



**Nestlé** Good food, Good life

Annual Review 2021



**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

### Nescafé Gold

Nescafé is the world's leading and preferred coffee brand. Every second of every day, the world enjoys another 5500 cups of Nescafé, including the premium Nescafé Gold.

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## Accompanying reports

Corporate Governance Report 2021  
Compensation Report 2021  
Financial Statements 2021

## Online

You can find more information about the Nestlé Group at [www.nestle.com](http://www.nestle.com)

Find out more about Creating Shared Value at [www.nestle.com/csv](http://www.nestle.com/csv)

# 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)

Powdered and Liquid Beverages

24.0

PetCare

15.6

Nutrition and Health Science

13.2

Prepared dishes and cooking aids

12.1

Milk products and Ice cream

10.7

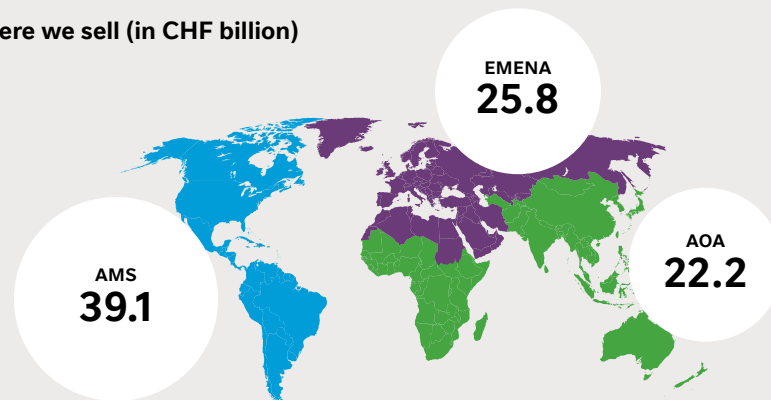
Confectionery

7.5

Water

4.0

## Where we sell (in CHF billion)



Number of employees

276 000

Number of countries we sell in

186

Total group salaries and social welfare expenses (in CHF)

14  
billion

Corporate taxes paid in 2021 (in CHF)

2.7  
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 indicators are included here – the full set is in our *Creating Shared Value and Sustainability Report*.

## Our 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\*

**4.0**

**million tonnes**

greenhouse gas emissions (CO<sub>2</sub>e) reductions achieved through Nestlé projects since 2018. We initiated an additional 9.7 million tonnes CO<sub>2</sub>e of removals in 2021, giving a total 13.7 million tonnes CO<sub>2</sub>e.

On track

## Our commitment

Deforestation-free primary supply chains for meat, palm oil, pulp and paper, soy and sugar by end 2022

## Our KPI\*

**97.2%**

deforestation-free for stated supply chains in 2021

On track

## Our commitment

Cut virgin plastic in our packaging by a third by 2025

## Our KPI\*

**8.1%**

reduction in virgin plastic in our packaging in 2021 versus 2018 baseline

On track

## Our commitment

Increase the proportion of women in the top 200+ senior executive positions to 30% by 2022

## Our KPI\*

**27.2%**

women in the top 200+ senior executive positions

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](http://www.nestle.com/esg-kpis)

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

# Our financial performance

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

In 2021, our organic growth was strong, with broad-based market share gains, following disciplined execution, rapid innovation and increased digitalization. A summary of the 2021 full-year results can be found in the table to the right.

<b>Group sales (in CHF)</b> <b>87.1</b> billion	<b>Organic growth *</b> <b>7.5%</b>	<b>Real internal growth *</b> <b>5.5%</b>
<b>Underlying trading operating profit * (in CHF)</b> <b>15.1</b> billion	<b>Underlying trading operating profit margin *</b> <b>17.4%</b>	<b>Underlying trading operating profit margin *</b> <b>-30</b> Basis points Constant currency
<b>Trading operating profit * (in CHF)</b> <b>12.2</b> billion	<b>Trading operating profit margin *</b> <b>14.0%</b>	<b>Trading operating profit margin *</b> <b>-290</b> Basis points Constant currency
<b>Earnings per share (in CHF)</b> <b>6.06</b>	<b>Earnings per share</b> <b>+41.1%</b>	<b>Underlying earnings per share *</b> <b>+5.8%</b> Constant currency
<b>Operating cash flow (in CHF)</b> <b>13.9</b> billion 42.1% of net financial debt	<b>Free cash flow * (in CHF)</b> <b>8.7</b> billion	
<b>Proposed dividend (in CHF)</b> <b>2.80</b>	<b>Proposed dividend increase</b> <b>+1.8%</b>	

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

# Dear fellow shareholders,

Nestlé is the *Good food, Good life* company. We pursue opportunities for foods, beverages and nutritional health solutions that contribute to a healthier, tastier and more sustainable future.

## **Exemplifying consistency and dependability**

2021 saw continued impact from the COVID-19 pandemic along with new supply chain pressures. Nestlé is navigating these challenges as we consistently pursue our long-term strategy. We are innovating new products quickly and moving purposely forward in our digital transformation to stay at the forefront of our industry. We conduct our business as we always have – in the spirit of Creating Shared Value.

Thanks to fast-paced innovation, strong brand investment, increased digitalization and stringent portfolio management, organic growth was strong across most geographies and categories. This was supported by momentum in retail sales and a return to growth in out-of-home channels. Highlights from 2021 include the following:

- **Organic growth** reached 7.5%, with real internal growth (RIG) of 5.5% and pricing of 2.0%. Growth was supported by continued momentum in retail sales, steady recovery of out-of-home channels, increased pricing and market share gains.
- **Total reported sales** increased by 3.3% to CHF 87.1 billion (2020: CHF 84.3 billion). Foreign exchange reduced sales by 1.3%. Net divestitures had a negative impact of 2.9%.
- **Underlying trading operating profit (UTOP) margin** was 17.4%, decreasing by 30 basis points. The trading operating profit (TOP) margin decreased by 290 basis points to 14.0% on a reported basis.
- **Underlying earnings per share** increased by 5.8% in constant currency and increased by 5.1% on a reported basis to CHF 4.42. Earnings per share increased by 41.1% to CHF 6.06 on a reported basis.
- **Free cash flow** was CHF 8.7 billion.



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

With a global, balanced and diversified portfolio, Nestlé's decentralized structure enables agile responses to shifts in consumer needs, customer demands and supply chain challenges. In 2021, we sharpened our geographic focus even further, creating Zones North America and Greater China effective January 1, 2022.

**"With a global, balanced and diversified portfolio, Nestlé's decentralized structure enables agile responses to shifts in consumer needs, customer demands and supply chain challenges."**

#### **Living our strategic focus**

We continued our portfolio transformation in 2021, investing in high-growth categories that contribute to our Nutrition, Health and Wellness strategy.

Nestlé Health Science is building a nutrition and health powerhouse through a combination of strong organic growth and targeted acquisitions. The addition of core brands of The Bountiful Company establishes Nestlé Health Science as the industry leader in vitamins, minerals and supplements.

We continue the strategic transformation of our global water business, completing the divestment of our North American Water brands. The focus is on our iconic international and premium mineral water brands as well as healthy hydration products. The acquisition of *Essentia* premium water expands our functional hydration offerings.

Beyond portfolio transformation, we are investing in research and development (R&D) to make our portfolio more nutritious, delicious and sustainable. We have increased capital expenditure to support our fast-growing categories – particularly coffee and pet care – to meet future demand.

### **Driving fast-paced innovation**

We invest in developing solutions to meet growing consumer preferences for healthier products, reducing the time from concept to store shelf. Our focus is on anticipating growing trends, rapidly testing new ideas and bringing products to market with ongoing adaptation. We have maintained the same innovation speed since 2019 despite challenges due to the pandemic.

Building a pipeline of meaningful innovations by investing in R&D fuels our growth. We deliver innovations quickly and scale them across brands, categories and geographies. Throughout the pandemic our launches have steadily increased. In 2021, we increased the number of global/multi-market launches and test launches by 12%.

**Coffee.** From the way coffee is grown and produced to how it is consumed, we are innovating for better consumer coffee experiences and improved livelihoods for farmers. Nestlé's plant scientists announced a major breakthrough in 2021 by discovering two new Robusta varieties with up to 50% higher yields per tree versus standard varieties along with lower carbon emissions. Harnessing Nestlé's unique expertise in roasting technology, the new *Nescafé Gold Blend Roastery Collection* is a super-premium barista-style soluble coffee. For coffee connoisseurs, *Nespresso* limited edition *La Cumplida Refinada* coffee uses fermentation to create a uniquely sweet and fruity flavor profile.

**“Building a pipeline of meaningful innovations by investing in R&D fuels our growth. We deliver innovations quickly and scale them across brands, categories and geographies.”**

**Vitamins, minerals and supplements.** Our rich pipeline of innovations in Nestlé Health Science continues to empower people to take more control over their health. Responding to increased demand for products that support a healthy immune system, Nestlé Health Science introduced *Vital Proteins Immune Support Gummies* and *Persona Immune Support*.

**Plant-based.** Market demand for plant-based products is creating opportunities for new offerings across the entire food and beverage portfolio, which also contribute to our sustainability goals. Following the success of *Vuna* since its launch in 2020, in 2021 *Garden Gourmet* introduced vegan egg and shrimp alternatives, *vEGGie* and *Vrimp*. Plant-based food products generated sales of around CHF 800 million in 2021, posting 16.8% organic growth. We also expanded our dairy alternatives with pea-based, carbon-neutral *Wunda*. The new plant-based *KitKat V* is delighting both *KitKat* lovers and new consumers.

### **Connecting through digitalization**

Nestlé is accelerating digitalization, using data and technology to unlock efficiencies and growth opportunities. We are taking advantage of rapid shifts in consumer behavior by amplifying our digital-centric businesses and scaling digital capabilities. Artificial intelligence and remote assistance are allowing us to be more agile and flexible in our manufacturing sites and supply chains.

We see enhancing digital capabilities as a success factor. Across each of our categories, digital ecosystems are unlocking new avenues for insight, innovation and sustainable profitable growth. We are scaling direct access to consumers to enhance personalization in our marketing and direct-to-consumer offerings for greater engagement and loyalty. E-commerce sales grew by 15.1% to account for 14.3% of total Group sales.

### **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.

This focus on shared value is more important than ever. Nestlé is fully committed to accelerating the transformation toward equitable, net-zero emission and nature-positive food systems that can nourish all people. In September 2021, Nestlé unveiled a new promise to advance regenerative food systems at scale, building on our Net Zero Roadmap.

**"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."**

**Regenerative agriculture.** We are investing CHF 1.2 billion by 2025 to contribute to building regenerative agriculture practices. Our initiatives aim to protect ecosystems, enhance biodiversity and reduce emissions caused by farming in our supply chain. We are working closely with farmers, suppliers and communities where we operate to enable an equitable and just transition.

**More sustainable portfolio.** Innovation is driving forward products with reduced environmental impact. Several new plant-based, lower-carbon food and beverage products were launched in 2021. The new *Les Recettes de l'Atelier Incoa* illustrates our efforts to implement more sustainable production by using a proprietary innovation to create a dark chocolate made entirely from cocoa fruit, reducing waste by using cocoa pulp as a natural sweetener.

#### **Refining Board oversight**

Our Board of Directors continued to provide valuable guidance on our strategy and our environmental, social and governance (ESG) agenda in 2021. We maintained our

practice of adding diverse experience and expertise through the appointment of a new independent director. In recent years we have, in particular, strengthened the Board's expertise on food systems, food and beverage, digitalization and other topics.

During 2021, the Board further refined its governance framework by the creation of a separate, dedicated Sustainability Committee, which advises on all aspects of Nestlé's ESG agenda, including the Group's efforts on climate change, human rights, and diversity and inclusion.

#### **Bringing our purpose to life**

We are creating shared value for our shareholders and all stakeholders connected to our business by unlocking the power of food to enhance quality of life. Our employees bring our purpose to life – we thank them for their exemplary dedication and hard work. We are also grateful for our business partners, our consumers and the support of the communities in which we operate. And we thank you, our shareholders, for your continued trust, confidence and motivation to be part of our journey.



**Paul Bulcke**  
Chairman



**U. Mark Schneider**  
Chief Executive Officer

# Creating value through our strategy



## Nature's Bounty Immune 24 Hour+

*Nature's Bounty Immune 24 Hour+* contains Ester-C – which lasts up to two times longer than regular vitamin C – vitamin D, zinc, elderberry and echinacea, providing advanced, long-lasting immune support.

**7.1%**  
growth in affordable nutrition products

**12.0%**  
growth in premium products

**8.2%**  
organic growth in high-growth categories

**18.2%**  
growth from recent acquisitions (2017-2021)

**Our portfolio is always evolving to meet consumer demands. Our long-term strategy is centered around respect for the future. We shape our portfolio with products that are right for consumers and set goals that contribute to a healthier environment.**

### **Making strategic choices**

We focus our energy and resources where unlocking the power of food can make the greatest positive impact on the lives of people and pets, the environment, and our shareholders and other stakeholders. Products that are healthy for consumers and the planet make for good business. That is why we take the following actions:

- 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 distinctive, premium innovations to market fueled by creative exploration and consumer insights, pioneering nutrition science and culinary excellence.
- Meet the needs of the modern consumer with healthy, delicious, convenient products for conscious, time-constrained lifestyles.
- Offer more plant-based food and beverage options to be consumers' first choice as they diversify their diets.
- Produce affordable, safe and high-quality nutrition for everyone, regardless of their income level, taking advantage of our long-standing presence around the world.
- Strive to package and deliver our products in ways that are safe and protect the environment.
- 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.

### **Sustaining mid single-digit organic sales growth**

Our success is built on maintaining a diversified portfolio, both in terms of geography and category. Our agility in changing environments and cultivation of our high-quality 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 2021, our investment in strategic drivers yielded the following:

- High-growth categories of coffee, pet care, nutrition, water and nutritional health science, together representing 63% of sales, grew by 8.2%.
- Plant-based food products generated sales of around CHF 800 million with organic growth of 16.8%.
- 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 14.3% of sales and grew by 15.1%, and our digital spend increased to 51%.
- Direct-to-consumer businesses represented 8.7% of sales and grew by 8.7%.
- Our premium offerings represented 35% of sales and grew by 12%.
- Emerging markets represented 41% of sales and grew by 7.8%.
- Sales of affordable, accessible products – many nutrient-fortified – grew by 7.1% and accounted for 18.9% of emerging market sales.

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 85 transactions (acquisitions and divestitures) with annual sales equivalent to around 20% of 2017 Group sales. In 2021, we completed the following:

- Divestment of our Nestlé Waters North America brands.
- Acquisition of the core brands of The Bountiful Company, including *Nature's Bounty*, *Solgar*, *Osteo Bi-Flex*, *Puritan's Pride*, *Ester-C* and *Sundown*.
- Acquisition of *Essentia*, a premium functional water brand.
- Acquisition of *Nuun*, a leader in functional hydration through effervescent tablets.

We take decisive action to restore growth and profitability when businesses underperform. In 2021, we implemented a turnaround plan for our Wyeth infant nutrition business in China.

### **Enhancing operational efficiency**

We fuel our growth agenda through disciplined cost management, improving operational efficiency at all levels

of the business. In combination with 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.

We continued to adapt our organization to be more agile, flexible and digitalized. In manufacturing, we continued to upgrade our operational footprint. In 2021, we reduced factory fixed overheads by 1.0%. 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 63% in 2021. In our administration, we continued to simplify and standardize processes. The penetration of our shared service centers increased for the sixth consecutive year. Our five-quarter average working capital in % of sales was essentially stable at 0.1% at the end of 2021.

### Allocating capital prudently

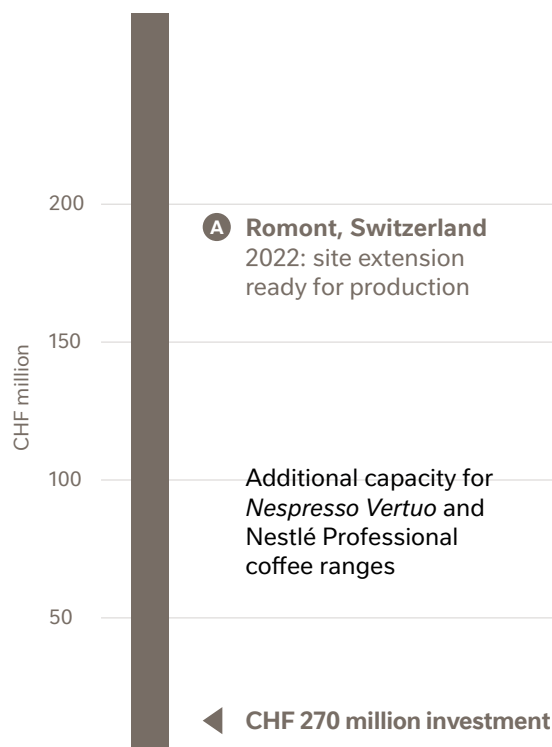
Our priorities are to invest in the long-term growth and development of our business, while increasing shareholder returns and creating shared value. We take a disciplined approach to capital allocation, with prudent financial policies designed to strike the right balance between growth, returns and flexible access to financial markets.

Investing for the long term takes the form of R&D investment, brand support and capital expenditure to support organic profitable growth. We allocate these resources discerningly, focusing 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 Return on Invested Capital (ROIC). We have a thorough project governance in place, with clear accountability and targets. 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 2021 performance, the Board of Directors has proposed a dividend increase of 5 centimes to CHF 2.80 per share to be paid in April 2022. This will be our 27th 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

## Investing in strategic and high-growth regions



share buybacks. The company's existing share buyback program terminated on December 31, 2021. In 2020 and 2021, Nestlé repurchased 123.1 million of its shares for a total amount of CHF 13.1 billion at an average price of CHF 106.08 per share, almost two-thirds of the anticipated CHF 20 billion existing program volume. A new plan commenced on January 3, 2022. Under this new program Nestlé plans to repurchase CHF 20 billion of its shares over the period 2022 to 2024. The company expects to buy around CHF 10 billion of shares in the first twelve months.

### 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



**B Avenches, Switzerland**  
 2022: site extension  
 ready for production

**C Shah Alam, Malaysia**  
 2021: fully operational

**D Batang, Indonesia**  
 2023: ready for  
 commercial production



a force for good. That is why we are making a promise to advance regenerative food systems at scale. This requires a transformative change. Nestlé is embarking on a journey toward regeneration to help restore the environment, improve the livelihoods of farmers, and enhance the resilience and well-being of communities and our consumers. This promise builds on our commitment to half greenhouse gas emissions by 2030 and to achieve net zero greenhouse gas emissions by 2050.

# Driving purpose through innovation



## Garden Gourmet Vuna

In just nine months to market, Nestlé entered the plant-based seafood market in late 2020 with *Garden Gourmet Vuna*. This innovative tuna alternative is experiencing enthusiastic reception after launching in Switzerland, Germany, Italy and the Netherlands.



**1.7**

billion Swiss francs invested in R&D annually

**4100**

R&D employees globally

**23**

R&D locations worldwide

**30%**

of 2021 sales from products innovated or renovated in the last three years

**At Nestlé, we leverage our industry-leading R&D organization to develop food, beverage and nutritional health products for people and pets that are good for them and the planet. Purpose-driven innovation underpins everything we do.**

We drive innovation through our passionate R&D employees, strong expertise in science and technology, increased speed and efficiency, and our entrepreneurial and collaborative culture. Our understanding of consumer needs helps us deliver trend-based innovations and breakthrough nutritional concepts. Our innovation efforts include the following:

- Science-based nutritional solutions.
- Affordable, nutritious products that help underserved people.
- Sustainable food production and regenerative food systems.
- Plant-based alternatives to meat, fish and dairy.
- Expanded innovation capabilities.

### **Developing breakthrough nutritional solutions**

Our work to develop science-based concepts from preconception through to healthy aging continues. Together with the EpiGen Global Research Consortium, our scientists developed and tested a nutritional supplement for pregnant women that led to a significantly decreased incidence of preterm birth.

Our research also explores innovations for Infant Nutrition. Leveraging strong clinical evidence, we introduced an infant formula made with a combination of five human milk oligosaccharides (HMOs). HMOs are naturally present in breastmilk and play an important role in an infant's healthy



development, immunity and gut health. Our microbiome research continues to drive new products that support healthy digestion, immunity and general well-being. For example, our *Gerber Powerblend* cereal supports infant digestive health.

We are also creating specific nutritional solutions for diabetes, cardiovascular disease and other medical conditions. *Nutren GlucoSmart*, launched in Malaysia, contains proprietary mulberry leaf extract to support healthy glucose levels. We are working on solutions for pets, too. *Pro Plan CardioCare* was launched in 2021 within the *Purina Pro Plan Veterinary Diets* range to slow the progression of heart disease in dogs.

### **Making good nutrition affordable and accessible**

To make good nutrition affordable and accessible, we leverage our global presence and local innovation capabilities. We adjust processes and recipes, use local raw materials and fortify products with locally relevant micronutrients. Adapting solutions requires local expertise, consumer insights and entrepreneurship, so we partner with universities and start-ups.

The 2021 rollout of affordable nutrition products included *Lactogen* affordable milk powders and a new nutritious sorghum-based porridge under the *Golden Morn* brand in Central and West Africa. We also developed affordable great-tasting coffee mixes, such as *Nescafé Creamy White* in the Philippines and *Nescafé Malty 3-in-1* in Nigeria.

### **Advancing sustainable food production**

Science and technology play a role in making food production more sustainable across our value chain. We

are assessing solutions to reduce emissions in dairy farming to develop climate-friendly milk. Using traditional, non-GMO breeding, we are developing higher-yielding coffee and cocoa varieties with a lower climate impact. Together with partners such as ETH Zurich, we are focused on reducing the carbon footprint of agricultural raw materials, and identifying nutritious crops for plant-based meat, dairy and seafood alternatives.

New research has linked a specific blend of myo-inositol, probiotics and micronutrients to the decreased incidence of preterm birth when consumed before and during pregnancy.

By upcycling agricultural side streams, we can avoid food waste and nutrient loss, and unlock new revenues for farmers. 2021 launches included 100% cocoa fruit *Les Recettes de l'Atelier Incoa* that uses cocoa pulp – a byproduct of cocoa growing – as a



R&D chefs use their culinary expertise to bring innovations into kitchens worldwide and adapt them to local consumer preferences and recipes.

natural sweetener and *Nescafé 2X Caffeine* that makes use of the caffeine lost in the decaffeination process.

Our innovations in packaging also play a role in improving sustainability. In 2021, we introduced paper-based packaging for several brands, paper cups and straws, and bio-based lids and scoops. We also reduced the use of virgin plastics and unveiled prototype 100% rPET *Perrier* bottles made using a novel recycling technology.

### Meeting demand for plant-based products

To develop great-tasting, nutritious and sustainable plant-based products we leverage protein science, nutrition expertise and proprietary technologies. Our plant scientists work with farmers to breed and select nutritious, tasty pulse varieties best suited for plant-based alternatives. To make plant-based alternatives more available in geographies with a limited supply chain, we are developing shelf-stable products that do not need to be chilled or frozen.

We are pioneering seafood alternatives that can help reduce overfishing and protect ocean biodiversity with the continued rollout of *Garden Gourmet Vuna* and the launch of *Garden Gourmet Vrimp*, our shrimp alternative. *Garden Gourmet vEGGie*, our first egg alternative, offers consumers a nutritious, tasty plant-based option.

Our launches of plant-based alternatives to dairy continued in 2021. Pea-based *Wunda* is a nutritious alternative to milk that can be used in everything. Plant-based dairy products were also introduced across product categories, including coffee creamers, ice cream, malt beverages and chocolate.

### Enhancing our innovation capabilities

Our unmatched expertise in nutrition science and technology enables us to deliver innovations quickly and scale them up across brands, categories and geographies. To increase speed-to-market, we produce the first commercial batches for shop tests in our R&D facilities. In 2021, we expanded our R&D facility in Singapore, which develops products and technologies for South East Asia and beyond, supporting brands such as *Maggi*, *Nescafé*, *Milo* and *Harvest Gourmet*.

In 2021, we continued to deliver fast innovation by leveraging our vast expertise and global innovation capabilities. We have maintained the same innovation speed since 2019 despite challenges due to the pandemic. Highlights include the following:

- 12% increase in global/multi-market launches and test launches.
- 50 fast-track projects funded, leading to shop tests and launches.

Fostering entrepreneurship and investing in bottom-up initiatives is key for us. Employees can apply for funding via our internal “Shark Tank,” leading to the launch of products such as *Garden Gourmet Vuna*, *Gerber Soothe 'n' Chew* teething sticks and *Les Recettes de l'Atelier Incoa*.



# Bringing innovations to life



**Our global R+D Accelerator program provides start-ups, students and Nestlé scientists with key resources to explore new ideas through a six-month test-and-learn approach. By tapping into our expertise in food science, safety, regulatory affairs and packaging, they can rapidly upscale and test new products in real market conditions.**

Today, our global R+D Accelerator network consists of 12 sites in 8 different countries. Each Accelerator is located at a Nestlé R&D site and

focuses on a specific product category or region. For example, we have Accelerators at our R&D centers for dairy, nutrition, coffee, confectionery and food products. Our regional Accelerators in ASEAN, China, India, sub-Saharan Africa and the United States work with local start-ups and students to develop innovations relevant to their regions.

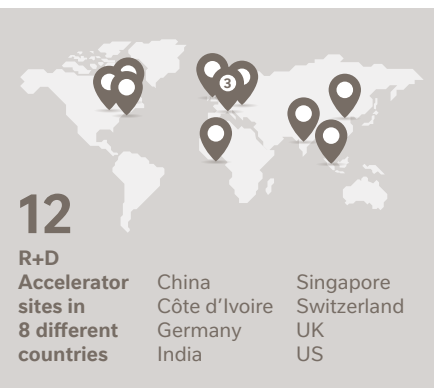
Our recently inaugurated site embedded at Nestlé’s research facilities in Lausanne accelerates the translation of fundamental science into cross-category innovations. It is the industry’s largest Accelerator with a variety of coworking stations, prototyping kitchens and mini-production facilities.

Since 2019, more than 250 participants have benefitted from the R+D Accelerator program and 90 products have been tested in 20 countries. Recent launches include the milk alternative *Wunda* and bioactive beverage *X-tract* that supports muscular energy, as well as a smoothie range for immunity protection and energy.



*Wunda*, our nutritious pea-based milk alternative developed by Nestlé “intrapreneurs” in six months, has a neutral taste and real versatility – plus, it is carbon neutral.

## IN FIGURES



## OUR VOICES

*“The R+D Accelerator enabled us to act like a start-up while benefitting from Nestlé expertise and facilities.”*



**Loriane Sutter**  
Innovation Coach  
Switzerland

# Creating Shared Value



## The Nestlé Cocoa Plan

Nestlé is investing in cocoa communities such as Didoko, Côte d'Ivoire, to help children access good quality education.

**4.0 million tonnes**  
greenhouse gas emissions reductions  
(CO<sub>2</sub>e) through Nestlé projects since 2018

**97.2%**  
deforestation-free in our primary  
supply chains

**8.1%**  
reduction in virgin plastic  
in our packaging since 2018

**27.2%**  
women in the top 200+ senior  
executive positions



We are investing CHF 1.2 billion by 2025 to help farmers adopt regenerative practices.

**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 the lives of people, pets and the planet – now and in the future.**

#### **Evolving our approach to creating shared value**

Creating Shared Value (CSV) has always been fundamental to the way we do business. We have long believed that our company can only be successful in the long term by creating value both for our shareholders and for society. For decades, our activities and products have aimed to make a positive difference to society and foster Nestlé’s ongoing success.

This focus on shared value is more important than ever. The first-ever UN Food Systems Summit highlighted the need to transform food systems if society is to achieve the Sustainable Development Goals (SDGs). With only eight years left to meet the 2030 SDG deadline, Nestlé is fully committed to helping accelerate the transformation toward equitable, net-zero emission and nature-positive food systems that can nourish the world.

#### **Guided by materiality**

In an ever-changing world, we know that stakeholder priorities are constantly evolving and that we must reevaluate our activities to continue to meet expectations. Every two years, we conduct a comprehensive materiality assessment based on stakeholder interviews to identify and prioritize the economic, social and environmental impacts that matter most to our business and stakeholders. The analysis helps guide where we focus internal resources and the areas covered in our reporting.

The assessment is fully integrated with Nestlé’s Enterprise Risk Management process, to ensure wider sustainability impacts are incorporated into the risks and opportunities under consideration across the company. The financial review section has more information on the principal risks to our business.

In 2021, we tested the use of more data-driven insights to supplement the stakeholder interviews. We found that climate change and decarbonization still rank high globally, while water, human rights and responsible sourcing remain significant. We also confirmed that diversity and inclusion as well as biodiversity are increasingly important. All topics are covered in our *Creating Shared Value and Sustainability Report*.

This section covers the major material impacts identified in our materiality assessment. We cross-referenced these areas with the Sustainability Accounting Standards Board (SASB) standards for Processed Foods and Non-Alcoholic Beverages to ensure coverage of the topics most relevant to our investors. We plan to update our materiality assessment in full in 2022.

Read our *Creating Shared Value and Sustainability Report*: [www.nestle.com/csv-report-2021](http://www.nestle.com/csv-report-2021)

Read more about materiality on our website: [www.nestle.com/materiality](http://www.nestle.com/materiality)

# Advancing regenerative food systems at scale



Transforming food systems is key to addressing urgent climate-related challenges and for achieving the UN Sustainable Development Goals, targeted for achievement by 2030.

## OUR VOICES

*“We are building on 20 years of projects in agriculture – now is the time to go further, at scale.”*



**Pascal Chapot**  
Head of Agriculture  
Switzerland

Nestlé is aware of this urgency. Building on our long-held commitment to Creating Shared Value, we are embarking on a journey that will take us beyond sustainability and toward regeneration: to help protect, renew and restore the environment; improve the livelihoods of farmers; and enhance the well-being of farming communities.

In September 2021, we hosted an online dialogue to launch our promise to advance regenerative food systems at scale, engaging with and listening to a varied group of stakeholders who can help us take the next steps on this ambitious journey.

We believe we can have the greatest immediate and long-term impact by prioritizing regenerative agriculture, which can help improve soil health, restore water cycles and increase biodiversity for the long term. This work builds on programs such as the *Nestlé Cocoa Plan*, *Nescafé Plan* and the *Nespresso AAA Program*. The outcomes form the foundation of sustainable food production and, crucially, contribute to achieving our climate targets.

To enable a just transition, it is vital that we support the farmers around the world taking on the associated risks and costs. Thus, we are investing CHF 1.2 billion in three main areas



by 2025 to help farmers adopt regenerative practices:

- State-of-the-art science and technology.
- Investment support.
- Premiums for regenerative agriculture goods.

Our definition of regeneration is rooted in agricultural practices but encompasses much more. To feed the world for generations to come, our approach must go beyond doing no harm to having a positive impact on food systems at scale.

OUR FOREST POSITIVE COMMITMENT



Protecting and restoring forests and natural ecosystems forms an essential part of Nestlé's **NET ZERO** pledge and support for the transition to **REGENERATIVE** food systems.

OUR FOREST POSITIVE COMMITMENT



Building on a decade of action and learning, our three-pillar Forest Positive strategy aims to:

- Achieve and maintain deforestation-free primary supply chains for meat, palm oil, pulp and paper, soy and sugar by end of 2022 (97.2% achieved in 2021).
- Take action in our supply chains to help restore degraded forests and natural ecosystems, including 20 million trees planted per year, while respecting the rights of indigenous peoples and local communities.
- Work with governments, suppliers and others on large-scale projects to help transform the key landscapes where we source.



*Cerelac* instant cereals include a range of nutritious, easily-digested instant cereals that are suitable as a complementary food for infants from six months onwards.

### Marketing responsibly

In 2021, Nestlé confirmed its inclusion in the FTSE4Good Breast Milk Substitute (BMS) Index and ranked second in the ATNI BMS Index. Our business was assessed as highly compliant in Mexico and the Philippines, the two countries where BMS manufacturers' marketing practices were assessed.

Earlier in 2021, we published our response to the BMS Call to Action. Nestlé unilaterally committed to stop the promotion of formulas for infants from birth to six months of age in all countries by end of 2022.

We are fully committed to transparency and publish our WHO Code compliance report annually on our website: [www.nestle.com/compliance-record](http://www.nestle.com/compliance-record)

We also continue to lead the industry in responsible marketing to children. The ATNI Global Index continues to recognize our policy on Marketing Communication to Children and our global response mechanism for correcting any non-compliances.

In July 2021, we endorsed the new International Food & Beverage Alliance (IFBA) commitment on responsible marketing, together with the Alliance's 10 other members. This will increase the age threshold for marketing to children from 12 to 13 and help further raise standards of responsible marketing across our industry.

### Prioritizing quality and 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 10 *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.

### Sourcing sustainably produced raw materials

Building on years of work with suppliers and farmers to source raw materials that are traceable and responsibly sourced, we are now raising the bar with a more comprehensive and systematic approach to assessing, addressing and reporting on social, environmental and animal welfare risks in our supply chain.

### Unlocking the power of food

There are many dimensions to food in addition to pure nutrition – social interaction and enjoyment are key aspects. We believe that when consumed responsibly, indulgent products can be part of a balanced diet. We are improving the nutritional profile of our products by adding more wholegrains, proteins and fibers and reducing sugars, sodium and saturated fats – without compromising taste.

#### LEADING INDICES



We explore ways to improve the affordability and accessibility of nutrient-dense products, such as porridges, and to tackle micronutrient deficiencies by fortifying favorites like *Maggi* bouillons, noodles and milks such as *Bear Brand*. We are developing plant-based proteins that are tasty, nutritious and have a lower environmental impact, such as *Vuna* and *Wunda*, while encouraging the widespread adoption of plant-based foods and beverages through our vegetarian and mainstream brands.



For the second time running, in 2021 Nestlé achieved first place in the Access to Nutrition Initiative (ATNI) Global Index, giving external recognition to our nutrition-related governance, strategy and policies as well as the healthfulness of our portfolio. Our Popularly Positioned Products (PPP) strategy for making nutritious products affordable and accessible to underserved consumers was recognized as an industry leading practice.

To measure progress, we have defined a new “produced sustainably” key performance indicator that combines multiple requirements for 14 priority raw materials: coffee; cocoa; dairy; sugar; cereals and grains; hazelnuts; palm oil; pulp and paper; soya; vegetables; spices; coconut; fish and seafood; and meat, poultry and eggs. The minimum criteria to define if a material is “produced sustainably” are:

- Traceable back to point of origin (farm or group of farms).
- Human rights and environmental due diligence systems are in place to assess, address and report on potential or actual impacts in the supply chain as defined in the *Nestlé Responsible Sourcing Standard*.
- The tier-1 supplier is measurably progressing in addressing the identified impacts in its supply chain, as well as animal welfare where applicable.

In 2021, we focused on defining our new KPIs and setting a baseline for future reporting.

### Respecting human rights

At Nestlé, we are determined to respect and promote human rights in our value chains. Farmer livelihoods and resilient farming communities will be essential for a just transition to regenerative food systems that can provide quality, affordable food for the long term.

As a food company with a global presence, it takes constant perseverance to assess, address and remediate the complex and systemic human rights risks in our value chain. In December 2021, we updated our Human Rights Framework based on the lessons learned over the last decade and to strengthen our focus on due diligence. Our next step is to publish action plans for each of our salient human rights issues. Each action plan will describe the actions we intend to take in our value chain as well as the collective action and engagement needed to help tackle root causes. The new framework will also help us stay ahead of emerging human rights due diligence legislation in different markets where we operate.

### Creating youth opportunities

The participation of the next generation of farmers, employees and consumers will be essential for the transition to regenerative food systems. Nestlé is committed to helping 10 million young people around the world access economic opportunities by 2030.

Much of our work in this area takes place through the *Nestlé needs YOUth program*, which provides the training and resources young people need to improve their employability and nurture their entrepreneurial talent. For several years, *Nestlé needs YOUth* has been helping secure the next



To ensure the long-term quality and sustainability of our supplies, we are helping young people to make agriculture a profitable and sustainable activity.



Promesa, a Mexico City-based social enterprise focusing on youth education to combat global waste, was the overall winner of Nestlé's 2021 Creating Shared Value (CSV) Prize.

In 2021, 27.2% of our top 200+ senior executive positions were held by women. In January 2022, we were recognized by the Bloomberg Equality Index for the fourth consecutive year for advancing the gender balance in our workplace. We also work to empower the many women farmers in our supply chain with training on good farming practices, financial literacy and leadership to help them improve their business, income and financial independence. We offer support to help women farmers secure better access to land, credit and information, and train our farming

partners and agronomists in gender awareness to help the industry become more diverse and equitable.

### Addressing climate change

generation of farmers in our supply chain by identifying and training young people as agripreneurs.

In 2021, we continued our long-standing *Agripreneurship Program*, with a focus on Farmer Business Schools. These help to teach farmers relevant business skills with the aim of making their farms more financially robust.

Nestlé recognizes both the risks climate change poses to its business and the opportunities for companies willing to take decisive action. This is why we made our net zero pledge. We have identified climate-related risks, including supply constraints; policy changes such as increased carbon taxes, land-use restrictions and agricultural subsidy shifts; and increased public concern affecting our reputation.

### Supporting gender diversity

To help us build a more diverse company that can better reflect and serve society, we committed to increase the percentage of women in our top 200+ senior executive positions to 30% by 2022. In setting this goal, we aim to hold ourselves to account and set a visible example that empowers women throughout our company. Actions include rolling out inclusive policies such as our gender-neutral *Nestlé Global Parental Support Policy* and our updated *Anti-discrimination Policy*, launched in April. We also conduct training in areas such as unconscious bias and implement mentoring and sponsorship programs to prepare high-potential women for senior executive positions. Once we reach our 30% goal, we will continue to aim higher.

As more than 70% of our direct and indirect GHG emissions occur in our agricultural supply chain, our primary focus is on the physical risks facing producers. Based on a decade of work, we are building robust mitigation and adaptation plans to improve supply chain resilience. Examples include our work on drought-resistant coffee varieties (see the Powdered and Liquid Beverages case study) and our investment in new technologies to increase dairy-farm efficiency while reducing emissions and improving animal welfare.

In 2021, we continued to apply the Taskforce on Climate-related Financial Disclosures (TCFD) framework by assessing physical risks in our value chain over a longer time horizon. Details are available in our second TCFD report: [www.nestle.com/tcf-d-report](http://www.nestle.com/tcf-d-report). We also joined the Taskforce on Nature-related Financial Disclosures working group in 2021, to advance the collective understanding of how to report on risks and dependencies related to the natural environment.

### Tackling plastic pollution

Tackling plastic waste is an urgent priority and an issue we take seriously. Our vision is that none of our packaging,

#### OUR VOICES

*"Our commitment to providing equal opportunities is longstanding."*



**Nilufer Demirkol**  
Head of Diversity and Inclusion  
Switzerland





Nestlé Waters is working at a local level to help manage shared water challenges such as flood risks and water scarcity.

including plastics, ends up in landfills or as litter, including in oceans, lakes or rivers.

Our strategy for addressing plastic pollution has five workstreams: reducing packaging materials, scaling reusable and refillable systems, pioneering alternative materials, supporting infrastructure for a waste-free future and accelerating behavior change.

In 2021, we reduced virgin plastic in our packaging by 8.1% compared with 2018. We are accelerating our plastic packaging reduction activities.

Nestlé Philippines completed its first full year of plastic neutrality in 2021, having collected and co-processed more than 27,000 tonnes of plastic waste along with partners – slightly more than the market produced in the same period.

Nestlé's 2021 Creating Shared Value (CSV) Prize rewarded five winners working to transform the future of waste and bring us closer to a circular economy. The overall winner was Promesa, a Mexico City-based social enterprise that works with schools across Latin America to educate youth about combatting the global waste challenge.

### **Improving water stewardship**

Our long-term success relies on sustainable access to water in the regions where we source ingredients, operate our factories and sell our products. Yet scientists predict that as our climate changes, almost half of watersheds will

reach their limit by 2050. As water is a shared resource, we can only address challenges in collaboration with local stakeholders. Our water business is leading the way with regeneration of water cycles.

In our supply chain, we are working with suppliers and farmers to increase resilience in areas that are water-scarce now, or that may become so due to climate change. We have already developed action plans tailored to the needs of specific crops, such as cereals, coffee, dairy, sugar and tomatoes, in high-priority regions and will work to incorporate water stewardship into our global regenerative agriculture program.

### **Advancing the regeneration of water cycles**

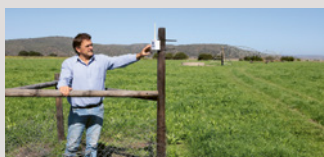
Nestlé Waters is investing CHF 120 million to assist the implementation of more than 100 projects to help regenerate ecosystems in the areas around each of its bottling sites. As of 2025, these projects will help nature retain more water than the business uses in its operations.

In Buxton, a famous British spa town, we are partnering with local stakeholders to come up with practical, natural interventions to help prevent flooding. Our aim is to help retain more rainwater in the landscape so it does not rush into the river too rapidly and cause flooding. All interventions at Buxton also aim to increase biodiversity and carbon capture.

# Our net zero pledge one year on



In December 2020, Nestlé published a detailed and rigorous Net Zero Roadmap showing how we plan to halve our direct and indirect GHG emissions by 2030 versus a 2018 baseline and achieve net zero by 2050 – as our business continues to grow.



The Skimmelkrans Net Zero Carbon Emissions Project in South Africa.



We aim to create the company's first net zero dairy farm by 2023.

In August, the Intergovernmental Panel on Climate Change confirmed that the climate crisis is intensifying. Pledges are not enough – the need for rapid action at scale has never been clearer.

In the year since publishing our roadmap, we have launched our new Forest Positive strategy, launched a CHF 1.2 billion investment over five years in regenerative agriculture and achieved carbon neutrality for four of our brands.

We are supporting the farmers who produce our raw materials globally

to introduce practices that protect ecosystems, enhance biodiversity and reduce emissions caused by farming. Some of this work takes place through our direct relationships with farmers. One example is the Skimmelkrans Net Zero Carbon Emissions Project in George, South Africa, where we aim to create the company's first net zero dairy farm by 2023. In other cases, we work in partnership with suppliers on the raw materials we source indirectly. In our operations, we are switching to 100% renewable electricity by 2025.



TURNING FACTORY WASTE TO ENERGY



Excess coffee waste from Nescafé and Nespresso factories helps fuel the biogas digester that heats our Henniez bottled water plant and provides electricity for local residents.

We now report our greenhouse gas (GHG) emissions performance quarterly to executive management. We have achieved 4.0 million tonnes of GHG emissions reductions (CO<sub>2</sub>e) through Nestlé projects since 2018. We have also initiated removals of 9.7 million tonnes CO<sub>2</sub>e through Nestlé projects, giving a total of 13.7 million tonnes CO<sub>2</sub>e. This is in line with our roadmap and target to halve emissions by 2030, with reductions and removals planned to increase over the remainder of the decade.

Our Net Zero Roadmap:  
[www.nestle.com/net-zero](http://www.nestle.com/net-zero)

**Advocating for change**

In this pivotal year, we continued to advocate for ambitious government policies and private sector leadership to ensure rapid and sustained reductions in GHG emissions. Examples include:

- Joining global calls to action for governments to increase their collective ambition on climate and keep the 1.5°C pathway within reach, including from the World Economic Forum, We Mean Business and Glasgow is our Business.

- Speaking at events at COP26 in support of organizations that are pressing for policymakers to make greater global progress.
- Market-level advocacy such as linking our net zero ambition with Nationally Determined Contributions in countries such as the Philippines and Thailand, and joining calls to action for specific countries to speed up emissions reductions.

# Transforming through digitalization



## Tails.com

Tails.com is powered by a proprietary nutritional algorithm developed by vets, nutritionists and software engineers to offer personalized pet nutrition through direct-to-consumer subscription and home delivery.

**51%**  
of total media spend  
on digital media

**>18%**  
increase in 1st party  
consumer data records

**7.4%**  
increase in direct-to-  
consumer e-commerce

**100+**  
connected factories



Nestlé partnered with Italian blogger and fashion designer Chiara Ferragni for a limited edition *Nespresso x Chiara Ferragni* collection and digital campaign.

new business opportunities. We seek growth across digital ecosystems, from partnerships with retailers to direct-to-consumer businesses such as Nespresso, Persona and Tails.com.

Strong growth in pet care is an example of how digital connections to the consumer can be successfully leveraged through an ecosystem of products and services. The business has been on a journey of digital transformation, evolving from a pet food business to a pet care business. We acquired *Wamiz*, the pet adoption and advice platform, in 2018. Nestlé's majority stake in Tails.com is boosting

**Our industry is transforming into one that is driven and shaped by data and technology. From engaging the consumer through analytics to speeding up operations with artificial intelligence (AI), we are accelerating our digital transformation to drive growth and agility.**

#### Leveraging connections

Consumers today want access to goods and services their way, regardless of channel. They care about sustainability and health. And they expect brands to offer personalized solutions in real time. To meet these needs, we are focusing our digitalization efforts in the following areas:

- Consumer-focused, channel-less digital ecosystems.
- Always-on analytics across the value chain.
- Connected operations for efficiency, sustainability and growth.
- Tracking progress on sustainability initiatives.

#### Creating channel-less ecosystems

We see enhancing digital capabilities as a key driver of our evolution. Across each of our categories, digital ecosystems are unlocking new avenues for insight, innovation and sustainable, profitable growth. Our digital-centric businesses are acting as lighthouses to transform our core brands.

The optimal consumer experience is just as important as the optimal product. Our strategy is to delight different audiences with the right experience and content optimized for every platform. We are focused on channel-less commerce, thinking together with our retail partners about the brand experience rather than individual channels.

Through the responsible use of data, we are identifying growth opportunities where we can develop and adapt products that meet consumer needs. We leverage data across our category ecosystems to drive traffic and identify

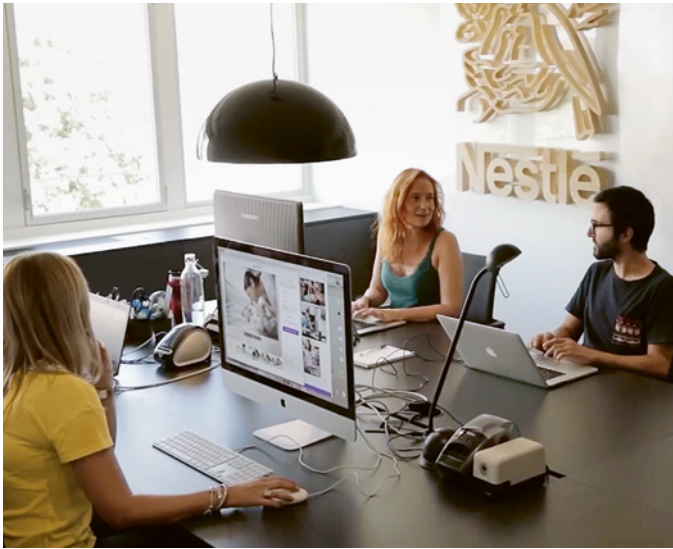
our data and analytic capabilities. We are collaborating with scientists, veterinarians and pet care professionals to deliver advanced pet food solutions and first-class pet care services. Thanks to the momentum created by this network of partners, we are now an attractive partner of choice for start-ups through our *Unleashed* accelerator program.

In 2021, our e-commerce sales accounted for 14.3% of sales and grew by 15.1%. This strong growth reflects our agility in adapting quickly to rapidly evolving consumer demands. We expect to increase our investment in digital marketing by 50% and almost double the percentage of e-commerce by 2025.

#### 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. We continue to upgrade our analytics capabilities to measure the value of each consumer and customer touchpoint and the impact of every campaign. This allows us to make smarter, quicker decisions.

Backed by powerful data models and algorithms, our AI-powered sales teams can increasingly optimize our sales prices and promotional activity. Smart identification of priority outlets and must-sell items allows for even better investment behind our brands. Our strategic revenue management program now covers 90% of our markets. This capability helps us to define go-to-market strategies and feeds the continuous evolution of brand value propositions, product formats and pricing structures. We are also leveraging AI with end-to-end analytics to deepen collaboration with customers, prioritize production and enhance promotion effectiveness.



Since 2017, Nestlé's in-house content studios have grown from 5 to 35 across all markets, consolidating the creation of original brand content for all digital channels.

Connected operations is helping us to act more as one team across all functions with complete visibility of the entire process from start to finish. By breaking down silos we are closer to our colleagues, suppliers, customers and consumers. Changes in demand or challenges in the supply chain are visible in real time so we can adapt fast in the most coordinated and effective way. This gives us a competitive advantage.

### **Supporting sustainability**

Digitalization not only supports efficiency and growth, it also helps enable our sustainability agenda. To that end we continue to deploy systems

and tools to monitor our progress with increased accuracy, through better primary data and improved calculations, in areas such as sustainable packaging, responsible sourcing, climate change and water management.

Our work with partners to test and deploy technology solutions in our upstream supply chains continued in 2021. This supports transparency by improving end-to-end traceability and substantiating sustainability claims. With our partner OpenSC, alongside farmers and suppliers in Congo, we designed a technology blueprint for end-to-end coffee traceability using smart devices and QR codes. We also tested methods to monitor and verify certain sustainability aspects of our supply chains, such as farmer's income, through mobile money.

We can adjust channel strategies in real time, including our direct-to-consumer models. Increasingly, our brands employ our own 1st party data to tailor messaging to their consumers' needs while respecting privacy. Our digital media campaigns are supported by an expanded network of 35 content studios that efficiently deliver dynamic, high-quality personalized content.

### **Expanding connected operations**

To delight our consumers, our teams in operations must master every step of the production process, from sourcing of materials to manufacturing in our factories, to the supply of our products at the point of purchase. At the same time, we are increasing our ability to tailor our products to our customers' specific needs.

All of this is made easier by innovative digital solutions and capabilities. We call it connected operations and have deployed the core technology to more than 100 sites worldwide. All of our factories, not only the most advanced and modern, are benefitting from the changes.

It all starts with better connected workers, giving our people the tools and information to take the right decisions quickly and easily. AI and predictive analytics enable the delivery of consistently exceptional quality and zero breakdowns, while collaborative robotics support factory automation and end-of-line customization. That gives us a new level of flexibility to produce for different channels and routes to market.

Connected transport hubs have better visibility and are able to plan deliveries more reliably and sustainably. Real-time tracking of trucks in transport hubs allows for fast rerouting in case of problems, less waiting time and fewer wasted truck miles.



# Connecting for speed and agility

**When Regiane Christina Vitorino de Souza starts work, the first thing she grabs now is a screen. Since Nestlé rolled out connected, paperless operations to put tablets in every line routine, Regiane has been able to take her work to a higher level.**

Regiane’s factory in Caçapava, Brazil, produces 2 300 000 units of confectionery a day, including famous brands like *KitKat*, *Alpino* and *Prestigio*. Customers and consumers rely on her to produce, pack and get products ready for shipping on time. Working in a new digital environment means Regiane has access to real-time,



The Caçapava team uses augmented reality technology for technical support and to plan upgrades to the factory.

accurate information, and always knows what is happening in the factory and on her line. That really helps her do her job.

Regiane has the autonomy and the information to know exactly when she needs to take a sample of a product or perform an analysis. When the time comes to complete the documentation and release a batch for shipping, that is also digital-based.

The same principle extends to the support network, too. Gone are the days when operators might find themselves alone on the night shift at a critical moment. With digital tools, Regiane and her colleagues can access troubleshooting systems that guide them to the right solution for issues they might face.

Connected operations means more agile, more flexible and more competitive manufacturing. Just as importantly, Regiane’s hard work is fully recognized because of the transparency and information available to all.

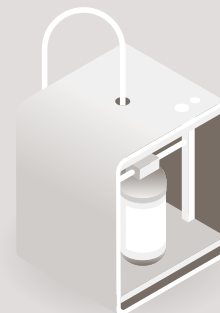
## OUR VOICES

*“A connected factory means real-time information for a more predictable and efficient workplace.”*



**Regiane Christina Vitorino de Souza**  
Line Operator for *KitKat*  
Brazil

## IN FIGURES



**72 hours**

is all it takes to develop test molds for customized products with 3D printing, rather than the two months it used to take

# Connecting through our brands

Our brands create experiences and are enjoyed by people around the world.

## Powdered and Liquid Beverages



## PetCare





Nutrition and Health Science



Prepared dishes and cooking aids



Milk products and Ice cream



Confectionery



Water



## POWDERED AND LIQUID BEVERAGES

# Crafting 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*.



### Nescafé

To meet the evolving trend of healthy nutrition and sustainability among young affluent consumers, *Nescafé Gold* plant-based lattes arrived in Japan in three variants – Almond, Oat and Japan-exclusive Rice.

### Starbucks Holiday Blend

This special limited edition offered during peak coffee season will delight Starbucks lovers as well as new consumers with a unique blend of bright, lively Latin American and earthy Indonesian beans.

### Nespresso

Limited edition *La Cumplida Refinada* from agroforestry farms in Nicaragua uses tailored fermentation post-harvest to create a unique, fruity taste while also reducing water consumption.

### Milo

Addressing the rising demand for plant-based beverages, *Milo* is now available with almond and soy instead of milk, maintaining its signature taste consumers love.

### At a glance

**24.0**

Sales (in CHF billion)

**23.5%**

UTOP margin

**27.5%**

Percentage of Nestlé's sales

# Developing more sustainable coffee



**One out of seven cups of coffee consumed around the world is a Nescafé. Behind all these cups are coffee farmers. That's why, in 2010, Nestlé launched the Nescafé Plan to improve farmer's lives. Today, many are benefitting from improved coffee varieties we have provided.**

## IN FIGURES



**USD 750**

estimated additional income from coffee beans annually per hectare for coffee farmers in Mexico



**250 million**

high-yielding and disease-resistant coffee plantlets distributed since 2010

Every year Nescafé directly supports around 100 000 coffee farmers and buys more than 800 000 metric tons of green coffee from over 20 countries. Part of the *Nescafé Plan* builds on decades of Nestlé research investing in breeding stronger coffee varieties that can better cope with climate change, produce higher yields and improve farmer livelihoods.

Our R&D Center for Plant Science in Tours, France, supports our experimental farms. A comprehensive library of coffee varieties is used by our scientists and breeders to improve resilience, productivity and taste. Following successful local validation and registration, farmers are already benefitting from these improved varieties in Mexico, Thailand, the Philippines and Ecuador.

In 2021, Nestlé's plant research announced a major breakthrough by developing varieties which can produce

coffee with lower carbon emissions – two new Robusta varieties with up to 50% higher yields per tree versus standard varieties. Because farmers are able to grow more coffee using the same amount of land, fertilizer and energy, the result is up to a 30% reduction in the carbon footprint of green coffee beans – a win for farmers and the planet.

## OUR VOICES

*"These new plant varieties are needed to ensure a sustainable future for coffee growers."*



**Jaime Cango,**  
Chief Agronomist  
Nestlé Research  
Ecuador

## PETCARE

# Bringing pets and people together

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



### Gourmet Revelations

The new *Revelations* collection adds to the leading *Gourmet* brand with this innovative perfectly shaped delicate mousse complimented by delicious cascading gravy.

### Purina Pro Plan

The new *Sensitive Skin & Stomach* formula offers dogs a combination of high-quality ingredients, live probiotics and prebiotic fiber to nourish skin and coat while supporting digestive health.

### Purina ONE

One of Purina's fastest growing brands continues to innovate in the super premium nutrition category with the launch of *Purina ONE Microbiome* containing natural prebiotic fiber to promote gut health.

### Felix Fantastic

The leading *Felix* brand continues to expand across regions. New *Felix Fantastic Tiritas*, with unique tender cuts marinated in a delicious sauce, launched across Latin America in 2021.

### At a glance

**15.6**

Sales (in CHF billion)

**21.1%**

UTOP margin

**17.9%**

Percentage of Nestlé's sales

# Advancing well-being with science



**Purina Pro Plan LiveClear is the first and only cat food that reduces allergens in cat hair and dander, a culmination of more than a decade of Purina research. This groundbreaking approach to cat allergen management has the power to change lives, helping cat owners be closer together with the cats they love.**

Managing cat allergens is a struggle for one in five adults worldwide. Sadly, this can limit the interactions between people and their cats. Scientists at Purina are always looking at ways to enrich the lives of pets and the people

who love them. Their breakthrough innovation was launched in 2020 and, by end of 2021, rolled out to over 20 markets globally.

*Pro Plan LiveClear* is a 100% complete and balanced dry cat food. When fed daily, it was shown to significantly reduce allergens starting in the third week by an average of 47%. In fact, 97% of cats were shown to have a reduction in the allergens in their hair and dander.

The allergen gets on cat hair from their saliva. The key ingredient in *Pro Plan LiveClear* is a protein sourced from eggs that safely neutralizes this allergen in the cat's mouth, reducing the level of allergens in their hair and, ultimately, in the environment.

Consumer enthusiasm for *Pro Plan LiveClear* is evident in high consumer ratings and repurchase rates. Thanks to Nestlé's dedicated scientists, many allergy sufferers are finding that they are able to strengthen the bond with their beloved cats.



## OUR VOICES

*“As a scientist it is incredibly rewarding to see our research making a difference in people’s lives.”*

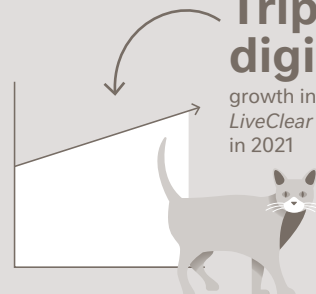


**Ebenezer Satyaraj**  
Director Nutrition Science  
Nestlé Purina Research  
United States

## IN FIGURES

**Triple digit**

growth in *Pro Plan LiveClear* sales in 2021



*Pro Plan CardioCare* was launched in 2021 within the *Purina Pro Plan Veterinary Diets* range, proven to slow the progression of Myxomatous Mitral Valve Disease (MMVD) in dogs.

# 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 health, medical nutrition and pharmaceutical products.



**Boost Complete+ Oats & Flaxseed**

This new powdered meal replacement offers complete nutrition with higher protein, lower sugar and natural ingredients.

**BrainXpert**

This breakthrough innovation that helps improve brain function by boosting ketones, an alternative energy source for brain cells, is now available in many markets in powder and ready-to-drink.

**Gerber Powerblend**

This new formulation is the first infant cereal with a blend of whole grain gluten-free oats, pulses, veggies and fruits, as well as probiotics, to nourish baby's brain and body.

**NAN SUPREMEpro**

The latest 5HMO innovation in infant formula is not only leading in nutrition but also protecting the environment with new bio-based lids and scoops made from renewable plant material.

At a glance

**13.2**

Sales (in CHF billion)

**17.5%**

UTOP margin

**15.1%**

Percentage of Nestlé's sales

# Enhancing health while upcycling



**Garden of Life launched the Dr. Formulated MD Protein line in 2021, which includes plant-based and salmon-based options. Besides being good for humans, this certified-carbon neutral product is also good for our planet.**

*Dr. Formulated MD Protein* contains oat beta glucans, a source of soluble fiber that clinical research has shown can have heart-healthy effects by reducing LDL (bad) cholesterol. The soluble fiber

also helps to promote regularity and may also act as a prebiotic, helping to balance the gut microbiome. The product is specifically designed for people following a Mediterranean diet (MD) rich in vegetables and low in animal protein.

The ancient sprouted barley protein in the plant-based option is upcycled from beer brewing using leftover sprouted and fermented grains that would otherwise be discarded. No additional crops were planted for this protein and the recovered grains originate from farmers using regenerative agricultural practices.

The salmon-based option sources salmon from a sustainable wild-caught fishery in Norway. *Garden of Life* uses the excess from the high-quality filet cuts destined for restaurants to make the salmon protein powder.

These new protein powders promote health and wellness while contributing to the circular economy. Good for you, good for the planet.



In 2021, Nestlé Health Science introduced plant-based lids and scoops for its medical nutrition brands *Althéra*, *Alfaré*, *Alfamino*, *Modulen IBD* and *Peptamen Junior*.

## OUR VOICES

*“Our plant-based innovations stand out in meeting the stringent nutritional requirements of consumers.”*



**Laurence Vernerey**  
Global Sustainability  
Manager  
Nestlé Health Science  
Switzerland

## IN FIGURES



**1st**

supplement company  
to be certified carbon  
neutral

## PREPARED DISHES AND COOKING AIDS

# Supporting every kind of chef

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.



### Mezeast

After a successful pilot in the Netherlands, this innovative new brand launched across France, Italy, Spain and Switzerland, allowing more consumers to cook aromatic Middle Eastern food at home.

### DiGiorno

As delicious as a classic pizza, *DiGiorno* launched a breakthrough gluten-free crust. Unlike other gluten-free crusts that are thin, this one is hand-tossed, thick and bready.

### Maggi

Fueled by engaging communications alongside a female empowerment campaign, *Maggi CukupRasa* all-in-one seasoning in Malaysia is experiencing strong consumer interest.

### Sweet Earth

Three new delicious *Mindful Chik'n* flavors launched in the U.S. market, meeting customer demand for a wide variety of plant-based products that can be substituted for animal-based analogs.

### At a glance

12.1

Sales (in CHF billion)

16.8%

UTOP margin

13.9%

Percentage of Nestlé's sales



# Growing the plant-based food portfolio



Consumers are increasingly interested in adopting healthier lifestyles that have less impact on the environment. Nestlé is positioned at the forefront of this trend, driving innovation of plant-based food that is nutritious, delicious and sustainable.

Our Garden Gourmet brand has a history of more than 30 years in plant-based meat alternatives, making it a pioneer in this category. Sweet Earth



Among the plant-based options launched in 2021 are DiGiorno pizza with Sweet Earth Awesome Grounds, Wagner Rustipani flatbread with vegetarian file and Maggi Veg Atta spinach noodles.

has been providing flavor-forward plant-based ingredients and meals for nearly a decade now.

Through these two flagship brands Nestlé offers a variety of plant-based prepared foods and ingredients to delight consumers and out-of-home diners. We are also advancing plant-based options of people's favorite meals across our legacy brands, such as DiGiorno, Maggi and Wagner, and inspiring cooks with plant-based flavor solutions. We continuously innovate to meet demand from the increasing number of flexitarian consumers, driving growth of our business.

We launched numerous new plant-based products in 2021, while also witnessing incredible growth from previous launches – most notably with Garden Gourmet Vuna, the plant-based tuna alternative. New to the Garden Gourmet portfolio are vEGGie and Vrimp, egg and shrimp replacements offering authentic texture and flavor as well as good nutrition.



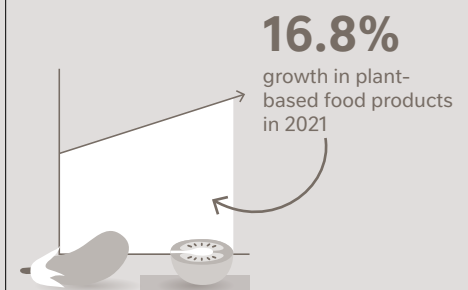
## OUR VOICES

*“We innovate the most delicious and nutritious plant-based food so more people fall in love with its goodness.”*



**Anita Reese**  
Category Lead Plant-Based Meal Solutions  
Nestlé R&D  
United States

## IN FIGURES



## MILK PRODUCTS AND ICE CREAM

# Offering options 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.



### Coffee mate

*Coffee mate natural bliss* has extended further into the plant-based creamer category with new flavors, including Brown Sugar Oat Milk, which are not only delicious but also all natural.

### EveryDay

This new single-serve dairy-based beverage is affordably priced to help lower-income families in Kenya address nutritional deficiencies and support immunity with iron, zinc and vitamins.

### Häagen-Dazs

Three delicious new flavors in the *Divine* collection offer the same irresistible creaminess that *Häagen-Dazs* fans know and love with 50% less fat, 25% less sugar and fewer than 200 calories per serving.

### Ninho Forti+

*Ninho Forti+* provides essential micronutrients and fiber for school-aged children, positively impacting 30 million children in Brazil in 2021.

### At a glance

10.7

Sales (in CHF billion)

25.3%

UTOP margin

12.3%

Percentage of Nestlé's sales

# Promoting healthy aging



There is growing interest worldwide in nutritional health solutions. In China, Nestlé recently launched its first two Blue Hat-certified functional foods, *Yiyang Mobility* and *Yiyang Immunity*, addressing two key health concerns among those middle-aged and older. Blue Hat certification is only given to health foods approved via official registration.

Helping middle-aged and elderly people face the process of aging with science-backed daily protective nutrition is the original purpose of



In Brazil, *Molico* offers a complete range of adult nutrition solutions addressing health concerns from digestion to heart and bone health. In 2021, smaller affordable formats were launched.

Nestlé's *Yiyang* brand. National health awareness in China has accelerated momentum behind the health and wellness market with growing public recognition that prevention is better than cure.

*Yiyang Mobility* is a glucosamine milk powder with calcium, vitamin D3 and high-quality protein that supports bone health, muscle strength and joint functionality. Research by Nestlé and Peking University Third Hospital found the product to improve mobility and reduce joint discomfort.

*Yiyang Immunity* is the first protein powder with added probiotics in the Chinese market. The formula adds *Lactobacillus rhamnosus* to whey and soy proteins, enhancing the immunity of middle-aged and elderly people.

The new products not only align with Nestlé's focus on healthy aging, but also create shared value. Manufacturing at the Heilongjiang province production line has a positive impact on sustainable development for the local communities.



*Yiyang* senior nutrition, launched in 2002, has grown by a factor of 13 over the past 13 years. Two new super premium formulations recently joined the collection: *Yiyang Mobility* in 2020 and *Yiyang Immunity* in 2021.

## OUR VOICES

"We have heard from many seniors who prefer *Yiyang Mobility* milk powder drink over glucosamine pills."



**Xiaopei Shen**  
Marketing Manager  
of Dairy  
Nestlé China

## CONFECTIONERY

# Providing 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 premium chocolate products and nutritious snacks.



### Fitness

This wholegrain cereal-based range is resonating strongly with consumers in Israel by delivering great tasting cookies, crackers and crisps.

### Smarties

*Smarties* achieved the milestone of removing all plastic packaging from its range, the first and only global chocolate brand to be wrapped entirely in paper.

### Shark wafer

Continuing to build on the success of the brand in China, the recently launched *Shark Nuts* version with an indulgent chocolate and nuts coating has had an excellent year.

### Nestlé tablets

The two leading brands in Brazil, *Nestlé* with its milky chocolate and *Garoto* with its strong cocoa flavor, are experiencing increased interest from consumers.

### At a glance

**7.5**

Sales (in CHF billion)

**16.0%**

UTOP margin

**8.6%**

Percentage of Nestlé's sales

# Innovating chocolate for emerging trends



**After much anticipation (and many requests on social media) Nestlé is now making plant-based dreams come true with the launch of KitKat V, the vegan version of the iconic KitKat. KitKat V offers the same perfect balance between crispy wafer and smooth chocolate that people know and love.**

Innovation at Nestlé – whether with a new brand or novel formulation of an existing brand – is frequently driven by

an evolution in customer preferences. More people are seeking out plant-based alternatives in their diets but still want to indulge in their beloved KitKat. Our chocolate scientists were able to make that happen.

KitKat V was developed at the original home of KitKat: Nestlé's Confectionery Research and Development Center in York, United Kingdom. By combining Nestlé's expertise in chocolate innovation and non-dairy alternatives, our experts managed to perfectly blend the smooth chocolate with a rice-based alternative, resulting in the great-tasting, no compromise, certified vegan KitKat V.

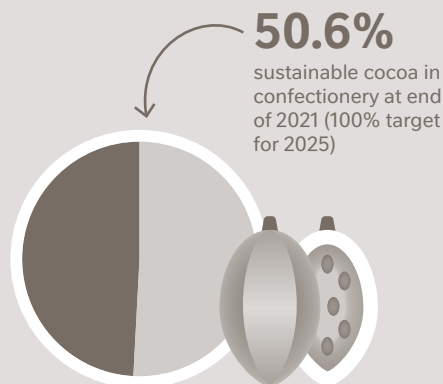
KitKat V is made from 100% certified or verified cocoa sourced through the Nestlé Cocoa Plan, in partnership with the Rainforest Alliance, for better farming, better lives and better cocoa.

In 2021, KitKat V landed on shelves in Australia, Brazil, several EU countries, New Zealand and the United Kingdom. Other countries will follow in 2022.



Les Recettes de l'Atelier Incoa is 100% cocoa fruit, naturally sweetened by cocoa pulp. This proprietary innovation rolled out in 2021 offers dark chocolate lovers an authentic, pure cocoa experience.

## IN FIGURES



## OUR VOICES

*"We used our expertise in ingredients together with a test-and-learn approach to create a delicious vegan alternative."*



**Louise Barrett**  
Head of Nestlé Confectionery Product Technology Center United Kingdom

## WATER

# Satisfying thirst and more

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



### Perrier Energize

The effervescent spirit of *Perrier* mineral water powered with plant-based caffeine from organic green coffee and yerba mate extracts provides a low-calorie boost of energy in three delicious natural flavors.

### S.Pellegrino Immersive

This special luxury bottle has a QR code to bring water to life through augmented reality, allowing consumers to share fine dining experiences while tagging their favorite restaurant ([#supportrestaurant](#)).

### La Vie limited edition

Artwork design reflecting the unique beauty of Vietnam's 100 natural wonders adorns *La Vie* water bottles, created in cooperation with the Vietnam National Administration of Tourism.

### Immunity Water

*Nestlé Pure Life* and local *Nestlé Waters* brands *Levissima*, *Naleczowianka* and *Henniez* are now offering a natural water-based beverage enhanced with zinc to hydrate and build immunity.

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### At a glance

4.0

Sales (in CHF billion)

9.0%

UTOP margin

4.6%

Percentage of Nestlé's sales

# Meeting demand for functional water



**Nestlé acquired *Essentia* in March 2021 as part of the continued transformation of our global water business to focus on international premium and mineral water brands and healthy hydration products. *Essentia* pioneered ionized alkaline water more than twenty years ago and is leading in that space.**

*Essentia* is the #1 alkaline water brand and the #1 selling bottled water brand in the U.S. natural channel. It is sold in more than 100 000 U.S. retail locations.

## OUR VOICES

*“2021 has been an incredible year for growth and innovation at Essentia. We have a bright future ahead.”*



**Zola Kane**  
Chief Marketing  
Officer  
Essentia  
United States

*Essentia* uses a unique, proprietary three-step process. The process begins with purification through reverse osmosis, making the water 99.9% pure. This is followed by the infusion of a proprietary mineral blend in trace amounts, formulated to complement the body’s natural mix. Finally, the ionization process removes bitter-tasting acidic ions, which results in a water with a pH of 9.5 or higher, delivering a clean, smooth taste.

*Essentia* is CarbonNeutral certified for packaging under The CarbonNeutral Protocol, the leading global standard for carbon-neutral programs.

*Essentia* gives Nestlé an immediate strong presence in the high-growth, functional water segment and supports efforts to capture opportunities with emerging consumer trends such as healthy hydration. *Essentia* also brings a strong, passionate following of influencers known as “Essentia Nation” that includes high-profile athletes and celebrities.



In 2021, *Essentia* launched a new 2 gallon (7.57 liter) bag-in-box format with recycled and recyclable corrugate and 80% less plastic than bottles.



Meeting the demand for functional water in Italy is the *Levissima+* range, offering four variants of Italian mineral water infused with minerals or vitamins.

# Financial review



# Key figures (consolidated)

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

	2020	2021
<b>Results</b>		
Sales	84 343	87 088
Underlying trading operating profit <sup>(a)</sup>	14 903	15 119
as % of sales	17.7%	17.4%
Trading operating profit <sup>(a)</sup>	14 233	12 159
as % of sales	16.9%	14.0%
Profit for the year attributable to shareholders of the parent (Net profit)	12 232	16 905
as % of sales	14.5%	19.4%
<b>Balance sheet and Cash flow statement</b>		
Total Equity	46 514	53 727
Net financial debt <sup>(a)</sup>	31 319	32 917
Ratio of net financial debt to total equity (gearing)	67.3%	61.3%
Operating cash flow	14 377	13 864
as % of net financial debt	45.9%	42.1%
Free cash flow <sup>(a)</sup>	10 245	8 715
Capital additions	11 367	12 977
as % of sales	13.5%	14.9%
<b>Data per share</b>		
Weighted average number of shares outstanding (in millions of units)	2 845	2 788
Basic earnings per share	CHF 4.30	6.06
Underlying earnings per share <sup>(a)</sup>	CHF 4.21	4.42
Dividend as proposed by the Board of Directors of Nestlé S.A.	CHF 2.75	2.80
<b>Market capitalization, end December</b>		
	293 644	351 682
<b>Number of employees (in thousands)</b>		
	273	276

## Principal key figures <sup>(b)</sup> (illustrative) in CHF, USD, EUR

In millions (except for data per share)	Total CHF	Total CHF	Total USD	Total USD	Total EUR	Total EUR
	2020	2021	2020	2021	2020	2021
Sales	84 343	87 088	89 982	95 212	78 801	80 564
Underlying trading operating profit <sup>(a)</sup>	14 903	15 119	15 900	16 530	13 924	13 987
Trading operating profit <sup>(a)</sup>	14 233	12 159	15 185	13 293	13 298	11 248
Profit for the year attributable to shareholders of the parent (Net profit)	12 232	16 905	13 050	18 481	11 428	15 638
Total Equity	46 514	53 727	52 806	58 747	42 939	51 961
Market capitalization, end December	293 644	351 682	333 364	384 542	271 072	340 122
<b>Data per share</b>						
Basic earnings per share	4.30	6.06	4.59	6.63	4.02	5.61

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

<sup>(b)</sup> 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](http://www.nestle.com/investors/publications) defines these non-IFRS financial performance measures.

Operating segments 2020 comparative figures have been restated following the disclosure of Nestlé Health Science and Nespresso as standalone reportable segments from 2021 onwards (previously combined and presented in Other businesses – see Note 3 of the 2021 Consolidated financial statements).

## Introduction

In 2021, we remained focused on executing our long-term strategy and stepping up growth investments, while at the same time navigating global supply chain challenges. Our organic growth was strong, with broad-based market share gains, following disciplined execution, rapid innovation and increased digitalization. We limited the impact of exceptional cost inflation through diligent cost management and responsible pricing. Our robust underlying earnings per share growth shows the resilience of our value creation model. The entire Nestlé team demonstrated exemplary perseverance and agility in a challenging environment.

The evolution of our portfolio continued, focusing on categories with attractive growth opportunities and differentiated offerings. Recent examples include the acquisition of the core brands of The Bountiful Company and the divestiture of the mainstream water brands in North America.

Our sustainability agenda further progressed as we enhance the well-being of our consumers, help regenerate the environment and strengthen the farming communities in our supply chains.

We continued to create value for our shareholders through disciplined capital allocation, steadily increasing dividends and significant share buybacks. Going forward, we are confident in the strength of our value creation model.

## Group sales

Organic growth was 7.5%, with RIG of 5.5%. Pricing increased to 2.0%, reaching 3.1% in the fourth quarter, to offset significant cost inflation.

Growth was broad-based across most geographies and categories. Organic growth reached 7.2% in developed markets, the highest level in more than a decade, based mostly on RIG with positive pricing. Organic growth in emerging markets was 7.8%, with robust RIG and positive pricing.

By product category, the largest contributor to organic growth was coffee, fueled by strong momentum for the three main brands *Nescafé*, *Nespresso* and Starbucks. Sales of Starbucks products grew by 17.1% to reach CHF 3.1 billion, generating over CHF 1 billion of incremental sales compared with 2018. Purina PetCare posted double-digit growth, led

by science-based and premium brands *Purina Pro Plan*, *Fancy Feast* and *Purina ONE*, as well as veterinary products. Prepared dishes and cooking aids reported high single-digit growth, based on strong sales developments for *Maggi*, *Stouffer's* and *Lean Cuisine*. Sales in vegetarian and plant-based food grew at a double-digit rate, reaching around CHF 800 million. Nestlé Health Science recorded double-digit growth, reflecting strong demand for vitamins, minerals and supplements, as well as healthy-aging products. Dairy saw mid single-digit growth, based on strong demand for premium and fortified milks, coffee creamers and ice cream. Sales in confectionery grew at a high single-digit rate, supported by a strong sales development for *KitKat* and gifting products. Water posted high single-digit growth, driven by premium brands and a recovery in out-of-home channels. Infant Nutrition reported negative growth, impacted by a sales decline in China and lower birth rates globally. Sales of human milk oligosaccharides (HMOs) products continued to see robust growth, reaching CHF 1.2 billion.

By channel, organic growth in retail sales was 6.4%. E-commerce sales grew by 15.1%, reaching 14.3% of total Group sales, with strong momentum in most categories, particularly Purina PetCare, coffee and Nestlé Health Science. Organic growth in out-of-home channels reached 24.5%, helped by a low base of comparison due to the pandemic.

Net divestitures decreased sales by 2.9%, largely related to the Nestlé Waters North America, Yinlu and Herta transactions. Divestitures were partially offset by acquisitions, including the core brands of The Bountiful Company and Freshly. The negative impact on sales from foreign exchange moderated to 1.3%. Total reported sales increased by 3.3% to CHF 87.1 billion.

#### Sales by geographic areas

	Differences 2021/2020 (in %)		
	in CHF	in local currency	in CHF millions
By principal markets			2021
United States	+0.9%	+3.4%	26 260
Greater China Region	-7.1%	-9.9%	5 558
France	-3.6%	-4.6%	3 804
United Kingdom	+18.1%	+12.9%	3 405
Mexico	+6.1%	+3.5%	2 962
Brazil	+5.6%	+13.0%	2 925
Philippines	+3.6%	+5.7%	2 656
Germany	-0.1%	-1.1%	2 442
Canada	+12.0%	+7.1%	2 376
India	+8.0%	+10.8%	1 737
Russia	+7.1%	+11.3%	1 719
Japan	+4.7%	+10.5%	1 627
Italy	+7.7%	+6.7%	1 625
Spain	+5.9%	+4.9%	1 492
Australia	+6.4%	+0.2%	1 484
Switzerland	+0.3%	+0.3%	1 137
Rest of the world	+5.6%	(a)	23 879
<b>Total</b>	<b>+3.3%</b>	<b>(a)</b>	<b>87 088</b>

(a) Not applicable.

### Underlying trading operating profit

Underlying trading operating profit increased by 1.4% to CHF 15.1 billion. The underlying trading operating profit margin decreased by 30 basis points to 17.4% in constant currency and on a reported basis, reflecting time delays between cost inflation and pricing actions. The one-off integration costs related to the acquisition of The Bountiful Company's core brands had a negative impact of around 10 basis points.

Gross margin decreased by 130 basis points to 47.8%, reflecting significant broad-based inflation for commodity, packaging, freight and energy costs. The impact of cost inflation, which increased strongly in the second half, was partly offset by price increases, operating leverage and efficiencies.

Distribution costs as a percentage of sales decreased by 20 basis points, mainly as a result of the disposal of the Nestlé Water brands in North America.

Marketing and administration expenses decreased as a percentage of sales by 80 basis points, based on strong operating leverage and efficiencies. At the same time, the Group continued to invest for growth and increased its consumer-facing marketing expenses in constant currency.

Restructuring expenses and net other trading items increased by CHF 2.3 billion to CHF 3.0 billion, largely reflecting impairments related to the Wyeth business. As a result, trading operating profit decreased by 14.6% to CHF 12.2 billion and the trading operating profit margin decreased by 290 basis points on a reported basis to 14.0%.

### Net financial expenses and Income tax

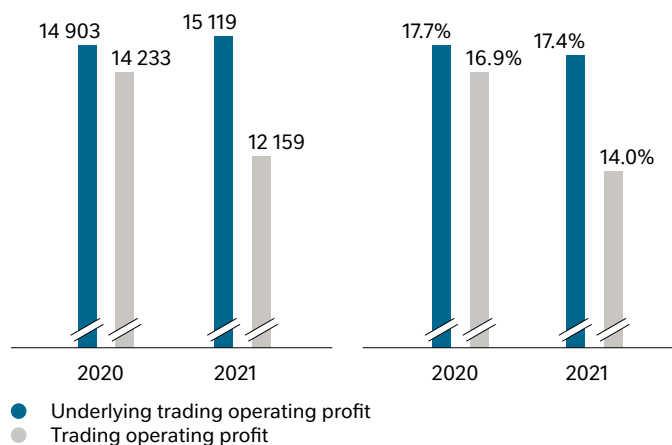
Net financial expenses were unchanged at CHF 873 million, as a lower cost of debt offset higher average net debt.

The Group reported tax rate decreased by 330 basis points to 20.9%, mainly as a result of one-off items in 2020, including the divestment of the U.S. ice cream business. The underlying tax rate decreased by 40 basis points to 20.7%, mainly due to the geographic and business mix.

### Underlying trading operating profit and Trading operating profit

In millions of CHF

In % of sales

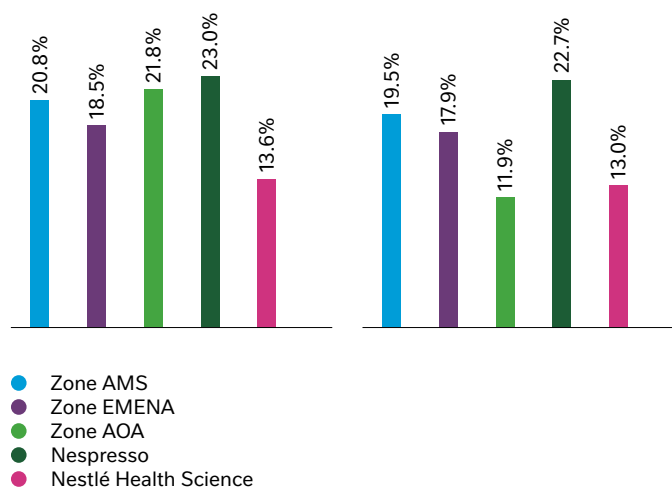


### Underlying trading operating profit by operating segment

In % of sales

### Trading operating profit by operating segment

In % of sales



### Reduction of L'Oréal stake

On December 15, 2021, Nestlé sold 22.26 million of L'Oréal shares for a total consideration of CHF 9.3 billion. Following the transaction, Nestlé owns 20.1% of L'Oréal and remains fully supportive of the company's value creation strategy.

### Net profit and Earnings per share

Net profit grew by 38.2% to CHF 16.9 billion. Net profit margin increased by 490 basis points to 19.4%. The gain on the disposal of L'Oréal shares more than offset higher asset impairments and other one-off items.

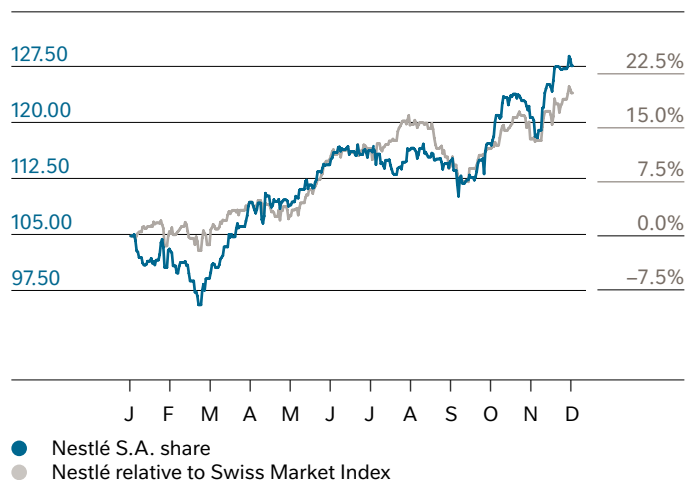
Underlying earnings per share increased by 5.8% in constant currency and by 5.1% on a reported basis to CHF 4.42. Sales growth was the main contributor to the increase. Nestlé's share buyback program contributed 1.3% to the underlying earnings per share increase, net of finance costs. Earnings per share increased by 41.1% to CHF 6.06 on a reported basis.

### Cash flow

Cash generated from operations decreased from CHF 17.2 billion to CHF 16.6 billion, mainly due to slightly higher working capital at year-end. In the context of significant supply chain disruptions, the Group increased its inventory levels temporarily. Free cash flow decreased from CHF 10.2 billion to CHF 8.7 billion, mainly due to a temporary increase in capital expenditure to meet strong volume demand, particularly for Purina PetCare and coffee.

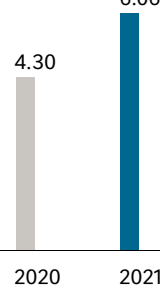
### Evolution of the Nestlé S.A. share in 2021

In CHF



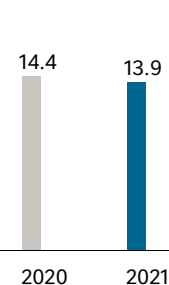
### Earnings per share

in CHF

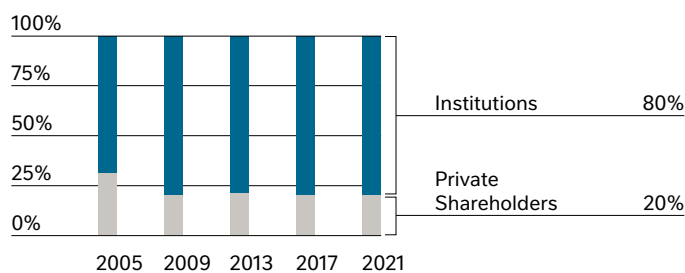


### Operating cash flow

in billions of CHF



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



(a) Percentage derived from total number of registered shares. Registered shares represent 56.8% of the total share capital. Statistics are rounded, as at 12/31/2021.

## Dividend

At the Annual General Meeting on April 7, 2022, the Board of Directors will propose a dividend of CHF 2.80 per share, an increase of 5 centimes. If approved, this will be the company's 27th consecutive annual dividend increase. The company has maintained or increased its dividend in Swiss francs over the last 62 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 8, 2022. The net dividend will be payable as from April 13, 2022.

Shareholders entered in the share register with voting rights on March 31, 2022 at 12:00 noon (CEST) will be entitled to exercise their voting rights.

## Share buyback programs

During 2021, the Group repurchased CHF 6.3 billion of Nestlé shares.

On December 30, 2021, Nestlé terminated its existing CHF 20 billion share buyback program initiated on January 3, 2020. Between January 3, 2020 and December 30, 2021, the Group repurchased 123.1 million of its shares for a total consideration of CHF 13.1 billion at an average price of CHF 106.08 per share.

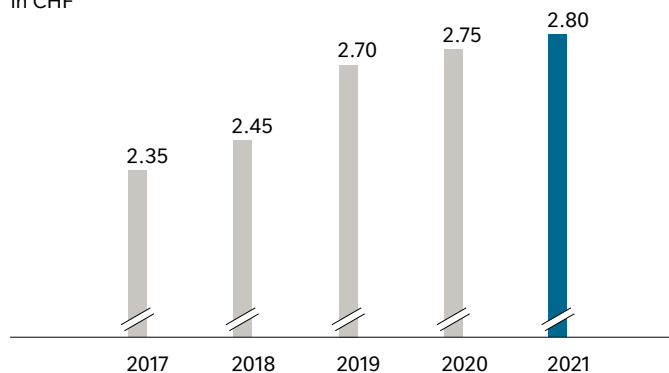
Nestlé initiated a new share buyback program of up to CHF 20 billion on January 3, 2022. The company expects to buy around CHF 10 billion of shares in the first twelve months. The new share buyback program shall be completed by the end of December 2024.

## Net debt

Net debt increased by CHF 1.6 billion to reach CHF 32.9 billion as at December 31, 2021. The dividend payment, share buybacks and the net cash outflow from acquisitions and divestitures more than offset proceeds from the disposal of L'Oréal shares and free cash flow generation.

## Dividend per share

in CHF



### Return on invested capital (ROIC)

The Group's ROIC decreased by 250 basis points to 12.2%, as a result of impairments related to the Wyeth business. Excluding Wyeth business impairments, the Group's ROIC was 14.2%.

### Portfolio management

Nestlé completed acquisitions and divestments with a total value of around CHF 9.9 billion in 2021.

Nestlé is transforming its global water business, sharpening its focus on international premium and mineral water brands and healthy hydration products. In March, Nestlé completed the acquisition of Essentia Water, a premium functional water brand in the U.S., and the sale of its regional spring water brands, purified water business and beverage delivery service in the U.S. and Canada.

Nestlé Health Science continues to focus on building the leading global nutrition and health platform. In July, Nestlé completed the acquisition of Nuun, a leading company in the fast-growing functional hydration market, and entered into an agreement with Seres Therapeutics to jointly commercialize SER-109, an investigational oral microbiome therapeutic in the U.S. and Canada. In August, Nestlé completed the acquisition of the core brands of The Bountiful Company for USD 5.75 billion. The Bountiful Company is the number one pure-play company in the highly attractive global nutrition and supplement category.

Building on the successful global coffee alliance, Nestlé continues to expand the reach of Starbucks branded coffee and tea products outside Starbucks retail stores. In July, Nestlé and Starbucks announced a new collaboration to bring Starbucks ready-to-drink coffee beverages to select markets across South-East Asia, Oceania and Latin America.

### Outlook

**2022 outlook:** we expect organic sales growth around 5% and underlying trading operating profit margin between 17.0% and 17.5%. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

**Mid-term outlook:** sustained mid single-digit organic sales growth. Continued moderate underlying trading operating profit margin improvements. Continued prudent capital allocation and capital efficiency improvements.

### Sales, employees and factories by geographic area

	Sales		Employees		Factories	
	2020	2021	2020	2021	2020	2021
AMS	44.7%	44.9%	35.8%	36.4%	146	125
EMENA (a)	29.1%	29.6%	35.5%	35.1%	133	133
AOA	26.2%	25.5%	28.7%	28.5%	97	96

(a) 8494 employees in Switzerland in 2021.










### Employees by activity

In thousands

	2020	2021
Factories	134	140
Administration and sales	139	136
<b>Total</b>	<b>273</b>	<b>276</b>

# Product category and operating segment review

In millions of CHF

	2020 *	2021	Proportion of total sales (%)	RIG (%)	OG (%)
<b>Powdered and Liquid Beverages</b>					
Soluble coffee/coffee systems **	15 842	17 120	 71.4%		
Other **	6 414	6 855	 28.6%		
<b>Total sales</b>	<b>22 256</b>	<b>23 975</b>		<b>+7.8%</b>	<b>+8.9%</b>
Underlying trading operating profit	5 035	5 631	23.5%		
Trading operating profit	4 851	5 406	22.5%		
<b>Water</b>					
<b>Total sales</b>	<b>6 421</b>	<b>4 040</b>		<b>+3.0%</b>	<b>+6.8%</b>
Underlying trading operating profit	639	364	9.0%		
Trading operating profit	522	257	6.4%		
<b>Milk products and Ice cream</b>					
Milk products	10 087	9 778	 91.4%		
Ice cream	920	922	 8.6%		
<b>Total sales</b>	<b>11 007</b>	<b>10 700</b>		<b>+3.0%</b>	<b>+5.9%</b>
Underlying trading operating profit	2 652	2 707	25.3%		
Trading operating profit	2 615	2 642	24.7%		
<b>Nutrition and Health Science</b>					
<b>Total sales</b>	<b>12 160</b>	<b>13 157</b>		<b>+0.4%</b>	<b>+1.4%</b>
Underlying trading operating profit	2 640	2 307	17.5%		
Trading operating profit	2 490	243	1.8%		
<b>Prepared dishes and cooking aids</b>					
Frozen and chilled	5 694	5 871	 48.3%		
Culinary and other	5 829	6 275	 51.7%		
<b>Total sales</b>	<b>11 523</b>	<b>12 146</b>		<b>+4.6%</b>	<b>+6.6%</b>
Underlying trading operating profit	2 171	2 040	16.8%		
Trading operating profit	2 147	1 931	15.9%		
<b>Confectionery</b>					
Chocolate	5 265	5 716	 76.1%		
Sugar confectionery	585	651	 8.6%		
Snacking and biscuits	1 125	1 147	 15.3%		
<b>Total sales</b>	<b>6 975</b>	<b>7 514</b>		<b>+6.3%</b>	<b>+7.9%</b>
Underlying trading operating profit	990	1 205	16.0%		
Trading operating profit	874	1 093	14.5%		
<b>PetCare</b>					
<b>Total sales</b>	<b>14 001</b>	<b>15 556</b>		<b>+9.4%</b>	<b>+12.7%</b>
Underlying trading operating profit	3 081	3 282	21.1%		
Trading operating profit	3 089	3 241	20.8%		

\* 2020 comparatives adjusted, see Foreword on page 46.

\*\* 2020 comparatives adjusted following a new product grouping between Soluble coffee/coffee systems and Other.



# Review of Zones, Nespresso and Nestlé Health Science

## Zone Americas (AMS)

Sales	CHF 33.8 billion
Organic growth	+ 8.5%
Real internal growth	+ 4.8%
Underlying trading operating profit margin	20.8%
Underlying trading operating profit margin	+ 30 basis points
Trading operating profit margin	19.5%
Trading operating profit margin	- 30 basis points

- 8.5% organic growth: 4.8% RIG; 3.7% pricing.
- North America posted high single-digit organic growth, with robust RIG and positive pricing.
- Latin America reported double-digit organic growth, with both strong RIG and pricing.
- The underlying trading operating profit margin increased by 30 basis points to 20.8%, mainly due to the divestment of the Nestlé Waters North America brands.










Organic growth was 8.5%, with strong RIG of 4.8%. Pricing increased to 3.7%, reaching 5.2% in the fourth quarter. Net divestitures reduced sales by 6.6%, as the divestment of the Nestlé Waters North America brands more than offset the acquisitions of Freshly and Essentia Water. Foreign exchange had a negative impact of 2.5%. Reported sales in Zone AMS decreased by 0.7% to CHF 33.8 billion.

Zone AMS reported high single-digit organic growth, building on a strong sales development in 2020. Increased pricing, continued innovation, strong momentum in e-commerce and a further recovery of out-of-home channels supported growth. The Zone saw continued broad-based market share gains, led by coffee, pet food, frozen food and ambient culinary.

North America posted high single-digit growth in the context of continued significant supply chain constraints. Sales in Purina PetCare grew at a double-digit rate, led by *Purina Pro Plan*, *Fancy Feast* and *Purina ONE*. Scienced-based innovations continued to support growth, with new launches including *Pro Plan Cardio Care* and new varieties of *Sensitive Skin & Stomach* formula. Nestlé Professional and Starbucks out-of-home products saw strong double-digit growth, helped by further recovery in out-of-home channels. Sales in the beverages category, including Starbucks at-home products, *Coffee mate* and *Nescafé*, grew at a mid single-digit rate. Frozen and chilled food reported mid single-digit growth, supported by strong sales developments for *Stouffer's*, *Lean Cuisine* and *Hot Pockets*. Pizza saw a sales decrease following a high base of comparison in 2020, with a return to positive growth in the fourth quarter. Water reported mid single-digit growth, led by strong growth for the recently acquired Essentia Water business. Sales

## Zone AMS

In millions of CHF

	2020	2021	Proportion of total sales (%)	RIG (%)	OG (%)
United States and Canada	24 763	23 693	 70.1%		
Latin America and Caribbean	9 247	10 086	 29.9%		
Powdered and Liquid Beverages	5 032	5 382	 15.9%		
Water	4 049	1 788	 5.3%		
Milk products and Ice cream	5 288	5 391	 16.0%		
Prepared dishes and cooking aids	5 381	5 930	 17.5%		
Confectionery	2 177	2 357	 7.0%		
PetCare	9 543	10 445	 30.9%		
Nutrition and Health Science	2 540	2 486	 7.4%		
<b>Total sales</b>	<b>34 010</b>	<b>33 779</b>		<b>+4.8%</b>	<b>+8.5%</b>
Underlying trading operating profit	6 975	7 012		20.8%	
Trading operating profit	6 724	6 601		19.5%	
Capital additions	3 562	3 006		8.9%	

in confectionery in Canada grew by close to 10%, driven by *KitKat*. Home-baking products, including *Toll House* and *Carnation*, saw a sales decrease following exceptional demand in 2020 but remained above 2019 levels.

Latin America posted double-digit growth, with broad-based contributions across geographies and product categories. Sales in Mexico grew at a double-digit rate, led by coffee, Purina PetCare and confectionery. Brazil reported double-digit growth, reflecting strong demand for confectionery, particularly *KitKat*, as well as Purina PetCare and *Nescafé*. Chile also recorded double-digit growth, supported by Purina PetCare, confectionery and ice cream. By product category, Purina PetCare was the largest growth contributor, led by *Purina Pro Plan* and *Dog Chow*. Confectionery and coffee also reported strong double-digit growth. Sales in Nestlé Professional exceeded 2019 levels, with strong growth across markets. Infant Nutrition saw mid single-digit growth, based on robust demand for *NAN* premium and functional products. Growth in dairy moderated to a low single-digit rate, following exceptionally strong demand in 2020. Plant-based products continued to grow strongly, supported by the expansion of *Nature's Heart* across all markets.

The Zone's underlying trading operating profit margin increased by 30 basis points, with the positive margin impact of the Nestlé Waters North America brands divestment more than offsetting significant cost inflation.

### Zone Europe, Middle East and North Africa (EMENA)

Sales	CHF 21.1 billion
Organic growth	+7.2%
Real internal growth	+6.0%
Underlying trading operating profit margin	18.5%
Underlying trading operating profit margin	-10 basis points
Trading operating profit margin	17.9%
Trading operating profit margin	+20 basis points

- 7.2% organic growth: 6.0% RIG; 1.2% pricing.
- Western Europe saw mid single-digit organic growth with strong RIG and slightly positive pricing.
- Central and Eastern Europe posted double-digit organic growth, with strong RIG and positive pricing.
- Middle East, North Africa, Turkey and Israel reported high single-digit organic growth, with a balanced contribution from RIG and pricing.
- The underlying trading operating profit margin decreased by 10 basis points to 18.5%.

Organic growth reached 7.2%, with strong RIG of 6.0% supported by volume and mix. Pricing increased by 1.2%, with 2.5% pricing in the fourth quarter. Net divestitures reduced sales by 2.2%, largely related to the divestiture of the Herta charcuterie business, partly offset by the acquisitions of *Mindful Chef* and *Lily's Kitchen*. Foreign exchange negatively impacted sales by 0.6%. Reported sales in Zone EMENA increased by 4.5% to CHF 21.1 billion.

Zone EMENA reported high single-digit organic growth, reaching the highest level in the last decade. Growth was supported by continued evolution of the portfolio toward fast-growing categories and channels, as well as innovation. All markets posted positive growth, with strong sales developments led by the United Kingdom, Russia, Italy and France. The Zone continued to see broad-based market share gains, particularly for pet food, coffee, ambient and chilled culinary.

By product category, Purina PetCare posted double-digit growth led by premium brands *Gourmet*, *Felix* and *Purina Pro Plan*, as well as veterinary products. Growth was strong across all channels, particularly in e-commerce and pet specialty stores. Sales in new growth platforms *Tails.com*, *Lily's Kitchen* and *Terra Canis* combined increased by close to 40%. Sales in coffee grew at a high single-digit rate, supported by strong momentum for *Nescafé* and Starbucks

at-home products. Nestlé Professional reported strong double-digit growth, helped by further recovery in out-of-home channels, with particular strength in coffee. Water posted high single-digit growth, led by *S.Pellegrino* as well as *Nestlé Pure Life* in the Middle East and North Africa. Sales in confectionery grew at a mid single-digit rate, led by *KitKat*. Culinary reported low single-digit growth, with a high base of comparison for *Maggi*. Sales in *Garden Gourmet* and *Mindful Chef* continued to grow at a double-digit rate. *Garden Gourmet Vuna*, the recently launched plant-based tuna alternative, saw strong demand. Infant Nutrition posted positive growth, with continued market share gains, despite lower birth rates in the context of the pandemic.

The Zone's underlying trading operating profit margin decreased by 10 basis points. Cost inflation and increased growth investments more than offset operating leverage and product mix.

## Zone EMENA

In millions of CHF

	2020	2021	Proportion of total sales (%)	RIG (%)	OG (%)
Western Europe	12 909	13 532			
Eastern and Central Europe	3 547	3 858			
Middle East and North Africa	3 770	3 738			
Powdered and Liquid Beverages	5 239	5 706			
Water	1 967	1 982			
Milk products and Ice cream	849	772			
Prepared dishes and cooking aids	3 473	3 242			
Confectionery	3 038	3 222			
PetCare	3 786	4 363			
Nutrition and Health Science	1 874	1 841			
<b>Total sales</b>	<b>20 226</b>	<b>21 128</b>		<b>+6.0%</b>	<b>+7.2%</b>
Underlying trading operating profit	3 766	3 903			18.5%
Trading operating profit	3 575	3 772			17.9%
Capital additions	1 432	1 537			7.3%

## Zone Asia, Oceania and sub-Saharan Africa (AOA)

Sales	CHF 20.7 billion
Organic growth	+4.2%
Real internal growth	+3.5%
Underlying trading operating profit margin	21.8%
Underlying trading operating profit margin	-40 basis points
Trading operating profit margin	11.9%
Trading operating profit margin	-960 basis points

- 4.2% organic growth: 3.5% RIG; 0.8% pricing.
- China posted low single-digit organic growth, based on positive RIG and slightly positive pricing.
- South-East Asia saw positive organic growth, with positive RIG and slightly negative pricing.
- South Asia reported double-digit organic growth, with strong RIG and positive pricing.
- Sub-Saharan Africa recorded double-digit organic growth, led by strong RIG with positive pricing.
- Japan, South Korea and Oceania saw mid single-digit organic growth. Strong RIG was partially offset by slightly negative pricing.
- The underlying trading operating profit margin decreased by 40 basis points to 21.8%.

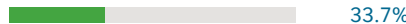










Organic growth was 4.2%, with RIG of 3.5%. Pricing was 0.8%, increasing to 2.2% in the fourth quarter. Net divestitures had a negative impact of 3.9%, largely related to the divestment of the Yinlu peanut milk and canned rice porridge businesses in China. Foreign exchange reduced sales by 0.4%. Reported sales in Zone AOA were unchanged at CHF 20.7 billion.

Zone AOA reported mid single-digit organic growth in a difficult economic environment with continued regional lockdowns. The Zone saw market share gains in culinary, coffee and pet food. Infant Nutrition reported market share losses.

China saw low single-digit growth. Strong sales developments in most categories were partly offset by a sales decline in Infant Nutrition where turnaround initiatives continued. The largest growth contributor was Nestlé Professional, with sales exceeding 2019 levels. Coffee, culinary and Purina PetCare all reported strong double-digit growth. Dairy recorded high single-digit growth, with a strong sales development for healthy-aging products, particularly *Yiyang* certified functional foods for improved immunity and mobility. Confectionery posted mid single-digit growth, led by robust demand for *Shark* wafer chocolate.

## Zone AOA

In millions of CHF

	2020	2021	Proportion of total sales (%)	RIG (%)	OG (%)
ASEAN markets	7 105	6 984	 33.7%		
Oceania and Japan	2 888	3 049	 14.7%		
Other Asian markets	8 394	8 073	 38.9%		
Sub-Saharan Africa	2 343	2 629	 12.7%		
Powdered and Liquid Beverages	5 969	6 308	 30.4%		
Water	405	270	 1.3%		
Milk products and Ice cream	4 862	4 524	 21.8%		
Prepared dishes and cooking aids	2 667	2 973	 14.4%		
Confectionery	1 739	1 909	 9.2%		
PetCare	673	747	 3.6%		
Nutrition and Health Science	4 415	4 004	 19.3%		
<b>Total sales</b>	<b>20 730</b>	<b>20 735</b>		<b>+3.5%</b>	<b>+4.2%</b>
Underlying trading operating profit	4 599	4 524	21.8%		
Trading operating profit	4 466	2 477	11.9%		
Capital additions	941	1 065	5.1%		

South-East Asia saw positive growth, with sales reaching a mid single-digit rate in the fourth quarter despite continued movement restrictions. Sales in Malaysia grew at a mid single-digit rate, with broad-based growth across most categories. The Philippines and Indonesia saw negative growth, turning positive in the fourth quarter led by *Nescafé* and *Bear Brand*. Indochina posted positive growth, despite a sales decrease in on-the-go products and out-of-home channels.

South Asia recorded double-digit growth, supported by distribution expansion in rural areas and continued strong e-commerce momentum. Growth was broad-based across most categories in both India and Pakistan, led by *Maggi*, *KitKat*, *Nescafé* and Nestlé Professional.

Sub-Saharan Africa recorded double-digit growth, based on strong sales developments for *Maggi*, *Milo* and *Nescafé*, particularly for affordable offerings.

Japan posted high single-digit growth, led by coffee and Purina PetCare. Sales in South Korea grew at a strong double-digit rate, driven by coffee. Oceania reported positive growth, with robust demand for Purina PetCare, *KitKat* and *Maggi*.

By product category, the key growth driver was coffee driven by new launches for *Nescafé* and Starbucks products. Culinary and Nestlé Professional posted double-digit growth. Sales in confectionery, ice cream and Purina PetCare grew at a high single-digit rate. Dairy reported mid single-digit growth, led by strong demand for premium and fortified milks. Infant Nutrition saw a sales decline, with positive growth outside of China in the second half.

The Zone's underlying trading operating profit margin decreased by 40 basis points. Cost inflation and product mix more than offset operating leverage.

## Nespresso

Sales	CHF 6.4 billion
Organic growth	+8.8%
Real internal growth	+8.2%
Underlying trading operating profit margin	23.0%
Underlying trading operating profit margin	-60 basis points
Trading operating profit margin	22.7%
Trading operating profit margin	-90 basis points

- 8.8% organic growth: 8.2% RIG; 0.6% pricing.
- The underlying trading operating profit margin decreased by 60 basis points to 23.0%.

Organic growth reached 8.8%, based on strong RIG of 8.2% and pricing of 0.6%. Foreign exchange positively impacted sales by 0.3%. Reported sales in Nespresso increased by 9.1% to CHF 6.4 billion.

Nespresso posted high single-digit growth, moderating to a mid single-digit rate in the second half following a high base of comparison in 2020. Growth was fueled by new consumer adoption, particularly for the *Vertuo* system, continued momentum in e-commerce and a recovery in boutiques and out-of-home channels. Continuous innovation resonated strongly with consumers and significant new product launches included the expansion of the *World Explorations* and *Reviving Origins* ranges, as well as strong demand for year-end festive offerings.

By geography, the Americas and AOA posted double-digit growth. Sales in EMENA grew at a mid single-digit rate. Overall Nespresso gained market share, with contributions from most markets.

The underlying trading operating profit margin of Nespresso decreased by 60 basis points. Increased growth investments more than offset operating leverage.

## Nespresso (a)

In millions of CHF

	2020	2021	RIG (%)	OG (%)
<b>Total sales</b>	<b>5 885</b>	<b>6 418</b>	<b>+8.2%</b>	<b>+8.8%</b>
Underlying trading operating profit	1 392	1 475	23.0%	
Trading operating profit	1 390	1 456	22.7%	
Capital additions	275	445	6.9%	

(a) See Foreword on page 46.

## Nestlé Health Science

Sales	CHF 4.8 billion
Organic growth	+ 13.5%
Real internal growth	+ 13.4%
Underlying trading operating profit margin	13.6%
Underlying trading operating profit margin	-290 basis points
Trading operating profit margin	13.0%
Trading operating profit margin	-300 basis points

- 13.5% organic growth: 13.4% RIG; 0.1% pricing.
- The underlying trading operating profit margin decreased by 290 basis points to 13.6%.

Organic growth was 13.5%, with strong RIG of 13.4% and 0.1% pricing. Net acquisitions increased sales by 33.2%, largely related to the acquisitions of the core brands of The Bountiful Company, Vital Proteins, Zenpep and Aimmune. Foreign exchange negatively impacted sales by 1.8%. Reported sales in Nestlé Health Science increased by 45.0% to CHF 4.8 billion.

Nestlé Health Science posted double-digit organic growth, building on a strong sales development in 2020, with broad-based market share gains across channels and markets. Growth was supported by e-commerce momentum, innovation, geographic expansion and strong execution in the supply chain.

Consumer Care posted double-digit growth. Vitamins, minerals and supplements that support health and the immune system continued to see strong demand. *Vital Proteins* almost doubled its sales. *Garden of Life* saw continued strength, driven by new product launches such

as *Dr. Formulated MD Protein* for improved heart health and immunity. Sales for the newly acquired core brands of The Bountiful Company grew at a high single-digit rate, led by *Nature's Bounty* and *Solgar*. Healthy-aging products recorded double-digit growth, supported by *Boost* in North America.

Medical Nutrition reported high single-digit growth, with robust demand for pediatric care products *Althéra*, *Alfaré* and *Alfamino*, as well as for *Compleat*, a comprehensive nutritional tube-feeding formula. The rollout of *Palforzia*, the peanut allergy treatment, was impacted by the pandemic. In the fourth quarter, the product started to see increased adoption in the U.S. and was also launched in the United Kingdom and Germany.

By geography, the Americas and AOA posted double-digit growth. Sales in EMENA grew at a high single-digit rate.

The underlying trading operating profit margin of Nestlé Health Science decreased by 290 basis points, mainly due to investments in *Palforzia*, increased consumer-facing marketing expenses and one-off integration costs related to the acquisition of The Bountiful Company's core brands.

## Nestlé Health Science <sup>(a)</sup>

In millions of CHF

	2020	2021	RIG (%)	OG (%)
<b>Total sales</b>	<b>3 326</b>	<b>4 822</b>	<b>+ 13.4%</b>	<b>+ 13.5%</b>
Underlying trading operating profit	549	654	13.6%	
Trading operating profit	534	628	13.0%	
Capital additions	4 833	6 594	136.8%	

(a) See Foreword on page 46.

# Principal risks and uncertainties

The Group adopts 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 to 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 ([www.nestle.com/materiality](http://www.nestle.com/materiality)) 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. Further detail of the ERM processes can be found in the *Corporate Governance Report 2021*.

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 2021, can be found on [www.nestle.com/tcf-report](http://www.nestle.com/tcf-report).

The COVID-19 pandemic and its consequences continue to lead to profound changes on operating environments

across our markets. The long-term impacts remain difficult to predict. The Group assessed the potential impacts of the pandemic and its consequences across our risk universe and the factors are reported under the relevant risks disclosed here. The Group continues to monitor and respond to these areas of increased risk for any material changes.

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



Principal risk	Description	Potential impact	Key mitigations
<b>Product quality and safety</b>	Major event triggered by a serious food safety, product quality or other product-related non-compliance issue	<ul style="list-style-type: none"> <li>– Negative effect on Nestlé’s reputation and/or brands</li> <li>– Failure to meet evolving regulatory requirements</li> <li>– Loss of trust</li> <li>– Penalties and/or fines</li> <li>– Litigation</li> </ul>	<ul style="list-style-type: none"> <li>– Policies, processes and controls to ensure high-quality, safe products and prevention of health risks</li> </ul>
<b>Consumer preferences</b>	Failure to adequately anticipate evolving consumer preferences; failure to innovate relevant, competitive products and brands; failure to execute at speed	<ul style="list-style-type: none"> <li>– Negative effect on Nestlé’s reputation and/or brands</li> <li>– Failure to achieve growth targets, loss of market share</li> </ul>	<ul style="list-style-type: none"> <li>– Strengthen consumer-centricity of innovation process</li> <li>– Apply scientific and nutritional know-how to enhance nutrition, health and wellness</li> <li>– Improve the accessibility of safe and affordable food</li> </ul>
<b>Discriminatory regulation</b>	Prolonged negative perceptions concerning health implications of processed food and beverage categories	<ul style="list-style-type: none"> <li>– Increase in regulation on industry and/or specific categories</li> <li>– Erosion of consumer confidence in industry</li> <li>– Limitations on marketing and distribution</li> </ul>	<ul style="list-style-type: none"> <li>– Focus scientific and nutritional know-how to enhance nutrition, health and wellness</li> <li>– Policies, including Responsible Marketing to Children and Marketing of Breast Milk Substitutes, in place</li> </ul>
<b>Customer and channel management</b>	Customer concentration, channel dynamics accelerating pressure on distribution, pricing and trade	<ul style="list-style-type: none"> <li>– Reduced distribution of our products to consumers</li> <li>– Restricted ability to price impacting margin</li> <li>– Failure to achieve growth targets, loss of market share</li> </ul>	<ul style="list-style-type: none"> <li>– Strategic customer relationship management</li> <li>– Accelerate digital capabilities, expansion of e-commerce and online communication</li> </ul>
<b>Human rights</b>	Failure to identify and/or prevent human rights violations in direct operations and extended supply chain (e.g., forced labor, child labor, working hours, fair wages, etc.)	<ul style="list-style-type: none"> <li>– Negative effect on Nestlé’s reputation and/or brands</li> <li>– Penalties and/or fines</li> <li>– License to operate challenges</li> <li>– Litigation</li> </ul>	<ul style="list-style-type: none"> <li>– Human rights due diligence</li> <li>– Sustainable Sourcing programs (e.g., <i>Nescafé Plan</i>, <i>Nestlé Cocoa Plan</i>, etc.)</li> <li>– Policies, processes and controls to respect and promote human rights</li> <li>– Grievance mechanisms and consequence management</li> </ul>
<b>Supply chain stewardship</b>	Failure to ensure a transparent, sustainable and resilient food supply chain	<ul style="list-style-type: none"> <li>– Negative effect on Nestlé’s reputation and/or brands</li> <li>– Penalties and/or fines</li> <li>– License to operate challenges</li> </ul>	<ul style="list-style-type: none"> <li>– <i>Generation Regeneration</i> activities to support the advancement of regenerative food systems</li> <li>– Sustainable sourcing programs to achieve transparency and traceability on key raw materials</li> </ul>
<b>Climate change</b>	Climate-related physical (including extreme weather events, water shortages and floods, and land use change, including deforestation) and transitional disruption (including policy actions, technological advances, market sentiment) disrupting our operations and/or consumer demand	<ul style="list-style-type: none"> <li>– Supply disruptions</li> <li>– Policy (e.g., carbon tax, land use restrictions, agricultural subsidy shifts, etc.) impacts on operating costs</li> <li>– Increased consumer and/or stakeholder concern on climate impacting reputation</li> </ul>	<ul style="list-style-type: none"> <li>– 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</li> <li>– <i>Generation Regeneration</i> activities to support the advancement of regenerative food systems</li> <li>– Publication of Nestlé TCFD report</li> </ul>

Principal risk	Description	Potential impact	Key mitigations
<b>Product and plastic packaging</b>	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"> <li>– Specific packaging (e.g., single-use plastic) and/or elements (e.g., straws) taxed, banned and/or delisted</li> <li>– Stigmatization of products, brands and/or categories</li> <li>– Failure to achieve growth targets, loss of market share</li> </ul>	<ul style="list-style-type: none"> <li>– Waste-free future: recyclable or reusable packaging; pioneer new packaging materials; collaborations to drive recycling penetration; educate via brand communications</li> <li>– Nestlé Institute of Packaging Sciences</li> </ul>
<b>Environmental stewardship</b>	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"> <li>– Negative effect on Nestlé's reputation and/or brands</li> <li>– Corporate fines and/or taxation on products/categories</li> <li>– License to operate challenges (e.g., access to water)</li> <li>– Litigation</li> </ul>	<ul style="list-style-type: none"> <li>– Context-based approach to water resource management</li> <li>– Commitments to improve operational efficiencies (e.g., switch to renewable energy sources, reduction in air emissions, etc.)</li> <li>– Nestlé membership on the Taskforce on Nature-related Financial Disclosures</li> </ul>
<b>Health and safety</b>	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"> <li>– Negative effect on Nestlé's reputation and/or brands</li> <li>– Penalties and/or fines</li> <li>– Litigation</li> <li>– Injuries or fatalities</li> <li>– Occupational illness or accidents</li> </ul>	<ul style="list-style-type: none"> <li>– Long-term initiatives to promote safe and healthy behaviors</li> <li>– Health and safety policies and procedures</li> <li>– Procedures in place to comply with local health and safety legislation</li> <li>– Employee Health Strategy, including #HealthyLives to build personal health, safety and well-being awareness among employees</li> <li>– Additional safety measures at site level in response to COVID-19</li> </ul>
<b>Systems, security and privacy</b>	Threat of cyber-attacks or failure of internal systems and digital networks may disrupt the reliability, security and privacy of data and/or ability to operate	<ul style="list-style-type: none"> <li>– Inability to run operational activities</li> <li>– Loss of confidential information impacting corporate reputation</li> <li>– Loss of consumer trust</li> <li>– Penalties and/or fines</li> <li>– Litigation</li> </ul>	<ul style="list-style-type: none"> <li>– Contingencies and policies in place to protect hardware and software</li> <li>– Privacy program to guard against data security threats and comply with an evolving regulatory landscape</li> </ul>
<b>Supply chain disruption</b>	Major event impacting raw material sourcing, transport, and/or internal or external manufacturing facilities (e.g., commodity shortages, strikes, sanctions, natural disasters, health outbreaks, etc.)	<ul style="list-style-type: none"> <li>– Impacts ability to ensure supply of key products including sourcing, transporting to operational facilities and distribution to customers</li> <li>– Increase in input prices and/or production and distribution costs</li> </ul>	<ul style="list-style-type: none"> <li>– Business continuity and disaster recovery plans for key sites</li> <li>– Active price risk management on key commodities</li> <li>– Local and multiple supply options</li> </ul>
<b>Strategic investment choices</b>	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"> <li>– Broader exposures for the Group</li> <li>– Acceptance of higher risk and return metrics</li> </ul>	<ul style="list-style-type: none"> <li>– Group's investment choices are aligned with our strategy and prioritized based on the potential to create value over the long term</li> </ul>

Principal risk	Description	Potential impact	Key mitigations
<b>Business transformations</b>	Failure of strategic transformations such as large scale change management projects, restructuring, mergers and acquisitions, etc.	<ul style="list-style-type: none"> <li>– Failure to realize anticipated benefits</li> <li>– Impairments</li> <li>– Low employee morale and/or engagement</li> </ul>	<ul style="list-style-type: none"> <li>– Transformations receive executive sponsorship with aligned targets and appropriate levels of resources to support successful execution</li> </ul>
<b>People engagement</b>	Failure to attract and retain skilled, talented employees in a competitive, dynamic marketplace	<ul style="list-style-type: none"> <li>– Adversely impact our corporate reputation</li> <li>– Failure to equip the workforce with the skills for the digital age</li> <li>– Failure to achieve growth and profit targets</li> </ul>	<ul style="list-style-type: none"> <li>– Initiatives in place to improve gender balance and cultural diversity</li> <li>– Development strategies to cope with the demands of a changing workforce</li> </ul>
<b>Ethics and compliance</b>	Failure to act with integrity or in a manner consistent with our purpose and values	<ul style="list-style-type: none"> <li>– Adversely impact our corporate reputation and brands</li> <li>– Penalties and/or fines</li> <li>– Litigation</li> </ul>	<ul style="list-style-type: none"> <li>– <i>Corporate Business Principles</i> and <i>Nestlé Code of Business Conduct</i> outline the Group's commitment to integrity</li> <li>– Compliance program and systems, including grievance mechanisms, in place</li> <li>– Participation in multi-stakeholder groups to promote and advocate for ethical use of data, including AI, e-commerce and digital</li> </ul>
<b>Non-financial corporate governance</b>	Failure to comply and/or meet stakeholders' expectations with regards to non-financial performance and reporting	<ul style="list-style-type: none"> <li>– Adversely impact our corporate reputation and brands</li> <li>– Penalties and/or fines</li> <li>– Litigation</li> </ul>	<ul style="list-style-type: none"> <li>– Board accountability supported by Sustainability Committee</li> <li>– Executive responsibility provided by the ESG &amp; Sustainability Council</li> <li>– Dedicated ESG Strategy and Deployment Unit</li> <li>– Alignment to relevant non-financial reporting frameworks (e.g., GRI, SASB, TCFD, etc.)</li> </ul>
<b>Macro financial factors</b>	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"> <li>– Government intervention (e.g., capital controls, price controls) impacting operations and financial performance</li> <li>– Access to capital markets</li> </ul>	<ul style="list-style-type: none"> <li>– Appropriate governance and risk mitigation measures to actively manage exposures and long-term asset and liability outlook</li> </ul>
<b>Geo-political factors</b>	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"> <li>– Reduction in consumer demand across categories and/or channels</li> <li>– Disruption to Nestlé's ability to do business in a country or region</li> <li>– Disruption to supply chain</li> </ul>	<ul style="list-style-type: none"> <li>– Monitoring and ad-hoc continuity plans to mitigate against events</li> <li>– Group-wide geographical and product category spreads represents a natural hedge</li> </ul>

# Factories

## Americas (AMS)

Argentina	6	●	●	●	●	●	●	●
Bolivia	1						●	
Brazil	12	●		●	●	●	●	●
Canada	3			●		●	●	
Chile	9	●		●	●	●	●	●
Colombia	5	●		●	●	●	●	●
Cuba	3		●					
Dominican Republic	2		●		●			
Ecuador	3	●		●	●	●	●	
Guatemala	2				●			
Mexico	11	●	●	●	●	●	●	●
Nicaragua	1	●		●				
Panama	1		●		●			
Peru	1	●		●	●	●	●	
Trinidad and Tobago	1	●		●				
United States	58	●	●	●	●	●	●	●
Uruguay	1	●						
Venezuela	5	●		●		●	●	

## Europe, Middle East and North Africa (EMENA)

Algeria	2		●	●				
Bahrain	1		●					
Belgium	1		●					
Bulgaria	1						●	
Czech Republic	3					●	●	
Denmark	1					●		
Egypt	2	●	●	●	●	●		
Finland	2				●	●		
France	15	●	●		●	●	●	●
Germany	13	●			●	●	●	●
Greece	2	●	●					
Hungary	2	●					●	●
Iran	2	●	●		●			
Ireland	1				●			
Israel	8	●			●	●	●	
Italy	7		●			●	●	●
Jordan	1		●					
Lebanon	2		●					
Morocco	1	●		●				
Netherlands	1				●			
Poland	5		●	●	●	●	●	●
Portugal	2	●		●	●			
Qatar	1		●					
Republic of Serbia	1					●		
Romania *	1							
Russia	6	●		●	●	●	●	●
Saudi Arabia	7		●					
Slovak Republic	1					●		
Spain	10	●	●	●	●	●	●	●
Sweden	1	●						
Switzerland	10	●	●		●	●	●	
Tunisia	1	●		●				
Turkey	3	●	●	●			●	
Ukraine	3	●				●	●	
United Arab Emirates	4	●	●	●	●	●	●	
United Kingdom	9	●	●	●			●	●

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

\* Idle factory

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

Asia, Oceania and sub-Saharan Africa (AOA)						
Angola	1		●			
Australia	6	●	●	●		●
Bangladesh	1	●	●	●	●	
Cameroon	1		●		●	
Côte d'Ivoire	2	●			●	
Ghana	1	●	●	●	●	
Greater China Region	23	●	●	●	●	●
India	8	●	●	●	●	●
Indonesia	3	●	●	●		
Japan	3	●	●	●		●
Kenya	1	●		●	●	
Malaysia	6	●	●	●	●	●
Myanmar	1	●				
New Zealand	2				●	●
Nigeria	3	●	●	●	●	
Pakistan	4	●	●	●		
Papua New Guinea	1	●			●	
Philippines	5	●	●	●		
Senegal	1		●		●	
Singapore	2	●		●		
South Africa	5	●	●	●	●	●
Sri Lanka	1	●	●		●	
Thailand	8	●	●	●		●
Vietnam	6	●	●	●	●	
Zimbabwe	1		●			

# Corporate Governance and Compliance

# Corporate Governance

Our 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. Our science- and consumer-driven innovations meet fast-changing consumer needs. At the same time, we use our scale, resources and expertise to create shared value for all our stakeholders.

In 2021, we set forth our plans to support and accelerate the transition to regenerative food systems to protect and restore the environment, improve the livelihoods of farmers and enhance the well-being of farming communities. This engagement ties in with our prior commitments and our company purpose to unlock the power of food to enhance quality of life for everyone, today and for generations to come.

We also continue our engagement on climate action, aiming to halve our greenhouse gas emissions by 2030 and achieve net zero by 2050. At the 2021 Annual General Meeting, our shareholders strongly supported our detailed Net Zero Roadmap.

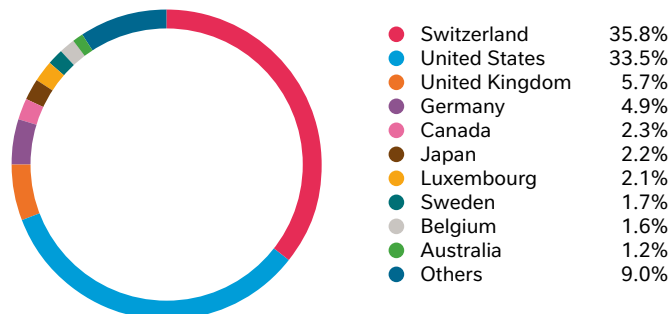
Our diverse Board of Directors is engaged to oversee the direction of our company. Since 2015, we have strengthened the Board through eleven new independent directors with diverse experience and expertise directly relevant to Nestlé, for example, with respect to food systems, food and beverage, digitalization and other topics.

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, the Middle East, North America, Switzerland, Germany, the UK, France and the Netherlands.

In 2021, our Board created a separate, dedicated Sustainability Committee to advise on all aspects of our environmental and social sustainability. In particular, the Sustainability Committee oversees our response to climate change, our human rights due diligence program, and our strategies for diversity and inclusion.

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

## Share capital distribution by geography



Our Nomination Committee, chaired by our Lead Independent Director, evaluates Board composition, performance, structure and succession planning. It assesses candidates for nomination to the Board.

Our Compensation Committee ensures alignment of our remuneration systems with our values, strategies and performance. In 2021, it implemented a set of ESG-related KPIs for the Executive Board.

Our Audit Committee oversees internal and external audit, financial reporting, internal controls, compliance and risk management. It reviews reports regarding compliance, fraud, enterprise risk management and the Group's annual risk assessment.

We recognize that for our company to be successful over time and create sustainable value for shareholders, 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, 2021

**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)

Executive Chairman, Inditex

**Renato Fassbind** (1, 2, 6)

Vice Chairman, Swiss Re AG

**Ann M. Veneman** (1, 2, 5)

Former Secretary, U.S. Department  
of Agriculture,

and Executive Director, UNICEF

**Eva Cheng** (1, 4, 6)

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.

**Kasper Rorsted** (1, 3)

CEO, adidas AG

**Dick Boer** (1, 3, 5)

Former President and CEO,

Ahold Delhaize N.V.

**Dinesh Paliwal** (1, 4)

Former President and CEO,

Harman International

Industries Inc.

**Hanne Jimenez de Mora** (1, 5)

Co-founder, a-connect group

**Lindiwe M. Sibanda** (1, 5)

Professor, University of Pretoria,

RSA

**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 2022.

(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 2021*.





Paul Bulcke



U. Mark Schneider



Henri de Castries



Pablo Isla



Renato Fassbind



Ann M. Veneman



Eva Cheng



Patrick Aebischer



Kimberly A. Ross



Kasper Rorsted



Dick Boer



Dinesh Paliwal



Hanne Jimenez de Mora



Lindiwe M. Sibanda



David P. Frick  
Secretary to the Board

# Executive Board of Nestlé S.A.

Executive Board of Nestlé S.A.  
at December 31, 2021

- 1 **U. Mark Schneider**  
Chief Executive Officer
- 2 **Laurent Freixe**  
EVP, CEO Zone Americas
- 3 **Chris Johnson**  
EVP, CEO Zone Asia, Oceania,  
sub-Saharan Africa
- 4 **Marco Settembri**  
EVP, CEO Zone Europe,  
Middle East, North Africa
- 5 **François-Xavier Roger**  
EVP, Chief Financial Officer
- 6 **Magdi Batato**  
EVP, Operations
- 7 **Stefan Palzer**  
EVP, Innovation Technology,  
Research and Development
- 8 **Béatrice Guillaume-Grabisch**  
EVP, Human Resources  
and Business Services
- 9 **Leanne Geale**  
EVP, General Counsel,  
Corporate Governance  
and Compliance
- 10 **Bernard Meunier**  
EVP, Strategic Business Units,  
Marketing and Sales
- 11 **Greg Behar**  
Deputy EVP, CEO,  
Nestlé Health Science
- 12 **Sanjay Bahadur**  
Deputy EVP, Group Strategy  
and Business Development
- 13 **David Rennie**  
Deputy EVP, Nestlé Coffee  
Brands



EVP: Executive Vice President  
CEO: Chief Executive Officer

For further information on the  
Executive Board, please refer to the  
*Corporate Governance Report 2021*.



Our R&D home for coffee innovation in Orbe, Switzerland, is where our experts develop innovative products and systems across all coffee brands.

# 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 *Nestlé 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 dedicated Corporate 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 2021, a significant increase in the number of mandatory trainings on topics such as the *Corporate Business Principles* or the *Nestlé Code of Business Conduct* was achieved. During the year more than 900 000 modules were completed.

Our IT Roadmap enables compliance through new automated tools. This facilitates an effective management of our Compliance Management System.

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. A new cycle started in 2021, with a renewed focus on human rights.

In 2021, we launched our new single reporting channel for non-compliance concerns and questions, Speak Up, which replaces the internal IRS reporting system and the external Tell Us system. This system is independently operated by a third party to ensure confidentiality. It allowed us to address 2475 concerns from employees and external stakeholders. All complaints are investigated and remedial actions taken as needed. Trend analysis enables us to focus on monitoring key risks, the quality of consequence management decisions and the 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. 133 employees had to leave our company and 6 service providers were terminated as a result of non-compliance incidents.

Our Compliance culture helps in creating sustainable value for all our stakeholders and making Nestlé a force for good.

# Shareholder information

## Stock exchange listing

At December 31, 2021, Nestlé S.A. shares are listed on the SIX Swiss Exchange, Zurich (ISIN code: CH0038863350). American Depositary Receipts (ISIN code: US6410694060) representing Nestlé S.A. shares are offered in the USA by Citibank, N.A., New York.

## Registered Offices

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As to information concerning the share register (registrations, transfers, dividends, etc.), please contact:  
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fax +41 (0)41 785 20 24  
e-mail: [shareregister@nestle.com](mailto:shareregister@nestle.com)

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](http://www.nestle.com)

## April 7, 2022

155th Annual General Meeting

## April 8, 2022

Last trading day with entitlement to dividend

## April 11, 2022

Ex-dividend date

## April 13, 2022

Payment of the dividend

## April 21, 2022

2022 three-month sales figures

## July 28, 2022

2022 half-year results

## October 19, 2022

2022 nine-month sales figures

## February 16, 2023

2022 full-year results

## April 20, 2023

156th Annual General Meeting

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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.

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