett is proposed for election as new member of the board of directors.

The composition of the committee will therefore be re-assessed after the AGM.

The chair's committee also acts as corporate governance committee.

The board of directors reserves at least one full day per year to discuss the long-term strategy of the company. In addition, the board visits every year one operating company for three to five days (in 2023: Nestlé Mexico).

In 2023, all board members attended all board meetings, except Ms. Ross, who attended 7 out of 8 meetings (i.e. 88% attendance). This corresponds to an average attendance of 99%.

No information is provided regarding attendance at committee meetings.

Paul Bulcke		
Affiliated	Chair	Up for Re-election
Nationality	Belgian	
Age	70	
Director since / term ends	2008 / 2025	
Committee memberships	<ul style="list-style-type: none"> - Nomination committee - Chair's committee, Chairman 	
Affiliation	<ul style="list-style-type: none"> - Miscellaneous - Board membership exceeding time limit for independence <p>He has responsibilities for the direction and control of Nestlé including the support of Nestlé Health Science and the direct leadership of Nestlé's interests in L'Oréal (where he is vice chair).</p>	
Main activity	none	
Directorships	- L'Oréal (listed), France - Vice chair	
Other relevant mandates	<ul style="list-style-type: none"> - 2030 Water Resources Group (WRG), USA - Co-chair - Avenir Suisse, Switzerland - Member - J.P. Morgan, USA - Member, International council 	
Comments	<p>Various positions at Nestlé since 1979, including:</p> <ul style="list-style-type: none"> - CEO (2008-2016) - Zone Director for Americas (2004-2008) - Market Head at Nestlé Germany (2000-2004) 	

Pablo Isla Álvarez de Tejera		
Independent	Vice chair and Lead director	Up for Re-election
Nationality	Spanish	
Age	60	
Director since / term ends	2018 / 2025	
Committee memberships	<ul style="list-style-type: none"> - Nomination committee, Chairman - Remuneration committee - Chair's committee 	
Main activity	none	
Directorships	- Amara NZero SA, Spain - Chair	
Comments	<p>Global Senior Advisor at General Atlantic (2022-2023). CEO (2005-2019) and Executive Chair (2019-2022) of Inditex. Co-Executive Chair of Altadis (Spain; 2000-2005). General Secretary of Banco Popular (Spain; 1998-2000). General Manager, State Assets Department of the Ministry of Economy (1996-1998). Director of Legal Services of Banco Popular (Spain; 1992-1996). Ministry of Transport, Tourism and Communications, Government of Spain (1988-1991).</p>	

Dr. oec. Ulf Mark Schneider

Executive	Member, Chief Executive Officer	Up for Re-election
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Nationality	German
Age	59
Director since / term ends	2017 / 2025
Committee memberships	– Chair’s committee
Main activity	– Nestlé (listed), Switzerland - CEO
Directorships	– Roche (listed), Switzerland - Member
Other relevant mandates	<ul style="list-style-type: none"> – The Consumer Goods Forum (CGF), France - Member – World Economic Forum (WEF), Switzerland - Member – European Round Table for Industry (ERT), Belgium - Member – International Institute for Management Development (IMD), Switzerland - Member
Comments	<p>CEO of Fresenius (2003-2016). CFO of Fresenius Medical Care (2001-2003). Various positions at Haniel Group (1989-2001), including Vice President Business Development North America and CFO of Gehe UK plc.</p>

Prof. Dr. Patrick Aebischer

Affiliated Member Up for Re-election

Nationality	Swiss
Age	70
Director since / term ends	2015 / 2025
Committee memberships	– Remuneration committee
Affiliation	– Business relationship
	Chair and co-founder of Amazentis which entered into a global partnership with Nestlé Health Science in 2019 to develop a new cellular nutrient.
Main activity	– ND Capital, USA - Senior partner
Directorships	– PolyPeptide Group (listed), Switzerland - Vice chair and Lead director – Logitech (listed), Switzerland - Member – Amazentis SA, Switzerland - Chair, co-founder and co-owner – Vandria SA, Switzerland - Chair – Swiss Vaccine SA, Switzerland - Member – Limani Partners SA, Switzerland - Member
Other relevant mandates	– Fondation Swiss Polar, Switzerland - Chair – Fondation ArtTech, Switzerland - Chair – Geneva Science and Diplomacy Anticipator Foundation, Switzerland - Vice chair – Fondation Claude Nobs, Switzerland - Member – Fondation du Verbier Festival, Switzerland - Member – Fondation du domaine de Villette, Switzerland - Member – Fondation Defitech, Switzerland - Member
Comments	Professor of Neurosciences at the Swiss Federal Institute of Technology, EPFL (2000-2019). President of the EPFL (2000-2016).

Rainer M. Blair

Independent Member Up for Re-election

Nationality	US Citizen
Age	60
Director since / term ends	2023 / 2025
Committee memberships	none
Main activity	– Danaher (listed), USA - CEO
Directorships	– Danaher (listed), USA - Member
Other relevant mandates	– Analytical Life Science and Diagnostics Association, USA - Member
Comments	Various positions at Danaher since 2010, including: - Executive Vice President (2017-2020) - Vice President, Group Executive (2014-2017)

Dick Boer

Independent

Member

Up for Re-election

Nationality	Dutch
Age	67
Director since / term ends	2019 / 2025
Committee memberships	<ul style="list-style-type: none"> – Remuneration committee, Chairman – Sustainability committee
Main activity	none
Directorships	<ul style="list-style-type: none"> – Just Eat Takeaway.com (listed), Netherlands - Chair – Shell (listed), United Kingdom - Vice chair and Lead director – Royal Concertgebouw, Netherlands - Chair – SHV Holdings N.V., Netherlands - Member
Other relevant mandates	– Rijksmuseum Fonds, Netherlands - Chair, Advisory board
Comments	<p>CEO of Ahold Delhaize N.V. (Netherlands, 2016-2018). CEO of Ahold N.V. (Netherlands, 2010-2016). COO of Ahold Europe (2006-2010).</p>

Hanne de Mora

Independent

Member

Up for Re-election

Nationality	Swiss
Age	64
Director since / term ends	2020 / 2025
Committee memberships	<ul style="list-style-type: none"> – Chair's committee – Sustainability committee, Chairman
Main activity	– A-connect AG, Switzerland - Client Service Partner & Co-founder
Directorships	– Microcaps AG, Switzerland - Chair
Other relevant mandates	<ul style="list-style-type: none"> – Stiftung Backpack, Switzerland - Chair – IMD Business School, Switzerland - Vice chair
Comments	<p>Various positions at McKinsey & Company (1989-2002) including Partner (1996-2000). Various senior positions in brand management and controlling within Procter & Gamble (1986-1989).</p>

Dr. oec. Renato Fassbind

Independent Member Up for Re-election

Nationality	Swiss
Age	69
Director since / term ends	2015 / 2025
Committee memberships	– Audit committee, Chairman – Chair's committee
Main activity	none
Comments	Certified Public Accountant. Senior Advisor to Credit Suisse Group (2010-2012). CFO of Credit Suisse Group (2004-2010). CEO of Diethelm Keller Holding AG (2002-2004). CFO of ABB (1997-2002).

Marie-Gabrielle Ineichen-Fleisch

Independent Member Up for Re-election

Nationality	Swiss
Age	63
Director since / term ends	2023 / 2025
Committee memberships	– Nomination committee
Main activity	none
Directorships	– BVZ Holding (listed), Switzerland - Member (proposed for election) – KIBAG Holding AG, Switzerland - Member – F.G. Pfister Holding AG, Switzerland - Member – Schweizerische Mobiliar Genossenschaft, Switzerland - Member
Comments	State Secretary and Director of the Swiss State Secretariat for Economic Affairs (SECO, 2011-2022). Head of the World Trade Division of the SECO, as well as Swiss Ambassador and Delegate for Trade Agreements and Switzerland's Chief Negotiator to the World Trade Organization (2007-2011).

Chris Leong		
Independent	Member	Up for Re-election
Nationality	Malaysian	
Age	57	
Director since / term ends	2022 / 2025	
Committee memberships	– Sustainability committee	
Main activity	– Schneider Electric (listed), France - Chief Marketing Officer	
Comments	Executive Vice President, Digital Customer Experience at Schneider Electric (2013-2015). Various positions held at Nokia (2005-2011), including: - Senior Vice President Greater China, Japan and Korea (2010-2011) - Senior Vice President Global Marketing (2008-2009) - Senior Vice President Greater China Marketing (2006-2007) Various positions held at WPP (1991-2005), including: - President of Grey South East Asia (2003-2005) - Managing Director of Bates Singapore (1999-2002)	

Luca Maestri		
Independent	Member	Up for Re-election
Nationality	Italian	
Age	61	
Director since / term ends	2022 / 2025	
Committee memberships	– Audit committee	
Main activity	– Apple (listed), USA - CFO	
Comments	Vice President and Corporate Controller of Apple (2013-2014). CFO of Xerox Corporation (2011-2013). CFO of Nokia Siemens Networks (2008-2011). Various positions at General Motors Corporation (1988-2008) including: - CFO GM Europe (2007-2008) - CFO GM do Brasil (2005-2007)	

Lindiwe Majele Sibanda

Independent	Member	Up for Re-election
Nationality	Zimbabwean	
Age	61	
Director since / term ends	2021 / 2025	
Committee memberships	– Sustainability committee	
Main activity	– ARUA Centre of Excellence in Sustainable Food Systems, University of Pretoria, South Africa – Professor	
Other relevant mandates	– ARUA Centre of Excellence in Sustainable Food Systems, South Africa - Chair – CGIAR System Board, France - Chair – National University of Science and Technology, Zimbabwe - Chair – Sustainable Development Goals 12.3 Champions, USA - Member	
Comments	<p>Founder and managing director of Linds Agricultural Services Pvt Ltd (Zimbabwe). Vice President country support, policy and partnerships at Alliance for a Green Revolution in Africa (2017-2018). CEO and head of diplomatic mission at Food, Agriculture and Natural Resources Policy Analysis Network (2004-2017).</p>	

Geraldine Matchett

Independent	Member	New Nominee
Nationality	Swiss	
Age	52	
Director since / term ends	2024 / 2025	
Committee memberships	none	
Main activity	none	
Directorships	– ABB (listed), Switzerland - Member – Swiss Re (listed), Switzerland - Member (proposed for election)	
Other relevant mandates	– FCLTGlobal, USA - Member – IMD Business School, Switzerland - Member, Foundation board – Catalyst Inc., USA - Member, Advisory board	
Comments	<p>Certified public accountant. Co-CEO and CFO of Royal DSM (2020-2023) and of DSM Firmenich after the merger (May-September 2023). CFO of Royal DSM (2014-2020). CFO of SGS (2010-2014). Group Financial Controller of SGS (2004-2010).</p>	

Dinesh C. Paliwal

Independent

Member

Up for Re-election

Nationality	US Citizen
Age	67
Director since / term ends	2019 / 2025
Committee memberships	<ul style="list-style-type: none">– Nomination committee– Remuneration committee
Main activity	<ul style="list-style-type: none">– KKR & Co (listed), USA - Partner, Americas Private Equity
Directorships	<ul style="list-style-type: none">– Mareilli & Koki, USA - Member
Comments	CEO of Harman International Inc. (2007-2020). President of ABB Ltd. Switzerland (2006-2007). CEO of ABB Inc. USA (2004-2007).

7. Sustainability

7.1 Sustainability reporting

	2023	2022	Trend
Report is made available in advance of the general meeting	Yes	Yes	
Reporting standard	None	None	→
External verification	Limited assurance	Limited assurance	→

The company reports under GRI and SASB, but only selected information. The company does not present the report "in accordance" with GRI or SASB, but "with reference".

7.2 Climate change strategy

GHG emissions scope 1 and 2		2023	2022	Trend
Scope 1	Tonnes	3'160'000	3'270'000	↑
Scope 2 (market based)	Tonnes	310'000	740'000	↑
Scope 2 (location based)	Tonnes	ND	2'612'725	
Total scope 1 and 2 (market based)	Tonnes	3'470'000	4'010'000	↑
Total scope 1 and 2 (location based)	Tonnes	ND	5'882'725	

Emissions data from 2022 have been restated by the company due to acquisitions, divestitures, emissions factor restatements and adjusted scope.

GHG emissions scope 3		2023	2022	Trend
Purchased goods and services	Tonnes	ND	84'064'603	
Capital goods	Tonnes	ND	3'693'996	
Fuel and energy related activities	Tonnes	ND	1'095'766	
Upstream transportation and distribution	Tonnes	ND	2'185'392	
Waste generated in operations	Tonnes	ND	48'268	
Business travel	Tonnes	ND	92'514	
Employee commuting	Tonnes	ND	539'942	
Upstream leased assets	Tonnes	ND	118'648	
Downstream transportation and distribution	Tonnes	ND	4'613'677	
Processing of sold products		ND	ND	
Use of sold products	Tonnes	ND	251'196	
End-of-life treatment of sold products	Tonnes	ND	1'653'365	
Downstream leased assets		ND	ND	
Franchises		ND	ND	
Investments		ND	ND	
Total scope 3 disclosed	Tonnes	84'080'000	98'357'367	↑

The company does not publish the breakdown of its scope 3 emissions by category.

Total GHG emissions scope 1,2 and 3 disclosed		2023	2022	Trend
Total scope 1,2 (market based) and scope 3 disclosed	Tonnes	87'550'000	102'367'367	↑
Total scope 1,2 (location based) and scope 3 disclosed	Tonnes	ND	104'240'092	

Targets to reduce GHG emissions validated by SBTi		2023	2022	Trend
SBTi near term		1.5°	1.5°	→
SBTi long term		1.5°	1.5°	→
SBTi net zero		Yes	Yes	→

Comment on SBTi website

Overall Net-Zero Target Nestlé commits to reach net-zero GHG emissions across the value chain by 2050 from a 2018 base year. Near-Term Targets Energy and industry: Nestlé commits to reduce absolute scope 1, 2 and scope 3 GHG emissions from purchased goods and services, fuel and energy related activities, waste generated in operations, upstream transportation and distribution, business travel, employee commuting, downstream transportation and distribution and end-of-life treatment of sold products 50.4% by 2030 from a 2018 base year*. Nestlé also commits to increase annual active sourcing of renewable electricity from 33.4% in 2018 to 100% by 2025 through 2030. *The target boundary includes biogenic emissions and removals from bioenergy feedstocks FLAG: Nestlé commits to reduce absolute scope 3 FLAG GHG emissions 50% by 2030 from a 2018 base year*. Nestlé also commits to no deforestation across its primary deforestation-linked commodities, with a target date of 2025. *The target includes FLAG emissions and removals. Long-Term Targets Energy and industry: Nestlé commits to reduce absolute scope 1, 2 and 3 GHG emissions 90% by 2050 from a 2018 base year*. *The target boundary includes biogenic emissions and removals from bioenergy feedstocks FLAG: Nestlé commits to reduce absolute scope 3 FLAG GHG emissions 75% by 2050 from a 2018 base year*. *The target includes FLAG emissions and removals.

7.3 Environment

		2023	2022	Trend
Total waste generated	Tonnes	1'564'810	2'934'237	↑
Water consumption	Millions M3	47	44	↓
Energy consumption	GJ	76'824'313	80'131'120	↑

7.4 Corruption

	2023	2022	Trend
Public policy	Complete	Complete	→
Confidential whistleblowing system	Complete	Complete	→

The company addresses this issue in a complete manner in its Code of Business Conduct. The company has put in place a whistleblowing system which allows employees to launch an alert on a confidential and anonymous basis.

7.5 Employees

	2023	2022	Trend
Public policy on mobbing/harassment	Best practice	Best practice	→
% of women in the total workforce	39.89	39.75	↑
% of women in executive management	31.20	13.33	↑
% of employee turnover (overall)	ND	ND	
% of employee turnover (voluntary)	ND	ND	
Lost time incident rate	ND	ND	
Fatalities	1.00	4.00	↑

The company does not disclose its LTIR but its total recordable injury rate per million hours worked which is 1.17.

7.6 Human rights

	2023	2022	Trend
Public policy on human rights of communities	Best practice	Best practice	→
Public supplier code of conduct	Yes	Yes	→
Outcomes of audits of compliance of the sustainability requirements for suppliers disclosed	No	No	→

The company performs independent audits of its Responsible Sourcing Standard at its direct suppliers that follow the Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance but key outcomes of these audits are not disclosed.

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Analyst:

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About Ethos

The Ethos Foundation aims at promoting socially responsible investment as well as a stable and prosperous socio-economic environment. Ethos is composed of more than 250 Swiss pension funds and other tax-exempt institutions. Its subsidiary Ethos Services is an acknowledged provider of consulting services comprising socially responsible investment (SRI) funds, proxy voting reports, investor engagement programmes, sustainability analyses, as well as climate analyses & reporting. For further information: www.ethosfund.ch.

Frequently used abbreviations

AGM	Annual General Meeting
EGM	Extraordinary General Meeting
ND	Not disclosed
NR	Not relevant
COO	Chief Operating Officer
OE	Other Executive Function
Ex-	Former
STI	Short-term incentive
LTI	Long-term incentive
PSU	Performance Share Unit
RSU	Restricted Share Unit
KPI	Key Performance Indicator
ESG	Environmental, Social and Governance
GHG	Greenhouse gas
CDP	Carbon Disclosure Project
GRI	Global Reporting Initiative
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets Initiative
TCFD	Task Force on Climate-related Financial Disclosures

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