



Nestlé

Good food, Good life

Annual Review 2022



**Nestlé.
We unlock the power of food
to enhance quality of life for everyone,
today and for generations to come.**

Our purpose

Nestlé. Unlocking the power of food to enhance quality of life for everyone, today and for generations to come.

We constantly aim to push the boundaries of what is possible with food, beverage and nutritional health products to promote better health, greater accessibility and affordability, effortless preparation, protection of our natural resources and enjoyment.



Front cover

Purina ONE +Plus Joint Health Formula
Purina ONE +Plus Joint Health Formula dry dog food combines nature and research for results, with a SmartBlend of high-quality ingredients, plus fish oil and glucosamine, for a formula that supports dog joint health and mobility.

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Accompanying reports

*Corporate Governance Report 2022
Compensation Report 2022
Financial Statements 2022*

Online

You can find more information about the Nestlé Group at www.nestle.com

Find out more about Creating Shared Value at www.nestle.com/csv

Our financial performance

Our Nutrition, Health and Wellness strategy is the engine of our value creation.

In 2022, our organic growth was strong, with resilient RIG and responsible pricing to reflect significant cost inflation. A summary of the 2022 full-year results can be found in the table to the right.

Group sales (in CHF)	Organic growth *	Real internal growth *
94.4 billion	8.3%	0.1%
Underlying trading operating profit* (in CHF) 16.1 billion	Underlying trading operating profit margin * 17.1%	Underlying trading operating profit margin * - 40 Basis points Constant currency
Trading operating profit* (in CHF) 13.2 billion	Trading operating profit margin * 14.0%	Trading operating profit margin * 0 Basis point Constant currency
Earnings per share (in CHF) 3.42	Earnings per share - 43.5%	Underlying earnings per share * + 9.4% Constant currency
Operating cash flow (in CHF) 11.9 billion 24.7% of net financial debt	Free cash flow* (in CHF) 6.6 billion	
Proposed dividend (in CHF) 2.95	Proposed dividend increase + 5.4%	

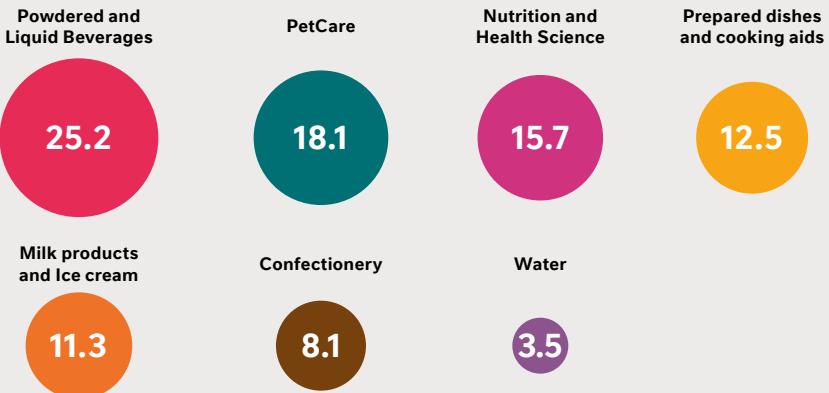
* Financial performance measures not defined by IFRS. For further details, see 'Financial review' on page 46.

Our business

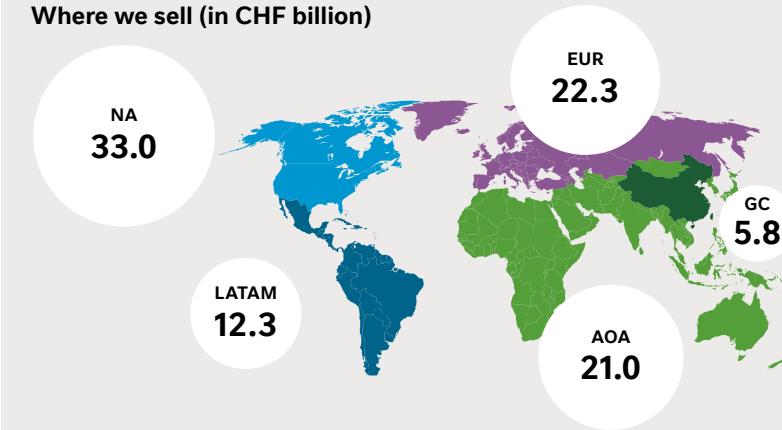
We focus our energy and resources where unlocking the power of food can make the greatest difference.

We apply our expertise in nutrition, health and wellness to help people, families and pets live happier, healthier lives. We work to protect and restore the environment and generate significant value for our shareholders and other stakeholders alike.

What we sell (in CHF billion)



Where we sell (in CHF billion)



Number of employees

275 000

Number of countries we sell in

188

Total group salaries and social welfare expenses (in CHF)

15
billion

Corporate taxes paid in 2022 (in CHF)

3.1
billion

Our key non-financial performance

We create shared value through our social and environmental commitments.

To measure our progress, we use a comprehensive set of indicators that support our business performance and generate value for our shareholders and other stakeholders. Some key performance indicators are included here – the full set is in our *Creating Shared Value and Sustainability Report*.

Our climate commitment Net zero greenhouse gas emissions by 2050 20% reduction of scope 1, 2 and 3 GHG emissions by 2025 and 50% reduction by 2030, versus 2018 baseline	Our KPI * 6.4 million tonnes greenhouse gas emissions (CO ₂ e) reductions compared with a business-as-usual scenario, with an additional 4.3 million tonnes CO ₂ e of removals initiated in 2022, giving a total 10.7 million tonnes CO ₂ e Ongoing
Our forests commitment Deforestation-free supply chains for our meat, palm oil, pulp and paper, soy and sugar supply chains by end 2022	Our KPI * 99.1% assessed deforestation-free for stated supply chains in 2022 Ongoing
Our plastics commitment Cut virgin plastic in our packaging by a third by 2025	Our KPI * 10.5% reduction in virgin plastic in our packaging in 2022 versus 2018 baseline On track
Our diversity, equity and inclusion commitment Increase the representation of women in the top 200+ senior executive positions to 30% by 2022	Our KPI * 30.2% women in the top 200+ senior executive positions Achieved
Our youth commitment Help 10 million young people around the world have access to economic opportunities by 2030	Our KPI * 5.6 million young people around the world with access to economic opportunities (cumulative) On track
Our nutrition commitment Bring tasty and balanced diets within reach for billions	Our KPI * 129.2 billion servings of affordable nutrition with micronutrient fortification (the “big four” micronutrients: iron, vitamin A, iodine and zinc) provided in 2022 On track

* Non-financial performance metrics are defined in the Reporting Scope and Methodology for ESG KPIs document available at www.nestle.com/esg-kpis

EY has performed limited assurance on the six key performance indicators on this page. The assurance statement with EY's independent conclusion can be found at: www.nestle.com/assurance-statement

Staying the course

Dear fellow shareholders,

The turbulent operating environment of the past year has only reinforced our commitment to Nestlé's longer-term objectives. Good for You, Good for the Planet is at the heart of our strategy. Our strong brands, our impactful innovation capabilities and our operational execution have helped us continue to deliver.

True to our values

At the start of 2022, the extreme challenges of the COVID-19 pandemic seemed to be waning. There were some supply chain challenges as well as inflationary pressures but those appeared to be manageable. The unexpected invasion of Ukraine at the end of February changed the course of the year. Global supply chain issues proliferated, inflation became rampant, concerns over energy shortages took hold and food insecurity grew.

We faced a choice this past year in how to react to these challenges. There was little handwrapping as it was clear to us that we could not lose sight of our long-term strategy: we continued to invest in R&D, our brands and sustainability initiatives. Increased food insecurity only strengthened Nestlé's commitments to maintaining essential food supplies, providing affordable nutrition and advancing regenerative food systems.

To stay on course required a constant rebalancing between growth, affordability, and meeting our commitments to shareholders and other stakeholders. There were no easy solutions, but we did not waver in our resolve to deliver on short-term expectations, progress on our long-term ambitions and remain true to the core of our strategy: Good for You, Good for the Planet. Nestlé's decentralized five-zone structure allowed us to be close to our consumers and respond to shifts in their needs, while our global, balanced and diversified portfolio helped us weather inflation and supply chain challenges.

"Increased food insecurity only strengthened Nestlé's commitments to maintaining essential food supplies, providing affordable nutrition and advancing regenerative food systems."



U. Mark Schneider, Chief Executive Officer (left), and Paul Bulcke, Chairman (right)

Dependably on track

Even in a year as challenging as 2022, we continued to deliver. We stayed focused on bringing fast-paced innovations to market, enhancing our digital capabilities, investing in our brands and managing our portfolio. Our real internal growth remained robust under challenging conditions.

We adjusted prices to reflect our own growing costs due to inflation. However, we did so responsibly, seeking internal efficiencies and cost-saving measures to try to limit price increases. Nestlé's role has always been to make nutritious food affordable and accessible to people everywhere, and we stay committed to that even in times of economic headwinds. Highlights from 2022 include the following:

- **Organic growth** reached 8.3%, with pricing of 8.2% and real internal growth of 0.1%.
- Foreign exchange reduced sales by 0.9%. Net acquisitions had a positive impact of 1.1%. As a result, **total reported sales** increased by CHF 7.3 billion or 8.4% to CHF 94.4 billion.

- **Underlying trading operating profit (UTOP) margin** reached 17.1%. The trading operating profit (TOP) margin was unchanged versus the prior year at 14.0% on a reported basis. As announced at our investor seminar, we expect our underlying trading operating profit margin to return to a range of 17.5% to 18.5% by 2025, following the impact of cost inflation on our margin in 2021 and 2022.

- **Underlying earnings per share (EPS)** increased by 9.4% in constant currency and by 8.4% on a reported basis to CHF 4.80. We expect to deliver an underlying EPS growth target range of 6% to 10% in constant currency. Earnings per share decreased by 43.5% to CHF 3.42 on a reported basis, mainly reflecting the gain on the disposal of L'Oréal shares in 2021.

- **Free cash flow** was CHF 6.6 billion, as working capital increased temporarily in the context of supply chain constraints and capital expenditure remained at an elevated level. We expect to trend toward free cash flow of 12% of sales and ROIC of 15% by 2025.

Strategic portfolio management

In 2022, we continued to invest in high-growth categories that contribute to our Nutrition, Health and Wellness strategy. Nestlé remains disciplined in its approach to portfolio management, looking for strategic and cultural fit, as well as attractive financial returns.

We remain focused on driving sustained profitable growth in the coffee category with the announced acquisition of Seattle's Best Coffee brand from Starbucks. In addition to Starbucks packaged coffees sold by Nestlé under the Global Coffee Alliance, Seattle's Best Coffee will join Nestlé's roster of beloved coffee brands in the United States including *Nescafé*, *Nespresso* and *Blue Bottle*.

We continue to develop Nestlé Health Science's leadership position in nutrition and health, sharpening the focus on Consumer Care and Medical Nutrition. In 2022, we acquired a majority stake in Orgain as well as the businesses of Puravida and The Better Health Company. The new brands expand our markets in the vitamins, minerals and supplements segment in the United States, Latin America and Oceania. At the same time, we decided to explore strategic options for *Palforzia*, the peanut allergy treatment, following slower than expected adoption by patients and healthcare professionals.

Innovating to unlock the power of food

Building a pipeline of highly differentiated innovations, while rapidly testing and launching new ideas, fuels our growth. Our focus is on delivering tasty, nutritious, affordable and sustainable products by anticipating growing trends and meeting people's diverse evolving needs and preferences, while investing in solutions with an improved environmental footprint. In 2022, we were able to maintain the same time-to-market speed as in 2021, despite the challenging environment.

Infant nutrition. We continue to develop science-based nutritional solutions for infants. The newly launched infant formula with *NutriLearn Connect*, a unique nutrient blend to increase brain myelination, and rollout of our infant formulas with five human milk oligosaccharides (HMOs) to support gut health and immunity exemplify this focus. In 2022,

infant formula with HMOs had CHF 1.3 billion in sales with double-digit growth.

Coffee. We are innovating novel systems that bring the perfect cup of coffee to consumers in a sustainable way. *Nescafé Dolce Gusto Neo* gives coffee lovers the best coffee-shop-at-home experience with three brewing methods and compostable paper-based pods. *Nespresso* will also roll out a new range of compostable paper-based capsules that are retro-compatible with *Nespresso Original* machines, while *Nespresso Vertuo Pop* offers the smartest, smallest, most optimized and accessible coffee machine ever, made from 35% recycled plastic.

Plant-based. Market demand for plant-based products continues to create opportunities for new offerings across the entire food and beverage portfolio, which contribute to our sustainability goals. An early focus into a wide variety of plant-based alternatives and a retail focus on ready-made meals has proven to be a winning strategy. Recent launches include *Gerber Plant-tastic*, soy-based *Milo*, *KitKat V*, *Garden Gourmet Voie Gras* and *Malher Huevo Más*. Plant-based products generated sales of around CHF 1 billion in 2022, posting high single-digit organic growth.

Accelerated digitalization

Data and technology are an essential source of competitive advantage and Nestlé continues its data-driven digital transformation. We are building a seamless consumer experience and channel-less commerce system, unlocking value via consumer data across geographies and categories. E-commerce sales grew by 9.2% to account for 15.8% of total Group sales. We remain on track to hit 25% by 2025.

Artificial intelligence and remote assistance are allowing us to be more agile and flexible in our manufacturing sites and supply chains – more important now than ever.

Creating Shared Value

Creating Shared Value has always been fundamental to the way we do business at Nestlé. We have long believed that our company can only be successful in the long term by creating value for both our shareholders and society. For decades, our activities and products have aimed to make

a positive difference to society in order to foster Nestlé’s ongoing success. We have not wavered in that commitment in the face of short-term challenges this year.

Net Zero Roadmap. We have made good progress on our Net Zero Roadmap, which was strongly supported by our shareholders at the 2021 Annual General Meeting. We have already passed peak carbon, with greenhouse gas emissions below the 2018 baseline. From 2024, we will vote annually on a comprehensive report on our non-financial performance, including our climate-related agenda. Our commitment to advancing regenerative food systems supports this agenda. We are supporting farmers in their transition to regeneration through the *Nescafé Plan 2030* and our income accelerator program for cocoa-farming families.

“For decades, our activities and products have aimed to make a positive difference to society in order to foster Nestlé’s ongoing success. We have not wavered in that commitment in the face of short-term challenges this year.”

Affordable nutrition. Our offering of affordable and accessible products aims to provide lower-income consumers with high-quality food products that deliver nutritional value at an affordable cost and in an appropriate format. Most of our affordable and accessible offering is fortified with at least one of the “big four” micronutrients: iron, iodine, vitamin A and zinc. In 2022, we provided 129.2 billion fortified servings of affordable nutrition products.

Good for You. In 2022, we made a commitment to increase the transparency of the nutritional value of our global portfolio. For the first time, we benchmarked our entire global portfolio against the Health Star Rating (HSR) system – a nutrient profiling system used by the Access to Nutrition Initiative – and have given an overview of our wide range of specialized nutrition products, which are not covered by

the HSR system. Nestlé is the first company to disclose the nutritional value of its entire portfolio.

Refined Board oversight

Our Board of Directors continued to provide valuable guidance on our strategy, business performance and sustainability agenda. We maintained our practice of adding diverse experience and expertise through the appointment of two new independent directors. In recent years we have, in particular, strengthened the Board’s expertise on food systems, food and beverage, digitalization, marketing, sustainability and other topics.

During 2022, the Board further refined the governance framework related to our sustainability agenda, including the annual work plan of the dedicated Sustainability Committee, which advises on all aspects of the Group’s environmental and social sustainability, including our efforts on climate change, human rights, and diversity and inclusion.

Consistently committed to our purpose

We are committed to creating shared value for our shareholders and all stakeholders connected to our business by unlocking the power of food to enhance quality of life. We could not do this without the loyalty of our employees, business partners and investors. In this challenging year, we thank our employees for their admirable dedication in keeping us on track while rebalancing. We are also grateful for the support of our business partners, our consumers and the communities where we operate. We thank you, our shareholders, for your continued trust in us to stay the course.



Paul Bulcke
Chairman



U. Mark Schneider
Chief Executive Officer

Generating value through our strategy



Garden Gourmet Sensational Crispy Mini Filet
In 2022, we continued to expand the plant-based food options within our Garden Gourmet brand, such as the new 2.0 *Sensational Crispy Mini Filet*.

10.8%
growth in affordable nutrition products

7.4%
growth in premium products

9.2%
organic growth in e-commerce

~22%
of portfolio rotated
2017-2022

Nestlé creates value through a persistent focus on relevance, operational agility and executional excellence. As a company, we continuously evolve our product offerings to meet consumer needs and excite consumer preferences. We strive for a balanced pursuit of financial growth through rapid innovation, operational efficiency and resource allocation. Our long-term strategy ensures we deliver consistent, sustainable success.

Good food, Good life is good business

We focus our energy and resources where unlocking the power of food can make the greatest difference to the lives of people and pets, protect and enhance the environment, and generate significant value for our shareholders and other stakeholders alike. Products that are right for consumers and right for the planet are increasingly desirable and make for good business. This helps us be a force for good. Accordingly, we:

- Apply our expertise in nutrition, health and wellness – developed over more than 150 years – to help people, families and pets live happier, healthier lives.
- Bring affordable, safe and high-quality nutrition to consumers, regardless of income level, taking advantage of our long-standing presence around the world.
- Meet the needs of modern consumers with healthy, delicious, convenient products for conscious, time-constrained lifestyles.
- Strive to package and deliver our products in ways that are safe and protect the environment.
- Bring distinctive, premium innovations to market fueled by creative exploration and consumer insights, pioneering nutrition science and culinary excellence.
- Enhance our food systems and offer more plant-based food and beverage options to be consumers' first choice as they diversify their diets.
- Commit to ambitious sustainability goals to advance the health of the planet, drive societal progress and support sustainable, healthy food systems.

Our long-term value creation model is based on the balanced pursuit of top- and bottom-line growth as well as improved capital efficiency. We create value guided by three strategic pillars:

- Growth through continuous innovation.
- Operational efficiency.
- Resource and capital allocation with discipline and clear priorities, including through acquisitions and divestitures.

Sustained organic sales growth

We maintain a diversified portfolio, both in terms of geography and category. Our agility in changing environments and cultivation of our global, regional and local brands contribute

to long-term financial performance. Our objective is to sustain a mid single-digit organic growth rate through rapid innovation, market share gains and portfolio management.

We compete in attractive and growing categories, and prioritize investments to stay relevant and win in every segment and market in which we operate. Our digital technologies help us identify emerging consumer needs and business model opportunities so we can bring differentiated innovation to market fast. We partner with customers across the retail landscape to adapt our product portfolio and channel strategies, leveraging our global brands to customize new products for local tastes and preferences.

In 2022:

- 31 of our trusted brands, including *Maggi*, *Milo* and *Nido*, generated over CHF 1 billion each in annual sales at the retail level.
- E-commerce sales represented 15.8% of sales and grew by 9.2%, and our digital marketing spend increased to 55%.
- Our premium offerings represented around 30% of sales and grew at a high single-digit rate.
- Plant-based products generated sales of around CHF 1 billion, posting high single-digit organic growth.
- Emerging markets represented 42% of sales and grew by 10%.
- Sales of affordable, accessible products – many nutrient-fortified – accounted for around 18% of emerging market sales and grew at a double-digit rate.

We focus on categories and geographies with attractive dynamics where Nestlé has an ability to win. Since 2017, we have completed or announced more than 100 transactions (acquisitions and divestitures) with annual sales equivalent to around 22% of 2017 Group sales.

In 2022, these included:

- Purchase of a majority stake in Orgain, a US leader in plant-based nutrition, with the option to fully acquire Orgain in 2024.
- Acquisition of Puravida, a premium Brazilian nutrition and health lifestyle brand, expanding the consumer health portfolio in Latin America.
- Acquisition of The Better Health Company in New Zealand, which includes the GO Healthy brand and New Zealand Health Manufacturing, expanding Nestlé Health Science's portfolio of vitamins, minerals and supplements in AOA.
- Acquisition of the Seattle's Best Coffee brand from Starbucks.
- Creating a partnership with L Catterton to bring together Freshly and Kettle Cuisine.
- Divestment of *Gerber Good Start*.



In 2022, Nestlé acquired a majority stake in Orgain, a leader in organic, plant-based nutrition in the United States, with a foundation in science, great taste and broad appeal.

We take decisive action to restore growth and profitability when businesses underperform. Nestlé has decided to explore strategic options for *Palforzia*, the peanut allergy treatment, following slower than expected adoption by patients and healthcare professionals. The review is expected to be completed in the first half of 2023. Going forward, Nestlé Health Science will sharpen its focus on Consumer Care and Medical Nutrition.

We have formed a partnership with *L Catterton* to bring together Freshly and Kettle Cuisine, a leading manufacturer of fresh artisanal foods for retail and foodservice customers. *L Catterton* will be the majority owner, with Nestlé holding a minority stake.

Operating more efficiently

We fuel our growth agenda through disciplined cost management, improving operational efficiency at all levels of the business. Alongside sales growth, this approach enables us to free up resources for reinvestment in product innovation, brand building, digitalization and sustainability initiatives, while creating value for our shareholders. Internal efficiency projects help us free up resources for investments by optimizing our skills and enhancing effectiveness and speed of our organization.

We continued to adapt our organization to be more agile, flexible and digitalized. In manufacturing, we continued to upgrade our operational footprint in 2022, increasing factory fixed overheads by around 6%. In procurement, increased global buying combined with a reduced number of product specifications helped us reduce costs and complexity.

Global buying through our three purchasing hubs was 68% in 2022. In our administration, we continued to simplify and standardize processes.

As a percentage of sales based on a 5-quarter rolling average, working capital increased to 1.9% in 2022 due to our conscious decision to temporarily increase inventory levels. This decision, taken in the context of significant supply chain disruptions and the energy crisis in Europe, reflects our commitment to ensure continuity of supply.

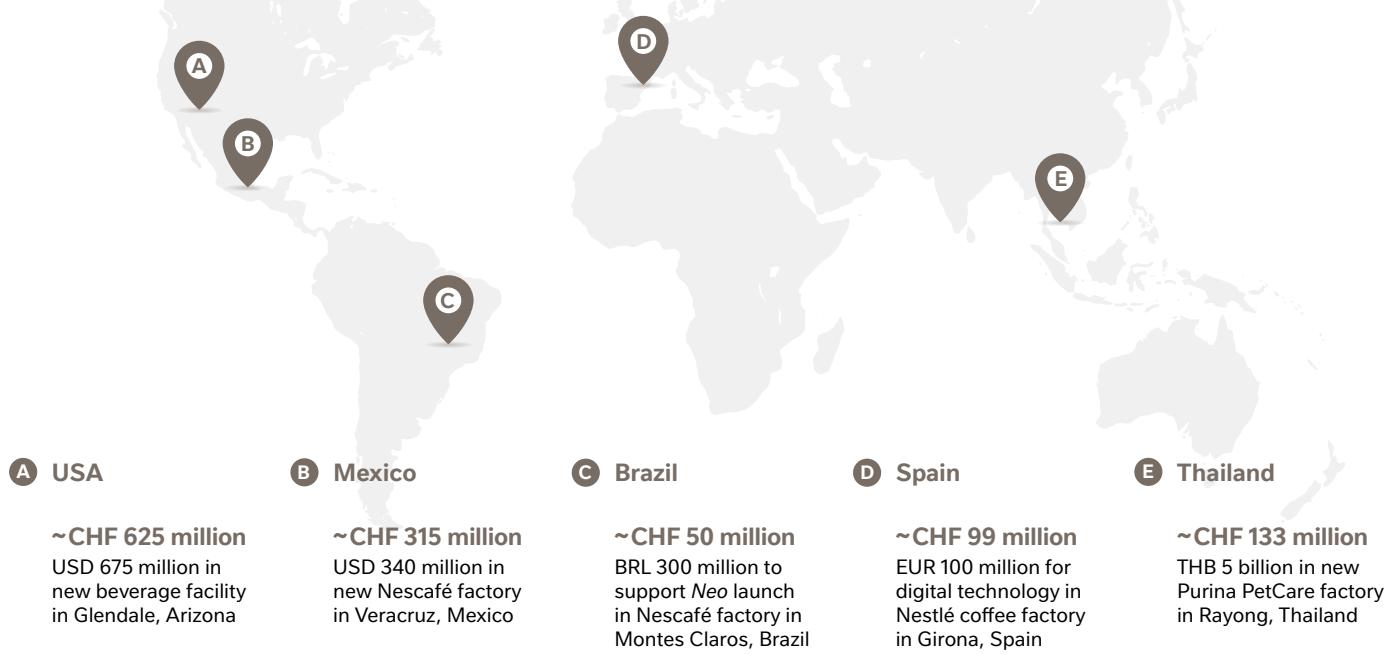
Prudent allocation of capital

Our priorities are to invest in the long-term growth and development of our business, while increasing shareholder returns and creating shared value. Nestlé pursues a value creation model that balances growth in earnings per share, competitive shareholder returns, flexibility for external growth and access to financial markets. We will continue to invest to drive brand building, innovation, digitalization and sustainability.

Investing for the long term includes R&D investment, brand support and capital expenditure to support organic profitable growth. We focus on projects with the highest potential to create economic profit. We are accelerating our capital expenditure plans for our fast-growing categories, particularly coffee and pet care.

We are disciplined when it comes to mergers and acquisitions in order to protect our ROIC. We have a thorough project governance in place, with clear accountability and targets.

Investing in strategic and high-growth regions and categories



Potential acquisitions must have a good strategic and cultural fit with our organization and offer attractive financial returns. We look for creative ways to structure transactions and build partnerships that enhance our strategic options.

We have demonstrated our commitment to maintaining a high level of reinvestment into the business while at the same time continually increasing capital returns to shareholders. We do this by increasing our dividend year after year. Based on our 2022 performance, the Board of Directors has proposed a dividend increase of 15 centimes to CHF 2.95 per share to be paid in April 2023. This will be our 28th consecutive annual dividend increase. As a result of our strong free cash flow generation and business disposals, we continued to return excess cash to shareholders through share buybacks. In 2022, Nestlé repurchased 92 million of its shares for a total amount of CHF 10.6 billion at an average price of CHF 115.36 per share. Nestlé plans to repurchase CHF 20 billion of its shares over the period 2022 to 2024.

Creating Shared Value: The way we operate

We build for the long term, act with focus and combine global resources with local know-how to create value for

both society and our shareholders at a meaningful scale. We do so because we believe that business should act as a force for good.

Nestlé continues to follow through on our commitments to do business in a way that creates shared value, illustrated by progress toward net zero greenhouse gas emissions, regenerative agriculture, 100% deforestation-free supply chains, sustainable packaging and improved nutrition in our portfolio.



In addition to Starbucks packaged coffees, Seattle's Best Coffee will join Nestlé's collection of beloved coffee brands in the United States, which include Nescafé, Nespresso and Blue Bottle.

Innovating to unlock the power of food



Nespresso

Our paper-based compostable capsules offer consumers a choice between fully recyclable aluminum capsules and compostable paper.

1.7

billion Swiss francs invested in R&D annually

4100

R&D employees globally

23

R&D locations worldwide

2

new focus areas
(Nestlé Institute of Agricultural Sciences and R&D Latin America)

Food provides essential nutrients to support the good health of people and pets, in a tasty and pleasurable way. It is a vital pillar of cultures, brings people together, underpins economies and impacts planet health. At Nestlé, through our R&D organization, we innovate with purpose to unlock the power of food and deliver tasty, nutritious, affordable and sustainable products – for today, and for generations to come.

Our innovation capabilities

We continuously strengthen our innovation capabilities to ensure that we deliver products that meet people's diverse evolving needs, while reducing our carbon footprint and contributing to company growth. In 2022, we were able to maintain the same time-to-market speed as in 2021, despite the challenging environment.

Through our regional R&D centers in Africa, China, India and South-East Asia, we can innovate closer to the people we serve with agility. We recently inaugurated an additional regional R&D Center for Latin America in Santiago, Chile, enabling us to innovate for consumers in the region, while leveraging our global science and technology capabilities to deliver tasty, nutritious, affordable and sustainable products.

We also rely on new innovation tools to increase speed, efficiency and decision making, and deliver breakthrough solutions. Using advanced algorithms, we can capture information on trends, ingredients, flavors and health benefits to virtually create and quickly test concepts before further refining for launch. Using these tools, in China we launched *Nescafé Dalgona* coffee mixes and *Nesvita* probiotic supplements for adults. We are also exploring the use of artificial intelligence and data science that can help to manage tradeoffs between taste,



nutrition, sustainability and affordability in an increasingly complex innovation environment.

To go from idea to shop in six months – with new sites in Chile, China, India and Arlington, Virginia, in the United States – we now have 14 R+D Accelerators. Since 2019, the Accelerator initiative has had over 300 participants, with 150 new products in 20 countries.

Using a test-and-learn approach and working closely with retailers, we quickly develop and pilot novel concepts before investing in a full-scale launch. After a successful pilot test for *KitKat V*, we launched the vegan chocolate on a wider scale in 15 European markets.

Nutrition solutions across life stages

We develop innovations that are backed by science across life stages, for people and pets. New research showed that *NutriLearn Connect*, a unique nutrient blend, increases brain myelination, a process vital for cognition and motor development during early life. This led to a first launch in Hong Kong and China under the *Wyeth S-26 Ultima* brand. We also continued the rollout in 20 markets of infant formula with five HMOs to support gut health and immunity.

To meet toddlers' unique nutritional needs, we introduced *Gerber Powerblend* cereals in China and India. These are made from diverse food groups such as whole grains, legumes, milk and fruits to support immunity, brain development and the gut microbiome.

Providing solutions for people with specific health needs is also a priority for us. To support women during and after pregnancy while breastfeeding, we launched a range of *Materna* multivitamins and supplements in Latin America and Europe.

Our new regional R&D Center for Latin America in Santiago, Chile, enables us to innovate tasty, nutritious, affordable and sustainable products that are highly relevant to local consumers.

In the United States, we developed a range of *Compleat* plant-based standard tube feeding formulas to support digestive health, increased energy needs or decreased fluid needs in patients aged 1 to 13 years. In China, we launched *Yiyang* milk powder made with mulberry leaf extract, a traditional Chinese ingredient, to support people aged over 45 years in managing blood glucose.

For cats and dogs, we launched *Purina Pro Plan* supplements – in a multi-format such as oils, powders and tablets – to support mobility, immunity, vitality, healthy skin and coat.



Scientists at the Nestlé Institute of Agricultural Sciences screen science-based agricultural solutions and assess their potential for reducing the environmental footprint of key agricultural raw materials.

Increasing access to affordable nutrition

Everyone has the right to adequate and nutritious foods, including high-quality protein. In Latin America, under the *Malher* brand, we piloted a powdered, shelf-stable, plant-based protein blend to complement egg dishes in a nutritious and affordable way. When cooking scrambled eggs, omelets and batters, the soy-based *Huevo Más* can replace some eggs at a lower cost, but with an equal amount of protein, fewer calories, and less cholesterol and saturated fats.

Our scientists developed a new source of iron suitable for dairy products and three times more absorbed when compared to existing sources. It was first used in *Bunyad Iron+*, an affordable dairy-based drink to address iron deficiency in children in Pakistan, with more products to follow.

Breakthrough technology for sugar reduction

Offering healthier choices as part of a balanced diet is a priority for us. Our new proprietary technology reduces sugar in key raw materials, with no impact on taste or texture, for different types of products.

Based on fermentation, the technology significantly reduces sugar in malt and milk, while generating prebiotic fibers. We introduced sugar-reduced *Milo* in South-East Asia, Africa and Oceania, with other product categories and geographies to follow.

Pioneering plant-based products

Our expertise in proteins, nutrition, plant sciences and culinary arts enables us to develop tasty, nutritious and sustainable plant-based products across brands, categories, formats and geographies. This includes soy-based *Milo* in Thailand, *Nestlé Veggie* plant-based yogurt with probiotics

in Chile, *Garden Gourmet Schnitzel* in Europe, *Garden Gourmet Voie Gras* – an alternative to foie gras – in Spain and Switzerland, and *Gerber Plant-tastic* range of organic foods and snacks for toddlers in the United States and Europe.

Actively pursuing novel technologies

Transitioning toward regenerative food systems requires changes in the way agricultural raw materials are produced and sourced. We created the Nestlé Institute of Agricultural Sciences to translate and apply agricultural science and identify the most promising technologies. Part of our global research organization in Switzerland, the Institute includes a plant science unit in France, and cocoa, coffee and dairy research farms in Ecuador, Côte d'Ivoire, Thailand and Switzerland.

We also explore emerging technologies with start-ups, such as the pilot for animal-free dairy protein-based beverages through our US R+D Accelerator. Using precision fermentation, the products are made with animal-free protein sourced from the start-up Perfect Day, which is identical to cow's milk whey protein without compromising on nutrition and taste. We are also exploring tasty, nutritious and sustainable cultured meat with the start-up Future Meat Technologies.

Raising the bar for coffee systems



We are innovating novel systems that bring the perfect cup of coffee to consumers in a sustainable way. This work is driven by R&D experts at the Nestlé System Technology Center in Switzerland.

Neo, a new cutting-edge system for Nescafé Dolce Gusto first launched in Brazil, gives coffee lovers the best sustainable coffee-shop-at-home experience. It comes with a proprietary SmartBrew technology that combines three brewing methods so that consumers can enjoy high-quality

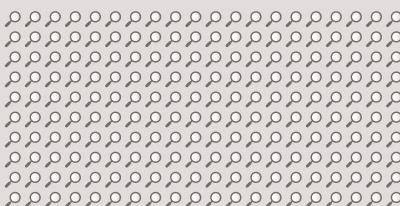
espressos, coffee-shop-like americanos and drip-style coffees in one single machine. Its new range of compostable paper-based pods deliver high-quality coffee with 70% less packaging than current capsules.

For Nespresso lovers, we developed a new range of paper-based compostable capsules that are retro-compatible with Nespresso Original machines, which will pilot in France and Switzerland in 2023.

Through extensive research, the Nestlé System Technology Center developed the paper-based pods and capsules together with the Nestlé Institute of Packaging Sciences to ensure that the packaging protects the coffee and maintains good taste and quality during extraction.

Other novel systems launched include Nespresso Vertuo Pop, the smartest, smallest, most optimized and accessible coffee machine ever, made from 35% recycled plastic. These new systems meet the expectations of today's most passionate coffee lovers and represent the long-term future of the category.

IN FIGURES



>200

novel material structures tested before perfecting the Neo paper-based pod



The new, patented Nescafé Dolce Gusto Neo, with compostable paper-based pods and proprietary SmartBrew technology, was refined over five years at the Nestlé System Technology Center in Switzerland.

OUR VOICES

“When we develop a new system, we need to harmonize its three key elements for the perfect in-cup result: the product, its packaging and the machine.”



Julia Lauricella
Head of Nestlé System Technology Center Switzerland

Creating shared value



Golden Morn

Our Golden Morn cereal brand in Nigeria contains over 50% whole grains, is fortified with essential nutrients such as vitamin A and iron, and is mainly made from locally sourced ingredients – from Nigerians, for Nigerians.

6.4 million tonnes

greenhouse gas emissions (CO₂e) reductions compared with a business-as-usual scenario

99.1%

assessed deforestation-free in stated supply chains

10.5%

reduction in virgin plastic in our packaging since 2018

30.2%

women in the top 200+ senior executive positions



Uncle Tobys Oat Milk range in Australia is made with 100% Australian oats and has a Health Star Rating of four out of five.



Nestlé's purpose is to unlock the power of food to enhance quality of life for everyone, today and for generations to come. This purpose drives us to make a positive impact on people, pets and the planet – now and in the future. We are committed to supporting a just transition to regenerative food systems that can nourish the world.

Understanding our material topics

To reflect shifting trends and stakeholder priorities, we regularly conduct a materiality assessment to identify where Nestlé has the greatest impact on society and the environment, and which impacts are most important to our business success. In 2022, we worked with an independent third party to interview 55 internal and external stakeholders to make the assessment.

Based on their responses, we identified critical topics for our business and stakeholders, including significant changes since our last assessment. The top-rated topics are covered

in this section: product quality and safety, health and nutrition, greenhouse gas emissions, packaging lifecycle management, water management, ecological impacts, and environmental and social impacts in our ingredient supply chain. These and all other material topics, as well as the assessment results, are covered in detail in our *Creating Shared Value and Sustainability Report*.

Improved nutrition and labeling

We aim for our food to be tasty, nutritious, sustainable, and accessible and affordable to everyone, across all life stages. Our extensive portfolio ranges from beverages and meal solutions to confectionery and healthcare nutrition products. We are improving the nutritional profile of our products by adding more whole grains, proteins and fibers while reducing sugars, sodium and saturated fats – without compromising taste. In 2022, we updated our systems and policies to further improve the healthiness and taste of our products.

Providing transparent information about our products is central to maintaining people's trust. In 2022, for the first time, we benchmarked our entire global portfolio against the Health Star Rating (HSR) system, a nutrient profiling system used by the Access to Nutrition Initiative and on front-of-pack labels in some countries. We are also reporting separately on specialized nutrition products like infant foods and medical nutrition, which are not covered by the HSR system. Nestlé is the first company to disclose the nutritional value of its entire portfolio, ranging from occasional treats to nutritious foods and beverages for daily consumption, to our specialized nutrition offerings.

SELECTED 2022 RATINGS



* Brands accounting for approximately 10% of Nestlé net sales are B Corp certified.

Further, to communicate transparently about the nutritional composition of our products, we will continue to display locally relevant front-of-pack nutrition labeling schemes, such as Nutri-Score. In our *Creating Shared Value and Sustainability Report*, we disclose the nutritional value of local portfolios in 13 countries using their respective government-endorsed front-of-pack labeling systems. This transparency is part of Nestlé’s efforts to grow and expand the nutritious segments of our portfolio, including plant-based, children’s and healthy aging products.

The nutritional value of our portfolio*

	Excluding PetCare (79% net sales*)	Including PetCare (97% net sales*)
Net sales from products with a Health Star Rating of:		
HSR of less than 1.5	21%	17%
HSR of 1.5 to less than 3.5	22%	18%
HSR of 3.5 or above	37%	30%
Net sales from specialized nutrition products without HSR:		
Specialized nutrition	20%	35%

* Excludes products that are not foods or beverages for consumption, and some recent acquisitions.

Access to essential and affordable food products

Product access and affordability are more important than ever given the social and economic instability and supply chain constraints the world is facing. Nestlé remains committed to providing essential food products in markets worldwide.

We also continue to offer a wide range of affordable and micronutrient fortified products, totaling 129.2 billion fortified servings of affordable nutrition products in 2022. New offerings include *Bunyad Iron+* in Pakistan and expansion in Nestlé East and Southern African Region (ESAR) of *Nestlé Everyday*, an affordable, medium-fat milk powder enhanced with locally sourced ingredients containing calcium, iron, vitamins and zinc.

Marketing our products responsibly

We advertise our products according to strict guidelines – especially when it comes to how we communicate to children and how we promote breast milk substitutes. In 2022, we announced plans to update our Marketing Communication to Children Policy with a commitment not to market confectionery, ice cream or water-based beverages with added sugars to children aged under 16 years. This will meet the strictest standard in the industry. In 2022, we also announced plans to update our policy on the responsible marketing of breast milk substitutes, with a commitment to unilaterally stop the promotion of infant formula globally for babies aged 0 to 6 months.

Product quality and food safety

Quality and safety for consumers is Nestlé’s top priority. This applies to our entire portfolio, from foods and beverages to systems and services. Quality assurance and product safety is one of Nestlé’s *Corporate Business Principles*, while our Quality Policy guides our actions in this area. Our global, independently verified quality management system is our platform for guaranteeing food safety and compliance with quality standards in conformance with laws and regulatory requirements, ISO norms and internal standards.

We carefully revised our quality management systems in 2022 and are placing even greater emphasis on reinforcing a quality and food safety culture, strengthening competencies, performing more frequent and targeted testing, enhancing verification, and making better use of data for prediction and detection of incidents.

Our road to net zero

In 2022, our greenhouse gas (GHG) emissions remained decoupled from business growth, as we achieved higher revenues and lower absolute emissions.



To help fight deficiencies, *Bear Brand* tailors the micronutrient fortification of its products to the specific nutritional gaps of each market where it is sold.

Our alignment with the Taskforce on Climate-related Financial Disclosures

Governance	
Board's oversight	Oversight of climate-related risks and opportunities is embedded at the highest level. The Board has oversight of climate-related matters and monitors progress toward related goals. The Board's Sustainability Committee reviews Nestlé's sustainability agenda and the Audit Committee is informed of the content of our non-financial reporting and of the audit process for selected assured metrics.
Management's role	The Executive Board is responsible for executing sustainability strategies, including our Net Zero Roadmap, through an ESG & Sustainability Council. At operational level, an ESG Strategy and Deployment Unit drives implementation.
Strategy	Strategy / Risk Management
Climate-related risks and opportunities	Climate change is considered a material risk for Nestlé. Within our Enterprise Risk Management framework, we conduct an annual assessment of climate change risks and review the strategy and plans to mitigate them. We assess related financial risks using a discounted cash flow methodology. Our assessment establishes:
Impacts of climate-related risks and opportunities	<ul style="list-style-type: none"> - <i>Transition risks</i>: we have assessed transition risks to 2030, based on exposure levels from low-, medium- and high-emission pathways. Modeling results show a degree of exposure, but our Net Zero Roadmap could reduce this by up to half. - <i>Physical risks</i>: changing temperatures and weather extremes can affect the quality and availability of key raw materials through lower and variable yields, as well as shifts in the regions suitable for cultivation. For ingredients covering ~90% of our spend, we have assessed exposure to 2040, based on a likely 1.5°C global temperature rise. For our key materials cocoa, coffee, dairy and palm oil we outline the mitigating actions.
Resilience of the organization's strategy	Nestlé is well positioned to implement nature-based solutions for less resource-intense and more resilient food production, as it has direct access to more than 500 000 farmers. One significant example is the <i>Nescafé Plan 2030</i> , which aims to help drive regenerative agriculture, reduce GHG emissions and improve farmers' livelihoods.
Risk Management	
Processes for identifying and assessing climate-related risks	
Processes for managing climate-related risks	
Integration into the organization's overall risk management	
Metrics & Targets	
Metrics used to assess climate-related risks and opportunities	In addition to the indicators published last year, for 2022, we have added the percentage of key raw materials sourced through regenerative agriculture methods as a major component of our Net Zero Roadmap for increasing climate resilience.
Scope 1, 2 and 3 greenhouse gas (GHG) emissions	In 2022, 70% of carbon savings generated came from interventions in raw material sourcing and 30% came from other value chain efficiencies and innovative product categories. This demonstrates our ability to mitigate climate risks and embrace opportunities.
Targets used to manage climate-related risks, opportunities and performance	We review our Net Zero Roadmap for achieving planned GHG emissions reductions for 2025 and 2030 annually to validate that our activities are keeping us on the path to net zero and are helping mitigate and adapt to climate risk throughout our value chain.

Scope 1, 2 and 3 GHG emissions within the boundaries of our Net Zero Roadmap have now reduced by 6.4 million tonnes compared with a business-as-usual scenario. These emissions have fallen below our 2018 baseline for the first time since introducing our Roadmap, despite revenue growth over the same four-year period. Emissions reductions are the result of a wide range of projects in our agricultural supply chains, as well as in our factories.

In addition to these emissions reductions, we secured 4.3 million tonnes of GHG removals by implementing nature-based solutions that transfer GHGs from the atmosphere into carbon stores. These removals take place within our supply chain and the landscapes where we source our raw materials, and help to restore forests, wetlands and peatlands, or improve land management.

We are proud of our progress, but know there is more to do to reduce Nestlé's absolute emissions on our way to net zero by 2050. We are still adapting our approach in response to what we learn. Many of our emissions reduction and removal activities will take time to implement but we remain confident they will yield rapid results to keep us on track. Our commitment to help farmers in a just transition toward regenerative agriculture supports our climate-related agenda.

Progress on our deforestation-free commitment

In 2010, Nestlé was one of the first companies to commit to end deforestation in its supply chains. By the end of 2022, 99.1% of our primary supply chains for meat, palm oil, pulp and paper, soy and sugar were assessed as deforestation-free.

From experience, we know that the last percentage points are the hardest to reach due to the volume sourced from thousands of smallholders who require customized technical assistance at a local level. We remain focused on achieving our deforestation-free commitment.

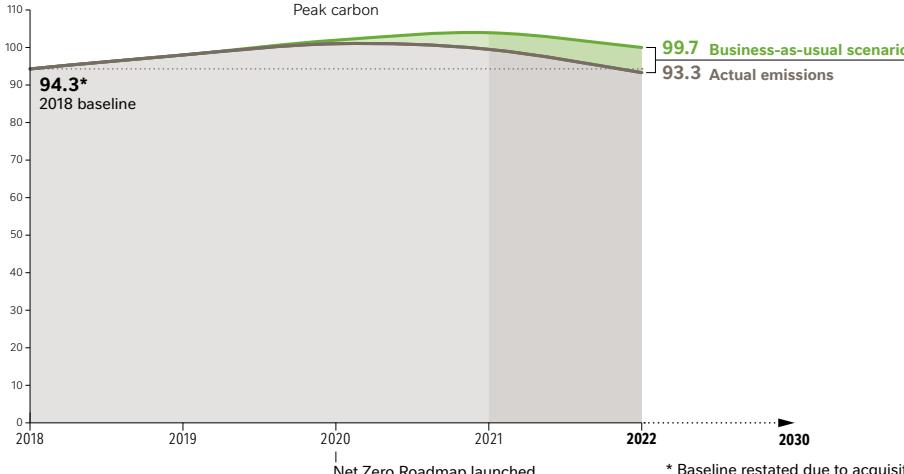
Our vision for packaging and circularity

Our vision continues to be that none of our packaging, including plastic, ends up in landfill or as litter. As with carbon, we are moving beyond peak virgin plastics, reducing the volume we use while our business continues to grow.

We have a strategy that supports our vision and addresses both product design and infrastructure systems. By reducing unnecessary packaging, designing better packaging for reuse and recycling systems, modeling fair collection systems and supporting good regulation, we aim to support the transition to no waste in landfills or nature.



Our Henniez bottled-water plant in Switzerland produces renewable energy by collecting and burning manure from local cattle in a biogas plant, together with spent coffee grounds from Nespresso.

Progress on our roadmap to 20% reduction in greenhouse gas emissions by 2025**and 50% reduction by 2030 and net zero by 2050**2018 baseline (million tonnes of CO₂e)**6.4**Million tonnes of CO₂e reductions compared with a business-as-usual scenario

- 68% Ingredient sourcing
- 28% Manufacturing
- 4% Packaging



As a signatory of the Ellen MacArthur Foundation Global Commitment, our aim is to have 100% of our packaging designed for acceptance in recycling systems. By 2025, more than 95% of our packaging will be designed for recycling. We are on track to reduce our use of virgin plastics from 2018 levels by one-third by 2025: at end of 2022, we had reduced our use of virgin plastics by 10.5%.

Reuse and refill systems are also important. We have run over 20 packaging reuse pilots in 12 countries, providing products in our Nestlé Waters business and with partners such as Loop, Aldo and Carrefour. However, we recognize that more needs to be done and will work with retail partners to increase and scale up reuse and refill systems.

We advocate for well-planned regulation to enable collection, sorting, reuse and recycling systems. We support regulations like extended producer responsibility and deposit return systems. We are also highly committed to supporting UN negotiations for a high-ambition Global Plastics Treaty as a legally binding agreement to end plastic pollution.

Promoting sustainable production

In addition to our own actions, we need to foster large-scale changes throughout our supply chain, if we are to support a just transition to regenerative food systems.



In France, we launched a pilot with Carrefour testing new refillable solutions for Nescafé, confectionery and pet food in the bulk aisles of two hypermarkets.



Soil moisture sensors and plant stress-level sensors are helping farmers in our supply chains determine when to irrigate, how often and with how much water.

We aim to address environmental and social impacts for 14 priority raw materials by assessing whether they have been produced sustainably. Produced sustainably means that the origin of the materials is known and the way they are produced has been assessed as compliant with our environmental and social requirements. The 14 priority raw materials are cereals and grains; cocoa; coconut; coffee; dairy; fish and seafood; hazelnuts; meat, poultry and eggs; palm oil; pulp and paper; soy; spices; sugar; and vegetables. We have set specific environmental and social requirements for each raw material. We aim for 100% of these materials to be produced sustainably by end of 2030.

Advancing regenerative agriculture

We are helping farmers in our supply chain transition to regenerative agriculture practices. Regenerative agriculture is an approach to farming that aims to improve soil health and soil fertility, protect and enhance biodiversity, and preserve water resources. As agriculture accounts for the majority of our GHG emissions, and healthy soil and biomass can capture increased levels of carbon, this approach is central to achieving net zero.

In 2022, we published the Nestlé Agriculture Framework, which describes our vision for agriculture as a central building block of more regenerative food systems. The framework contains common principles and techniques that may be expanded on for specific crops. Most importantly, farmers

The new Nestlé Agriculture Framework aims to help our agriculture and sourcing experts and suppliers to understand and implement our regenerative agriculture model.





Reducing dairy emissions is essential to Nestlé's climate ambitions, so we are exploring changes to cow feed, manure management, pasture coverage and renewable energy use, among others.

Nestlé is creating action plans for the 11 salient human rights issues most relevant to its business and stakeholders, publishing the Data Protection and Privacy action plan in March 2022.

are at the center of our model. Where introducing regenerative agriculture practices generates initial risks or costs for smallholder farmers, we may provide technical, collaborative or financial assistance to support a just transition. Our Nescafé Plan 2030 and income accelerator program for cocoa-farming families are examples of how we are supporting farmers.

We also established the Nestlé Institute of Agricultural Sciences, a new center that builds on our existing agricultural expertise. Its aim is to translate novel agricultural science into concrete applications and identify promising agricultural technologies, with a focus on plant science, dairy livestock and agricultural systems.

Respecting human rights

Regenerative food systems put people at the center. By respecting and advancing human rights in our value chain, we are building a foundation that contributes to a resilient future for our planet and its people. In 2021, we outlined our approach and salient human rights issues in a new Human Rights Framework and Roadmap.

In 2022, we published our Data Protection and Privacy action plan. In 2023, we will publish the remaining action plans for each of our salient issues, describing the actions we intend to take, the collective action needed to help tackle root causes and key indicators for measuring the effectiveness

of each plan. Our framework and action plans will help us protect people, first and foremost, as well as stay ahead of emerging human rights due diligence legislation in the markets where we operate.

Creating youth opportunities

As part of our *Nestlé needs YOuth* initiative, in August we brought together all our existing youth innovation initiatives in one place on the Nestlé Youth Entrepreneurship Platform (YEP). This digital platform supports young innovators and entrepreneurs who want to gain new knowledge and skills, test an idea or grow their businesses in areas ranging from food science and technology to the development of products and services, including sustainable packaging and regenerative agriculture. Nestlé created access to economic opportunities for a total of 1.7 million young people in 2022, bringing the total since 2017 to 5.6 million.



The Nestlé Youth Entrepreneurship Platform is a one-stop shop where young people can gain access to knowledge and facilities, such as our technology centers and international network of R+D Accelerators.

Helping to improve farmer incomes



Our income accelerator program aims to improve the livelihoods of cocoa-farming families and tackle the root causes of child labor risks in cocoa production, while advancing sustainable farming practices.

Poverty is the main reason that children work on cocoa farms. Building on more than a decade of experience with our *Nestlé Cocoa Plan* and our Child Labor Monitoring and Remediation System, this innovative approach aims to incentivize cocoa farming families to make sustainable changes that will help move them closer to a living income.



We plan to extend the program to all cocoa-farming families in our global cocoa supply chain by 2030.

Through the accelerator, we pay a cash incentive directly to cocoa-farming households for activities such as pruning to increase crop productivity, planting shade trees to increase climate resilience, growing additional crops or raising livestock to diversify income, and enrolling children in school. Our suppliers send the payments when costs are typically high – like the back-to-school period. We also help farmers and women in the household access the training and resources needed to make the changes.

To enable these payments and bring about lasting change, we are shifting our sourcing to segregated cocoa supplies that can be traced from the farming family all the way to our factory.

The income accelerator program is expanding a successful pilot of 1000 farmers in Côte d'Ivoire to a further 10 000 families. We will assess the results, adapting where necessary, before extending the program throughout our global cocoa supply chain by 2030.

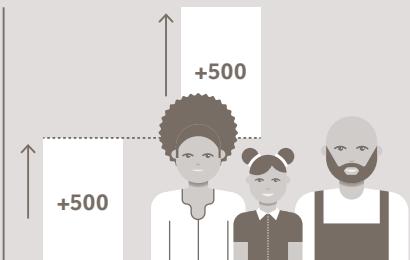
OUR VOICES

"It motivates me to see farmers convinced of the benefits: over 90% want to continue pruning and some already pruned the remainder of their plot."



Luc Affoli N'Guessan Toussaint
Income Accelerator Project Manager
Côte d'Ivoire

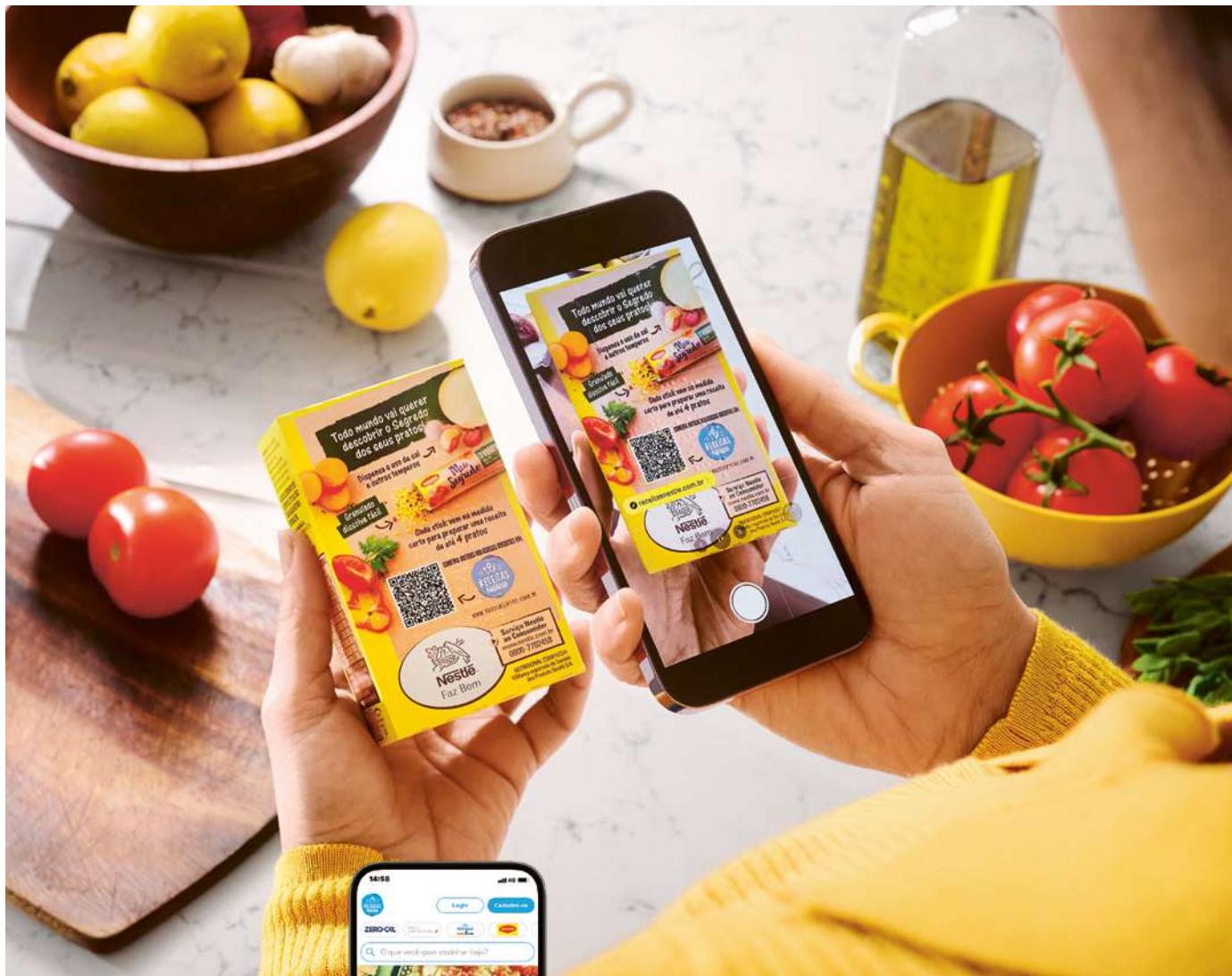
IN FIGURES



CHF 500

the amount families can earn annually in the first two years

Accelerating data-driven digitalization



Maggi Meu Segredo
We are building culinary ecosystems to engage with our consumers along the entire journey from recipe inspiration to shopping experience. Through platforms like Receitas Nestlé, consumers can find inspiration and services easily online or in-store through QR codes.

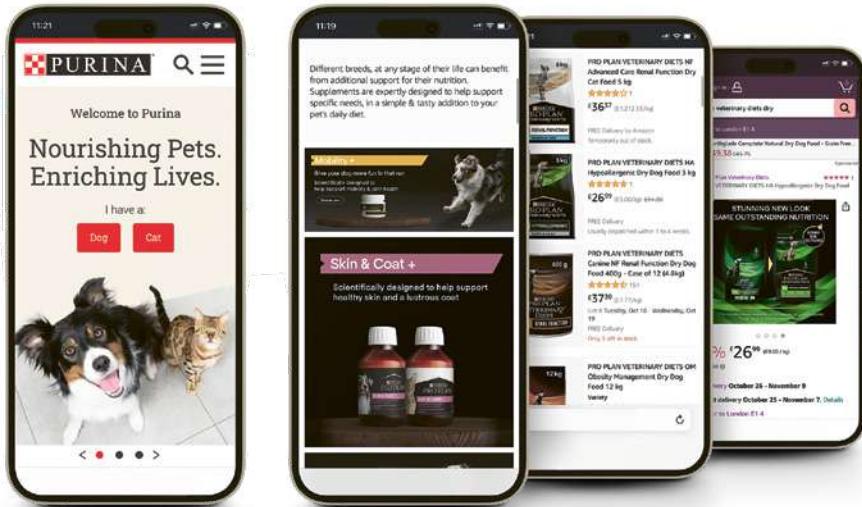


55%
of total media spend was
on digital media

275 million
first-party data records

15.8%
sales through e-commerce

150
connected factories



Retailer websites, apps and direct-to-consumer platforms are a shop window for our consumers to engage with our brands. Tracking and making continuous improvements at scale help us continuously improve the customer experience and drive sales.

Consumers want access to goods and services, regardless of channel. They expect brands to connect with them directly and get new products to market quickly. Plus, they want full transparency about how their products were made. To meet these demands and drive growth, we are accelerating our data-driven digital transformation.

Acceleration of e-commerce

In 2021, we launched the e-commerce acceleration initiative, building detailed action plans by market. In 2022, our primary focus was executing these plans to improve e-commerce performance in all markets and categories.

Our 2025 ambition of 25% of sales via e-commerce will impact all markets, brands and roles. As such, a key priority is building e-commerce skills. We have created a global e-commerce community of more than 3000 employees who connect and share best practices, successes and challenges. We are reaching an even wider audience with online webinars and trainings. More than 11000 people across Nestlé have already attended these events.

Executing online has parallels with offline but requires a different approach to win. While remaining agile, we have defined our vision of perfect shelf execution and have set about measuring this by market and retailer, down to the SKU level. By standardizing and scaling our approach, we can improve digital shelf execution – including content, text, ratings and reviews. To advance our Retail Digital Media we are working closely with our retail partners, adapting our ways of working and developing practices to improve return on investment.

As the retail landscape becomes more fragmented, we have ever more customers and channels to manage. This complexity requires us to do more with less. With Amazon, one of our largest e-commerce customers, we created the Amazon center of scale where we outsource or automate routine tasks to ensure our teams are only working on the most value-adding activity.

Advancing always-on analytics

Quick access to actionable data insights is key to understanding fast-changing consumer needs and optimizing our demand-generation activities, thus maximizing our resources. We are harnessing the power of data to streamline our business practices, becoming more strategic and predictive while making changes in real time.

In 2022, our analytics capability has been critical to help us navigate an extremely volatile retail environment and rising costs of raw materials. Our data-powered sales and marketing teams have been able to optimize our sales prices and promotional activity while maintaining consumer demand for our brands and products.

Our strategic revenue management program now covers around 95% of our markets. We are also leveraging artificial intelligence (AI) with end-to-end analytics to deepen collaboration with customers, improve product assortment and enhance promotion effectiveness.

To increase the effectiveness of our marketing investment, we are investing in proprietary solutions deployed at scale in many geographies from Indonesia to North America.



Nestlé is investing EUR 100 million in one of its largest coffee factories in Girona, Spain, installing state-of-the-art digital technology that will accelerate improvement in sustainability, logistics and production capacity.

We recently created a hub for data science in Bangalore. Here, we are developing solutions to track the return on every investment in key Zone AOA markets and building models to predict best investment scenarios that allow us to adjust channel strategies in real time.

With 55% of our media spend invested on digital platforms and exponential need for platform-specific content, we have built a more efficient and agile operating model for creating and optimizing content. In 2022, we further expanded our expertise across the digital value chain and the content studio model: 37 content studios are producing high-quality content 50% cheaper than our previous model. We use AI to track, correct and enhance the relevance of more than 500 000 digital assets per year across the key digital platforms, leading to performance improvement up to 66% in return on ad spend measured across Meta platforms, Facebook and Instagram.

Digitalized operations

We are deploying advanced operational planning technology at scale covering all key areas across our value chain – from demand sensing to production scheduling. The technology allows us to drive agility and resilience of our operations, enhancing our ability to react to consumer demand quickly and efficiently. We have successfully implemented these core capabilities in the United States, our biggest market, and are accelerating rollout with the intention to reach 80% of our businesses by the end of 2025.

Our core digital technologies are now deployed in more than 275 factories in 60 countries, enabling over 50 000 connected workers to be highly productive and autonomous with fast and easy decision making. The data gathered from these technologies is used by AI and predictive analytical tools to enable the delivery of exceptional quality, zero breakdowns,

improved energy efficiency and reduced water consumption.

Our ability to frequently reconfigure the supply networks through digital twins and AI-based optimization methods delivers cost efficiency and resilience in turbulent times. Digitally enabled transport control towers (or T-Hubs) are now deployed in more than 20 locations, manage more than 16 000 trucks daily and cover 85% of our turnover. Capabilities have been built around cost efficiency as well as resilience and responsiveness.

Our journey to warehouse automation is well underway to deliver cost efficiency. These agile operations meet customer requirements while mitigating labor shortage.

Validation of sustainability

Digitalization helps enable Nestlé's sustainability agenda in areas such as sustainable packaging, responsible sourcing, tackling CO₂ emissions and water management.

With the help of our greenhouse gas performance system, we are now able to monitor our carbon footprint more accurately, including Scope 3 emissions. In addition to an automated combination of Nestlé spend and activities with the emission factors from relevant external databases, this system enables Nestlé to include primary data about emissions from suppliers and farms.

In 2022, we debuted a new technology to improve end-to-end traceability and substantiate sustainability claims. Nespresso partnered with OpenSC to use their technology to bring greater transparency and accountability to the supply chain for *Reviving Origins* organic coffee, *Kahawa Ya Congo*, by using smart devices and QR codes. The OpenSC platform automatically verifies that each smallholder farmer receives the correct *Nespresso AAA Sustainable Quality Program* premium directly for the coffee they produced – either via mobile money or cash.

Engaging consumers online



Nestlé's online recipe platforms provide an opportunity to connect directly with consumers to gain insights on culinary preferences and drive higher consumption of Nestlé products. In Latin America, our recipe platforms reach more than 100 million consumers annually.

Our Nestlé online recipe platforms allow our brands to engage with consumers directly, inspiring home cooks and foodies. With Rece(i)tas Nestlé, Latin American consumers can tap into more than 20 000 recipes,

access how-to cooking tutorials, pose direct questions to our chefs and follow nutritional guidance to create balanced diets for their families.

Nestlé is connecting with communities and influencers to co-create recipes and leverage insights to inform future product innovation. The platforms offer us the ability to collect richer data about culinary preference, which gives us the opportunity to serve diverse audiences with personalized content and choose the best brands for engaging with consumers.

By connecting the platforms with our retailers, we can drive consumers to use shoppable recipes to receive the ingredients directly at their doorstep, creating instant value for all parties involved. We have deployed over 150 recipe websites and created more than 70 000 recipes that are globally accessible through our smart recipe hub back end.



Receitas Nestlé drives higher consumption of Nestlé products, with a 30% frequency increase observed in Brazil.

OUR VOICES

"Recetas Nestlé has been a key enabler for our brands to connect with consumers directly and improve online communication effectiveness."



Julieta Loaiza
Head of Consumer and Corporate Communications Mexico

IN FIGURES



+200 million
visits to Rece(i)tas Nestlé in 2022

Connecting through our brands

Our brands are enjoyed by people around the world.

Powdered and Liquid Beverages

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PetCare

Page 32



Nutrition and Health Science

Page 34



Prepared dishes and cooking aids

Page 36



Milk products and Ice cream

Page 38



Confectionery

Page 40



Water

Page 42



POWDERED AND LIQUID BEVERAGES

Providing the world's favorite drinks

Our Powdered and Liquid Beverages category includes our coffee, cocoa and malt beverage businesses. This category features iconic coffee brands Nescafé, Nespresso and Starbucks, plus the world's most popular chocolate malt drink, *Milo*.

At a glance

25.2

Sales (in CHF billion)

22.2%

UTOP margin

26.7%

Percentage of
Nestlé's sales

Starbucks Frappuccino

The iconic ready-to-drink *Starbucks Frappuccino*, in Coffee and Mocha flavors, is now available to consumers in select markets across South-East Asia and Oceania.



Milo

Thanks to our new proprietary technology, in 2022 *Milo* hit market shelves in Asia, Africa and Oceania with sugar reduction, while preserving its signature taste.

Nespresso Reviving Origins

Using OpenSC technology, Nespresso is bringing greater transparency and accountability to the supply chain for *Reviving Origins* organic coffee, *Kahawa Ya Congo*, involving over 1000 smallholder farms.



Nescafé Gold Roastery

With sales above expectations since its launch in 2021, the *Nescafé Gold Roastery* collection of instant coffee is expertly roasted in batches by our master roasters to unlock the very best flavors.

Renewing the world of coffee



Climate change is putting coffee-growing areas under pressure. Building on a decade of experience with the Nescafé Plan, Nestlé is accelerating work to help tackle climate change and address social and economic challenges within Nescafé supply chains.

In 2022, Nestlé's largest coffee brand and one of the world's favorite coffees outlined its extensive plan to invest over one billion Swiss francs to help make coffee farming more sustainable: the *Nescafé Plan 2030*. A central part of this is working with coffee



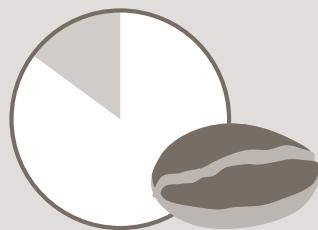
Part of Nescafé's contribution to Nestlé's net zero emissions commitment involves helping coffee farmers plant more than 20 million trees across 8 countries by 2026.

farmers to help them transition to regenerative agriculture.

Regenerative agriculture is an approach to farming that aims to improve soil health and protect water resources and biodiversity. Healthier soils are more resilient to the impacts of climate change and can increase yields, helping improve farmers' incomes. As such, supporting farmers to make this transition can help reduce emissions from coffee farming while contributing to better farmer livelihoods and stronger communities.

Nescafé is committed to supporting farmers who take on the risks and costs associated with the move to regenerative agriculture, with priority for the seven countries where we source 90% of our coffee. Nescafé will provide farmers with training, technical assistance and high-yielding coffee plantlets. In Mexico, Côte d'Ivoire and Indonesia, Nescafé will pilot a financial support scheme to help farmers accelerate the transition to regenerative agriculture.

IN FIGURES



87%

of Nescafé's coffee produced sustainably in 2022 (100% by 2025)

OUR VOICES

"We are moving to an integrated strategy, using regenerative agriculture to deliver emissions reduction, improved farmer income and better social conditions."



Marcelo Burity
Head of Green
Coffee Development,
Coffee SBU
United Kingdom

Bringing pets and people together

Our PetCare business delivers life-changing nutrition for pets alongside expertise for their owners and veterinarians. Purina is guided by science and driven by passion to enrich the lives of pets and the people who love them.



Purina Cat Chow

Launched in Latin America, the new modern and premium *Purina Cat Chow* helps to protect cats and strengthen their natural defenses – with natural prebiotic fiber and no artificial colors or flavors.



Purina Pro Plan supplements

This line of supplements complements the *Pro Plan* pet food range, scientifically designed to help support mobility, immunity, vitality, healthy skin and coat, and calmer behavior in both dogs and cats.

At a glance

18.1

Sales (in CHF billion)

20.5%

UTOP margin

19.2%

Percentage of Nestlé's sales

Purina ONE Immune

Defence Plus+

The *Purina ONE* brand relaunched its dry cat line in Asia, Oceania and Africa with Immune Defence Plus+, which is a specialty blend that helps to support the immune health of cats.



Formulating breakthrough therapeutic diets



Purina Pro Plan Veterinary Diets
HA Hydrolyzed was the first truly hypoallergenic dry diet for dogs with food allergies. Progressive science has led to **Purina Pro Plan Veterinary Diets EL Elemental** – our most advanced formula for dogs with food sensitivities to date.

Purina Pro Plan Veterinary Diets EL Elemental is formulated with purified amino acids to support dermatological and gastrointestinal health in dogs with adverse food reactions.

IN FIGURES

Double-digit

organic growth for Purina Pro Plan Veterinary Diets in 2022



It contains low-allergen carbohydrate sources to help minimize the risk of an allergic reaction. It is also highly digestible to promote optimal nutrient absorption and has limited fat to aid digestion for dogs with compromised gastrointestinal tracts. The formula contains omega-3 and omega-6 fatty acids, vitamin A and zinc to maintain and protect the skin barrier, and prebiotic fiber to help nourish the gastrointestinal tract. Great taste ensures adequate nutrition intake.

The science behind Purina therapeutic diets represents a collaboration between Purina nutritionists, researchers and veterinarians. **Purina Pro Plan Veterinary Diets EL Elemental** serves as another example of using breakthrough science to create life-changing therapeutic nutrition that addresses challenging conditions.

In 2022, **Purina Pro Plan Veterinary Diets EL Elemental** arrived on US shelves. Additional countries will follow in 2023. This is great news for dogs with food sensitivities and their owners.



The Purina Pro Plan Veterinary Diets range includes other innovative dry diet formulas such as **UR Urinary** for cats and **HA Hydrolyzed** for dogs.

OUR VOICES

“*Seeing our science-based innovations positively impact the lives of pets and people who love them is incredibly rewarding.*”



Annie Valuska
Principal Scientist, Nestlé Purina North America
United States

Boosting health through nutrition

Our nutrition business provides science-based products and solutions for mothers, babies and children. Our Nestlé Health Science business empowers healthier lives by offering an extensive portfolio of science-based consumer care and medical nutrition.

At a glance

15.7

Sales (in CHF billion)

19.1%

UTOP margin

16.6%

Percentage of
Nestlé's sales

Orgain

Nestlé Health Science purchased a majority stake in Orgain in 2022, a leader in plant-based nutrition in the United States with an emphasis on clean, all natural, organic ingredients.



Althéa, Alfaré and Alfamino

Nestlé Health Science is the leader in the CMPA (cow's milk protein allergy) formula market in mainland China, with Althéa, Alfaré and Alfamino holding over 50% market share and growing triple digits.

Gerber Plant-tastic

Gerber *Plant-tastic* allows babies and toddlers to discover the world of plants with a trio of greens, grains and beans – carbon neutral in the United States since its launch.



BEBA Bio

Our first certified organic formula range with reduced carbon emissions supports healthy child development while caring for the planet with sustainably sourced ingredients and plant-based lids and scoops.

Supporting Operation Fly Formula



Nestlé is committed to helping parents and caregivers get the infant formula they need so their children can thrive. We were pleased to work with the US government to address the formula shortage as part of Operation Fly Formula.

In the spring of 2022, the United States experienced a severe infant formula shortage following a recall of another manufacturer's products. Nestlé teams from around the globe mobilized all resources to help address the crisis through its Nestlé Health Science and Nutrition businesses.



Teams in the factories in Konolfingen and Nunspeet worked tirelessly to ensure that Nestlé could help with the specialized infant formula shortage in the United States.

Although a small player in the US infant formula market, Nestlé realized early on this could become a national health crisis for families and took immediate action, even as details of supply chain issues were still unfolding. Nestlé teams in Switzerland, Germany, the Netherlands, Mexico and the United States accelerated production of formulas, including those that serve a critical medical purpose.

During a time when infant formula out-of-stock rates hit as high as 70%, Nestlé was the first partner to participate in Operation Fly Formula. The first two flights in May 2022 flew 500 000 bottle equivalents of Nestlé Health Science's *Alfamino Infant* and *Alfamino Junior* and a million bottle equivalents of *Gerber Good Start Extensive HA* – all for babies with cow's milk protein allergies. This was followed by many more shipments of specialized and non-specialized Nestlé infant formula, including *NAN Supreme pro* and *Gerber Gentle*.

IN FIGURES



42 million+

equivalent 8-ounce bottles sent under Operation Fly Formula

OUR VOICES

"The logistics of moving so much product in such a short timeframe were complex. Our teams across Europe and the United States pulled together to make it happen."



Olivier Gléron
Head of Supply Chain,
Nestlé Health Science
Switzerland

PREPARED DISHES AND COOKING AIDS

Assisting with everyday meals

Our prepared dishes and cooking aids category provides the daily essentials, including bouillons, chilled culinary products, and frozen food and pizzas. Iconic brands such as *Maggi*, *Stouffer's* and *DiGiorno* cater to regional and local tastes.

At a glance

12.5
Sales (in CHF billion)

16.3%
UTOP margin

13.2%
Percentage of
Nestlé's sales

Stouffer's Bowl-FULLS

Bold and tasty frozen-ready meals – like *Fried Chicken and Mashed Potatoes* – meet consumer expectations for high-quality, restaurant-inspired recipes delivering high-protein satiety in a bowl format.



Maggi Market Place

The new *Maggi De La Huerta* range in Latin America addresses consumer demand for naturality with creamy vegetable soups and all-in-one-seasonings rich in herbs and spices.

Maggi Recipe Solutions

New *Maggi Recipe Solutions* combine all spices and aromatics needed for a recipe, as well as simple steps to help Malaysian cooks prepare great tasting dishes easily.



Totole Cooking Sauces

The expanded *Totole* range added two new low-sodium variants – with 25% less salt – to help Chinese consumers get superior savory taste in their top dishes in a natural and healthier way.

Advancing the plant-based food portfolio



Demanding flexitarian consumers want easy ways to include more healthy, plant-based meals in their diets without compromising on taste. Nestlé is at the forefront in responding to this trend, innovating plant-based options that are delicious, nutritious, sustainable and more convenient.

Nestlé continues to use its innovation expertise to develop and improve delicious plant-based food. High-quality, sustainably sourced ingredients contribute to great taste. The increased use of vegetables and legumes creates greater nutritional value.



Within our popular Maggi line of bouillon cubes, our Kub Or made from plant-based ingredients adds its iconic flavor to rice, pasta, soups and vegetable dishes.

In 2022, we continued to expand the plant-based options within our *Garden Gourmet* brand, such as the new chicken alternative, *Sensational Crispy Mini Filet*. Beyond new innovations, we constantly explore ways to improve the quality of existing popular plant-based products – the *Garden Gourmet Sensational Burger* is now even more flavorful and juicy.

Our plant-based strategy is not only about creating meat alternatives. The popular *Maggi Veggie Masala Noodles* has the same iconic taste as the original but now includes nutritious carrots and beans. Plus, *Maggi* offers recipes to cook delicious plant-based meals from scratch. Plant-based versions of the popular *Wagner Piccolinis* have now entered more homes, providing vegan and vegetarian options. And the new *Thomy Vegan Tartare* offers a plant-based sauce option.

Our plant-based innovations are proving that we can offer consumers healthy options with a lower environmental burden that taste great.

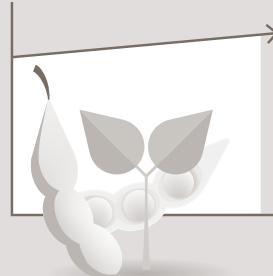
OUR VOICES

“We use our R&D expertise to rapidly develop great-tasting, nutritious and sustainable plant-based options.”



Hagith Peretz
R&D Plant-Based
Meal Solutions
Department Lead
Germany

IN FIGURES



Mid single-digit

growth in plant-based food products in 2022

Offering something for everyone

Our milk products business delivers nutritional products for all stages of life, ambient dairy, plant-based alternatives and coffee creamers. Our ice cream business offers a variety of special treats.

Yiyang GI Control

Yiyang continues to support healthy aging in China with this new functional milk powder that supports blood glucose management by providing low glycemic index (GI) nutrition.



Molico Multigold

Launched in Brazil, this multi-benefit product is rich in calcium for bones, collagen for joints, fiber for gut health, protein for muscles, and vitamins and minerals for immunity.



Starbucks Zero Creamer

This new zero-added sugar creamer option – in Caramel Macchiato and Hazelnut Latte flavors – addresses the consumer-driven trend toward sugar reduction, without compromising on taste.



Nescafé Gold Cappuccino Ice Cream

Piloted in Malaysia with an eye toward further rollout, this refreshing new way to indulge Nescafé Gold Cappuccino uses Nescafé Gold coffee in the innovative soft coating and the ice cream.

At a glance

11.3

Sales (in CHF billion)

22.7%

UTOP margin

12.0%

Percentage of Nestlé's sales

Addressing iron deficiency



In Pakistan, where one out of two children is deficient in iron, Nestlé has brought a breakthrough solution to market with *Bunyad Iron+*. The affordable dairy-based drink is fortified with a new source of iron that is more suitable for dairy products, as well as three times more absorbed in the body compared to existing available sources.

Access to affordable nutrition is a global challenge affecting many people around the world, especially in emerging countries. Many

people suffer from micronutrient deficiencies, particularly children and pregnant women. To help address this challenge, Nestlé is accelerating its efforts to develop more affordable nutrition products that contain essential vitamins and minerals.

The unique and proprietary iron source is based on *Ferri-Pro*, a technology originally developed by Riddet Institute at Massey University in New Zealand – acquired by Nestlé in January 2019. After acquiring the technology, Nestlé R&D continued to work with Massey University to bring the new source of iron to the market. The result is *Iron+*.

The Nestlé Dairy teams in Pakistan and Switzerland, supported by the Nestlé R&D Center for Dairy in Konolfingen, Switzerland, successfully launched the innovative *Iron+* in the affordable nutrition brand *Bunyad* in 2022. Two glasses of *Bunyad Iron+* offer 60% of daily iron requirements, as well as providing calcium and vitamins A and C.



In April 2022, Nestlé East and Southern African Region (ESAR) launched *Nestlé Everyday*, an affordable dairy powder product aimed at supporting the whole family against micronutrient deficiencies.



IN FIGURES

417 million

fortified servings of *Bunyad Iron+* consumed in 2022



OUR VOICES

“Using our R&D expertise in dairy products, we optimized and improved the taste, stability, cost and other key parameters to bring *Iron+* to the market.”



Heike Steiling
Head of Nestlé’s R&D
Center for Dairy
Switzerland

CONFECTIONERY

Crafting that singular delight

Our confectionery business includes the iconic *KitKat* brand and a portfolio of much-loved regional and local brands. The business innovates to create great tasting chocolate products and nutritious snacks.

At a glance

8.1

Sales (in CHF billion)

16.8%

UTOP margin

8.6%

Percentage of
Nestlé's sales

Cailler

The iconic premium Swiss chocolate brand *Cailler* continues to win over consumers with its unique chocolate taste, crafted with Swiss milk from Gruyère-region farmers.



Munch

This popular and affordable coated wafer in India continues to appeal to consumers through price point management and an interactive digital campaign with the IPL cricket league.

Uncle Tobys

Uncle Tobys, synonymous with goodness since 1893, is the fastest growing kids' snack brand in Australia, with tasty products that score high on the Health Star Rating system.



Talento and Alpino

Brazilian consumers are increasingly moving to more premium chocolate tablets like *Talento* – the “best of Garoto” – with 100% Brazilian cocoa, and the smooth and creamy Nestlé Alpino.

Growing globally by giving breaks



KitKat is attracting new consumers by appealing to local needs and tastes. Since the 1950s, the brand has invited people all around the world to, "Have a break, have a KitKat." With double-digit growth in 2022, more and more people worldwide are doing just that.

Over 5 billion KitKat bars were sold in 2022. For a brand launched more than 80 years ago, its continued relevance is due to strong brand building and distribution. Young adult consumers

— in both developed and developing countries — are making it one of the fastest growing chocolate bars in the world.

Growth in India has been driven by the ability to hit key price points with the 1-, 2- and 4-finger bars. Alongside this has been a tireless commitment to increasing distribution of the products in small shops.

The impressive growth achieved in Asia is equally matched by a runaway success in Latin America. In Brazil, with KitKat Chocolatory stores and products as well as a partnership with the Rock in Rio music event, the brand is increasing its appeal to young adult consumers.

Equally important to growth are the efforts to remain relevant to chocolate consumers in markets where the brand has existed for many years. In the UK, the brand switched its 2-finger range to use recycled (and recyclable) plastic wrappers. Across Europe, the vegan KitKat V continued rollout in 2022. And in Australia and Canada, KitKat tablets are what people crave for a break.



The KitKat Chocolatory I ❤ Brazil boxes, available in several editions, offer typical Brazilian flavors — like Açaí, Beijinho and Guarana — so lovers of KitKat can explore the tastes of Brazil.

OUR VOICES

"My job is to make sure KitKat is available and visible in every store so that everybody can buy a KitKat whenever they want to take a break."



Easwar
Sales
India

IN FIGURES

85+

countries with KitKat direct sales



Quenching thirst and more

Our water business is dedicated to providing healthy hydration, enhancing quality of life while contributing to a sustainable future. The strategic focus is on international premium and mineral water brands as well as healthy beverages.

At a glance

3.5

Sales (in CHF billion)

7.8%

UTOP margin

3.7%

Percentage of
Nestlé's sales

Acqua Panna

Our new brand purpose – to cultivate natural and cultural beauty – comes to life with an iconic visual identity redesign and a new cross-media communication campaign, honoring the water's Tuscan roots.



Perrier Energize Lemon-Lime

Perrier Energize, the iconic sparkling water from France powered by plant-based caffeine, is now available in a delicious Lemon-Lime flavor, for a zesty and invigorating low-calorie sensation.



Naleczowianka NAŁ+ Relaks

Expanding the Polish NAŁ+ range of functional waters, the new *Relaks* is enriched with magnesium and vitamin B3, and infused with lemon balm and orange blossom flavor to support body and mind.



Essentia

Essentia continues its strong performance in the United States with high single-digit organic growth and market share gains driven by distribution expansion in convenience and drug stores.

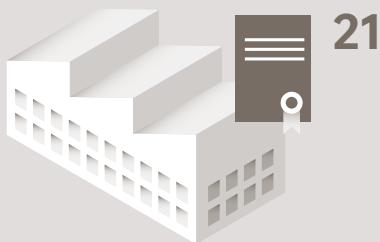
Championing water stewardship



At Nestlé Waters, protection of water resources in terms of quantity and quality is at the heart of our sustainability strategy. This is crucial both for our operations and for the communities located in the watersheds where we operate. We are unwavering in our commitment and continued to make progress toward our goals in 2022.

For several years now, we have used the Alliance for Water Stewardship (AWS) Standard to structure our understanding and drive actions to support good water

IN FIGURES



With a commitment to certify all our sites by 2025, at the end of 2022, 21 of 47 sites have AWS certification

stewardship. Created by prominent conservation organizations and experts, adoption of the AWS Standard is helping us strengthen the collection and sharing of data on watersheds, engage with local stakeholders and communities, and analyze shared water challenges to design tailored action plans, including collective initiatives within the watershed.

In 2021, Nestlé Waters expanded its efforts to include a commitment to lead the regeneration of local water cycles, to help create a positive water impact everywhere we operate. More than 100 projects will be implemented by 2025 across 47 sites with that objective.

At the end of 2022, 40 projects have already been identified or implemented. These projects are adjusted to local contexts and bring tailored benefits, including a drip irrigation program in the Pakistani city of Sheikhupura, restoration of water quality in Thailand's Khanom Chin canal and pond renaturation to protect amphibians close to Spain's Viladrau municipality.



Our Spanish mineral water brand Viladrau is working with local environmental organizations to improve biodiversity in the Montseny Natural Park.

OUR VOICES

“With Nestlé’s global presence, we can learn from our many partners and contribute to solving the water challenges in locations near our operations.”



Cédric Egger
Head of Sustainability,
Nestlé Waters
Switzerland

Financial review

Key figures (consolidated)

In millions of CHF (except for data per share and employees)

2021 2022

Results

	2021	2022
Sales	87 088	94 424
Underlying trading operating profit (a)	15 119	16 103
as % of sales	17.4%	17.1%
Trading operating profit (a)	12 159	13 195
as % of sales	14.0%	14.0%
Profit for the year attributable to shareholders of the parent (Net profit)	16 905	9 270
as % of sales	19.4%	9.8%

Balance sheet and Cash flow statement

	2021	2022
Total Equity	53 727	42 792
Net financial debt (a)	32 917	48 159
Ratio of net financial debt to total equity (gearing)	61.3%	112.5%
Operating cash flow	13 864	11 907
as % of net financial debt	42.1%	24.7%
Free cash flow (a)	8 715	6 570
Capital additions	12 977	8 264
as % of sales	14.9%	8.8%

Data per share

	2021	2022
Weighted average number of shares outstanding (in millions of units)	2 788	2 707
Basic earnings per share	CHF 6.06	3.42
Underlying earnings per share (a)	CHF 4.42	4.80
Dividend as proposed by the Board of Directors of Nestlé S.A.	CHF 2.80	2.95

Market capitalization, end December

	2021	2022
Number of employees (in thousands)	276	275

Principal key figures (b) (illustrative) in CHF, USD, EUR

In millions (except for data per share)	Total CHF	Total CHF	Total USD	Total USD	Total EUR	Total EUR
	2021	2022	2021	2022	2021	2022
Sales	87 088	94 424	95 212	98 772	80 564	94 010
Underlying trading operating profit (a)	15 119	16 103	16 530	16 845	13 987	16 033
Trading operating profit (a)	12 159	13 195	13 293	13 802	11 248	13 137
Profit for the year attributable to shareholders of the parent (Net profit)	16 905	9 270	18 481	9 697	15 638	9 230
Total Equity	53 727	42 792	58 747	46 281	51 961	43 444
Market capitalization, end December	351 682	285 865	384 542	309 177	340 122	290 225

Data per share

	2021	2022
Basic earnings per share	6.06	3.42

(a) Certain financial performance measures are not defined by IFRS. For further details, see Foreword on page 46.

(b) Income statement figures translated at weighted average annual rate; Balance sheet figures at year-end rate.

Group overview

Foreword

The Financial review contains certain financial performance measures, that are not defined by IFRS, that are used by management to assess the financial and operational performance of the Group. They include among others:

- Organic growth, Real internal growth and Pricing;
- Underlying trading operating profit margin and Trading operating profit margin;
- Net financial debt;
- Free cash flow; and
- Underlying earnings per share (EPS) and EPS in constant currency.

Management believes that these non-IFRS financial performance measures provide useful information regarding the Group's financial and operating performance.

The *Alternative Performance Measures* document published under www.nestle.com/investors/publications defines these non-IFRS financial performance measures.

Operating segments 2021 comparative figures have been adjusted following the creation of Zone North America (NA) and Zone Greater China (GC) as of January 1, 2022. Zone AOA includes Middle East and North Africa (MENA) previously included in Zone EMENA (see Note 3 of the 2022 Consolidated Financial Statements).

Introduction

Last year brought many challenges and tough choices for families, communities and businesses. Inflation surged to unprecedented levels, cost of living pressures intensified and the effects of geopolitical tensions were felt around the world.

The entire Nestlé team demonstrated dependability, as we navigated this difficult environment. Organic growth was solid, margins continued to be resilient and our underlying earnings per share development was strong. At the same time, we ensured access to nutritious products and affordable offerings globally.

During 2022, we also confirmed our longstanding nutrition strategy, with Good for You, Good for the Planet at its heart. We took important actions to further strengthen our industry-leading responsible marketing practices and to provide transparency on the nutritional value of our global portfolio. At the same time, we also advanced the implementation of our climate roadmap.

Looking to 2023, we expect another year of robust organic growth, with a focus on restoring our gross margin, stepping up marketing investments and increasing free cash flow. Nestlé's value creation model puts us in a strong position to achieve our 2025 targets and to generate reliable, sustainable shareholder returns.

Group sales

Organic growth (OG) was 8.3%. Pricing increased to 8.2%, reflecting significant cost inflation. Real internal growth (RIG) was positive at 0.1%, following a high base of comparison in 2021, supply constraints and portfolio optimization actions.

Organic growth was 7.1% in developed markets, driven by pricing. In emerging markets, organic growth was 10.0%, supported by both pricing and RIG.

By product category, Purina PetCare was the largest contributor to organic growth, with continued momentum for science-based and

premium brands *Purina Pro Plan*, *Purina ONE* and *Fancy Feast*, as well as veterinary products. Sales in coffee grew at a high single-digit rate, with broad-based growth across brands and geographies, supported by a strong recovery of out-of-home channels. Sales of Starbucks products grew by 12.9% to reach CHF 3.6 billion, generating over CHF 1.5 billion of incremental sales compared with 2018. Infant Nutrition saw double-digit growth, with broad-based contributions across geographies and brands. Confectionery posted high single-digit growth, reflecting particular strength for *KitKat*, seasonal products and key local brands. Dairy reported mid single-digit growth, with continued momentum for coffee creamers, affordable fortified milks and home-baking products. Water recorded double-digit growth, with a sales decrease in the fourth quarter as a result of temporary capacity constraints. Prepared dishes and cooking aids posted low single-digit growth, following a high base of comparison in 2021, with continued strong demand for *Maggi*. Sales in vegetarian and plant-based food grew at a mid single-digit rate. *Garden Gourmet* in Europe continued to see double-digit growth, while sales for *Sweet Earth* in North America were impacted by SKU optimization. Nestlé Health Science reported mid single-digit growth, driven by Medical Nutrition and healthy-aging products.

By channel, organic growth in retail sales remained robust at 7.2%. E-commerce sales grew by 9.2%, reaching 15.8% of total Group sales. Organic growth of out-of-home channels reached 23.5%, with sales exceeding 2019 levels. In the fourth quarter, RIG for out-of-home channels moderated to a mid single-digit rate as a result of post-pandemic normalization.

Net acquisitions increased sales by 1.1%, largely related to the acquisitions of the core brands of The Bountiful Company and Orgain. The impact on sales from foreign exchange was negative at -0.9%. Total reported sales increased by 8.4% to CHF 94.4 billion.

Sales by geographic areas		Differences 2022/2021 (in %)	
		in CHF	in local currency in CHF millions
By main markets			2022
North America	+15.2%	(a)	33 000
United States	+15.4%	+10.4%	30 314
Canada	+13.0%	+12.3%	2 686
Europe	+0.3%	(a)	22 291
France	-6.5%	+0.6%	3 558
United Kingdom	+0.1%	+7.1%	3 409
Germany	-5.2%	+2.1%	2 316
Rest of geographic area	+3.4%	(a)	13 008
of which Switzerland	-2.4%	-2.4%	1 109
Asia, Oceania and Africa	+3.7%	(a)	20 967
Philippines	+0.4%	+6.3%	2 667
India	+12.9%	+14.7%	1 960
Australia	+1.8%	+5.4%	1 510
Rest of geographic area	+3.4%	(a)	14 830
Latin America	+17.9%	(a)	12 323
Brazil	+28.4%	+17.6%	3 756
Mexico	+16.7%	+10.7%	3 457
Chile	+1.8%	+11.8%	1 302
Rest of geographic area	+16.0%	(a)	3 808
Greater China	+5.1%	(a)	5 843
Greater China	+5.1%	+5.2%	5 843
Total	+8.4%	(a)	94 424

(a) Not applicable.

Underlying trading operating profit

Underlying trading operating profit increased by 6.5% to CHF 16.1 billion. The underlying trading operating profit margin decreased by 30 basis points to 17.1% on a reported basis and by 40 basis points in constant currency, reflecting significant cost inflation.

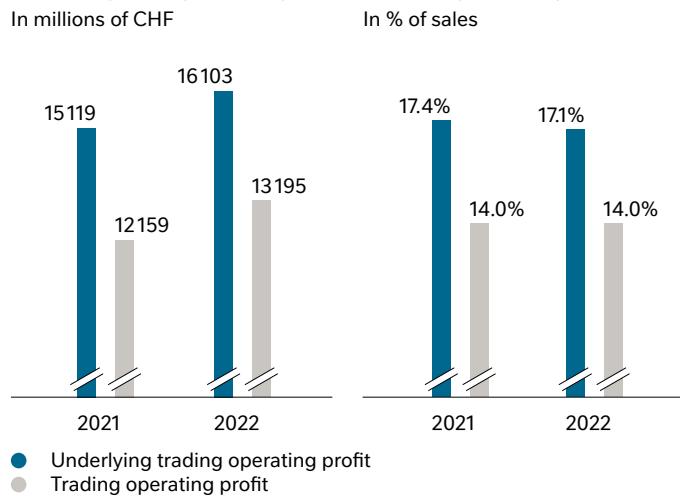
Gross profit increased by 2.5% to CHF 42.7 billion. Gross profit margin decreased by 260 basis points to 45.2%, following significant broad-based inflation for commodity, packaging, freight and energy costs. The impact of cost inflation increased in the second half, reflecting higher costs for dairy, cereals and energy. Pricing, growth leverage and efficiencies helped to partly offset the impact of cost inflation.

Distribution costs as a percentage of sales benefited from the divestment of the Nestlé Waters North America brands.

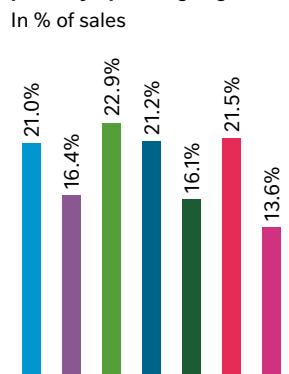
Marketing and administration expenses decreased by 2.6% to CHF 16.8 billion. Consumer-facing marketing spend decreased temporarily, following a lower level of promotion and marketing activities in the context of supply constraints. Consumer-facing marketing spend increased in the second half of the year compared to the first half. Administrative expenses as a percentage of sales benefited from very disciplined cost control.

Restructuring expenses and net other trading items were CHF 2.9 billion, slightly below the prior year. As a result, trading operating profit increased by 8.5% to CHF 13.2 billion and the trading operating profit margin was unchanged versus the prior year on a reported basis at 14.0%.

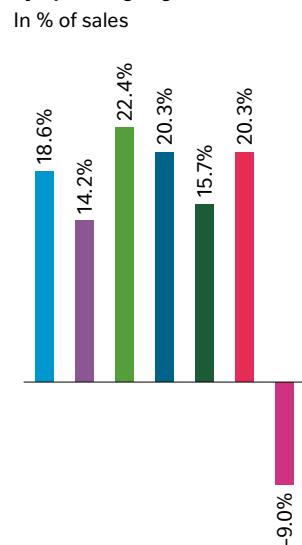
Underlying trading operating profit and Trading operating profit



Underlying trading operating profit by operating segment



Trading operating profit by operating segment



Net financial expenses and Income tax

Net financial expenses increased by 19.2% to CHF 1.0 billion, reflecting higher average net debt. Our average cost of net debt increased slightly to 2.2%, compared to 2.0% in 2021.

The Group reported tax rate increased by 330 basis points to 24.2% as a result of one-off items. The underlying tax rate was relatively stable at 20.9%.

Net profit and Earnings per share

Net profit decreased by 45.2% to CHF 9.3 billion. Net profit margin decreased by 960 basis points to 9.8%, reflecting the gain on disposal of L'Oréal shares in 2021. As a result, earnings per share decreased by 43.5% to CHF 3.42 on a reported basis.

Underlying earnings per share increased by 9.4% in constant currency and by 8.4% on a reported basis to CHF 4.80. The increase was mainly the result of strong organic growth. Nestlé's share buyback program contributed 1.8% to the underlying earnings per share increase, net of finance costs.

Cash flow

Cash generated from operations before changes in working capital increased from CHF 16.8 billion to CHF 18.4 billion, up 20 basis points as a percentage of sales.

Free cash flow decreased from CHF 8.7 billion to CHF 6.6 billion, reflecting a deliberate and temporary increase in inventories in the context of supply chain disruptions and the energy crisis in Europe. Capital expenditure remained at an elevated level due to increased demand, particularly for PetCare.

Evolution of the Nestlé S.A. share in 2022

In CHF



Earnings per share

In CHF

6.06

2021

3.42

2022

Operating cash flow

In billions of CHF

13.9

2021

11.9

2022

Share capital by investor type, long-term evolution (a)

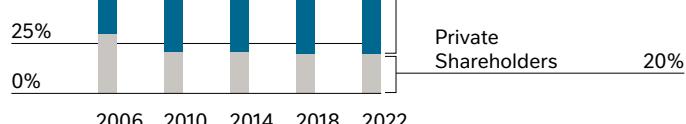
100%

75%

50%

25%

0%



(a) Percentage derived from total number of registered shares.
Registered shares represent 55.8% of the total share capital.
Statistics are rounded, as at 12/31/2022.

Dividend

At the Annual General Meeting on April 20, 2023, the Board of Directors will propose a dividend of CHF 2.95 per share, an increase of 15 centimes. If approved, this will be the company's 28th consecutive annual dividend increase. The company has maintained or increased its dividend in Swiss francs over the last 63 years. Nestlé is committed to maintaining this long-held practice to increase the dividend in Swiss francs every year.

The last trading day with entitlement to receive the dividend will be April 21, 2023. The net dividend will be payable as from April 26, 2023.

Shareholders entered in the share register with voting rights on April 13, 2023, at 12:00 noon (CEST) will be entitled to exercise their voting rights.

Share buyback program

In 2022, the Group repurchased CHF 10.6 billion of Nestlé shares as part of the three-year CHF 20 billion share buyback program, which began in January 2022. At the upcoming Annual General Meeting, the Board of Directors will propose to reduce the share capital by 80 million shares from CHF 275 million to CHF 267 million through the cancellation of shares purchased, as part of the share buyback program.

Net debt

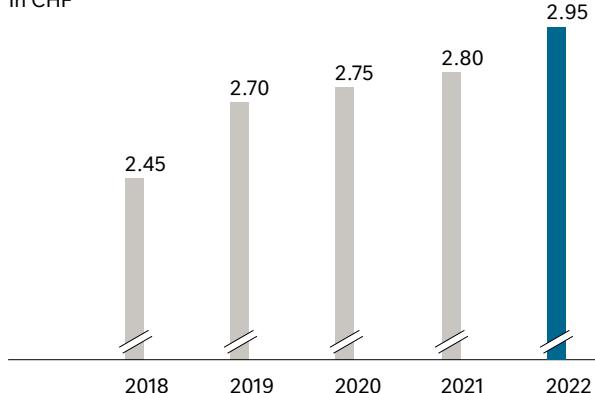
Net debt was CHF 48.2 billion as at December 31, 2022, compared to CHF 32.9 billion at December 31, 2021. The higher level of debt largely reflected share buybacks of CHF 10.5 billion, mostly financed by the disposal of L'Oréal shares in December 2021, and a temporary increase in working capital.

Return on invested capital (ROIC)

The Group's ROIC was unchanged versus 2021 at 12.2%. Excluding significant impairments, ROIC increased by 10 basis points to 14.3%.

Dividend per share

In CHF



Portfolio management

Nestlé completed acquisitions and divestments with a total value of around CHF 1.9 billion in 2022.

On April 1, 2022, Nestlé Health Science completed the acquisition of a majority stake in Orgain, a leader in plant-based nutrition. Orgain complements Nestlé Health Science's existing portfolio of nutrition products that support healthier lives.

On September 1, 2022, Nestlé Health Science completed the acquisition of Puravida, a premium Brazilian nutrition and health lifestyle brand. The acquisition will enable Nestlé Health Science to expand its consumer health portfolio in Latin America.

On September 1, 2022, Nestlé Health Science completed the acquisition of The Better Health Company. The acquisition includes the GO Healthy brand, New Zealand's leading supplement brand, and New Zealand Health Manufacturing, an Auckland-based manufacturing facility for vitamins, minerals and supplements. The acquisition will expand Nestlé Health Science's portfolio of vitamins, minerals and supplements in AOA.

On October 19, 2022, Nestlé announced the acquisition of Seattle's Best Coffee from Starbucks. This transaction is part of Nestlé's focus on driving sustained profitable growth in the coffee category and strengthens the Global Coffee Alliance by allowing both companies to focus on their core strengths. The transaction was completed on January 13, 2023.

On November 1, 2022, Nestlé completed the sale of the Gateway infant formula plant in Eau Claire, Wisconsin, along with U.S. and Canadian rights to the *Gerber Good Start* infant formula brand to Perrigo.

On November 15, 2022, Nestlé and *L Catterton* created a partnership that brings together Freshly and Kettle Cuisine, a leading manufacturer of fresh food products for retail and foodservice customers. The combined company focuses on offering a wide assortment of fresh food products to customers across geographies and a variety of channels. *L Catterton* is the majority owner, with Nestlé holding a minority stake.

On November 29, 2022, the Group announced the decision to explore strategic options for *Palforzia*, the peanut allergy treatment, following slower than expected adoption by patients and healthcare professionals. The review is expected to be completed in the first half of 2023.

Outlook

2023 outlook: we expect organic sales growth between 6% and 8% and underlying trading operating profit margin between 17.0% and 17.5%. Underlying earnings per share in constant currency is expected to increase between 6% and 10%.

2025 targets fully confirmed: we expect sustainable mid single-digit organic sales growth and a return to an underlying trading operating profit margin range of 17.5% to 18.5% by 2025. We expect annual underlying earnings per share growth to be in the range of 6% to 10% in constant currency.

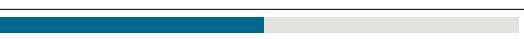
Sales, employees and factories by geographic area

	Sales		Employees		Factories	
	2021	2022	2021	2022	2021	2022
NA	32.9%	34.9%	15.1%	14.3%	61	57
EUR ^(a)	25.5%	23.6%	29.9%	30.1%	109	106
AOA	23.2%	22.2%	24.3%	24.8%	97	93
LATAM	12.0%	13.1%	21.3%	21.9%	64	65
GC	6.4%	6.2%	9.4%	8.9%	23	23

(a) 8332 employees in Switzerland in 2022.

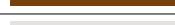
Employees by activity

In thousands

	2021	2022	
Factories	140	140	
Administration and sales	136	135	
Total	276	275	

Product category and operating segment review

In millions of CHF

	2021 *	2022	Proportion of total sales (%)	RIG (%)	OG (%)
Powdered and Liquid Beverages					
Soluble coffee/coffee systems	17 120	16 891	 67.0%		
Other	6 855	8 327	 33.0%		
Total sales	23 975	25 218		+0.2%	+8.0%
Underlying trading operating profit	5 631	5 593		22.2%	
Trading operating profit	5 406	5 358		21.2%	
Water					
Total sales	4 040	3 536		+2.2%	+11.0%
Underlying trading operating profit	364	277		7.8%	
Trading operating profit	257	241		6.8%	
Milk products and Ice cream					
Milk products	9 778	10 359	 91.8%		
Ice cream	922	930	  8.2%		
Total sales	10 700	11 289		-4.3%	+5.4%
Underlying trading operating profit	2 707	2 568		22.7%	
Trading operating profit	2 642	2 508		22.2%	
Nutrition and Health Science					
Total sales	13 157	15 678		+1.7%	+7.4%
Underlying trading operating profit	2 307	2 990		19.1%	
Trading operating profit	243	1 323		8.4%	
Prepared dishes and cooking aids					
Frozen and chilled	5 871	5 859	  46.9%		
Culinary and other	6 275	6 625	  53.1%		
Total sales	12 146	12 484		-6.9%	+3.1%
Underlying trading operating profit	2 040	2 038		16.3%	
Trading operating profit	1 931	1 508		12.1%	
Confectionery					
Chocolate	5 716	6 139	  75.6%		
Sugar confectionery	651	661	  8.2%		
Snacking and biscuits	1 147	1 318	  16.2%		
Total sales	7 514	8 118		+4.8%	+9.4%
Underlying trading operating profit	1 205	1 364		16.8%	
Trading operating profit	1 093	1 259		15.5%	
PetCare					
Total sales	15 556	18 101		+4.3%	+14.5%
Underlying trading operating profit	3 282	3 706		20.5%	
Trading operating profit	3 241	3 494		19.3%	

* The new Zones' organization as of January 1, 2022, as described in Foreword on page 46, had no impact on the information by product.

Review of Zones, Nespresso and Nestlé Health Science

Zone North America (NA)

Sales	CHF 26.3 billion
Organic growth	+ 10.3%
Real internal growth	- 1.3%
Underlying trading operating profit margin	21.0%
Underlying trading operating profit margin	+ 70 basis points
Trading operating profit margin	18.6%
Trading operating profit margin	- 60 basis points

- 10.3% organic growth: -1.3% RIG; 11.6% pricing.
- The Zone's underlying trading operating profit margin increased by 70 basis points to 21.0%.

Organic growth was 10.3%, with pricing of 11.6%. RIG was -1.3%, following pricing activities, a high base of comparison in 2021 and supply constraints. In the fourth quarter, RIG was -4.9%, largely impacted by portfolio optimization actions, a growth moderation in out-of-home channels and temporary capacity constraints for water. Net divestitures reduced sales by 3.8%, mainly due to the divestment of the Nestlé Waters North America brands. Foreign exchange had a positive impact of 4.7%. Reported sales

in Zone North America increased by 11.1% to CHF 26.3 billion.

Zone North America saw broad-based growth across brands and categories, driven by pricing, strong operational execution and continued momentum in e-commerce. Nestlé gained market share in the Zone, led by pet food, portioned coffee and baby food.

By product category, Purina PetCare was the largest growth contributor with strong momentum across channels, particularly in e-commerce and pet specialty stores. *Purina Pro Plan*, including veterinary products, *Purina ONE* and *Fancy Feast* all saw strong double-digit growth, supported by innovation. Sales in Nestlé Professional and Starbucks out-of-home products grew at a strong double-digit rate. Beverages, including Starbucks at-home products, *Coffee mate* and *Nescafé*, posted high single-digit growth, helped by new product launches. Prior to the divestiture of *Gerber Good Start* infant formula in November, the brand recorded strong demand following supply constraints in the market. Baby food

Zone NA

In millions of CHF

	2021 *	2022	Proportion of total sales (%)	RIG (%)	OG (%)
United States and Canada	23 693	26 328			
Powdered and Liquid Beverages	3 373	3 891	14.8%		
Water	1 666	1 042	4.0%		
Milk products and Ice cream	2 689	3 143	11.9%		
Prepared dishes and cooking aids	5 155	5 328	20.2%		
Confectionery	667	696	2.6%		
PetCare	9 112	10 926	41.5%		
Nutrition and Health Science	1 031	1 302	5.0%		
Total sales	23 693	26 328		-1.3%	+10.3%
Underlying trading operating profit	4 804	5 528	21.0%		
Trading operating profit	4 548	4 904	18.6%		
Capital additions	2 319	2 272	8.6%		

* 2021 comparatives adjusted, see Foreword on page 46.

reported robust growth, led by healthy snacking. Frozen food saw low single-digit growth, with robust sales developments for *Hot Pockets* frozen snacks and *DiGiorno* pizza. Premium water posted mid single-digit growth, with a sales decrease in the fourth quarter mainly due to temporary capacity constraints. Ready-to-drink *Nesquik* in the U.S. and *KitKat* in Canada reported strong growth, supported by new product launches and execution.

The Zone's underlying trading operating profit margin increased by 70 basis points. Pricing, growth leverage and portfolio management more than offset significant cost inflation.

Zone Europe (EUR)

Sales	CHF 19.1 billion
Organic growth	+ 7.2%
Real internal growth	+ 0.9%
Underlying trading operating profit margin	16.4%
Underlying trading operating profit margin	- 190 basis points
Trading operating profit margin	14.2%
Trading operating profit margin	- 340 basis points

- 7.2% organic growth: 0.9% RIG; 6.4% pricing.
- The Zone's underlying trading operating profit margin decreased by 190 basis points to 16.4%.

Organic growth was 7.2%, with pricing of 6.4%. RIG was resilient at 0.9%, following a high base of comparison in 2021 as well as supply constraints. Foreign exchange negatively impacted sales by 7.6%, reflecting the appreciation of the Swiss franc against the Euro. Reported sales in Zone Europe increased by 1.8% to CHF 19.1 billion.

In a challenging environment, Zone Europe demonstrated resilience and a commitment to invest for the long-term. In Ukraine, Nestlé announced a CHF 40 million investment for a new production facility in the Volyn region.

The Zone saw market share gains in confectionery, pet food and Infant Nutrition. By product category, the key growth driver was Purina PetCare, fueled by premium brands *Gourmet*, *Felix* and *Purina Pro Plan*. Growth was strong across all channels, particularly in e-commerce and pet specialty stores. Sales in Nestlé Professional grew at a strong double-digit rate, helped by new growth platforms and increased distribution, particularly for beverages. Water saw double-digit growth, with a sales decrease in the fourth quarter mainly due to temporary capacity constraints. Coffee posted mid single-digit growth, led by *Nescafé* soluble coffee and continued strong sales developments for *Starbucks* by *Nespresso*. Confectionery reported mid single-digit growth, with strong demand for *KitKat* and seasonal offerings. Sales in Infant Nutrition grew at a double-digit rate, based on strong momentum for premium infant

formula, including human milk oligosaccharides (HMOs) products. Culinary recorded a sales decrease, impacted by negative growth in pizza and noodles. *Garden Gourmet* plant-based products continued to see double-digit growth, reflecting new product launches.

The Zone's underlying trading operating profit margin decreased by 190 basis points. Significant cost inflation and the impact of war-induced supply chain constraints outweighed pricing, growth leverage and cost efficiencies.

Zone EUR

In millions of CHF

	2021 *	2022	Proportion of total sales (%)	RIG (%)	OG (%)
Western Europe	13 532	13 334	69.7%		
Eastern Europe	3 858	4 272	22.3%		
Türkiye and Israël	1 404	1 522	8.0%		
Powdered and Liquid Beverages	5 148	5 140	26.9%		
Water	1 606	1 626	8.5%		
Milk products and Ice cream	330	345	1.8%		
Prepared dishes and cooking aids	3 038	2 820	14.7%		
Confectionery	3 054	3 091	16.2%		
PetCare	4 316	4 732	24.7%		
Nutrition and Health Science	1 302	1 374	7.2%		
Total sales	18 794	19 128		+0.9%	+7.2%
Underlying trading operating profit	3 439	3 138	16.4%		
Trading operating profit	3 316	2 719	14.2%		
Capital additions	1 475	1 489	7.8%		

* 2021 comparatives adjusted, see Foreword on page 46.

Zone Asia, Oceania and Africa (AOA)

Sales	CHF 18.5 billion
Organic growth	+8.2%
Real internal growth	+0.1%
Underlying trading operating profit margin	22.9%
Underlying trading operating profit margin	-110 basis points
Trading operating profit margin	22.4%
Trading operating profit margin	+340 basis points

- 8.2% organic growth: 0.1% RIG; 8.1% pricing.
- The Zone's underlying trading operating profit margin decreased by 110 basis points to 22.9%.

Organic growth reached 8.2%, with pricing of 8.1%. RIG was 0.1%, impacted by a high base of comparison in 2021 and portfolio optimization actions. Foreign exchange reduced sales by 4.9%. Reported sales in Zone AOA increased by 3.3% to CHF 18.5 billion.

Growth in Zone AOA was driven by pricing, continued recovery of out-of-home channels and innovation. The Zone saw market share gains in coffee, culinary and Infant Nutrition.

South-East Asia saw mid single-digit growth, led by *Nescafé*, *Maggi* and *Milo*. South Asia posted double-digit growth, with market share gains and continued momentum for *Maggi*, *KitKat* and *Nescafé*. Sales in the Middle East and Africa grew at a double-digit rate, based on strong momentum for affordable offerings across *Maggi* and *Milo* as well as broad-based demand for Infant Nutrition products. Despite portfolio optimization, Japan reported low single-digit growth, supported by *Nescafé*, Starbucks and Purina PetCare. Sales in South Korea grew at a double-digit rate, driven by Starbucks products and increased demand for *KitKat*. Oceania recorded high single-digit growth, with particular strength for *Nescafé*, *Maggi* and *KitKat*.

By product category, culinary was the largest growth contributor, led by *Maggi* cooking aids and noodles. Sales in Nestlé Professional grew at a strong double-digit rate across geographies and categories, fueled by increased distribution. Coffee saw high single-digit growth, with continued strong demand for *Nescafé* and Starbucks products. The Zone launched

Zone AOA

In millions of CHF

	2021 *	2022	Proportion of total sales (%)	RIG (%)	OG (%)
ASEAN	6 984	7 112	38.5%		
Oceania and Japan	3 049	2 964	16.0%		
South Asian Subcontinent	2 898	3 156	17.1%		
Middle-East and Africa	4 963	5 252	28.4%		
 Powdered and Liquid Beverages	5 909	6 108	33.0%		
Water	597	641	3.5%		
Milk products and Ice cream	3 804	3 636	19.7%		
Prepared dishes and cooking aids	2 263	2 560	13.9%		
Confectionery	1 280	1 372	7.4%		
PetCare	682	702	3.8%		
Nutrition and Health Science	3 359	3 465	18.7%		
Total sales	17 894	18 484		+0.1%	+8.2%
 Underlying trading operating profit	4 288	4 237	22.9%		
Trading operating profit	3 399	4 133	22.4%		
Capital additions	866	930	5.0%		

* 2021 comparatives adjusted, see Foreword on page 46.

Starbucks ready-to-drink products in seven markets. Infant Nutrition reached high single-digit growth, based on innovation and increased distribution. Cocoa and malt beverages posted high single-digit growth, driven by *Milo*. Sales in confectionery grew at a double-digit rate, led by *KitKat*. Purina PetCare reported high single-digit growth, with continued momentum for *Purina ONE*, *Felix* and *Purina Pro Plan*. Ambient dairy saw a slight sales decrease, largely due to portfolio optimization actions.

The Zone's underlying trading operating profit margin decreased by 110 basis points. Significant cost inflation more than offset pricing, growth leverage and disciplined cost control.

Zone Latin America (LATAM)

Sales	CHF 11.8 billion
Organic growth	+ 13.1%
Real internal growth	+ 1.5%
Underlying trading operating profit margin	21.2%
Underlying trading operating profit margin	- 70 basis points
Trading operating profit margin	20.3%
Trading operating profit margin	- 10 basis points

- 13.1% organic growth: 1.5% RIG; 11.6% pricing.
- The Zone's underlying trading operating profit margin decreased by 70 basis points to 21.2%.

Organic growth was 13.1%, with pricing of 11.6%. RIG was 1.5%, following a high base of comparison in 2021. Foreign exchange had a positive impact of 4.0%. Reported sales in Zone Latin America increased by 17.2% to CHF 11.8 billion.

Zone Latin America saw sustained broad-based growth, supported by pricing, strong operational execution and continued momentum of out-of-home channels. The Zone saw market share gains in Infant Nutrition, pet food and culinary.

Zone LATAM

In millions of CHF

	2021 *	2022	Proportion of total sales (%)	RIG (%)	OG (%)
Latin America and Caribbean	10 086	11 819			
Powdered and Liquid Beverages	2 009	2 422		20.5%	
Water	122	175		1.5%	
Milk products and Ice cream	2 702	3 030		25.6%	
Prepared dishes and cooking aids	775	845		7.1%	
Confectionery	1 690	2 067		17.5%	
PetCare	1 333	1 614		13.7%	
Nutrition and Health Science	1 455	1 666		14.1%	
Total sales	10 086	11 819		+ 1.5%	+ 13.1%
Underlying trading operating profit	2 208	2 501		21.2%	
Trading operating profit	2 053	2 401		20.3%	
Capital additions	687	805		6.8%	

* 2021 comparatives adjusted, see Foreword on page 46.

Sales in Brazil grew at a strong double-digit rate, reflecting high demand for confectionery and Infant Nutrition as well as cocoa and malt beverages. Mexico saw double-digit growth, with strong sales developments for Purina PetCare, *Nescafé* and *Carnation*. Sales in Chile grew at a double-digit rate, led by confectionery, coffee and Purina PetCare. Colombia and the Plata Region continued to see strong double-digit growth.

By product category, confectionery was the largest growth contributor, based on strong demand for key local brands and *KitKat*. Sales in Purina PetCare grew at a double-digit rate, led by *Dog Chow*, *Cat Chow* and *Purina Pro Plan*, as well as the continued expansion of *Purina ONE* across the Zone. Coffee posted broad-based double-digit growth, supported by *Nescafé* soluble coffee, *Nescafé Dolce Gusto* and Starbucks products. Dairy reported high single-digit growth, based on strong sales developments for fortified milks and home-baking products. Infant Nutrition recorded high single-digit growth, based on continued momentum for *Nido* and *NAN*. Sales in Nestlé Professional grew at a strong double-digit rate, significantly exceeding 2019 levels, with growth fueled by new digital platforms. Water also posted strong double-digit growth. Plant-based products saw strong growth, helped by the expansion of dairy alternatives for *La Lechera* and by *Nature's Heart*.

The Zone's underlying trading operating profit margin decreased by 70 basis points, as one-off items and cost inflation more than offset pricing, growth leverage and disciplined cost control.

Zone Greater China (GC)

Sales	CHF 5.4 billion
Organic growth	+3.5%
Real internal growth	+1.0%
Underlying trading operating profit margin	16.1%
Underlying trading operating profit margin	+260 basis points
Trading operating profit margin	15.7%
Trading operating profit margin	+2470 basis points

- 3.5% organic growth: 1.0% RIG; 2.5% pricing.
- The Zone's underlying trading operating profit margin increased by 260 basis points to 16.1%.

Organic growth was 3.5%, with pricing of 2.5%. RIG was 1.0%, impacted by COVID-19-related movement restrictions. Foreign exchange had a negative impact of 0.1%. Reported sales in Zone Greater China increased by 3.4% to CHF 5.4 billion.

Growth in Zone Greater China was supported by strong operational execution, e-commerce momentum and continued innovation.

By product category, Infant Nutrition saw high single-digit growth, with improved market share trends for NAN and *illuma*. Coffee posted high single-digit growth, led by Nescafé soluble and ready-to-drink coffee as well as Starbucks products. In confectionery, *Hsu Fu Chi* reported high single-digit growth, helped by innovation including the launch of savory snacks. Culinary recorded mid single-digit growth, helped by increased distribution and innovation. Sales in Purina PetCare grew at a double-digit rate, with strong growth in specialty channels and e-commerce. As a result of movement restrictions, Nestlé Professional saw a mid single-digit sales decrease, with market share gains supported by new customers and product launches.

The Zone's underlying trading operating profit margin increased by 260 basis points. Favorable mix and disciplined cost control more than offset cost inflation.

Zone GC

In millions of CHF

	2021 *	2022	Proportion of total sales (%)	RIG (%)	OG (%)
Greater China	5 175	5 351			
Powdered and Liquid Beverages	957	1 018		19.0%	
Water	49	52		1.0%	
Milk products and Ice cream	1 162	1 121		20.9%	
Prepared dishes and cooking aids	914	930		17.4%	
Confectionery	797	843		15.8%	
PetCare	112	127		2.4%	
Nutrition and Health Science	1 184	1 260		23.5%	
Total sales	5 175	5 351		+1.0%	+3.5%
Underlying trading operating profit	700	862		16.1%	
Trading operating profit	(466)	840		15.7%	
Capital additions	261	207		3.9%	

* 2021 comparatives adjusted, see Foreword on page 46.

Nespresso

Sales	CHF 6.4 billion
Organic growth	+3.5%
Real internal growth	-1.7%
Underlying trading operating profit margin	21.5%
Underlying trading operating profit margin	-150 basis points
Trading operating profit margin	20.3%
Trading operating profit margin	-240 basis points

The underlying trading operating profit margin of Nespresso decreased by 150 basis points, impacted by cost inflation and investments in the rollout of the *Vertuo* system.

- 3.5% organic growth: -1.7% RIG; 5.2% pricing.
- The underlying trading operating profit margin of Nespresso decreased by 150 basis points to 21.5%.

Organic growth was 3.5%, with pricing of 5.2%. RIG was -1.7%, following strong growth of 8.2% in 2021 during the pandemic. Foreign exchange negatively impacted sales by 2.7%. Reported sales in Nespresso increased by 0.5% to CHF 6.4 billion.

Growth in Nespresso was led by broad-based momentum for the *Vertuo* system. *Vertuo Pop*, a new compact machine, was launched in 10 markets. Growth was also supported by a strong recovery of out-of-home channels, with continued expansion of the *Momento* system and improved sales development for the office segment. Innovation and new product launches, including the year-end festive campaign with Pierre Hermé, continued to resonate with consumers.

By geography, North America posted double-digit growth with continued market share gains. Europe reported a sales decrease, with growth turning positive in the fourth quarter. Other regions combined recorded high single-digit growth.

Nespresso

In millions of CHF

	2021	2022	RIG (%)	OG (%)
Total sales	6 418	6 448	-1.7%	+3.5%
Underlying trading operating profit	1 475	1 388	21.5%	
Trading operating profit	1 456	1 309	20.3%	
Capital additions	445	520	8.1%	

Nestlé Health Science

Sales	CHF 6.6 billion
Organic growth	+4.0%
Real internal growth	+0.6%
Underlying trading operating profit margin	13.6%
Underlying trading operating profit margin	0 basis point
Trading operating profit margin	-9.0%
Trading operating profit margin	-2200 basis points

- 4.0% organic growth: 0.6% RIG; 3.4% pricing.
- The underlying trading operating profit margin was unchanged at 13.6%.

Organic growth was 4.0%, with increased pricing of 3.4%. RIG was 0.6%, following strong double-digit growth in both 2020 and 2021 during the pandemic. Net acquisitions increased sales by 31.5%, largely related to the acquisitions of the core brands of The Bountiful Company and Orgain. Foreign exchange positively impacted sales by 1.5%. Reported sales in Nestlé Health Science increased by 36.9% to CHF 6.6 billion.

Consumer Care posted positive growth, as double-digit growth in active nutrition was offset by a slight sales decrease in vitamins, minerals and supplements. Within active nutrition, healthy-aging products were the largest contributor to growth, led by *Boost* and *Nutren*. *Vital Proteins* and Orgain saw double-digit growth with market share gains. Within vitamins, minerals and supplements, growth for The Bountiful Company brands and *Garden of Life* were impacted by a high base of comparison for immunity-related products during the pandemic.

Medical Nutrition recorded double-digit growth, with strong sales developments for pediatric and allergy products, *Althéa*, *Alfaré* and *Alfamino*. Adult medical care products also posted strong growth based on new product launches.

By geography, sales in North America grew at a low single-digit rate. Europe reported positive growth. Other regions combined posted high single-digit growth. Overall, Nestlé Health Science saw broad-based market share gains.

The underlying trading operating profit margin of Nestlé Health Science was unchanged versus the prior year, as cost synergies from newly acquired businesses and growth leverage were offset by cost inflation and growth investments.

Nestlé Health Science

In millions of CHF

	2021	2022	RIG (%)	OG (%)
Total sales	4 822	6 602	+0.6%	+4.0%
Underlying trading operating profit	654	899	13.6%	
Trading operating profit	628	(596)	-9.0%	
Capital additions	6 594	1 795	27.2%	

Principal risks and uncertainties

The Group aims to adopt a risk profile aligned to our purpose and business strategy. We aim to create long-term value through a balance of sustainable growth and resource efficiency. Our culture and values – rooted in respect for ourselves, others, diversity and the future – guide our decisions and actions. Our Creating Shared Value approach helps us prioritize those areas that maximize value creation for shareholders and cultivate positive societal and environmental impacts.

The Nestlé Group Enterprise Risk Management (ERM) framework is designed to assess and mitigate risks in order to minimize their potential impact and support the achievement of Nestlé's long-term purpose and business strategy. A top-down assessment is performed at Group-level once a year. A bottom-up assessment occurs in parallel, resulting in aggregation of the individual market assessments. This creates a good understanding of the company's key risks in order to allocate ownership to drive specific actions around them and take any relevant steps to address them.

Additionally, Nestlé engages with external stakeholders to better understand the issues that are of most concern to them. The materiality assessment (included in the *Creating Shared Value and Sustainability Report*) rates the degree of external stakeholder concern and potential business impact. This helps to ensure that wider sustainability issues are incorporated into the risks and opportunities under consideration across the company.

Risk assessments and any mitigating actions are the responsibility of the individual line management. If Group-level intervention is required, responsibility for mitigating actions will generally be determined by the Executive Board. The annual Group risk assessment is reported annually to the Executive Board, Audit Committee and Board of Directors. Under the Group's governance, the full Board is responsible for risk oversight. Further detail of the ERM processes can be found in the *Corporate Governance Report*.

We are committed to transparency and action on climate-related risks and opportunities. As such, we have aligned our reporting disclosures with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Our TCFD-aligned disclosures, including our analysis undertaken in 2022, can be found on page 17 and in Nestlé's 2022 *Climate Risk and Impact Report* (www.nestle.com/tcfdreport).

The risks listed below are considered the most relevant for our business and performance. Many of the longer-term mitigation strategies are expanded on in our *Creating Shared Value and Sustainability Report*.

Principal risk	Description	Potential impact	Key mitigations
Product quality and safety	Major event triggered by a serious food safety, product quality or other product-related non-compliance issue	<ul style="list-style-type: none"> – Serious harm or death – Negative effect on Nestlé's reputation and/or brands – Failure to meet evolving regulatory requirements – Loss of trust – Penalties and/or fines – Litigation 	<ul style="list-style-type: none"> – Policies, processes and controls to ensure high-quality, safe products and prevention of health risks – Quality and food safety culture
Consumer preferences	Failure to adequately anticipate evolving consumer preferences; innovate relevant, competitive products and brands; or execute at speed	<ul style="list-style-type: none"> – Negative effect on Nestlé's reputation and/or brands – Failure to achieve growth targets, loss of market share 	<ul style="list-style-type: none"> – Strengthen consumer-centricity of innovation process – Apply scientific and nutritional know-how to enhance nutrition, health and wellness – Improve the accessibility of safe and affordable food
Regulation	Prolonged negative perceptions concerning health implications of processed food and beverage categories	<ul style="list-style-type: none"> – Increase in regulation on industry and/or specific categories – Erosion of consumer confidence in industry – Limitations on marketing and distribution 	<ul style="list-style-type: none"> – Focus scientific and nutritional know-how to enhance nutrition, health and wellness – Policies, including Responsible Marketing to Children and Marketing of Breast Milk Substitutes
Customer and channel management	Customer concentration, channel dynamics accelerating pressure on distribution, pricing and trade	<ul style="list-style-type: none"> – Reduced distribution of our products to consumers – Restricted ability to price impacting margin – Failure to achieve growth targets, loss of market share 	<ul style="list-style-type: none"> – Strategic customer relationship management – Accelerate digital capabilities, expansion of e-commerce and online communication
Human rights	Failure to identify and/or prevent human rights violations in direct operations and extended supply chain (e.g., forced labor, child labor, working hours, living wage, etc.)	<ul style="list-style-type: none"> – Negative impact on individuals – Negative effect on Nestlé's reputation and/or brands – Penalties and/or fines – License to operate challenges – Litigation 	<ul style="list-style-type: none"> – Human Rights Due Diligence Framework – Salient issue action plans – Sustainable Sourcing programs (e.g., Nescafé Plan, Nestlé Cocoa Plan, etc.) – Policies, processes and controls to respect and promote human rights – Grievance mechanisms and consequence management
Supply chain stewardship	Failure to ensure a transparent, sustainable and resilient food supply chain	<ul style="list-style-type: none"> – Negative effect on Nestlé's reputation and/or brands – Penalties and/or fines – License to operate challenges – Product shortages 	<ul style="list-style-type: none"> – <i>Generation Regeneration</i> activities to support the advancement of regenerative food systems – Sustainable sourcing programs to achieve transparency and traceability on key raw materials
Climate change	Climate-related physical (including extreme weather events, water shortages and floods, and land use change, including deforestation and biodiversity loss) and transitional disruption (including policy actions, technological advances, market sentiment) disrupting our operations and/or consumer demand	<ul style="list-style-type: none"> – Volatility in supply of raw materials due to physical climate changes (e.g., water stress, heat stress, etc.) – Policy impacts (e.g., carbon tax, land use restrictions, agricultural subsidy shifts, etc.) on operating costs – Increased consumer and/or stakeholder concern on climate impacting reputation 	<ul style="list-style-type: none"> – Nestlé's Net Zero Roadmap progress, which is included in the <i>Creating Shared Value and Sustainability Report</i>, and Nestlé's response to the CDP questionnaires – <i>Generation Regeneration</i> activities to support the advancement of regenerative food systems – Publication of Nestlé's <i>Climate Risk and Impact Report</i>
Product and plastic packaging	Failure to comply with current or future regulation on plastic packaging and/or failure to meet commitments on packaging and the environment	<ul style="list-style-type: none"> – Specific packaging (e.g., single-use plastic) and/or elements (e.g., straws) taxed, banned and/or delisted – Failure to develop circular packaging and/or business models – Stigmatization of products, brands and/or categories – Failure to achieve growth targets, loss of market share 	<ul style="list-style-type: none"> – Waste-free future: recyclable or reusable packaging; pioneer new packaging materials; collaborations to drive recycling penetration; educate via brand communications – Nestlé Institute of Packaging Sciences

Principal risk	Description	Potential impact	Key mitigations
Environmental stewardship	Failure to comply with legislation or meet expectations concerning the environment, including biodiversity impacts, use of natural resources, air emissions and waste discharges, etc.	<ul style="list-style-type: none"> – Negative effect on Nestlé's reputation and/or brands – Corporate fines and/or taxation on products/categories – License to operate challenges (e.g., access to water) – Litigation 	<ul style="list-style-type: none"> – <i>Caring for Water</i> plan to implement water stewardship initiatives – Commitments to improve operational efficiencies (e.g., switch to renewable energy sources, reduction in air emissions, etc.) – Nestlé membership on the Taskforce for Nature-related Financial Disclosures
Health and safety	Failure to comply with local health and safety regulations and/or nurture safe healthy workplaces in all countries where Nestlé operates	<ul style="list-style-type: none"> – Negative effect on Nestlé's reputation and/or brands – Penalties and/or fines – Litigation – Injuries or fatalities – Occupational illness or accidents 	<ul style="list-style-type: none"> – Long-term initiatives to promote safe and healthy behaviors – Health and safety policies and procedures – Procedures to comply with local health and safety legislation – Employee Health Strategy, including #HealthyLives to build personal health, safety and well-being awareness among employees
Systems, security and privacy	Threat of cyber-attacks or failure of internal systems and digital networks disrupting the reliability, security and privacy of data and/or ability to operate	<ul style="list-style-type: none"> – Inability to run operational activities – Loss of confidential information impacting corporate reputation – Loss of consumer trust – Penalties and/or fines – Litigation 	<ul style="list-style-type: none"> – Contingencies and policies to protect hardware and software – Privacy program to guard against data security threats and comply with an evolving regulatory landscape
Supply chain disruption	Major event impacting raw material sourcing, transport, and/or internal or external manufacturing facilities (e.g., commodity shortages, strikes, sanctions, natural disasters, health outbreaks, conflict, etc.)	<ul style="list-style-type: none"> – Impacts ability to ensure supply of key products, ingredients and packaging, including sourcing, transporting to operational facilities and distribution to customers – Increase in input prices and/or production and distribution costs 	<ul style="list-style-type: none"> – Business continuity and disaster recovery plans for key sites – Active price risk management on key commodities – Local and multiple supply options
Strategic investment choices	Investment choices evolve over time and may include emerging technologies; new business models; creation of, or entry into, new categories; geographic expansion	<ul style="list-style-type: none"> – Broader exposures for the Group – Acceptance of higher risk and return metrics 	<ul style="list-style-type: none"> – Group's investment choices aligned with our strategy and prioritized based on the potential to create value over the long term
Business transformations	Failure of strategic transformations such as large-scale change management projects, restructuring, mergers and acquisitions, etc.	<ul style="list-style-type: none"> – Failure to realize anticipated benefits – Impairments – Low employee morale and/or engagement 	<ul style="list-style-type: none"> – Transformations receive executive sponsorship with aligned targets and appropriate levels of resources to support successful execution
People retention	Failure to attract and retain skilled, talented employees in a competitive, dynamic marketplace	<ul style="list-style-type: none"> – Adversely impact our corporate reputation – Failure to equip the workforce with the skills for the digital age – Failure to achieve growth and profit targets 	<ul style="list-style-type: none"> – Initiatives to improve gender balance and cultural diversity – Development strategies to cope with the demands of a changing work force
Ethics and compliance	Failure to act with integrity or in a manner consistent with our purpose and values	<ul style="list-style-type: none"> – Adversely impact our corporate reputation and brands – Penalties and/or fines – Litigation 	<ul style="list-style-type: none"> – <i>Corporate Business Principles</i> and <i>Code of Business Conduct</i> outline the Group's commitment to integrity – Compliance program and systems, including grievance mechanisms

Principal risk	Description	Potential impact	Key mitigations
Non-financial corporate governance	Failure to comply and/or meet stakeholders' expectations with regards to non-financial performance and reporting	<ul style="list-style-type: none"> – Adversely impact our corporate reputation and brands – Penalties and/or fines – Litigation 	<ul style="list-style-type: none"> – Board oversight supported by the Sustainability Committee – Leadership provided by the ESG & Sustainability Council – Dedicated ESG Strategy & Deployment Unit – Alignment to relevant non-financial reporting frameworks
Macro financial factors	Volatility and/or sudden shocks impacting macro factors (e.g., currencies, interest rates, cost of capital, credit ratings, pension liabilities)	<ul style="list-style-type: none"> – Government intervention (e.g., capital controls, price controls) impacting operations and financial performance – Access to capital markets 	<ul style="list-style-type: none"> – Appropriate governance and risk mitigation measures to actively manage exposures and long-term asset and liability outlook
Taxation factors	Changes and/or interpretation of existing tax regulations, and/or new tax regulations (e.g., OECD Base Erosion and Profit Shifting (BEPS))	<ul style="list-style-type: none"> – Failure to comply with tax regulations – Increase in effective tax rates – Increase in the cost of compliance 	<ul style="list-style-type: none"> – Group Tax Management Principles to manage and monitor tax compliance – Develop processes/tools to ensure compliance with new requirements (e.g., OECD 15% minimum tax)
Geo-political, societal factors	Adverse instability and/or uncertainty (e.g., political instability, conflicts, trade wars, pandemic or health outbreaks, labor and/or infrastructure-related risks)	<ul style="list-style-type: none"> – Reduction in consumer demand across categories and/or channels – Disruption to Nestlé's ability to do business in a country or region – Disruption to supply chain 	<ul style="list-style-type: none"> – Monitoring and ad-hoc continuity plans to mitigate against events – Group-wide geographical and product category spreads

Factories

North America (NA)

Canada	2	●	●	●	●
United States	55	●	●	●	●

Europe (EUR)

Belgium	1	●			
Bulgaria	1			●	
Czech Republic	3		●	●	●
Denmark	1		●		
Finland	2		●	●	
France	14	●	●	●	●
Germany	13	●	●	●	●
Greece	2	●	●		
Hungary	2	●		●	●
Ireland	1		●		
Israel	7	●	●	●	●
Italy	7	●	●	●	●
Netherlands	1		●		
Poland	5	●	●	●	●
Portugal	2	●	●	●	
Republic of Serbia	1	●		●	
Russia	6	●	●	●	●
Slovak Republic	1		●		
Spain	10	●	●	●	●
Sweden	1	●			
Switzerland	10	●	●	●	●
Türkiye	3	●	●	●	●
Ukraine	3	●		●	●
United Kingdom	9	●	●	●	●

Asia, Oceania and Africa (AOA)

Algeria	2	●	●		
Angola	1			●	
Australia	6	●			●
Bahrain	1		●		
Bangladesh	1	●		●	●
Cameroon	1		●		●
Côte d'Ivoire	2	●			●
Egypt	2	●	●	●	●
Ghana	1	●		●	●
India	8	●		●	●
Indonesia	3	●		●	●
Iran	2	●	●		●
Japan	3	●		●	●
Jordan	1		●		
Kenya	1	●		●	●
Lebanon	1		●		
Malaysia	6	●		●	●
Morocco	1	●		●	
Myanmar	1	●			
New Zealand	4			●	●
Nigeria	3	●	●	●	●
Pakistan	4	●	●	●	●
Papua New Guinea	1	●			●
Philippines	5	●		●	●
Qatar	1		●		
Senegal	1		●		●
Singapore	2	●			●
Saudi Arabia	5		●		
South Africa	5	●		●	●
Sri Lanka	1	●		●	●
Thailand	8	●	●	●	●
United Arab Emirates	2	●	●	●	●
Vietnam	6	●	●	●	●
Zimbabwe	1		●		

The figure in black after the country denotes the number of factories.

- Powdered and Liquid Beverages
- Water
- Milk products and Ice cream
- Nutrition and Health Science
- Prepared dishes and cooking aids
- Confectionery
- PetCare

Latin America (LATAM)		Greater China (GC)					
Argentina	6	●	●	●	●	●	●
Bolivia	1					●	
Brazil	12	●	●	●	●	●	●
Chile	9	●	●	●	●	●	●
Colombia	5	●	●	●	●	●	●
Cuba	3	●	●				
Dominican Republic	2		●		●		
Ecuador	3	●	●	●	●	●	
Guatemala	2				●		
Mexico	12	●	●	●	●	●	●
Nicaragua	1	●	●				
Panama	1		●		●		
Peru	1	●	●	●	●	●	
Trinidad and Tobago	1	●	●				
Uruguay	1	●					
Venezuela	5	●	●	●	●	●	●

Corporate Governance and Compliance

Corporate Governance

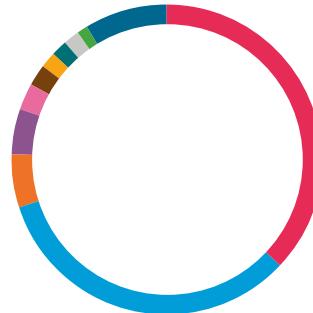
Our principles-based governance provides the base for our many actions leading to sustainable value creation. We continue to balance the pursuit of top-line and bottom-line growth with capital efficiency. Aiming for business to be a force for good, we use our scale, resources and expertise to create shared value for all our stakeholders.

In 2022, our value creation model proved its resilience and allowed us to continue to invest, renovate and grow. Our science- and consumer-driven innovations met fast-changing consumer needs. At the same time, we progressed on our path to gradually reduce absolute GHG emissions in our supply chain to achieve net zero emissions by 2050 and continued to support the transition to a regenerative food system. Our engagement on climate action is in line with our detailed Net Zero Roadmap, which our shareholders strongly supported at the 2021 Annual General Meeting. While making our portfolio good for the planet, we further intensified our efforts to make our products good for our consumers. In 2022, we strengthened our internal tools and systems that guide the nutritional composition of our foods and beverages, upgraded our policies and increased transparency on the healthfulness of our portfolio.

Our diverse and competent Board of Directors is engaged to oversee the direction of our company. We have continuously strengthened the Board by adding new independent directors with diverse experience and expertise directly relevant to Nestlé, for example, with respect to food systems, food and beverage, digitalization, marketing and other topics. Under our governance, the full Board is in charge of strategy, governance and risk oversight. We continue to engage with our shareholders through our roadshows, investor meetings and analyst calls. Our Chairman's Roundtables took place virtually with investors in Asia, North America, Switzerland, Germany, the UK, France and the Netherlands.

Our Chair's and Corporate Governance Committee regularly reviews all aspects of our governance, as well as our asset and liability management and other topics. Our Nomination Committee, chaired

Share capital distribution by geography



Switzerland	37.1%
United States	32.9%
United Kingdom	5.7%
Germany	4.8%
Canada	2.7%
Luxembourg	2.2%
Sweden	1.7%
Belgium	1.6%
Japan	1.6%
Australia	1.3%
Others	8.4%

by our Lead Independent Director, evaluates Board composition, performance, structure and succession planning, and assesses candidates for nomination to the Board. Our Sustainability Committee advises on our environmental and social sustainability, including our response to climate change and our human rights due diligence program. Our Compensation Committee ensures alignment of our remuneration systems with our values, strategies and performance. In 2022, it continued its work to review the KPIs in our short- and long-term incentive plans. Our Audit Committee oversees internal and external audit, financial and non-financial reporting, and internal controls; and reviews reports regarding compliance, fraud and risk management.

We recognize that for our company to be successful over time and to be a force for good, we must also create value for society. Our governance helps us strike the right balance in our pursuit of long-term, sustainable value creation.

Board of Directors of Nestlé S.A.

Board of Directors of Nestlé S.A.
at December 31, 2022

Paul Bulcke (1, 2, 4)

Chairman

U. Mark Schneider (1, 2)

Chief Executive Officer

Henri de Castries (1, 2, 4, 6)

Vice Chairman

Lead Independent Director

Former Chairman and CEO, AXA

Pablo Isla (1, 2, 3)

Former Executive Chairman,
Inditex

Renato Fassbind (1, 2, 6)

Vice Chairman, Swiss Re AG

Eva Cheng (1, 4)

Former Chairwoman and CEO,
Amway China & Southeast Asia

Patrick Aebischer (1, 3)

President Emeritus of the
Swiss Federal Institute of
Technology Lausanne (EPFL)

Kimberly A. Ross (1, 6)

Former CFO, Baker Hughes LLC,
Avon Products Inc. and
Royal Ahold N.V.

Dick Boer (1, 3, 5)

Former President and CEO,
Ahold Delhaize N.V.

Dinesh Paliwal (1, 3, 4)

Former President and CEO,
Harman International
Industries Inc.

Hanne Jimenez de Mora (1, 2, 5)

Co-founder, a-connect group

Lindiwe M. Sibanda (1, 5)

Professor, University of Pretoria,
RSA

Luca Maestri (1, 6)

Chief Financial Officer, Apple Inc.

Chris Leong (1, 5)

Chief Marketing Officer,
Schneider Electric

Peter Brabeck-Letmathe

Chairman Emeritus

David P. Frick

Secretary to the Board

EY (1)

Independent auditors

(1) Term expires on the date of the
Annual General Meeting 2023

(2) Chair's and Corporate
Governance Committee

(3) Compensation Committee

(4) Nomination Committee

(5) Sustainability Committee

(6) Audit Committee

For further information on the Board of
Directors, please refer to the *Corporate
Governance Report 2022*.



Paul Bulcke



U. Mark Schneider



Henri de Castries



Pablo Isla



Renato Fassbind



Eva Cheng



Patrick Aebischer



Kimberly A. Ross



Dick Boer



Dinesh Paliwal



Hanne Jimenez de Mora



Lindiwe M. Sibanda



Luca Maestri



Chris Leong



David P. Frick
Secretary to the Board

Executive Board of Nestlé S.A.



Executive Board of Nestlé S.A. at December 31, 2022

From left to right

EVP: Executive Vice President
CEO: Chief Executive Officer

For further information on the
Executive Board, please refer to the
Corporate Governance Report 2022.

Stefan Palzer
EVP, Innovation Technology,
Research and Development

Bernard Meunier
EVP, Strategic Business Units,
Marketing and Sales

Laurent Freixe
EVP, CEO Zone Latin America

Greg Behar
Deputy EVP, CEO,
Nestlé Health Science

Leanne Geale
EVP, General Counsel,
Corporate Governance
and Compliance

David Rennie
Deputy EVP, Nestlé Coffee
Brands

Marco Settembre
EVP, CEO Zone Europe

U. Mark Schneider
Chief Executive Officer



Steven Wood Presley
EVP, CEO Zone North America

David Xiqiang Zhang
EVP, CEO Zone Greater China

Sanjay Bahadur
Deputy EVP, Group Strategy
and Business Development

Magdi Batato
EVP, Operations

François-Xavier Roger
EVP, Chief Financial Officer

Béatrice Guillaume-Grabisch
EVP, Human Resources
and Business Services

Remy Ejel
EVP, CEO Zone Asia, Oceania
and Africa

Nestlé's Product and Technology Development Centers – including our "home of food" in Singen, Germany – translate our scientific discoveries to develop products and technologies for specific categories such as food, dairy, coffee, confectionery, infant nutrition and pet care.

Compliance

Business ethics and compliance are the foundations of how we do business and the conditions for creating shared value. Our commitments to ethics, integrity, fairness and authenticity are enshrined in our Purpose and Values, the *Corporate Business Principles* and the *Code of Business Conduct*. Our comprehensive Compliance Management System helps our employees and managers do the right thing for the right reason, while protecting and strengthening Nestlé's reputation.

Our Board of Directors and our Executive Board oversee and promote good practices throughout the company. Line management is supported by our Legal and Compliance function, which provides guidance and functional leadership, as well as by all other functions engaged in our risk- and principles-based Compliance program. Our Group Compliance Committee ensures a continuous evolution of our Integrated Assurance Framework. Market Compliance Officers and Committees ensure a consistent approach across the Group and help identify local compliance priorities.

In 2022, we continued a positive evolution of mandatory trainings and during the year more than 800 000 modules were taken on topics relating to the *Corporate Business Principles*, the *Code of Business Conduct*, Human Rights, Diversity & Inclusion, and others.

Our IT Roadmap facilitates an effective management of our Compliance Management System through increased automation.

We monitor compliance through our corporate functions, our internal audit function and our external auditors. Through our CARE program, we regularly assess specific aspects of our social compliance with the help of independent external auditors. 2022 was the second year of our three-year CARE cycle and a total of 264 audits were performed in 2022, covering 389 sites.

Our Speak Up system allows us to address concerns from employees and external

stakeholders. It is independently operated by a third party to ensure confidentiality. All complaints are investigated and remedial actions taken as needed. Trend analysis enables us to monitor key risks and the quality of consequence management decisions and improvement action plans. Substantiated complaints helped us address issues such as abuse of power and/or mobbing/bullying, labor practices, discrimination and harassment, sexual harassment, fraud and non-compliance with the WHO Code. In 2022, 154 employees had to leave our company and 11 service providers were terminated as a result of non-compliance incidents.

An annual Compliance communication plan reinforces our Compliance culture. This helps us create sustainable value for all our stakeholders and make Nestlé a force for good.

Shareholder information

Stock exchange listing

At December 31, 2022, Nestlé S.A. shares are listed on the SIX Swiss Exchange, Zurich (ISIN code: CH0038863350). American Depository Receipts (ISIN code: US6410694060) representing Nestlé S.A. shares are offered in the USA by Citibank, N.A., New York.

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Nestlé S.A. (Share Transfer Office)
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For additional information, contact:
Nestlé S.A.
Investor Relations
Avenue Nestlé 55
CH-1800 Vevey (Switzerland)
tel. +41 (0)21 924 35 09
e-mail: ir@nestle.com

As to information concerning the share register (registrations, transfers, dividends, etc.), please contact:
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The *Annual Review* is available online as a PDF in English, French and German. The consolidated income statement, balance sheet and cash flow statement are also available as Excel files.

www.nestle.com

April 20, 2023

156th Annual General Meeting

April 21, 2023

Last trading day with entitlement to dividend

April 24, 2023

Ex-dividend date

April 25, 2023

2023 three-month sales figures

April 26, 2023

Payment of the dividend

July 27, 2023

2023 half-year results

October 19, 2023

2023 nine-month sales figures

February 22, 2024

2023 full-year results

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The *Annual Report* contains forward-looking statements which reflect Management's current views and estimates. The forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. Potential risks and uncertainties include factors such as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, and regulatory developments.

The *Annual Report* is published in English, German and French. The English version is binding for the content.

The brands in italics are registered trademarks of the Nestlé Group.

Visual concept and design

Société des Produits Nestlé S.A., Corporate Identity & Design, with Large Network

Photography

Gaëtan Bally,
Lionel Deriaz,
William Gammuto,
Matthew Joseph,
Nestlé S.A.

Prepress

Images3 S.A. (Switzerland)

Production

Genoud S.A. (Switzerland)

Paper

This report is printed on Refutura, a paper certified by the Forest Stewardship Council (FSC) produced from 100% recycled content.

