



**Nestlé** Good food, Good life

# 155th Annual General Meeting of Nestlé S.A. Vevey, 7 April 2022

## Speeches

### **Paul Bulcke**

Chairman of the Board

### **U. Mark Schneider**

Chief Executive Officer

### **Disclaimer**

**This speech might not reflect absolutely all exact words spoken.**

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## **Address by Mr. Paul Bulcke**

Chairman of the Board

*Translation of the original French text. Check against delivery.*

Ladies and gentlemen, shareholders,

I am speaking to you today in what are, once again, unprecedented circumstances.

I sincerely regret that we must conduct our Annual General Meeting as a virtual event for the third year in a row. Under applicable Swiss legislation at the time, it was impossible for us to consider meeting in person. I thank you for participating in this virtual event today.

Ladies and gentlemen, we are living in difficult and complex times – extraordinary times. COVID remains a central concern. Even as we start to emerge from a pandemic situation in some parts of the world, there is still immense uncertainty about its trajectory going forward.

In addition, we are facing an intense conflict in Europe, where we are seeing violence, suffering and human loss of life. Once again, we are at a point in history that calls for solidarity, that requires us all to do what we can to support those in need.

This is a critical time. Nestlé is aware of its responsibilities. First and foremost, it is a question of the safety and health of all our employees, where there is conflict but also elsewhere. Our priority is also to ensure the supply of basic food and nutritional products, wherever they are needed. And to maintain our presence in our communities, wherever we can help.

Throughout these crises, it is the motivation, dedication, and professionalism of all our employees, in the areas affected and elsewhere, that defines Nestlé's response. I would like to thank each individual, particularly those who are directly affected, for all they have done and are still doing. Their work makes it possible for us to deliver in a world faced with so many shocks. I deeply admire their courage and determination. They make Nestlé – they are Nestlé. I pay tribute to them.

I would also like to thank our management team for their continued adaptability and relentless work. Last year, I noted that 2020 had not been the easiest of years. 2021 proved no easier. And now 2022 is shaping up to be just as difficult.

Ladies and gentlemen, shareholders,

Allow me, in the context of our AGM today, to look back at 2021. This was a year in which COVID continued to be a central concern, and during which pressures such as inflation and supply chain tensions emerged.

Throughout this challenging year, Nestlé continued to pursue its long-term nutrition, health and wellness strategy. With a strong focus on consumer needs and preferences, continuous fast-paced innovation, digital transformation, strong brand support and stringent portfolio management, Nestlé has positioned itself well for the challenges of the future.

Highlights of our strategic focus are many. We have made significant investments in our high-growth categories and in R&D to make our portfolio healthier, more delicious, and more sustainable.

We have continued to innovate in areas such as the nutritional value of our products, plant-based proteins, packaging, and digitalization, which is a key pillar for Nestlé. In each of our categories, digital ecosystems are opening up new opportunities for knowledge, innovation, ways of working, and sustainable growth.

And we have continued to leverage our creativity and move forward with our plans in the area of sustainability, in line with our commitment to achieving net zero emissions.

In addition, at the end of last year we announced the sale to L'Oréal of 22.26 million L'Oréal shares. After this transaction, Nestlé owns 20.1% stake of L'Oréal and remains fully supportive of the company's value creation strategy. Furthermore, Nestlé decided to end the share buyback program initiated in January 2020, announcing a new share buyback program of up to CHF 20 billion. This will run from January 2022 to the end of December 2024, to be managed, as always, flexibly in accordance with Nestlé's needs.

Today, our Board of Directors is pleased to propose a dividend of CHF 2.80 per share. If approved, this will constitute the 27th consecutive annual dividend increase by the company. Further proof that in these highly uncertain times Nestlé is committed to staying consistent, resilient and dependable in the long term. Ladies and gentlemen, you can count on us.

Dear shareholders,

Food and good nutrition are fundamental to everyone's health, well-being and enjoyment. From the very beginning, Nestlé has focused on making better nutrition accessible to people. This is why we continue to add products to our portfolio that are accessible, affordable, available and nutritional, and that respond to the needs of communities where we have a presence.

We believe we have a positive role to play along the whole value chain in ensuring a healthy and sustainable food system. We are very aware that the current system is not sustainable in the long term. And therefore, we are doing our utmost, in cooperation with other stakeholders, to contribute our know-how and support to its transformation.

We are convinced that our long-term success is based on adding value both for you, our shareholders, and for society as a whole. We want to have a positive impact. This is what we call "Creating Shared Value". This conviction is more important than ever.

In 2021, we further demonstrated our commitment to this way of doing business. We have accelerated our efforts to reduce greenhouse gases. And we embarked on a journey to going beyond sustainability and embrace regeneration. More specifically, we laid out plans to support and accelerate the transition to a regenerative food system. This aims to protect and restore the environment, improve the livelihoods of farmers, and enhance the well-being of farming communities.

By driving these outcomes, and with only eight years to meet the UN's 2030 Sustainable Development Goals, we are laying the foundation for sustainable food production in the future and contributing to achieving the ambitious climate targets we have set ourselves.

All these commitments, all these goals, all these ambitions are critically important, such that we have integrated ESG indicators (environment, social and governance) into the remuneration of Group Management.

Dear shareholders,

Nestlé's governance plays a critical role in delivering sustainable value creation, and the composition of the Board of Directors is particularly important in this regard. Nestlé benefits from an experienced and diverse Board of Directors with varied expertise directly relevant to the company.

Today, I would like to thank two members who will not stand for re-election: Ann Veneman and Kasper Rorsted. I would like to thank both most sincerely for their valuable contributions.

Ann has been with us for 11 years, serving on several Committees during this time and chairing the dedicated Sustainability Committee we created last year. Over the years, I have always appreciated Ann's perspectives, and have come to rely on her uncompromising human-centric view of the world.

Kasper has brought relevant insights from the consumer and digital worlds to the Board, and I wish to thank him for that.

Following these announcements, it gives me great pleasure to nominate two new members for election to the Board of Directors: Luca Maestri, Chief Financial Officer at Apple, and Chris Leong, Chief Marketing Officer at Schneider Electric.

Luca brings many years of experience in building and leading finance teams in global companies operating on a large scale with great complexity. Chris Leong will bring her deep knowledge of Asia and the emerging markets to the Board, as well as solid expertise in brand communication and digitalization.

With these proposed nominees, the Nestlé Board will comprise 14 members, of which 12 are independent directors. In this fast-changing environment, the company stands to benefit greatly from the profound professionalism, geographical and cultural diversity, and multi-faceted expertise of our Board of Directors. I would like to thank all the members of the Board most sincerely for their commitment in these difficult and tumultuous times.

Ladies and gentlemen, shareholders,

Let me conclude with a few words looking forward. The world is not getting easier for business to navigate. The complexity – in particular, the ambiguity – we are all faced with is playing out through multiple channels, be they geopolitical, commercial, economic, financial, political, environmental, and in value systems.

In this context, a clear strategic vision, strong values, a long-term approach, and a clearly formulated purpose which is well understood and embraced by our employees, provide our framework for decision and action. Together, they bring consistency and coherence over time. They unite all our stakeholders, both within our company and throughout our external engagements. Our Nutrition, Health and Wellness strategy and our Creating Shared Value approach are firmly established. What are more relevant than ever are our values and our purpose – to believe in *“the power of food to enhance the quality of life for everyone, today and for generations to come”*.

Ladies and gentlemen, dear shareholders, it remains for me to thank you for your continued trust in our company. I sincerely hope that we will meet again in person in 2023. In the meantime, I wish you a health and safety year ahead.

Thank you.

And now, it gives me great pleasure to hand over to Mark Schneider, our Chief Executive Officer. Mark, over to you...





## **Address by Mr. U. Mark Schneider**

Chief Executive Officer

*Check against delivery.*

Thank you, Paul.

Dear fellow Shareholders,

I'm pleased to speak to you today to give you an update on our business and some of our important sustainability topics. As Paul mentioned, we considered it prudent to again hold the Annual General Meeting without shareholder presence, but we look forward to meeting with you in person next year.

Regarding the tragic war in Ukraine, please allow me to add a few words in addition to what Paul has already said.

When Russia invaded Ukraine, we were all deeply shocked. Our immediate response was to do everything possible to keep our own employees safe and to support them as well as the Ukrainian people. We mobilized our teams across the region to get food and essential supplies to the people – those in the country as well as refugees in neighboring countries. We provided financial support, and we are continuing all of these efforts today.

Companies have faced calls to take a firm stand and go well beyond international sanctions. We found ourselves thrust into global politics like no other moment in recent history.

To some, it may have appeared that Nestlé was not listening closely enough, or that we were not acting quickly enough in response to current events. But, even in times of war, we believe universal values and principles should continue to apply. For us – as a food company – the basic right of access to food is key. We always try to live up to our values and do the right thing. And that has driven our response to date.

In Russia, we scaled back our operations to focus on providing essential food, such as infant food and medical nutrition. We are suspending the production

of most of our brands. We halted all non-essential imports into and exports out of Russia. We stopped all advertising. We suspended all capital investment in the country. And we continue to fully comply with all international sanctions on Russia. Our remaining presence in Russia is not because of profits, but because our role is to bring food to people. While we do not expect to make a profit in the country or pay any related taxes for the foreseeable future, any profit will be donated to humanitarian relief organizations.

Our priority continues to be the safety of our colleagues in Ukraine. We stand with the people of Ukraine, with our 5 800 employees in the country and with the international community in the call for peace.

Moving now to 2021, we had a very strong year. In a year when we had to navigate significant supply chain constraints and fast-rising input costs, we delivered. We limited the impact of exceptional cost inflation for our consumers through diligent cost management and responsible pricing. And we didn't lose sight of our long-term goals.

Paul mentioned that we stayed focused on executing our strategy, on increasing our growth investments and on evolving our portfolio. With the acquisitions of Nuun and the core brands of The Bountiful Company, we continued to build Nestlé Health Science into a leading global nutrition and health business. And we further sharpened our focus on international premium and mineral water brands as well as healthy hydration products through the acquisition of Essentia Water and the divestment of mainstream water brands in North America.

We demonstrated Nestlé's dependability, even in difficult times. Our efforts resulted in strong organic sales growth of 7.5%. This was supported by strong at-home consumption during the pandemic as well as a steady recovery of our business with restaurants and cafeterias. But the key message is that we are now solidly positioned to achieve sustained mid single-digit organic sales growth. We have the portfolio and the innovation capabilities to achieve this.

Our organic growth rate was the result of strong performance in most geographies and categories. Three categories stood out: PetCare, Nestlé Health Science and coffee. PetCare and Nestlé Health Science both saw double-digit organic growth. Coffee came in just shy of double-digit organic growth at 9.7% and remained the biggest contributor to the Group's overall organic growth rate. Sales of Starbucks products reached 3.1 billion Swiss francs. This is over one billion Swiss francs higher than in 2018 when we made our agreement with the company.

The mid-to-long-term future for these three categories also looks very promising. Rising pet adoption rates around the world will translate to a greater need for pet food. Flexible home office working models will mean people continue to drink more coffee at home. And a renewed interest in personal health and in boosting the immune system will bolster the need for vitamins, minerals and supplements.

In 2021, we also saw double-digit growth in our vegetarian and plant-based products, even at a time when others in the category were lagging. Our early entry into specialties, such as plant-based alternatives to tuna, shrimp, or egg, has given us an advantage, and we will continue to invest in R&D in this space. Our plant-based offering is revitalizing Nestlé's food business.

E-commerce sales grew by 15.1%, reaching 14.3% of total Group sales, largely related to the pandemic. We believe that this trend is here to stay, as people have discovered the convenience and benefits of shopping for food and beverage products online. Our ambition is to drive this number to 25% of total Group sales by the year 2025.

Our underlying trading operating profit margin was slightly lower versus 2020 at 17.4%, reflecting time delays between cost inflation and pricing actions.

Net profit attributable to shareholders grew by 38.2%. This was related to the gain on the disposal of L'Oréal shares, which more than offset higher asset impairments and other one-off items. Earnings per share also increased by 41.1% to six Swiss francs and six centimes.

The entire Nestlé team stepped up, remained agile and delivered solid results in a challenging environment. I would like to take this opportunity to thank all employees for their tremendous efforts. They went over and above what was expected.

2022 is not requiring any less. An extremely challenging environment is now exacerbated by the effects of war. We must stay flexible and remain focused, as we continue to execute on our long-term objectives. We will deliver further meaningful, consumer-driven innovations at an ever-faster pace. And we will advance our digitalization capabilities to enhance efficiency and growth. We will only make acquisitions to support our portfolio development if they fit with our well-defined strategy. As always, we will make such decisions with financial prudence.

Creating value for you, dear shareholders, as well as all our stakeholders is our ambition in the short and the long term. To sustain long-term success, however, we must also help to tackle the most defining issues of our time. As the world is reeling from the consequences of war, all other challenges seem to have faded away. But climate change is still very much with us. Nestlé remains committed to its ambitious sustainability goals.

At last year's AGM we presented our detailed climate roadmap and asked for your support through an advisory vote. Let me use this opportunity to give you an update on where we stand. I'm pleased to report to you today that we have passed peak carbon. Since 2019, our greenhouse gas emission levels have been going down, even as our business volume has grown substantially. This is significant. We hear about many companies' plans and promises to deliver carbon reductions in 20, or 30 years. But ultimately what counts is whether those companies are acting now, whether their emissions are trending down already today. Here, Nestlé is on the right track.

As you know, our ambition is to achieve net zero emissions by 2050. We have also set ourselves intermediate targets, in line with the Science Based Targets initiative, to reduce emissions by 20% over the next three years and by 50% over the next eight. In 2021, we achieved an absolute *reduction* of 4.0 million tonnes of CO2 equivalents, for example, by switching to renewable electricity, or encouraging the use of natural fertilizers in farming. Reductions will be our primary path to net zero emissions.

To address the remaining emissions, we are implementing nature-based solutions to *remove* CO2 equivalents. As a company with a large land footprint, it makes sense that we take measures within our value chain to remove emissions from the atmosphere and sequester them. We have already initiated removals of 9.7 million tonnes of CO2 equivalents.

The development and implementation of regenerative agriculture is key to our climate strategy. We are investing 1.2 billion Swiss francs by 2025 to help farmers introduce practices that will improve soil health, restore water cycles and increase biodiversity. We are providing them with state-of-the-art science and technology, offering investment support for equipment and paying premiums for regenerative agriculture products.

Protecting and restoring forests and natural ecosystems is also an essential part of Nestlé's net zero pledge. We have committed to achieving and maintaining 100% deforestation-free supply chains, growing 200 million trees by 2030 and

supporting 15 sustainable landscape initiatives by 2023 to transform the key landscapes we source from.

I encourage you to take a look at our [\*Creating Shared Value and Sustainability Report\*](#) as well as our [\*Climate Risk and Impact Report\*](#). These offer more concrete examples of the real work we are undertaking to achieve our climate goals.

As we strive to make products that are good for the planet, so too do we aim to produce products that are good for people. As Paul laid out: we will make our portfolio healthier and help people enjoy a tasty, balanced diet.

We are adding whole grains, fiber as well as essential vitamins and minerals. Last year, for example, we delivered more than 196 billion servings of food fortified with vitamins and minerals to address nutritional deficiencies in low- and middle-income countries. And of our affordable, accessible products, 83% are now fortified with at least one essential micronutrient often lacking in people's diets, for example, iron, zinc, vitamin A and iodine.

Between 2017 and 2021, we also reduced the added sugars in our foods and beverages by 5%. And we made a new global commitment to further reduce sodium in key categories of frequently consumed products by 2025 and 2030.

Nestlé takes a scientific approach to nutrition, promoting a balanced diet that leaves some space for indulgent products when consumed in moderation. We help people eat healthier by developing new products and by continuously reformulating existing products to create healthier meals. For example, we are expanding our plant-based offering and are using more natural ingredients in all of our products. We also provide transparent information on product packaging to help people make informed choices. Nestlé supports the mandatory implementation of the Nutri-Score nutrition label across all EU countries. Nutri-Score encourages the continuous improvement of products. We also fully support appropriate rules related to marketing to children and have been recognized for our industry leadership and commitments in this important endeavor. And – of course – we ensure that we are fully compliant with all applicable regulation around the world.

In 2021, Nestlé placed first for the second time in a row in the ATNI ranking of the world's 25 largest food and beverage manufacturers. We also placed second overall in the World Benchmarking Alliance's ranking of the 350 world's most influential food and agriculture companies.

Our hard work in 2021 allowed us to achieve strong results. It was a difficult year, but the entire team persevered and stayed focused on our priorities: including more products in our portfolio that are good for our consumers, good for the environment and make good business sense. We are continuing on the same path in 2022.

Your confidence in us gives us the space to act with decisiveness. For that we are grateful. We wish you and your families all the best for the remainder of the year, and we look forward to speaking in person again next year. Stay healthy and stay safe.





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Concept and Design:

Société des Produits Nestlé S.A., Vevey (Switzerland)