

NESTLÉ S.A.

2023 CECF CEO INVESTOR FORUM: CLIMATE ACTION

**NESTLÉ'S LONG-TERM STRATEGY:
GOOD FOR YOU, GOOD FOR THE PLANET**

PRESENTATION TRANSCRIPT

15th November, 2023

Speakers:

Mark Schneider, CEO, Nestlé S.A.

Daryl Brewster, CEO, Chief Executives for Corporate Purpose.

This transcript may have been edited for clarity, and the spoken version is the valid record. This document is subject to the same terms and conditions found at <http://www.nestle.com/info/tc>

Daryl Brewster, CEO Chief Executives for Corporate Purpose:

I'm Daryl Brewster. I'm the CEO of chief executives for corporate purpose. We heard from a number of CEOs yesterday and a few more today, sharing their sustainable, long-term business and integrated long-term business plans about how they're going to create value in this fairly crazy, some people call it VUCA world with all the volatility that's out there in geopolitical issues, cultural issues, economic issues as well.

I am really delighted to start off today's program with Mark Schneider, CEO of Nestlé, the world's largest food company.

I've spent a lot of my career in food companies. I am a former CEO myself. We always had trouble when we competed against Nestlé. But it's great to see that you have continued to drive and grow, and I was glad to have my cup of Nespresso this morning.

So with that, I'll introduce Mark Schneider to share Nestlé's sustainable business plans. A few years ago he shared his plans and it'd be great to get update on those as Nestlé looks to continue to drive sustainable value by meeting the needs of the people and the planet through its innovation and technology. Mark.

Title slide

Mark Schneider, Chief Executive Officer, Nestlé S.A.

Thank you, Daryl, for the kind introduction and to all the CECP participants it's great to be back and we appreciate your interest. As Daryl said, it's a VUCA world out there, and obviously for all of us, day to day management responding to day to day challenges is part of our daily playbook.

But over and above that we also should never lose sight of some of the longer term problems and opportunities, and bake them into our strategy. Devote enough time and energy to them to take full advantage of the opportunities offered by the future, and handle small, long term problems before they become big, long-term problems.

And that is part of the story I would like to share with you today as we focus here on the long-term strategy which we summarize with the two statements here. Good for you and good for the planet

Slide: Our business is global, balanced and diversified

Moving to the next slide. You see here, Nestlé in a nutshell. The geographic profile of our company and then also how it breaks down into our key categories, and some headline numbers like 275,000 employees, an R & D spend of about a CHF 7 bn, 23 R&D locations around the world, and almost 350 factories. So a massive company.

As you can see, the whole emphasis here on R&D, spend and R&D locations. Innovation has always been part of our lifeblood and something that we believe keeps products in the Food and Beverage industry vibrant and interesting and brings brands to their full potential. And so this is something that will come back frequently during this presentation.

Slide: Our strategy

Now in a nutshell and across all the different categories and brands that we represent, what is our strategy?

We're focusing on Food and Beverages as core. The last time I presented in 2019, we were just in the middle of focusing our strategy at the time. We still owned the Skin Health business, and we've divested that since, and now give Food and Beverages our full attention.

If you should draw a giant matrix around the world, between all these categories we serve, and the close to 190 markets we're in, there's obviously still plenty of white space that we can fill in order to grow the business. This includes Nestlé Health Science, where we want to bring nutritional health products as one additional growth platform. We've seen good success in building this business from less than a CHF 2 billion run rate in 2017 to more than CHF 6 billion now.

Some of the core aspects of the products we're looking for. Clearly, we want to serve modern, time-constrained consumers. If you cooked everything from scratch you probably wouldn't have a lot of need for Nestlé products, but you would certainly spend a lot of time in the kitchen preparing all of your meals. Our sweet spot is where we bring the convenience and the need for healthy, delicious, and convenient products together. That's essentially what we're after.

We are very much focused on differentiated premium innovations. Nespresso, one example that was mentioned by Daryl, and many others.

We're also, as part of our presence in emerging markets, very much focused on affordable high quality, nutritious products.

As I will explain later in the presentation, we also do have a very far-reaching sustainability agenda.

This is all part of our creating shared value approach to business where we believe in order to be successful long-term, businesses need to contribute to the success and sustainability of societies around them. That approach and that mindset of doing business is something that's a hallmark of Nestlé.

Slide: Key strategic directions shaping our portfolio in the 2020's

So what I'd like to focus on in particular, is these two aspects of our strategy, Good for You, where we summarize our nutritional aspirations and then Good for the Planet where, of course, this is the home for all of our sustainability goals.

Slide: Bringing tasty, balanced diets within reach for billions

So on Good for You. We've just made some announcements earlier this year. A key announcement was that we were the first global food company to rank our entire global portfolio on a public, so non-Nestlé, nutritional system. That's the Australian Government health star rating.

We're basically giving people a complete breakdown of our portfolio. You see that here in these four categories, occasional indulgence, mindful enjoyment, daily goodness and specialized nutrition.

So generally, a health star rating of 3.5 or greater, is seen as a healthy product, and then, below 3.5, you have the mindful enjoyment between 1.5 and 3.5, and the occasional indulgence those are products with a health star rating of less than 1.5.

So you see that we cover the full spectrum here. I think this is part of the Nestlé heritage where, going back to our roots, we started, on a very nutritious product, and that is infant nutrition. But we also stand for enjoyment related food categories, such as chocolate, which I know many consumers fondly remember and enjoy every day.

What we announced earlier this year is that rather than looking at the totality of food through one angle only, such as only health or only enjoyment, we really want to be committed to that full spectrum. Yes, we want to grow and increase the healthy part that is greater than 3.5 HSR. But we are also committed to the enjoyment related part, albeit under the governance of a framework which we call responsible consumption.

Responsible consumption, to me, means to always have a leading marketing-to-children policy. So for those members of society that cannot make their own, fully educated food choices here, to be sure that you don't lure them into buying a product that may not be the right for them. Along with one peer, I think we have one of the strictest standards here in the industry, and have now implemented a full 0 to 16 absence of marketing to children.

Then for everyone who can make an educated choice. It is about allowing them to do that. So front of pack guidance, portion guidance, complete transparency on what's in the product, and any helpful hint on what a healthy daily intake is. Those are things that we aspire to, and that we will roll out on a global basis over the next few years.

So we believe that this dual focus; on the one hand, making the healthy products healthier, but on the other hand staying committed to enjoyment related products, as long as they are consumed responsibly, that this is the best way to tackle this apparent contradiction between health and enjoyment and nutrition, because done right we believe it is not a contradiction. In fact, it's the reality of how most of us consume food every day.

On the right-hand side you see a particular focus of ours going forward, and that is the focus on healthy aging. So, as I mentioned earlier, the company was founded on infant nutrition products. This was in the 1860s, at a time of serious infant mortality problems around the world. Based on this significant innovation, the company grew very fast at the time.

But when you look at today's reality, birth rates around the world are in long-term secular decline. Population growth is slowing, and at some point, in the next few decades, will probably level off. But then, when you look at the demographics in most countries, clearly older strata are increasing quite significantly. These people do have a strong interest in healthy aging, they do have an interest in longer productive years and years in good health and so nutrition can make significant contributions towards that goal.

We believe that these are also consumers that have the either accumulated savings or the income to afford higher quality premiumized products. So we believe that here is a very valuable way to make a public health contribution with consumers that also have the purchasing power to drive above par growth

So clearly in different categories. Whether it's Nestlé Health Science, in our Dairy category and many others, we're trying to bring products through the market and prioritize investments that work towards healthy aging.

Slide: Enhancing supply chain resilience & consumer relevance

Now on the Good for the Planet side, we do have several key landmark initiatives. You see, three of them listed here.

So, starting from left to right, clearly our greenhouse gas reduction efforts have found wide acclaim with the investing public, with NGOs and governments around the world, and also I think, getting more and more recognition among our consumers.

We did sign up to the science-based target initiative in 2019. We presented then, at the end of 2020, a detailed roadmap on how to get to net Zero by 2050. I'll explain later that this is on a full scope three, so going all the way to the agricultural commodities. And I'll show you that while it's a very significant, challenging task, we're making very good progress towards it.

At the center of the slide packaging sustainability, in particular avoiding the spillage of plastic in the environment, that is another key landmark initiative. One core sub goal, among a number of different packaging related goals, is the 30% reduction in virgin plastics by 2025. This is compared to the 2018 baseline, and we're making good progress towards that as well.

Then supply chain, clearly the entire industry in 2010 had set out to work towards deforestation-free on the major agricultural commodities. The entire industry wanted to be there 100% by 2020. It turned out that this was a very aggressive target, and one that no one was able to meet. Along with one other company, we were able to get into the 90s by 2020. Then, rather than giving up on the rest, we also set up some additional goals here to get as close as possible to 100% at the latest by 2025. You're seeing we're already very, very close to it. Compared to some other companies that are not even publishing the percentage of deforestation free products, or that are stuck somewhere in the 20s, 30 s or 40 s, I think we have made significantly good on our promise here to become deforestation-free within a very foreseeable timeframe.

Deforestation-free is very important to me, because when you think about our net Zero target, trying to reforest and trying to do all sorts of good things down the road, while there's still a lot of damage being done to the climate on planet Earth through deforestation, to me does not make a lot of sense. It's like a hole between beneath the waterline for a ship where you may want to lose the water, but you know new water is pouring in. So absolutely driving towards deforestation-free products is one of the key baselines that's necessary in order to do something good for our climate around the world.

Slide: Delivering carbon reductions & supporting longer-term transformation

So here you see on the next slide, of what our net Zero target involves. It is on a full scope 3. So direct operations, indirect operations, and most notably the scope 3 and that's the value chain. I think this is the key difference here, and also the key question I would advise you to ask, when you see companies net Zero commitments, whether it is on a full scope 3, or whether it only includes scopes 1 and 2.

For a Food and Beverage company this is the main part of the challenge, so in our case more than 70% lies in the value chain. So clearly, if tomorrow everything we do in our direct and indirect operations was already down to Zero, we would still have essentially more of 2/3rds of the problem unsolved. Hence this is where you have to do incredibly detailed, on the ground work, and work with farmers hand in hand, work with agricultural supply companies hand in hand, to make things happen.

This is incredibly detailed work, that will take time, and that also very often on initiatives, needs lead time, and hence we left ourselves that space all the way through 2050.

Now, it's important under the science-based target initiative that you also have intermediate goals. The first intermediate goal we have is - 20% by 2025 - 50% by 2030. So you can measure and track our progress year after year. And of course, we are disclosing these numbers, and they are also reviewed by our auditors, EY.

So key initiative? it will certainly, among our various ESG initiatives, be the most expensive one. But let me say, from a societal point of view this is probably also the one that's the most defining for our times. It's not about the survival of the planet. The planet will survive. But clearly, if we don't get the climate situation under control, it's a question of how we want to live here. It's a question of how we want to cope with rising sea levels, for example, melting glaciers and a climate that becomes more and variable. So if we don't get it under control, there's just going to be a whole lot of secondary and tertiary societal costs that will burden all of us, that will make life harder. So making our contribution towards this generational goal, to me is quite important, and also one that I believe, over time, will gain more and more consumer traction and recognition

Slide: Supporting the transition to regenerative agriculture

As part of this, and as part of working with the supply chain, Regenerative agriculture has emerged as a key strategy to make this happen. So fostering biodiversity, fostering healthy soils, fostering intact water cycles and also integrating livestock into the overall agricultural

picture in a good way. All of these are ways in which farmers can contribute to lower greenhouse gas emissions.

So this is incredibly detailed work where we're dealing with 600,000 - 700,000 farmers around the world in a direct way, and trying to work with them as part of what we call the just transition. We know there's very exciting technologies out there available today to make this happen. So we don't need to wait for major developments down the road to make it happen. It's more about convincing the farmers and helping them to apply these technologies and also shoulder some of the upfront effort that it takes.

In many personal meetings with farmers on the ground, what I saw is that there's readiness to do this but obviously people don't want to lose their farms. They don't want to lose their livelihoods and so helping them through this, from a technology and financial point of view, is one of our key objectives. We call that whole process a just transition, because we found that in many commodities it takes additional sustained efforts over a number years before you then see the benefits. But then it comes back to something that is much easier on the climate, and at the same time gives the farmers the same results as before. So helping them through these difficult years is essentially part of our just transition efforts.

Slide: Strengthening brand and product differentiation via sustainability.

Now, as you can imagine as a private company for all of these efforts, we also need to find good ways to communicate this to consumers. And you're seeing here a few examples on climate action, human rights, and regenerative agriculture.

This is still a nascent area where I think, all of us as marketing companies, we're still having to learn to master a new language on how to talk to consumers, where you want to describe the problem and what the company does in very proper, factually correct way.

At the same time, you need to be short, you need to be crisp, because product packaging and media messages, all of them only have limited attention span. And you know it's about essentially getting a message across in two seconds, or at least, using the two seconds to earn the next two seconds. So you have to be crisp and to the point. And of course all of this happens under the watchful eyes of regulators and the public, who wants to be sure that there is no green washing here, and that you're staying exactly on the truth. So, between the facts, the limited attention span of consumers and the limited real estate that a product package offers, this is a key challenge, and one where I think the entire industry is learning, and our marketers are very focused on that. To make that happen.

Slide: How climate action is integrated into Nestlé long-term strategy

The climate action is integrated into our longer-term strategy in many ways because it's like R&D, one of these forward-looking expenses where you need to free up resources now. Invest them into the right areas, then allow some lead time for these actions to take effect and then, of course, communicate these efforts, in the proper way, to consumers and other constituents around the world. Then over time harvest the benefits from that, hopefully in the form of increased recognition and growth.

So done right, it becomes a flywheel, just like R&D becomes a flywheel. But of course it is one that we're still developing, and one that, as I mentioned, the language and how to communicate consumers and exactly how to measure progress in this area, all of this is still under development. Obviously a lot less established than, for example, your classic, straightforward product innovation. Yet we're very committed to it because we see it as a part of future proofing our company.

When it comes to the governance. Obviously, that's also a very interesting management question, and one that is also still taking shape. How to oversee significant investments like this in a massive global company.

You're seeing here the three major constituents that we have established. So at the Board level, we have a sustainability committee. It says here that ours was only established 2021. That is correct as a dedicated sustainability committee. Before that we already had one, but it had the additional task of nominations. We felt that sustainability in and for itself was so important that it required its own focus committee. Hence we set that up and split nominations from sustainability in 2021. I think it's been a very good move that really heightened the level of the Board debate quite a bit.

Inside the company at the level of the Executive Committee we have an ESG council where the various people that contribute to our ESG efforts come together. So this was established in 2020

As you can imagine, a strong dedicated effort requires contributions from different functions inside the company, so this could be R&D on the packaging side, it could be our operations when it comes to working with the agriculture community around the world, or it could be the marketing when it comes to communicating the benefits of all of this to our consumers.

Then we also, as part of the connection of the company to our external key opinion leaders and NGOs around the world, we have established a long time ago, in 2009, a creating shared

value council where we invite outside experts to discuss with us and basically make sure that it's not only our internal world view on sustainability matters, but that we're keeping abreast of current developments, current priorities and also have the chance to bounce some key ideas and initiatives off that group to see how it resonates, and to basically have a reality check in everything we do in this area.

Slide: A Board of Directors with diverse and relevant experience

On the board, clearly over the last years, the amount of attention, aside from the sustainability, the amount of attention that sustainability matters are getting has definitely increased. Linking that with the massive investments and the justification of these investments, I think that is an area that now gets a lot more time and effort than in the past. So, I think it's important to have a set of diverse backgrounds and skills on the board and so you see here the skill grade of our board of directors. I think it is well diversified, and it makes sure that from a skills and functional and also geographic and cultural point of view, different viewpoints come to the table, so that you end up with balanced global decisions that make sense for the entire corporation.

Slide: Consistent and dependable shareholder returns

Turning to the financial performance, I think we have always described ourselves as a patient capital compounding stock, one that delivers superior value over long periods of time through the patient art of compounding. I think this was the essence of the long-standing Nestlé model, where we're striving for very consistent mid-single digit, organic growth, and then steady modest improvements in the underlying profitability as scale advantages with growth kick in.

I think you see this in the long-term performance of the stock. The long-term commitment to a stable or rising dividend, we're one of the dividend aristocrats, with more than 25 years of consecutive dividend increases under our belt. In fact, when it comes to a stable or increasing dividend. It's been 60+ years that we've been able to meet that standard.

Then, in addition to the dividend, we also have shared significant amounts of money with our shareholders through share buybacks over the recent years. We've seen that across the full spectrum of shareholders some are quite interested in share buybacks as a way of returning cash. Others are quite interested in a dividend as a source of regular income without having to sell the underlying share. So clearly we want to be sure that both shareholder groups are happy with the way that we're sharing our returns.

Slide: Our value creation model and 2025 targets

Coming close to the end of the presentation. You see here as part of an investor day we held in Barcelona last year our value creation model key aspects and 2025 targets. You see that commitment to mid-single digit growth. An underlying trading, operating profit margin in the band of 17.5 to 18.5%.

Then also free cash flow is very important, because that trends to 12% of sales over time, and when we meet all of that we should be able to consistently deliver annual underlying earnings per share growth in the range of 6 to 10%

Capital discipline, and also a sound financial policy, when it comes to balance sheet aspects, is very important to us on the way towards that. Underlying all of that, of course, is the mindset that I described earlier, trying to create value for our shareholders, but also for the broader society around us. That's a deeply held conviction here at the company and the governance structures of the company.

Slide: Nestlé: a dependable company

That brings me to the end. So clearly, very close to the purpose of the company is this unlock of the power of food that we saw so strongly with the first modern day child nutrition, and the difference it made to people's lives. We applied that to many of our categories around the world.

Given that food and agriculture stands for such a big part of the environmental burden around the world, doing it with the least possible environmental footprint is very important to us. So protecting and enhancing the environment has been a very long-standing priority of the firm and done right we believe that this can generate significant value to our shareholders and the public at large.

And with that I'm looking forward to any questions.

Q&A Session

Daryl Brewster, CEO Chief Executives for Corporate Purpose:

Thank you, Mark. That was that was outstanding and, in a concise timeframe, put together with a very fairly complex Nestlé story of the world's biggest food company and real clarity around what you're looking to do from a consumer standpoint, from the business standpoint, as well as from a planet perspective. So, thanks for that. We have number of questions that have come in to share, some in-depth on those areas.

Question: Key sustainability priorities

You talked a lot about sustainability and how you're thinking about that across the scopes. What are your key sustainability priorities and given everything else going on? How do you ensure you don't lose focus on those?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

Yes. So it's a very important question, because as a large company with a presence in so many parts of the world, what you cannot do is simply say, here is a worthy societal goal that I simply don't cater to. I mean, that's not an option. So on the fringes, even among the less important ones. You have to be receptive. You have to listen, and you have to basically work with people and see what's important to them.

And yet, at the same time you're right. It's important not to lose focus on the real big defining initiatives where, most of the spending goes into and where clearly the company will be judged over time. So for us the Big 4 are greenhouse gas reduction. sustainable packaging, water, protecting water as a natural resource and then also human rights in everything we do, and in particular in our supply chain.

So those are the Big 4 where we know we don't want to miss, we won't delay, we want to really put in the best effort we can around the world. But over and above that you always have to have an open ear to what is important to a certain community around the world that you interface with, because otherwise you're just not seen as open and receptive to them.

Question: Keeping focus on the Big 4**Daryl Brewster, CEO, Chief Executives for Corporate Purpose:**

Great and how do you ensure the company keeps focus on those?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

Well, it's a lot of internal communications. I think also, externally, when it comes to the metrics that you pick that you report on, that helps to provide clarity. So clearly, as we started now with Ernst and Young reviewed external data, you're very selective that you pick the data points that are strong in support of these top 4 priorities. Then also you have to align some of the internal incentive systems so the part that relates to ESG is then with priority geared towards these top 4 initiatives.

Question: Aligning performance goals and sustainability priorities**Daryl Brewster, CEO Chief Executives for Corporate Purpose:**

Got it. Record, report and reward as you bring the group together. How do you align it? There's some push back about sustainability and financial metrics. How do you align those performance goals and ensure you can deliver on both/and rather than either/or?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

So, to me it's very clear that, over time, you need to have a commercial case. So with the kind of spending we're talking about here you're reaching levels where it cannot just be at the minimum, just something that you do on the side. So you need to have a good commercial framework around, it just like with any other forward looking spend, whether it's R&D or IT or digital or what have you.

It's important, then, that you allow yourself a sufficient time horizon, because in the quarter when you spend yes, every dollar you spend on this is probably a drag on current quarter earnings. But then, with a good time frame I think many of these projects can deliver the necessary returns, and clearly there are some projects that deliver very fast and others that are a bit more backloaded. And having the necessary patience but then also the milestones to be sure you're getting there, I think this is the way to build confidence inside the company, and also with our shareholders, that we're doing the right thing

Question: Communicating the sustainability agenda to consumers**Daryl Brewster, CEO Chief Executives for Corporate Purpose:**

So that portfolio approach and the milestones along the way as you go through that. You mentioned something about, how do you get the consumer to understand that sustainability agenda. Any insights that you gained in what's working and where the challenges are?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

Yes, let me say, with a good sense of humor here, every time you learn a new language, no matter whether that's French, Chinese, Japanese, or whatever, you make mistakes. And so when you do this, and when I look at some of the various efforts we had under way internally, there were some that make you simply laugh. But it's also important to approach it in a light, hearted way, because you're literally trying to do something new. In the past you were talking about how flavorful the coffee was, or how creamy the chocolate is. And now you're talking

about something new. So you need to find the right wordings for that, and at the same time you need to be very mindful of all the laws and rules that govern the space. As I explained before, it needs to be crisp, it needs to be to the point.

So this is one where, across all the categories now, we're very focused having a lot of outside engagement, watching our space very carefully to get inspired, because you can also copy with pride from others on what works and what doesn't. And so I think we're making good progress here. But I think the entire industry is coming here from basically a fast start.

Daryl Brewster, CEO, Chief Executives for Corporate Purpose:

Sure. I think we've heard that from across. We've heard that in the energy industry, we've heard it in communication, around tobacco products and others over the last few days, is just how do you get the language that resonates. Some get it, but other people have been very involved in products over time and how do you see the benefit in their eyes not just what you see from your own perspective. So very helpful.

Question: Good for You strategy and impact on portfolio

Major, focus here on Good for You. Why, Good for You? And what does that strategic direction mean for the portfolio?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

Yes, well, it's the essence of what the company is about, and that is to provide good food and beverage, and then defining in specific terms what good means, depending on what you're selling, I think is very important.

So to us, obviously, we're very committed to sustainability but first and foremost, you know, when people pick our products they pick our products because they want delicious coffee, nutritional products that are advancing their health, and other things that solve a food and beverage problem. So being focused on that, I think, is the core of what the company stands for. And, as I explained, rather than seeing it through one angle only, which would be health, let's look at the reality of how all of us eat and drink. A good way to reflect on that is just think about what you ate last week. And what did you eat because you needed to have it to survive and what did you eat because you wanted to have it. So it's very clear that there's different motivations for food and drink. Let's cover the full spectrum of that in what we offer. But for the part that is enjoyment related, for the part that is not strictly health related, let's also be

sure, as explained, that there is a proper framework around it so that we don't promote overconsumption.

Question: Healthy aging focus

Daryl Brewster, CEO, Chief Executives for Corporate Purpose:

I love that balanced approach. People want these products, be responsible to marketing, and yet put more of the emphasis, perhaps, on some of the good products.

The one thing I think we all have in common around the world is, we're all getting older. So I'd like the focus on why healthy aging? Anything else to share on that?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

Yes. So the healthy, aging side, it's very important here on the terminology. This is not what you find sometimes in the cosmetics industry, anti-ageing, which, in my view, is a bit of a shallow term and aging is a fact of life and something you can't avoid. So it's not about that we do age, no matter what we eat.

It is also not about, what you sometimes see in these extreme longevity circles, how to live to the age of 150, because while there's lots of interesting science there that science is not ready for prime time yet. So it is about making sure that nutrition supports longer, more productive years. And so this would be supporting optimal body weight, avoiding the loss of lean muscle mass, avoiding micronutrient deficiencies, assuring proper hydration and also avoiding unnecessary blood sugar spikes. So these are some examples where we believe. If we, if you follow these rules with your nutrition you will do the best you can to avoid premature aging.

Daryl Brewster, CEO, Chief Executives for Corporate Purpose:

And it's been an underestimated or under focused area within the food area, which tends to be more for younger people and younger ages. But the growth in the aging population is a great one.

Question: Interim targets in net Zero program

When you talked about your sustainability journey to net Zero you talked about interim targets. Why were they important in the way you thought about that in your program?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

Yes. And this is a very important question, as we're now facing in the next round of COP, and I don't know how some of our fellow investors feel, but in past rounds one of the frustrations I had, for my taste, there was too much haggling over what a company or government entity would be doing by 2050, 60, or 70, and let's face it, none of the decision makers that make these pronouncements will be around at that time.

As investors, we are very much used to measuring progress through intermediate milestones, and this is how you get credibility. So full transparency and you pre-declare some intermediate targets, and then you let people judge whether you're on track to meet those targets or not, That to me is the most honest way to approach a long term road. That's why, frankly, from an investor point of view, and especially on the most expensive initiative of greenhouse gas reduction, the two key questions that everyone should ask when they look at a specific company is No.1 Do they annually disclose the greenhouse gas emissions? And is that number third party reviewed yes or no? Then No. 2 Are they still on their way up or on their way down? Because that shows you whether it's talk about the future, or whether actually, there's progress happening right now. In our case, in all modesty, peak carbon is behind us. It was somewhere around 2019. We're already below our 2018 baseline, even though the company has kept growing ever since. And we're on track towards that first intermediate target of minus 20 %. So frankly, to see those near-term results towards the milestone to me is a lot more interesting than exactly what will happen between 2040, and 2050, when you have a whole lot of situations coming in, including new technology, new science and what have you. So are we doing something now? That's the key question.

Daryl Brewster, CEO, Chief Executives for Corporate Purpose:

I applaud you for kind of leading the way on that. And I think we're hearing that from more and more companies. The 2050 things, when my granddaughter Penelope is running the world is gonna be, that'll be her. What can we do now to make progress, but within the context of the longer-term goals that you all have, which is great. So yes, love to see that. And as well as the assurance as you go through that process, so we can all move on that.

Question: Climate adoption measures

Any climate adoption measures you can talk about that you're taking and how you'll scale those?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

That's the particular challenge that we have on this full scope 3, where sometimes we get the question. Look, wonderful program the climate can't wait, why not accelerate everything to 2040 or so? And if we were, let's say you're a software company, it will be very easy, because you switch to renewable electricity and a few other measures, and you're essentially done.

But then we are dealing with these very tangible agricultural commodities. And these are not made in one factory. These are made by hundreds of thousands and millions of people around the world. And literally the conditions for reducing greenhouse gas emissions, they can vary from one field to another, let alone from one continent to another, and so there is no shortcut to this patient field by field, plot by plot work, where you work out the right solution with people. Then also make it interesting to them, and financially worthwhile to them to embark on that transition and that's where we're engaging.

A good example, is, on regenerative farming, to spread out some of these very basic concepts of keeping the ground covered at all times, minimal tillage or no tillage, respecting natural water cycles, shading, intercropping. These are some of the techniques that interestingly applied to virtually all agricultural crops and so this is what we work in on the ground. It's good that we have hundreds of agronomists who can actually do that field work with the farmers, who very often just need a person to talk to. If you just tell them do it, it's not good enough. You have to hold the hand and do it with him.

Daryl Brewster, CEO, Chief Executives for Corporate Purpose:

No, I think it's great you have great progress on scope 1 and 2. Scope 3, and agriculture and food products is very difficult because there's no scale, you have scale in the other areas. This is as you say, farm by farm, and talk about being on the ground as you do that. But it's good to see that Nestlé is out there helping and supporting each of the farmers. You're asking them also to change their lives. And how can you help to communicate the way they've been doing it for years. So it's a great challenge and great to see Nestlé leading away on that.

Question: Role of technology, digitalization and AI in sustainable business plans

Final question here. We've talked about the human side. The role of technology, the digitization, we hearing a lot about AI. How is Nestlé thinking about that as you look for your sustainable business plans?

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

So definitely, AI holds a lot of promise, no matter what function and endeavor in the company you look at. I think here also, when it comes to finding these specific solutions that would work in a given environment I think this is where AI can really help us point the way. What I see, where AI is inherently superior to the human mind, is when you have lots of data inputs and where minor variations of how they relate to each other may drive the outcome. AI detects patterns and promising pathways so much faster than we would do. Then, of course, you verify what you're seeing. So it's not as if there's no human checks and balances. But when you bring it together, you have, what I call, faster and better decisions.

And this is clearly where we believe, in agronomy it's just like in so many other fields of research and development, AI will be a tremendous enabler. No question about it.

Daryl Brewster, CEO, Chief Executives for Corporate Purpose:

Mark. Thank you so much. Your communication, in a concise way, of a clear program and plan of Nestlé's purposes, how it's thinking about it's financial metrics and it's focus on driving efforts, has really been terrific. So thank you so much for your presentation, for the preparation of that, and for the progress you as Nestlé, as the world's leading food company is making. Thanks so much.

Mark Schneider, Chief Executive Officer, Nestlé S.A.:

Well, thank you. Thank you for having me again on your investor forum. I think you're advancing a very worthwhile cause, and we're super happy to contribute.

Daryl Brewster, CEO, Chief Executives for Corporate Purpose:

Many of us are in business in a short cycle world. So it's important that we balance those out here to make progress. So thank you, Mark. Cheers, thank you.

End of Transcript